Suffolk Pension Fund
Annual Report and Accounts
2016-17

CONTENTS

Additional Statements

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

Pension Fund Committee Chairman’s Report

As Chairman of the Suffolk Pension Fund Committee, I am pleased to introduce the Pension Fund’s Annual Report and Accounts for 2016-17. I would like to extend my thanks to all the members of the Committee who have served during the last four years for their efforts in improving the performance of the Suffolk Pension Fund.

The value of the Suffolk Pension Fund was £2.649 billion at 31 March 2017, which was an increase of £435m in the year. In the Fund’s history, this is the largest single year increase. The Fund administers the local government pension scheme in Suffolk on behalf of 210 separate employers and 58,466 scheme members. The Pension Fund Committee is responsible for managing the Fund, with the assistance of council officers, external advisors and professional investment managers.

The last financial year was a very good year for investment returns, particularly from overseas investments. The devaluation of sterling following the Brexit vote significantly increased the value of the Fund’s overseas assets. Overall, the Fund achieved an investment return of 19% in 2016-17, which was 1.1% higher than the benchmark return for the mix of asset classes in which the Fund invests. Over three years the annual return has been 11.4% per annum, which was 0.5% higher than the benchmark. The Committee considered measures at its last meeting of the year to lock in some of the currency and good equity performance for the future. These changes will be implemented during 2017-18.

The year saw the completion by the Actuary of the triennial valuation of the Fund at 31 March 2016 and the setting of the next three years of employers’ contribution rates. The funding level had increased to 91% (about 12% higher than March 2013). This is very positive outcome and demonstrates the strong position of the Fund.

The Committee agreed to add to investments other than equities and bonds during the year to maintain the targeted balance of allocation across asset classes, as existing investments start to mature and pay back capital. These commitments will continue to be drawn in 2017-18.

Much Committee time over the last year has been devoted to pooling, with the long term objective of reducing management fees. The Suffolk Fund has agreed to pool its assets with 10 other funds to form the ACCESS (A Collaboration of Central, Eastern and Southern Shires) pool. The other funds involved are Cambridgeshire, East Sussex, Essex, Hampshire, Hertfordshire, Isle of Wight, Kent, Norfolk, Northamptonshire and West Sussex. A business case was submitted to the Government in July 2016 and approved in early 2017. Each Authority has committed to an Inter-Authority Agreement, which will create a Joint Committee to oversee the work of the pool. The physical pooling of assets is not expected to happen until April 2018.

Councillor Andrew Reid

Chairman of the Pension Fund Committee *May 2017*

Pension Board Chairman’s Report

It is a pleasure to introduce the Suffolk Pension Board’s annual report, which is incorporated within the Suffolk Pension Fund annual report and accounts for 2016-17.

The Board was established in 2015 to help ensure that the Suffolk Pension Fund is managed and administered effectively, efficiently, and complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

There are six members of the Suffolk Pension Board, with half of the Board members representing the employers in the Fund and the other half representing scheme members (active members, pensioners and deferred pensioners).

This year the Board organised the annual Employers’ meeting of the Fund held in October. The new format will be developed further in the coming year in conjunction with the Pension Fund Committee. The Board also made contact with every active, deferred and pensioner member of the Fund, to make them aware of the Board’s activities.

The Board met five times in 2016-17. The focus this year has been on monitoring and holding to account the administration function of the Fund. The monitoring of compliments and complaints has been extended to include performance metrics for the both the administration team and those for employers. This has given the Board a much sharper way of reviewing the Fund’s performance.

The Board reviewed the management expenses of the Fund and also considered the process for completing the actuarial triennial valuation. The Board considered the risk register for the Fund and decided to develop its own, covering the Board’s specific risks. This was agreed at the March 2017 meeting and will be reviewed half yearly. The Board was also consulted on the contents of the Fund’s new Investment Strategy Statement.

The Board has received at each meeting, an update on the progress of the ACCESS (A Collaboration of Central, Eastern and Southern Shires) pool which will have a significant impact on resources of the Fund in future years.

Training has continued this year to ensure that Board members have the requisite knowledge and understanding to undertake their new role. Briefings have also been received covering the role of the Pensions Regulator, the Scheme Advisory Board and the Ombudsman.

The next annual employers meeting will be held on 22 September 2017.

Richard Smith MVO

Chairman of the Suffolk Pension Board *May 2017*

Report from the Director of Resource Management

Foreword to Annual Report and Accounts

This is my last introduction to the annual report and accounts as I am retiring on 31 May 2017, after 12 years with Suffolk County Council. Louise Aynsley will become the responsible Section 151 officer in regards to the Pension Fund. This has been a challenging period for Pension Funds but during my stewardship of the Fund I believe the Pension Fund Committee has adopted a sensible investment strategy to meet its liabilities and has produced good returns for its members and taxpayers.

The Suffolk County Council Pension Fund Annual Report and Accounts sets out the Pension Fund's income and expenditure and its assets and liabilities for the financial year ended 31 March 2017.

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

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

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

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

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

The actuarial statement reports the actuarial position of the Fund as at March 2017. The Pension Fund Accounts for 2016-17 sets out the detailed accounting statements for the Fund and have been prepared in accordance with the relevant accounting requirements.

There are also a number of policy statements and these disclosures which form part of the prescribed content of the Annual Report, are published as separate documents on the website of the Fund (www.suffolkpensionfund.org).

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

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

The investment strategy statement provides an overview of the investment strategy for the pension fund investments.

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

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

The communication policy explains how the Pension Fund will communicate with employers, scheme members and prospective scheme members.

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

Investment Performance of the Pension Fund

The Suffolk Pension Fund had an investment return of 19% in 2016-17, with the Fund value increasing by £435 million.

The Fund's investment strategy is diversified across a number of asset classes and regions which limits the Fund's exposure to the volatility of the markets. The medium-term performance of the Fund is 11.4% per year which can be attributed to the strong performance of the equity holdings.

Over the past five years the Fund's return was 10.7% per year, just above the benchmark of 10.2% and above inflation. Over the longer term the Fund's investment has returned 6.3% per year over the ten years to March 2017.

The Pension Fund invests in a range of asset classes to provide the Fund with diversification benefits which can reduce overall volatility and improves its risk return characteristics.

The Fund assesses its own investment performance and the performance of its managers by making a comparison between the Fund's return and its benchmark return, based on the returns of the markets that the Fund is invested in, or a mandate specific absolute return. On the basis of this comparison, the Fund outperformed its target benchmark investment return by 1.1% in 2016-17.

The Pension Fund Committee assesses the performance of its managers over a full business cycle, so one year's outperformance or underperformance is not considered significant in isolation. Over a five year period, the Fund has outperformed against its own target benchmark return by 0.5% per year.

Investment Strategy

The Fund's investment objectives are set out in its investment strategy statement, which is a new requirement as laid out in the investment regulations which commenced in November 2016 and replaces the statement of investment principles. There were no changes made to the main underlying principles.

The investment strategy was approved during the year by the Fund to achieve the objectives of the funding strategy statement as part of the triennial valuation exercise. There are significant levels of diversification between different asset classes to ensure that the assets of the Pension Fund when taken in conjunction with future contributions are sufficient to ensure that all future pension and retirements benefits will be fully covered by the Fund's assets when they fall due, whilst maintaining the Fund's relatively low risk approach.

These objectives have been translated into an asset allocation plan and as at 31 March 2017, 46.5% of the Fund is to be invested in equities, with the balance in bonds (21.5%), property (10%), a number of funds in alternative investments (21.5%) and a small holding in cash and money markets of 0.5%.

Actuarial Valuation and Funding Strategy Statement

The Fund is required to obtain an independent actuarial valuation of its assets and liabilities every three years. The most recent valuation took place during 2016-17. The actuarial deficit was £216 million at March 2016 (£468 million – March 2013) and the assets represented 91.1% of its liabilities at that date. This contrasts with the funding level at the 2013 valuation of 79.1%. The decrease in the deficit reflects the actual return of 22% from April 2013 to March 2016 against an expected return of 14%. There were less early retirements and ill health retirements and pay increases and benefit increases were also constrained which resulted in a positive effect on the value of liabilities.

The Funding Strategy that was approved in February 2017, following the 2016 actuarial valuation sets out the Pension Fund Committee's approach to funding the liabilities of the Fund, in order to recover the deficit and bring the Fund to a fully funded position over the medium to long-term.

The statement is developed on the basis of prudence, stability and affordability as the Pension Fund Committee recognises there is a balance to be struck between the Fund's need for maintaining prudent funding levels and the employers need to manage their budgets and resources. The approach taken has tried to stabilise the contributions to mitigate any adverse impact that an increase to the contribution rate might have, by phasing in additional contributions over time where necessary.

The next actuarial valuation will be undertaken as at March 2019 and the results of the valuation will determine the employer contributions that are required for the three years starting April 2020.

The estimated funding level at March 2017 was 91.8% and the actuarial deficit at that date was £237 million. Higher investment returns have had a positive effect on the current valuation although this has been in part offset by higher gilt yields and inflation which has increased the deficit.

Audit

The Pension Fund accounts are included within the County Council's Statement of Accounts for 2016-17, which is subject to audit by Ernst and Young LLP. As part of the audit review, the external auditor will provide an opinion to confirm whether the information provided within the Pension Fund Annual Report and Accounts is consistent with the information contained within the County Council's Statement of Accounts.

Geoff Dobson

Director of Resource Management *May 2017*

Statement of Responsibilities for the Pension Fund Accounts

The Council's Responsibilities

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, during 2016-17 that officer was the Director of Resource Management;
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets; and
- to approve the statement of accounts

Certification

I confirm that these Accounts were approved by the Audit Committee at its meeting on 26 July 2017 on behalf of Suffolk County Council and have been authorised for issue.

Councillor Karen Soons

Chairman of the Audit Committee *26 July 2017*

The Responsibilities of the Head of Finance (Section 151 Officer)

The Director of Resource Management is responsible for the preparation of the Council's Statements of Accounts including those of the Pension Fund. In order to comply with the Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), these statements must present a true and fair view of the financial position of the Pension Fund at 31 March 2017, and the income and expenditure (spending) for the year to that date.

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

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

The Director of Resource Management has also:

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

Certification

I certify that this statement of accounts has been prepared in accordance with proper accounting practices and presents a true and fair view of the Pension Fund at 31 March 2017 and its income and expenditure for the year to that date.

Louise Aynsley

Interim Head of Finance (Section 151 Officer) following retirement of Director of Resource Management on 31 May 2017

26 July 2017

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

Opinion on the pension fund financial statements
We have audited the pension fund financial statements for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The Pension Fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of Suffolk Pension Fund in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Resource Management (Section 151 Officer) and auditor
As explained more fully in the Statement of Responsibilities of the Director of Resource Management (Section 151 Officer) set out on page 9, the Director of Resource Management (Section 151 Officer) is responsible for the preparation of the Authority’s Statement of Accounts, which includes the Pension Fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Resource Management (Section 151 Officer); and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Suffolk County Council Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2017 and the amount and disposition of the fund’s assets and liabilities as at 31 March 2017; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters
In our opinion, the information given in the Suffolk County Council Statement of Accounts 2016/17 for the financial year for which the financial statements are
prepared is consistent with the financial statements.
Tessa Gilbert (*for and on behalf of Ernst & Young LLP, Appointed Auditor Reading)* *26 July 2017*

Management Report

Summary of the Financial Position

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

Financial Summary	2012-13 £'000	2013-14 £'000	2014-15 £'000	2015-16 £'000	2016-17 £'000
Contributions	88,855	90,795	103,897	103,155	108,698
Other Income	6,062	3,855	5,561	3,478	2,474
	94,917	**94,650**	**109,458**	**106,633**	**111,172**
Benefits Payable	-76,415	-76,898	-85,235	-86,370	-86,783
Other Expenditure	-12,168	-3,541	-3,945	-4,463	-4,314
	-88,583	**-80,439**	**-89,180**	**-90,833**	**-91,097**
Net additions / withdrawals(-) from dealings with members	**6,334**	**14,211**	**20,278**	**15,800**	**20,075**
Management Expenses	-7,663	-9,112	-12,053	-12,174	-15,654
Investment Income (net of tax)	25,428	28,435	25,761	24,775	32,550
Change in Market Value of Investments	186,986	84,219	279,733	-13,647	398,499
Net Returns on Investments	**204,751**	**103,542**	**293,441**	**-1,046**	**415,395**
Change in Fund during the year	**211,085**	**117,753**	**313,719**	**14,754**	**435,470**
Net Assets at 31 March	**1,766,969**	**1,884,722**	**2,198,441**	**2,213,195**	**2,648,665**

Cost of Running the Fund

The costs incurred by the Pension Fund in managing the Fund are relating to administration costs, investment management costs and governance costs. These costs represent about 0.6% of the value of the Fund at 31 March 2017, which is broadly in line with previous years and with the local authority average.

The overall costs of administering the Pension Fund has increased by £3.480 million in 2016-17 to £15.654 million, the majority of which relates to investment management fees.

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

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

	2015-16	2016-17
Administration Expenses	**£'000**	**£'000**
Suffolk County Council	755	762
Heywood pension administration system	193	265
Subscriptions and other costs	32	41
Total Administration Expenses	**980**	**1,068**

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

	2015-16	2016-17
Investment Management Expenses	**£'000**	**£'000**
BlackRock	1,794	2,302
Bluecrest	849	-
Brookfield	99	164
KKR	865	402
Legal & General	957	990
M&G	1,517	4,165
Newton	1,153	1,309
Pantheon	722	891
Partners	218	496
Pyrford	562	604
Schroders	327	753
Wilshire	387	372
Winton	459	754
Transaction Costs	739	734
Custodian (HSBC)	32	41
Custodian (State Street Bank and Trust)	-	-9
Total Investment Management Expenses	**10,680**	**13,968**

Notes:

1. The Bluecrest contract was terminated in November 2015.
2. The increase in M&G expenses relate to performance fees (please see refer to the table overleaf) and additional investments.
3. The increase in Schroders expenses relate to the disclosure of 'fund of fund' expenses that had previously been indiscernible.

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

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

	2015-16	2016-17
Investment Management Expenses	**£'000**	**£'000**
BlackRock	1,008	1,164
Bluecrest	150	-
KKR	620	176
M&G	(226)	2,729
Partners	(175)	(17)
Total Investment Management Expenses	**1,377**	**4,052**

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

Asset pooling costs represents costs incurred for advice and guidance in relation to the Governments requirements for all LGPS Fund's to pool their assets.

	2015-16	2016-17
Oversight and Governance Expenses	**£'000**	**£'000**
Suffolk County Council	171	168
Pension Fund Committee	7	9
Pension Board	5	3
Actuarial Services	85	144
Audit Fees	36	37
Legal Fees	5	8
Performance Analysis	31	34
Proxy Voting Service	32	10
Investment Advice	96	111
Asset Pooling	28	80
Subscriptions and membership fees	18	14
Total Oversight and Governance Expenses	**514**	**618**

Investment Income

The following table shows the sources of Investment Income earned by the Fund in 2016-17:

Investment Income	UK	Non-UK	Global
	£'m	£'m	£'m
Equities	6.710		8.067
Property	8.098		
Alternatives	5.083	3.711	0.031
Cash & Cash Equivalent	0.045		
Other			0.946
Total Income	**19.936**	**3.711**	**9.044**

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

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

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

Management Structure

Pension Fund Committee

Cllr. Andrew Reid (Chairman)	Cllr. Michael Gower
Cllr. Jenny Antill (Vice-Chairman)	Cllr. Colin Kreidewolf
Cllr. Michael Bond	Cllr. Bert Poole
Cllr. Peter Byatt	Cllr. Chris Punt
Cllr. John Field	Steve Warner (Unison)

Pension Board

Cllr. Richard Smith (Chairman)	Marie McCleary
David Rowe (Vice-Chairman)	Eric Prince
Homira Javadi	Suzanne Williams

Suffolk County Council

Geoff Dobson	Director of Resource Management
Louise Aynsley	Chief Accountant
Paul Finbow	Senior Pensions Specialist (Head of Pensions)
Sharon Tan	Technical Pensions Specialist (Invest & Accts)
Andy Chapman	Technical Pensions Specialist (Administration)
Stuart Potter	Operations Manager (Administration)

Investment Managers

Blackrock Investment Management	Pantheon Ventures
Brookfield Asset Management	Partners Group
Kohlberg, Kravis, Roberts	Pyrford International
Legal & General Investment Management	Schroder Investment Management
M&G Investments	Wilshire Associates
Newton Investment Management	Winton Capital Management

Pension Fund Advisers

Auditors	Ernst & Young LLP
Actuary	Hymans Robertson LLP
Investment Consultancy Services	Hymans Robertson LLP
Independent Investment Adviser	Mr Mark Stevens
Performance Measurement	HSBC
Investment Custodians	HSBC
Banking Services	Lloyds Banking Group Plc
Legal Advisers	Squire Patton Boggs
Voting Advisers	Pension Investment Research Consultants

Investment Report

Investment Powers

The principal restrictions on the powers to invest local authority Pension Fund assets were contained within Schedule 1 of the Local Government Pension Scheme (Investment and Management of Funds) Regulations 2009 (S.I. 2009/3093). These regulations were superceded by the Local Government Pension Scheme (Investment and Management of Funds) Regulations 2016 which came into force on 1 November 2016, removing most of the previous restrictions imposed.

The Government has placed a 5% restriction on the investments of the Suffolk Pension Fund into entities connected with Suffolk County Council. The Pension Fund currently has no investments in entities connected to Suffolk County Council and is therefore below the 5% statutory limit included in the regulations.

Investment Strategy Statement

The Fund's investment objectives are set out in its investment strategy statement, which is a new requirement as laid out in the investment regulations which commenced in November 2016 and replaced the statement of investment principles. There were no changes made to the main underlying principles.

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

This asset allocation is incorporated into the Investment Strategy Statement. The statement was approved in March 2017 after consultation with the Pension Board and employers in the Fund, and published on the Pension Fund website (www.suffolkpensionfund.org).

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

Asset Allocation

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

The Fund has a 78.5% allocation to 'growth' assets (equities and alternatives) in order to meet the long term funding assumptions set out in the 2016 actuarial valuation.

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

The 21.5% allocation to bonds is designed to help manage overall levels of funding volatility.

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

The strategic benchmark and the actual asset allocation of the Fund at March 2017 are shown overleaf along with the maximum investment limits set for each asset class.

Asset Allocation			
	Actual Allocation March 2017	Long-term Allocation	Maximum Limit
	%	%	%
UK Equities	18.4	16.0	25.0
Overseas Equities	35.7	30.5	40.0
Total Equities	**54.1**	**46.5**	**65.0**
Global Bonds	14.2	17.5	25.0
UK Index-linked Gilts	4.1	4.0	8.0
Total Bonds	**18.3**	**21.5**	**33.0**
Private equity	3.3	4.0	8.0
Property	9.7	10.0	15.0
Absolute return	8.3	10.0	15.0
Illiquid Debt	1.9	2.0	5.0
Infrastructure	2.2	5.0	15.0
Timber	0.3	0.5	1.0
Total Alternatives	**25.7**	**31.5**	**59.0**
Cash & Cash Equivalents	1.9	0.5	5.0
Total	**100.0**	**100.0**	

The assets can be further broken down in monetary holdings as follows:

Asset Classification	UK	Non-UK	Global
	£'m	£'m	£'m
Equities	440.806	315.454	676.585
Bonds	109.688		376.740
Property	258.117		
Alternatives	49.400	96.504	276.969
Cash & Cash Equivalent	49.619	1.341	
Total Assets	**907.630**	**413.299**	**1330.294**

Investment Management Arrangements

The Fund's investment management arrangements at March 2017 are shown below.

Fund Manager Allocation			
Investment Manager	**Asset class**	**Actual allocation March 2017**	**Long-term allocation**
		%	%
BlackRock	UK equities and Bonds	16.4	17.5
Brookfield	Timber	0.3	0.5
Kohlberg, Kravis, Roberts (KKR)	Infrastructure	1.1	1.0
Legal & General	Equities and Bonds	34.3	28.0
M&G Investments	Bonds, Illiquid Debt and Infrastructure	9.2	13.0
Newton	Global equities	15.7	13.5
Pantheon	Private equity	2.3	3.0
Partners Group	Infrastructure	1.1	2.0
Pyrford	Absolute return	5.3	6.0
Schroder	Property	10.0	10.0
Wilshire	Private equity	1.1	1.0
Winton	Absolute Return	2.9	4.0
Internal Cash	Cash	0.3	0.5
Total		100.0	100.0

Notes

- Partners and the commitment to Pantheon (made in June 2015) remain only part funded. The commitment made to M&G in February 2017 has yet to call for any capital. These investments only call for capital funding when they have an investment to fund and will continue to increase their holdings in the forthcoming financial year.
- Wilshire, the older commitment to Pantheon, KKR and the Distressed Debt investment with M&G have reached maturity and are in the process of realising the underlying investments and returning cash to the Pension Fund.

Market Review

Year to 31 March 2017

Global equity markets performed very strongly over the twelve months to 31 March 2017. The majority of developed markets produced returns in the mid to high teens when measured in local currency. However the sterling weakness, both pre and post the 'Brexit' referendum translated global equity returns into 33% for UK investors. Overall, developed, pacific and emerging market equities produced the highest returns, driven by relatively good valuations and renewed optimism on global growth.

Global bond markets delivered double digit returns over the period; global credit markets also recovered strongly from the early 2016 sell off. UK gilts and index linked bonds delivered positive returns. The former helped by more Bank of England quantitative easing and the later by inflation fears gaining momentum through imports after the significant weakness seen in sterling over the period.

As the financial year began sterling assets were being influenced by the forthcoming referendum on the UK's membership of the European Union. Elsewhere markets remained nervous, Japan had moved towards negative interest rates in an attempt to weaken the Yen and boost exports, however this policy had failed to deliver the desired result. In Europe, concerns over Greece re-emerged and political developments in Austria and Spain caused increased nervousness. Markets needed further European Central Bank quantitative easing before staging a muted recovery, which was helped by the US Federal reserve postponing the much anticipated rate rise.

Most global markets were positioned for a 'remain' result in the UK referendum. Given the 'leave' result, equity markets particularly in Europe and the UK fell sharply in the immediate aftermath. However these falls proved short lived and most markets had recovered within a week of the result. The most significant affect for sterling investors was the sharp fall in the currency, which had started prior to the vote and accelerated subsequently. This weakness had the beneficial affect for sterling investors of transforming lack lustre global returns in local currency into strong sterling returns. Even Japanese equities which had a torrid time in the first half of the financial year delivered positive sterling returns on the back of the Yen's near 30% rise during this period.

The third quarter was strong for both bond and equity markets.as they seemingly brushed aside concerns over sluggish global growth and the now mainstream acceptance that the ultra loose monetary policies of central banks was no longer an affective shot in the arm for asset markets. Despite these headwinds, the on going uncertainties over 'Brexit', continuing geopolitical instability emanating from Syria outwards and even the up coming US Presidential election, investors (particularly unhedged sterling based investors) had enjoyed returns of over 30% from global equities over the previous twelve months.

Despite the unexpected result of the US presidential election, markets barely paused for breath before once again moving higher over the remainder of the period. US equities rallied strongly on promises of infrastructure spending and corporate tax cuts. Other markets responded in kind and many cyclical stocks performed strongly on hopes of faster growth and more fiscally driven government policy. Even the less economically helpful aspects of Trumps election rhetoric, including the spectre of increased protectionism was side lined in the markets new found confidence.

Global Economy Highlights

- The US economy continued to deliver solid growth. The labour market remained strong. The Federal Reserve finally managed to raise rates. Doing so twice during the period, which further strengthened the dollar. The surprise election of Donald Trump triggered much market excitement based on promises on tax cuts, infrastructure spending and a more fiscally driven policy emphasis.

- Short-term interest rates were raised twice in US. The Bank of England cut UK rates in the immediate aftermath of the 'Brexit' results. In the Eurozone the European Central Bank responded to continued sluggish growth and inflation with expanded asset purchases including corporate bonds for the first time.

- China and the Emerging markets performed relatively well, as concerns over Chinese growth, reduced emerging market currency weakness which reversed on hopes of faster global growth and a better outlook for commodity markets.

- Japan continued with aggressive monetary policy aimed at raising core inflation to 2% and generating economic growth. Exports and manufacturing strengthened following the Yen weakness against the US Dollar and strong exports to China

- The much anticipated slowdown for the UK economy has so far failed to materialise, with most economic data up to the end of the financial year surprising to the upside, with consumers in particular showing no obvious signs of a 'Brexit' slowdown. However, there are tentative signs that the recent squeeze in real wage growth, partly as a result of rising inflation, is beginning to weigh down on the consumer.

Equities

- The performance of global equities was very strong. Mid teen returns in local currency translated into 33% for Sterling based investors. In a reversal of recent trends the performance of cyclical and financial sectors was strong driven by 'post Trump' expectations of fiscal stimulus and infrastructure spending coupled with tax cuts and light touch regulation.

- The strongest sectors, relative to the 'All World' Index, were Materials (+45.2%) and Financials (+44.3%); the weakest sectors were Consumer Staples (20.1%) and Telecommunications (16.4%).

Bonds

- Overseas bonds performed strongly over the period for unhedged UK investors as a result of the sharp depreciation of sterling. US High Yield bonds have been very strong as spreads tightened sharply on better economic news and a modest recovery in the oil price.

- Gilts produced positive but moderate returns compared to index linked bonds. As inflation fears mounted post 'Brexit' index linked bonds performed strongly particularly the longer dated bonds that are an increasingly important part of the index.

Property

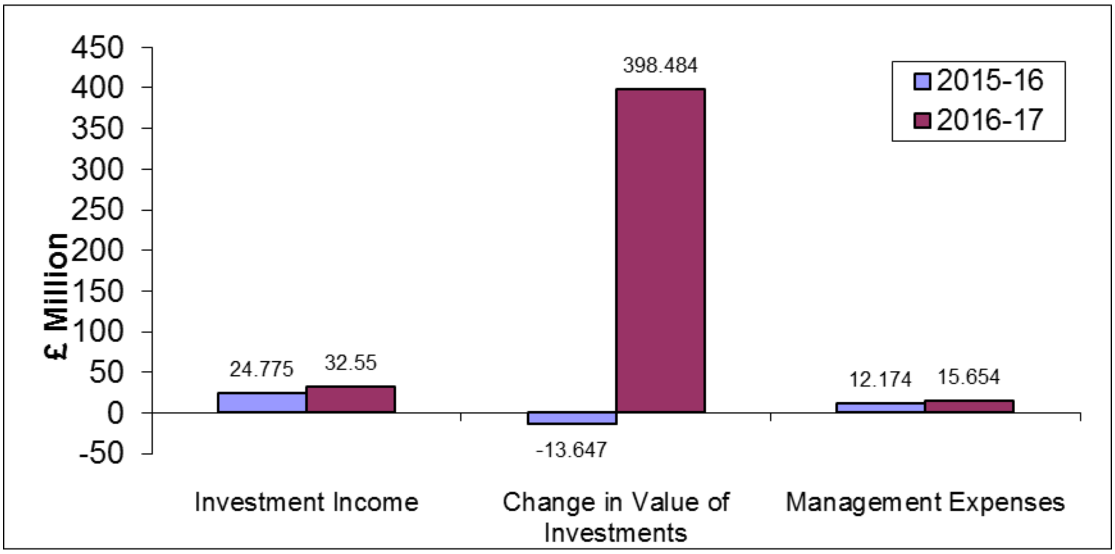
- After a number of strong years UK Property delivered only modest returns up 3.7%. Overall capital values fell slightly during the period. However this was more than offset by income. The central London office sector was particularly affected by uncertainty over ‘Brexit’ and fell very sharply in July after the vote, albeit from high levels. Areas showing the strongest returns were south east Industrials and specialist sectors including student housing and healthcare.

Analysis of Investments at 31 March 2017

Holdings	Pooled Investment Vehicles Market Value	Segregated Holdings Market Value	Total Market Value	% of Market
	£'000	£'000	£'000	%
Bonds				
Index Linked Gilts	109,688		109,688	4.2
Global Bonds	376,740		376,740	14.3
Total Bonds	**486,428**		**486,428**	**18.5**
UK Equities				
Basic Materials		11,004	11,004	0.4
Consumer Goods		53,928	53,928	2.0
Consumer Services		59,040	59,040	2.2
Financials		44,575	44,575	1.7
Health Care		11,064	11,064	0.4
Industrials		31,223	31,223	1.2
Oil and Gas		24,152	24,152	0.9
Technology		9,525	9,525	0.4
Telecommunications		14,946	14,946	0.6
Utilities		4,908	4,908	0.2
Pooled	219,169	4,633	223,803	8.5
Total UK Equities	**219,169**	**268,998**	**488,167**	**18.5**
Overseas Equities				
Europe	108,429	94,485	202,914	7.7
North America	102,421	196,130	298,551	11.3
Japan	31,846	39,487	71,333	2.7
Other Asia	33,328	15,039	48,367	1.8
Other International	39,430	8,462	47,892	1.8
RAFI	275,620		275,620	10.4
Total Overseas Equities	**591,074**	**353,603**	**944,677**	**35.7**
Absolute Return	218,846		218,846	8.3
Private Equity	88,335		88,335	3.3
Infrastructure	58,123		58,123	2.2
Money Market Investments	38,048		38,048	1.9
Distressed Debt	49,263		49,263	1.4
Timberlands	8,306		8,306	0.3
Cash held by Investment Manager		2,919	2,919	0.1
Foreign Exchange	1,341		1,341	0.1
Property Unit Trusts	258,117		258,117	9.8
Total Alternatives	**720,379**	**2,919**	**723,298**	**27.4**
Total	**2,017,049**	**625,520**	**2,642,570**	**100.0**

Investment Performance

The chart below shows the comparative investment returns between 2015-16 and 2016-17. The change in the value of the Fund's investments includes realised and unrealised gains and losses during the year.

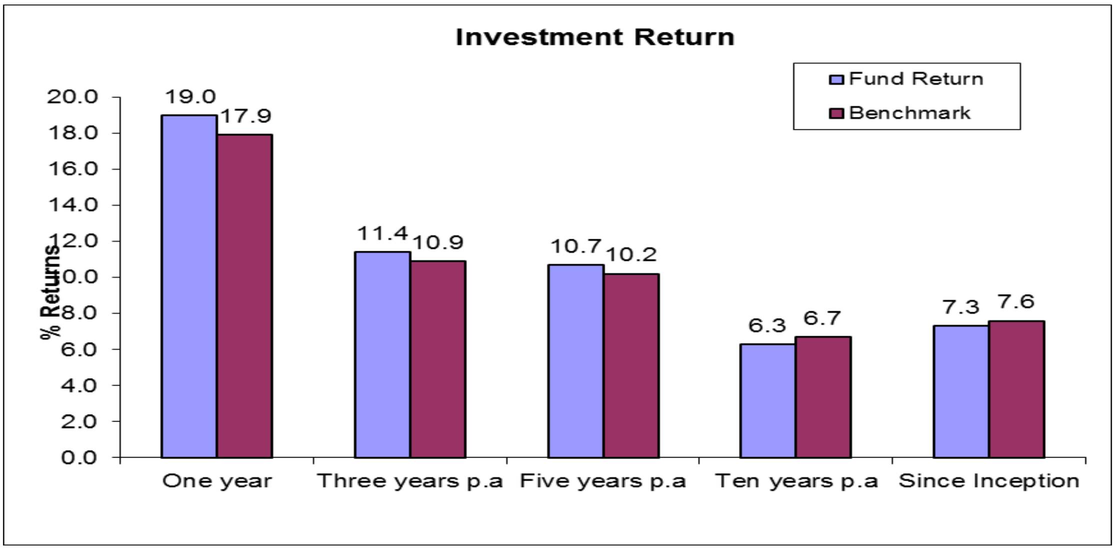


The Fund's assets increased from £2,213 million to £2,649 million during 2016-17, representing an investment return of 19.0% gross of fees. The Fund's benchmark is based on the weighted average of the market index returns for the markets in which it invests. The Fund outperformed the benchmark by 1.1%.

The Fund out performed compared with its benchmark over the longer term, by 0.5% per year for the five year benchmark but underperformed by 0.4% per year for the ten year benchmark, which is a similar position from the previous year.

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

Fund Investment returns



Long-term Investment Performance

The Fund's investment returns over the previous ten year are shown below compared to the Fund's own benchmark. In addition, the Fund's returns are compared with the movement in retail prices over this period.

Long-term performance (year ended 31 March)										
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
	%	%	%	%	%	%	%	%	%	%
Fund return	**-2.5**	**-22.2**	**32.6**	**8.1**	**2.0**	**13.6**	**5.6**	**15.4**	**0.7**	**19.0**
Fund benchmark	-3.6	-21.3	37.6	8.5	3.8	12.1	6.3	13.9	1.5	17.9
Relative return	0.9	-1.1	-5.0	-0.4	-1.8	+1.5	-0.7	+1.5	-0.8	+1.1
Retail prices	**3.8**	**-0.4**	**4.4**	**5.3**	**3.6**	**3.3**	**2.5**	**0.9**	**1.6**	**3.1**

Over the longer term the Fund's investment return is substantially above the increase of retail prices, which is an important factor as retail price index has a direct impact on the movement of the Fund's pension liabilities.

Manager Performance

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

Investment Manager Performance					
Share of Fund 31 Mar 17	Manager	2016-17 Absolute Return	2016-17 Relative Return	3 Year Relative Return	5 Year Relative Return
%		%	%	% p.a.	% p.a.
9.4	Blackrock Equities	23.3	+1.3	+2.7	+2.0
7.1	Blackrock Bonds	5.3	-0.1		
0.3	Brookfield	27.5	+19.5		
34.3	Legal & General	28.7	-0.1	-0.2	-0.2
1.1	KKR	41.8	+33.8	+24.1	
9.2	M&G	10.1	+4.2		
15.9	Newton	23.7	-8.5	-0.5	+1.2
1.1	Partners	19.2	+11.2	+12.4	
2.3	Pantheon	27.1	-5.8		
5.3	Pyrford	9.1	+3.7	+0.4	
10.0	Schroders	3.7	-0.1	0.0	+0.4
1.1	Wilshire	28.0	-4.9		
2.9	Winton	-1.7	-7.1	-1.0	

Note:

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

The private equity mandates held by Wilshire and Pantheon were previously reported combined which is why long term data in not available.

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

The investment returns produced by the managers can be highly volatile, so performance is assessed by the Pension Fund Committee based on their medium term track record, typically over three or five years. Over five years, Newton and Blackrock have achieved a good level of outperformance and Schroders has achieved a modest level.

Governance Report

Governance of the Suffolk Pension Fund

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

Each authority is required to:

(a) Keep the statement under review;

(b) Make appropriate revisions following a material change in respect of any matters; and

(c) If revisions are made -

   i) Publish the statement as revised, and

   ii) Send a copy of it to the Secretary of State.

The Statement is required to set out:

(d) Whether the administering authority delegates their function or part of their function in relation to maintaining a Pension Fund to a committee or an officer of the Council;

(e) Where this is the case, details of:

   i) The frequency of any committee meetings

   ii) The terms of reference, structure and operational procedures in relation to the use of delegated powers

   iii) Whether the committee includes representatives of employing authorities or scheme members, and if so, whether those representatives have voting rights.

(f) The extent to which a delegation complies with the guidance given by the Secretary of State and if it doesn't comply the reasons why.

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

Pension Fund Committee

The Pension Fund Committee's key responsibilities are:

a) The effective and prudent management of the Suffolk Pension Fund.

b) The approval of the Fund's investment strategy and the appointment of the investment managers.

c) The approval of the funding strategy following the triennial actuarial valuation, and the determination of the employers' contributions to the Fund.

Delegations to the Director of Resource Management

During 2016-17, the Director of Resource Management, the County Council's responsible financial officer under section 151 of the Local Government Act 1972, is responsible for all decisions concerning the Pension Fund within the scope of the policies that have been approved by the Pension Fund Committee.

Membership of the Committee

During 2016-17 the Pension Fund Committee consisted of seven county councillors, who were appointed by the County Council, reflecting the political balance on the County Council as a result of the May 2013 County Council elections. In addition, the Committee included two district council representatives, who were nominated by the Suffolk District Council leaders, and a scheme member representative, who was nominated by UNISON.

The attendance of the Pension Fund committee members for the six committee meetings held during 2016-17 are as below:

Councillor	Meetings attended
Cllr Andrew Reid	6
Cllr Jenny Anthill	4
Cllr Michael Bond	5
Cllr John Field	6
Cllr Michael Gower	6
Cllr Peter Byatt	2
Cllr Bert Poole	6
Cllr Bill Knowles(2)	1
Cllr Carol Bull(1)	0
Cllr Colin Kreidewolf	4
Cllr Chris Punt	2
Mr Steve Warner	4

(1) Resigned in July 2016 replaced by Cllr Chris Punt from September 2016
(2) Resigned in September 2016 replaced by Cllr Colin Kreidewolf from September 2016

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

All members of the Pension Fund Committee have voting rights.

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

Committee Training

The Pension Fund Committee recognises the importance of ensuring that those who are responsible for financial management and decision making with regards to the pension scheme are equipped with the necessary knowledge and skills. During 2016-17 the Director of Resource Management was responsible for ensuring that appropriate training is undertaken by members and officers with responsibilities relating to the Pension Fund.

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

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

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

- Committee training day:
    - A summary of the current cash flow forecast and asset allocation.
    - A review of Private Equity
    - Overview of currency hedging and how it is used
    - Overview of the economic outlook in the geopolitical market
    - A review of the Property portfolio
    - A run through of various alternative investments.
- Triennial valuation and funding strategy.
- Club Vita – trends in longevity
- Further training on pooling implications for the Suffolk Pension Fund
- Liability driven investments
- Overview of the types of employers in the Fund and their risk characteristics

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

Work of the Pension Fund Committee

The Pension Fund Committee has a business plan which sets out its performance management framework and its priorities for service development. The Pension Fund Committee met on six occasions during 2016-17.

The Committee monitored the investment performance of the Fund and all its managers on a quarterly basis, receiving a combined investment report with collaboration from Hymans Robertson LLP and Mark Stevens, the Fund's Investment advisors and officers of the Pension Fund. The report includes commentaries on the performance of the managers and the investment strategies employed, a review based on the quarterly investment manager's meetings and an overview of the economic outlook. The annual report on investment performance for 2015-16 was produced and presented by State Street, the Fund's performance advisors for that period.

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

The main suggestions considered by the Committee were:

- Allocation commitments to alternative investments of infrastructure and illiquid debt with M&G.
- Implementation of a currency overlay
- Asset allocation review

The Committee monitored the actuarial position of the Fund on a quarterly basis during 2016-17 with the receipt of the funding valuation report produced by Hymans Robertson LLP.

During the year the Committee received regular updates on the triennial valuation exercise, receiving the initial results in September and approving the final version of the contribution rates for the employers and the Funding Strategy in February 2017.

In 2015-16 the Committee made a decision to work with a number of other Pension Funds (Cambridgeshire, East Sussex, Essex, Hampshire, Hertfordshire, Isle of Wight, Kent, Norfolk, Northamptonshire and West Sussex) to form the ACCESS (A Collaboration of Central, Eastern and Southern Shires) pooling group in response to the Government's requirements for LGPS Funds to work together to put forward plans to "pool investments to significantly reduce costs, while maintaining investment performance".

The Committee received regular updates on the progress of the pooling of assets throughout the year, approving the ACCESS business case to be submitted to the Department for Communities and Local Government in July in line with the Governments requirements.

The Pension Fund Committee agreed the Inter Authority Agreement, which changed the constitution to allow the chairman (or his representative) to make decisions on behalf of the Committee in relation to the operation of the ACCESS pool and recommended it for approval by Suffolk County Council at its meeting on 16 March 2017, which it duly was.

The Committee also agreed to take part in the passive framework tender exercise and appoint the single passive provider determined by ACCESS.

The Committee updated and approved the following documents:

- Investment Strategy Statement
- Funding Strategy Statement
- Rates and Adjustment certificate

- Governance Policy
- Voting Policy
- Treasury Management Strategy
- Risk Register

Pension Board

The Pension Board's key responsibilities are:

1) Assist the Council as scheme manager
    a) To secure compliance with the Local Government Pension Scheme (LGPS) Regulations and any other legislation relating to the governance and administration of the LGPS;
    b) To secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator;
    c) In such other matters as the LGPS Regulations may specify.
2) Secure the effective and efficient governance and administration of the Suffolk Pension Fund.

Membership of the Board

The function of the Suffolk Pension Board is to assist Suffolk County Council as administering authority of the Suffolk Pension Fund in ensuring the effective and efficient governance and administration of the Suffolk Pension Fund in line with legislative requirements.

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

The attendance of the Pension Board members for the five meetings held during 2016-17 are as follows:

Member	Representing	Meetings attended
Cllr Richard Smith	Suffolk County Council	5
David Rowe	Active Scheme Members	5
Homira Javadi	Other Local Government	3
Eric Prince	Retired Members	5
Kate Harrison(1)	Other Employers	0
Marie McCleary	Other Employers	1
Suzanne Williams	Unions	3

(1) Resigned in July 2016 replaced by Marie McCleary from December 2016

Board Training

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

In addition, the Board has approved a formal two year training plan which is designed to cover the Board's responsibilities. This is to be reviewed annually and updated to include new topics of interest and any additional training requirements identified.

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

- Role of the Scheme Advisory Board
- Role of the Pension Ombudsman
- Role of the Pension Regulator
- Overview of the types of employers in the Fund and their risk characteristics
- Demonstration and overview of the new member self service system
- Understanding and monitoring risks in the Fund

Work of the Pension Board

The Pension Board held its first meeting on 24 July 2015 appointing the Chairman, Cllr Richard Smith and the Vice Chairman, David Rowe. The Pension Board agrees a forward work programme for the year ahead.

The Board has received and reviewed:

- Pension Fund Annual Report and Accounts 2015-16
- Ernst & Young audit report
- Fund investment performance
- Management Expenses
- Risk Register
- Communication Policy
- Investment Strategy Statement
- Passive and active investments
- Actuarial Valuation Process
- Audit report on Pension Fund investments
- Regular updates on the progress of the pooling of assets
- Regular updates on the performance of the administration team and complaints and compliments

Risk Management

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

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

The Pension Fund Committee and Pension Board each maintains a risk register for the Pension Fund, which is available on its website (www.suffolkpensionfund.org). All Pension Fund risks are subject to regular monitoring in regards to the likelihood of occurrence and potential impact on the Fund. Third party risks such as payments of contributions are monitored by Suffolk County Council.

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

Systems and internal control

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

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

The Head of Audit Services has provided the opinion that the internal control environment provides sufficient assurance that the Pension Fund financial and administrative systems have adequate controls and effective systems in operation.

Pension Fund Risk Register

The Committee has adopted a formal framework for the identification and management of the risks that the Fund is exposed to. The risk register has been reviewed and updated in line with the guidance issued and reflects best practice in the identification, evaluation and control of risks in order to ensure that key risks are recognised, and then either eliminated or reduced to a manageable level. If neither of these options is possible, then means to mitigate the implications of the risks should be established.

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

The top Pension Fund risks (medium and high risk) are shown below. The key risk is that investment returns are not generated resulting in assets falling short of the liabilities. Investment objectives have been set with the aim of maximising asset returns within an acceptable risk tolerance.

Risk	Impact	Prob-ability	Risk Score	Existing risk control measures
Investment: Failure of investment markets in generating investment returns. **Impact**: increase in employer contribution rates	4	3	12	Diversification between asset classes minimises the impact of a single asset class underperforming. Regular reporting and monitoring arrangements for investment performance by the Fund and its managers are in place.
Actuarial: Failure of investment strategy to produce long-term returns assumed in the Funding Strategy. **Impact**: increase in employer contribution rates	4	3	12	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. A high level review is undertaken annually to assess whether the objectives of the strategy still meet with the Fund's current objectives.
Actuarial: Assumptions used in the triennial valuation are different to experience **Impact**: increase in the liability strain leading to an increase in employer contribution rates	3	3	9	Additional work is commissioned to validate the assumptions used. Setting mortality assumptions with some allowance for future increases in life expectancy.
Operational: Failure of payroll and pension IT administration systems. **Impact**: benefits are not paid correctly and/or on time	3	3	9	Suffolk County Council has a disaster recovery plan which includes key tasks within the Pension Fund function.

Risk	Impact	Prob-ability	Risk Score	Existing risk control measures
Actuarial: Fall in risk free returns on Government bonds leading to a rise in the value placed on liabilities. **Impact**: increase in the liability strain leading to an increase in employers contribution rates	3	3	9	Regular reporting on the funding position Toleration of risk in the expectation of higher real returns from riskier assets
Investment: Failure in investment performance **Impact**: negative affect on the Pension Fund valuation leading to an increase in employers contribution rates	3	3	9	Regular meetings with investment managers to discuss performance Regular reporting of performance against benchmarks Diversification of investment managers and asset classes

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

Note 18 in the Pension Fund statement of accounts includes a statement of the nature and extent of risks associated with the Fund's investments. These are analysed over the following categories:

a) Credit risk

b) Liquidity risk

c) Market risk

d) Interest rate risk

e) Currency risk

f) Price risk

g) Custody

h) Investment management

i) Sensitivity of funding position to market conditions and market performance

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

Corporate Social Responsibility and Voting Report

Environmental, Social and Governance Issues

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

Voting Policy

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

The general principles followed in the voting guidelines are:-

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

Voting activity in 2016-17

The Fund received recommendations for 1,793 resolutions at 116 meetings, supporting 1,304 resolutions (73%) and abstaining on 56 occasions (3%). The Fund voted against the proposal on 391 occasions (22%), a slight increase on the 19% opposing votes exercised in the previous year. The remaining resolutions (2%) did not result in a vote or were withheld agenda items.

The details of the voting by the Fund are available on the Suffolk Pension Fund website. (www.suffolkpensionfund.org).

Report by Pension Investment Research Consultants (PIRC)

UK Voting

As in previous years, the topic of remuneration was the most contentious at Companies' AGMs during the year. Most of the Companies were subject to a single non-binding resolution on the Remuneration Report, which focuses on actual amounts paid to directors during the year. Most UK companies will have their policy approved at their 2017 AGM. The remuneration policy, once approved, only needs to be approved on a three-year basis, unless changes are made by the Remuneration Committee to the rules of the policy.

Overall, Suffolk voted against 26 Remuneration reports during the year and abstained on 12 of them. The invested Company which received the highest oppose vote on its remuneration report during the year was BP plc, with 57% of oppose votes from shareholders, including Suffolk. The variable pay of its CEO was 599.5% of his base salary. These excessive payments were not commensurate with the company's performance.

Another FTSE 100 company, CRH, received an oppose vote of 39.8% on its remuneration policy which Suffolk had also opposed. The Company had sought to increase maximum variable pay for the CEO from 400% of base salary to 590% of base salary which was not considered to be appropriate or acceptable. GlaxoSmithKline plc also had substantial opposition to its remuneration report with only 68.5% of votes cast in favour with 19.1% abstaining and 12.4% opposing the report. Suffolk had voted to oppose the remuneration report as again the variable pay for the CEO was deemed to be excessive at 460% of his salary.

Local Authorities were involved in the filing of the "Strategic Resilience for 2035 and Beyond" shareholder resolution at BP plc as part of their participation in the 'Aiming for A' investor coalition. The resolution asks for further information to be provided on operational emissions management; asset portfolio resilience to the International Energy Agency's scenarios; low-carbon energy research and development and investment strategies; relevant strategic key performance indicators and executive incentives; and public policy positions relating to climate change.

During the 2016 AGM season, resolutions were filed with Rio Tinto and two other mining companies. There was talk of filing with BHP Billiton as well, but that Company met the reporting requests of the investor group so was spared a resolution. As with BP, the company receiving this resolution during 2016 provided board-level support, and the ultimate voting reflected this support with no less than 96% of shareholders voting in favour of the resolution. In the meantime, investors continued to engage with BP over their efforts to implement the resolution requests.

Overseas Voting

Board independence was again an issue of concern in the US with Suffolk having opposed or abstained on re-election of 37% of directors voted at US companies during the year. Auditor tenure also has become a more significant issue with Suffolk having voted to oppose the re-election of 73% of auditors due to having a tenure of over ten years. Auditor rotation is seen as a positive change, especially at US companies where some audit firms have tenures exceeding a century. Remuneration was an issue at eBay where 44.1% of shareholders, including Suffolk opposed changes to the Equity Incentive Plan where performance conditions are solely within the control of the Compensation committee and the company was seeking to make an additional 50 million shares available for grants.

European voting

Remuneration was also an issue in Europe where SAP SE received on 51.4% of votes in favour of a remuneration system for its Management Board members. The major concern here, as with many European companies, was the lack of disclosure of performance targets for the variable remuneration. This lack of disclosure compromises the ability of shareholders to assess whether or not variable remuneration is appropriately tied to performance.

Asia, Japan and Rest of the World

Teva Pharmaceutical included in “the rest of the World” was of concern with proposed increases in the CEO’s fees and bonus, which were considered excessive and not adequately justified. Teva Pharmaceutical was also under investigation and was charged about $520 million under the U.S. Foreign Corrupt Practices Act due to compliance breach in Russia, Mexico and Ukraine during the time period covering 2007-2013. The CEO was appointed to the Board in 2009.

Governance concerns highlights in Japan focussed on the re-election of Senior Directors (Presidents and Chairmen). Opposition was often recommended based on the fact that the boards of directors comprised less than three outside directors, which is considered to be the minimum acceptable threshold for boards with Kansayaku (corporate auditors) structures or with an Audit and Supervisory Committee structure. Similarly lack of sufficient independent representation on boards in other Asian countries was common, too. Another concern was the continued non-disclosure of the statutory auditor tenure, which rendered their independence assessment impossible.

Administration Report

Introduction to the Fund

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

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

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

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

How the Fund Works

The LGPS is a funded scheme. This means the scheme is financed by contributions from the Fund's employers and their employees and by income from the Fund's investments. The employer's contribution rates are set as part of the actuarial valuation exercise which is carried out every three years by the Fund's Actuary.

The valuation exercise was carried out during 2016-17, and following consultation with the employers in the Fund, the new contribution rates were approved by the Pension Fund Committee and will take effect from 1 April 2017.

Costs of Membership

Employee contributions are banded on a members actual pensionable pay rather than the full time equivalent which had previously been used.

The pay banding table which was used during 2016-17 is shown below. The contribution rates and / or pay bands are reviewed periodically to maintain the average contribution from employees at 6.5% and to ensure the long term costs of the scheme are managed.

Actual Pensionable Pay	Contribution Rate
£0 - £13,600	5.5%
£13,601 - £21,200	5.8%
£21,201 - £34,400	6.5%
£34,401 - £43,500	6.8%
£43,501 - £60,700	8.5%
£60,701 - £86,000	9.9%
£86,001 - £101,200	10.5%
£101,201 - £151,800	11.4%
Over £151,801	12.5%

Members have the option to join on a 50/50 basis which will entitle members to pay half the contribution detailed above, in exchange for half the pension benefit. These members do retain full benefits in the event of ill health or death.

Benefits of the Pension Fund

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

All pensions payable from the Fund are defined as ‘official pensions’ for the purpose of the Pensions (increase) Act.

The core scheme benefits are:

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

Pension administration

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

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

Key Performance Indicators:

Number and trend of high profile cases:

Case Type	Total Completed	Peak Period
Pension Estimates – retirements and divorce	1,774	April & September
Pensions Retirements	1,241	July & December
Pensions preserved benefits	1,321	June
Pensions transfers in	340	February & March
Pensions transfers out	387	October & November
Pensions deaths	447	February

Percentage completed on time against targets:

Service Level Agreement	Percentage completed within SLA
Notification of retirement benefits and payment of lump sum to be made within 10 working days of receipt of all information necessary. Payment of pension to be included in the next available monthly run.	93%*
Pay death grant / balance of pension/pay within 10 working days of receipt of all necessary documentation. Pay Spouse Benefit on first available pay run.	92%*
Notify beneficiary / widow / widower of documents necessary to pay death grant / balance of pension / pay within 5 working days of notification of death go ahead.	98%

***** In order to meet the statutory requirements of the triennial valuation resource had to be taken away from these tasks resulting in these areas being below the 95% SLA.

Employer Performance

The Administration Strategy requires each employer to monitor performance against specific tasks and report to the pension administration team on a quarterly basis. During 2016-17 the Administration Strategy has been updated following consultation with scheme employers and approved by the Pension Fund Committee.

The tables below show the performance of the employers in the Fund:

Fund administration

Function/Task	Performance Target	Achievement %
Arrange for the deduction and payment of additional voluntary contributions to the AVC provider	By 19th of the month following deduction	100%
Cease deduction of employee contributions when a scheme member opts to leave the scheme	Month following election or future specified date from member	100%

Function/Task	Performance Target	Achievement %
Refund any contributions when employees opt out of the pension scheme before 3 months	Month following receipt of opt out	100%
Employers must issue all new employees eligible to join the LGPS a copy of the members guide to the pension scheme	At the time of appointment either issuing the booklet, pdf or directing to the guide on the Suffolk Pension fund website	100%
Notify Suffolk Pension fund of all new members in the scheme.	Within 6 weeks of starting to ensure automatic enrolment obligations are met.	100%
Notify Suffolk Pension fund with details of all material changes in employee circumstances, including marital or civil partnership status, or hour changes through agreed form/electronic interface	Within one month of change happening	100%
Pay additional fund payments in relation to early payments of ill health, flexible retirement, redundancy or business efficiency retirement	Within one month of invoice date or as notified on individual case	100%
Respond to enquiries from the administering authority	Within 10 days of receipt of enquiry	100%
Provide written advance notification of early leavers from the scheme (employer is required to have 3 months' notice from members as per requirements of LGPS 2013 Regulations (32)	One month prior to effective date	100%
Provide written advance notification of flexible retirements	One month before the effective date*	100%
Notification of general retirements	One month before date of retirement	100%
Provide all information linked to death in service of members	Within 5 days of having all information	100%
For all leavers reason for leaving and confirmation of final pay information must be provided in correct format	By end of month member left	96%
Provide End of Year Return	By 21 April	76%

Financial Performance

A review is carried out on the timings of the payment of pension contributions to the fund by the employers. The administration strategy requires these to be received by the Pension Fund within 5 working days of the month in which the contributions were deducted. The table below summarises the timeliness of receipts for the 2016-17 financial year:

	2016-17		
	Emp.	**Contribs.**	
	%	**£'000**	**%**
On Time	86	105,952	98
Up to 1 week late	4	1,248	1
Over 1 week late	10	1,498	1
Total		**108,698**	

Communications Policy

The Fund's Communication Policy sets out how it communicates with employers, scheme members and prospective scheme members and has been approved by the Pension Fund Committee.

The Suffolk Pension Fund has met the requirements set out in the communications policy. A copy of this document is available on the Pension Fund website (www.suffolkpensionfund.org).

The Pension Fund Annual Report and Accounts is the formal mechanism for reporting on the performance of the Fund to its stakeholders and is published on the Pension Fund website.

The Pension Fund invites all the scheme employers to an annual meeting to receive presentations on the activities of the Fund during the year and on any developments relating to the LGPS. The annual meeting for 2015-16 was held on 7 October 2016.

Scheme information has been provided to members, representatives and employers at all appropriate times during the year.

Employers are provided with all necessary information when they join the scheme including an employer's guide. Employer liaison meetings are held twice a year and are an opportunity to effectively communicate important information. All employers are supported and helped through any issues affecting them and pensions administration staff visit various employers throughout the year attending workshops and meeting members. Newsletters to employers are issued on a regular basis

The Pension Fund Committee consults with the employers whenever any significant changes in the Pension Fund's statement of investment principles or funding strategy are under consideration.

The scheme is promoted to prospective members, with new employees being issued with a guide to the LGPS for members and directed to the relevant area of the Pension Fund website. Information on the scheme is also contained within individuals' contracts of employment explaining their rights in regards to joining the scheme.

Active and deferred members of the pension scheme are provided with an annual benefits statement estimating their pension benefits for retirement.

Members of the administration team regularly attend regional and national conferences and training days ensuring that the Suffolk Pension Fund and its members are well represented ensuring that the team is knowledgeable in advance of impending changes.

The Pension Fund Committee and the Pension Board receives appropriate training and information relating to the administration of the scheme.

Member Self Service

During 2016-2017 the Suffolk Pension Fund implemented a Member Self Service system. This system enables members of the LGPS to have access to their pension records and allows members to view and update certain information. In addition, members can also run as many personal pension projections as they require with instant results. This new system will allow individuals to have the information they need, when they need it and initial feedback has been very positive from members.

It is anticipated that this system will continue to be developed in the future with the addition of important communications including Annual Benefit Statements, information packs, correspondence with individual members, scheme guides and forms to this system.

Internal Dispute Resolution Procedure (IDRP)

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

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

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

In 2016-17 there were 3 IDRP cases from a total of 7,348 cases processed.

Employers in the Fund

There are 210 active employers in the Fund and 25 employers who do not have active members but have deferred pension members and/or pensioners.

	Active	Ceased	Total
Scheduled Bodies	133	1	**134**
Resolution Bodies	36	-	**36**
Admitted Bodies	41	24	**65**
Total	**210**	**25**	**235**

A list of the active employers in the Fund as at 31 March 2017 are as follows:

Scheduled Bodies

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

Local Authority

Babergh District Council
Forest Heath District Council
Ipswich Borough Council
Mid Suffolk District Council
St Edmundsbury Borough Council
Suffolk Coastal District Council
Suffolk County Council
Waveney District Council

Other

Association of Inshore Fisheries and Conservation Authorities (AIFCA)

The Police and Crime Commissioner for Suffolk

Colleges

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

Free Schools

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

Academies

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

Academies Enterprise Trust

Felixstowe Academy
Langer Primary Academy

Academy Transformation Trust

Great Heath Primary Academy
Mildenhall College Academy
Westbourne Academy

Active Learning Trust

Albert Pye Primary
Chantry Academy
Grove Primary School
Ravensmere Infant School
Red Oak Primary School
Reydon Primary School

Gusford Primary School
Hillside Primary School
Pakefield Primary School
Sidegate Primary School
Westwood Primary School

Avocet Academy Trust
Easton Primary School
Leiston Primary School
Wickham Market Primary School

ASSET Education (Previously Ipswich Primary Academy Trust)
St Helens Primary School
The Oaks Primary School
Whitton Community Primary School

Bright Tribe Academy Trust
Alde Valley Academy
Castle Hill Infants School
Castle Hill Junior School
Cliff Lane Primary School

Bury St Edmunds Academy Trust
County Upper School
Horringer Court School
Tollgate Primary School
Westley School

Castle Partnership Academy Trust
Burton End Primary Academy
Castle Manor Academy
Place Farm Primary Academy

Diocese of Ely
St Christopher's School

Evolution Academy Trust
Elm Tree Community Primary School
The Dell Primary School

Hartismere Family of Schools
Benjamin Britten High School
Hartismere School

Inspiration Trust
East Point Academy

John Milton Academy Trust
Bacton Community Primary School
Cedars Park Primary
Mendlesham Community Primary
Stowupland High School

Ormiston Academies Trust
Ormiston Denes Academy
Ormiston Endeavour Academy
Ormiston Sudbury Academy
Stoke High School - Ormiston Academy

Paradigm Trust
Ipswich Academy
Murrayfield

Raedwald Trust
Parkside Pupil Referral Unit
Westbridge Pupil Referral Unit

REAch2 Academy Trust

Beccles Primary Academy
Gunton Primary Academy
Martlesham Primary Academy
Meadow Primary Academy
Northfield St Nicholas Primary Academy
Samuel Ward Academy
Sprites Primary Academy
St Margaret's Primary Academy

Samuel Ward Academy Trust

Coupals Primary Academy
Glemsford Primary Academy
Houldsworth Valley Primary
Laureate Primary
Newmarket Academy
Samuel Ward Academy
Sybil Andrews
Thomas Gainsborough School
Westfield Primary Academy
Wickhambrook
Woodhall(Sudbury)

St Edmundsbury and Ipswich Diocese

Bramfield Church of England Primary
Eyke
Long Melford Church of England School
Nacton Church of England School
Sproughton CEVC Primary
St Mary's Hadleigh
St Mary's Woodbridge
Tudor Primary School

St Johns The Baptist

St Bennet's Catholic(Beccles)
St Edmunds Catholic(Bungay)
St Mary's Catholic(Lowestoft)

St Louis Catholic Primary Academy

St Felix Haverhill

The Consortium MAT

Mendham
Middleton
St Edmunds Primary-Hoxne
Yoxford

The Tilian Partnership

Bardwell CEVC Primary
Gislingham CEVC
Old Newton CEVC
Palgrave CEVC

Thedwastre

Great Barton Primary Academy
Rattlesden Primary Academy
Thurston Primary Academy
Woolpit Primary School

Resolution Bodies

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

Beccles Town Council
Boxford Parish Council
Bury St Edmunds Town Council
Concertus Design & Property
Felixstowe Town Council
Framlingham Town Council
Melton Parish Council
Mildenhall Parish Council
Nayland & Wissington Parish Council
Newmarket Town Council
Onehouse Parish Council
Opus

Great Cornard Parish Council
Great Waldingfield Council
Glemsford Parish Council
Hadleigh Town Council
Haverhill Town Council
Kesgrave Town Council
Kessingland Parish Council
Lakenheath Parish Council
Leavenheath Parish Council
Leiston Town Council
Long Melford Parish Council
Martlesham Parish Council
Pinewood Parish Council
Saxmundham Town Council
Schools' Choice Limited
Southwold Town Council
Stowmarket Town Council
Sudbury Town Council
Thurston Parish Council
Verse
Vertas
Woodbridge Town Council
Woolpit Parish Council

Admitted Bodies

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

Abbeycroft Leisure
Anglia Community Leisure Trust
Ass. Colleges in the Eastern Region
Care Quality Commission
Care UK
Caterlink – Kesgrave
Churchill Contract Services
Compass – Copleston
Compass – Farlingaye
Compass - Felixstowe
Edwards and Blake – Pakefield
Edwards and Blake – St Albans
Elior Ltd-Chantry
Flagship Housing Group Ltd
Hadleigh Market Feoffment Charity
Havebury Housing Partnership
Kier MG
Leading Lives
LLC Support Services
Marina Theatre Trust
Norland Managed Services Ltd
Nuffield Health
Papworth Trust
Realise Futures
Seckford Foundation
Sentinel Leisure Trust
South Suffolk Leisure
South Suffolk Leisure-Holbrook
South Suffolk Leisure-East Bergholt
Sports & Leisure Management Ltd
Suffolk Ass. of Local Councils
Suffolk Coastal Leisure Com Ass Ltd
Suffolk Libraries IPS
Suffolk Norse Ltd
Suffolk Norse Transport
The Partnership in Care Ltd
The Voluntary Network
Thorpe Woodlands
Waveney Norse

Membership

The overall membership has increased year on year with an overall membership increase of 18% during the last five years.

Membership Summary	2012-13	2013-14	2014-15	2015-16	2016-17
Members	18,155	18,658	18,871	20,129	19,954
Pensioners	12,856	13,347	14,023	14,647	15,074
Deferred	16,651	17,629	19,097	20,872	23,438
Total	**47,662**	**49,634**	**51,991**	**55,648**	**58,466**

ACTUARIAL STATEMENT FOR 2016-17

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

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated February 2017. In summary, the key funding principles are as follows:

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

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

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2016. This valuation revealed that the Fund's assets, which at 31 March 2016 were valued at £2,213 million, were sufficient to meet 91% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £216 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2017 to 31 March 2020 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2016 valuation report.

Method

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

Assumptions

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

The key financial assumptions adopted for the 2016 valuation were as follows:

Financial assumptions	31 March 2016
Discount rate	4.0%
Salary increase assumption	2.4%
Benefit increase assumption (CPI)	2.1%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.9 years	24.4 years
Future Pensioners*	23.9 years	26.4 years

*Aged 45 at 2016 Valuation

Copies of the 2016 valuation report and Funding Strategy Statement are available on request from Suffolk County Council, the Administering Authority to the Fund.

Experience over the period since April 2013

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities. The effect of this has been broadly offset by strong asset returns. Both events have roughly cancelled each other out in terms of the impact on the funding position as at 31 March 2017.

The next actuarial valuation will be carried out as at 31 March 2019. The Funding Strategy Statement will also be reviewed at that time.

Peter Summers FFA
For and on behalf of Hymans Robertson LLP
25 June 2017

PENSION FUND ACCOUNTS

Fund Account

2015 - 2016 £ million	Fund Account		2016 - 2017 £ million
	Dealings with members, employers and others directly involved in the scheme		
	Contributions and benefits		
	Contributions receivable:		
	From employers		
72.144	Normal	9	75.637
9.409	Deficit funding	9	10.490
1.788	Other	9	2.497
	From members		
19.814	Normal	9	20.074
	Transfers In		
3.477	Individual transfers in from other schemes		2.474
0.001	Other Income		0.000
	Benefits payable:		
-70.339	Pensions	9	-72.365
-14.368	Commutations of pensions and lump sum retirement benefits	9	-13.052
-1.663	Lump sum death benefits	9	-1.366
	Payments to and on account of leavers:		
-0.131	Refunds of Contributions		-0.162
-4.332	Individual transfers out to other schemes		-3.878
0.000	Group Transfers out to other Schemes		-0.274
15.800	**Net additions/(withdrawals) from dealings with members**		**20.075**
-12.174	Management Expenses	10	-15.654
3.626	**Net additions/(withdrawals) including management expenses**		**4.421**
	Returns on investments		
	Investment income		
13.844	Dividends from equities		14.777
6.865	Income from pooled investment vehicles - Property		8.097
0.883	Income from pooled investment vehicles - Private Equity		0.636
3.051	Income from Other Managed Funds		8.212
0.117	Interest on Cash Deposits		0.045
0.151	Other		0.924
-0.136	Taxes on Income		-0.141
-13.670	Change in market value of investments		398.484
0.023	Impairment of Investments (1)		0.015
11.128	**Net returns on investments**		**431.049**
14.754	Net increase, or (decrease), in the fund during the year		435.470
2,198.441	Opening net assets of the scheme		2,213.195
2,213.195	**Closing net assets of the scheme**		**2,648.665**

Notes:
(1) Receipt of MF Global impairment of investment written off in 2011 - 2012.

Net Asset Statement

2015 - 2016 £ million	Net Asset Statement		2016 - 2017 £ million
	Investment assets		
224.142	UK companies	12, 13, 14, 16	268.998
283.686	Overseas companies	12, 13, 14, 16	353.603
	Pooled Investment Vehicles		
17.782	Unit trusts	12, 13, 14, 16	16.244
727.955	Unit linked insurance policies	12, 13, 14, 16	903.687
241.309	Property unit trust	12, 13, 14, 16	258.117
702.461	Other Managed Funds	12, 13, 14, 16	837.661
1.926	Cash [held by the investment managers]	12	2.919
2.188	Forward Foreign Exchange Contracts	12	1.341
2,201.449	**Total investments**		**2,642.570**
	Current assets		
13.020	Debtors	21	14.784
6.082	Cash Desposits	18d	8.550
0.066	Cash at Bank	18d	0.103
19.168	**Total current assets**		**23.437**
	Current liabilities		
-7.422	Creditors	22	-17.342
-7.422	**Total current liabilities**		**-17.342**
11.746	**Net current assets**		**6.095**
2,213.195	**Net assets**		**2,648.665**

1. Description of the Fund

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

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

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

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

Organisations participating in the Suffolk Pension Fund include:

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

There are 210 employer organisations with active members within the Scheme, an increase of 36 from the previous year (174). Teachers, Firefighters and NHS staff have their own pension schemes and are not included in this Fund.

The Fund has the following number of members and pensioners:

31 March 2016		31 March 2017
	Number of Employees in the Scheme	
9,759	County Council	8,928
10,370	Other Employers	11,026
20,129	**Total**	**19,954**
	Number of Pensioners	
8,175	County Council	8,430
6,472	Other Employers	6,644
14,647	**Total**	**15,074**
	Number of Deferred Pensioners	
12,856	County Council	13,936
8,016	Other Employers	9,502
20,872	**Total**	**23,438**

Funding

Benefits are funded by contributions and investment earnings. Employers contributions are set based on the triennial actuarial funding valuation which was last carried out as at 31 March 2016. Employees contributions are paid in line with the LGPS Regulations 2013.

Benefits

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

2. Events after the Balance Sheet Date

There has been no event between 31 March 2017 and the date when these accounts were authorised that requires any adjustments to these accounts.

3. Significant Changes to the Fund

On 6 June 2016 the Pension Fund Committee made a decision to disinvest the Legal & General Emerging Market Bond holding and transfer the value to the Blackrock Fixed Income Global Opportunities Fund. This was completed during June 2016.

On 28 November 2016 the committee made a decision to increase the holding in alternative investments with M&G. A commitment of £25 million was made to the Illiquid Credit Opportunities Fund which was funded in full in January 2017. The commitment of £60 million to the Infracapital Greenfield infrastructure fund and £25 million to the Debt Solutions Fund will be funded as capital calls are raised over a period of time.

4. Basis of Preparation of Pension Fund Accounts

The Statement of Accounts summarises the Fund's transactions for the 2016 - 2017 financial year and its position as at 31 March 2017.

These accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in United Kingdom 2016 - 2017', which is based upon International Financial Reporting Standards (IFRS). The Code also incorporates the 2015 Statement of Recommended Practice (SORP) 'Financial Reports of Pension Schemes'.

The accounts do not take into account obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS 26) basis, is disclosed in Note 20 of these accounts.

5. Summary of Significant Accounting Policies

5.1 Fund Account - Revenue Recognition

Contribution Income

Normal contributions from members and employers are accounted for on an accruals basis at the percentage rate recommended by the actuary in the payroll period to which they relate.

Employers' deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary.

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

Transfers to and from Other Schemes
Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations.

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

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

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

Investment Income
Investment income may include withholding tax which is disclosed as a separate item (taxes on income) on the face of the Fund Account. Investment income arising from the underlying investments of Pooled Investment Vehicles is reinvested in the vehicle and reflected in the unit price.

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

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

Income from Cash and Other Investments
This income is accounted for on an accruals basis.

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

5.2 Fund Account - Expenditure

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

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

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

Management Expenses

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

ii) Oversight and Governance Expenses
All oversight and governance expenses are accounted for on an accruals basis. Suffolk County Council staff costs are charged to the Pension Fund based on time spent.

iii) Investment Expenses
All investment expenses are accounted for on an accrual basis. Investment management fees and performance fees are agreed in the respective mandates governing their appointment. These fees are based on the market value of the investments under management and therefore increase or decrease as the value of the investments change.

Transaction costs and custody fees are included in investment management expenses.

5.3 Net Asset Statement

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

The value of investments has been determined as follows:

Market Quoted Investments
Managed Funds are valued by the bid market price on 31 March 2017.

Property
Property is valued using the latest available Net Asset Value (NAV) or where a NAV is not available, assumptions based on the probable realisation value.

Unquoted Investments
Unquoted Securities include pooled investments in Infrastructure, Distressed Debt, Private Equity and Timberlands. Market quotations are not readily available. The value is based on the Fund's share of the net asset using the latest financial statements published by the respective fund manager in accordance with guidelines set out by the British Venture Capital Association, and adjusted for capital calls and distributions received from that date to 31 March 2017.

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

Foreign Currency Transactions
Investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate as at 31 March 2017.

Derivatives
Derivative financial instruments are used to manage exposure to specific risks arising from investment activities and are not held for speculative purposes. Derivative contract assets are valued at bid price and liabilities are valued at offer price. Changes in the fair value are included in the change in market value.

Forward Foreign Exchange Contracts outstanding at the year end are stated at fair value, which is determined as the loss or gain that would arise if the outstanding contract was required to be settled on 31 March.

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

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

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

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

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

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

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

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

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

Contingent liabilities are not recognised in the financial statements, but are disclosed as a note to the accounts. See Note 28.

Contingent Assets

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

Contingent assets are not recognised in the financial statements, but are disclosed as a note to the accounts.

Additional Voluntary Contributions

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

AVC's are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2009/3093) but are disclosed as a note only (Note 23).

Actuarial Present Value of Promised Retirement Benefits

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

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Asset Statement (Note 20).

6. Accounting Standards Issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2016 – 2017 requires the disclosure of information relating to the expected impact of changes that will be required by a new standard that has been introduced but not yet adopted and applies to the adoption of the following disclosures as amended in the 2017 - 2018 code.

- Amendment to the reporting of investment concentration.
- Amendment to the reporting of Pension Fund scheme transaction costs.

The code requires implementation of the above disclosures from 1 April 2017. These changes are not considered to have a material effect on the Pension Fund accounts of 2016 - 2017.

7. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 5, the Pension Fund has to make certain judgements about complex transactions or those involving uncertainty about future events. The main critical judgement that the Pension Fund must consider is the Pension Fund actuarial liability.

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 19 Funding Position. This estimate is subject to significant variances based on changes to the underlying assumptions.

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

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

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

Actuarial Present Value of Promised Retirement Benefits

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries, Hymans Robertson LLP, is engaged to provide the Fund with expert advice about the assumptions to be applied.

Private Equity

Private Equity investments are valued at fair value in accordance with IFRS and British Venture Capital Association guidelines. Both Pantheon and Wilshire have established procedures to report fair value on a consistent, transparent and prudent basis. These investments are illiquid and are not publicly listed and as such there is a high degree of estimation involved in the valuation.

The Private Equity investments at 31 March 2017 are £60.666 million with Pantheon and £27.532 million with Wilshire. There is a risk that these investments may be under or overstated in the accounts.

Infrastructure

Infrastructure investments are valued through a fair market value process designed in accordance with IFRS. These investments are not publicly listed and as such there is a high degree of estimation involved in the valuation.

The Infrastructure investments held with Partners and KKR at 31 March 2017 are £28.618 million and £29.506 million respectively. There is a risk that these investments may be under or overstated in the accounts.

Distressed Debt

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

Distressed Debt is held with M&G and includes the Debt Opportunity investments and the Illiquid Credit Opportunity Fund totalling £49.263 million as at 31 March 2017. There is a risk that this investment may be under or overstated in the accounts.

Timberlands

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

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

The Timberlands investment with Brookfield at 31 March 2017 is £8.306 million. There is a risk that this investment may be under or overstated in the accounts.

9. Contributions Received and Benefits Paid during the Year

2015 - 2016 Employers' Contributions £ million	2015 - 2016 Employees' Contributions £ million	2015 - 2016 Benefits Paid £ million		2016 - 2017 Employers' Contributions £ million	2016 - 2017 Employees' Contributions £ million	2016 - 2017 Benefits Paid £ million
37.451	9.172	-41.406	Suffolk County Council	39.233	9.079	-42.886
40.751	9.433	-41.180	Other Scheduled and Resolution Bodies	44.001	9.678	-40.475
5.139	1.209	-3.784	Admitted Bodies	5.390	1.317	-3.422
83.341	**19.814**	**-86.370**	**Total**	**88.624**	**20.074**	**-86.783**

Included within employer normal contributions of £88.624 million shown in the Fund account, is an amount for deficit funding of £13.595 million paid within the employers percentage (£11.479 million in 2015 - 2016). The deficit funding identified separately on the Fund account of £10.490 million (2015 - 2016 £9.409 million) refers to those employers funding their deficit by means of lump sum payments.

Employer contributions are made up of two elements:
a) the estimated cost of future benefits being accrued, the 'primary rate'; plus
b) an adjustment for the funding position of accrued benefits relative to the Fund’s solvency target, the 'secondary rate'.

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

The Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the next three year period. 2016 - 2017 was the third year in the three year period following the 31 March 2013 valuation for the contribution rates set by the actuary to reflect a and b above.

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

10. Management Expenses

2015 - 2016 £ million		2016 - 2017 £ million
10.680	Investment Management Expenses	13.968
0.980	Administration Expenses	1.068
0.514	Oversight and Governance Costs	0.618
12.174		15.654

Management expenses are categorised into investment management expenses, administration expenses and oversight and governance costs, in accordance with the CIPFA guidance on Accounting for Local Government Pension Scheme Management Costs.

Administration expenses includes costs associated with members, pensioners and scheme employers. This would include all activities associated with pension administration - staff costs, IT, membership fees and subscriptions.

Oversight and governance costs includes costs incurred in the monitoring of investments, investment advisory services, independent advisors, support to the Pension Fund Committee and Pension Board, voting services, costs associated with the production of statutory and non statutory reporting, legal services, actuarial services, audit services and accountancy services.

External audit fees charged by Ernst & Young for 2016 - 2017 were £0.025 million (£0.025 million 2015 - 2016). Ernst & Young are intending to charge an additional £0.006 million to respond to IAS19 assurance requests in 2016 – 2017. This will be charged to the employers that have requested the assurance.

Investment management expenses includes costs that are incurred in association with the management of the Pension Fund assets and financial instruments whether directly invoiced to the fund or deducted from the fund assets. This includes management fees, performance fees and broker commission transaction costs as below:

2015 - 2016 £ million		2016 - 2017 £ million
8.532	Investment Management Fees and Expenses	9.150
1.377	Performance Fees	4.052
0.739	Transaction Costs	0.734
0.032	Custodian Fees	0.032
10.680		13.968

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

31 March 2016 Market Value £ million	31 March 2016 Percentage of Assets %		31 March 2017 Market Value £ million	31 March 2017 Percentage of Assets %
331.034	15.03%	BlackRock Investment Management	435.930	16.52%
7.417	0.34%	Bluecrest Capital Management	0.754	0.03%
6.948	0.32%	Brookfield Asset Management	8.306	0.31%
0.111	0.01%	Cambridge Research & Innovation Limited	0.137	0.01%
33.785	1.53%	Kohlberg Kravis Roberts	29.579	1.12%
727.956	33.06%	Legal and General Investment Management	903.687	34.24%
219.368	9.96%	M&G Investments	242.686	9.20%
335.863	15.25%	Newton Investment Management	418.346	15.86%
36.773	1.68%	Pantheon Ventures	61.110	2.32%
19.503	0.89%	Partners Group	28.618	1.08%
128.837	5.85%	Pyrford International	140.494	5.33%
246.249	11.18%	Schroder Property Investment Management	262.645	9.96%
29.564	1.54%	Wilshire Associates	28.421	1.08%
73.927	3.36%	Winton Global Investment Management	77.597	2.94%
2,197.335	**100.00%**		**2,638.310**	**100.00%**

Blackrock Investment Management received an additional £45 million investment into the active bond mandate which was funded through disinvesting from the passive emerging bond mandate held by Legal & General Investment Management.

The mandate with M&G Investments has been increased with a £25 million investment into the Illiquid Credit Opportunity Fund.

The Infrastructure mandates with Partners Group, the Private Equity mandate with Pantheon Ventures Investments and the Debt Solutions fund with M&G Investments have been funded as investment opportunities are identified by the investment managers.

The mandate with Bluecrest Capital Management was terminated in November 2015.

12. Reconciliation of Movements in Investments and Derivatives

	Opening Market Value 01 April 2015 £ million	Purchases £ million	Sales £ million	Change in Market Value £ million	Closing Market Value 31 March 2016 £ million
Quoted					
UK Companies	211.371	101.383	-82.170	-6.442	224.142
Overseas Companies	291.288	57.812	-66.333	0.919	283.686
Derivatives - Forward Foreign Exchange contracts	2.245	105.395	-105.224	-0.228	2.188
Pooled Investment Vehicles:					
Other Managed Funds	222.480	510.301	-197.530	-6.083	529.168
Unit trusts	24.056	7.631	-15.006	1.101	17.782
Unit linked insurance policies	1,062.207	9.947	-316.403	-27.796	727.955
Unquoted					
Pooled Investment Vehicles:					
Other Managed Funds	162.507	29.851	-22.770	3.705	173.293
Property	212.702	20.311	-6.958	15.254	241.309
Total of Investments	**2,188.856**	**842.631**	**-812.394**	**-19.570**	**2,199.523**

	Closing Market Value 31 March 2016 £ million	Movement in Cash Balance £ million	Impairment of Investments £ million	Change in Market Value £ million	Closing Market Value 31 March 2015 £ million
Other Investment Balances:					
Cash held by investment managers	3.716	-1.557	0.023	-0.256	1.926
Net Investments	**3.716**	**-1.557**	**0.023**	**-0.256**	**1.926**

The change in market value of £19.826 million (£19.570 million and £0.256 million) is £6.156 million higher than the change in market value on the Fund Account of £13.670 million. The difference is caused by indirect management fees of £5.930 million and the foreign exchange fluctuations of the market value of the holdings held in currencies other than sterling.

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

Transaction costs, such as commissions, stamp duty and other transaction fees are included in the cost of purchases and sale proceeds. Transaction costs incurred during the year total £0.739 million.

	Opening Market Value 01 April 2016 £ million	Purchases £ million	Sales £ million	Change in Market Value £ million	Closing Market Value 31 March 2017 £ million
UK Companies	224.142	91.121	-86.086	39.821	268.998
Overseas Companies	283.686	82.885	-81.734	68.766	353.603
Derivatives - Forward Foreign Exchange contracts	2.188	14.319	-14.699	-0.467	1.341
Pooled Investment Vehicles:					
Other Managed Funds	529.168	315.185	-230.911	29.720	650.566
Unit trusts	25.186	-	-4.432	2.894	16.244
Unit linked insurance policies	727.955	47.184	-70.398	198.946	903.687
Unquoted					
Pooled Investment Vehicles:					
Other Managed Funds	165.889	47.108	-66.564	40.662	187.095
Property	241.309	21.362	-12.913	8.359	258.117
Total of Investments	**2,199.523**	**619.164**	**-567.737**	**388.701**	**2,639.651**

	Opening Market Value 01 April 2016 £ million	Movement in Cash Balance £ million	Impairment of Investments £ million	Change in Market Value £ million	Closing Market Value 31 March 2017 £ million
Other Investment Balances:					
Cash held by investment managers	1.926	0.298	0.015	0.680	2.919
Net Investments	**1.926**	**0.298**	**0.015**	**0.680**	**2.919**

The change in market value of £389.381 million (£388.701 million and £0.680 million) is £9.103 million lower than the change in market value on the Fund Account of £398.484 million. The difference is caused by indirect management fees and expenses of £8.636 million and the foreign exchange fluctuations of the market value of the holdings held in currencies other than sterling of £0.466 million.

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

Transaction costs, such as commissions, stamp duty and other transaction fees are included in the cost of purchases and sale proceeds and are included in management fees and expenses. Transaction costs incurred during the year total £0.734 million (£0.739 million in 2015 - 2016).

13. Analysis of Investments (excluding Derivatives)

Market Value 31 March 2016 £ million	Market Value 31 March 2016 £ million		Market Value 31 March 2017 £ million	Market Value 31 March 2017 £ million
		Equities		
	224.142	UK Companies		268.998
	283.686	Overseas Companies		353.603
		Pooled Investment Vehicles - Quoted		
	17.782	Unit Trusts		16.244
	727.955	Unit Linked Insurance Policies		903.687
		Other Managed Funds		
304.827		Fixed Income	376.740	
210.166		Absolute Returns	218.846	
14.175		Money Market Funds	38.048	
-		Private Equity	16.932	
529.168		Total Quoted Other managed Funds	650.566	
		Pooled Investment Vehicles - Unquoted		
		Other Managed Funds		
47.371		Distressed Debt	49.263	
52.978		Infrastructure	58.123	
65.996		Private Equity	71.403	
6.948		Timberlands	8.306	
173.293		Total Unquoted Other Managed Funds	187.095	
	702.461	Total Other Managed Funds		837.661
	241.309	Property		258.117
	2,197.335	**Total**		**2,638.310**

The table above breaks down the Pooled Investment Vehicles and further analyses the Other Managed Funds. These investments are either quoted (they are traded on an exchange and have a visible market valuation) or unquoted (stocks that are not traded on an exchange and are difficult to value).

14. Holdings Above 5% of the Fund

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

Market Value 31 March 2016 £ million	Percentage of the Fund 31 March 2016	Asset Type	Manager	Market Value 31 March 2017 £ million	Percentage of the Fund 31 March 2017
214.302	9.73%	FTSE RAFI AW 3000 Eq Ind	Legal and General	275.619	10.43%
151.190	6.87%	UK Equity Index	Legal and General	202.925	7.68%
171.996	7.81%	Alpha Opportunities Fund	M&G	189.827	7.18%
132.831	6.03%	Fixed Income Global Opportunity Fund	Blackrock	186.912	7.07%
128.837	5.85%	Pyrford Global Total Return Mutual Fund	Pyrford	140.494	5.32%

The table below summarises the individual holdings within the Fund which exceed 5% of any class or type of security at the balance sheet date based on the holdings analysis for 2016 – 2017.

Market Value of Asset Class 31 March 2016 £ million	Market Value of Securities 31 March 2016 £ million	Percentage of the Asset Class 31 March 2016 %	Holdings by Asset Type	Market Value of Asset Class 31 March 2017 £ million	Market Value of Securities 31 March 2017 £ million	Percentage of the Asset Class 31 March 2017 %
224.142			**UK Equities**	268.998		
	11.371	5.07%	British American Tobacco		24.501	9.11%
	15.294	6.82%	Royal Dutch Shell PLC		17.842	6.63%
	N/A	N/A	Wolseley		16.623	6.18%
224.142	**26.665**	**11.90%**		**268.998**	**58.966**	**21.92%**
17.782			**Pooled Investment - Unit trusts**	16.244		
	13.360	75.14%	BlackRock Fd Mgrs Bief UK Smaller Co Fund		16.244	100.00%
	4.421	24.86%	Schroder Offshore Cash Fund		N/A	N/A
17.782	**17.782**	**100.00%**		**16.244**	**16.244**	**100.00%**
727.955			**Pooled Investment - Unit linked insurance policies**	903.687		
	214.302	29.44%	FTSE RAFI AW 3000 Eq Ind		275.620	30.50%
	151.190	20.77%	UK Equity Index		202.925	22.46%
	89.893	12.35%	L&G Over 5 Year Linked Gilts Index		109.688	12.14%
	83.062	11.41%	North America Equity Index GBP hedged		102.421	11.33%
	70.438	9.68%	L&G European Equity Index Hedged		108.429	12.00%
	45.082	6.19%	L&G Emerging Markets Passive Govt Bond		N/A	N/A
727.955	**653.967**	**89.84%**		**903.687**	**799.083**	**88.42%**
241.309			**Property unit trust**	258.117		
	25.550	10.59%	BlackRock Asset Management Ltd		26.480	10.26%
	25.469	10.55%	Legal And General Managed Property		27.092	10.50%
	25.274	10.47%	Schroder UK Property Fund		26.752	10.36%
	23.917	9.91%	Standard Life Assurance		20.102	7.79%
	22.278	9.23%	Mayfair Capital Property Units		25.364	9.83%
	20.896	8.66%	Threadneedle Property Unit Trust		21.451	8.31%
	18.233	7.56%	Real Income Fund A Units		19.665	7.62%
	18.207	7.54%	Lothbury Prop Property Fund		19.290	7.47%
	16.712	6.93%	IPIF Feeder Unit Trust		17.834	6.91%
	15.627	6.48%	Hermes Property Unit Trust		17.063	6.61%
241.309	**212.163**	**87.92%**		**258.117**	**221.093**	**85.66%**
702.461			**Other Managed Funds**	837.661		
	171.996	24.48%	M And G Alpha Opportunities Fund		189.827	22.66%
	132.831	18.91%	Blackrock Fixed Income Global Opportunity Fund		186.912	22.31%
	128.837	18.34%	Pyrford Global Total Return Mutual Fund		140.494	16.77%
	73.927	10.52%	Winton Futures Fund Class D Mutual Fund		77.597	9.26%
	36.638	5.22%	Pantheon		60.666	7.24%
	47.371	6.74%	Distressed Debt		49.263	5.88%
702.461	**591.600**	**84.22%**		**837.661**	**704.759**	**84.13%**
283.686			**Overseas companies**	**353.603**		
	N/A	N/A	Microsoft Com NPV		19.464	**5.50%**
283.686	0.000	0.00%		**353.603**	19.464	5.50%
			Securities/Asset types with no holdings over 5%			
1.926	0.000	0.00%	**Cash [held by the investment managers]**	**2.919**	0.000	0.00%
2.188	0.000	0.00%	**Forward Foreign Exchange**	**1.341**	0.000	0.00%
4.114	**0.000**	**0.00%**		**4.260**	**0.000**	**0.00%**
2,201.449	**1,502.177**	**68.24%**	**Total**	**2,642.570**	**1,819.609**	**68.86%**

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

15. Analysis of Derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset.

The Pension Fund's investment managers are permitted to use derivatives in the management of their mandates, subject to the restrictions set out in the individual manager's investment management agreement. The investment managers will make use of currency hedging for the purpose of reducing exchange rate risk in the investments held in their mandates. KKR holds a currency hedge for this purpose which equates to £1.341 million in the Suffolk Pension Fund's holdings (£2.188 million as at 31 March 2016).

In order to maintain appropriate diversification and to take advantage of overseas investment returns, the fund hedges a proportion of the Euro and Yen exposure within the portfolios managed by Legal and General Investment Management. £140.275 million is invested in currency hedged funds (£91.383 million as at 31 March 2016).

16a. Financial Instruments – Classification

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

31 March 2016				31 March 2017		
Designated as Fair Value through Profit & Loss	Loans and Receivables	Financial Liabilities at Amortised Cost		Designated as Fair Value through Profit & Loss	Loans and Receivables	Financial Liabilities at Amortised Cost
£ million	£ million	£ million		£ million	£ million	£ million
			Financial Assets			
507.828			Equities	622.601		
17.782			Pooled Investments - Unit Trusts	16.244		
727.955			Pooled Investments - Unit Linked Insurance	903.687		
241.309			Pooled Investments - Property	258.117		
702.461			Pooled Investments - Other Managed Funds	837.661		
2.188	1.926		Other Investment Balances	1.341	2.919	
	5.325		Debtors		8.070	
	6.148		Cash		8.653	
2,199.523	13.399	0.000		2,639.651	19.642	0.000
			Financial Liabilities			
		-5.471	Creditors			-14.875
0.000	0.000	-5.471		0.000	0.000	-14.875
2,199.523	**13.399**	**-5.471**		**2,639.651**	**19.642**	**-14.875**

The debtor figure of £8.070 million above (£5.325 million at 31 March 2016) excludes statutory debtors of £6.714 million (£7.695 million at 31 March 2016).

The creditor figure of £14.875 million above (£5.471 million at 31 March 2016) excludes statutory creditors of £2.467 million (£1.951 million at 31 March 2016).

No financial assets were reclassified during the accounting period.

16b. Net Gains and Losses on Financial Instruments

31 March 2016 £ million		31 March 2017 £ million
	Financial Assets	
-19.570	Fair value through profit and loss	388.701
-0.256	Loans and receivables	0.680
	Financial Liabilities	
0.000	Fair value through profit and loss	0.000
-19.826	**Total**	**389.381**

17a. Fair Value Hierarchy

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

Level 1

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

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

Level 2

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

Level 3

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

These instruments would include unquoted investments such as Property, Private Equity, Infrastructure, Distressed Debt and Timberlands, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

17b. Fair Value – Basis of Valuation

The basis of valuation for each class of investment asset is set out below:

Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable inputs	Key Sensitivities affecting the Valuations
Market Quoted Equities Unit Trusts Money Market Funds Absolue Returns	Level 1	Published bid market price	N/A	N/A
Unit Linked Life Assurance Policies	Level 2	Valuation technique with quoted prices of a similar asset	Price of recent transactions for identical instrument	Significant change in economic circumstances or time lapse since the transaction took place.
Fixed Income	Level 2	The prices are published reflecting the NAV at each dealing point but are not exchange traded	Price of recent transactions for identical instrument	Significant change in economic circumstances or time lapse since the transaction took place.
Forward Foreign Exchange derivatives	Level 2	Market exchange rates at the year end	Price of recent transactions for identical instrument	Risk of an exchange rate changing between the transaction date and the subsequent settlement date volatility of the exchange rates during the hedge period

Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable inputs	Key Sensitivities affecting the Valuations
Property	Level 3	Assets are priced based on valuations received from the Managers which are determined in accordance with the last known NAV and adjusted for subsequent capital calls and distributions and other relevant information provided by the real estate fund.	Pricing inputs are unobservable and includes situations where there is little market activity Estimated rental growth Covenant strength for existing tenancies Discount rate Land/Building valuation surveys	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices and volumes of sales and purchases
Distressed Debt	Level 3	The valuation techniques used include comparison to recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option adjusted spread models and, if applicable, enterprise valuation.	These techniques may include a number of assumptions relating to variables such as credit risk and interest rates.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Funds reporting date by changes to expected cash flows, earning multiples and discount rates used in the discounted cash flow analysis.
Infrastructure	Level 3	The valuation of the investment assets is determined in accordance with generally accepted valuation principles in compliance with article 5(3) of the Luxembourg law of 15 June 2004 on investment companies in risk capital.	Management's cash flow projections Estimates of growth expectations and profitability Profit margin expectations Adjustments to current prices for similar assets Valuation techniques	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Funds reporting date by changes to expected cash flows and fair value adjustments
Private Equity	Level 3	The valuation of the investment are carried at fair value as determined in good faith by the General Partner in accordance with the terms of the Partnership Agreement and US GAAP.	Management's cash flow projections Estimates of growth expectations and profitability Profit margin expectations Adjustments to current prices for similar assets Valuation techniques	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Funds reporting date by changes to expected cash flows, earning multiples and discount rates used in the discounted cash flow analysis.
Timberlands	Level 3	Valuation techniqueis based on accepted valuation techniques that include discounted casflow and multiple earnings.	Management's cash flow projections Estimates of growth expectations and profitability Profit margin expectations Adjustments to current prices for similar assets Valuation techniques	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Funds reporting date by changes to expected cash flows, earning multiples and discount rates used in the discounted cash flow analysis.

17.c Valuation of Financial Instruments Carried at Fair Value

Restated Values at 31 March 2016	Quoted Market Price Level 1 £ million	Using Observable Inputs Level 2 £ million	With Significant Unobservable Inputs Level 3 £ million	Total £ million
Financial Assets				
Fair value through profit and loss	757.354	1,034.969	407.199	2,199.522
Loans and receivables	13.399			13.399
Total Financial Assets	**770.753**	**1,034.969**	**407.199**	**2,212.921**
Financial Liabilities				
Fair value through profit and loss				
Financial Liabilites at amortised cost	-5.471			-5.471
Total Financial Assets	**-5.471**	**0.000**	**0.000**	**-5.471**
Net Financial Assets	**765.282**	**1,034.969**	**407.199**	**2,207.450**

The Pensions Research Accountants Group (PRAG) published a practical guidance for investment disclosures during 2016 in response to FRS102 amendments in respect of the fair value hierarchy disclosures alignment with IFRS. Taking this into account, the 2015 – 2016 figures have been restated to include the reclassification from level 1 to level 2 of the Unit Linked Insurance Policies held with Legal & General (£728 million) and pooled Fixed Income holdings with Blackrock (£133 million) and M&G (£172 million).

The property holdings with Schroders (£241 million) have also been restated due to reclassification from level 2 to level 3 as a result of an internal review by Schroders of the IFRS and SORP guidelines following evolving industry practice.

Values at 31 March 2017	Quoted Market Price Level 1 £ million	Using Observable Inputs Level 2 £ million	With Significant Unobservable Inputs Level 3 £ million	Total £ million
Financial Assets				
Fair value through profit and loss	912.672	1,281.767	445.212	2,639.651
Loans and receivables	19.642			19.642
Total Financial Assets	**932.314**	**1,281.767**	**445.212**	**2,659.293**
Financial Liabilities				
Financial Liabilites at amortised cost	-14.875			-14.875
Total Financial Assets	**-14.875**	**0.000**	**0.000**	**-14.875**
Net Financial Assets	**917.439**	**1,281.767**	**445.212**	**2,644.418**

17d. Reconciliation of Fair Value measurements within Level 3

Assets	Opening Market Value 01 April 2015 £ million	Purchases £ million	Sales £ million	Realised Gains/(Losses) £ million	Unrealised Gains/(Losses) £ million	Closing Market Value 31 March 2016 £ million
Quoted						
Property	212.702	20.310	-6.958	2.567	12.688	241.309
Distressed Debt	38.740	7.274			1.357	47.371
Infrastructure	47.519	8.236	-4.806	0.000	2.020	52.978
Private Equity	60.999	14.306	-17.964	7.129	-5.878	58.592
Timberlands	7.154	0.036			-0.242	6.948
Total of Investments	**367.114**	**50.162**	**-29.728**	**9.696**	**9.945**	**407.198**

Assets	Opening Market Value 01 April 2016 £ million	Purchases £ million	Sales £ million	Realised Gains/(Losses) £ million	Unrealised Gains/(Losses) £ million	Closing Market Value 31 March 2017 £ million
Quoted						
Property	241.309	21.362	-12.913	3.320	5.039	258.117
Distressed Debt	47.371	25.000	-32.660	0.002	9.550	49.263
Infrastructure	52.978	8.855	-18.494	7.883	6.901	58.123
Private Equity	58.592	13.254	-15.410	6.292	8.675	71.403
Timberlands	6.948				1.358	8.306
Total of Investments	**407.198**	**68.471**	**-79.477**	**17.496**	**31.524**	**445.212**

17e. Sensitivity of asset values at Level 3

An analysis of historical data and expected investment return movements by Hymans Robertson has determined a potential market movement range for the value of the holdings classified as level 3 as below:

	Market Value 31 March 2016 £ million	Valuation Range	Value on Increase £ million	Value on Decrease £ million
Property	241.309	2.1	246.376	236.242
Distressed Debt	47.371	3.7	49.124	45.619
Infrastructure	52.978	3.7	54.938	51.018
Private Equity	58.592	3.7	60.760	56.424
Timberlands	6.948	3.7	7.205	6.691
Total of Investments	**407.198**		**418.403**	**395.994**

	Market Value 31 March 2017 £ million	Valuation Range	Value on Increase £ million	Value on Decrease £ million
Property	258.117	14.2%	294.769	221.464
Distressed Debt	49.263	7.0%	52.711	45.815
Infrastructure	58.123	20.4%	69.980	46.266
Private Equity	71.403	28.5%	91.753	51.053
Timberlands	8.306	20.4%	10.000	6.611
Total of Investments	**445.212**		**519.213**	**371.209**

18. Nature and Extent of Risks Arising from Financial Instruments

The Fund's primary long term risk is that the Fund's assets will fall short of its liabilities of benefits payable to members. The aim therefore, of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio.

This risk is minimised through asset diversification to reduce exposure to market risk and credit risk to an acceptable level. The liquidity risk is managed by ensuring there is sufficient liquidity to meet the fund's forecast cash flows, which forms part of the Pension Fund's overall risk management policy.

Responsibility for the fund's risk management strategy rests with the Pension Fund Committee. Risk management policies are established to identify and analyse the risks and are reviewed regularly to reflect changes in activity and market conditions.

The key risks that have been identified are:

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

A. Credit risk

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

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

The Fund monitors the monthly receipt of contributions from employers. The Funding Strategy Statement requires safeguards to be in place for all new admission agreements to protect the Fund from an employer default, primarily through a guarantee from a tax-backed scheme employer for any new employer in the Fund. An analysis of debtor balances at 31 March 2017 is provided in Note 21.

The securities lending programme is undertaken on behalf of the Fund by the custodian HSBC and is managed through a securities lending agreement. The arrangements to manage risks in the securities lending programme are set out in Note 27.

Forward currency contracts are undertaken by the fund managers within the terms set out in their investment management agreements. All parties entering into forward contracts on behalf of the Fund are Financial Services Authority (FSA) regulated and meet the requirements of the LGPS investment regulations. Further details of forward foreign exchange contracts are provided in Note 15.

The Fund's bank account is held with Lloyds Bank Plc, which is also banker to Suffolk County Council the Administering Authority for the Pension Fund. The bank held a Long-Term rating of 'A+' and a Short Term Rating 'F1' with Fitch as at March 2017.

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

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

At 31 March 2017, £8.653 million was with Lloyds (£6.148 million at March 2016). Cash deposited in HSBC money markets amounted to £22.420 million at 31 March 2017 (£13.650 million at March 2016), Blackrock held £11.137 million in their money market fund, (£0.525 million at March 2016) and Schroders held £4.491 million in their money market fund which was not utilised in 2016.

B. Liquidity risk

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

The Pension Fund holds sufficient working capital to ensure that it has cash available to meet benefit and transfer payments and cash drawdown requirements in respect of certain investment transactions. Within mandates it is the responsibility of the individual managers to ensure that they have sufficient funds available to meet the transactions they enter into on behalf of the Fund. These responsibilities are detailed within the investment management agreements. At an investment level a large proportion of the Fund's investments are held in instruments that can be realised at short notice if a cash flow need arose. Certain investments, particularly property, private equity, distressed debt, timberlands and infrastructure funds are considerably less liquid but these make up a far smaller proportion of the overall portfolio, £462.144 million, 18% (£414.603 million, 19% at March 2016).

C. Market risk

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

Market risk is inherent in the investments that the Fund makes. To mitigate market risk the investments are made in a diversified set of asset classes and investment approaches, to ensure a risk adjusted balance between categories. The Fund takes formal advice from its independent investment advisers (Hymans Robertson LLP and Mark Stevens) and the portfolio is split between a number of managers and investment strategies with different benchmarks and performance targets. Full details can be found in the Investment Strategy Statement that is available at www.suffolkpensionfund.org. Investment risk and strategy are regularly reviewed by the Pension Fund Committee.

D. Interest Rate Risk

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

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

31 March 2016 £ million		31 March 2017 £ million
6.148	Cash held for Deposit	8.653
16.101	Cash and Cash Equivalent	40.967
22.249	**Total**	**49.620**

The Pension Fund recognises that interest rates can vary and can affect both income to the fund and the value of the net assets. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The analysis below, assumes that all other variables remain constant and shows the effect in the year of a +/- 100 BPS change in interest rates on the cash available to pay benefits.

Asset Type	Value as at 31 March 2016 £ million	Change + 100 BP's £ million	Change - 100 BP's £ million
Cash held for Deposit	6.148	0.061	-0.061
Cash and Cash Equivalent	16.101	0.161	-0.161
Total Assets	**22.249**	**0.222**	**-0.222**

Asset Type	Value as at 31 March 2017 £ million	Change + 100 BP's £ million	Change - 100 BP's £ million
Cash held for Deposit	8.653	0.087	-0.087
Cash and Cash Equivalent	40.967	0.410	-0.410
Total Assets	**49.620**	**0.497**	**-0.497**

E. Currency Risk

Currency risk is the extent to which the Pension Fund is exposed to fluctuations in exchange rates and the impact these fluctuations have on the sterling valuation of assets denominated in foreign currency. To partly mitigate this risk the Fund has some currency hedging in place. This is undertaken partly by investment in the currency-hedged Funds managed by its index-tracking manager, Legal & General Investment Management. An analysis of historical data and expected investment return movements by Hymans Robertson and State Street Investment Analytics in 2016 has resulted in a potential market movement currency risk index for each asset type as follows:

Asset Type	Value as at 31 March 2016 £ million	Potential Market Movement £ million	Value on Increase £ million	Value on Decrease £ million
Overseas Equities	283.686	19.432	303.118	264.254
Overseas Index Linked	486.872	28.726	515.597	458.147
Alternative Investments	118.407	7.554	125.961	110.853
Total overseas assets	**888.965**	**55.712**	**944.676**	**833.254**

Asset Type	Value as at 31 March 2017 £ million	Potential Market Movement £ million	Value on Increase £ million	Value on Decrease £ million
Overseas Equities	353.603	35.360	388.964	318.243
Overseas Index Linked	591.074	59.107	650.181	531.967
Alternative Investments	154.627	15.463	170.090	139.165
Total overseas assets	**1,099.304**	**109.930**	**1,209.235**	**989.375**

F. Price Risk

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

An analysis of historical data and expected investment return movements by Hymans Robertson (State Street in 2016) has resulted in a potential market movement price risk index for each asset type. If the market price of the fund's investments increase or decrease in line with the potential market movements then the change in the value of the net assets would be as follows:

Asset Type	Value as at 31 March 2016 £ million	Change %	Value on Increase £ million	Value on Decrease £ million
UK Equities	224.142	10.82	248.395	199.889
Overseas Equities	283.686	10.00	312.054	255.317
Fixed Income	304.827	8.58	330.981	278.673
Index Linked	727.955	9.53	797.330	658.581
Cash & FFX	4.114	0.01	4.114	4.114
Property	241.309	2.05	246.256	236.363
Alternatives	415.416	3.72	430.869	399.962
Total Assets	**2,201.449**		**2,369.999**	**2,032.899**

Asset Type	Value as at 31 March 2017 £ million	Change %	Value on Increase £ million	Value on Decrease £ million
UK Equities	268.998	15.80	311.500	226.497
Overseas Equities	353.603	18.40	418.666	288.540
Fixed Income	376.740	2.90	387.665	365.814
Index Linked	903.687	16.44	1,052.253	755.121
Cash & FFX	4.260	0.00	4.260	4.260
Property	258.117	14.20	294.769	221.464
Alternatives	477.165	15.30	550.171	404.159
Total Assets	**2,642.570**		**3,019.284**	**2,265.856**

G. Custody

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

H. Investment Management

The Fund has appointed a number of segregated and pooled fund managers to manage portions of the Fund. An Investment Management Agreement is in place for each relationship. All appointments meet the requirements set out in the LGPS investment regulations. Managers report performance on a quarterly basis and this is monitored and reported to Pension Fund Committee. The Fund makes use of a third party performance measurement service provided by HSBC. All managers have regular review meetings and discussions with members of the Pension Fund Committee, officers and the Independent Financial Adviser Mark Stevens.

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

When preparing the formal valuation, the actuary takes the assets of the Fund at the market value on the valuation date. Volatility in investment performance as a result of market risk factors can have an immediate effect on the funding level and deficit. This is particularly relevant because the Fund has invested predominantly in riskier (and historically higher return) assets such as equities and equity-like investments (e.g. property trusts). A rise or fall in the level of equity prices can have a direct impact on the financial position of the Fund.

Less obvious is the effect of anticipated investment performance on the Fund's liability to pay future pension benefits. Here the returns available on government bonds (gilts) are important, as the discount rate that is used to place a value on liabilities is the gilt yield at the valuation date plus a margin of 1.8% per annum. Effectively if the gilt yield rises the discount rate will increase and all other things being equal the value placed on liabilities will fall. If the Fund was invested entirely in gilts rather than potentially higher returning assets the discount rate would be lower as no margin for the expected out performance of the Fund's investments over gilts could be assumed.

The table overleaf has been prepared by the Fund Actuary and shows how the funding level (top) and deficit (bottom) would vary if the investment conditions at 31 March 2017 had been different. The level of the FTSE 100 index is used as a proxy for investment performance and the Fixed Interest Gilt yield as the proxy measure for the valuation of Fund's liabilities. The shaded box is the actual position at 31 March 2017.

Bond Interest Gilts yield (% p.a.)	1.86%	79% (£571m)	87% (£359m)	95% (£147m)	102% £65m	110% £277m
	1.66%	77% (£661m)	84% (£449m)	**92% (£237m)**	99% (£25m)	107% £186m
	1.46%	75% (£757m)	82% (£545m)	89% (£333m)	96% (£122m)	103% £90m
FTSE 100 Index		5,858	6,591	7,323	8,055	8,788

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

19. Funding Position

In line with Regulation 62 of the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period.

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

The key elements of the funding policy are:

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

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

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

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

Formal Valuation

The last formal three-yearly actuarial valuation was carried out as at 31 March 2016. The valuation report sets out the rates of the employer’s contributions for the three years starting 1 April 2017. The valuation was based on:

- Meeting the requirements of the Local Government Pension Regulations.

- 100% funding of future liabilities for service completed to 31 March 2016.
- The 'projected unit method' of actuarial valuation.

Financial Assumptions

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

- Projected investment returns of 4.0% per year. (Asset Outperformance Assumption (AOA) of 1.8%)
- Projected increase in future salaries of 2.4% a year. (RPI)
- Projected pension increases of 2.1% a year. (CPI)

Funding Position

The actuary uses the market value of the Fund's assets as stated in the audited accounts of March 2016. The actuarial assessment of the value of the fund's assets was £2,213 million as at 31 March 2016 and the liabilities, £2,429 million.

The valuation showed that the Fund's assets covered 91% of its liabilities at the valuation date, and the deficit based on the actuarial valuation was £216 million.

Contribution Rates

The contribution objective is achieved by setting employer contributions which are likely to be sufficient to meet both the cost of new benefits accruing and to address any funding deficit relative to the funding target over the agreed time horizon. A secondary objective is to maintain where possible relatively stable employer contribution rates.

For each employer in the Fund, a primary contribution rate has been calculated in order to fund the cost of new benefits accruing in the Fund. Additionally, if required, a secondary contribution rate has also been calculated to target a fully funded position within the employer's set time horizon. The time horizon and the likelihood parameters vary by employer according to each employer's characteristics.

The whole fund primary rate (payroll weighted average of the underlying individual employer rates) is 22.5% of pensionable pay for the three years starting 1 April 2017.

The average employee contribution rate is 6.1% of pensionable pay.

The next formal valuation is as at 31 March 2019.

20. Actuarial Present Value of Promised Retirement Benefits

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

Interim Valuation

An interim valuation was carried out as at 31 March 2017. The valuation was included on the actuary's Navigator report which is based on long term financial assumptions for the Suffolk Pension Fund and contains the following assumptions:

- Increases in future salaries of 2.7% a year
- Projected investment returns of 4.2% per year

The actuarial value of the Fund's assets was £2,649 million and the liabilities £2,882 million at 31 March 2017 (£2,213 million and £2,429 million at 31 March 2016).

The valuation showed that the Fund's assets covered 91.8% of its liabilities at the valuation date and the deficit was £237 million (£216 million at March 2016).

International Accounting Standard 26 (IAS 26)

CIPFA's Code of Practice on Local Authority Accounting 2016 - 2017 requires administering authorities of the LGPS funds that prepare Pension Fund Accounts to disclose what IAS 26 refers to as the actuarial present value of promised retirement benefits. This is similar to the interim valuation but the assumptions used are in line with IAS 19 rather than assumptions tailored to the Suffolk Pension Fund.

The following assumptions have been used for the IAS 26 calculation:

- Pension increases of 2.4% a year (2.2% 2015 - 2016)
- Increases in future salaries of 2.7% a year (4.2% 2015 - 2016)
- Discount rate of 2.6% per year (3.5% 2015 - 2016)

The IAS 26 calculation shows that the present value of promised retirement benefits amount to £3,456 million as at 31 March 2017 (£2,965 million as at 31 March 2016).

21. Current Debtors

The current debtors can be analysed as below:

31 March 2016 £ million		31 March 2017 £ million
	Debtors	
5.984	Employers Contributions	5.277
1.549	Employee Contributions	1.251
4.188	Investment Assets	6.010
1.299	Sundry Debtors	2.246
13.020		**14.784**

The investment assets as at 31 March 2017 includes £2.806 million of spot foreign exchange sales awaiting settlement and £3.204 million of recoverable tax and income not yet received.

Debtors can be further analysed into sectors as below:

31 March 2016 £ million		31 March 2017 £ million
	Analysis of Debtors	
0.152	Central Government Bodies	0.187
6.294	Other Local Authorities	6.109
6.571	Other entities and individuals	8.482
0.003	NHS	0.006
13.020		**14.784**

22. Current Creditors

The current creditors can be analysed as below:

31 March 2016 £ million		31 March 2017 £ million
	Creditors	
-4.835	Investment Expenses	-13.802
-0.284	Administration Expenses	-0.322
-0.080	Transfer Values In Adjustment	-0.419
-0.995	Lump Sum Benefits	-0.167
-1.228	Sundry creditors	-2.632
-7.422		**-17.342**

The investment expenses as at 31 March 2017 includes £8.505 million of purchases and £2.388 spot foreign exchange purchases awaiting settlement, an allowance of £2.906 million for investment management fees and expenses and £0.003 million of irrecoverable tax not yet paid.

Creditors can be further analysed into sectors as below:

31 March 2016 £ million		31 March 2017 £ million
	Analysis of Creditors	
0.000	Central Government Bodies	-0.104
-0.052	Other Local Authorities	-0.985
-0.001	NHS Bodies	-0.006
-7.369	Other entities and individuals	-16.247
-7.422		**-17.342**

23. Additional Voluntary Contributions

Scheme members have the option to make additional voluntary contributions to enhance their pension benefits. In accordance with regulation 4 (1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, additional voluntary contributions have been excluded from the Fund Account and Net Asset Statement. These contributions are held by the providers and therefore do not form part of the Fund's investments.

A total of £0.105 million was paid over to the providers Clerical Medical, Standard Life and Equitable Life in 2016 – 2017, (£0.093 million 2015 – 2016).

24. Related Party Transactions

Related party transactions requiring disclosure in accordance with IAS 24 are as follows:

The Suffolk Pension Fund is administered by Suffolk County Council and consequently there is a strong relationship between the Council and the Pension Fund.

Suffolk County Council is the largest single employer of members of the Pension Fund and contributed £39.233 million to the Fund in 2016 - 2017 (£37.451 million in 2015 - 2016). In addition the council incurred costs of £0.933 million (£0.948 million in 2015 - 2016) in relation to the administration of the Fund, audit, legal and committee services. These have all been reimbursed by the Fund.

Under legislation introduced in 2003 - 2004 councillors were entitled to join the Scheme, this was rescinded in April 2014 when the Government laid down regulations barring councillors joining the scheme. Any councillor who is in the scheme as a result of joining before 1 April 2014 will cease to be a member at the end of the current term of office that they are serving.

Three members of the Committee, including two councillors, are scheme members within the Pension Fund, with one currently receiving benefits from the scheme. Each member of the Pension Fund Committee is required to declare their interests at each meeting.

Five members of the Pension Board are scheme members within the Pension Fund, with one receiving benefits from the scheme. Each member of the Pension Board is required to declare their interests at each meeting.

Part of the Pension Fund cash holdings are invested by the Treasury Management operations of Suffolk County Council through the Treasury Management Policy approved by the Pension Fund Committee. During the year ending 31 March 2017 the Fund had an average investment balance of £12.855 million (£7.305 million in 2015 - 2016) earning interest of £0.042 million (£0.036 million in 2015 - 2016) from these investments.

25. Key Management Personnel

No senior officer responsible for the administration of the Pension Fund provides any goods or services to the Fund, other than those covered by their contract of employment with the Council.

The key management personnel of the Fund are the Director of Resource Management, Senior Pensions Specialist and Technical Pensions Specialist. The total remuneration payable to the key management personnel by the Suffolk Pension Fund was £0.139 million in 2016 - 2017 (£0.131 million in 2015 - 2016).
These costs are charged to the Pension Fund as governance and oversight costs, Note 10 and are included in the related parties Note 24.

26. Agency Services

In response to the Government's requirement for the LGPS to pool their assets with other Pension Funds, the Suffolk Pension Fund joined ACCESS (A Collaboration of Central, Eastern and Southern Shires) alongside Cambridgeshire, East Sussex, Essex, Hampshire, Hertfordshire, Isle of Wight, Kent, Norfolk, Northamptonshire and West Sussex.

The Suffolk Pension Fund pays the costs of the ACCESS pool on behalf of the other members of the scheme. The amounts paid are not included in the Fund Account. These costs are then charged equally between all eleven members of the scheme.

The costs charged are as below:

2015 - 2016 £ million		2016 - 2017 £ million
0.059	Payments on behalf of the ACCESS pool	0.830
0.059		**0.830**

27. Stock Lending

The Fund has an arrangement with its custodian HSBC to lend eligible securities from within its portfolio of stocks to third parties in return for collateral. Lending is limited to a maximum of 25% of the total value. Collateralised lending generated income of £0.049 million in 2016 - 2017 (£0.054 million in 2015 - 2016). This is included within ‘other’ investment income in the Fund Account. The stock lending levels and income raised for the Fund are minimal due to the relatively small holding of non-pooled equities owned by the Fund.

At 31 March 2017, £27.752 million (£3.022 million at 31 March 2016) worth of stock was on loan, for which the Fund was in receipt of £29.269 million worth of collateral (£3.180 million at 31 March 2016). This is a minimal share of the Fund holdings representing around 1% of investment holdings in both 2015 - 2016 and 2016 - 2017. The figure out on loan as at 31 March does not reflect the average amount that has been out on loan during the year.

28. Contingent Liabilities and Contractual Commitments

Contractual Commitments

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

At 31 March 2017 the unfunded commitment (monies to be drawn in future periods) was £10.419 million. The commitments are paid over the investment timeframe of the underlying partnerships. The current value of the funded commitment net of distributions in these funds at 31 March 2017 is included in the Net Asset Statement.

In 2011 - 2012 a contractual commitment was made to an Infrastructure investment managed by Partners Group, the outstanding amount as at 31 March 2017 is £18.125 million.

In 2015 - 2016 contractual commitments were made to Private Equity investments managed by Pantheon. Some draw downs on the commitments have been made and the outstanding amounts to 31 March 2017 are £94.336 million.

In 2016 - 2017 the Pension Fund made additional contractual commitments to M & G, £60 million in the Greenfield Infrastructure fund and £25 million in the Debt Solutions investment, these have not commenced capital calls.