

Suffolk Pension Board

(Quorum 2 – 1 member of each representative group)

Scheme Employer Representatives

Councillor Richard Smith MVO, representing Suffolk County Council.

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

Marie McCleary, representing all other employers in the Fund.

Scheme Member Representatives

Suzanne Williams, representing the Unions.

David Rowe, representing Active Members.

Eric Prince, representing Pensioners.

Date: Friday, 6 April 2018

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

Time: 11:00 am

For further information on any of the agenda items, please contact Rebekah Butcher, Democratic Services Officer, on 01473 264371.

Business to be taken in public

1. **Apologies for Absence and Substitutions**

To note and record any apologies for absence or substitutions received.
2. **Declarations of Interest and Dispensations**

To receive any declarations of interests, and the nature of that interest, in respect of any matter to be considered at this meeting.
3. **Minutes of the Previous Meeting** Pages 5-9

To approve as a correct record, the minutes of the meeting held on 20 December 2017.
4. **Digital Engagement with Active members** Pages 11-12

To receive a report summarising the plans to improve the digital communication with active members of the Fund.
5. **Information Bulletin – Pension Fund’s Strategy and Policy Documents Review** Pages 13-16

To receive information on all the strategies and policies that guide the Fund.
6. **Suffolk’s progress on Pooling of Assets**

To receive an update on the development of the ACCESS pool.
7. **Administration Performance** Pages 17-20

To receive a report summarising the compliments, complaints and administration performance of the Fund.
8. **Management Expenses** Pages 21-26

To receive a report setting out the management expenses for the Fund.
9. **Annual Employers meeting** Pages 27-29

To consider the plans for the Annual employers meeting on 21 September 2018.
10. **Pension Board Risk Register** Pages 31-36

To review the Pension Board Risk Register.

11. **Information Bulletin – Recent Developments** Pages 37-54

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

12. **Forward Work Programme** Pages 55-57

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

Date of next scheduled meeting – Monday, 23 July 2018 at 2:00 pm.

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For more information about this meeting, including access arrangements and facilities for people with disabilities, please contact Democratic Services on:

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

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

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Sue Cook
Interim Chief Executive

Minutes of the Suffolk Pension Board Meeting held on 20 December 2017 at 11:00 am in the Rose Room, Endeavour House, Ipswich.

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

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

25. Apologies for Absence and Substitutions

There were no apologies for absence.

26. Declarations of Interest and Dispensations

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

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

27. Minutes of the Previous Meeting

The minutes of the meeting held on 6 October 2017 were confirmed as a correct record and signed by the Chairman.

28. Options to increase Pension Benefits

At Agenda Item 4, the Board received a report which provided information on how members could pay extra contributions to increase their retirement benefits.

Members heard that Clerical Medical, one of the Funds' Additional Voluntary Contribution (AVC) providers, was now owned by Lloyds, who also owned Scottish Widows. Lloyds, however, were no longer investing in or developing Clerical Medical. Hymans Robertson had offered to assist with the review, particularly on the investment performance of the different offerings. Roughly £100k was collected from employees in terms of AVC's each year. It was hoped the review should be completed by the next Board meeting.

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

Reason for decision: To provide the Board with information on how members can increase their retirement benefits by making extra contributions.

Alternative options: There were none considered.

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

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

Dispensations: There were none granted.

29. Employer Manual

At Agenda Item 5, the Board received a report which provided Board Members with an opportunity to comment on the draft Employer Manual.

Members were informed that a version of this document would be uploaded to the Fund's website and communicated to all employers when available.

Members also heard that the Manual would only need to be updated if there were changes to the Regulations, and employers would be notified of updates via email.

Decision: The Board thanked officers for the good piece of work and requested the following amendments to the Manual:

- a) Include the definition of 'gainful employment', presently on page 40 of the report, in a more prominent position;
- b) Include hyperlinks within the document to link-up the various related sections making it as interactive as possible;
- c) Include the definition of a 'worker' on page 22 (someone without a contract of employment);
- d) Remove 'KIT' and 'SPP' from the list of abbreviations on page 27;
- e) On page 55, under 'Monthly Procedures' and on page 56 'When this return is received', amend to include the deadline date, writing in stronger language. For example: change 'should' to 'are required' or 'must be';
- f) Include stronger language in relation to late payments by employers to the Fund, including the penalties that could be applied;
- g) Include more prominent links to Self-Service;
- h) Include a few paragraphs from Board Member Marie McCleary (who represents all other employers in the Fund);
- i) Improve the Funds website to include a section on the Manual;
- j) To send reminders to employers that the Manual was online, and including any updates;
- k) To include a note requesting the document was not printed or saved locally.

Reason for decision: The Board requested to see a copy of the draft Manual to enable them to comment on it before being issued to employers.

Alternative options: There were none considered.

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

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

Dispensations: There were none granted.

30. Compliments, Complaints and Administration Performance

At Agenda Item 6, the Board received a report which provided an update on the performance of the Pensions Administration Team. This report also included details of compliments and complaints.

The Board were pleased with the continued high achievement of Service Level Agreements targets. However, Members were concerned that a lot of staff time was spent chasing the same employers for their Pension Fund contributions each month and wished to see this reduced.

Decision: The Board:

- a) noted the information provided within the report; and
- b) requested a draft paper at its next meeting to consider options for an efficient way to tackling the problem of employers who were consistently making late contributions to the Pension Fund.

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

Alternative options: There were none considered.

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

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

Dispensations: There were none granted.

31. Suffolk's progress on the Pooling of Assets

At Agenda Item 7, the Board received a verbal update from the Senior Pensions Specialist on the development of the ACCESS pool.

Members were informed that during the operator procurement, there had been 23 expressions of interest online, and 8 attended the Concept Viability Day. Three bids were received; from Capita Financial Managers Ltd ("Capita") (now Link Fund Solutions Ltd – an Australian company), Mercer Ltd (who provides investment and actuary advice) and Tutman LLP (who already provide operator services in a similar set up for another sector).

A meeting of the ACCESS Joint Committee took place on 13 December 2017 and they recommended to all administering authorities to appoint Link Fund Solutions. Members heard that now all pension fund committees had met, a letter of confirmation had been written and sent. In January it would be officially

announced, and the contract signed, with it going live on 1 February 2018. This was a significant milestone for the ACCESS Pool.

The Board also heard that the transfer of passive investments from Legal & General to UBS had taken longer than expected due to UBS working out its transition plan. They were now doing this by asset class rather than by fund. This would start when the markets opened on 10 January 2018 and completed by 1 March 2018 in order to meet financial year-end deadlines. UBS would then bring £10bn passive investments together from all funds in the pool.

Next, the Operator would be setting up the Authorised Contractual Scheme and the sub-funds. The Operator would apply to the Financial Conduct Authority (FCA) for authorisation of those sub-funds relatively quickly and by June 2018 an authorised contractual scheme and a sub-fund should be ready to move money into. It is the intention to move some of those bigger mandates first (Kent, Hampshire and Essex accounted for nearly half of all the assets). It was hoped by Christmas 2018 that £18bn of the £40bn of the ACCESS Pool would be invested.

Members were informed there was an on-going review of the governance arrangements. Presently, there were several documents published, and submissions had been placed with the Government to clarify the position on who makes the decisions, where decisions were made and looking for gaps.

Members also heard that all funds were presently working well together, however it was believed the most difficult part would come when a decision for a sub-fund manager needed to be taken. For example, Black Rock had been a very good manager for the Suffolk Pension Fund, however no other fund used them. Although the Pension Fund Committees on the Pool could make suggestions, ultimately the Operator would make the final decision on who manages each sub-fund.

32. Pension Board Training Programme

At Agenda Item 8, the Board received a report which outlined suggested areas of training for Board Members, to gain the necessary knowledge and understanding to fulfil their Board role.

Members were informed of the training opportunities available to them in London, and if they attended, a report should be provided to the Board. It was also noted that training provided by an external provider could be arranged to take place in Ipswich. Members were also advised that they were welcome to training sessions of the Pension Fund Committee, which took place prior to each of its meetings.

Decision: The Board agreed to the following content of its training programme for the coming year:

- a) Understanding the different roles and responsibilities for the Fund's;
- b) An overview of developments in The Pensions Regulator's (TPR) expectations for good governance and administration of public service pension schemes, also covering other pension funds and pools; and
- c) To invite Councillor Andrew Reid, Chairman of the Suffolk Pension Fund Committee and the ACCESS Joint Committee, to talk about the ACCESS pooling process, the progress he has made, and the milestones reached.

The Board also requested:

- d) to receive a list of dates of future external training opportunities should they wish to attend;
- e) to attend the Pension Fund Committee's annual training day in London, which was hosted by one of the investment managers;
- f) that Board Members assess their own effectiveness.

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

Alternative options: There were none considered.

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

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

Dispensations: There were none granted.

33. Information Bulletin: Recent Developments

The Board noted the Information Bulletin at Agenda Item 9.

34. Forward Work Programme

The Board received a copy of its Forward Work Programme at Agenda Item 10.

Decision: The Board agreed its Forward Work Programme with the inclusion of:

- a) the Investment Strategy Statement added to its meeting on 19 March; and
- b) the Independent Investment Advisor Review – to be scheduled.

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

The meeting closed at 12:39 pm.

Chairman

Suffolk Pension Board

Report Title:	Digital Engagement with Members
Meeting Date:	6 April 2018
Chairman:	Councillor Richard Smith MVO
Director:	Chris Bally, Deputy Chief Executive and Director of Corporate Services, Tel. 01473 265288
Assistant Director or Head of Service:	Louise Aynsley, Head of Finance (S151 Officer) Tel. 01473 264347
Author:	Stuart Potter, Pensions Operations Manager

Brief summary of report

1. This report provides the Pension Board with information on the Pension Administration team's current digital engagement with members, and future plans for enhancing this.

Action recommended

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

3. To provide the board with information on the Pension Administration team's current digital engagement with members, and future plans for enhancing this.

Alternative options

4. There are no alternative options.

Main body of report

5. Our newest and most personal way of digitally engaging with our members is via the Member Self Service system. This system allows members to have control of their own pension and keep other details up to date including contact details and their nominations to receive their death grant. Members can run various pension projections and can obtain the information they need, instantly and when convenient to them, to allow them to plan their future. The introduction of this system has seen members come to us more informed about their pension, and this has required us to ensure we have staff with the necessary knowledge available to help them.
6. Member Self Service also holds members annual benefit statements and as from 2018 we will only be putting annual statements onto this website. This allows those members who need access to their statements to be able to view them whenever it suits them, and not require them to store their 'issued' statement safely. However, paper copies will be available if they are requested.

7. We want to improve our digital engagement with our Pensioner Members and have found a payroll solution that will enable us to engage better with them. Once this payroll migration has been completed we will be able to provide access to Member Self Service for our Pensioner Members enabling them to keep their personal details up to date, view payslips and view important information including newsletters online. This will provide Pensioners with the opportunity to view their payslips each month, as opposed to the twice a year that paper versions are issued. We recognise there will be a number of Pensioners who still require the existing paper versions issued and our rollout and communication of this change will be carefully managed.
8. In addition to Member Self Service, we also have the Pension fund website that contains lots of information, links and forms for members to access. The website also contains a link directly to Self Service so that members can move between systems if they wish. We would like to improve the layout and information on our website further to improve this area for our customers and this will be a continuous review, rather than a one-off project.
9. In addition to the above the Pensions team receive over 700 e-mails each month, each of which is logged in our system and the customer given a unique reference number. These customer queries will then be resolved, or a workflow task created in our pensions administration system if appropriate with the customer being made aware of the action taken.
10. As well as issuing newsletters to Pensioners twice a year, employers are issued with newsletters and information via e-mail. This allows employers to use this information to engage with ourselves and take appropriate action and also to provide information to their members. Most recently the updated member contributions for 2018-2019 have been communicated to ensure payroll systems can be updated with the appropriate rates.
11. We have previously held a twitter account however we found that member engagement was very low. Therefore, we closed this account, however in the future should there appear to be a need we would be happy to consider using social media again to provide members with information.
12. We constantly review our digital engagement and are keen to ensure we make this as accessible and user friendly as possible.
13. In line with this we have benchmarked our engagement against that of neighbouring funds. One fund issues a member newsletter up to twice a year updating members on regulation changes, topical pensions matters and service changes. We will consider introducing a Member newsletter, which can be placed on the website and Member Self Service, to enhance the information available to our members.
14. We are always keen to hear from members and Board members on any further suggestions they may have.

Suffolk Pension Board, 6 April 2018

Information Bulletin

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

This Information Bulletin covers the following items which are available on the Suffolk Pension Fund website:

1. [Strategy Statements](#)
2. [Policies](#)
3. [Guides](#)
4. [Other](#)

1. Strategy Statements

Funding Strategy Statement

The Funding Strategy Statement is produced as part of the triennial valuation exercise and sets out the objectives of the funding strategy and the approach taken to fund the liabilities.

The statement was approved by the Pension Fund Committee in February 2017

Investment Strategy Statement

The Investment Strategy Statement is prepared in line with the Local Government Pension Scheme (Management and Investment of Funds) Regulation 2016 and sets out the Funds:

- Fund's Objectives
- Investment Strategy
- Risk Management considerations
- Stock Lending considerations
- Environmental, Social & Governance considerations
- Approach to Pooling

The statement was last approved by the Pension Fund Committee in March 2018

Governance Policy Statement

The Pension Fund Governance Policy Statement sets out how the Council's statutory responsibilities for the LGPS will be carried out.

The statement was last approved by the Pension Fund Committee in July 2017

Treasury Management Strategy

The Treasury Management Strategy contains the policy statement for treasury management setting out the formal objectives of treasury management, details of how the performance of the activity will be measured and monitored, and the criteria that will be applied for specifying counterparties which are eligible for pension fund deposits.

The strategy was last approved by the Pension Fund Committee in March 2018

Administration Strategy

The Administration Strategy sets out the quality and performance standards expected of scheme employers in the Fund as well as Suffolk County Council in its role of administering authority.

The strategy was last approved by the Pension Fund Committee in April 2016

2. Policies

Voting Policy

The guidelines in the voting policy highlight the main issues considered by the Pension Fund when determining its voting policy, the preferred outcome and the methodology employed to translate the policy into votes.

The policy was last approved by the Pension Fund Committee in February 2017

Governance Policy

This policy sets out how the administering authority delegates its function in relation to the Pension Fund and how the delegated function is carried out.

The policy was last approved by the Pension Fund Committee in July 2017

Discretions Policy

The discretions policy sets out whether, and in what circumstances the Pension Fund will exercise any of the LGPS 2014 allowable discretions.

The policy was last approved by the Pension Fund Committee in September 2014

Communications Policy

This policy provides an overview of how the Pension Fund communicates and how the Fund measures whether its communications are successful.

The policy sets out:

- How the Fund provides information and publicity about the Scheme to members, representatives of members and scheme employers;
- The format, frequency and method of distributing such information or publicity; and
- How the Fund promotes the Scheme to prospective members and their scheme employers.

The policy was last approved by the Pension Fund Committee in June 2017

Conflicts of Interest Policy

This policy sets out the details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the Suffolk Pension Fund, whether directly, or in an advisory capacity. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the Fund.

The policy was last approved by the Pension Fund Committee in November 2015

Breaches Policy

This document sets out the procedure for deciding whether a breach of the law has occurred, whether it needs to be reported to the Pensions Regulator and the procedure for doing so.

The policy was last approved by the Pension Fund Committee in November 2015

3. Guides

Brief Scheme Guide

A brief guide (22 pages) for employees which outlines the scheme and its benefits. This is sent in electronic format to all new employees. This is updated on an annual basis.

Employee Guide to the Scheme

A full detailed guide for employees on the LGPS.

Active Members Guide to the Annual Benefit Statement

A guide for employees explaining what the Annual Benefit Statement shows. Updated on an annual basis.

Deferred Members Guide to the Annual Benefit Statement

A guide for employees explaining what the deferred pension annual benefit statement shows. Updated on an annual basis.

Dispute Procedure Guide

A guide for members of the Fund to the Internal Dispute Resolution Procedure which they utilise to request a decision received to be reviewed.

4. Other

Valuation Report

The Valuation Report is prepared by the actuary, Hymans Robertson and sets out the high level outcomes of the actuarial valuation as at 31 March 2016. The report includes the approach taken, the assumptions used, the overall results and how sensitive to change the results may be if component assumptions varied from actual outcomes.

The Rates and Adjustment certificate which sets out the minimum contribution required for each employer in the Fund is attached as an appendix to the report.

The report was approved by the Pension Fund Committee in February 2017.

Business Plan

The Business Plan outlines the main priorities for the Pension Fund Committee for the forthcoming year.

The plan was last approved by the Pension Fund Committee in March 2018.

Risk Register

The Risk Register identifies the key risks to the Fund and the risk control measures implemented to mitigate the risk.

The register was last approved by the Pension Fund Committee in December 2017.

Governance Compliance Statement

The Governance Policy Compliance Statement sets out how the Council complies with best practice guidelines in regards to the delegation and management of the Pension Fund.

The statement was last approved by the Pension Fund Committee in July 2017.

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

Suffolk Pension Board

Report Title:	Pensions Administration Performance
Meeting Date:	6 April 2018
Chairman:	Councillor Richard Smith MVO
Director:	Chris Bally, Deputy Chief Executive and Director of Corporate Services, Tel. 01473 265288
Assistant Director or Head of Service:	Louise Aynsley, Head of Finance (S151 Officer) Tel. 01473 264347
Author:	Stuart Potter, Pensions Operations Manager

Brief summary of report

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

Action recommended

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

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

Alternative options

4. There are no alternative options.

Main body of report

5. This report covers staff performance and team achievements since the previous Board meeting on 20 December 2017.
6. The Service Level Agreements for our 'key' processes between December 2017 – February 2018 are shown below:
 - Provision of a transfer quote to scheme members within 10 days of the receipt of the estimated value and all necessary information – Total cases **79**, percentage completed in SLA **96%**
 - Estimates are issued to members or employers within 10 working days of receipt of all information – Total cases **161**, percentage completed in SLA **99%**

- Retiring employees are notified of their options with 5 working days of receipt of all information – Total cases **408**, percentage completed in SLA **99%**
 - Retirement lump sums will be paid within 10 working days of receipt of all necessary information after retirement – Total cases **204**, percentage completed in SLA **100%**
 - Notification of survivor benefits will be issued within 10 working days of receipt of all information – Total cases **118**, percentage completed in SLA **99%**
 - Outstanding monies owed in respect of a deceased pension, and any death grant, will be paid within 10 working days of receipt of all information – Total cases **133**, percentage completed in SLA **100%**
7. We are continuing to promote the Member Self Service System and since the previous Board report we have demonstrated this to members at Kesgrave High School. This system is also advertised on all communications we issue and a link is available on the Suffolk Pension Fund website.
 8. All active and deferred members have been sent letters advising them that their annual benefit statements will be issued on Member Self Service this year. This communication advises members, who still require a paper copy, to contact us and advise us of this. There will be one further communication issued in late May 2018 which will follow up this message and will also contain a reference to the General Data Protection Regulations which are implemented in May 2018. These communications are required under the Disclosure Regulations 2013 and we have taken the opportunity to advertise the benefits of using Member Self Service on these.
 9. Further work has been undertaken in relation to purchasing a new payroll solution that would enable Pensioner Members to use Member Self Service and view important documents including payslips. This work included a detailed survey in late February with the potential software provided. Following this survey, no major obstacles were identified, and the Pensions Committee has now approved funding for us to purchase the Aquila Heywood Altair payroll module. This will link directly to our existing Pension Administration software and provide administration benefits as well as the improvement for our Pensioner Members. The expectation is to be live on this new system by the end of 2018 following the migration project and communications will be issued to Pensioners at appropriate stages making them aware.
 10. A lot of time has been spent creating and issuing clear instructions for all our employers regarding the end of year process. We have issued member lists of who we are expecting data returns for and a lot of time has been spent ensuring our data is matching as much as possible ready for the end of year returns. It is hoped that the effort that has been put in at our end initially will improve things for our employers and ourselves and allow the process to be completed without encountering as many challenges as last year.
 11. On 1 March 2018 both our Apprentices accepted and commenced permanent roles in the team following good performances during their apprenticeships. We are pleased that these individuals have been able to join the team, make a difference and enjoy the experience. We look forward to their continuing development.

12. The annual pensions increase work is currently being completed by the team. This 3% increase has been applied to records and the necessary manual adjustments are currently being made to the remaining records. This increase will be communicated to Pensioners in their April newsletter.
13. Since the update at the last board meeting there have been ten compliments received by members of the team. These are cases where the individuals have gone out of their way to thank us for something, rather than the regular words of 'thanks' received daily as part of the day to day communications with customers.
14. Three of these compliments were from customers thanking members of the team for their 'clear explanations', their 'compassionate and understanding' and 'being very helpful' in relation to meetings held with members. Two more of the compliments were to thank members of the team for processing and sending the forms out quickly to members with one commenting 'it has made the Christmas weekend now there is no worry about what is happening with the pension'. Another compliment was received from a financial advisor thanking the team member for their professionalism in dealing with his clients' query. Two more of the compliments were in relation to setting up payments of pensions for pensioners based overseas. One customer commented 'I just wanted to say a big thank you for everything you've done to get my mums UK Pension set up and paid at a difficult time'. The next compliment was from a member thanking the team for 'sort the problem regarding their pension and to say how professional, caring and supportive they have been in a very stressful situation'. The final compliment was from a Pensioner member who thanked the team for 'all their hard work during the year and the excellent way in which his pension has been administered'.
15. During this reporting period, there has been five complaints. All complaints have been resolved. Three of these complaints were in relation to the length of time taken to respond to queries in relation to Annual Benefit statements. Two of these should have been resolved earlier, and have now been, although the third case was caused by an employer not providing us with a leavers form. This was being chased and the member kept informed. The fourth complaint was in relation to the Annual Benefit Statement not being clear, and the person they then spoke too not being able to make the situation clear. This was passed to a Senior Officer who contacted the member and resolved the complaint. The final complaint was in relation to a member who was unhappy their two records had been combined. This is a requirement in the regulations, and the member had not responded to our communications or reminder advising we would do this if they didn't contact us by a set date.
16. There has been one new Internal Dispute Resolution Process (IDRP) complaint at stage 1, in relation to a member who was not happy at not being awarded ill-health retirement. This is currently being investigated.
17. There was also an IDRP stage 2 decision in relation to paying a spouse pension in respect of a member who had died. The member's partner had stated the member had taken advice from a member of the team, several years ago, that their partner could have a spouse pension even though they were legally married. No evidence of this has been found on the member's record or communication trail and the stage 2 decision didn't uphold the complaint.
18. This report will be ongoing in all future Board meetings and will be developed in accordance with the requirements of the Board.

Contribution payments

19. The administration strategy requires contributions from employers to be received by the Pension Fund within 5 working days of the month end in which the contributions were deducted. The table below summarises the timeliness of receipts received in during 2017/2018 quarter 3:

	Quarter 2			Quarter 3		
	Employer	Contributions		Employer	Contributions	
	%	£'000	%	%	£'000	%
On Time	89	27,286	92	93	26,014	99
Up to 1 week late	4	1,900	6	3	51	0
Over 1 week late	7	549	2	4	236	1
Total		29,735			26,301	

Sources of further information

a) None

Suffolk Pension Board

Report Title:	Management Expenses
Meeting Date:	6 April 2018
Chairman:	Councillor Richard Smith MVO
Director:	Chris Bally, Deputy Chief Executive and Director of Corporate Services, Tel. 01473 265288
Assistant Director or Head of Service:	Louise Aynsley, Head of Finance (S151 Officer) Tel. 01473 264347
Author:	Paul Finbow, Senior Pensions Specialist (Deputy S151 Officer), Tel. 01473 265288

Brief summary of report

1. This report sets out the management expenses of the Suffolk Pension Fund and the administration budget approved by the Pension Fund Committee.

Action recommended

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| 2. The Board is asked to note the report. |
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Reason for recommendation

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

Alternative options

4. There are no alternative options.

Main body of report

Administration Expenses

5. Administrative expenses (shown overleaf) consist of costs relating to activities the pension administration team perform to administer pensions and provide members with scheme and benefit entitlement information.
6. 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. Ongoing charges are incurred for maintenance of the system and licenses to use it.

	Budget	Actual	Budget	Estimate	Budget	Estimate
Administration Expenses	2016-17	2016-17	2017-18	2017-18	2018-19	2018-19
	£'000	£'000	£'000	£'000	£'000	£'000
SCC Admin Costs	880	762	840	797	855	825
Heywood System	265	265	215	211	215	215
Payroll Implementation					250	250
Other Expenses	75	41	75	61	75	75
Total Admin Costs	1,220	1,068	1,130	1,069	1,395	1,365

Implementation of Risk Control Measures

7. The administrative function is a multifaceted service, having to manage increasing numbers of employers, members and manage new regulatory requirements. The Pension Fund needs to invest in the appropriate technological platforms available to assist in effectively managing the administration of the Fund to a high standard.
8. Significant underspends on the staffing budget (included in SCC Admin costs) has been made in the last two years, even after permanently reducing the staff budget by £30,000 in 2017/18. These have resulted from holding vacancies and not filling posts to cover maternity leave. Two team members have now returned from maternity and have also reduced their hours. During the current year we have taken on two apprentices who have been very successful, and have now been taken on as permanent staff. A further appointment to support the technical aspects of administration will be made this year.
9. During 2016/17 the team implemented the self-service module, which allows contributing and deferred members of the scheme to access their pension data, change their personal details, calculate their pension estimates and receive their annual benefit statements. The one off costs of implementation were incurred in that year. Further costs in converting microfiche records to digital have been incurred during 2017/18 and will be complete in early 2018/19.
10. The next targeted area for improvement is the service provided to Pensioners. Pensioners are currently paid through the council's payroll system, I-Trent, which recharges costs of £35,000 per year to the Pension Fund. The current payroll system is not compatible with the pension administration software (leading to duplication of work) and the Pension Fund officers have been investigating alternatives.
11. The Committee approved the new Pensioners payroll system which will be implemented during 2018/19. The one off implementation costs are included in the administration costs above.
12. This will make significant improvements to the service provided to pensioners and make even better use of the member self-service module.

Governance and oversight costs

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

14. ACCESS asset pooling costs represents costs incurred for advice and guidance in relation to the Governments requirements for all LGPS Funds to pool their assets. These costs are shared equally by the eleven funds which are members of the ACCESS pool.
15. The difference in actuarial costs and total costs between the years is due to the additional fees incurred with the triennial valuation exercise.

	Actual	Estimate	Estimate
Governance and oversight costs	2016-17	2017-18	2018-19
	£'000	£'000	£'000
Suffolk County Council costs	168	154	160
Investment Advice	111	105	110
Actuarial costs	144	56	75
Pension Fund Committee	9	12	15
Pension Board	3	5	7
Asset Pooling	80	100	100
Other costs	103	99	100
Total Governance and Oversight Costs	618	531	567

Investment Management Expenses

16. Investment management expenses are costs related to the management of the fund's assets including directly invoiced fees from investments managers and 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.
17. The increase in expenses can be attributed to the 10% year to date return on assets and in part to the transfer of some assets from cheaper index tracking funds to the bond mandates.

	Actual	Estimate	Estimate
Investment Management Expenses	2016-17	2017-18	2018-19
	£'000	£'000	£'000
Blackrock	2,302	2,642	3,000
Brookfield	164	160	160
KKR	402	357	300
Legal & General	990	860	-
M&G	4,165	4,143	3,020
Newton	1,309	1,242	1,250
Pantheon	891	1,000	1,000
Partners	496	1,509	1,200
Pyrford	604	606	610
Schroders	753	766	800
UBS	-	34	233
Wilshire	372	340	300
Winton	754	1,510	1,800
Total Managers Expenses	13,202	15,169	13,673
Other Costs			
Operator costs	-	-	-
Custodian	32	54	35
Transaction Costs	734	825	876
Total Other Costs	766	879	911
Total Investment Management Expenses	13,968	16,048	14,544

Notes:

- i) Blackrock costs have increased due to the additional investments made into the active bond mandate from December 2017.
- ii) Partners costs have increased due to the additional investment in the Partners 2015 Fund, which incurs back charging of management fees.
- iii) The Legal & General index tracking funds were transferred to UBS as part of the pooling of assets, with significant savings achieved.
- iv) The increase in Winton's fees is due to performance fees earned.
- v) The operator investment costs will be incurred as a percentage of the value of the assets the Fund invests in the sub funds, as they are set up by the operator and the assets are transferred. Savings will be expected against the current management fees.

Performance Fees

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

	Actual	Estimate	Estimate
Performance Fees	2016-17	2017-18	2018-19
	£'000	£'000	£'000
Blackrock	1,164	1,000	1,000
KKR	176	(111)	-
M&G	2,729	1,008	500
Partners	(17)	264	500
Winton	-	775	1,000
Total Performance Fees	4,052	2,936	3,000

Notes:

- i) KKR and Partners accumulate the performance fee throughout the investment period, therefore the value in any one year can rise or fall (denoted by a negative number).

Total costs

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

	Actual	Estimate	Estimate
Management Expenses	2016-17	2017-18	2018-19
	£'000	£'000	£'000
Administration Costs	1,068	1,069	1,365
Governance and Oversight Costs	618	531	567
Investment Costs	13,968	16,048	14,544
Total Management Expenses	15,654	17,648	16,476
Scheme Assets (£m)	2,649	2,850	3,000
Invest Costs as % of assets	0.53	0.56	0.48
Scheme Membership	58,466	60,121	61,775
Costs per scheme member (£)	18.27	17.78	22.24

20. The comparative national figures for management expenses are published in the SF3 statistical return by the Department for Communities and Local Government (DCLG) who calculate the unit costs for local authority pension funds based on the submissions by the English and Welsh administering authorities.

21. There are four funds which have a similar asset size to the Suffolk Pension Fund, the main figures have been set out below:

Fund	Scheme Assets	No. of Emp	Members	Admin Costs	Gov Costs	Invest Costs	Total Costs
	£ bn			£'000	£'000	£'000	£'000
Fund A	2.696	287	69,975	1,803	583	14,808	17,194
Fund B	2.736	285	69,563	1,425	524	11,802	13,751
Fund C	2.692	117	51,583	905	642	10,303	11,877
Fund D	2.700	92	57,244	1,108	773	7,055	8,936
Suffolk	2.649	210	58,466	1,068	618	13,986	15,654
Total	13.473	991	306,831	6,309	3,140	57,954	67,412

22. These funds have been benchmarked below. It should be noted that there has been long standing discrepancies between funds on how indirect management investment expenses are reported and as the figures used in the SF3 have not been verified, it is not known how comparable the figures are with those reported by Suffolk. However, we believe Suffolk is reporting them correctly.

Fund	Admin cost per Member	Invest Costs	Total Costs
	£	%	%
Fund A	25.77	0.55	0.64
Fund B	20.49	0.43	0.50
Fund C	17.54	0.38	0.44
Fund D	19.30	0.26	0.33
Suffolk	18.27	0.53	0.59
Total	20.56	0.43	0.50

23. Suffolk has a lower than average cost of administration. However, it appears to have a higher than average cost of investment management. This is partly due to the Fund's investment strategy, investing in more alternative investments that other funds, these are more expensive from a fee perspective.

Sources of further information

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

Suffolk Pension Board

Report Title:	Annual Employers Meeting
Meeting Date:	6 April 2018
Chairman:	Councillor Richard Smith MVO
Director:	Chris Bally, Deputy Chief Executive and Director of Corporate Services, Tel. 01473 265288
Assistant Director or Head of Service:	Louise Aynsley, Head of Finance (S151 Officer) Tel. 01473 264347
Author:	Paul Finbow, Senior Pensions Specialist (Deputy S151 Officer), Tel. 01473 265288

Brief summary of report

1. This report reminds the Pension Board of the arrangements for last year's annual employers meeting and seeks input from Board members on the arrangements for this year's meeting to be held on 21 September 2018.

Action recommended

- | |
|---|
| 2. To consider the contents of the report and make suggestions for this year's meeting. |
|---|

Reason for recommendation

3. The Pension Board has been involved in the running of the annual employers meeting for the last two years, as part of their communications strategy with employers in the fund.

Alternative options

4. There are no alternative options.

Main body of report

5. The Pension Fund arranges an annual employers meeting to update employers on developments that have happened during the year. Up until 2015, the annual employers' meeting was arranged by the Pension Fund Committee.
6. During 2016, the Pension Board, in its role of representing Employers and Scheme members, suggested that it should organise future meetings, as part of its communication strategy with employers.
7. The last employers' meeting was held on 22 September 2017 and had the best attendance in many years. Over 40 representatives of employers attended. Attached as **Appendix 1** is the Agenda that was used last year, with involvement from both the Chairman of the Board as well as the Chairman of the Pension Fund Committee.
8. The meeting was followed with a light sandwich lunch.

9. Attendance was increased by putting topical items on the Agenda which encouraged employers to attend.
10. The date for this year's meeting is 21 September at 10am. The intention is to advertise the date of the event in the next Employers newsletter, and for a formal invite letter (with a draft agenda) to be sent out during June.
11. The Board is asked to consider the arrangements for this year's meeting and suggest items for the Agenda.

Sources of further information

- | |
|---------|
| a) None |
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SUFFOLK PENSION FUND ANNUAL EMPLOYERS MEETING

10.00 a.m., Friday, 22 September 2017

Elisabeth Room, Endeavour House, Russell Road, Ipswich IP1 2BX

AGENDA

1. Welcome by Councillor Richard Smith, Chairman of the Suffolk Pension Fund Board
2. Pension Fund Committee Update – Andrew Reid, Chairman of the Suffolk Pension Fund Committee and Paul Finbow, Senior Pensions Specialist, covering:-
 - Investment Performance of the Fund
 - Membership
 - Committee's Future Work
 - Progress to Asset Pooling
3. Actuary Update – Craig Alexander, Hymans Robertson, covering:-
 - Developments since March 16 Triennial Valuation
 - Understanding Accounting Valuations (FRS102)
4. Pensions Administration Update , Stuart Potter, Pensions Operations Manager, covering:-
 - Ill Health Retirement Process
 - Member Self Service

Suffolk Pension Board

Report Title:	Risk Register
Meeting Date:	6 April 2018
Chairman:	Councillor Richard Smith MVO
Director:	Chris Bally, Deputy Chief Executive and Director of Corporate Services, Tel. 01473 265288
Assistant Director or Head of Service:	Louise Aynsley, Head of Finance (S151 Officer) Tel. 01473 264347
Author:	Paul Finbow, Senior Pensions Specialist (Deputy S151 Officer), Tel. 01473 265288

Brief summary of report

1. This report sets out the Risk Register for the Pension Board as approved on 6 October 2017 and how the risk control measures have been implemented against the risks.

Action recommended

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

Reason for recommendation

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

Alternative options

6. There are no alternative options.

Main body of report

Regulatory Background

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

Implementation of Risk Control Measures

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

Risk Register

9. The purpose of the risk register is to reflect best practice in the identification, evaluation and control of risks in order to ensure that key risks are recognised, and then either eliminated or reduced to a manageable level. If neither of these options is possible then means to mitigate the implications of the risks should be established.
10. The probability and risk impact scores have been scored based on the submissions from the members of the Board.
11. The risk register for the Pension Board to approve is attached as **Appendix 2**.
12. The risk register and actions taken to mitigate or control the risks are reported to the Board twice a year.

Sources of further information

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

Suffolk Pension Board Risk Register

Risk ID	Risk	Risk Control Measures	Implementation
SPB01	<p>Employer Employers' failure to carry out their responsibilities for paying contributions and providing information required for the administration team to fulfil their responsibilities.</p>	<p>An effective Administration Strategy setting out the employers responsibilities.</p> <p>Monitoring and reporting of the compliance of the employers.</p> <p>Vetting prospective employers in regards to financial security of funding streams. Seeking a funding guarantee or indemnity from the former scheme employer. Review to ensure Bonds are renewed when expiring and reflect current employer position.</p> <p>Non compliance is addressed.</p>	<p>The Administration strategy is reviewed every three years. It was last approved by the Pension Fund Committee at its meeting on 24 February 2016 and implemented from 1 April 2016. This was sent to all employers. The document is available on the Pension Fund website.</p> <p>When issues are identified in relation to the supply of accurate and timely information from employers, members of the team will contact the employer to explain what is wrong and discuss the data requirements. If persistent issues are identified members of the team will escalate these to the management team who will address this with the employer. Anything significant would be reported to the Pension Board as part of the administration update. Receipt of contributions are monitored on a quarterly basis and reported to the Pension Board.</p> <p>Prospective employers (where a government guarantee doesn't apply) are required to secure either a guarantee or a bond to provide security for the pension liabilities of their members. Bonds are reviewed annually to reflect the current employer position. Eligible Employers are not able to access the Suffolk Pension Fund without providing a bond or guarantee.</p> <p>During the recent end of year work, one employer was significantly late providing a return. While this was reported to the Board, we worked with the employer to achieve the data, and help them understand the requirements so the same issue doesn't arise next year. We also had a problem with one payroll supplier, responding to queries for the Academies they provide a service to, so this was addressed and resolved to ensure a better service is received in the future. If issues were to continue with a payroll supplier, the employer would be notified of the concerns. There has been an issue with the payroll provider for one academy paying over the contributions later than the administration strategy sets out which has been escalated to the academy trust for resolution.</p>
SPB02	<p>Scheme Members Scheme members are not in receipt of the correct benefit and/or paid on time.</p>	<p>The Pensions Administration team are required to keep up to date with pension benefit regulation and adhere to the stringent procedures required to comply with the benefits regulations.</p> <p>Knowledge and understanding is kept up to date by attending the relevant training courses on offer by professional bodies.</p> <p>Calculations are independently checked and verified.</p> <p>Internal and external audit review the internal control arrangements in place.</p>	<p>Changes to the Local Government Pension Scheme Regulations are communicated to the Administration Team (as well as employers and members where applicable). Changes to calculations are delivered directly to the pensions software system by the software provider. Changes to calculation factors are provided by the software provider and uploaded to the system by the Administration Team.</p> <p>Attendance of training courses and conferences are encouraged, with the knowledge gained shared amongst the team to ensure the team as a whole is kept up to date. Each month the Administration Team receives refresher training on a different component of calculations which helps to consolidate understanding.</p> <p>All calculations are peer reviewed by members of the Administration team for accuracy before communications are sent out. If the pension system is found to be producing incorrect calculations this is raised with the software provider to investigate and the Administration Team are alerted to further review any similar cases.</p> <p>Audit annually review the internal control arrangements that are in place. The internal audit on the administration of the Pension Fund is currently underway and the result will be reported to the Board.</p>

Risk ID	Risk	Risk Control Measures	Implementation
SPB03	<p>Governance Failure to communicate or engage with employers and scheme members.</p>	<p>An effective Communications Strategy so that employers are engaged with the Pension Fund.</p> <p>Regular communications to employers on LGPS matters are provided by Pension Fund officers in the form of newsletters and bi-annual employer meetings.</p> <p>Regular meetings are held by the Pension Board with the papers published within statutory deadlines.</p> <p>A range of communication tools are available to enable effective communication such as newsletters, pension help desk, pensions website.</p> <p>An annual employers meeting is held.</p>	<p>The Communication strategy is reviewed annually. It was last approved by the Pension Fund Committee at its meeting on 26 June 2017. The document is available on the Pension Fund website.</p> <p>A regular newsletter is sent out to employers to keep them updated with the Local Government Pension Scheme and Suffolk Pension Fund developments. All employers were consulted with in relation to the triennial valuation and the investment strategy statement. Additional bespoke meetings have been held with academies to introduce them to the LGPS and assist them with understanding the scheme.</p> <p>The Pension Board meets regularly and the papers are published on the Pension Fund website. The Board has access to the Pension Fund officers and have the opportunity to seek clarification or request further information.</p> <p>The team issue newsletters to Pensioner members of the scheme twice a year. Employers receive communications and newsletters on a regular basis. Information is provided to all active and deferred scheme members annually with the provision of their Benefit statements.</p> <p>Members of the Administration Team will attend pre-retirement courses for members to provide them with information regarding the retirement process from a pensions perspective.</p> <p>During 2017 the new Pensioner Member Self Service system has been introduced that allows all members to view their pension records, allowing members to update personal details and complete their own pension projections. The Annual statements will be issued on this system only from 2018. The launch of the system has been promoted within this years benefit statements and was covered during the Annual Employers Meeting. In addition demonstrations of the system have been provided.</p> <p>The Pensions website is reviewed and kept up to date with useful information and the Pensions Helpdesk is available for members to contact if they need some guidance.</p> <p>The Annual employers meeting was held on 22 September with attendance of around 50 representatives</p>
SPB04	<p>Governance Pension Fund Board members do not have the appropriate skills or knowledge to discharge their responsibility.</p>	<p>The Board has adopted the CIPFA Pensions Knowledge and Skills Framework as the basis for assessing its training and development needs.</p> <p>The Board approves a formal two year training plan which is designed to cover the Board's responsibilities. This is reviewed annually and updated to include new topics of interest and any additional training requirements identified.</p> <p>Pension Fund officers report on the statutory requirements of the Fund and any breaches that may have occurred.</p> <p>New Board members are fully briefed by a Pension Fund officer to enable them to participate in meetings.</p> <p>External advisers are employed to advise the Pension Fund Board as required.</p>	<p>The Board agrees its Training plan annually, linked to the requirements of the Cipfa Pensions Knowledge and Skills framework. The next review will be at the December Board meeting. The Board also has access to the Pension Fund Committee's training programme, this was last reviewed in July 2017.</p> <p>The administration report to the Board provides information on the adherence to statutory requirements and would report any breaches.</p> <p>New Board Members always receive an introduction to the scheme and a briefing from officers before attending their first meeting.</p> <p>Advisers can attend Board meetings, at the request of the Board.</p>

Suffolk Pension Fund Risk Register

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

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

Suffolk Pension Board, 6 April 2018

Information Bulletin

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

This Information Bulletin covers the following items:

1. [Change of Passive Index provider](#)
2. [Investment Strategy Statement](#)
3. [Breach of cash holding limit](#)
4. [New Employers](#)
5. [AVC's](#)

1. Change of Passive Index provider

At the meeting on 21 September the Committee agreed to move its passive investments from Legal & General to UBS, the provider appointed by ACCESS through the use of the national framework.

The transition to move the assets on an asset class basis commenced in January and was completed by the end of February.

2. Investment Strategy Statement

The Investment Strategy Statement was reviewed and approved by the Pension Fund Committee in March 2018. No significant changes were made. A copy is attached as **Appendix 1**.

3. Breach of cash holding limit

At the meeting on 6 December the Pension Fund Committee agreed to de-risk the Pension Fund by reducing equities to 42% of the Fund, this was completed during December.

The Committee agreed to temporarily increase the cash limit held with HSBC from £50m to £100m until 2 January 2018. Unfortunately, this limit was breached on the 22 December with an overnight balance on the Fund of £144m due to an

error by the custodian. A report on the detailed circumstances that led to the breach has been issued by HSBC and has been attached as **Appendix 2**. All interest charges incurred will be credited back to the Suffolk Pension Fund by HSBC.

4. New Employers

There have been 7 new employers admitted into the Fund during the period October to December. There were 5 new Academies, 1 Town Council and 1 Parish Council.

5. AVC's

A review of the AVC provision was commissioned to be undertaken by Hymans. The results of that review will be presented to the Pension Fund Committee at their June meeting.

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

Suffolk Pension Fund Investment Strategy Statement

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

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

Fund Objective

Funding Strategy Statement

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

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

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

Funding Level

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

Investment Beliefs

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

I) Investment Horizon

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

II) Diversification

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

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

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

III) Active versus passive Management

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

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

Investment Strategy

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

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

Asset Allocation

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

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

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

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

Investment Allocation

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

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

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

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

Currency hedging

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

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

Investment managers

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

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

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

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

Risk Management

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

a) Funding risks:

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

b) Asset risks:

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

c) Other provider risks:

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

Mitigations:

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

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

Expected return on investments

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

Realisation of investments

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

Stock Lending

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

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

Environmental, Social & Governance Considerations

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

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

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

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

Exercise of Voting Rights

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

Engagement

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

The Fund expects its investment managers to be engaged in social, environmental and ethical considerations insofar as these matters are regarded as impacting on the current and future

valuations of individual investments. The Fund believes taking account of such considerations forms part of the investment managers' normal fiduciary duty.

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

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

Approach to pooling

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

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

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

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

Funding Strategy and Management Structure

Investment Managers

The Fund's investment management arrangements are shown below:

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

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

Investment Limits

Investment Manager Guidelines

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

UBS

Passive Mandate - 26% of the Fund

Investment Objective

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

Investment Allocations:

The asset allocations are as below:

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

Investment Restrictions

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

Blackrock Investment Management

UK Equities Mandate - 8% of the Fund

Investment Objective

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

Investment Restrictions

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

- Geographic / Market / Asset Class / Sector

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

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

Fixed Income Mandate - 12% of the Fund

Investment Objective

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

Investment Restrictions

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

Newton Investment Management

Global Equity Mandate – 12% of the Fund

Investment Objective

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

Investment Restriction

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

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

Schroders Property Investment Management

Property Mandate - 10% of the Fund

Investment Objective

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

Investment Restrictions

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

Asset allocation and control ranges

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

Fund Type	Approved Ranges
Open-ended funds *	60-100%
Close-ended funds	0-40%
Other investments and cash**	0-20%

Open-ended funds may be based in the UK or in the off-shore jurisdictions of Jersey, Guernsey, Luxembourg or Dublin. Investment in funds that are managed from any other non UK jurisdiction will be subject to specific prior approval.

Other investments include UK property equities (subject to a range of 0-5%) and Property Index Certificates (subject to a range of 0-10%)

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

M & G

Fixed Income Mandate - 10% of the Fund

Investment Objective

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

Investment Restrictions

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

Illiquid Debt Mandate - 2% of the Fund

Investment Objective

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

Investment Restrictions

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

Infrastructure Mandate - 1% of the Fund

Investment Objective

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

Investment Restrictions

There are no specific investment restriction's placed on the manager as this investment is in M&G's pooled fund, Infracapital Greenfield Partners Fund, which invests in the late stage development, construction, and/or expansion of unlisted infrastructure assets which offer long term stable cash

flows and capital accretion. The Fund invests in sectors such as energy, utilities, transport, telecoms and social infrastructure.

Brookfield

Timber Mandate - 0.5% of the Fund

Investment Objective

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

Investment Restrictions

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

KKR

Infrastructure Mandate - 2% of the Fund

Investment Objective

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

Investment Restrictions

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

Pantheon

Private Equity Mandate - 3% of the Fund

Investment Objective

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

Investment Restrictions

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

Partners Group

Infrastructure Mandate - 2% of the Fund

Investment Objective

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

Investment Restrictions

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

Pyrford International

Absolute Return Mandate - 6% of the Fund

Investment objective:

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

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

Investment policy:

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

Investment Restrictions

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

Wilshire**Private Equity Mandate - 1% of the Fund****Investment Objective**

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

Investment Restrictions

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

Winton**Absolute Return Mandate - 4% of the Fund****Investment Objective**

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

Investment Restrictions

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

HSBC Securities Services

INCIDENT REPORT

Suffolk Pension Fund - Payment Issue

Prepared by: Client Management Europe with input from - UK Regulatory Compliance, Global Custody Client Services, Payment Services

Publication Date: 11th January 2018



Introduction:

This report has been prepared following delayed payment of an instructed cash transfer for £117m. This delay in payment impacted the Pension Fund, resulting in an overnight overdraft with associated interest costs and also a breach of the Pension Fund investment guidelines. A summary of the incident and timeline has been prepared:

Payment timeline

- A payment for £117m was instructed and authorised by Suffolk PF via HSBCnet on the 15th December 2017.
- HSBCnet accepted the payment and sent for forward processing with a value date of 19th December 2017.
- On the 19th December at 05:16 (GMT) the payment was flagged in HSBCnet for referral, manual review and authorisation given the balance of the cash account was zero, and also the size of the payment - this is standard procedure.
- The cash payment credit team reviewed the payment referral at 15:58 (GMT).
- The process followed post referral is for the HSS Client Service Manager to review and provide detail around funding available to release the payment, and for the Relationship Manager to finally review and provide payment approval – this was completed by 17:39 (GMT), and the payment released

Root Cause:

The main factor resulting in the payment being delayed until late afternoon on payment date was the cash payment credit team late review and subsequent escalation 15:58 (GMT) of the payment referral.

Business Impact:

As a result of the delayed payment, the payment was released after the automated GBP liquidity sweep 12:30pm (GMT). The available funds to cover the payment had been swept to the GBP liquidity account meaning release of the payment later that afternoon resulted in an overnight overdraft and client investment guidelines breach.

Actions:

The cash payment management team have acknowledged that timing played a significant factor in this incident and as a result, they are enhancing procedures to ensure earlier review of large client cash payments, including a bespoke process specifically for Suffolk Pension Fund. The Suffolk cash accounts have been highlighted and these have been flagged on their review system as being part of the liquidity sweep at 12:30 (GMT). This will ensure early review and escalation for payment approval and release.

The Client Management team has also reviewed proposed improvements and in future would want to ensure that the Client Service Manager is aware and monitoring any critical large cash payments so that they meet required payment deadlines.

Overdraft interest incurred of circa £5k will be credited back to the appropriate Suffolk PF account – ensuring no cost to the Pension Fund.

Suffolk Pension Board Forward Work Programme

Purpose

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

Terms of reference

The terms of reference of the Pension Board are:

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

Meeting date (see Note)	Added to Work Programme	Subject	Short description	How is it anticipated the Board will deal with this issue?
Monday, 23 July 2018	Added 20 December 2017	Complaints, Compliments and Administration Performance	To receive a report on the complaints and compliments received by the Fund	Written Report
	Added 20 December 2017	Suffolk's progress on Pooling of Assets	To receive an update on the progress of pooling assets	Presentation
	Added 20 December 2017	Investment Performance	To receive a report on the investment performance of the Fund in 2017/18	Written Report
	Added 20 December 2017	Annual Report and Accounts 2017/18	To review the annual report and Accounts of the Pension Fund	Written Report
	Added 20 December 2017	Review of AVC Provider	To receive a report on the outcome of the review of the Suffolk Pension Fund AVC providers	Written Report
	Added 20 December 2017	Recent Developments	To receive an information bulletin covering recent developments that the Board has an interest in	Written Report
	Added 20 December 2017	Forward Work Programme	To approve the Forward Work Programme for the Suffolk Pension Board.	Written Report

Meeting date (see Note)	Added to Work Programme	Subject	Short description	How is it anticipated the Board will deal with this issue?
Thursday, 4 October 2018	Added 20 December 2017	Complaints, Compliments and Administration Performance	To receive a report on the complaints and compliments received by the Fund	Written Report
	Added 20 December 2017	Suffolk's progress on Pooling of Assets	To receive an update on the progress of pooling assets	Presentation
	Added 20 December 2017	Pension Board Risk Register	To review the Pension Board Risk Register	Written Report
	Added 20 December 2017	Recent Developments	To receive an information bulletin covering recent developments that the Board has an interest in	Written Report
	Added 20 December 2017	Forward Work Programme	To approve the Forward Work Programme for the Suffolk Pension Board.	Written Report

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

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

Revised – April 2018