

Suffolk Pension Board

(Quorum 2 – 1 member of each representative group)

Scheme Employer Representatives:

Councillor Richard Rout, representing Suffolk County Council.

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

Thomas Jarrett, representing all other employers in the Fund.

Scheme Member Representatives:

Pauline Bacon, representing the Unions.

Richard Blackwell, representing Pensioners.

Kay Davidson, representing Active Members.

Date: Wednesday, 20 March 2024

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

Time: 11:00 am

Business to be taken in public:

1. **Apologies for Absence**
To note and record any apologies for absence.
2. **Declarations of Interest and Dispensations**
To receive any declarations of interests, and the nature of that interest, in respect of any matter to be considered at this meeting.
3. **Minutes of the Previous Meeting** Pages 5-9
To approve as a correct record, the minutes of the meeting held on 6 December 2023.
4. **Pensions Administration Performance** Pages 11-14
To receive a report summarising the compliments, complaints and administration performance of the Fund.
5. **McCloud Implementation** Pages 15-18
To receive a report on the implementation of the McCloud remedy.
6. **Additional Voluntary Contribution Provider Progress** Pages 19-29
To receive an update on the progress on the implementation of the transfer of the AVC provision to Legal & General
7. **ACCESS Pool update** *No papers*
To receive a verbal update on the progress of the ACCESS pool.
8. **Management Expenses** Pages 31-38
To note the administration, governance and investment management expenses of the Fund.
9. **Risk Register** Pages 39-75
To review the Pension Board Risk Register.
10. **Information Bulletin** Pages 77-82
To receive an information bulletin on some recent developments that will be of interest to the Board.

11. **Forward Work Programme**

Pages 83-85

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: Tuesday, 23 July 2024 at 11:00 am

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Nicola Beach
Chief Executive

Minutes of the Suffolk Pension Board Meeting held on Wednesday 6 December 2023 at 11:00 am in the King Edmund Chamber, Endeavour House, Ipswich.

Present: Councillor Richard Rout (Chairman) (representing Suffolk County Council), Pauline Bacon (representing the Unions), Richard Blackwell (representing Pensioners), Ian Blofield (representing all Borough, District, Town, and Parish Councils), Kay Davidson (representing Active Members), and Thomas Jarrett (representing all other employers in the Fund).

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

22. Apologies for Absence

There were no apologies for absence.

23. Declarations of Interest and Dispensations

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

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

24. Minutes of the Previous Meeting

The minutes of the meeting held on 17 October 2023 were confirmed as a correct record and signed by the Chairman.

25. Pensions Administration Performance

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

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

In relation to the back-log tasks, members were informed that the reported numbers were decreasing, with recent figures showing below 10,000 cases.

Members were also informed that the iConnect report was now reporting correctly for the County Council, with ongoing efforts to address anomalies arising from Payroll processes. In response to a query, the Board heard that Schools Choice was exploring iConnect implementation with its payroll system iTrent, with a goal to be online in early 2024.

A member also sought advice from officers in relation to equitable benefits for widows, widowers, and cohabiting partners.

Decision: The Board noted the report.

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

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

Dispensations: There were none granted.

26. AVC Provider for the Fund

At Agenda Item 5, the Board received a report which provided information on the Committee's review of the current Additional Voluntary Contributions (AVC) providers and options for the future.

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

The Board was informed of the Committee's decision to establish a new Additional Voluntary Contribution (AVC) scheme with Legal and General. Engagement with existing members contributing to Clerical Medical AVCs and Standard Life AVCs would take place to encourage transfer to Legal and General.

Members were aware that a previous review of AVC providers in 2018 led to a decision to change provider, but market changes prevented implementation. Hymans Robertson LLP conducted research and identified Legal and General as the most credible new provider; a decision supported by the Committee.

Decision:

- a) The Board noted the review of the AVC provision for the Fund's members.
- b) The Board endorsed promoting the AVC arrangements to the Fund's members.
- c) A member additionally suggested making promotional materials on the AVC's accessible to employers.
- d) A member also requested a link be included in the Active Member Newsletter encouraging members, particularly women, to check their state pension benefits.

Reason for decision:

- a) The Pension Board represented active members in the LGPS.
- b) Members commented that AVC's presented a valuable and excellent opportunity to increase savings for individual pensions. They were also mindful that these contributions could be redeemed at any time, providing a tax-efficient means of saving and investing.

- c) Officers agreed that promotional materials could be made available to employers. It was hoped this would maintain consistency and facilitate the effective communication to employees.
- d) A member emphasised that individuals had the option to contribute to the HMRC pension scheme, pointing out that many might have missed contributions. The member specifically mentioned the impact on women, particularly those working part-time or taking time off for maternity leave. Officers agreed to include a brief sentence to encourage this, but in a way that avoided confusion with the LGPS pension scheme.

Alternative options: There were none considered.

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

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

Dispensations: There were none granted.

27. ACCESS Pool update

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

Members were informed the ACCESS Joint Committee met on Monday 4 December. The meeting included discussion of a review conducted by Barnett Waddingham, assessing how ACCESS was structured, governed, and how it delivered its commitments, with recommendations for future improvements or alternative approaches.

The pooling consultation was also addressed, which focused on the Government's desired direction for pooling for local authority pension funds. Members heard the Government's response to the consultation was published a couple of weeks ago in the autumn statement, and this prompted a need for ACCESS to contemplate both the third-party review and the Government's response in tandem. Members also heard the Government's response following the consultation was to ignore the overwhelming opposition for some of the proposals and carry on regardless.

The Board was informed that the Government's response to the consultation included a directive for all active and illiquid assets to be pooled by March 2025. Despite practical challenges to this particularly for the illiquid assets, the Government was contemplating issuing guidance on this. Additionally, there was a proposed 10% allocation to private equity, a suggestion met with significant opposition in the consultation responses. The Government planned to mandate this 10% allocation, requiring each fund to include it in their investment strategy statement, or to state why not within the investment strategy statement if this was not met. Furthermore, the Government expected 5% of funds to be directed towards levelling up activities, despite strong opposition in the consultation, and intended to make it a requirement in investment strategy statements, again allowing for an explanation if not adhered to.

Members heard the Government, having set boundaries in 2016 for pooling establishment, now expressed a preference for a specific model, distinct from

ACCESS's approach. The exact details of this preferred model were yet to be disclosed, but the Government intended to include it in forthcoming updated guidance; the timeline for implementation remained uncertain. The Head of Pensions noted that this was crucial because in March, a new procurement for ACCESS's operator contract would be started, initially planned as a five-year term with a possible five-year extension. If the pooling model was set to change during this period, it required consideration before March. A number of pension funds believed the Government's approach was incorrect, particularly in terms of fiduciary duties, which were viewed as a key responsibility for individual pension funds. There was a likelihood that challenges to the Government on this fiduciary duty point might arise. Discussions also included whether the Government would compensate Funds should investment in private equity and levelling-up prove unsuccessful. Both the third-party review and the pooling consultation would be discussed again at the Joint Committee's March 2024 meeting.

Members were notified that a new communications provider for ACCESS had been selected, and the announcement would be made in the upcoming weeks.

Regarding the alternative investments, specifically infrastructure, members were informed 10% of the Suffolk Pension Fund was invested in this sector, with 6% allocated to JP Morgan. ACCESS had commissioned advice on existing infrastructure open ended Funds and the JP Morgan Fund was considered an appropriate investment going forward as part of the ACCESS infrastructure offering. The Joint Committee therefore decided to treat JP Morgan investments as pool-aligned assets for the ACCESS infrastructure offering. Consequently, Suffolk's pooled assets now sat at approximately 76%.

A member noted the issue of new government guidance seemed potentially significant, and asked when the appropriate time would be to incorporate that into the risk register. Officers confirmed the ACCESS risk register was discussed as the final agenda item on Monday. It focused on assessing the risk of the pooling consultation impacting ACCESS's operations. This assessment was expected to be reflected in Pension Fund Committee's risk register and could also be referenced in the Board's risk register when it was revisited in March 2024.

Decision: The Board noted the update.

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

Alternative options: There were none considered.

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

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

Dispensations: There were none granted.

28. Annual Report and Accounts 2022/23

At Agenda Item 7, the Board received a report which provided members with a copy of the Annual Report and Accounts of the Suffolk Pension Fund which was approved for publishing by the Pension Fund Committee.

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

Discussion included the Fund becoming a signatory to the UK Stewardship Code, whether improvements could be made to the Administration of the Fund which achieved reasonable assurance as part of the annual audit, and the fluctuations in the market value of investments which should not be a significant concern, given that the investments were held for the long term. It was noted exceptional events such as COVID and the war in Ukraine had affected the Fund's performance which had been slightly negative in the 2022/23 fiscal year.

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

Reason for decision: Members were aware 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.

The Board received information about the Annual Report and Accounts of the Fund to fulfil its remit to secure the effective and efficient governance and administration of the Suffolk Pension Fund.

Alternative options: There were none considered.

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

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

Dispensations: There were none granted.

29. Information Bulletin

The Board noted the Information Bulletin at Agenda Item 8.

30. Forward Work Programme

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

Decision: The Board approved its Forward Work Programme as published.

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

The meeting closed at 12:30 pm.

Chairman

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Suffolk Pension Board

Report Title:	Pensions Administration Performance
Meeting Date:	20 March 2024
Lead Councillor(s):	Councillor Richard Rout
Director:	Stephen Meah-Sims, Executive Director of Corporate Services
Assistant Director or Head of Service:	Louise Aynsley, Chief Financial Officer (S151 Officer)
Author:	Stuart Potter, Pensions Operations Manager <i>Telephone: 01473 260295 Email: Stuart.potter@suffolk.gov.uk</i>

Brief summary of report

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

Action recommended

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

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

Alternative options

4. There are no alternative options.

Main body of report

Introduction

5. This report covers staff performance and team achievements since the previous Board meeting on 6 December 2023.

Service Level Agreements

6. The Service Level Agreements for our 'key' processes for November 2023 to January 2024 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 **209** percentage completed in SLA **100%**

- b) Estimates are issued to members or employers within 10 working days of receipt of all information – Total cases **81**, percentage completed in SLA **100%**
- c) Retiring employees are notified of their options within 5 working days of receipt of all information – Total cases **484**, percentage completed in SLA **100%**
- d) Retirement lump sums will be paid within 10 working days of receipt of all necessary information after retirement – Total cases **370**, percentage completed in SLA **100%**
- e) Notification of survivor benefits will be issued within 10 working days of receipt of all information – Total cases **82**, 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 **84** percentage completed in SLA **100%**

I-Connect Implementation

- 7. The team are continuing to check the output of the County Council's payroll development team (Mastek) who are trying to develop a working I-Connect extract. Mastek have been having continuous issues with reporting member's pensionable pay correctly for all members. As pensionable pay is directly used to calculate member benefits it is vital that it is correct. Mastek have now begun to perform reconciliations themselves before providing data to check. This has revealed some possible issues with the way that pensionable pay is being recorded in the County Council's payroll system which may require some amendments.
- 8. In the meantime, I-Connect continues to be rolled out to other employers, with two further employers onboarded, and another 4 in the process of onboarding.

End of year processing

- 9. The team are still reviewing the data for employers who use the County Council's payroll system, back to the 21/22 year. It is expected that this will be complete before the 23/24 end of year process begins in April. Where appropriate the team will be updating records and issuing revised annual benefit statements to relevant members.

Backlog Tasks

- 10. The ongoing work to clear the historic backlog in this area has been continuing. As the Board is aware work commenced in February 2020 to do this.
- 11. Around 75% of the historic original cases have now been completed, leaving around 4,000 of the original cases outstanding. As previously covered the total numbers of undecided leavers is constantly changing as current members leave the scheme.
- 12. In February 2024 a review of the cases that need actioning was held and the focus of the team will continue on the original cases working from the oldest members (as they are nearest pension age) first. The team have worked through all the cases at or around pension age and are now working on those individuals aged 61.

13. It should be highlighted that some individuals have not responded to correspondence or have moved from their previous address so where needed the team have used the DWP tracing service. However, in some cases it has not been possible to contact individuals so at this stage they will remain as undecided leavers and reviewed again at a future date.
14. It was identified during the review that the team were not able to keep on top of all the new undecided leavers that were being created alongside business as usual and the backlog work. However, having reviewed the daily task lists and the undecided leavers the team have added into the daily process a quick review of each of these cases. Now, if it is a straightforward preserved benefit calculation or offer of a refund of contributions, these cases are being completed at the time.
15. This means that the only undecided leaver cases being left are those that are more time consuming and these will be reviewed and picked up further down the line. It should be noted that quite often these cases can turn into new combining cases when individuals commence new employment, in which case the action on undecided leavers is not required.
16. This current plan should enable the total numbers of undecided leavers to steadily decrease further in addition to continuing to clear the older cases. Reviews will continue to take place quarterly to ensure that the plan of action is working effectively, and adjustments will be made where necessary.
17. At the previous Board meeting it was reported that the total number of undecided leavers was around 10,150.
18. The total number of undecided leavers has now reduced to just under 9,000.
19. It should be noted that the numbers will increase slightly due to the end of financial year processing, as they did last year with the updated employer information. An updated number will be provided to the Board during the next meeting.

Newsletters

20. The winter edition of the Active Member newsletter, published twice a year, has been written and communicated. All members registered on Member Self Service have been sent a personal copy. This edition included a first article from Kay Davidson in her new role as active member representative on the Board.

Compliments and Complaints

21. During this reporting period since the previous Board meeting there have been three compliments above and beyond the usual thanks received for the service we provide.
22. Two of these compliments were received via e-mail thanking the team after the members had been helped with their situations. The first compliment stated 'May I say how very impressed I've been over the years by the efficiency and prudence of the staff and Councillors, fund management, including sorting out my own exit plans. Please thank everyone on my behalf'. The second compliment stated 'thank you and the team for all your hard work in providing the necessary information that enabled me to take the best decision for myself and my family. Your help is very much appreciated'.
23. The third compliment was from a member who had been helped understand their pension situation fully on a telephone call made by the team after noting the

members comments on an e-mail. The member was ‘very grateful for the call to put her mind at rest regarding her pension records while she was away and appreciated the time to go through her three records, so she understood the options available to her.’

24. During this period there has been one complaint received. This complaint was from a member who was unhappy with the length of time taken to resolve their AVC fund with Standard Life. There have been delays caused by administrations both within the pensions team and Standard Life, and from the member, and currently the team are working to resolve the situation to get funds into payment before finalising the complaint response. This will be reported back on in the next Board meeting.
25. During this period there has been one IDR (Internal Dispute Resolution Process) complaint. This is in relation to a member who historically left the scheme in 2001 and has stated she didn’t opt out of the scheme and her employer incorrectly took her out of it and would like the situation resolved to make up her pension contributions from then until 2022.
26. The stage 1 decision upheld the complaint but stated that the employer has said there are limitations on the time period for which this breach of statutory duty should be rectified. The employer has agreed to backdated contributions from the member and the employer for a period of 6 years before 2022 when the member rejoined the scheme.
27. The case has since progressed to stage 2 with the member not satisfied that time limitations apply and is requesting contributions are backdated to 2001.
28. The outcome of this case will be reported back to the Board in the next meeting.
29. This report will be ongoing in all future Board meetings and will be developed in accordance with the requirements of the Board.

Contribution payments

30. The administration strategy requires contributions from employers to be received by the Pension Fund within 5 working days of the month end in which the contributions were deducted. The table below summarises the timeliness of receipts received during 2023/24 quarter 2 and 3:

	Quarter 2			Quarter 3		
	Employer	Contributions		Employer	Contributions	
	%	£'m	%	%	£'m	%
On Time	86	30.773	95.1	86	34.006	90.8
Up to 1 week late	5	1.012	3.1	5	3.168	8.4
Over 1 week late	9	0.594	1.8	9	0.270	0.8
Total		32.379			37.444	

Sources of further information

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

Suffolk Pension Board

Report Title:	McCloud Implementation
Meeting Date:	20 March 2024
Lead Councillor(s):	Councillor Richard Rout
Director:	Stephen Meah-Sims, Executive Director of Corporate Services
Assistant Director or Head of Service:	Louise Aynsley, Chief Financial Officer (S151 Officer)
Author:	Stuart Potter, Pensions Operations Manager <i>Telephone: 01473 260295 Email: Stuart.potter@suffolk.gov.uk</i>

Brief summary of report

1. This report provides the Pension Board with an update on the administration progress on the McCloud project following the new legislation that came into force on 1 October 2023.

Action recommended

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

3. To provide the Board with the updated administration of the McCloud legislation.

Alternative options

4. There are no alternative options.

Main body of report

Introduction

5. This report covers the pensions administration teams progress in the administration of the McCloud legislation introduced in October 2023.

Background

6. When the UK Government introduced reforms to public sector pension schemes in 2014 and 2015, they included protections for older scheme members (the underpin).
7. In December 2018 the Court of Appeal ruled that younger members of the Judges and Firefighters Pension schemes were discriminated against because the protections did not apply to them.
8. On 1 April 2014 the LGPS changed from being a final salary scheme to a Career Average Revalued Earnings (CARE) scheme. Originally the underpin protections were brought in to ensure that older scheme members who were approaching

retirement wouldn't be negatively impacted by the changes. The pension that these members built up in the CARE scheme between 1 April 2014 and 31 March 2022 (or their final salary normal pension age, if earlier) was compared to the pension they would have accrued in the final salary scheme if it hadn't closed, and if the final salary pension would have been higher, their CARE pensions were enhanced.

9. From 1 October 2023 the underpin has been expanded to include younger scheme members too.
10. The changes may affect members who:-
 - were paying into the LGPS, or another public sector pension scheme, before 1 April 2012
 - were also paying into the LGPS at any point between 1 April 2014 and 31 March 2022
 - have been a member of a public sector pension scheme without a continuous break of more than 5 years
11. The Pensions Administration Management team have been meeting fortnightly to review requirements, update on progress and agree on the next steps.

Current Priorities

12. The main focus over the last couple of months has been to test the system upgrades provided by the software supplier which will enable the pensions team to check the underpin calculation while processing current retirements.
13. This piece of work was the most important as it ensures the system is handling calculations as expected in line with this legislation, and will ensure once applied to these cases that the work needed to be completed in relation to this legislation is not continuing to increase.
14. Once the testing has been completed this will enable the team to process upcoming cases manually. We aim to go live by 18 March 2024.
15. There are still bulk updates that need to be processed to ensure that the underpin calculation can be applied to all cases. This involves checking and updating service history for all members in scope.
16. The team also require information from employers in relation to affected members to ensure that this is held where possible at the time someone retires. Discussions were held around how best to obtain this and an agreement has been made to request this data in bulk now to ensure the information is obtained and held on record. As time passes it is recognised that payroll providers are less likely to hold the information that is required. While a decision could still be made by the pensions team using the data currently held, the team would like to have as much accurate data as possible as this ensures the most accurate and fair calculations for the scheme members.
17. The team have also undertaken a piece of work to identify the numbers of members in the various categories.

Numbers of affected members and priorities

18. There are roughly 16,000 affected members.

They have been split into priority groups:

Group 1: New cases/calculations where final benefit entitlements are being calculated.

Group 2: Previously processed cases where:

- a) There are ongoing payments.
- b) There have been payments, but no ongoing payments.
- c) There have not yet been payments, but final underpin amounts can be calculated.

Group 3: Active members not yet retiring.

19. The number of affected members (and estimated manual recalculation cases) is set out below.

		Cases to be revisited	Estimated Manual Recalcs
Group 1	New Cases		
	Retirements on or after 1 October 2023	169	20
	Deaths on or after 1 October 2023	18	2
	Deferred on or after 1 October 2023	30	3
	Transfers out processed on or after 1 October 2023	5	1
	Trivial commutation (compounding) from 1 Oct where calc date is before 1 Oct 2023	0	0
	Uplifts of Tier 3 to Tier 2 where Tier 3 was pre 1 October and uplift is post 1 October 2023	Not available – expected be less than 10	
Group 2	Retrospective		Estimated Manual Recalcs
		In Scope	
	a) Retirements before 1 October 2023	4,600	337
	a) Deaths before 1 October 2023 with survivor benefits	175	18
b) Trivial commutation (pension paid as a compounded lump sum)	1	0/1	

Group 2	Retrospective	In Scope	Estimated Manual Recalcs
	Deaths where there is no longer ongoing		
	b) survivor benefits	145	15
	b) Transfers out + Interfunds	175	18
			N/A - bulk updates needed
	c) Deferred members	4,766	N/A 282 Final Salary calcs needed.
	Members who have reached age 65 but not yet retired – will need final salary calcs as at		
	c) age 65	282	
Group 3	All other members		
	Actives under age 65	5,656	

Future priorities

20. Agree on the plan of action for tackling Groups 2 and 3.
21. Update our letters and communications where necessary with the information needed in relation to McCloud. This includes marking individual records so that this flags up on any Annual Benefit Statement.
22. Continue to communicate about McCloud through the various newsletters and communications issued by the Pensions team.
23. It is important to remember that no member needs to contact us regarding this legislation change. Any member that qualifies for the expanded underpin protections will have these automatically applied regardless of their current member status.
24. The Board will continue to be updated on progress during future Board meetings.

Sources of further information

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

Suffolk Pension Board

Report Title:	Additional Voluntary Contribution Provider Progress
Meeting Date:	20 March 2024
Lead Councillor(s):	Councillor Richard Rout
Director:	Stephen Meah-Sims, Executive Director of Corporate Services
Assistant Director or Head of Service:	Louise Aynsley, Chief Financial Officer (S151 Officer)
Author:	Sharon Tan, Lead Accountant (Pensions) Tel. 01473 265636 Email: Sharon.tan@suffolk.gov.uk

Brief summary of the item to be considered

1. This report updates the Pension Board on the progress that the Pension Fund officers have made on implementing Legal & General as the Fund's Additional Voluntary Contributions (AVC) provider.

Action recommended

- | |
|--|
| <ol style="list-style-type: none"> 2. The Board is asked to note the progress on setting up Legal & General as the AVC provider for the Fund. |
|--|

Reason for recommendation

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

Alternative options

4. There are no alternative options.

Who will be affected by this decision

5. All employers in the Pension Fund.

Main body of report

Background

6. A review of the current Additional Voluntary Contribution provision was carried out by Hymans Robertson and presented to the Pension Fund Committee at its meeting on 28 November 2023. The Committee approved the appointment of Legal & General as the Fund's new AVC provider.
7. The Pension Board received the Pension Fund Committee report at its meeting on 6 December 2023.

Implementation Plan

8. The Pension Fund officers have been liaising with Legal & General and Hymans Robertson to agree a project plan and key milestones. The Legal & General provision is set to be available from 1 April 2024 with the transfer of assets from the old schemes to be completed by mid-June.
9. Since the December Committee meeting the following have been completed:
 - a) The Scheme design has been finalised.
 - b) Employers in the Fund that have an AVC member, whether active or deferred, have been notified of the change of provider.
 - c) Current and deferred AVC holders have been written to advising them of the new scheme with Legal & General and have been given the option to opt out of the transfer. They have until 29 February 2024 to notify the Fund if they wish to do so.
 - d) Hymans Robertson have provided a recommended range of investment options for the members to choose from.
 - e) Legal & General have set up the online portal that will facilitate the administration of the AVC provision.
 - f) Letters have been sent to Standard Life, Clerical Medical and Utmost about the transfer and receipt of the current investments held by the members.
 - g) Legal & General have contacted the employers to arrange access to the online portal.

The Pension Fund Committee have approved a range of investments recommended by Hymans Robertson for members to invest in.

10. To complete the project, the activities below will commence in March:
 - a) Legal & General will provide training to the Employers on how to submit contribution payments.
 - b) Legal & General will provide training and guidance to the administration team on the administration of the Fund.
 - c) The administration team will need to update the Pension system for those members who are transferring to Legal & General.
 - d) The Pension Fund will write out to all members who are transferring to Legal & General advising them of the investment option their current investment has been mapped to. Members can request a different investment option if they prefer or can still opt out of the transfer.
 - e) Transfer of assets and purchase of new investment units.

Investment Options

11. Legal & General have a vast range of investment options which many members feel daunting to choose from and it was recommended that the Fund narrows this down to a broad range of options that should meet the members investment requirements.
12. In addition, it is recommended that there should be a broad default option for members who do not wish to make an investment choice.

13. Hymans Robertson recommended an appropriate fund range which is detailed in **Appendix 1** which the Committee approved at its meeting on 29 February 2024.

Conclusion

14. A review of the current Additional Voluntary Contribution provision was carried out by Hymans Robertson and presented to the Pension Fund Committee at its meeting on 28 November 2023.
15. The Committee approved the appointment of Legal & General as the Fund's new AVC provider.
16. The Pension Fund officers have been liaising with Legal & General and Hymans Robertson to agree a project plan and key milestones. The Legal & General provision is set to be available from 1 April 2024 with the transfer of assets from the old schemes to be completed by mid-June.
17. Legal & General have a vast range of investment options which many members feel daunting to choose from and it is recommended that the Fund narrows this down to a broad range of options that should meet the members investment requirements. In addition, it was recommended that there should be a broad default option for members who do not wish to make an investment choice.
18. The recommended fund range is attached as **Appendix 1**. The Committee have approved these funds as part of the Legal & General AVC provision to the Suffolk Pension Fund.
19. The Board is asked to note the progress on setting up Legal & General as the AVC provider for the Fund.

Sources of further information

- | |
|---|
| a) Board Agenda Item 5 – AVC Review Report – 6 December 2023. |
|---|

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Legal & General LGPS AVC fund range

Introduction

This paper is addressed to the Officers and Pensions Committee of the Suffolk Pension Fund (“the Fund”).

It recommends which Legal & General’s (“L&G”) LGPS AVC investment options the Fund should offer its members.

We will provide advice on the transfer of members’ accumulated AVCs (including whether any members should remain with the present providers) once we can conduct further analysis of the AVC membership.

Summary of our recommendations

- A default investment option will make it easier for members to save more for their retirement;
- The default should be L&G’s range of Target Date Funds aimed at members taking their savings as a cash lump sum at or near retirement, which should meet the needs of a majority of members; and
- The self-select investment options should complement the default, covering the main types of funds to meet the needs of a wider number of members, but not be too unwieldy for members to use.

Fund range structure

Default

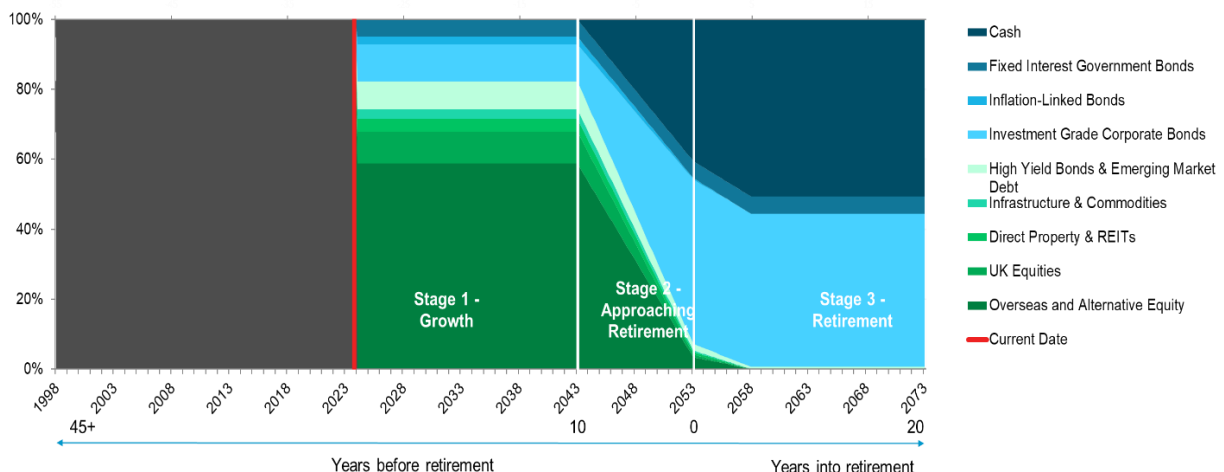
We believe that it is important to offer a default investment option for members who want to save for their retirement, but do not want to make investment choices.

We recommend that the default option is L&G’s Cash Target Date Funds.

L&G’s range of Cash Target Date Funds for AVCs is aimed at members who are likely to take their savings as a cash lump sum on or around their chosen pension age. Members would be invested in the 5-year cohort/vintage (2025-2030, 2030- 2034 etc.) Target Date Fund coinciding with their normal or chosen pension age.

Like lifestyle strategies, Target Date Funds gradually move members from higher risk/return to more cautiously invested funds as they approach retirement then, in the last few years before retirement, moving to a mix of assets aligned with members’ likely benefit choices at retirement. Whereas the fund changes in lifestyle strategies are an administrative process, the changes in asset allocation are carried out within each Target Date Fund.

For example, for the 2050 to 2055 cohort:



Source: L&G

Target Date Funds offer several advantages over lifestyle strategies as members' AVCs stay in the same fund all the time. For instance, being well-diversified and able to adjust the strategy to reflect changing market conditions.

L&G's Cash Target Date Funds are a variant of their flagship Target Date Funds default for its £20bn master trust, benefiting from its scale. For example, an allocation to a diverse range of private market investments is planned for later this year in keeping with L&G's commitments under the Mansion House Agreement.

We rate L&G's Target Date Funds highly.

Self-select funds

For members wanting to choose where their AVCs are invested, L&G have developed with our input a core LGPS range of funds which covers the main asset classes and investment approaches.

We have also agreed with L&G a supplementary selection of more specialised funds, for instance where it's felt important to replicate some aspects of the existing AVC investment options.

ESG Integration

We have focused on L&G funds with clear ESG and climate change aware investing approaches. These are typically 0.03% p.a. more expensive than L&G's equivalent non-ESG funds, but we believe they will generally give more a more sustainable balance of risk and return over the longer-term.

We rate positively the responsible investment approach of L&G's Future World funds. All L&G's in-house funds are also covered by its "climate pledge" including active engagement with investee companies.

Charges

L&G's charges have two components:

- The Fund Management Charge ("FMC") in respect of the investment management – the FMC for each fund is the same for all schemes – **the FMC for the Cash Target Date Funds is 0.15% p.a.; plus**
- The Annual Management Charge ("AMC") in respect of L&G's operation of the AVC arrangement – the AMC varies from scheme to scheme - **L&G have quoted an AMC for the Fund's AVCs of 0.37% p.a.**

L&G's quotation was based on the AVC member data provided by the Fund in October 2023; and assumes:

- All future AVCs are redirected to L&G;
- Most unit-linked funds are transferred to L&G; and
- A provisional estimate of 20% of the With Profits Fund is also transferred.

Members may also bear the costs, which are implicit in the funds' unit prices of:

- Transaction costs when the fund managers' buy and sell a fund's underlying assets; and
- Switching funds may incur the bid/offer spread from selling and buying units in the underlying funds.

Fund range

Legal & General

The overall LGPS AVC fund range and charges are:

L&G Fund	Asset class/approach	FMC % p.a.	AMC % p.a.	Total % p.a.
Default				
Cash Target Date Funds	Multi-asset, each varying over time	0.15	0.37	0.52
Self-select				
Future World	Global equities with ESG tilt	0.24	0.37	0.61
Future World Developed ex UK Equity Index	Overseas equities with ESG tilt	0.15	0.37	0.52
HSBC Islamic Global Equity Index	Sharia compliant global equity	0.35	0.37	0.72
Ethical Global Equity	Global equity tracks FTSE4Good index	0.30	0.37	0.67
Fossil Fuel Free Climate Equity Index	Global equities excluding fossil fuels	0.20	0.37	0.57
Future World Emerging Markets	Emerging market equity with ESG tilt	0.28	0.37	0.65
Future World UK Equity Index	UK equity with ESG tilt	0.13	0.37	0.50
Future World Multi-Asset	Multi-asset with ESG tilt	0.16	0.37	0.53
Retirement Income Multi-Asset	Cautious multi-asset	0.33	0.37	0.70
Future World Corporate Bond	Global corporate bonds with ESG tilt	0.15	0.37	0.52
Fixed Interest	Actively managed bonds	0.09	0.37	0.46
Over 5-year Index Linked Gilt Index	Index-linked Gilts	0.08	0.37	0.45
Future World Annuity Aware	Long-dated bonds with ESG tilt	0.12	0.37	0.49
Cash	Deposits	0.09	0.37	0.46
Supplementary				
MFS Meridien Global Equity	Actively managed global equity	0.71	0.37	1.08
Baillie Gifford Global Impact	Actively managed, impact investing, global equity	0.53	0.37	0.90
FTSE Global Developed Small Cap Index	Global small cap equity	0.22	0.37	0.59
Dynamic Diversified	Actively managed multi-asset	0.53	0.37	0.90
Sustainable Property	Commercial Property with ESG	1.16 *	0.37	1.53
M&G All-stocks Corporate Bond	Actively managed UK corporate bonds	0.36	0.37	0.73
Global Equity Market Weights (30:70) Index Fund 75% GBP Currency Hedged	Passively managed global equities without ESG	0.14	0.37	0.51

Source: L&G, L&G's Future World funds are predominantly passively managed. * Includes the costs of holding and running property assets over and above the fund's Total Expense Ratio.

Membership

Provider	Members	AVC value £
Clerical Medical	65	1,072,839
Standard Life	86	1,036,972
Utmost (ex-Equitable)	27	33,084
Total	178	2,142,895

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

Demographics

Provider	Age range	Average age
Clerical Medical	37 to 66	58
Standard Life	37 to 73	59
Utmost	50 to 56	57
Total	37 to 73	58

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

The age distribution of members aligns closely with that of other local authorities, although with a smaller proportion of younger AVC payers.

Total values as at July 2023:

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

The five largest investment options as at July 2023 were:

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

Sources; Standard Life and Clerical Medical. At present we do not have a fund breakdown for Utmost.

Looking across the current AVC member demographic and fund usage, we believe that L&G's core LGPS AVC fund range will meet the investment needs for most members' AVCs. However, you may feel that some members would want to see one or two funds from the supplementary range.

We recommend that L&G's core self-select range for LGPS AVCs is offered to members.

The charges for the current investment options with Standard Life, Clerical Medical and Utmost are shown in the appendix.

Next steps

We would be happy to discuss this paper with you;

We will produce our investment advice on the transfer of existing AVC assets to L&G, including whether there are any members where it may be in their best interests to remain with the existing AVC providers; and

The chosen funds and charges would be put in the member communications.

Prepared by:-

Gary Mallon – Senior DC Investment Consultant

With assistance from Brenda Kite – DC Platform Solutions Lead

For and on behalf of Hymans Robertson LLP

February 2024

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A list of members of Hymans Robertson LLP is available for inspection at One London Wall, London EC2Y 5EA, the firm's registered office.

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

General Risk Warning

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

Appendix – Existing AVC funds and charges

Fund range

Standard Life

Fund	TER % p.a. *
Standard Life Managed Pension Fund	0.54%
Standard Life At Retirement (Multi Asset Universal) Pension Fund	0.56%
Standard Life Future Advantage 2 Pension Fund (renamed from Standard Life Sustainable Focus 2 Pension Fund)	0.52%
Standard Life Multi Asset Managed (20-60% Shares) Pension Fund	0.54%
Standard Life Sustainable Multi Asset (PP) Pension Fund	0.51%
Standard Life North American Equity Pension Fund	0.53%
Standard Life Deposit and Treasury Pension Fund	0.53%
Standard Life Sustainable Multi Asset Growth Pension Fund	0.51%
Standard Life Global Equity 50:50 Pension Fund	0.53%

Source: Standard Life, includes funds used in lifestyle options. As of July 2023. * TER = Total Expense Ratio

Clerical Medical

Fund
Balanced Lifestyle
Cautious Lifestyle
International Growth
UK Growth Lifestyle
World (ex-UK) Equity
UK Equity
Corporate Bond All Stocks
Balanced Pension
Non-Equity Lifestyle
Adventurous

The core Clerical Medical funds have a charge of 0.50% p.a. The funds are “clean-priced” such that the Annual Management Charge is equal to the funds’ Total Expense Ratio.

Utmost

We have shown all Utmost’s AVC funds pending more data.

Utmost’s three multi-asset funds, used in their default lifestyle option:

Fund	Charge % p.a.
Multi-Asset Growth	0.75
Multi-Asset Moderate	0.75
Multi-Asset Cautious	0.75

Utmost also offer a choice of 10 unit-linked funds investing in a basic range of asset types:

Fund	Charge % p.a.	Fund	Charge % p.a.
Money Market	0.50	UK Equity	0.75
UK Government Bond	0.50	Asia Pacific Equity	0.75
Sterling Corporate Bond	0.75	European Equity	0.75
Managed	0.75	US Equity	0.75
UK FTSE All-Share Tracker	0.50	Global Equity	0.75

Source: Utmost

Lifestyle options

Standard Life

Of the nine lifestyle options used with Standard Life, a large proportion of the AVC assets are invested in the Balanced Managed 1 Universal Lifestyle Profile. This lifestyle option targets income drawdown during retirement, whereas most LGPS AVC members tend to take their AVCs as a cash lump sum at retirement.

Clerical Medical

Clerical Medical offer lifestyle strategies, but these target members spending 75% of their savings on buying an annuity and taking 25% as a cash sum.

Utmost

Utmost offers single lifestyle strategy, which targets annuity drawdown which is not ideal for members taking cash at retirement.

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Suffolk Pension Board

Report Title:	Management Expenses
Meeting Date:	20 March 2024
Lead Councillor(s):	Councillor Richard Rout
Director:	Stephen Meah-Sims, Executive Director of Corporate Services
Assistant Director or Head of Service:	Louise Aynsley, Chief Financial Officer (S151 Officer)
Author:	Sharon Tan, Lead Accountant (Pensions) Tel. 01473 265636 Email: Sharon.tan@suffolk.gov.uk

Brief summary of the item to be considered

1. This report sets out the proposed management expenses for the Pension Fund as presented to the Pension Fund Committee at its meeting on 29 February 2024.

Action recommended

- | |
|--|
| 2. To consider the information provided in the report. |
|--|

Reason for recommendation

3. The costs incurred by the Pension Fund in managing the Fund are related to administration, investment management and governance costs. Some of the costs are incurred by Suffolk County Council as administering authority of the Pension Fund.
4. The Pension Board is required to ensure effective and efficient governance of the Suffolk Pension Fund

Alternative options

5. There are no alternative options.

Who will be affected by this decision

6. All employers in the Pension Fund.

Main body of report

7. This report sets out the proposed administration and governance expenses for 2024/25 and estimated administration, investment management and governance costs for 2023/24 for the Pension Fund as presented to the Pension Fund Committee at its meeting on 29 February 2024. This is attached as **Appendix 1**.

Conclusion

8. The Board is asked to consider the information provided in the report.

Sources of further information

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

Suffolk Pension Fund Committee

Report Title:	Administration and Management Expenses 2023/24 and 2024/25
Meeting Date:	29 February 2024
Lead Councillor(s):	Councillor Karen Soons
Local Councillor(s):	All Councillors
Director:	Stephen Meah-Sims, Deputy Chief Executive and Executive Director of Corporate Services
Assistant Director or Head of Service:	Louise Aynsley, Chief Financial Officer (S151 Officer)
Author:	Paul Finbow, Head of Pensions, Tel. 01473 265288

Brief summary of the item to be considered

1. This report sets out the proposed administration and management expenses for the Pension Fund.

Action recommended

- | |
|---|
| 2. The Committee is asked to approve the administration budget for 2024/25. |
|---|

Reason for recommendation

3. The costs incurred by the Pension Fund in managing the Fund are related to administration, investment management, and governance costs. Some of the costs are incurred by Suffolk County Council as administering authority of the Pension Fund.

Alternative options

4. There are no alternative options.

Who will be affected by this decision?

5. The employers of the Fund will be affected if the costs incurred in managing the Fund's activities are not appropriately managed.

Main body of report

Administration Expenses

6. Administrative expenses (shown overleaf) consist of costs relating to activities the pension administration team perform to administer pensions and provide members with scheme and benefit entitlement information.

7. The Heywood administration software system supports the pensions administration team to fulfil the complex requirements around administering the scheme; such as calculating pension benefits and producing the annual benefit statements. The system holds every pension members' record and history. Ongoing charges are incurred for maintenance of the system and licenses to use it and ongoing costs for i-Connect.

	Budget	Actual	Budget	Forecast	Budget
Administration Expenses	2022-23	2022-23	2023-24	2023-24	2024-25
	£'000	£'000	£'000	£'000	£'000
SCC Admin Costs	1,105	1,056	1,220	1,210	1,400
Heywood System	340	334	375	407	450
Other Expenses	80	39	80	50	80
Total Admin Costs	1,525	1,429	1,675	1,667	1,930

8. The administrative function is a multifaceted service, having to manage increasing numbers of employers, members and manage new regulatory requirements. The Pension Fund needs to invest in the appropriate technological platforms available to assist in effectively managing the administration of the Fund to a high standard and to have appropriately skilled staff to implement new procedures and processes.
9. Heywood's system costs have increased due to the membership numbers of the Fund increasing to put the Fund in the next tier of costs.
10. An additional three posts with a fixed term contract of a year will be required to be rolled over into 2024-25 to assist in the administration work required to complete the McCloud remedy.
11. Staffing costs for 2024-25 include incremental progression and a 3% cost of living increase as included in the Suffolk County Council budget.

Governance and oversight costs

12. Oversight and governance expenses (shown overleaf) are costs relating to the 'over seeing' of the fund such as actuarial costs, internal and external audit costs and the costs of independent advisers to the Fund. Costs associated with the operation and support of the Pension Fund Committee, the Pension Board and costs associated with reporting (such as committee reports, annual reports and accounts) are also included.
13. ACCESS asset pooling costs represents ongoing costs, these are incurred for advice and guidance on technical issues and costs in running the ACCESS Support Unit. These costs are shared equally by the eleven funds which are members of the ACCESS pool.
14. The difference in actuarial costs between the years is due to the additional fees incurred with the extensive work involved in carrying out the triennial valuation exercise.

15. Other costs include internal audit, external audit, performance data and benchmark data provider.

	Actual	Forecast	Budget
Governance and oversight costs	2022-23	2023-24	2024-25
	£'000	£'000	£'000
Suffolk County Council costs	164	203	220
Investment Advice	122	120	140
Actuarial costs	164	100	120
Pension Fund Committee	5	6	7
Pension Board	2	3	4
Asset Pooling	107	144	155
Other costs	120	77	180
Total Governance and Oversight Costs	684	653	826

Investment Management Expenses

16. Investment management expenses are costs related to the management of the fund's assets including directly invoiced fees from investments managers and indirect fees payable to fund managers which are deducted from the fund assets. The fees charged by the previous custodian Northern Trust, are also included.
17. In the Pension Fund accounts, (as per CIPFA guidance), only the fees and expenses that the Fund has a contractual liability for are included, this means that only the management fee charged by Waystone for overseeing the sub-funds that Suffolk are invested in are shown.
18. The additional underlying fees and expenses paid to the investment manager that Waystone has a contractual agreement with, are disclosed in the Annual Report. These costs have however been disclosed in the table overleaf.

	Actual	Forecast	Forecast
Contractual Investment Expenses	2022-23	2023-24	2024-25
	£'000	£'000	£'000
Blackrock	2,042	-	-
Brookfield	42	40	-
JP Morgan	1,333	4,988	3,200
KKR	301	300	500
Waystone	285	420	390
M&G	885	800	800
Pantheon	1,342	1,450	1,100
Partners	4,223	3,785	5,200
Pyrford	669	300	300
Schroders	880	871	800
UBS	459	455	450
Wilshire	782	731	600
Total Contractual Investment Expenses	13,243	14,140	13,340
Other Costs			
Custodian	34	40	40
Transaction Costs	2,172	200	200
Total Other Costs	2,206	240	240
Total Contractual Management Expenses	15,449	14,380	13,580
Non Contractual Costs			
Waystone – Blackrock	700	720	730
Waystone - Newton	1,265	1,290	1,280
Waystone – M&G	1,607	1,710	1,750
Waystone – Janus Henderson	197	1,040	1,120
Waystone – Columbia Threadneedle		130	190
Total Non Contractual Costs	3,769	4,890	5,070
Total Investment Management Expenses	19,218	19,270	18,650

Notes:

- i) The Waystone - Columbia Threadneedle investment commenced in July 2023, transferring from the UBS index tracking emerging market holdings.
- ii) The fixed income holding with Blackrock was disinvested and the funds transferred to Waystone - Janus Henderson during November 2022.
- iii) The transaction costs in the main relate to the dilution levy charged for the purchasing of the units in the Janus Henderson investment.

Performance Fees

19. Included in the Investment management expenses overleaf for some of the investments are an element of performance fee (below), these can be based on the net asset value breaching the high watermark (highest valuation of the investment) or the returns exceeding a prescribed target.

	Actual	Forecast	Forecast
Performance Fees	2022-23	2023-24	2024-25
	£'000	£'000	£'000
Blackrock	749	-	-
JP Morgan	283	3,720	2,000
Partners	1,262	311	500
Total Performance Fees	2,294	4,031	2,500

Notes:

- i) The fee for Blackrock UK Equity became an ad valorem fee once the mandate transferred into the Waystone sub-fund on 1 July 2021 and performance fees will no longer be payable.
- ii) Performance fees may be payable on some of the alternative asset classes such as KKR and Pantheon but this is difficult to quantify until the whole of the investment has been realised. The estimated Partners and JP Morgan performance fee have been based on current fees and expenses data.

Total costs

20. The costs incurred by the Pension Fund in managing the Fund relate to administration costs, governance and oversight costs and investment costs which are set out in the table below.

	Actual	Forecast	Forecast
Management Expenses	2022-23	2023-24	2024-25
	£'m	£'m	£'m
Administration Costs	1.429	1.667	1.930
Governance and Oversight Costs	0.684	0.733	0.826
Investment Costs	15.449	14.380	13.580
Total Management Expenses	17.562	16.780	16.336
Scheme Assets (£m)	3,759	4,100	4,250
Invest Costs as % of assets	0.41	0.35	0.31
Scheme Membership	72,579	73,000	74,000
Admin Costs per scheme member (£)	19.69	22.83	26.08

21. The investment costs in the table above excludes the non-contractual costs included in the investment management expenses in this report.
22. The comparative national figures for management expenses in 2022-23 are published in the SF3 statistical return by the Department for Levelling Up, Housing and Communities (DLUHC) who calculate the unit costs for local authority pension funds based on the submissions by the English and Welsh administering authorities. Pension Fund have until 16 February 2024 to amend their original submission from August 2023, and the figures will be republished later in 2024.
23. There are five funds which have a similar asset size to the Suffolk Pension Fund, the main figures have been set out below. In addition, the average of the LGPS as a whole and the average of the Pension Funds in the ACCESS Pool have been included for comparison purposes.

Fund	Scheme Assets	No. of Emp	Members	Admin Costs	Gov Costs	Invest Costs	Total Costs
	£'bn			£'000	£'000	£'000	£'000
Fund A	3.242	325	80,724	2,483	911	13,221	16,615
Fund B	3.557	306	67,847	1,523	374	16,077	17,974
Fund C	3.526	339	80,934	2,272	632	15,043	17,947
Fund D	3.742	429	81,575	2,792	719	21,820	25,331
Fund E	3.763	101	65,372	1,513	1,256	10,170	12,939
Suffolk	3.759	389	72,579	1,429	684	15,449	17,562
Average	3.598	315	74,839	2,002	763	15,297	18,061
LGPS Average	4.225	240	77,289	2,153	1,176	20,550	23,879
ACCESS Ave.	5.364	404	108,762	2,484	1,379	26,338	33,202

24. These funds have been benchmarked below. It should be noted there has been long standing discrepancies between funds on how costs are reported and as the figures used in the SF3 have not been verified, it is not known how comparable the figures are with those reported by Suffolk.

Fund	Admin cost per Member	Invest Costs	Total Costs
	£	%	%
Fund A	30.76	0.41	0.51
Fund B	22.45	0.45	0.51
Fund C	28.07	0.43	0.51
Fund D	34.23	0.58	0.68
Fund E	23.14	0.27	0.34
Suffolk	19.69	0.41	0.47
Average	26.75	0.43	0.50
LGPS Average	27.85	0.49	0.57
ACCESS Ave.	22.84	0.55	0.62

25. The Suffolk Pension Fund in general, has lower than average costs within the LGPS as a whole and within a peer group of similar asset sized funds.

Sources of further information

- a. SF3 statistical return Department of Levelling Up, Housing and Communities.

Suffolk Pension Board

Report Title:	Risk Register
Meeting Date:	20 March 2024
Lead Councillor(s):	Councillor Richard Rout
Director:	Stephen Meah-Sims, Director of Corporate Services
Assistant Director or Head of Service:	Louise Aynsley, Chief Financial Officer (S151)
Author:	Sharon Tan, Lead Accountant (Pensions) <i>Tel. 01473 265636 Email: Sharon.tan@suffolk.gov.uk</i>

Brief summary of the item to be considered

1. This report sets out the Risk Register for the Pension Board and how the risk control measures have been implemented against the risks.

Action recommended

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

Reason for recommendation

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

Alternative options

6. The Pension Board can include alternative risks to those set out in the Risk Register.

Main body of report

Regulatory Background

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

Implementation of Risk Control Measures

8. The Pension Fund Committee has a risk management strategy, which identifies the principles for how the Fund will embed risk awareness and management into the decisions and processes of the Pension Fund to ensure that the Fund's objectives are met. It sets out the risk management framework which is used to identify and assess risks and the implementation of the management of those risks. This 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 risks within the key categories set out in the risk management strategy have been identified and assessed in terms of its impact on the Fund as a whole and the probability of the risk occurring to establish the risk rating category.
11. Risk control measures have been identified for each risk in the risk register, indicating the most effective way of managing the risk and how the measures have been implemented.
12. Two amendments were made to the Pension Fund risk register:
13. The Pension Fund Committee received and approved a new risk register at its meeting on 19 September 2023, 2 new risks were added at its meeting on 29 February 2024 as below:
 - a) SPF13 Failure of the Pension Fund to meet the requirements of the TPR single code of practice.
 - b) SPF25 Transfer to L&G AVC scheme communication is not effective and employers and members are not appropriately informed.
14. The Pension Fund risk register is attached as **Appendix 2**.
15. The risk register for the Pension Board to approve is attached as **Appendix 3**. The probability and risk impact scores have been scored based on the submissions from the members of the Board using the criteria set out in **Appendix 4**.
16. The risk register and actions taken to mitigate or control the risks are reported to the Board twice a year.

Sources of further information

- a) The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (S.I. 2009 No.3093).
- b) Managing Risk in Local Government Pensions Funds - CIPFA 2019
- c) Integrated Risk Management - Pensions Regulator 2015

Suffolk Pension Fund Risk Management Strategy

The Suffolk Pension Fund has fiduciary duties and responsibilities towards pension scheme members and participating employers to pay future benefits when they fall due.

The Pension Fund cannot eliminate risk but can manage risk through the Funding, Investment, Communication, Governance and Administration policies and strategies.

This strategy sets out how the Suffolk Pension Fund embeds and manages risk across the scheme incorporating it into the policies and strategies and decision-making processes.

Strategy

Vision

To embed risk awareness and management into the decisions and processes of the Suffolk Pension Fund to ensure that the Fund's objectives are met.

Objectives

- To establish and maintain a robust framework for the identification, assessment and management of risk.
- To minimise the cost of risk
- To enable the Pension Fund Committee to make informed decisions.
- To reassure stakeholders.

Achieved through:

- Elimination risk as far as possible, within scheme administration and governance.
- Balance of risk and return within investment activity.



Risk Management Framework

Format

The risk management process is a continuous cycle of:

- risk identification and recording,
- analysis and assessment,
- response to risk,
- implementation of risk management and
- monitoring and reporting.

The risk management strategy sets out how each of these elements of the process are identified and addressed.



Identification of Risk and Recording

This is the process of recognising risks that may have an impact upon the Suffolk Pension Fund. This involves anticipating new and emerging risks and reviewing how past and current risks have manifested.

An integral part of the development of any new strategy or investment proposal is the consideration and identification of any risks that may impact delivery.

Principle source for identifying risks:

- risk register,
- internal audit reports,
- external audit reports,
- performance monitoring and review
- professional advice from actuarial, investment and legal consultants
- reports and risk register of the ACCESS Pool
- publications from the Pensions Regulator, Local Government Pensions Committee, CIPFA and Scheme Advisory Board.
- Participation in industry networks such as Pensions & Lifetime Savings Association.

Once identified, risks are recorded on the risk register which is the primary document, providing a mechanism to analyse, monitor and report.

The risk register records:

- risk description
- risk consequences
- risk scores and rating
- movement in score assessment
- owner
- strategy
- risk control measures



Analyse and Assess Risk

This is the process of analysing and profiling each risk using the following matrix:

		Impact			
		Minor (1)	Moderate (2)	Major (3)	Critical (4)
Probability	Unlikely (1)	Low (1)	Low (2)	Low (3)	Medium (4)
	Possible (2)	Low (2)	Medium (4)	Medium (6)	High (8)
	Probable (3)	Low (3)	Medium (6)	High (9)	Elevated (12)
	Almost Certain (4)	Medium (4)	High (8)	Elevated (12)	Elevated (16)

The product of these provides the risk ranking

Risk Response

Risks will be treated, tolerated, transferred, or terminated. Control mechanisms will vary depending on the type of risk and activity involved.

- **Treat** – continue with activity and introduce controls and mitigating actions to reduce the likelihood and impact.
- **Tolerate** – accept that the risk exists but it is either unlikely to happen or the opportunities are greater than the risk.
- **Terminate** – cease the activity as even with control measures the risk is either still unacceptable or the cost to implement control measures is unacceptable.
- **Transfer** – transfer part or all of the risk to a third party to deliver the service.

Controls for each risk are described in the risk register and reviewed regularly.

Implement Risk Management

Implementation of risk management is an integral part of the strategic and operational planning and management of the Pension Fund. Consideration of risk and how to mitigate and manage it forms part of the established routines for monitoring and development of the Fund.

Risk Monitoring and Reporting

Regular reviewing of the risk register is central to risk monitoring to ensure that the risk control remains effective. The Pension Fund Committee reviews the full risk register at least annually and a summary version more regularly.

As part of the review consideration is given whether:

- the nature of the risk has changed
- the control environment has changed
- the probability of the risk occurring has changed
- the impact of the risk has changed
- new risks which need to be considered



Risk Categories

The principal risk categories and specific types of risk are as follows:

- Asset & Investment
- Funding & Liabilities
- Employer
- Resource & Skill
- Administration and Communication
- Reputational
- Regulatory & Compliance

Suffolk Pension Fund Risk Register

Appendix 2

Risk ID	Risk Description	Risk Consequence	Impact	Prob	Risk rating	Move in Score	Owner	Strategy	Risk Control Measures
SPF01	Asset & Investment Failure of investment markets in generating investment returns as set out in the Funding Strategy	<p>Could have a negative effect on the Pension Valuation leading to an increase in contribution rates for employers.</p> <p>Employers unable to plan and budget in the medium term.</p>	Major (3)	Possible (2)	Medium (6)	↔	Pension Fund Committee	Treat	<p>Regular reporting of the Funding position</p> <p>Regular reporting and monitoring arrangements for investment performance.</p> <p>Diversification of asset classes minimises the impact of a single asset class underperforming.</p> <p>Review of assets against the strategic benchmark with rebalancing carried out as necessary.</p> <p>The Funding Strategy Statement incorporates a long term time horizon when setting contribution rates and where applicable can implement a stabilisation approach.</p>

Suffolk Pension Fund Risk Register

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SPF02	Asset & Investment Failure in investment performance by an individual investment manager leading to a shortfall in investment return	Could have a negative effect on the Pension Valuation leading to an increase in contribution rates for employers.	Moderate (2)	Probable (3)	Medium (6)	↔	Pension Fund Committee	Treat	<p>Regular meetings are held with investment managers to discuss investment performance. The independent adviser reports on these meetings with additional comments and his opinion on the investments.</p> <p>Hymans Robertson provides a quarterly investment monitoring report which provides an update of any significant changes to the investment mandates and managers and responsible investment ratings.</p> <p>Regular reporting and monitoring arrangements for investment performance for each manager against benchmark.</p> <p>Diversification of asset classes and investment manager structure minimises the impact of a single manager underperforming.</p> <p>Northern Trust presents on the performance data on an annual basis providing an independent view.</p>
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Suffolk Pension Fund Risk Register


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SPF03	Asset & Investment Negligence, fraud or default by individual investment manager leading to a loss of investment	Could have a negative effect on the Pension Valuation leading to an increase in contribution rates for employers.	Moderate (2)	Unlikely (1)	Low (2)	↔	Pension Fund Committee	Treat	<p>Legal requirements on Fund Manager set out in investment management agreement.</p> <p>Investment Managers are FCA regulated.</p> <p>Review of internal control reports.</p> <p>Reconciliation of custodian data against investment manager reported positions.</p> <p>Professional advice on stability of investment organisations.</p>
SPF04	Asset & Investment Failure of custodian leading to incomplete or incorrect information leading to misreporting of financial position.	<p>Decisions made based on misreported information.</p> <p>Reputational loss with incorrect information published.</p>	Moderate (2)	Unlikely (1)	Low (2)	↔	Head of Pensions	Treat	<p>Regular contract reviews of the custodians' performance against agreed SLA's.</p> <p>Review of internal control reports.</p> <p>Reconciliation of custodian data against investment manager reported positions.</p>
SPF05	Asset & Investment The Investment Strategy does not allocate sufficient liquid assets to meet liabilities	Fund cannot meet its immediate liabilities because it has insufficient liquid assets leading	Minor (1)	Unlikely (1)	Low (1)	↔	Pension Fund Committee	Treat	<p>Valuation modelling of the Fund identifying the cashflow over the medium term.</p> <p>The cash flow is monitored and reconciled on a daily basis with a</p>

		to additional costs associated with borrowing to meet the cash flow requirements.						review of cash flow trends to anticipate trends. Regular reporting of the long term basis cash flow to Pension Fund Committee.
SPF06	Asset & Investment Failure by the Investment Managers to manage the risk Climate Change may have on the assets of the Fund.	<p>Could lead to the potential risk of stranded assets, leading to financial loss if an asset loses significant value and becomes worthless.</p> <p>Increased capital costs of underlying investment companies to transition to greener energy or lower carbon solutions.</p> <p>Risk of natural disasters through adverse weather conditions causing damage to underlying investments.</p>	Major (3)	Probable (3)	High (9) ←	Pension Fund Committee	Treat	<p>Regular meetings with investment managers to discuss investment performance, investment strategy, stock holdings and their path to net zero as set out in the Investment Managers Engagement Strategy.</p> <p>The Pension Fund officers review the investment holdings on a quarterly basis to categorise what is being held.</p> <p>Diversification of asset classes and investment manager structure minimises the impact of a single stock underperforming.</p> <p>Responsible Investment beliefs are included in the Investment Strategy and Investment Managers are required to demonstrate how they meet the Fund’s investment beliefs.</p>

									<p>Risk Update On 15 February the Financial Reporting Council (FRC) announced that they would only be accepting renewal applications for the October 2023 deadline which means that the Suffolk Pension Fund will have to defer submission to April 2024.</p> <p>A draft submission will be brought to the November 2023 Committee meeting.</p>
SPF 07	<p>Asset & Investment ACCESS investments do not meet the requirements of the Fund</p>	<p>The Fund is unable to implement its Investment Strategy through pooling.</p> <p>Reputational damage to the Council with adverse publicity.</p>	Moderate (2)	Unlikely (1)	Low (2)	↔	Pension Fund Committee	Treat	<p>Strong engagement with the activities within the Pool on a Pension Fund officer, S151 officer and Chairman levels.</p> <p>Pension Fund officers are involved with the planning and set up of asset investment offerings to ensure that the needs of the Fund are met.</p> <p>Engagement with investment consultants to evaluate the investment sub-funds.</p>

									<p>Risk Update All liquid assets have been pooled within ACCESS.</p> <p>CBRE have been appointed as the property investment manager for the ACCESS Pool for both UK and Global.</p> <p>Work is currently being undertaken to identify the most cost efficient transition process for the Suffolk Pension Fund.</p>
SPF 08	<p>Asset & Investment Global events have an adverse impact on the Pension Fund's investment and cashflow.</p>	<p>Fund cannot meet its immediate liabilities because it is unable to access liquid assets leading to additional costs associated with borrowing to meet the cash flow requirements.</p> <p>Could lead to financial loss if an asset loses significant value and becomes worthless.</p>	Moderate (2)	Possible (2)	Medium (4) 	Pension Fund Committee	Treat	<p>Diversification of asset classes, geographical regions and investment manager structure minimises the impact of a single country stock underperforming due to for example imposed financial sanctions.</p> <p>The cash flow is monitored and reconciled on a daily basis with a review of cash flow trends to anticipate trends.</p>	

<p>SPF 9</p>	<p>Regulatory & Compliance Changes to regulations or legislation not being adhered to</p>	<p>Could result in an increase in the cost of the scheme or increased administration and consultancy cost to correct</p> <p>Could create additional liabilities and administration difficulties for employers.</p> <p>The Pensions Regulator can fine the Fund for breach of regulations.</p> <p>Reputational damage to the Council and the Fund with adverse publicity.</p>	<p>Moderate (2)</p>	<p>Unlikely (1)</p>	<p>Low (2)</p>		<p>Pension Fund Committee</p> <p>Head of Pensions</p>	<p>Treat</p>	<p>The Pension Fund responds to all consultation papers regarding changes to the LGPS issued by Department of Levelling Up, Housing and Communities. (DLUHC).</p> <p>Pension Fund Officers contribute to discussions with DLUHC through professional bodies the Fund connected with such as CIPFA, PLSA.</p> <p>Pension Fund Officers attend conferences, seminars, webinars to ensure the consequences of legislative changes are understood and implemented.</p> <p>Pension Fund Committee are informed of upcoming changes and how they will be implemented.</p> <p>Regular system updates by Heywood's to incorporate the change to benefit regulations.</p>
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<p>SPF 10</p>	<p>Regulatory & Compliance Failure to comply with Government expectations on asset pooling</p>	<p>The Government has introduced back stop legislation to ensure compliance.</p> <p>The Secretary of State takes over the investment functions of the Fund and directs its investment strategy to invest in specific assets.</p> <p>Reputational damage to the Council with adverse publicity.</p> <p>Loss of trust from members of the Fund.</p>	<p>Major (3)</p>	<p>Possible (2)</p>	<p>Medium (6)</p>		<p>Pension Fund Committee</p>	<p>Treat</p>	<p>Strong engagement with the activities within the Pool on a Pension Fund officer, S151 officer and Chairman levels.</p> <p>Pension Fund Committee are appraised on the ACCESS Pool developments on a regular basis and how these affect the Pension Fund.</p> <p>Risk Update</p> <p>Government has released the Pooling Consultation that may have implications for how the Pension Fund pools its assets in the future.</p> <p>Government may also mandate the Fund to make a commitment to investments which do not fit into the current investment strategy due to the Fund’s risk appetite and liquidity requirements.</p> <p>The Pooling consultation is asking: Do you agree with the proposal to set a deadline in guidance requiring administering authorities to transition listed</p>
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								assets to their LGPS pool by March 2025? The Fund has 72.3% of its assets pooled and has pooled all its listed assets. Property with an asset allocation of 10% is to be pooled once the transition process has been agreed.
SPF 11	Regulatory & Compliance Failure of the Pension Fund to be able to undertake the work required to remedy the McCloud High Court ruling.	Could result in an increase in the cost of the scheme or increased administration and consultancy cost to correct Reputational damage to the Council with adverse publicity. Loss of trust from members of the Fund.	Moderate (2)	Unlikely (1)	Low (2)	↔	Head of Pensions	Treat The Pension Fund officers have attended webinars held by professional bodies to understand the potential requirements. Employers have been engaged and are aware that there will be a requirement for them to produce some of the data which will be needed to undertake the work Risk Update A further consultation was launched in 2023 by DLUHC to ensure the draft regulations are appropriate and compensation and rates of interest to be paid are included.

									<p>Regulations are expected to come into force in October 2023.</p> <p>3 new members of staff have been employed on a one year contract to cover the work of more experienced staff who will undertake this work.</p>
SPF 12	<p>Regulatory & Compliance</p> <p>Failure of the Pension Fund to meet the reporting of climate change risks to come into force April 2024 for reporting by December 2025.</p>	<p>The Pension Fund cannot demonstrate how climate change risk and opportunities are integrated into the Fund’s investments and decision making process.</p> <p>Reputational damage to the Council and the Fund with adverse publicity.</p>	Major (3)	Unlikely (1)	Low (3)	↔	<p>Pension Fund Committee</p> <p>Head of Pensions</p>	Treat	<p>The Pension Fund officers will engage with appropriate professional bodies and attend sessions to fully understand the requirement of the reporting obligations.</p> <p>The Pension Fund will engage with the investment managers on how they can provide the appropriate reporting metrics to be included in the Climate Change Risk report.</p> <p>The Pension Fund officers will develop and implement processes in a timely manner to collate the information in advance of the reporting deadlines.</p>

									<p>Risk Update The original implementation date was April 2023 but the new regulations did not come into force. We have been advised that this should now happen in April 2024. The risk has been updated to reflect these dates.</p>
SPF 13	Failure of the Pension Fund to meet the requirements of the TPR single code of practice.	Some aspects of the Code are statutory but not legally binding however compliance would be taken into account if a legal matter arose. Reputational damage to the Council and the Fund with adverse publicity.	Minor (2)	Rare (1)	Low (3)	New	Pension Fund Committee	Treat	<p>Hymans Robertson are working on a tool to consolidate to assist in assessing the Funds compliance against the Code.</p> <p>Once this is available then the Pension Fund officers will work their way through the modules.</p>
SPF 13	Funding & Liabilities The actuarial assumptions used in the triennial valuation and set out in the Funding Strategy are significantly adrift	Could increase the liability strain on the valuation leading to an increase in Employer contribution rates which reduces affordability	Major (3)	Possible (2)	Medium (6)	↔	Pension Fund Committee	Treat	<p>Additional work is commissioned to validate the assumptions used in the valuation.</p> <p>Mortality assumptions are set with an allowance for future increases in life expectancy utilising data from club vita.</p>



	<p>from the actual experience.</p> <p>Fall in risk free returns on Government bonds leading to an increase in liabilities</p>	<p>Could lead to an increase in investment risk with a change to investment strategy to riskier assets to offset shortfall</p>							<p>The estimated Funding level is reported regularly to the Pension Fund Committee.</p> <p>Toleration of risk in the expectation of higher returns from riskier asset classes such as equities, property and alternatives and inflation linked assets helps to mitigate pay and price inflation.</p>
SPF 14	<p>Funding & Liabilities</p> <p>Failure of the investment strategy to produce the long-term returns assumed to be in the Funding Strategy</p>	<p>Could lead to an increase in employers' contribution rate which reduces affordability</p> <p>Could lead to an increase in investment risk with a change to investment strategy to riskier assets to offset shortfall.</p>	Moderate (2)	Low (1)	Low (2)	↓	Pension Fund Committee	Treat	<p>The investment Strategy is fully reviewed at least every 3 years by the Pension fund Committee in line with the results of the triennial valuation. This was last reviewed in July 2020.</p> <p>A high-level review is undertaken annually to assess whether the the investment strategy is likely to meet the returns required.</p> <p>The estimated Funding level and performance of the investments are reported regularly to the Pension Fund Committee.</p> <p>Risk Update</p>


									<p>The forecast funding position as at 30 June 2023 is 148%.</p> <p>Liabilities are forecast to be £2.6 bn, a reduction of £0.9 bn since the March 2022 valuation due to the increase in discount rate, meaning that less money is required now as it is expected that investment returns will be higher in the future.</p> <p>The required return assumption for the funding level to be 100% is 3.1% p.a. with a 95% likelihood of the assets achieving this return.</p>
SPF 15	<p>Employer Employers' failure to carry out their responsibilities for providing scheme administration data.</p>	<p>The Pension Fund is unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements, fund is closed to new entrants).</p> <p>Not having correct membership data</p>	Moderate (2)	Possible (2)	Medium (4) 	Head of Pensions	Treat	<p>The Administration Strategy sets out the employers' responsibilities and is reviewed at least every three years. It was last approved by the Pension Fund Committee at its meeting on 24 November 2021.</p> <p>Employers are made aware of any changes to their requirements or amendments to the strategy.</p>	


		<p>could result in scheme benefits being incorrectly calculated.</p> <p>Could lead to incorrect information being used to make decisions in regards to the employer and the Pension Fund as a whole.</p> <p>Additional time and cost with the Pension administration team to correct or follow up for information.</p> <p>Fined by the Pension Regulator or Information Commissioner.</p> <p>Members may make decisions based on incorrect or incomplete information.</p>							<p>The document is available on the Pension fund website.</p> <p>Employers are required to fill out an annual return by 21 April each year. Each year the Employers are reminded of the requirement. Non-compliance is addressed.</p> <p>Internal audit undertake assurance on the processes and systems on an annual basis.</p> <p>Risk Update For 1 major employer the annual benefit statements were not ready to be sent by the statutory date of 31 August due to late submission of data. This has been registered with the Pensions Regulator.</p> <p>Full details have been provided in the Administration report.</p>
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Suffolk Pension Fund Risk Register

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<p>SPF 16</p>	<p>Employer Failure of the Employer to produce the data required to calculate the impact of the McCloud High Court ruling</p>	<p>The Pension Fund will be unable to calculate the impact of the ruling on the Employer/ Fund.</p> <p>Could lead to a member not getting the correct benefit that they are entitled to.</p>	<p>Moderate (2)</p>	<p>Possible (2)</p>	<p>Medium (4)</p>		<p>Head of Pensions</p>	<p>Treat</p>	<p>Employers have been made aware that data will be required from them.</p> <p>Update on the progress and requirements are provided in the Pension Matters newsletter as developments are published.</p> <p>Risk Update Government expected to publish its response to the 2020 consultation later in 2022.</p> <p>A further consultation was launched in 2023 by DLUHC to ensure the draft regulations are appropriate and compensation and rates of interest to be paid are included.</p> <p>Regulations are expected to come into force in October 2023.</p>
<p>SPF 17</p>	<p>Employer Increase in early retirements due to redundancy and ill health.</p>	<p>Could increase the liability strain for the employer making the scheme unaffordable.</p>	<p>Moderate (2)</p>	<p>Possible (2)</p>	<p>Medium (4)</p>		<p>Head of Pensions</p>	<p>Treat</p>	<p>Employers are charged the capital cost of early retirements through redundancy.</p>

									<p>Flexibility on payment terms can be offered on a discretionary basis.</p> <p>Ill Health retirements are monitored, any cost in excess of the allowance in the contribution rate is charged to the employer.</p> <p>Smaller employers who have a payroll of less than £1m, are mandated to take out an insurance policy to cover the costs of ill health early retirements.</p> <p>The insurance is available to all other employers.</p>
SPF 18	<p>Employer Pension Fund fails to identify departing Employer's losing the opportunity to manage an orderly exit and recover any deficit if it exists.</p>	<p>Financial burden would have to be picked up the rest of the employers in the Fund.</p>	<p>Minor (1)</p>	<p>Unlikely (1)</p>	<p>Low (1)</p>		<p>Head of Pensions</p>	<p>Treat</p>	<p>The Admissions agreement signed by each employer requires employers to inform the Pension Fund of forthcoming changes to its membership position.</p> <p>The Pension Fund officers engage with employers who have a falling active membership to explain the options available</p>

								<p>when the last active employer ceases contributing.</p> <p>Vetting of employers in regards to financial security of funding streams.</p> <p>Seeking a funding guarantee or indemnity from the scheme employer.</p> <p>Review to ensure Bonds are renewed when expiring and reflect current employer position.</p>
SPF 19	<p>Administration & Communication</p> <p>Failure to communicate or engage with Pension Fund stakeholders</p>	<p>Can lead to non-compliance with legislation and best practice.</p> <p>Disengagement with the Fund leading to a fall in active members.</p> <p>Damage to the reputation of the Fund</p>	Moderate (2)	Possible (2)	<p>Medium (4) </p>	Head of Pensions	Treat	<p>Maintenance and implementation of the Communication strategy, which is subject to regular review. This was last reviewed in February 2021.</p> <p>The use of Member Self Service enables effective and cost efficient communications for all active, deferred and pensioner members that have signed up to it.</p>



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								<p>Regular communications to employers are provided through the form of Pension Matters newsletters and the Annual Employer meetings.</p> <p>Pension Fund Committee and Pension Board papers are published within statutory deadlines.</p> <p>The Pension Fund website was updated in 2022 to enable a better user experience.</p>
SPF 20	<p>Administration & Communication Failure of Pensions administration IT systems</p>	<p>Pension Benefits are not paid on time.</p> <p>Failure to meet statutory requirements.</p> <p>Inability to deal with enquiries effectively.</p> <p>Reputational risk to Suffolk County Council and the Pension Fund.</p>	Major (3)	Possible (2)	Medium (6) 	Head of Pensions	Treat	<p>Suffolk County Council has a disaster recovery plan in place which includes the key tasks within the Pension Fund.</p> <p>The Pension Fund administration and pensioner payroll system is hosted by its supplier, Heywoods.</p> <p>Systems are backed up nightly.</p>

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<p>SPF 21</p>	<p>Administration & Communication Risk of a successful cyber attack.</p>	<p>The Fund suffers significant financial cost.</p> <p>Pension Benefits are not paid on time.</p> <p>Failure to meet statutory requirements.</p> <p>Inability to deal with enquiries effectively.</p> <p>Unable to manage cashflow, contributions, capital calls or distributions.</p> <p>Reputational risk to Suffolk County Council and the Pension Fund.</p>	<p>Major (3)</p>	<p>Possible (2)</p>	<p>Medium (6)</p>		<p>Chief Financial Officer</p>	<p>Treat</p>	<p>The Pension Fund administration and pensioner payroll system is hosted by its supplier, Heywoods.</p> <p>Systems are backed up nightly.</p> <p>Mandatory training on preventing cyber attack risks. Robust IT security systems in place to identify risks, evolving threats and prevention.</p> <p>Robust arrangements with the data processors of the Fund's member data.</p>
<p>SPF 22</p>	<p>Administration & Communication Failure to implement and comply with LGPS benefit regulations</p>	<p>Could result in incorrect benefit calculations and members not</p>	<p>Major (3)</p>	<p>Unlikely (1)</p>	<p>Low (3)</p>		<p>Head of Pensions</p>	<p>Treat</p>	<p>The Pensions administration team adheres to stringent procedures required to comply to the benefits regulations.</p>


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		<p>getting the correct benefit that they are entitled to.</p> <p>Pension Benefits are not paid on time.</p> <p>Additional time and cost with the Pension administration team to correct.</p> <p>Loss of trust from members of the Fund.</p>							<p>Regular system updates by Heywood's to incorporate the change to benefit regulations</p> <p>Knowledge and understanding is kept up to date by attending the relevant training courses on offer by professional bodies.</p> <p>All calculations are independently checked and verified.</p> <p>Sample testing is undertaken by internal and external audit.</p>
SPF 23	<p>Administration & Communication</p> <p>Failure to collect and account for full receipt of contributions and deficit payments received from employers.</p>	<p>Fund cannot meet its immediate liabilities because it has insufficient liquidity, leading to additional costs associated with borrowing to meet the cash flow requirements.</p>	Moderate (2)	Unlikely (1)	Low (2)	↔	Head of Pensions	Treat	<p>The Administration Strategy sets out the employers responsibilities and is reviewed at least every three years. It was last approved by the Pension Fund Committee at its meeting on 24 November 2021.</p> <p>Reconciliations are undertaken to reconcile the receipts from employers against the rate that they should be paying.</p> <p>Timeliness of receipts are monitored and reported.</p>

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									<p>Non-compliance is addressed.</p> <p>Sample testing is undertaken by internal and external audit.</p>
SPF 24	<p>Administration & Communication Staff fraud /theft / negligence</p>	<p>Reputational risk to Suffolk County Council and the Pension Fund.</p>	<p>Moderate (2)</p>	<p>Unlikely (1)</p>	<p>Low (2)</p>		<p>Head of Pensions</p>	<p>Treat</p>	<p>Systems have security measures in place to reduce the risk.</p> <p>Administration staff cannot access their own records or records of relatives using their log in.</p> <p>Finance staff cannot authorise payments on the custodian system that they have entered using their log in.</p> <p>All financial transactions are independently checked and verified with further scrutiny undertaken when authorised.</p> <p>Internal and external audit undertake scrutiny and testing of the internal controls arrangements.</p>

Suffolk Pension Fund Risk Register

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SPF 25	Transfer to L&G AVC scheme communication is not effective and employers and members are not appropriately informed.	<p>Could lead to members not understanding the AVC provision available.</p> <p>Could lead to members contributions being paid to the wrong AVC provider by the Employer or not being paid over at.</p> <p>Reputational risk to the Pension Fund.</p>	Minor (2)	Unlikely (2)	Medium (4)	New	Head of Pensions	Treat	<p>The Pension Fund Officers are working closely with Legal & General and Hymans against a well defined project plan.</p> <p>Weekly calls are held with progress and upcoming key tasks discussed.</p> <p>Employers have had communication from the Pension Fund and Legal & General.</p> <p>Members have received an initial communication from the Pension Fund, with another imminent in March.</p>
SPF 25	Resource & Skills Pension Fund Committee members do not have the appropriate skills or knowledge to discharge their responsibility.	<p>Could lead to inappropriate decisions being made.</p> <p>Could increase the liability strain for the employer making the scheme unaffordable.</p> <p>Could lead to investment managers not</p>	Major (3)	Unlikely (1)	Low (3)	↔	Pension Fund Committee	Treat	<p>The Committee has adopted the CIPFA Pensions Knowledge and Skills Framework as the basis for assessing its training and development needs.</p> <p>Committee members are required to undertake the Hymans online training modules to demonstrate their understanding.</p> <p>The Committee approves a formal training plan which is</p>



Suffolk Pension Fund Risk Register

Appendix 2

		<p>permitting the Fund to retain its MiFID opt up as a professional client and the fund having to disinvest from investments that are not open to non-professional clients.</p>							<p>designed to cover the Committee’s responsibilities. This training is delivered by Pension Fund officers, investment consultants and subject matter experts.</p> <p>New Committee members and substitutes receive appropriate training before attending a committee meeting and are fully briefed by a Pension Fund officer to enable them to participate.</p> <p>External advisors are employed to advise the Pension Fund Committee.</p>
SPF 26	<p>Resource & Skill Pension Fund officers do not have the appropriate skills or knowledge to complete statutory duties or advise the Pension Fund appropriately.</p>	<p>Could lead to inappropriate decisions being made.</p> <p>Could increase the liability strain for the employer making the scheme unaffordable.</p> <p>Reputational risk to Suffolk County Council and the Pension Fund.</p>	Major (3)	Unlikely (1)	Low (3)	↔	Head of Pensions	Treat	<p>Pension Fund officers attend seminars, conferences, training and webinars laid on by the professional bodies involved with the LGPS.</p> <p>Staff are recruited with the necessary skills to undertake the relevant duties assigned to them.</p> <p>Training and development needs are identified through the personal development review (PDR) process.</p>

Suffolk Pension Fund Risk Register

Appendix 2

<p>SPF 27</p>	<p>Resource & Skill Pension Fund does not have appropriate staffing resources to carry out all the pension functions and is open to key man risk.</p>	<p>Could lead to key work deliverables not being met.</p> <p>Could lead to a backlog of work without an SLA but still requires completion.</p> <p>Key staff leaving due to inappropriate workloads leading to a lack of continuity and transfer of knowledge.</p>	<p>Major (3)</p>	<p>Possible (2)</p>	<p>Medium (6)</p>		<p>Head of Pensions</p>	<p>Treat</p>	<p>Future new regulations are evaluated and additional resource requirements are identified ahead of time.</p> <p>Processes are documented to assist continuity of process.</p> <p>Regular one- to-one discussions with manager should be used to highlight workload issues.</p> <p>Completion statistics on administration tasks with SLA's and other administrative tasks are regularly reported.</p>
<p>SPF 28</p>	<p>Reputational Conflicts of interest between the County Council and the Pension Fund</p>	<p>Advice and decisions may be taken in the best interest of the Council or the Fund which may differ.</p> <p>Employers cannot differentiate between the Council and the Pension Fund</p>	<p>Major (3)</p>	<p>Unlikely (1)</p>	<p>Low (3)</p>		<p>Chief Financial Officer</p> <p>Pension Fund Committee</p>	<p>Treat</p>	<p>The Council constitution sets out the roles and responsibilities of all entities.</p> <p>The conflict of interest policy sets out the code of conduct and recognition of potential conflicts of interest for officers and Committee members and how they should be managed. This was last updated in June 2020.</p>

Suffolk Pension Fund Risk Register

Appendix 2

<p>SPF 29</p>	<p>Reputational The Pension Fund does not proficiently administrate the Fund.</p>	<p>Incorrect information is reported and used to make decisions.</p> <p>Members records are not up to date which could cause transfers or benefits to be paid incorrectly.</p> <p>Loss of credibility amongst external bodies and peers.</p>	<p>Major (3)</p>	<p>Unlikely (1)</p>	<p>Low (3)</p>		<p>Chief Financial Officer</p> <p>Pension Fund Committee</p> <p>Head of Pension</p>	<p>Treat</p>	<p>The Pension Fund annually approves a Business Plan that identifies the key developments to be achieved. Progress and completion of each key tasks is reported.</p> <p>Feedback is sought from Professional advisers.</p> <p>Costs are annually benchmarked with similarly sized funds.</p>
<p>SPF 30</p>	<p>Reputational Failure by the Pension Fund to manage Environmental, Social and Governance (ESG) risk within the investment strategy and implementation of investment decisions.</p>	<p>Investments have poor ESG compliance leading to adverse publicity and financial loss in asset value.</p> <p>Risk to income yield by restricting the market due to ESG concerns without considering the wider picture on the investment strategy.</p>	<p>Major (3)</p>	<p>Probable (3)</p>	<p>High (9)</p>		<p>Pension Fund Committee</p>	<p>Treat</p>	<p>Regular meetings with investment managers to discuss investment performance, investment strategy and engagement activities.</p> <p>Diversification of asset classes and investment manager structure minimises the impact of a single stock underperforming.</p> <p>Regular reporting of ESG implementation by investment managers and voting at</p>

		<p>Risk to investment managers capacity to implement the investment strategy by restricting investments.</p> <p>Risk to wider ESG issues by focusing on a single issue.</p>							<p>shareholder meetings on behalf of the Pension Fund.</p> <p>Investment Managers are required to demonstrate how they incorporate ESG into their investment strategy.</p>
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Risk ID	Risk	Impact	Prob	Risk Score	Risk Rating	Risk Control Measures
SPB01	<p>Employer Employers' failure to carry out their responsibilities for paying contributions and providing information required for the administration team to fulfil 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	1	3	Low	<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>Scheme Members 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.</p> <p>Reputational risk to the Suffolk Pension Fund and Suffolk County Council.</p>	3	1	3	Low	<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>Governance 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	2	6	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>Governance 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>The Board members have access to the Hymans online learning academy modules.</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>

Risk ID	Risk	Impact	Prob	Risk Score	Risk Rating	Risk Control Measures
SPB05	<p>Regulatory Changes to regulations or legislation not being adhered to.</p> <p><u>Consequence</u> Could result in an increase in the cost of the scheme or increased administration time to correct.</p> <p>Reputational risk to the Suffolk Pension Fund.</p>	3	2	6	Medium	<p>The Pension Fund responds to all consultation papers regarding changes to the LGPS issued by the Ministry of Housing, Communities and Local Government (MHCLG).</p> <p>Pension Fund officers attend conferences and seminars to ensure the consequences of legislative changes are understood and implemented.</p> <p>New legislation is reported to the Pension Fund Committee and Board with regular updates on progress on implementation, the guidance produced, legal advice taken and any issues identified.</p>
SPB06	<p>Asset Pooling The ACCESS Pool does not have the governance in place to make appropriate decisions and does not meet the investing authorities needs.</p> <p><u>Consequence</u> Could result in Government intervening and allocating another Pool for the Fund to invest in.</p> <p>Reputational risk to the Suffolk Pension Fund.</p>	3	2	6	Medium	<p>The Pension Board is updated on the progress and development of the ACCESS Pool at each Board meeting.</p> <p>The Pension Fund officers actively participate in the meetings and sub-groups of the ACCESS Pool and ensure that the needs of the Suffolk Pension Fund are met.</p> <p>The ACCESS Pool reports on its development to DLUHC on an annual basis and attend meetings as required.</p> <p>The ACCESS Pool commissions professional advice to ensure that decisions are taken in accordance with statutory requirements and best practice.</p> <p>The ACCESS Support Unit (ASU) is currently going through a third party review.</p>

Risk ID	Risk	Impact	Prob	Risk Score	Risk Rating	Risk Control Measures
SPB07	<p>IT Systems The Pension Fund IT systems do not have appropriate cyber security in place and updates to systems are not appropriately tested before implementation.</p> <p><u>Consequence</u> Could result in personal data not being secure or correct pension payments not being paid on time.</p> <p>Reputational risk to the Suffolk Pension Fund.</p>	3	2	6	Medium	<p>Heywoods (Pension Data and Pensioner payroll), Northern Trust (Custodian), Suffolk County Council (Payroll and financial ledgers) and Waystone (ACCESS Pool Operator) all have appropriate IT Security policies and frameworks in place to identify risk and implement appropriate testing.</p> <p>Heywood system updates are loaded into the test system for the Team to test. If any issues are found then the live launch is delayed until resolved.</p> <p>Heywood updates are reviewed by the Technical Pensions Specialist and communicated to the Pension Fund Officers and the Operations Manager for Pensioner Payroll updates.</p> <p>Work has been undertaken to produce specific reports from Oracle Fusion, reconciliation and further developments to the outputs are ongoing.</p>

Risk rating criteria

1. The impact of each risk has been assessed as:
 - Insignificant (1)
 - Minor (2)
 - Moderate (3)
 - Major (4)
 - Extreme (5)

2. The risk has then been assessed on the probability of the risk occurring.
 - Rare (1)
 - Unlikely (2)
 - Possible (3)
 - Likely (4)
 - Almost certain (5)

3. This has been used to allocate a risk score (multiplication of the score value in brackets above) to each risk which produces one of the risk ratings as follows:
 - Low (1-4)
 - Medium (5-9)
 - High (10-15)
 - Very High (16-25)

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Suffolk Pension Board, 20 March 2024

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. [Funding Level Surplus](#)
2. [TPR General Code of Practice](#)
3. [Annual Employers Meeting](#)
4. [Treasury Management Policy](#)
5. [New Employers](#)

1. Funding level Surplus

- 1.1 Since the completion of the March 22 triennial valuation, the funding levels of LGPS funds have continued to improve. Both locally and nationally this has brought into question the contribution rates that have been set by the Fund for the next two financial years. Current regulations and guidance does not allow rates to be altered in between valuations unless circumstances set out in the Funding Strategy Statement are met. Based on Hymans Robertson's assessment, the circumstances for a review of contributions have not been met.
- 1.2 The Scheme Advisory Board set up a Surpluses Working Group which reported to Scheme Advisory Board meeting on 4 December. The guidance issued was in line with the Hymans Robertson's assessment, stating 'Changes in funding values due to market movements are not of themselves sufficient to trigger a review and are best managed through the triennial valuation process'.
- 1.3 The Pension Fund Committee will be receiving a paper on Contribution Rate setting in a surplus environment at their next meeting on 28 March 2024.

2. TPR General Code of Practice

- 2.1 In January 2024, The Pensions Regulator (TPR) published a new Single Code of Practice which sets out the governance standards for pension schemes. The code was laid in Parliament on 10 January 2024 and is expected to come into force on 27 March 2024.
- 2.2 The new code consolidates ten existing codes of practice and takes into account recent legislative changes which set new requirements for the trustees and management of pension schemes to establish and operate an effective system of governance.

- 2.3 The code sets out the standards of conduct and practice expected when carrying out functions under pension legislation and assists with compliance with the legal requirements.
 - 2.4 Trustees of scheme must conduct an Own Risk Assessment (ORA) to evaluate the scheme's governance, within 2 years.
 - 2.5 Suffolk Pension Fund will need to evaluate its governance and policies with the code modules and plan to meet the requirements of the first ORA. This has been added to their risk register.
-

3. Annual Employers Meeting

- 3.1 The Annual Employers Meeting was held on Friday 19 January 2024 online. in the King Edmund Chambers 10am to noon. There were 21 attendees representing 87 employers.
 - 3.2 The presentations are available on the Pension Fund website.
-

4. Treasury Management Policy

- 4.1 The Treasury Management Policy (**Appendix 1**) was approved by the Pension Fund Committee at its meeting on 29 February 2024.
-

5. New Employers

- 5.1 There were four new employers during the December quarter.
 - 5.2 Three of these employers are academies:
 - All Saints – Cockfield Church of England Primary
 - Tillian – Orford Church of England Primary
 - Tillian – Wilby Church of England Primary
 - The other new employer was an admitted body:
 - Lunchtime Co - Birchwood
-

For further information on any of these information items please contact:

Paul Finbow, Head of Pensions

Email: paul.finbow@suffolk.gov.uk Telephone: 01473 265288.

Suffolk Pension Fund

Treasury Management Strategy 2024/25

Introduction

1. The Pension Fund's treasury management activities relate to two operational areas:
 - In-house Cash: The day-to-day management of the Pension Fund's cash flows and associated short term cash investments known as "In house cash". These activities are undertaken by the County Council.
 - Custodian Cash: The cash held and managed by the Fund's Custodian, Northern Trust, as part of the Fund's investment strategy. Longer term investments are administered separately by external fund managers and these activities are covered in the Pension Fund's Investment Strategy Statement.

In House Cash Management Arrangements

2. In undertaking the treasury management activities for the Suffolk Pension Fund, Suffolk County Council will comply with the Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes, 2021 edition, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).



A fundamental aim of treasury management is to effectively control the risks associated with treasury management activities and to pursue value for money, in so far as this is consistent with the effective management of risk. The 2021 Code requires the following:

- A policy statement which states treasury management policies, objectives and approach to risk management.
- Treasury Management Practices (TMPs) which set out how the organisation will seek to achieve those policies and objectives and prescribes how these activities will be managed and controlled. The Pension Fund has adopted the County Council's Treasury Management Practices, subject to the specific requirements in relation to lending and borrowing that are set out in this document and the management of cash held with the Pension Fund's custodian.
- An annual Treasury Management Strategy that outlines the expected treasury activity. The strategy must define the organisation's policies for managing its investments and for giving priority to the security and liquidity of those investments.

Treasury Policy Statement

3. Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury

Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

4. Suffolk County Council has adopted the following in its Treasury Management Strategy Statement which is applied to the Suffolk Pension Fund:

a) The Council defines its treasury management activities as:

- the management of the organisation's investments and cash flows, its banking, money market and capital market transactions;
- the effective control of the risks associated with those activities;
- and the pursuit of optimum performance consistent with those risks.



b) The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered, to manage these risks.

c) The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

Key objectives

5. Treasury risks present themselves in many forms, from failure to optimise performance by not taking advantage of opportunities, to managing exposure to changing economic circumstances. The Council seeks to manage its risks regarding credit and counterparty risk, liquidity risk, interest rate risk, refinancing risk, legal and regulatory risk, fraud, error and corruption, contingency management and market risk. The risk appetite of the Council is low, with security and liquidity of investments taking precedence over the rate of return.



6. The CIPFA Code requires the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing

money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

7. Where the Bank Rate is set at or below zero, this is likely to feed through to negative interest rates on all low risk, short-term investment options. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.
8. Under the new IFRS 9 standard investments can be held in the accounts at either the amortised cost of the investment, or at fair value, which may be higher or lower than the price paid for investments depending on market conditions. This treatment is dependent on how the Council manages its' investments. The Councils' aim is to achieve value from its investments by collecting contractual cashflows, such as dividends and interest, as opposed to trading in the underlying instruments. Therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Liquidity

9. Liquidity is defined as having adequate, but not excessive cash resources, borrowing arrangements and overdraft or standby facilities to ensure that funds are available, for the achievement of the Pension Fund's objectives. In this respect, the Pension Fund will seek to maintain a contingency of around £10m of cash available at less than one week's notice in order to meet any short-term requirements arising from expected cash flows.



Fixed and Variable Interest Rates

10. Given the short-term nature of "In-house cash", no specific limits are proposed on the maximum proportions subject to fixed or variable rates of interest.

Borrowing

11. The administering authority does not have the power to borrow on behalf of the Pension Fund, other than temporary borrowing for the following specific purposes detailed in section 5 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 :-
 - paying benefits due under the Scheme, or

- to meet investment commitments arising from the implementation of a decision by the Fund to change the balance between different types of investment.
12. In the context of this strategy, short term borrowing will only be undertaken in exceptional circumstance to manage unexpected cash flow fluctuations which occur as a result of the above circumstances. If short term borrowing is necessary, this will be secured by borrowing from the money markets or other local authorities.

Treasury Management Advisors

13. The County Council employs the services of a specialist treasury management advisor, Link Group who provide a range of services, including technical advice on treasury management, interest rate forecasts and information on credit worthiness of potential counterparties. While Link Group will provide advice to the Council, the responsibility for investment decisions in relation to Pension Fund cash remains with the Pension Fund Committee, with day-to-day decision making delegated to the Chief Financial Officer (S151).

Custodian Cash Management Arrangements

14. One of the services provided to the Pension Fund by the Fund's custodian, Northern Trust, is a banking service. A separate bank account has been opened for each private equity, infrastructure, illiquid debt and timberland mandates to receive distributions and to pay capital calls. Surplus funds are automatically transferred into the Suffolk Pension Fund inhouse account.
15. A bank account and money market fund account has been set up for Schroders to use, in addition to their own managed Schroders money market fund account, for them to manage the cashflow within the property mandate.
16. US Dollar and sterling balances held in the Inhouse and Schroders account are swept in increments of whole thousands into money market funds each day. The Northern Trust money market fund maintains a P-1 rating from Moody's and an equivalent rating of A-1+ from Standard & Poor.
17. In order to limit the exposure of the Pension Fund to any single financial institution the maximum exposure to the Northern Trust money market fund for day-to-day management has been set at £50m. The total cash holdings with the Custodian will be monitored. If necessary, an arrangement will be made with Schroders to make direct investments in other money market funds or investment vehicles, so that the limit of £50m for cash with Northern Trust is not exceeded.
18. When investment decisions are implemented, there are circumstances when surplus cash may be held due to the timings of trade and settlement dates. If a temporary increase to the limit is required in the course of implementing the investment strategy, then authorisation will be sought from the Chair of the Pension Fund Committee and the Chief Financial Officer (S151).

Suffolk Pension Board Forward Work Programme

Purpose

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

Terms of reference

The terms of reference of the Suffolk Pension Board are:

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

Meeting date (see Note)	Date added	Subject	Short description	How is it anticipated the Board will deal with this issue?
Tuesday, 23 July 2024	Added 6 December 2023	Complaints, Compliments and Administration Performance	To receive a report on the complaints and compliments received by the Fund.	Written Report
	Added 6 December 2023	Suffolk's progress on Pooling of Assets	To receive an update on the progress of pooling assets.	Written Report
	Added 6 December 2023	Annual Investment Performance Review	To review the Investment performance of the Fund in 2023/24	Written Report
	Added 6 December 2023	Internal Audit	To receive a report on the outcome of Internal Audits undertaken	Written Report
	Added 6 December 2023	Recent Developments	To receive an information bulletin covering recent developments that the Board has an interest in.	Written Report
	Added 6 December 2023	Forward Work Programme	To approve the Forward Work Programme for the Suffolk Pension Board.	Written Report
Wednesday, 16 October 2024	Added 20 March 2024	Complaints, Compliments and Administration Performance	To receive a report on the complaints and compliments received by the Fund.	Written Report
	Added 20 March 2024	Suffolk's progress on Pooling of Assets	To receive an update on the progress of pooling assets.	Written Report
	Added 20 March 2024	Recent Developments	To receive an information bulletin	Written Report

			covering recent developments that the Board has an interest in.	
Wednesday, 16 October 2024	Added 20 March 2024	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 Tracey Woods. Email: tracey.woods@suffolk.gov.uk, Telephone: 01473 265639.

Revised: March 2024

Items for consideration/scheduling: