

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: Monday, 23 July 2018

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

Time: 2:00 pm

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. **Appointment of Chairman and Vice Chairman**

To appoint the Chairman and Vice Chairman of the Board for the coming year.

4. **Minutes of the Previous Meeting**

Pages 5-10

To approve as a correct record, the minutes of the meeting held on 6 April 2018.

5. **Investment Performance of the Fund**

Pages 11-28

To receive a report on the investment performance of the Fund in 2017/18.

6. **Pension Fund Annual Report and Accounts 2017/18**

Pages 29-147

To consider the Fund's annual report and accounts for 2017/18 and the auditors' opinion.

7. **Governance Policy and Compliance Statement**

Pages 149-170

To receive the Governance Policy and compliance statement.

8. **Compliments, Complaints and Administration Performance**

Pages 171-174

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

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

To receive a verbal update on the pooling of assets.

10. **Information Bulletin: Recent Developments**

Pages 175-177

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

11. Forward Work Programme

Pages 179-182

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 – Thursday, 4 October 2018 at 11:00 am.

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Telephone: 01473 264371;

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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2. Follow the signs directing you to Fire Exits at each end of the floor.
3. Do not enter the Atrium (Ground Floor area and walkways). If you are in the Atrium at the time of the Alarm, follow the signs to the nearest Fire Exit.
4. Use the stairs, not the lifts.
5. Do not re-enter the building until told it is safe to do so.

Nicola Beach
Chief Executive

Minutes of the Suffolk Pension Board Meeting held on 6 April 2018 at 11:02 am in the Garrick Room, Endeavour House, Ipswich.

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

Supporting officers present: Rebekah Butcher (Democratic Services Officer), Paul Finbow (Senior Pensions Specialist, Deputy S151 Officer), Stuart Potter (Pensions Operations Manager) and Sharon Tan (Pensions Technical Specialist).

35. Apologies for Absence and Substitutions

An apology was received from Homira Javadi (representing Borough, District, Town and Parish Councils). There were no substitutions.

36. Declarations of Interest and Dispensations

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

David Rowe declared a non-pecuniary interest by virtue of the fact he was an active member of the pension scheme.

37. Minutes of the Previous Meeting

The minutes of the meeting held on 20 December 2017 were confirmed as a correct record and signed by the Chairman, subject to the following amendment at Minute 27:

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

38. Digital Engagement with Active Members

At Agenda Item 4, the Board received a report which provided information on the Pension Administration team's current digital engagement with members, and future plans for enhancing this.

Decision: The Board noted the information within the report.

Reason for decision: 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: There were none considered.

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

David Rowe declared a non-pecuniary interest by virtue of the fact he was an active member of the pension scheme.

Dispensations: There were none granted.

39. Information Bulletin – Pension Fund’s Strategy and Policy Documents Review

The Board received an Information Bulletin at Agenda Item 9.

Recommendation: The Board noted the information provided and requested that the Suffolk Pension Fund Committee reviewed its policies at least every five years, with the exception of those that were reviewed on an annual basis.

Reason for recommendation: Members were aware of the Pension Fund Committee’s programme to review the Fund’s strategies and policies on a regular basis and wished to include all capture all documents under a review period.

Alternative options: There were none considered.

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

David Rowe declared a non-pecuniary interest by virtue of the fact he was an active member of the pension scheme.

Dispensations: There were none granted.

The Chairman thanked Paul Finbow, Senior Pension’s Specialist (Deputy S151 Officer) on behalf of the Board for the training provided prior to the start of today’s meeting on ACCESS Pooling.

40. Suffolk’s progress on Pooling of Assets

At Agenda Item 6, the Board received a verbal update from the Senior Pensions Specialist (Deputy S151 Officer) on the development of the ACCESS pool.

Members heard that the Joint Committee had recently been consulted on their preferences for the first tranche of sub-funds and these will be considered by the operator. A few issues had been uncovered whilst creating the ACCESS Pool’s prospectus, the terms and conditions that would be attached to each application to the Financial Conduct Authority (FCA) to set-up a sub-fund. An Environmental, Social and Governance (ESG) policy would be required for the whole prospectus and each sub-fund that would follow.

Another section of the prospectus included voting on shares which would be a problem for some funds who have relied on their managers to vote on their behalf. Only Norfolk and Suffolk have an active voting policy designed for each individual fund. The Pool reached a consensus based on the Norfolk and Suffolk policies for the ACCESS Pool. This was considered by the Joint Committee the previous week and was signed-off with a few minor changes. This policy would be shared with the Pension Fund Committee in due course.

Members were informed that stock lending was also an issue; Suffolk and seven other funds currently allowed this within their mandates. Three funds presently did not choose to stock lend. This meant sub-funds could not be created for investing where individual funds had different policies. If all funds did not choose to stock lend, two funds would need to be created for the same mandate – one to allow stock lending and the other not. The three Funds will consider their approach to stock lending at their next meeting in June.

Members also heard that some large mandates may not see further fee savings, and these could be more expensive when moved into the Pool, due to additional operator charges. There was currently some work being undertaken to prove whether this would be value for money.

A Member requested that the minutes from ACCESS meetings should be made available to the Pension Fund Committee and Pension Board.

41. Administration Performance

At Agenda Item 7, 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 as requested by the Board.

Decision: The Board noted the information within the report.

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

Alternative options: There were none considered.

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

David Rowe declared a non-pecuniary interest by virtue of the fact he was an active member of the pension scheme.

Dispensations: There were none granted.

42. Management Expenses

The Board received a report at Agenda Item 8 which set out the management expenses of the Suffolk Pension Fund and the administration budget approved by the Pension Fund Committee.

Decision: The Board noted the information within the report.

Reason for decision: The costs incurred by the Pension Fund in managing the Fund was related to administration, investment management, and governance costs. The administration costs were costs incurred by Suffolk County Council as administering authority of the Pension Fund.

Alternative options: There were none considered.

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

David Rowe declared a non-pecuniary interest by virtue of the fact he was an active member of the pension scheme.

Dispensations: There were none granted.

43. Annual Employers Meeting

At Agenda Item 9, the Board considered a report which detailed the arrangements for last year's annual employers meeting and sought input from Board Members on the arrangements for this year's event to be held on 21 September 2018.

Decision: The Board agreed to:

- a) delegate responsibility of the drafting of the agenda for the meeting to the Chairman and Vice Chairman to enable the invite to be sent prior to the Board's next meeting in July 2018; and
- b) to invite Board Member Marie McCleary (representing all other employers in the Fund) to possibly have a slot during the employers meeting.

Reason for decision: The Pension Board had 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: There were none considered.

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

David Rowe declared a non-pecuniary interest by virtue of the fact he was an active member of the pension scheme.

Dispensations: There were none granted.

44. Pension Board Risk Register

At Agenda Item 10, the Board received a report setting 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.

Decision: The Board:

- a) reviewed the implementation of the risk control measures at Appendix 1 of the report; and
- b) reviewed and approved the Pension Board Risk Register at Appendix 2 subject to the following amendments:
 - i) SPB04: Change the 'Probability' from '3' to '2'.
 - ii) SPB04: Add '... *statutory* skills or knowledge to discharge their responsibility.'

Reason for decision: Risk management was a key responsibility of those charged with Pension Fund governance with a duty to identify the range of risks that could affect the long-term sustainability of the Fund.

The effective management of risk was also an area 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 could be taken to mitigate such risks.

Alternative options: There were none considered.

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

David Rowe declared a non-pecuniary interest by virtue of the fact he was an active member of the pension scheme.

Dispensations: There were none granted.

45. Information Bulletin – Recent Developments

The Board noted the Information Bulletin at Agenda Item 11.

46. Forward Work Programme

The Board received a copy of its Forward Work Programme at Agenda Item 12.

The Board agreed to the following additions:

23 July 2018

- a) Include an information bulletin item informing the Board of the finalised plans for the Annual Employer meeting.
- b) To review the Governance Policy which was approved by the Pension Fund Committee in July 2017.

The meeting closed at 12:43 pm.

Chairman

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Suffolk Pension Board

Report Title:	Investment Performance – Year ending 31 March 2018
Meeting Date:	23 July 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 provides a summary of the performance of the Suffolk Pension Fund for the 2017-18 financial year and performance against other local authority pension funds.
2. The total size of the Fund as at 31 March 2018 was £2.762bn, an increase of around £114m from the previous financial year.
3. The annual return of 4.0% is behind of the Fund’s specific benchmark by 0.8%. The underperformance comes from both asset allocation and stock selection decisions.
4. Compared with other local authority funds, the Suffolk lower weighting to equities and higher waiting to alternatives resulted in a lower than average return in 2017/18.
5. The Fund’s absolute return over a rolling three-year period is 7.6%, just below the benchmark by 0.3%. Compared to other local authority funds, the Suffolk Fund underperformed the local authority average by 0.7% per annum across the three years.

Action recommended

6. The Board is asked to note the report.

Reason for recommendation

7. The Board is interested in the overall investment performance of the Fund.

Alternative options

8. None

Main body of report

9. The performance of the Pension Fund has been analysed by HSBC and measured against market index returns and the Fund's benchmark. The performance analysis is attached as **Appendix 1**.

Sources of further information

- | |
|---------|
| a) None |
|---------|

Suffolk Pension Fund

Performance Analysis to 31 March 2018

Date: June 2018

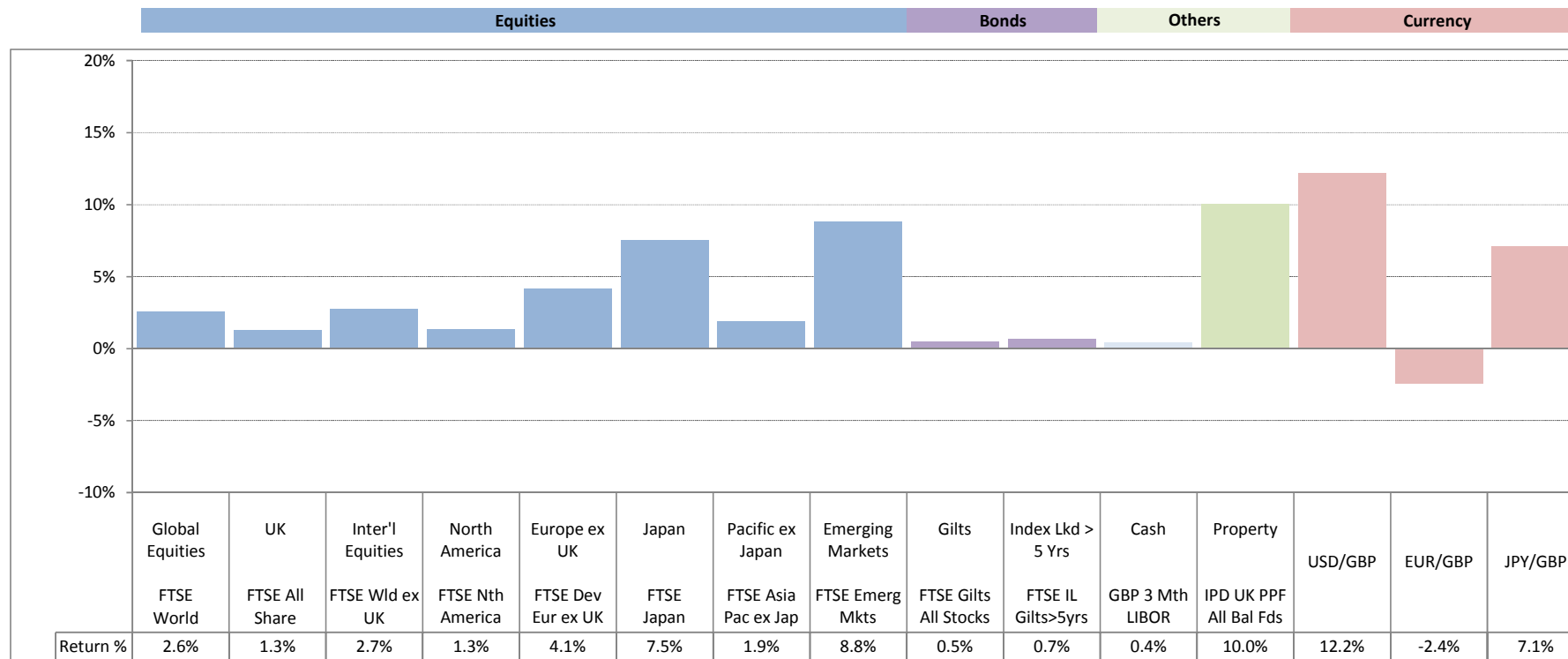


Suffolk Pension Fund Performance Analysis - Contents

	Page
Market Results	2
Fund Structure and Benchmark	3
Summmary to Date	4
Fiscal Summary and Risk	5
Mandate Returns	6
Manager Summary	
BlackRock Equities	7
Newton	8
Schroders	9
Private Equity	10
Benchmark Allocation	11
Long Term Manager Returns	12
Latest Year Attribution	13
Local Authority Universe Comparison	14

Suffolk Pension Fund Performance Analysis - Market Results

Market Data Returns for 12 months ending: 31/03/2018



Comments:

Whilst all markets are showing positive returns over the 12 months to end March 2018, the re-bounce in the value of sterling - up 12% vs US dollar - has tempered somewhat the returns available.

Property, emerging markets as a whole and to a lesser extent Japan offered the best available returns in GBP terms.

Note: All market returns are unhedged and reported in GBP.

Suffolk Pension Fund Performance Analysis - Fund Structure and Benchmark

Fund Structure and Benchmark

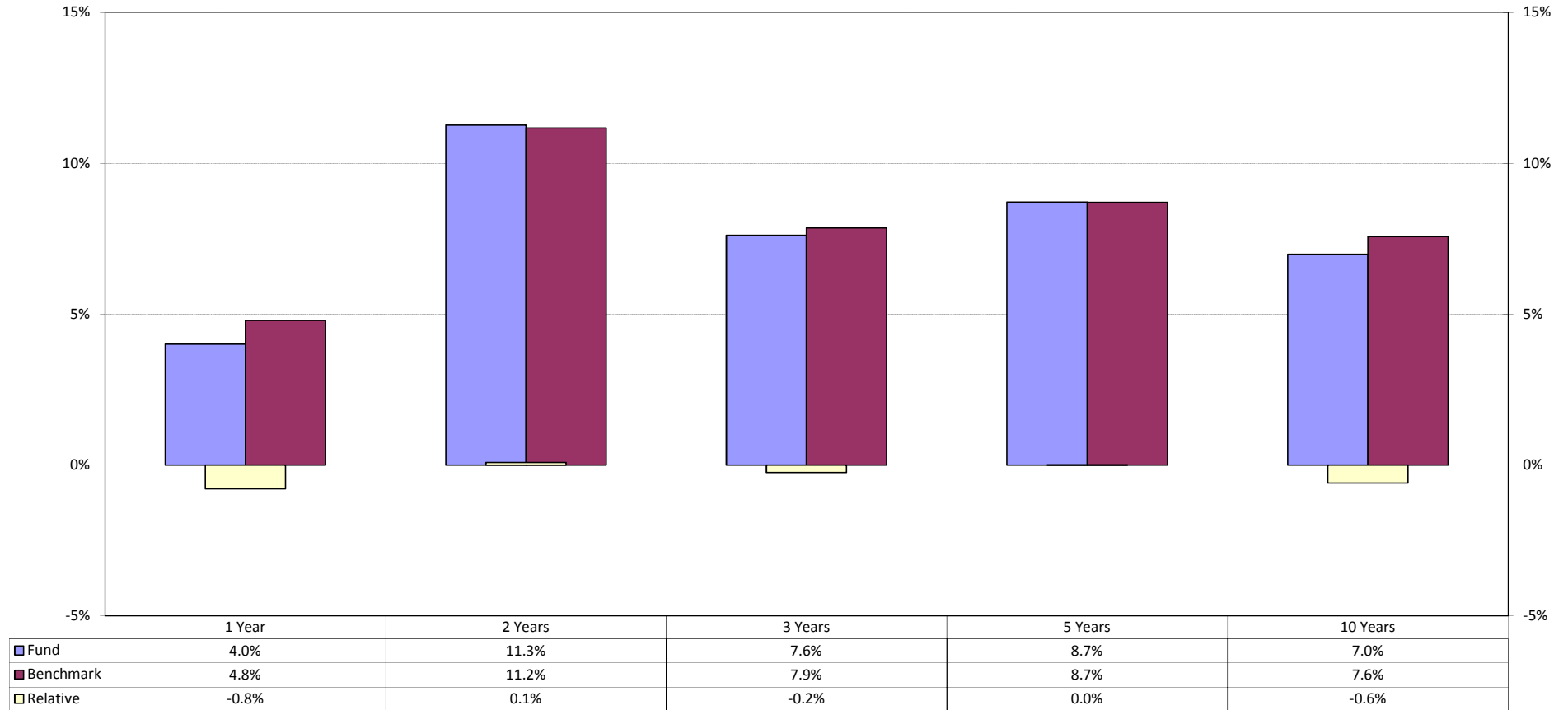
Structure	% Weight	Strategic Benchmark
Total Assets	100.0	Total Composite
Total Equities	42.0	Composite
<i>UK Equities</i>	<i>14.5</i>	<i>FTSE All Share</i>
<i>Overseas Equities</i>	<i>20.0</i>	<i>Composite</i>
<i>North America</i>	<i>9.5</i>	<i>FTSE North America</i>
<i>Europe ex UK</i>	<i>5.0</i>	<i>Matching</i>
<i>Japan</i>	<i>2.0</i>	<i>FTSE Japan Composite</i>
<i>Asia Pacific ex Japan</i>	<i>1.5</i>	<i>FTSE Developed Asia Pacific ex Japan</i>
<i>Emerging Markets</i>	<i>2.0</i>	<i>FTSE Emerging Markets</i>
<i>RAFI AW 3000 Equity</i>	<i>7.5</i>	<i>Matching</i>
Total Bonds & Index Linked	26.0	Composite
<i>Global Bonds</i>	<i>22.0</i>	<i>GBP 3 Month LIBOR+5% p.a.</i>
<i>Index Linked</i>	<i>4.0</i>	<i>FTSE Government Index Linked > 5 Years</i>
Total Cash	0.5	GBP 3 Month LIBOR
Property	10.0	IPD UK PPF All Balanced Funds
Private Equity	4.0	FTSE World
Infrastructure	5.0	8% p.a.
Absolute Return	10.0	GBP 3 Month LIBOR+5% p.a.
Illiquid Debt	2.0	8% p.a.
Timber	0.5	8% p.a.

* Benchmark and % Weights as per end of reporting period: 31/03/2018

Suffolk Pension Fund Performance Analysis - Summary to Date

Annualised Returns - Total Fund

- Periods ending 31 March 2018



Total Scheme Value:

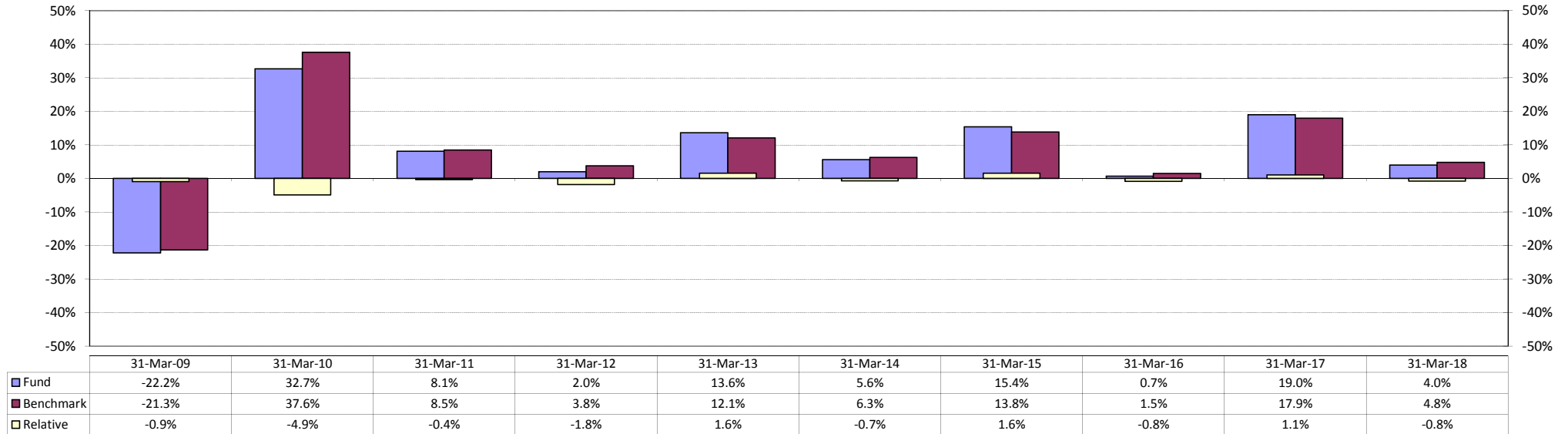
31 March 2017 = £2,645m
 31 March 2018 = £2,758m

Comments:

Underperformance over the latest fiscal year
 Returns broadly in-line over mid to longer periods
 Marginal underperformance over the ten year period

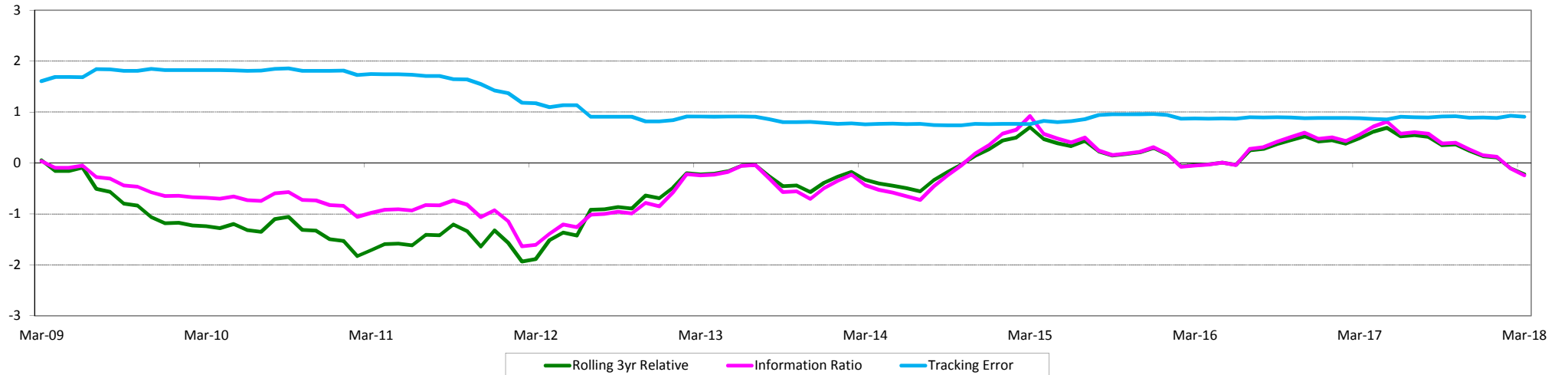
Suffolk Pension Fund Performance Analysis - Fiscal Summary and Risk

Historic Annual Returns - Total Fund, Fiscal Year Results



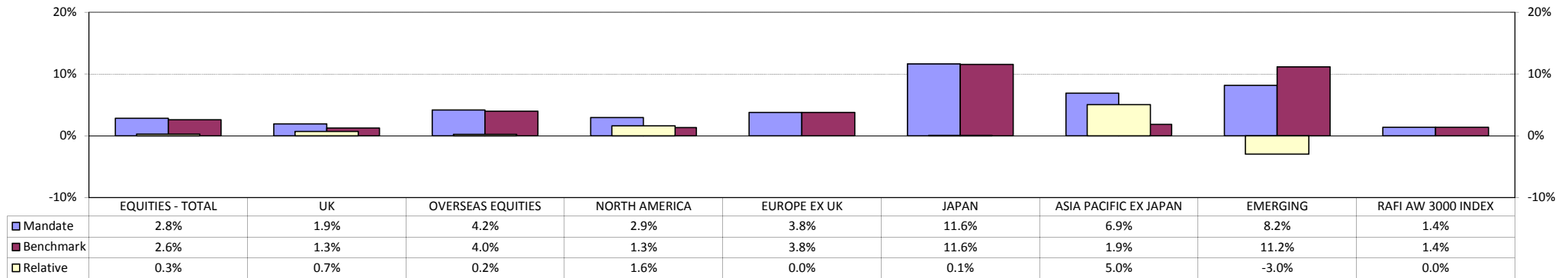
3 Year Annualised Rolling Returns - Total Fund, Relative Return

- Each plot represents the results for the 3 year period to that month, so this shows the gradual change in the relative return over time.
- The green line shows the rolling relative return (fund vs benchmark difference); the pink line shows the Information Ratio, or risk adjusted relative return for the same time period (risk measured by standard deviation).
- The blue line shows the Tracking Error, measured by the standard deviation (variability) of the three year relative returns. It is a measure of how closely the fund tracks the benchmark month on month.

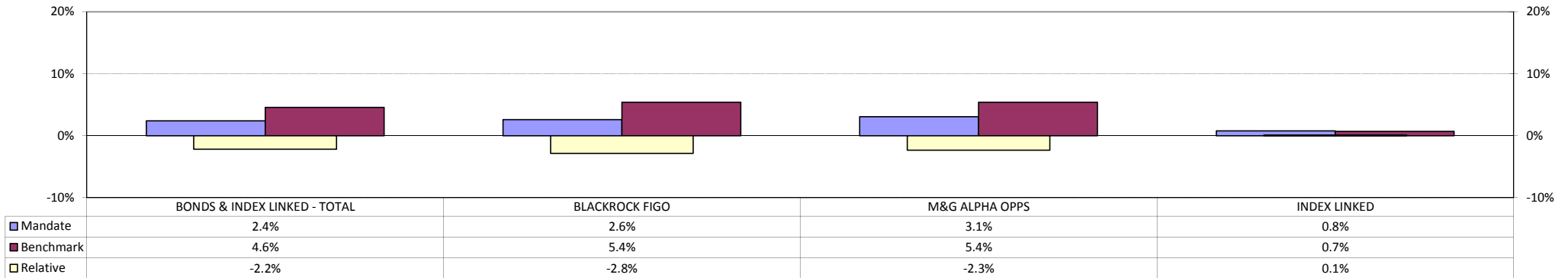


Suffolk Pension Fund Performance Analysis - Mandate Returns

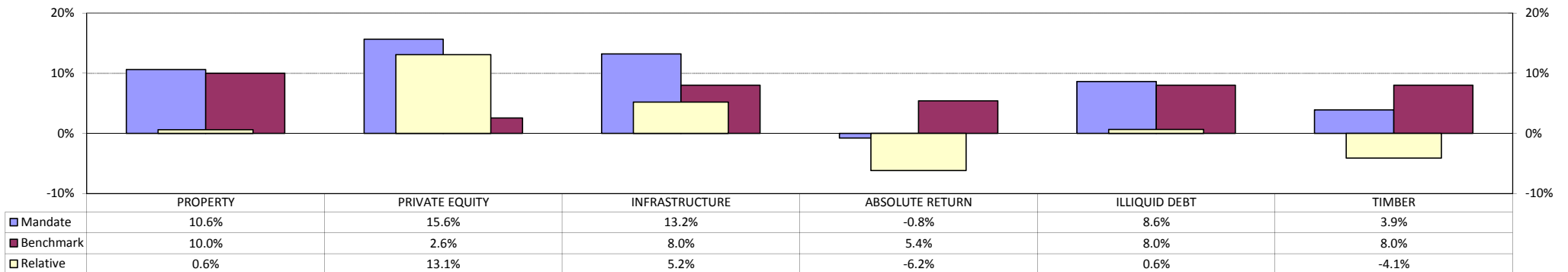
Equities - 12 month returns



Bonds & Index Linked - 12 month returns

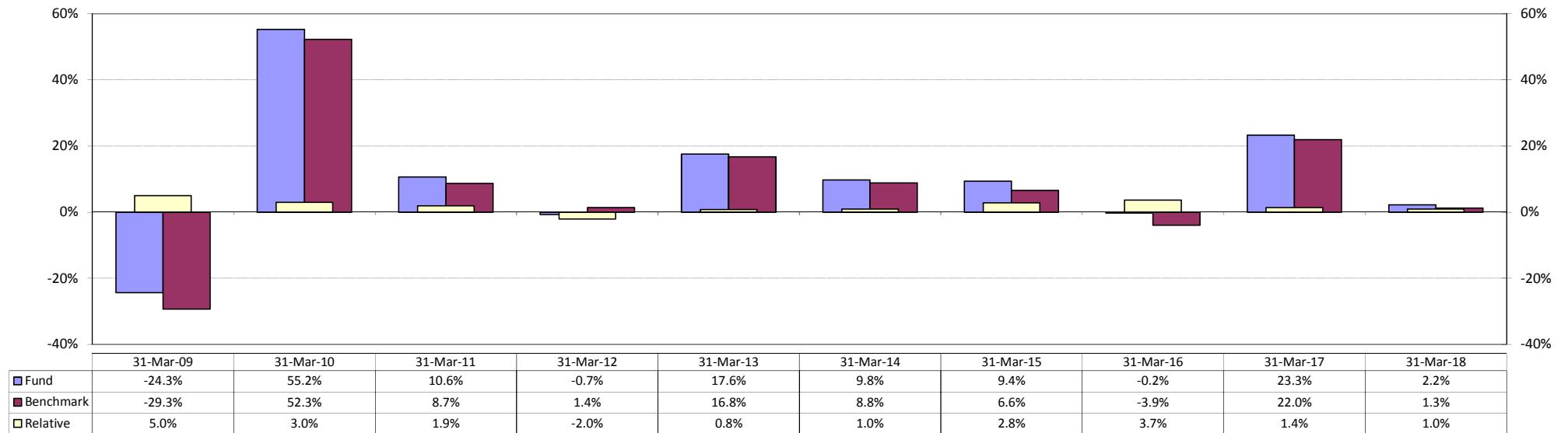


Alternatives & Property - 12 month returns



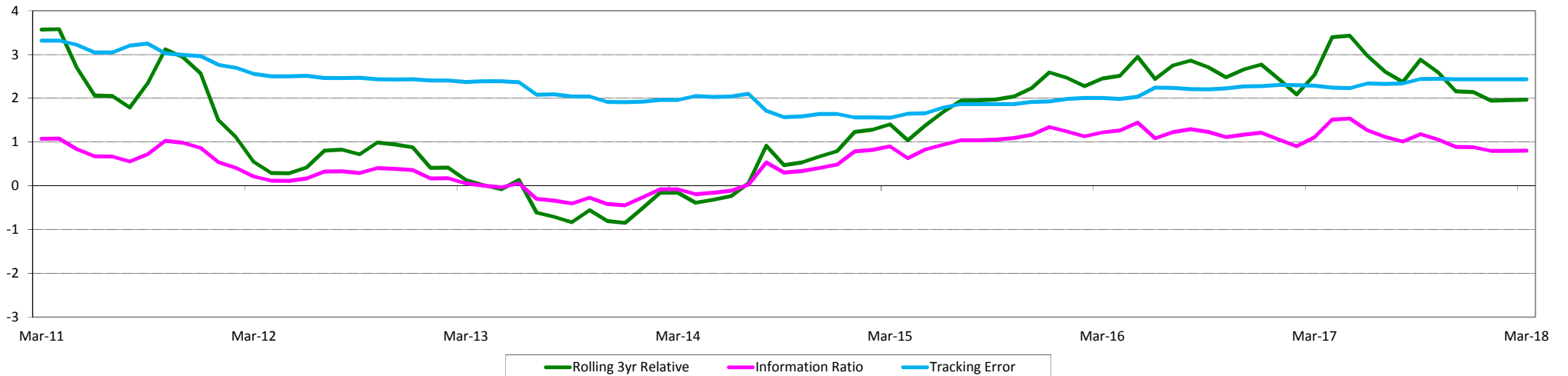
Suffolk Pension Fund Performance Analysis - Manager Summary

Historic Annual Returns - BlackRock Equities, Fiscal Year Results



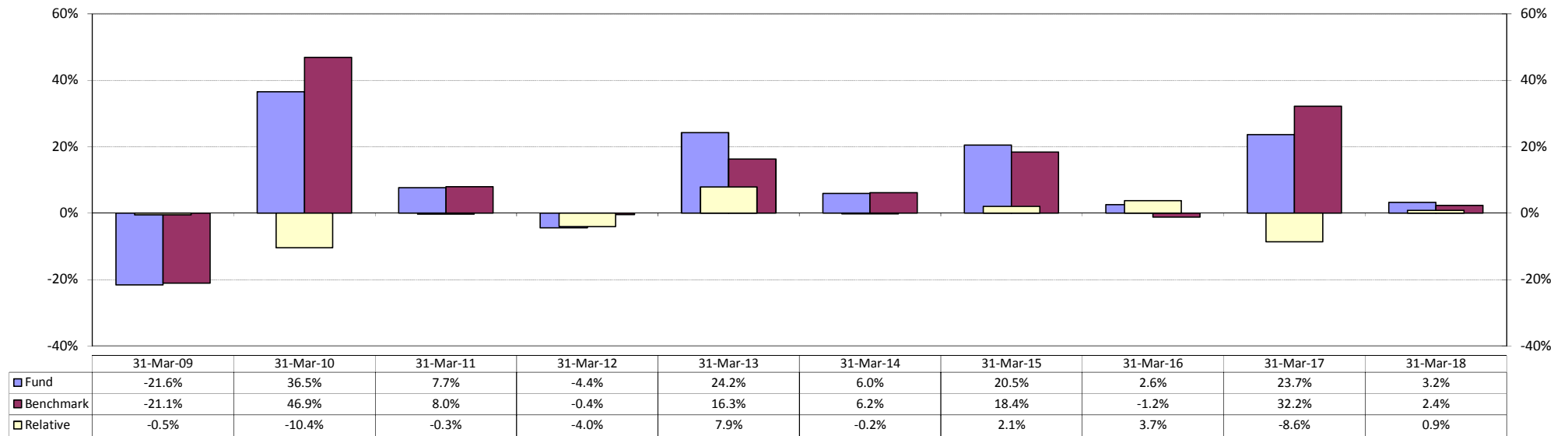
3 Year Annualised Rolling Returns - BlackRock Equities, Relative Return

- Each plot represents the results for the 3 year period to that month, so this shows the gradual change in the relative return over time.
- The green line shows the rolling relative return (fund vs benchmark difference); the pink line shows the Information Ratio, or risk adjusted relative return for the same time period (risk measured by standard deviation).
- The blue line shows the Tracking Error, measured by the standard deviation (variability) of the three year relative returns. It is a measure of how closely the fund tracks the benchmark month on month.



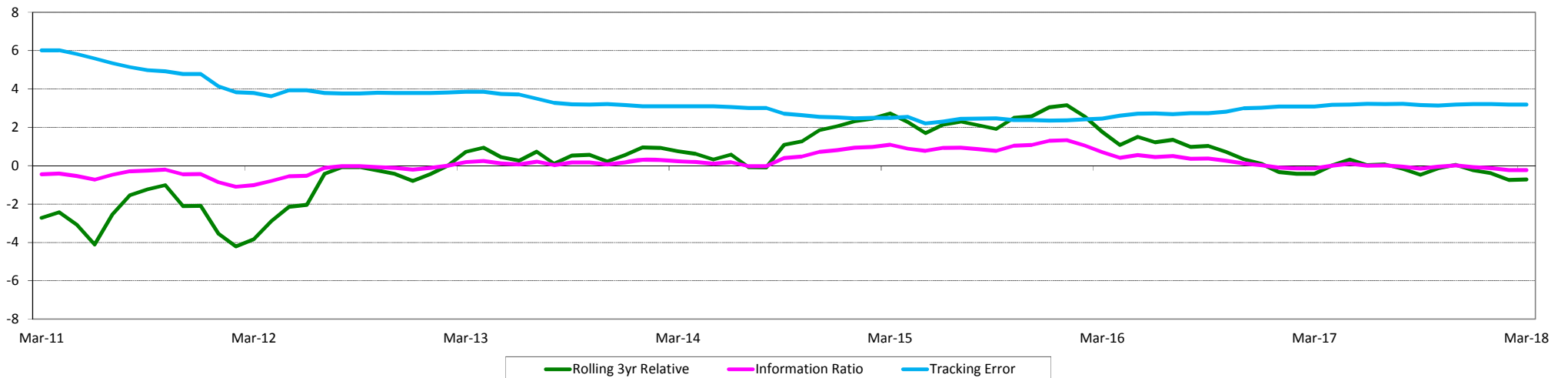
Suffolk Pension Fund Performance Analysis - Manager Summary

Historic Annual Returns - Newton, Fiscal Year Results



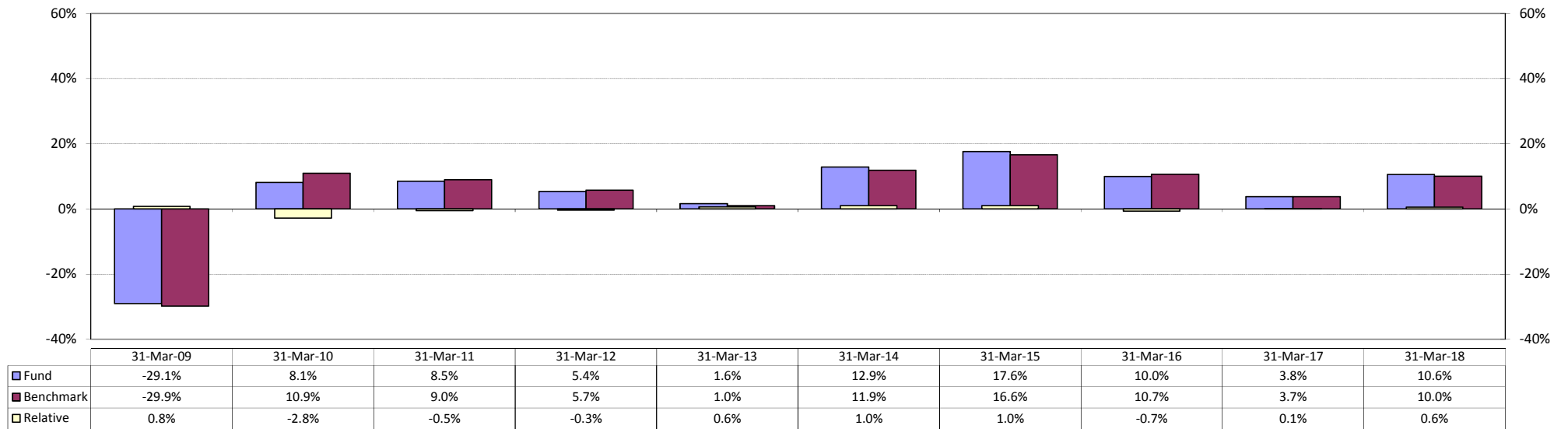
3 Year Annualised Rolling Returns - Newton, Relative Return

- Each plot represents the results for the 3 year period to that month, so this shows the gradual change in the relative return over time.
- The green line shows the rolling relative return (fund vs benchmark difference); the pink line shows the Information Ratio, or risk adjusted relative return for the same time period (risk measured by standard deviation).
- The blue line shows the Tracking Error, measured by the standard deviation (variability) of the three year relative returns. It is a measure of how closely the fund tracks the benchmark month on month.



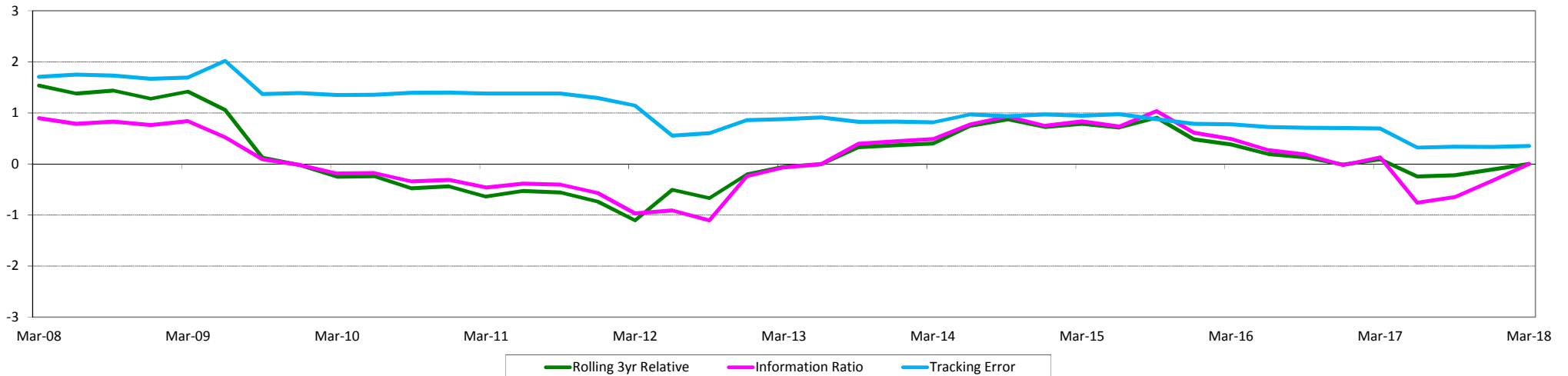
Suffolk Pension Fund Performance Analysis - Manager Summary

Historic Annual Returns - Schroders, Fiscal Year Results



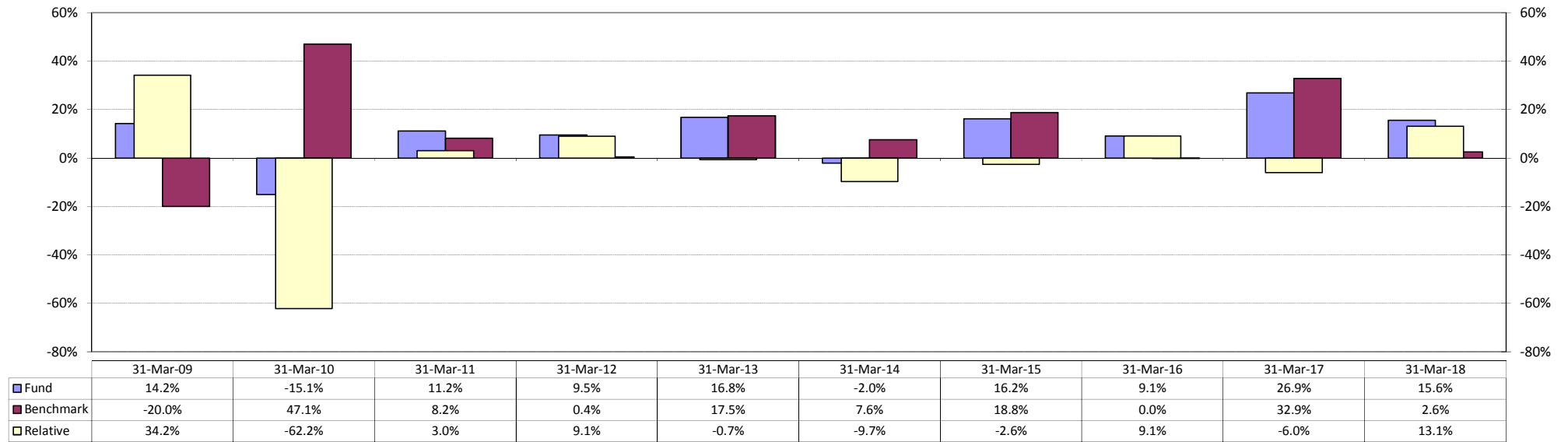
3 Year Annualised Rolling Returns - Schroders, Relative Return

- Each plot represents the results for the 3 year period to that month, so this shows the gradual change in the relative return over time.
- The green line shows the rolling relative return (fund vs benchmark difference); the pink line shows the Information Ratio, or risk adjusted relative return for the same time period (risk measured by standard deviation).
- The blue line shows the Tracking Error, measured by the standard deviation (variability) of the three year relative returns. It is a measure of how closely the fund tracks the benchmark month on month.



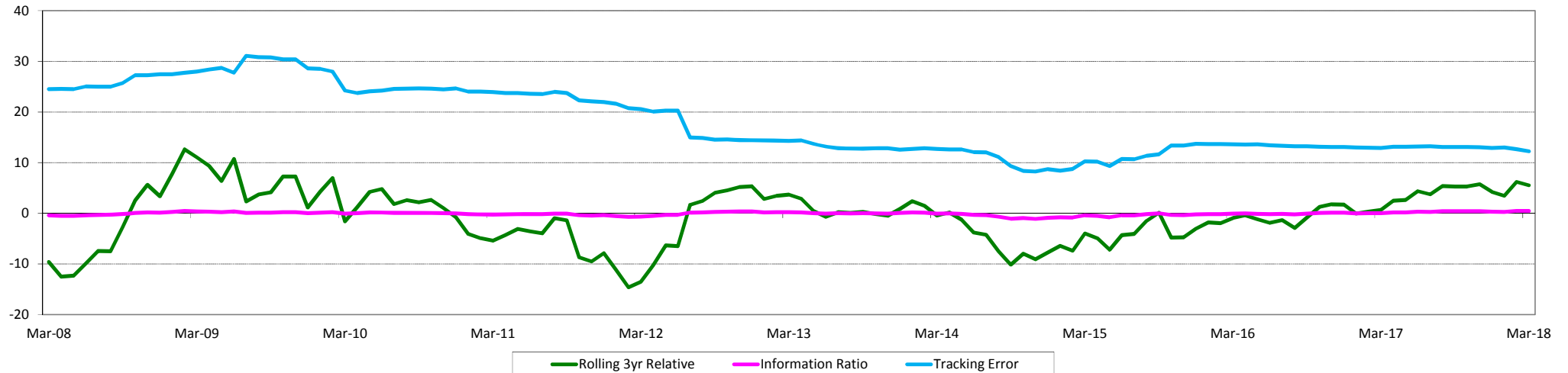
Suffolk Pension Fund Performance Analysis - Manager Summary

Historic Annual Returns - Private Equity, Fiscal Year Results



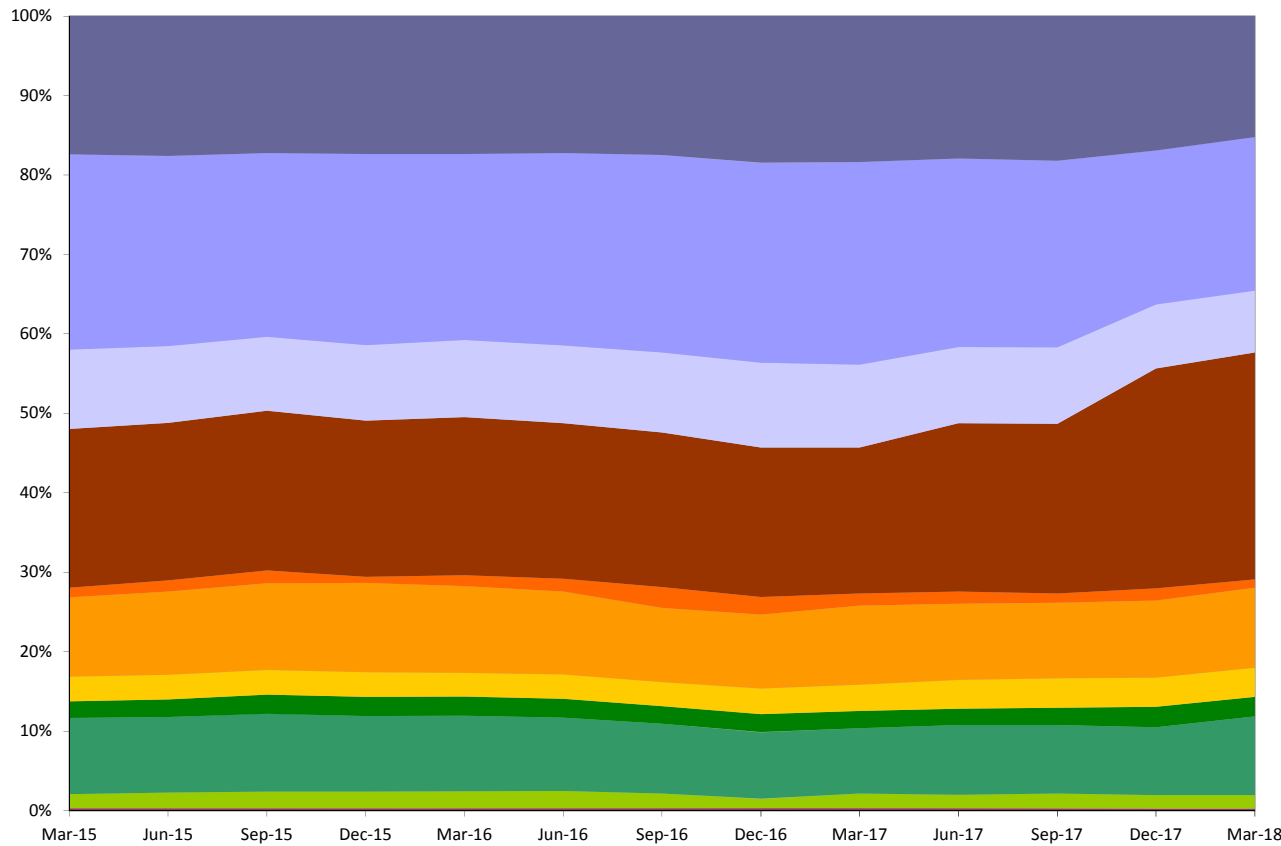
3 Year Annualised Rolling Returns - Private Equity, Relative Return

- Each plot represents the results for the 3 year period to that month, so this shows the gradual change in the relative return over time.
- The green line shows the rolling relative return (fund vs benchmark difference); the pink line shows the Information Ratio, or risk adjusted relative return for the same time period (risk measured by standard deviation).
- The blue line shows the Tracking Error, measured by the standard deviation (variability) of the three year relative returns. It is a measure of how closely the fund tracks the benchmark month on month.



Suffolk Pension Fund Performance Analysis - Benchmark Allocation

Strategic Asset Allocation, 3 year progression:



Asset Class:

	Start	End
Equities - UK	17.4%	15.2%
Equities - Overseas	24.6%	19.3%
Equities - RAFI AW 3000 Index	10.0%	7.8%
Bonds & Index Linked	20.0%	28.5%
Cash	1.2%	1.1%
Property	10.0%	10.1%
Private Equity	3.1%	3.7%
Infrastructure	2.1%	2.5%
Absolute Return	9.6%	9.9%
Illiquid Debt	1.8%	1.7%
Timber	0.3%	0.3%

Comments:

- Over the 3 year time-frame, the Fund's exposure to Equities has decreased, down from 52% to 42%
- Overseas equities experienced the largest drop in allocation down 25% to 19%
- Bonds as an asset class benefited with allocation increasing from 20% to almost 29% over the same period
- The latest fiscal year saw the biggest increase at 10%; at the start of the period exposure to Bonds was 18%, its lowest level during the 3 year period
- Alternatives saw a marginal increase up 1% to 18%
- Allocation to Property has held largely steady at 10%

Asset Class Grouping:

	Start	End
Equities	52.0%	42.3%
Bonds	20.0%	28.5%
Property	10.0%	10.1%
Alternatives	16.9%	18.0%
Cash	1.2%	1.1%

Suffolk Pension Fund Performance Analysis - Long Term Manager Returns

Manager Returns - Long Term Results

Mandate	One Year			Three Years			Five Years			
	Portfolio	Benchmark	Relative	Portfolio	Benchmark	Relative	Portfolio	Benchmark	Relative	
Suffolk Pension Fund	4.0%	4.8%	-0.8%	7.6%	7.9%	-0.2%	8.7%	8.7%	0.0%	
BlackRock Equities	Equities	2.2%	1.3%	1.0%	7.9%	5.9%	2.1%	8.6%	6.6%	2.0%
BlackRock Fixed Income	Bonds	2.6%	5.4%	-2.8%	-	-	-	-	-	-
Brookfield	Timber	3.6%	8.0%	-4.4%	10.0%	8.0%	2.1%	-	-	-
KKR	Infrastructure	12.1%	8.0%	4.1%	23.9%	8.0%	15.9%	22.4%	8.0%	14.4%
M&G	Bonds	4.4%	5.9%	-1.6%	-	-	-	-	-	-
- Alpha Opportunities		3.1%	5.4%	-2.3%	-	-	-	-	-	-
- Illiquid Debt		8.6%	8.0%	0.6%	9.1%	8.0%	1.1%	8.7%	8.0%	0.8%
Newton	Equities	3.2%	2.4%	0.9%	9.4%	10.2%	-0.8%	10.8%	11.0%	-0.1%
Partners Group	Infrastructure	11.9%	8.0%	3.9%	19.0%	8.0%	11.0%	13.0%	8.0%	5.0%
Pyrford	Absolute Return	-2.4%	5.4%	-7.8%	2.7%	5.5%	-2.8%	2.9%	5.5%	-2.6%
Schroders	Property	10.6%	10.0%	0.6%	8.1%	8.1%	0.0%	10.9%	10.5%	0.4%
UBS - new January 2018	Multi Asset	N/A	N/A	-	-	-	-	-	-	-
Winton	Absolute Return	3.4%	5.4%	-2.1%	-0.6%	5.5%	-6.1%	4.1%	5.5%	-1.4%
Private Equity - Total	Private Equity	15.6%	2.6%	13.1%	17.0%	10.9%	6.1%	12.8%	11.8%	1.0%
Pantheon	Private Equity	13.2%	2.6%	10.7%	-	-	-	-	-	-
Wilshire	Private Equity	21.6%	2.6%	19.0%	-	-	-	-	-	-
Internally Managed Cash	Cash	0.5%	0.4%	0.1%	-	-	-	-	-	-

Suffolk Pension Fund Performance Analysis - Latest Year Attribution

Latest Year Attribution

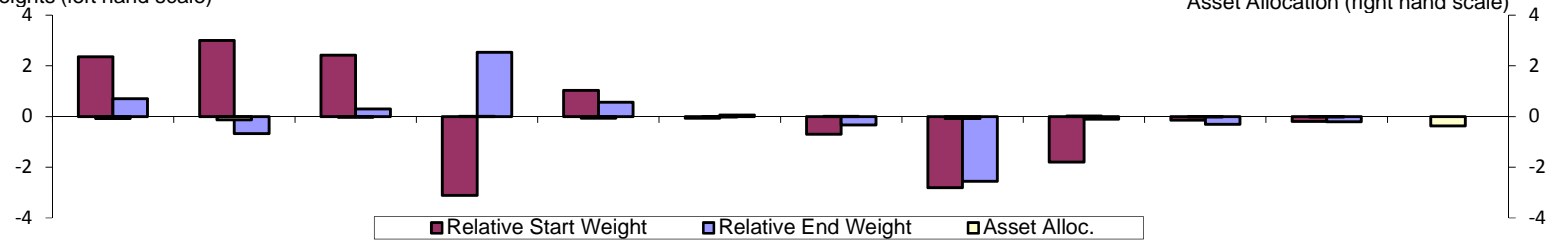
Fund Return 4.0% -0.8% 4.8% **Benchmark Return**
Relative Performance
Asset Allocation -0.4% attributable to -0.4% **Selection**

	UK Eq	Overseas Eq	RAFI AW 3000	Bonds & IL	Cash	Prop	Private Eq	Infra-structure	Abs Return	Illiquid Debt	Timber	Total Fund
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ASSET ALLOCATION

Relative Weights (left hand scale)

Asset Allocation (right hand scale)

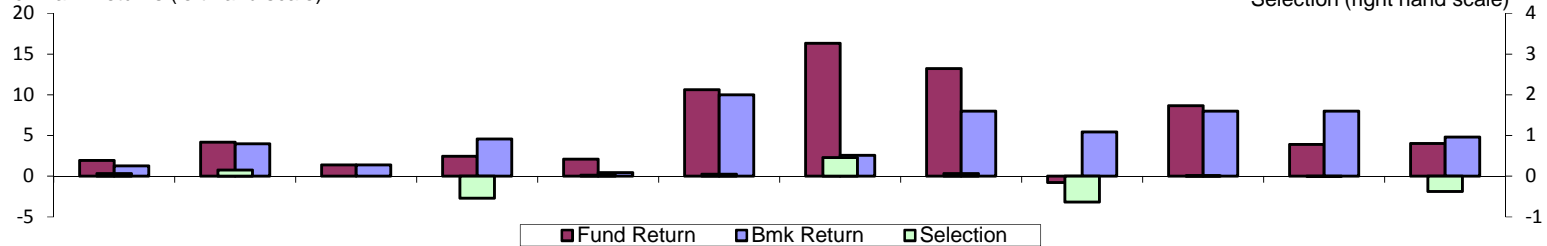


Fund Start	18.4	25.5	10.4	18.4	1.5	9.9	3.3	2.2	8.2	1.9	0.3	100
Fund End	15.2	19.3	7.8	28.5	1.1	10.1	3.7	2.5	9.9	1.7	0.3	100
Bmk Start	16.0	22.5	8.0	21.5	0.5	10.0	4.0	5.0	10.0	2.0	0.5	100
Bmk End	14.5	20.0	7.5	26.0	0.5	10.0	4.0	5.0	10.0	2.0	0.5	100
<i>Asset Alloc.</i>	-0.1	-0.1	0.0	0.0	-0.1	0.0	0.0	-0.1	0.0	0.0	0.0	-0.4

SELECTION

Fund & Benchmark Returns (left hand scale)

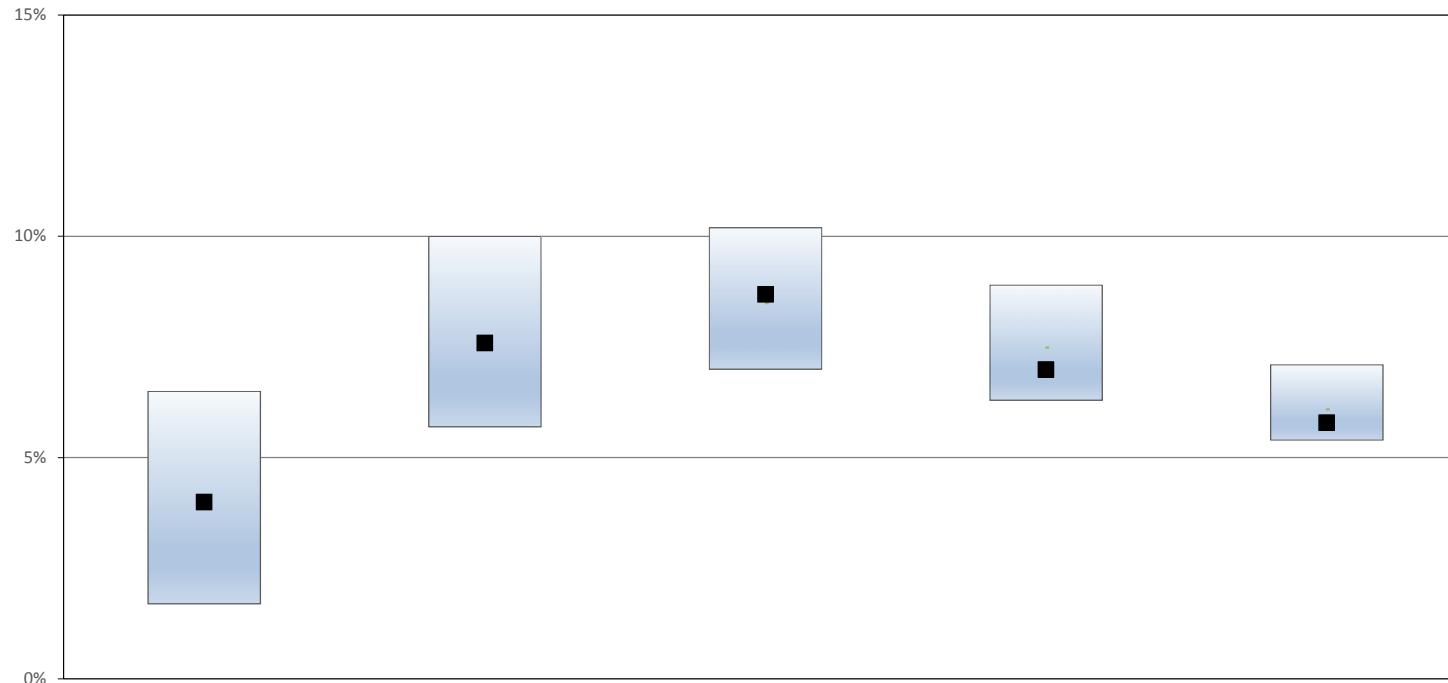
Selection (right hand scale)



Fund Return	1.9	4.2	1.4	2.4	2.1	10.6	16.3	13.2	-0.8	8.6	3.9	4.0
Bmk Return	1.3	4.0	1.4	4.6	0.4	10.0	2.6	8.0	5.4	8.0	8.0	4.8
<i>Selection</i>	0.1	0.2	0.0	-0.5	0.0	0.0	0.5	0.1	-0.6	0.0	0.0	-0.4

Suffolk Pension Fund Performance Analysis - Local Authority Universe Comparison

Comparison versus Local Authority Universe



	1 Year	3 Years	5 Years	10 Years	20 Years
Total Fund (Return / Rank) ■	4.0 (50)	7.6 (55)	8.7 (43)	7.0 (80)	5.8 (75)
Universe Average	4.5	8.3	8.8	7.7	6.5
5th Percentile	6.5	10.0	10.2	8.9	7.1
Top Quartile	4.7	8.3	9.3	8.1	6.5
Median	4.0	7.7	8.5	7.5	6.1
Bottom Quartile	3.0	7.0	7.8	7.1	5.8
95th Percentile	1.7	5.7	7.0	6.3	5.4

Source: PIRC 2017/2018 Local Authority Fund Statistics

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Suffolk Pension Board

Report Title:	Annual Report and Accounts 2017/18
Meeting Date:	23 July 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 provides the Pension Board with a copy of the Annual Report and Accounts published by the Suffolk Pension Fund and the opinion issued by the Fund's auditors, Ernst & Young.

- | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ol style="list-style-type: none"> 2. The Board is asked to note the Fund's Annual Report and Accounts and consider any areas of interest that the Board would like further information on to be added to the forward work programme. |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Reason for recommendation

3. The Pension Fund Annual Report and Accounts is an important channel of communication, reporting on the Pension Fund's activities to employers, scheme members and other stakeholders.

Alternative options

4. None.

Main body of report

5. The Board receives information about the Annual Report and Accounts of the Suffolk Fund as part to fulfil its remit to secure the effective and efficient governance and administration of the Suffolk pension Fund.
6. The Annual Report and Accounts was presented to the Pension Fund Committee to approve on the morning of 23 July 2018. A copy of the Annual Report and Accounts is attached as **Appendix 1** for the Board's consideration, along with the Auditors opinion at **Appendix 2**.

Audit of Pension Fund Accounts for 2017-18

7. The audited Suffolk County Council Statement of Accounts for 2017-18, which includes the Pension Fund accounts, will be presented to the Audit Committee on 25 July 2018. It is anticipated that an unqualified audit opinion will be issued

by Ernst & Young. **Appendix 2** presents the Audit Results Report by Ernst & Young on the key findings and outcomes from the audit of the Pension Fund Annual Report and Accounts.

Publication

8. The statutory deadline for the publication of the Pension Fund Annual Report is 1 December. However the CIPFA guidance recommends that administering authorities should aim to publish the annual report by 30 September.
9. Following the approval of the Pension Fund accounts by the Audit Committee, the Pension Fund Annual Report will be published on the Suffolk Pension Fund website on the same day.

Sources of further information

- | |
|----------|
| a) None. |
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Suffolk Pension Fund Annual Report and Accounts 2017-18



CONTENTS

Pension Fund Committee Chairman's Report

Pension Board Chairman's Report

Head of Finance Report

Management Structure

Management Report

Investment Report

Governance Report

Corporate Social Responsibility and Voting Report

Administration Report

Employers in the Fund

ACCESS

Pension Fund Accounts 2017-18

Additional Statements

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

Governance Policy Statement

Governance Compliance Statement

Investment Strategy Statement

Funding Strategy Statement

Actuarial Report

Administration Strategy

Voting Policy Statement

Communication Policy

Pension Fund Committee Chairman's Report

As Chairman of the Suffolk Pension Fund Committee, I am pleased to introduce the Pension Fund's Annual Report and Accounts for 2017-18. The value of the Suffolk Pension Fund was £2.762 billion at 31 March 2018, which was an increase of £114m in the year. The Fund administers the local government pension scheme in Suffolk on behalf of 262 separate employers and just over 60,000 scheme members.

The Pension Fund Committee is responsible for managing the Fund, with the assistance of council officers, external advisors and professional investment managers. Council elections brought some changes to the Pension Fund Committee and I would like to extend my thanks to all the members of the Committee for their service to the Pension Fund during the year.

The Fund achieved an investment return of 4% in 2017-18, which was 0.8% lower than the benchmark return for the mix of asset classes in which the Fund invests. These returns are in line with the actuary's assumptions for future investment returns. The estimated funding level is 92.2% as at 31 March 2018. Over three years the annual return has been 7.6% per annum, and over ten years 7.0%.

The 2016-17 financial year produced very strong investment returns, particularly from overseas investments, with the devaluation of sterling following the Brexit vote significantly increasing the value of the Fund's overseas assets. The Committee considered measures at its March 17 meeting to protect some of the currency and equity gains it had achieved. These were implemented in April 2017. At its meeting in December 2017, the Committee made a further decision to decrease the equity exposure of the Fund by reducing its equity investment allocation to 42% (from 46.5%) thereby reducing the market volatility risk the Fund is exposed to. This was implemented in December just before the equity markets fell in January 2018.

The pooling of assets through ACCESS (A Collaboration of Central, Eastern and Southern Shires) with other Pension Funds has continued in its development. The combined assets under management at 31 March 2018 was £43 billion. A Joint Committee was formally established, which I chair, to oversee the governance and the work of the pool, and the operator.

After a competitive tendering process, Link Financial Services was appointed as the FCA regulated operator and work has commenced in creating the sub-funds to pool assets with the other funds in the pool. The physical pooling of assets will commence during 2018.

A collaborative tendering exercise was carried out during the year with the other ACCESS Pension Funds that invest in index tracking funds to appoint a sole investment manager to oversee these mandates. UBS were appointed and approximately £11 billion of assets were transitioned during January and February 2018 with significant management fee savings secured.

Councillor Andrew Reid

Chairman of the Pension Fund Committee

May 2018

Pension Board Chairman's Report

It is a pleasure to introduce the Suffolk Pension Board's annual report, which is incorporated within the Suffolk Pension Fund annual report and accounts for 2017-18.

The Board was established in 2015 to help ensure that the Suffolk Pension Fund is managed and administered effectively, efficiently, and complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator. This means making sure the Fund is compliant with all relevant legislation with the aim to safeguard the interest of all Pension Fund members and associated employer organisations.

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

The Board continues to engage with the employers of the Fund organising the annual Employers' meeting in September in conjunction with the Pension Fund Committee. This year the meeting covered the work of the Pension Board and the Pension Fund Committee. The actuary covered the funding position and the current conditions and developments which could affect the 2019 triennial valuation and in addition presented a very useful session on interpreting the pension accounting requirements for employers accounts. There was also a session on the self-service module for members and an overview of employers responsibilities regarding ill health retirements. The event received plenty of positive feedback and had its best-ever attendance.

The Board continues to focus on the monitoring and holding to account the administration function of the Fund. With growing membership and ever-increasing complexity, scheme administration relies very heavily on the diligence and experience of the Pension Fund officers to ensure that members receive meaningful information and accurate benefits at the appropriate time. The Pension Fund continues to deliver these and to improve communications with members with further developments of the member self service module which allows members to have instant access to their records, enabling them to update their personal data, run pension projections and access their annual benefit statements.

As part of its governance responsibilities the Board also monitors the compliance of the employers to meet their obligations for returning data and paying over the pension contributions on time which contributes to the effective administration of the scheme.

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

The next annual employers meeting will be held on 21 September 2018.

Richard Smith MVO

Chairman of the Suffolk Pension Board

May 2018

Report from the Head of Finance

Foreword to Annual Report and Accounts

I am delighted to be introducing my first annual report and accounts after taking over the S151 responsibility from Geoff Dobson who retired on 31 May 2017. This has been a challenging year for the Fund with the volatility of the investment markets and the ongoing work to establish the ACCESS asset pool.

The Suffolk Pension Fund Annual Report and Accounts sets out the Pension Fund's income and expenditure and its assets and liabilities for the financial year ended 31 March 2018, the governance arrangements for administering the scheme and the work carried out by the Pension Fund Committee, Pension Fund Board and the Pension Fund officers throughout the year.

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

Business Plan

The Committee approves a business plan at the start of each financial year. This provides a mechanism for the Committee to ensure that its responsibilities for the Fund are carried out effectively. The key actions for 2017-18 are as below:

Actuarial Valuation and Funding Strategy Statement

The Fund is required to obtain an independent actuarial valuation of its assets and liabilities every three years. The most recent valuation took place during 2016-17. The actuarial deficit was £216 million at March 2016 (£468 million – March 2013) and the assets represented 91.1% of its liabilities at that date. The Funding Strategy that was approved in February 2017, following the 2016 actuarial valuation sets out the Pension Fund Committee's approach to funding the liabilities of the Fund, in order to recover the deficit and bring the Fund to a fully funded position over the medium to long-term.

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

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

The estimated funding level at March 2018 was 92.2% and the actuarial deficit at that date was £241 million. Higher investment returns compared with expected asset returns used in the financial assumptions in the valuation have had a positive effect on the current valuation although this has been in part offset by lower gilt yields and higher inflation which has increased the deficit.

Investment Strategy

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

These objectives have been translated into an asset allocation plan and as at 31 March 2018, 42% of the Fund is to be invested in equities, with the balance in bonds (26%), property (10%), a number of funds in alternative investments (21.5%) and a small holding in cash and money markets of 0.5%.

Investment Performance of the Pension Fund

The Suffolk Pension Fund had an investment return of 4% in 2017-18, with the asset value increasing by £114 million. The Local Authority average based on 59 funds (out of the 89 Funds in England and Wales) was 4.5% with the lowest returning 1.0% and the highest 9.0% (each fund will have a different asset mix dependent on its appetite for risk and funding level). The Suffolk Fund's investment strategy is diversified across a number of asset classes and regions which provides the Fund with diversification benefits and limits the Fund's exposure to the volatility of the markets and improves its risk return characteristics.

The Pension Fund Committee assesses its own investment performance and the performance of its managers by making a comparison between the Fund's return and its benchmark return, based on the returns of the markets that the Fund is invested in, or a mandate specific absolute return. On the basis of this comparison, the Fund underperformed its target benchmark investment return by 0.8% in 2017-18.

Over the past five years the Fund's return was 8.7% per year, which is the same as the benchmark and significantly above the rate of inflation. Over the longer term the Fund's investment has returned 7.0% per year over the ten years to March 2018.

The Pension Fund assesses the performance of its managers over a full business cycle, so one year's outperformance or underperformance is not considered significant in isolation.

Administration

The Pension Board focuses on the governance and administration of the Fund to ensure that it is managed and administered effectively, engaging with the employers and receiving reports on the performance of the administration team.

The Pension Fund has a dedicated website page for communication with scheme members and employers on issues affecting the scheme (www.suffolkpensionfund.org) and a member self service module to enable members to have instant access to their pension records (<https://pensions.suffolk.gov.uk>).

The annual benefit statements for active and deferred members were produced and sent out by the statutory deadline of 31 August.

Audit

The Pension Fund accounts are included within the County Council's Statement of Accounts for 2017-18, which is subject to audit by Ernst and Young LLP. As part of the audit review, the external auditor will provide an opinion to confirm whether the information provided within the Pension Fund Annual Report and Accounts is consistent with the information contained within the County Council's Statement of Accounts.

Louise Aynsley

Head of Finance

May 2018

Statement of Responsibilities for the Pension Fund Accounts

The Council's Responsibilities

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, during 2017-18 that officer was the Head of Finance;
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets; and
- to approve the statement of accounts

Certification

I confirm that these Accounts were approved by the Audit Committee at its meeting on 25 July 2018 on behalf of Suffolk County Council and have been authorised for issue.

Councillor James Reeder

Chairman of the Audit Committee

25 July 2018

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

The Head of Finance is responsible for the preparation of the Council's Statements of Accounts including those of the Pension Fund. In order to comply with the Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), these statements must present a true and fair view of the financial position of the Pension Fund at 31 March 2018, and the income and expenditure (spending) for the year to that date.

In preparing this Statement of Accounts, the Head of Finance has:

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

The Head of Finance has also:

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

Certification

I certify that this statement of accounts has been prepared in accordance with proper accounting practices and presents a true and fair view of the Pension Fund at 31 March 2018 and its income and expenditure for the year to that date.

Louise Aynsley

Head of Finance (Section 151 Officer)

25 July 2018

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

Opinion on the pension fund financial statements

We have audited the pension fund financial statements for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The Pension Fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

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

Respective responsibilities of the Head of Finance (Section 151 Officer) and auditor

As explained more fully in the Statement of Responsibilities of the Head of Finance (Section 151 Officer) set out on page 9, the Head of Finance (Section 151 Officer) is responsible for the preparation of the Authority's Statement of Accounts, which includes the Pension Fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance (Section 151 Officer); and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Suffolk County Council Statement of Accounts 2017/18 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2018 and the amount and disposition of the fund's assets and liabilities as at 31 March 2018; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Opinion on other matters

In our opinion, the information given in the Suffolk County Council Statement of Accounts 2017/18 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Mark Hodgson (*for and on behalf of Ernst & Young LLP, Appointed Auditor*)

25 July 2018

ACTUARIAL STATEMENT FOR 2017-18

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

Description of Funding Policy

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

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

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

Funding Position as at the last formal funding valuation

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

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

Principal Actuarial Assumptions and Method used to value the liabilities

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

Method

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

Assumptions

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

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

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

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

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

*Aged 45 at 2016 Valuation

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

Experience over the period since 31 March 2016

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities and there have been strong asset returns, particularly during 2016/17. Both events are of broadly similar magnitude with regards to the impact on the funding position.

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



Peter Summers FFA

For and on behalf of Hymans Robertson LLP
18 April 2018

Management Structure

Pension Fund Committee

Cllr. Andrew Reid (Chairman)	Cllr. Robert Lindsay
Cllr. Karen Soons (Vice-Chair from March 18)	Cllr. Jack Abbott
Cllr. Alexander Nicoll (Vice-Chair to March 18)	Cllr. Colin Kreidewolf
Cllr. Russ Rainger	Cllr. Chris Punt
Cllr. David Roach	Steve Warner (Unison)

Pension Board

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

Suffolk County Council

Louise Aynsley	Head of Finance
Paul Finbow	Senior Pensions Specialist (Head of Pensions)
Sharon Tan	Technical Pensions Specialist (Invest & Accts)
Andy Chapman	Technical Pensions Specialist (Administration)
Stuart Potter	Operations Manager (Administration)

Investment Managers

Blackrock Investment Management	Pantheon Ventures
Brookfield Asset Management	Partners Group
Kohlberg, Kravis, Roberts	Pyrford International
Legal & General Investment Management (divested January/February 2018)	Schroder Investment Management
M&G Investments	UBS Group
Newton Investment Management	Wilshire Associates
	Winton Capital Management

Pension Fund Advisers

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

Management Report

Summary of the Financial Position

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

Financial Summary	2013-14	2014-15	2015-16	2016-17	2017-18
	£'000	£'000	£'000	£'000	£'000
Contributions	90,795	103,897	103,155	108,698	108,619
Other Income	3,855	5,561	3,478	2,474	4,056
	94,650	109,458	106,633	111,172	112,675
Benefits Payable	-76,898	-85,235	-86,370	-86,783	-91,567
Other Expenditure	-3,541	-3,945	-4,463	-4,314	-4,920
	-80,439	-89,180	-90,833	-91,097	-96,487
Net additions / withdrawals(-) from dealings with members	14,211	20,278	15,800	20,075	16,188
Management Expenses	-9,112	-12,053	-12,174	-15,654	-16,416
Investment Income (net of tax)	28,435	25,761	24,775	32,550	35,415
Change in Market Value of Investments	84,219	279,733	-13,647	398,499	78,629
Net Returns on Investments	103,542	293,441	-1,046	415,395	97,628
Change in Fund during the year	117,753	313,719	14,754	435,470	113,816
Net Assets at 31 March	1,884,722	2,198,441	2,213,195	2,648,665	2,762,481

Membership

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

Membership Summary	2013-14	2014-15	2015-16	2016-17	2017-18
Members	18,658	18,871	20,129	19,954	19,950
Pensioners	13,347	14,023	14,647	15,074	15,661
Deferred Members	17,629	19,097	20,872	23,438	25,038
Total	49,634	51,991	55,648	58,466	60,649

Cost of Running the Fund

The costs incurred by the Pension Fund in managing the Fund are relating to administration costs, investment management costs and governance costs. These costs represent about 0.6% of the value of the Fund at 31 March 2018, which is broadly in line with previous years and with the local authority average.

The overall costs of administering the Pension Fund has increased by £0.762 million in 2017-18 to £16.416 million, the majority of which can be attributed to investment management fees.

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

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

	2016-17	2017-18
Administration Expenses	£'000	£'000
Suffolk County Council	762	769
Heywood pension administration system	265	256
Subscriptions and other costs	41	56
Total Administration Expenses	1,068	1,081

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.

	2016-17	2017-18
Investment Management Expenses	£'000	£'000
BlackRock	2,302	2,738
Brookfield	164	152
KKR	402	357
Legal & General	990	789
M&G	4,165	2,522
Newton	1,309	1,217
Pantheon	891	1,252
Partners	496	2,250
Pyrford	604	677
Schroders	753	898
UBS	0	37
Wilshire	372	338
Winton	754	737
Transaction Costs	734	769
Custodian (HSBC)	41	44
Custodian (State Street Bank and Trust)	-9	0
Total Investment Management Expenses	13,968	14,788

Notes:

1. The increase in the Blackrock expenses can be attributed in an increase in the Bond investment of £177m.
2. The decrease in M&G expenses relates to the reduction in the debt opportunity holding which began distributing funds back to the Fund during 2016-17 which incurred performance fees based on the outcomes of the investments (see performance table overleaf).
3. Partners costs have increased due to the additional investment in the Partners 2015 Fund, which incurs back charging of management fees.
4. The Legal & General index tracking funds were transferred to UBS in the last quarter of the financial year as part of the pooling of assets, with significant savings achieved.

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

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

	2016-17	2017-18
Investment Management Expenses	£'000	£'000
BlackRock	1,164	699
KKR	176	-23
M&G	2,729	500
Pantheon	-	1
Partners	-17	30
Winton	-	25
Total Investment Management Expenses	4,052	1,232

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

Asset pooling costs represents Suffolk's share of costs incurred for advice and guidance in relation to the setting up of the ACCESS pool and appointing the operator Link.

	2016-17	2017-18
Oversight and Governance Expenses	£'000	£'000
Suffolk County Council	167	161
Pension Fund Committee	9	7
Pension Board	3	3
Actuarial Services	144	62
Audit Fees	37	37
Legal Fees	8	5
Performance Analysis	34	54
Proxy Voting Service	10	10
Investment Advice	111	106
Asset Pooling	80	94
Subscriptions and membership fees	14	18
Total Oversight and Governance Expenses	617	557

Investment Income

The following table shows the sources of Investment Income earned by the Fund in 2017-18:

Investment Income	UK	Non-UK	Global
	£'m	£'m	£'m
Equities	7.347	-	7.718
Property	9.058		
Alternatives	4.371	6.538	
Cash & Cash Equivalent	0.056	-	-
Other	-	-	0.390
Total Income	20.832	6.538	8.108

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

Alternatives include private equity, illiquid debt, absolute returns and infrastructure.

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

Investment Report

Investment Powers

Within the Local Government Pension Scheme (Investment and Management of Funds) Regulations 2016 the Government has placed a 5% restriction on the investments of the Suffolk Pension Fund into entities connected with Suffolk County Council. The Pension Fund currently has no investments in entities connected to Suffolk County Council and is therefore below the 5% statutory limit included in the regulations.

Investment Strategy Statement

The Fund's investment objectives and asset allocation are incorporated into its Investment Strategy Statement, which is published on the Suffolk Pension Fund website (www.suffolkpensionfund.org).

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

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

Asset Allocation

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

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

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

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

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

The strategic benchmark and the actual asset allocation of the Fund at March 2018 are shown overleaf along with the maximum investment limits set for each asset class.

Asset Allocation			
	Actual Allocation March 2018	Long-term Allocation	Maximum Limit
	%	%	%
UK Equities	15.2	14.5	25.0
Overseas Equities	27.1	27.5	40.0
Total Equities	42.3	42.0	65.0
Global Bonds	24.5	22.0	35.0
UK Index-linked Gilts	4.0	4.0	8.0
Total Bonds	28.5	26.0	43.0
Private equity	3.7	4.0	8.0
Property	10.1	10.0	15.0
Absolute return	9.8	10.0	15.0
Illiquid Debt	1.7	2.0	5.0
Infrastructure	2.5	5.0	15.0
Timber	0.3	0.5	1.0
Total Alternatives	28.1	31.5	59.0
Cash & Cash Equivalents	1.1	0.5	5.0
Total	100.0	100.0	

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

Asset Classification	UK	Non-UK	Global
	£'m	£'m	£'m
Equities	419.047	456.350	291.739
Bonds	110.484		676.532
Property	277.478		
Alternatives	46.610	86.261	363.898
Cash & Cash Equivalent	26.914	-0.113	
Total Assets	880.533	542.498	1,332.169

Investment Management Arrangements

The Fund's investment management arrangements at March 2018 are shown below.

Fund Manager Allocation			
Investment Manager	Asset class	Actual allocation March 2018	Long-term allocation
		%	%
BlackRock	UK equities and Bonds	22.1	20.0
Brookfield	Timber	0.3	0.5
Kohlberg, Kravis, Roberts (KKR)	Infrastructure	1.0	1.0
M&G Investments	Bonds, Illiquid Debt and Infrastructure	12.8	14.0
Newton	Global equities	12.1	12.0
Pantheon	Private equity	3.0	3.0
Partners Group	Infrastructure	1.2	2.0
Pyrford	Absolute return	6.0	6.0
Schroder	Property	10.3	10.0
UBS	Equities and Bonds	26.3	26.0
Wilshire	Private equity	0.9	1.0
Winton	Absolute Return	3.9	4.0
Internal Cash	Cash	0.1	0.5
Total		100.0	100.0

Notes

- Commitments with Partners, Pantheon, the Debt Solution Fund and Infracapital commitments made to M&G are only part funded. These investments only call for capital funding when they have an investment to fund and will continue to increase their holdings in the forthcoming financial year.
- Wilshire, the older commitment to Pantheon and the Debt Opportunity investment with M&G are in the process of realising the underlying investments and returning cash to the Pension Fund.
- KKR and the 2012 Partners investments have sold some of their investments earlier than expected as opportunities to realise the assets have arisen.

Market Review

Market review: Year to 31 March 2018

Global equity markets produced positive returns over the twelve months to 31 March 2018. The majority of developed markets produced double-digit returns when measured in local currency. However the partial recovery in sterling from post 'Brexit' lows reduced returns for UK investors. Overall Japanese and emerging market equities produced the highest returns driven by relatively good valuations and the maturing capital goods cycle.

Global bond markets produced low but positive returns in local currency, however the appreciation of sterling particularly against the US dollar, translated into a 5% loss for UK based investors. UK gilts delivered low positive returns despite the Bank of England raising interest rates during year, the first such move for almost a decade. The yield on 10 year Gilts edged up very slightly over the period. Index linked Gilts after a number of strong years, produced low positive returns as fears over imported inflation reduced slightly on the recovery of sterling.

The previous financial year had a continued period of extremely healthy investment returns particularly in equity markets. Hopes that a Trump presidency would lead to increased expenditure on infrastructure and economically stimulating tax cuts had driven markets higher since the turn of the year. Pacific Rim and Emerging Markets were particularly strong. However, as the new financial year began, the "Trump trade" rally was beginning to lose momentum as investors started to worry about lack of progress in terms of implementation and the extent to which the campaign rhetoric was meeting the reality of a sceptical Congress.

The UK's departure from the EU was officially instigated a few days prior to the new financial year by invoking article 50 of the EU treaty, putting in place a two-year deadline for exiting. Despite all the uncertainty since the 'Brexit' vote in the previous July the UK economy was continuing to grow, albeit at a moderate pace of 1.9%. As the year progressed economic data for the UK was becoming more mixed, particularly consumer confidence, which appeared to be weakening as pressure built on incomes that were failing to match inflation. Continental Europe in contrast was experiencing accelerating economic momentum. The Purchasing Managers' Index (PMI) figures across the continent were strong and getting stronger and even the cautious German consumer was showing signs of a spending recovery. Japan was delivering steady economic growth, continued corporate governance reforms and an equity market which now appeared cheap in international terms.

The second quarter saw further modest gains to equity markets. European markets continued to perform strongly driven by better than expected economic performance and by positive reaction to the French Presidential election. In contrast the decision by Prime Minister May to hold an election to strengthen her position, in part over 'Brexit' negotiating, rebounded disastrously and if anything appeared to have weakened Britain's position. Global growth accelerated over the summer with overall output growing at the fastest rate since the initial recovery phase from the financial crisis.

Financial markets in the third quarter of the year continued to follow a similar pattern with equities making further upward progress and bonds losing ground. Sterling had stopped falling and now began to strengthen gradually against the US dollar, although remaining close to the recent lows against the euro. The continued strength

of global equity markets was all the more remarkable given geopolitical uncertainties surrounding developments on the Korean Peninsula, Catalonia and apparent policy paralysis in Washington, where the much heralded Trump tax reforms had made little progress over the summer. However synchronised global economic growth and subdued inflation provided just enough impetus to keep stock markets buoyant, if stretched in valuation terms.

The calendar year ended with more positive returns driven in part by a growing optimism that the recent positive economic momentum seen across the globe was likely to continue into the New Year. Even the UK equity market performed strongly despite the Bank of England raising interest rates for the first time in a decade. Even more surprising, was the fall in Gilt yields, closing the year at 1.23% the same level as twelve months previously. Driven by strong global demand and a slightly weakened dollar, commodity prices ended the year very strongly. Industrial metals recorded gains of 27% over twelve months and Brent crude had recovered to \$70/barrel, a rise of 50% over the previous eighteen months.

After a strong January, the first quarter of 2018 saw steep falls in markets and the return of volatility, as fears over potential inflationary pressures, exacerbated by fears over a trade war between the US and China combined with stretched valuations. The UK equity market experienced sharp falls partly as response to on going nervousness over 'Brexit', but equally because the continuing recovery of sterling acted as a drag on profits from the overseas earners that dominate the FTSE 100. However despite the return of volatility in equities and some heavy falls most markets were beginning to show some recovery as the financial year ended.

Global Economy Highlights

- The US economy continued to deliver solid growth and the labour market remained strong. The Federal Reserve raised rates three times over the period with further hikes indicated for the coming year. Inflation continued to edge higher and a potential US China trade war became a concern for investors. Recent fiscal loosening has given a boost to both corporate and household income, however equity valuations remain stretched even after recent falls.
- The Bank of England reversed the post 'Brexit' cut in UK rates. In the Eurozone the ECB responded to continuing strong economic growth by announcing that their asset purchase programme would be reduced by 50% to €30bn per month.
- China and the emerging markets performed strongly as synchronised global growth and a recovery in commodity prices outweighed concerns over a US China trade war. The relative weakness in the dollar also proved a positive for companies with US dollar denominated debt.
- European growth accelerated over the year with both Germany and France delivering the fastest economic growth since 2011. PMI figures remained positive over the period and inflation remained subdued, while unemployment fell. Opposition to the labour reforms of President Macron and the unresolved Italian election will continue to concern investors.
- The UK economy continued to grow albeit slowly, with consumers beginning to feel the squeeze in real wage growth. Uncertainty over the final 'Brexit' terms and the political uncertainty of a minority government added to investor

nervousness. The UK equity market continued to be driven by the high exposure to overseas revenues and the prospects for sterling, while being supported by a healthy dividend yield and modest valuation when compared to many other global markets.

Equities

- The performance of global equities was modest in sterling terms. Double-digit returns in local currency translated into 3.1% for sterling based investors. After rising every month of the financial year until January, February witnessed sharp falls across markets as fears of inflation and accelerated monetary tightening combined with a concern over historically high valuations levels across a number of markets.
- The strongest sectors, relative to the 'All World' Index, were Information Technology (+15.8%) Consumer Discretionary (+4.9%) and Financials (+4.3%) the weakest sectors were Telecommunications (-10.5%) and Consumer Staples (-6.2%).

Bonds

- Overseas bonds delivered low positive returns in local currency of 1.5%. This translated into -5.0% for un-hedged UK investors as a result of the recovery in sterling during the period. Central bank monetary tightening continued with rate rises in the US and UK and reductions in bond purchases from the ECB and Japanese central banks announced.
- Gilts produced positive but moderate returns of 2.2%. Index linked bonds after a number of strong years returned less than 1%, as inflation fears driven by the post Brexit decline of sterling eased.

Property

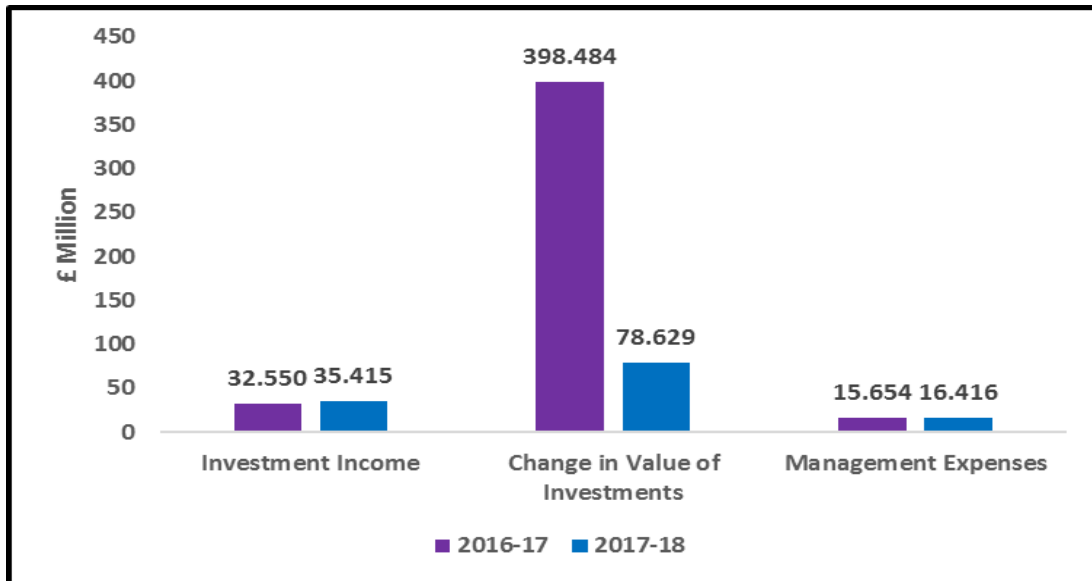
- UK Property defied many market expectations and delivered strong returns up 11.3%. The best performing sector was industrial driven by capital growth, particularly in the southeast. Office and prime retail properties delivered high single digit returns with income the largest element. The market remains characterised by a flight to quality approach from investors with inflation-linked income from certain sectors remaining attractive in comparison to Government bond yields.

Analysis of Investments at 31 March 2018

Holdings	Pooled Investment Vehicles Market Value	Segregated Holdings Market Value	Total Market Value	% of Market
	£'000	£'000	£'000	%
Bonds				
Index Linked Gilts	110,484		110,484	4.0
Global Bonds	676,532		676,532	24.6
Total Bonds	787,016		787,016	28.6
UK Equities				
Basic Materials		15,191	15,191	0.6
Consumer Goods		35,020	35,020	1.3
Consumer Services		74,920	74,920	2.7
Financials		43,099	43,099	1.6
Health Care		8,884	8,884	0.3
Industrials		22,419	22,419	0.8
Oil and Gas		23,843	23,843	0.9
Technology		8,828	8,828	0.3
Telecommunications		8,376	8,376	0.3
Utilities		0	0	0
Pooled	178,467	0	178,467	6.5
Total UK Equities	178,467	240,580	419,047	15.2
Overseas Equities				
Europe	80,127	89,487	169,614	6.2
North America	79,461	144,826	224,287	8.1
Japan	24,694	33,220	57,914	2.1
Other Asia	24,846	20,363	45,209	1.6
Other International	32,249	3,843	36,092	1.3
RAFI	214,973		214,973	7.8
Total Overseas Equities	456,350	291,739	748,089	27.2
Absolute Return	272,959		272,959	9.9
Private Equity	101,528		101,528	3.7
Infrastructure	67,598		67,598	2.5
Money Market Investments	21,052		21,052	0.8
Illiquid Debt	46,610		46,610	1.7
Timberlands	8,074		8,074	0.3
Cash held by Investment Manager		5,862	5,862	0.2
Foreign Exchange	-113		-113	0.0
Property Unit Trusts	277,478		277,478	10.1
Total Alternatives	795,185	5,862	801,048	29.1
Total	2,217,019	538,181	2,755,200	100.0

Investment Performance

The chart below shows the comparative investment returns between 2016-17 and 2017-18. The change in the value of the Fund’s investments includes realised and unrealised gains and losses during the year.

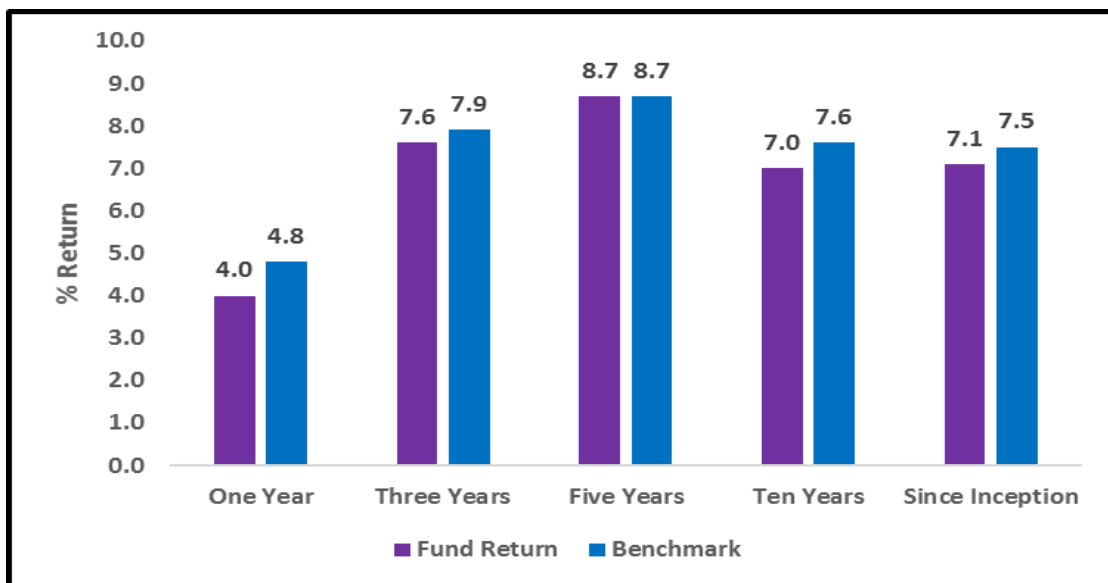


The Fund’s assets increased from £2,649 million to £2,762 million during 2017-18, representing an investment return of 4.0% gross of fees. The Fund’s benchmark is based on the weighted average of the market index returns for the markets in which it invests in or a mandate specific absolute return. The Fund underperformed the benchmark by 0.8%.

The Fund performed at benchmark over the longer term for the five year benchmark but underperformed by 0.6% per year for the ten year benchmark.

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

Fund Investment returns



Long-term Investment Performance

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

Long-term performance (year ended 31 March)										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	%	%	%	%	%	%	%	%	%	%
Retail prices	-0.4	4.4	5.3	3.6	3.3	2.5	0.9	1.6	3.1	3.3
Fund return	-22.2	32.6	8.1	2.0	13.6	5.6	15.4	0.7	19.0	4.0
Fund benchmark	-21.3	37.6	8.5	3.8	12.1	6.3	13.9	1.5	17.9	4.8
Relative return	-1.1	-5.0	-0.4	-1.8	1.5	-0.7	1.5	-0.8	1.1	-0.8

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

Manager Performance

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

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

Note:

UBS received the various passive index-tracking investments during January and February and so there is no meaningful performance to report for 2017-18.

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

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

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

Governance Report

Governance of the Suffolk Pension Fund

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

Each authority is required to:

- (a) Keep the statement under review;
- (b) Make appropriate revisions following a material change in respect of any matters; and
- (c) If revisions are made -
 - i) Publish the statement as revised, and
 - ii) Send a copy of it to the Secretary of State.

The Statement is required to set out:

- (d) Whether the administering authority delegates their function or part of their function in relation to maintaining a Pension Fund to a committee or an officer of the Council;
- (e) Where this is the case, details of:
 - i) The frequency of any committee meetings
 - ii) The terms of reference, structure and operational procedures in relation to the use of delegated powers
 - iii) Whether the committee includes representatives of employing authorities or scheme members, and if so, whether those representatives have voting rights.
- (f) The extent to which a delegation complies with the guidance given by the Secretary of State and if it doesn't comply the reasons why.

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

Pension Fund Committee

The Pension Fund Committee's key responsibilities are:

- a) The effective and prudent management of the Suffolk Pension Fund.
- b) The approval of the Fund's investment strategy and the appointment of the investment managers.
- c) The approval of the funding strategy following the triennial actuarial valuation, and the determination of the employers' contributions to the Fund.

Delegations to the Head of Finance

During 2017-18, the Head of Finance, the County Council's responsible financial officer under section 151 of the Local Government Act 1972, is responsible for all decisions concerning the Pension Fund within the scope of the policies that have been approved by the Pension Fund Committee.

Membership of the Committee

During 2017-18 the Pension Fund Committee consisted of seven county councillors, who were appointed by the County Council, reflecting the political balance on the County Council as a result of the May 2017 County Council elections. In addition, the Committee included two district council representatives, who were nominated by the Suffolk District Council leaders, and a scheme member representative, who was nominated by UNISON.

The attendance of the Pension Fund committee members for the five committee meetings held during 2017-18 are as below:

Councillor	Meetings attended
Cllr Andrew Reid	5
Cllr Karen Soons	4
Cllr Alexander Nicholl	2
Cllr Russ Rainger	4
Cllr David Roach	3
Cllr Jack Abbott	5
Cllr Robert Lindsay	5
Cllr Colin Kreidewolf	5
Cllr Chris Punt	3
Mr Steve Warner	4

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

All members of the Pension Fund Committee have voting rights.

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

Committee Training

The Pension Fund Committee recognises the importance of ensuring that those who are responsible for financial management and decision making with regards to the pension scheme are equipped with the necessary knowledge and skills. During 2017-18, the Head of Finance was responsible for ensuring that appropriate training is undertaken by members and officers with responsibilities relating to the Pension Fund.

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

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

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

- Committee training day:
 - Infrastructure
 - Property
 - Private Equity
 - Passive Investments
 - Bonds
 - Roundtable discussion involving equity investments
- Statement of Accounts
- What it means to be a long term investor
- Importance of asset allocation
- Index tracking
- Environmental, social and governance considerations

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

Work of the Pension Fund Committee

The Pension Fund Committee has a business plan which sets out its priorities for service development. The Committee monitored the investment performance of the Fund and all its managers on a quarterly basis, receiving a combined investment report with collaboration from Hymans Robertson LLP and Mark Stevens, the Fund's Investment advisers and officers of the Pension Fund. The report includes commentaries on the performance of the managers and the investment strategies employed, a review based on the quarterly investment manager's meetings and an overview of the economic outlook.

The annual report on investment performance for 2016-17 was produced and presented by HSBC, the Fund's performance advisers.

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

The main suggestions considered by the Committee were

- Further commitment to infrastructure

- Reduction of equity exposure
- Asset allocation review

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

The Committee received regular updates on the progress of the pooling of assets throughout the year, approving the appointment of Link Financial Services as the FCA registered operator and approval to transfer its index tracking investment, mandates to UBS, the ACCESS supplier.

The Committee updated and approved the following documents:

- Investment Strategy Statement
- Governance Policy
- Voting Policy
- Treasury Management Strategy
- Risk Register
- Communication Policy

Pension Board

The Pension Board's key responsibilities are:

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

Membership of the Board

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

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

Due to inclement weather the March meeting was postponed until April so there was only three meetings held in 2017-18. The attendance of the Pension Board members for the meetings held are as overleaf:

Member	Representing	Meetings attended
Cllr Richard Smith	Suffolk County Council	3
David Rowe	Active Scheme Members	3
Homira Javadi	Other Local Government	2
Eric Prince	Retired Members	3
Marie McCleary	Other Employers	3
Suzanne Williams	Unions	2

Board Training

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

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

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

- Statement of Accounts
- Funding the Pension Scheme
- Employers cost options for ill health retirements
- Index tracking
- ACCESS Pooling

Work of the Pension Board

The Pension Board reappointed the Chairman, Cllr Richard Smith and the Vice Chairman, David Rowe who have both previously held the posts for two years. The Pension Board agreed a forward work programme for the year ahead.

The Board has received and reviewed:

- Pension Fund Annual Report and Accounts 2016-17
- Fund investment performance for 2016-17
- Procedure for assessing members applications for ill health retirement.
- Process for dealing with a member's death, ensuring that correct payments are made from the Fund.
- Securities lending arrangements of the Fund.
- How members can contribute more to earn extra pension benefits
- Employer's manual
- Risk Register
- Regular updates on the progress of the pooling of assets
- Regular updates on the performance of the administration team and complaints and compliments received.
- Regular updates on recent developments with the Fund

Risk Management

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

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

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

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

Systems and internal control

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

The Pension Fund is also subject to an internal review by the Council's internal auditors on the robustness of the Pension Fund's systems, procedures and controls. The Head of Audit Services has provided the opinion that the internal control environment provides sufficient assurance that the Pension Fund financial and administrative systems have adequate controls and effective systems in operation.

Pension Fund Risk Register

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

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

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

Risk	Impact	Probability	Risk Score	Existing risk control measures
<p>Investment: Failure of investment markets in generating investment returns.</p> <p>Impact: increase in employer contribution rates</p>	4	3	12	<p>Diversification between asset classes minimises the impact of a single asset class underperforming.</p> <p>Regular reporting and monitoring arrangements for investment performance by the Fund and its managers are in place.</p>
<p>Actuarial: Failure of investment strategy to produce long-term returns assumed in the Funding Strategy.</p> <p>Impact: increase in employer contribution rates</p>	4	3	12	<p>The investment strategy is fully reviewed at least every 3 years by the Pension Fund Committee in line with the results of the triennial valuation.</p> <p>A high level review is undertaken annually to assess whether the objectives of the strategy still meet with the Fund's current objectives.</p>
<p>Actuarial: Assumptions used in the triennial valuation are different to experience</p> <p>Impact: increase in the liability strain leading to an increase in employer contribution rates</p>	3	3	9	<p>Additional work is commissioned to validate the assumptions used.</p> <p>Setting mortality assumptions with some allowance for future increases in life expectancy.</p>
<p>Operational: Failure of payroll and pension IT administration systems.</p> <p>Impact: benefits are not paid correctly and/or on time</p>	3	3	9	<p>Suffolk County Council has a disaster recovery plan which includes key tasks within the Pension Fund function.</p>
<p>Actuarial: Fall in risk free returns on Government bonds leading to a rise in the value placed on liabilities.</p> <p>Impact: increase in the liability strain leading to an increase in employers contribution rates</p>	3	3	9	<p>Regular reporting on the funding position</p> <p>Toleration of risk in the expectation of higher real returns from riskier assets</p>

Risk	Impact	Prob-ability	Risk Score	Existing risk control measures
<p>Investment: Failure in investment performance</p> <p>Impact: negative affect on the Pension Fund valuation leading to an increase in employers contribution rates</p>	3	3	9	<p>Regular meetings with investment managers to discuss performance</p> <p>Regular reporting of performance against benchmarks</p> <p>Diversification of investment managers and asset classes</p>

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

Note 18 in the Pension Fund statement of accounts includes a statement of the nature and extent of risks associated with the Fund’s investments. The most significant risks associated with the Fund’s investments are considered to be market risk (the risk that the value of the Fund’s investments will fluctuate due to changes in market sentiment) and price risk (the risk that the funding level will fluctuate due to changes in market conditions and market performance). Both of these risks are included in the Fund’s risk register and subject to appropriate management and monitoring arrangements.

Corporate Social Responsibility and Voting Report

Environmental, Social and Governance Issues

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

Voting Policy

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

The general principles followed in the voting guidelines are:-

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

Voting activity in 2017-18

The Fund voted on 2,297 resolutions at 121 meetings, supporting 1,343 resolutions (71%) and abstaining on 48 occasions (3%). The Fund voted against the proposal on 412 occasions (22%) a similar level to the previous year. The remaining resolutions (4%) did not result in a vote or were withheld agenda items.

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

Report by Pension Investment Research Consultants (PIRC)

UK Voting

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

Overall, Suffolk voted against 19 Remuneration reports during the year and abstained on 13. The portfolio Company which received the highest oppose vote on its remuneration report during the year was Astrazeneca Plc, with 39.7% of oppose votes from shareholders, including Suffolk. The CEO's LTIP awards granted during the year were equivalent to 498.75% of salary which is considered excessive. The CEO received £6,910,000 (580% of salary) being LTIP rewards and cash equivalent of the dividends accrued on shares deferred under the annual bonus awarded in respect of 2012. These excessive payments were not commensurate with the company's performance.

Another FTSE 100 company, Sky Plc, received an oppose vote of 28.77% on its remuneration report which Suffolk had also opposed. The CEO's total realised variable pay in the year under review was considered highly excessive at 1454% of salary. This was particularly of concern given that the performance targets attached to both the LTIP and the Annual bonus paid during the year were not disclosed, contrary to standard practice. It is also noted that £11,796,000 was paid to the CEO under the LTIP alone.

Despite remuneration being generally the most contentious topic at Company AGMs, some companies showed progress during the year. For instance, BP received the largest level of opposition in 2015/16 on its Remuneration report. The level of pay of the CEO and other Executives was met with considerable shareholder disapproval (61% of vote cast including abstentions). This year, the same resolution received opposition from only 3.6% of its shareholders, representing a huge shift in shareholder sentiment reflecting that shareholders' concerns were, at least partly, addressed. This can be explained by three main factors.

- First of all, the Company had better financial results compared to last year, with profits for the year being \$115 million instead of a loss of \$6.5 billion in 2015. Also, total shareholder return increased by approximately 55% over the year. Last year's vote against the Executive Directors' remuneration was a combination of an increase in the CEO's pay level with significant losses during the year. Shareholders felt compelled not to support the remuneration report given these circumstances.
- Second, the pay of the CEO for 2016/17, although still at £11,558,000, decreased by 41% compared to the previous year, which is significant.
- Third, the company held a remuneration policy vote during the year, where various positive changes were proposed. Two major changes were the removal of the matching share awards, effectively simplifying the remuneration structure, and the reduction of the maximum opportunity under the long-term incentive plan. Other changes such as the use of more challenging bonus vesting scales and higher bonus deferral requirements were also welcomed.

Ascential Plc is one of two companies with female representation ratio exceeding 50%. They are also the first companies in the FTSE 350 with more female directors than male ones. Ascential's Board consists of seven directors of whom four are women. With women forming 57.1% of the Board, the Company has the highest female representation in the entire FTSE 350. The November 2016 Hampton-Alexander Review has highlighted Ascential as a Company that is "leading the way".

US Voting

Board independence was again an issue of concern in the US with Suffolk having opposed or abstained on re-election of 34% of directors elected at US companies during the year. Auditor tenure has also become a more significant issue with Suffolk having voted to oppose the re-election of 88% of auditors due to having a tenure of over ten years. Auditor rotation is seen as a positive change, especially at US companies where some audit firms have tenures exceeding a century. Remuneration was also an issue at ConocoPhillips where 67.4% of shareholders, including Suffolk, opposed changes to the Executive Compensation plan where the Company failed to provide the fees it paid to its external compensation consultant during the year under review. Also, the award of options had no performance conditions attached.

European voting

Remuneration was also an issue in Europe where Vivendi SA received more than 20% oppose votes for elements of compensation due or granted to its Management Board members. The major concern here, as with many European companies, was the lack of disclosure of performance targets for variable remuneration. This lack of disclosure compromises the ability of shareholders to assess whether or not variable remuneration is appropriately tied to performance.

Asia, Japan and Rest of the World

Teva Pharmaceutical, an Israel company, included in "the rest of the World" was of concern due to proposed compensation for the Chairman of the Board, which was considered excessive and not adequately justified. The CEO's terms of office and employment were also of concern as he is entitled to an annual cash bonus with an annual target amount set at 140% of his annual base salary and an annual maximum amount set at 200% of his annual base salary. 20% of this annual cash bonus is based on an evaluation of overall performance, and based on the discretion of the Compensation Committee. He is also entitled to an annual equity award with one third of such an award being granted in the form of options to purchase Teva shares, one third in performance share units and one third in RSUs (Restricted Stock Units). His total remuneration was considered excessive as the equity award exceeds 200% of his base salary.

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

Administration Report

Introduction to the Fund

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

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

The Scheme is open to all County Council employees (except teachers and fire fighters and former NHS staff who have their own scheme), employees of the Suffolk district councils and

employees of certain other public bodies (known as scheduled bodies) within Suffolk.

Parish and Town Councils may decide by designation to allow their employees to join the Pension Fund. The regulations also permit the Pension Fund Committee to admit to the Fund certain other bodies which provide public services.

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

How the Fund Works

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

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

The next valuation exercise will be carried out during 2019-20 and will, following employer consultation and Pension Fund Committee approval, set the employer contribution rates for 3 years commencing in April 2020.

Costs of Membership

Employee contributions are banded on a members actual pensionable pay rather than the full time equivalent which had previously been used in the scheme until March 2014.

The pay banding table which was used during 2017-18 is shown overleaf. The contribution rates and / or pay bands are reviewed periodically to maintain the average contribution from employees at 6.5% and to ensure the long term costs of the scheme are affordable.

Actual Pensionable Pay	Contribution Rate
£0 - £13,700	5.5%
£13,701 - £21,400	5.8%
£21,401 - £34,700	6.5%
£34,701 - £43,900	6.8%
£43,901 - £61,300	8.5%
£61,301 - £86,800	9.9%
£86,801 - £102,200	10.5%
£102,201 - £153,300	11.4%
Over £153,301	12.5%

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

Benefits of the Pension Fund

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

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

The core scheme benefits are:

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

Pension administration

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

- Maintaining an accurate database of scheme members, deferred members and pensioners;
- Calculating service credits from incoming transfer values and notifying scheme members accordingly;

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

Key Performance Indicators:

Number and trend of high profile cases:

Case Type	Total Completed	Percentage completed within SLA
Provision of a transfer quote within 10 working days	289	98%
Issue pension estimates	696	97%
Notifying retiring members their options	1,488	99%
Payment of retirement lump sum	1,031	99%
Notification of survivor benefits	428	99%
Payment of outstanding deceased pension benefits and death grant	507	99%

Employer Performance

The Administration Strategy sets out the quality and performance standards expected of the employers in the Fund as well as those of the administration team, seeking to promote good working relationships, improve efficiency and the quality of data.

A review is carried out on the timings of the payment of pension contributions to the fund by the employers and reported quarterly to the Pension Board. The administration strategy requires these to be received by the Pension Fund within 5 working days of the month in which the contributions were deducted. The table below summarises the timeliness of receipts for the 2017-18 financial year:

	2017-18		
	Emp.	Contribs.	
	%	£'000	%
On Time	90.0	103,387	95.0
Up to 1 week late	5.0	3,678	3.5
Over 1 week late	5.0	1,554	1.5
Total		108,619	

Employers are required to provide the Pension Fund with their annual end of year returns by 21 April each year. The team engages with the scheme employers providing templates, guidance on the requirements, issuing deadline reminders and provide scheme employers with a starting point list of members.

The table below summarises the receipt of annual returns in relation to the percentage received on time or late. The administration team have contacted all employers who were late, to understand the reasons for this, and encourage prompt submission of this data to allow the follow on work to be completed within the tight deadlines the administration team have to comply with.

	Employer Returns
	%
On Time	84.0
Up to 1 week late	10.0
Over 1 week late	6.0
Total	100.0

The Administration team will continue to work with the Scheme employers who failed to achieve the deadline to prevent issues that were encountered this year arising next year when timely submission of the return data is essential to the triennial valuation exercise.

Member Self Service

During 2016-2017 the Suffolk Pension Fund implemented a Member Self Service system. This system enables members of the LGPS to have access to their pension records and allows members to view and update certain information. In addition, members can also run as many personal pension projections as they require with instant results. The number of registered users continues to grow.

Annual benefits statements will be available through self service enabling members access to their statements as they require and saving the administrative cost of printing, packing and posting in excess of 44,000 statements annually.

Internal Dispute Resolution Procedure (IDRP)

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

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

If the person raising the complaint is dissatisfied with the first stage decision they can apply for a second stage review of the decision, which is undertaken by the person

nominated by the Head of Legal Services at Suffolk County Council to hear such disputes. If the person is still dissatisfied, they can take their case to the Pensions Ombudsman for a further review.

In 2017-18 there were 6 IDRPs from a total of 9,821 cases processed.

Employers in the Fund

There are 262 active employers in the Fund and 23 employers who do not have active members but have deferred pension members and/or pensioners.

	Active	Ceased	Total
Scheduled Bodies	174	2	176
Resolution Bodies	43	3	46
Admitted Bodies	45	18	63
Total	262	23	285

A list of the active employers in the Fund as at 31 March 2018 are as follows:

Scheduled Bodies

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

Local Authority

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

Other

Association of Inshore Fisheries and Conservation Authorities (AIFCA)	The Police and Crime Commissioner for Suffolk
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Colleges

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

Free Schools

Everitt Academy	Seckford Foundation Free Schools Trust
IES Breckland	

Academies

Bungay High School	St Albans Catholic High School
Copleston High School	Sir John Leman School
Debenham High School	St Mary's C of E Academy
Elveden Cof E Primary Academy	Stone Lodge Academy
Farlingaye High School	Stradbroke High School
Forest Academy	The Ashley School Academy
Holbrook Academy	The Priory School
Kesgrave High School	Thomas Mills High School
Kessingland C of E Primary Academy	

Academies Enterprise Trust

Felixstowe Academy	Langer Primary Academy
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Academy Transformation Trust

Beck Row Primary
Great Heath Primary Academy

Mildenhall College Academy
Westbourne Academy

Active Learning Trust

Albert Pye Primary
Chantry Academy
Grove Primary School
Gusford Primary School
Hillside Primary School
Pakefield Primary School

Ravensmere Infant School
Red Oak Primary School
Reydon Primary School
Sidegate Primary School
Westwood Primary School

Avocet Academy Trust

Aldeburgh Primary
Easton Primary School

Leiston Primary School
Wickham Market Primary School

ASSET Education (Previously Ipswich Primary Academy Trust)

Bungay Primary
Egdar Sewter
Holton St Peter
liketshall

St Helens Primary School
The Oaks Primary School
Wenhaston
Whitton Community Primary School

Bright Tribe Academy Trust

Alde Valley Academy
Castle Hill Infants School

Castle Hill Junior School
Cliff Lane Primary School

Bury St Edmunds Academy Trust

County Upper School
Horringer Court School

Tollgate Primary School
Westley School

Diocese of Ely

St Christophers CE Primary

Eastern Academy Trust

The Glade Community Primary School

West Row Academy

Evolution Academy Trust

Elm Tree Community Primary School
Poplars Community Primary School

The Dell Primary School

Gippeswick Community Ed Trust

Rose Hill Primary School

Hartismere Family of Schools

Benjamin Britten High School

Hartismere School

Inspiration Trust

East Point Academy

John Milton Academy Trust

Bacton Community Primary School
Cedars Park Primary

Mendlesham Community Primary
Stowupland High School

Olive Academy Trust

Olive AP Academy (Kingsfield PRU)

Ormiston Academies TrustOrmiston Denes Academy
Ormiston Endeavour Academy
Ormiston Sudbury AcademyStoke High School - Ormiston Academy
Thomas Wolsey Academy**Orwell Multi Academy Trust**Halifax Primary School
Handford Hall Primary SchoolSpringfield Infant School
Willows Primary**Our Lady of Walsingham**St Felix-Haverhill
St Louis Catholic Academy

St Mary's Catholic Primary(Ipswich)

Paradigm TrustIpswich Academy
Murrayfield Primary School

Pipers Vale Community Primary School

Raedwald TrustAlderwood PRU
First Base Ipswich PRU
Parkside Pupil Referral UnitSt Christophers PRU
Westbridge Pupil Referral Unit**REAch2 Academy Trust**Beccles Primary Academy
Gunton Primary Academy
Martlesham Primary Academy
Meadow/Phoenix St Peter Primary
AcademyNorthfield St Nicholas Primary Academy
Sprites Primary Academy
St Margaret's Primary Academy**Samuel Ward Academy Trust**Burton End Academy
Castle Manor Academy
Clements Primary
Coupals Primary Academy
Glemsford Primary Academy
Houldsworth Valley Primary
Kedington Primary
Laureate Primary
Newmarket AcademyPlace Farm Academy
Samuel Ward Academy
Sybil Andrews
The Churchill Free School
Thomas Gainsborough School
Wells Hall Primary
Westfield Primary Academy
Wickhambrook
Woodhall(Sudbury)**South Suffolk AT**Claydon High School
East Bergholt High

Hadleigh High School

**St Edmundsbury and Ipswich
Diocese**Bramfield Church of England Primary
Brampton C of E
Chelmondiston C of ENacton C of E Primary
Ringsfield C of E Primary
Sproughton CEVC Primary

Eyke
Hartest C of E Primary
Hintlesham & Chattisham
Long Melford CE School
Mellis

St Marys Hadleigh
St Marys Woodbridge
Stoke by Nayland
Tudor Primary

Stour Valley Edu Trust

Clare Community Primary

Stour Valley Community School

St Johns The Baptist

St Benet's Catholic(Beccles)
St Edmunds Catholic(Bungay)

St Mary's Catholic(Lowestoft)

The Consortium MAT

Barnby & North Cove
Henley Primary
Mendham
Middleton

Southwold Primary
St Edmunds Primary-Hoxne
Yoxford

The Tilian Partnership

Bardwell CEVC Primary
Gislingham CEVC
Ixworth CEVCP

Old Newton CEVC
Palgrave CEVC
Rougham CEVCP

Thedwastre

Great Barton Primary Academy
Rattlesden Primary Academy

Thurston Primary Academy
Woolpit Primary School

Waveney Valley AT

Roman Hill Primary

Resolution Bodies

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

Barningham Parish Council
Beccles Town Council
Botesdale Parish Council
Box ford Parish Council
Bramford Parish Council
Bury St Edmunds Town Council
Felixstowe Town Council
Framlingham Town Council
Glemsford Parish Council
Great Cornard Parish Council
Great Waldingfield Council
Hadleigh Town Council
Haverhill Town Council
IPSERV
Kesgrave Town Council

Martlesham Parish Council
Melton Parish Council
Mildenhall Parish Council
Nayland and Wissington Parish Council
Newmarket Town Council
Onehouse Parish Council
Pinewood Parish Council
Red Lodge Parish Council
Redgrave Parish Council
Rickinghall Parish Council
Saxmundham Town Council
Schools Choice Limited
Southwold Town Council
Stowmarket Town Council
Sudbury Town Council

Kessingland Parish Council
 Lakenheath Parish Council
 Leavenheath Parish Council
 Leiston cum Sizewell Town Council
 Long Melford Parish Council
 Lowestoft Town Council
 Market Weston Parish Council

Thurston Parish Council
 Ufford Parish Council
 Verse
 Vertas
 Woodbridge Town Council
 Woolpit Parish Council

Admitted Bodies

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

Abbeycroft Leisure
 ACER (Ass Colleges Eastern Region)
 Anglia Community Leisure
 Care Quality Commission
 CARE UK
 Caterlink-Bungay
 Caterlink-Gusford
 Caterlink-Kesgrave
 Churchill Contract Services
 Churchill CS-Hadleigh
 Compass-Farlingaye
 Compass-Felixstowe
 Concertus
 Edwards & Blake-Leiston
 Edwards & Blake-Pakefield
 Edwards & Blake-Copleston
 Elixir Ltd-Chantry Academy
 European Electronique
 Flagship Housing Group
 Hadleigh Markey Feoffment Charity
 Housing 21
 Kier MG Ltd
 Leading Lives

LLC Support Services
 Marina Theatre Trust
 Norland Managed Services
 Nuffield Health
 Opus People Solutions Ltd
 Papworth Trust
 Places for People
 Realise Futures
 SALC(Suffolk Assoc. for Local Councils)
 Seckford Foundation
 Sentinel Leisure Services
 South Suffolk Leisure-Sudbury
 South Suffolk Leisure-East Bergholt
 South Suffolk Leisure-Holbrook
 Sports & Leisure Management Ltd
 Suffolk Libraries IPS
 Suffolk Norse Ltd
 Suffolk Norse Transport
 The Havebury Housing Partnership Ltd
 The Partnership in Care Ltd
 Thorpe Woodlands A C T
 Waveney Norse Ltd

ACCESS

In 2015-16 the Committee made a decision to work with a number of other Pension Funds (Cambridge, East Sussex, Essex, Hampshire, Hertfordshire, Isle of Wight, Kent, Norfolk, Northamptonshire, and West Sussex) to form the ACCESS (A Collaboration of Central, Eastern and Southern Shires) pooling group in response to the Government's requirements for LGPS Funds to work together to put forward plans to 'pool investments to significantly reduce costs, while maintaining investment performance'. It is the Government's expectation that the asset pools are formed in order for assets to begin being transferred from individual LGPS Funds from 1 April 2018.

Collectively the ACCESS pool has significant scale with assets of £43 billion, managed on behalf of 3,000 employers and 900,000 members. Individually the participating Funds have a strong performance history and potential for substantial benefits for a group of successful like-minded authorities collaborating and sharing their collective expertise.

The Suffolk Pension Fund Committee considered the Inter Authority Agreement (IAA), which changes the decision making process and therefore the constitution, to allow the chairman (or his representative) to make decisions on behalf of the Committee in relation to the operation of the ACCESS pool. The Committee recommended the IAA for approval by Suffolk County Council. The IAA was approved on 16 March 2017 and incorporated into the Pension Fund governance policy.

The Committee (JC) formally met for the first time on 31 July 2017. The Committee is made up of one elected councillor from each of the constituent councils and Cllr Andrew Reid chair of the Suffolk Pension Fund Committee was elected as Chair. The JC oversees the governance and the work of the pool and the operator.

ACCESS appointed Link Fund Solutions Ltd to provide the pool operator services. This appointment was the culmination of a procurement process involving each of the ACCESS Funds and co-ordinated by procurement specialist at Kent County Council who are the host authority.

The ACCESS operator, Link Fund Solutions Ltd, will be responsible for establishing and operating an Authorised Contractual Scheme (ACS) along with creation of investment sub-funds and the appointment of investment managers to those sub-funds.

The Suffolk Pension Fund Committee made the decision to take part in a passive framework tender exercise and appoint the single passive provider determined by ACCESS. This exercise took place during the summer of 2017 and resulted in the appointment of UBS Group. The assets were transferred on an asset by asset class basis during January and February 2018 and will result in significant savings in management fees on an ongoing basis.

The ACCESS pool is required to submit regular progress reports to the Ministry of Housing, Communities and Local Government (MHCLG), the latest submission was 4 May 2018 which sets out the progress made by ACCESS to meet the Governments investment reform agenda.

With the procurement phase completed, the implementation phase of the project is underway and progressing well. Link Fund Solutions Ltd is preparing documentation for the Financial Conduct Authority (FCA) authorisation of an umbrella ACS and first submission in June 2018.

A key element of the governance arrangements focuses on the robust management of the operator and the operator contract, to ensure it is held to account by the administering authorities participating in ACCESS via the JC. The pooling arrangements have been set up to ensure each administering local authority may exercise proper democratic accountability and continue to meet its fiduciary responsibilities. Both the Suffolk Pension Fund Committee and Board receive an update on the progress of ACCESS at each meeting.

Fund Account

2016 - 2017 £ million	Fund Account	Notes	2017 - 2018 £ million
	Dealings with members, employers and others directly involved in the scheme		
	Contributions and benefits		
	Contributions receivable:		
	From employers		
75.637	Normal	9	78.581
10.490	Deficit funding	9	7.267
2.497	Other	9	2.276
	From members		
20.074	Normal	9	20.495
	Transfers In		
2.474	Individual transfers in from other schemes		4.056
	Benefits payable:		
-72.365	Pensions	9	-75.385
-13.052	Commutations of pensions and lump sum retirement benefits	9	-14.461
-1.366	Lump sum death benefits	9	-1.721
	Payments to and on account of leavers:		
-0.162	Refunds of Contributions		-0.282
-3.878	Individual transfers out to other schemes		-4.638
-0.274	Group Transfers out to other Schemes		0.000
20.075	Net additions (withdrawals) from dealings with members		16.188
-15.654	Management Expenses	10	-16.416
4.421	Net additions (withdrawals) including management expenses		-0.228
	Returns on investments		
	Investment income		
14.777	Dividends from equities		15.065
8.097	Income from pooled investment vehicles - Property		9.058
0.636	Income from pooled investment vehicles - Private Equity		1.689
8.212	Income from Other Managed Funds		9.416
0.045	Interest on Cash Deposits		0.056
0.924	Other		0.194
-0.141	Taxes on Income		-0.063
398.484	Change in market value of investments		78.629
0.015	Impairment of Investments ⁽¹⁾		0.000
431.049	Net returns on investments		114.044
435.470	Net increase, or (decrease), in the fund during the year		113.816
2,213.195	Opening net assets of the scheme		2,648.665
2,648.665	Closing net assets of the scheme		2,762.481

Notes:

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

Net Asset Statement

2016-17 £ million		Notes	2017-18 £ million
	Net asset statement		
	Investment assets		
	Equities:		
268.998	UK companies	12,13	240.580
353.603	Overseas companies	12,13	291.739
	Pooled Investment Vehicles		
16.244	Unit trusts	12,13	17.169
903.687	Unit linked insurance policies	12,13	728.132
258.117	Property unit trust	12,13	277.478
837.661	Other Managed Funds	12,13	1,194.353
	Other Investment Balance		
2.919	Cash [held by the investment managers]	12	5.862
1.341	Forward Foreign Exchange Contracts	12	-0.113
2,642.570	Total investments		2,755.200
	Current assets		
14.784	Debtors	21	12.950
8.550	Cash Desposits	18d	2.235
0.103	Cash at Bank	18d	0.042
23.437	Total current assets		15.227
	Current liabilities		
-17.342	Creditors	22	-7.946
-17.342	Total current liabilities		-7.946
<u>6.095</u>	Net current assets		<u>7.281</u>
<u>2,648.665</u>	Net assets		<u>2,762.481</u>

Notes to the Accounts

1. Description of the Fund

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

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

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

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

Organisations participating in the Suffolk Pension Fund include:

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

There are 262 employer organisations with active members within the Scheme as at 31 March 2018, an increase of 52 from the previous year. Teachers, Firefighters and NHS staff have their own pension schemes and are not included in the Fund.

The Fund has the following number of members and pensioners:

31 March 2017		31 March 2018
Number of Employees in the Scheme		
8,928	County Council	8,177
11,026	Other Employers	11,773
19,954	Total	19,950
Number of Pensioners		
8,430	County Council	8,721
6,644	Other Employers	6,940
15,074	Total	15,661
Number of Deferred Pensioners		
13,936	County Council	14,397
9,502	Other Employers	10,641
23,438	Total	25,038

Funding

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

Benefits

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

2. Events after the Balance Sheet Date

There has been no event between 31 March 2018 and the date when these accounts were authorised that requires any adjustments to these accounts.

3. Significant Changes to the Fund

On 22 March 2017 the Pension Fund Committee made a decision to rebalance some of the equity holdings where strong returns from the previous year had contributed to them becoming overweight to the asset allocation. This resulted in a reduction in equities of £95 million which was reinvested into the bond mandates (£77 million) and the absolute return mandate (£18 million). This was completed during April 2017.

On 19 July 2017 the Pension Fund Committee made a commitment to the Partners Group Direct Infrastructure 2015 Fund of €55 million (equivalent to just over £50 million). This will be funded through calls for capital over time when investment opportunities are identified by the investment manager.

At the meeting on 21 September 2017 the Pension Fund Committee agreed to move its passive investments from Legal & General Investment Management to UBS Group, the provider appointed through the use of the National Framework. This was transferred on an asset class basis during January and February 2018.

On 6 December 2017 the committee made a decision to de-risk the Pension Fund holdings and reduce the equity allocation to 42%. The proceeds (£223 million) were invested into the Bond mandates (£195 million) and to top up the hedge fund holding (£28 million). This was completed during December 2017.

4. Basis of Preparation of Pension Fund Accounts

The Statement of Accounts summarises the Fund's transactions for the 2017 - 2018 financial year and its position as at 31 March 2018.

These accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in United Kingdom 2017 - 2018', which is based upon International Financial Reporting Standards (IFRS). The Code also incorporates elements of the 2015 Statement of Recommended Practice (SORP) 'Financial Reports of Pension Schemes'.

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

5. Summary of Significant Accounting Policies

5.1 Fund Account - Revenue Recognition

Contribution Income

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

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

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

Transfers to and from Other Schemes

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

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

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

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

Investment Income

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

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

Income from cash and other investments are accounted for on an accruals basis.

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

Movement in the Market Value of Investments

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

5.2 Fund Account - Expenditure

Benefits Payable

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

Taxation

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

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

Management Expenses

i) Administration Expenses

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

ii) Oversight and Governance Expenses

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

iii) Investment Management Expenses

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

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

5.3 Net Asset Statement

Financial Assets

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

The value of investments has been determined as follows:

Market Quoted Investments

Managed Funds are valued using the bid market price on 31 March 2018.

Property

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

Unquoted Pooled Investment Vehicles

Unquoted Securities include pooled investments in Infrastructure, Illiquid Debt, Private Equity and Timberlands. Market quotations are not readily available. The value is based on the Fund's share of the net asset using the latest financial statements received from the respective fund manager and adjusted for capital calls and distributions received from that date to 31 March 2018.

Quoted Pooled Investment Vehicles

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

Foreign Currency Transactions

Investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate as at 31 March 2018.

Derivatives

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

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

Cash and Cash Equivalents

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

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

Events after the Balance Sheet date

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

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

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

Impairments

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

Financial Liabilities

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

Contingent Liabilities and Contractual Commitments

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

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

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

Contingent Assets

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

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

Additional Voluntary Contributions

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

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

Actuarial Present Value of Promised Retirement Benefits

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

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

6. Accounting Standards Issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2017 – 2018 requires the disclosure of information relating to the expected impact of changes that will be required by a new standard that has been introduced but not yet adopted and applies to the adoption of the following disclosures as amended in the 2018 - 2019 code.

IFRS 9 - classification and measurement of financial assets after initial recognition

The code requires implementation of the above disclosure from 1 April 2018. These changes are not considered to have a material effect on the Pension Fund accounts of 2017 - 2018.

7. Critical Judgements in Applying Accounting Policies

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

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

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

The Pension Fund Accounts contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that actual outcomes could differ from those estimates and there is a risk that these investments may be under or overstated in the accounts. An analysis of the potential market movement range for these holdings is set out in Note 17f.

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

Actuarial Present Value of Promised Retirement Benefits

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

Private Equity

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

The unquoted Private Equity investments at 31 March 2018 are £54.514 million with Pantheon and £23.435 million with Wilshire.

Infrastructure

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

The Infrastructure investments held with Partners, KKR and M&G at 31 March 2018 are £31.117 million, £28.753 million and £7.728 million respectively.

Illiquid Debt

Illiquid Debt is valued by a valuation agent who will use an independent pricing source to value most loans at market value or a probable realisation valuation method if market quotations are not readily available. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

Illiquid Debt is held with M&G and includes the Debt Opportunity investments, the Illiquid Credit Opportunity Fund and the Debt Solutions Fund totalling £46.610 million as at 31 March 2018.

Timberlands

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

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

The Timberlands investment at 31 March 2018 is £8.074 million.

9. Contributions Received and Benefits Paid during the Year

Employers' Contributions £ million	2016-2017			2017-2018		Benefits Paid £ million
	Employers' Contributions £ million	Employees' Contributions £ million		Employers' Contributions £ million	Employees' Contributions £ million	
39.233	9.079	-42.886	Suffolk County Council	35.566	8.640	-45.216
44.001	9.678	-40.475	Other Scheduled and Resolution Bodies	49.131	10.815	-42.552
5.390	1.317	-3.422	Admitted Bodies	3.427	1.040	-3.799
88.624	20.074	-86.783	Total	88.124	20.495	-91.567

Included within employer normal contributions of £78.581 million shown in the Fund account, is an amount for deficit funding of £7.057 million paid within the employers' percentage (£13.595 million in 2016 - 2017). The deficit funding identified separately on the Fund account of £7.267 million (£10.490 million in 2016-17) refers to those employers funding their deficit by means of lump sum payments.

Employer contributions are made up of two elements:

- a) the estimated cost of future benefits being accrued, the 'primary rate'; plus
- b) an adjustment for the funding position of accrued benefits relative to the Fund's solvency target, the 'secondary rate'.

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

The Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the next three year period. 2017 - 2018 was the first year in the three

year period following the 31 March 2016 valuation for the contribution rates set by the actuary to reflect a and b above.

A list of employers and their contribution rates is in the 2016 Valuation Report that accompanies the Funding Strategy Statement. These reports are available on the Suffolk Pension Fund website at www.suffolkpensionfund.org.

10. Management Expenses

2016 - 2017 £ million	2017 - 2018 £ million
13.968 Investment Management Expenses	14.778
1.068 Administration Expenses	1.081
0.618 Oversight and Governance Costs	0.557
<u>15.654</u>	<u>16.416</u>

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

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

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

External audit fees charged by Ernst & Young for 2017 - 2018 were £0.025 million, (£0.025 million 2016 - 2017). Ernst & Young are intending to charge an additional £0.006 million to respond to IAS 19 assurance requests for 2017 - 18 reports. This will be charged to the employers who have requested assurance.

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

2016 - 2017 £ million	2017 - 2018 £ million
9.150 Investment Management Fees and Expenses	12.733
4.052 Performance Fees	1.232
0.734 Transaction Costs	0.769
0.032 Custodian Fees	0.044
<u>13.968</u>	<u>14.778</u>

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

31 March 2017		31 March 2018	
Market Value £ million	Percentage of Assets %	Market Value £ million	Percentage of Assets %
435.930	16.52%	608.442	22.14%
0.754	0.03%	0.352	0.01%
8.306	0.31%	8.074	0.29%
0.137	0.01%	0.238	0.01%
29.579	1.12%	29.139	1.06%
903.687	34.24%	0.000	0.00%
242.686	9.20%	350.131	12.73%
418.346	15.86%	333.484	12.13%
61.110	2.32%	82.469	3.00%
28.618	1.08%	31.116	1.13%
140.494	5.33%	164.729	5.99%
262.645	9.96%	281.832	10.25%
0.000	0.00%	728.132	26.49%
28.421	1.08%	23.435	0.85%
77.597	2.94%	107.878	3.92%
2,638.310	100.00%	2,749.451	100.00%

Blackrock Investment Management received an additional £177m and M&G Investments an additional £95m investment into their respective active bond mandate which was funded through disinvesting from the equity mandates.

The mandate with Legal and General Investment Management was disinvested during January and February 2018 and reinvested with UBS Group.

The infrastructure mandates with Partners Group, the private equity mandate with Pantheon Ventures Investments, and the debt solutions fund and infracapital fund with M&G Investments have been funded as investment opportunities are identified by the investment managers.

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

12. Reconciliation of Movements in Investments and Derivatives

	Opening Market Value 01 April 2016 £ million	Purchases £ million	Sales £ million	Change in Market Value £ million	Closing Market Value 31 March 2017 £ million
UK Companies	224.142	91.121	-86.086	39.821	268.998
Overseas Companies	283.686	82.885	-81.734	68.766	353.603
Derivatives - Forward Foreign Exchange contracts	2.188	14.319	-14.699	-0.467	1.341
Pooled Investment Vehicles:					
Other Managed Funds	536.572	315.185	-230.911	29.720	650.566
Unit trusts	17.782	-	-4.432	2.894	16.244
Unit linked insurance policies	727.955	47.184	-70.398	198.946	903.687
Unquoted Pooled Investment Vehicles:					
Other Managed Funds	165.889	47.108	-66.564	40.662	187.095
Property	241.309	21.362	-12.913	8.359	258.117
Total of Investments	2,199.523	619.164	-567.737	388.701	2,639.651
	Opening Market Value 01 April 2016 £ million	Movement in Cash Balance £ million	Impairment of Investments £ million	Change in Market Value £ million	Closing Market Value 31 March 2017 £ million
Other Investment Balances:					
Cash held by investment managers	1.926	0.298	0.015	0.680	2.919
Net Investments	1.926	0.298	0.015	0.680	2.919

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

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

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

	Opening Market Value 01 April 2017 £ million	Purchases £ million	Sales £ million	Change in Market Value £ million	Closing Market Value 31 March 2018 £ million
UK Companies	268.998	85.188	-109.220	-4.386	240.580
Overseas Companies	353.603	103.262	-173.891	8.765	291.739
Derivatives - Forward Foreign Exchange contracts	1.341	0.023	-1.477	0.000	-0.113
Pooled Investment Vehicles:					
Other Managed Funds	650.566	1,060.873	-727.270	9.715	993.884
Unit trusts	16.244	-	-2.055	2.980	17.169
Unit linked insurance policies	903.687	755.269	-956.310	25.486	728.132
Unquoted					
Pooled Investment Vehicles:					
Other Managed Funds	187.095	45.069	-48.907	17.212	200.469
Property	258.117	21.995	-13.643	11.009	277.478
Total of Investments	2,639.651	2,071.679	-2,032.773	70.781	2,749.338
	Opening Market Value 01 April 2017 £ million	Movement in Cash Balance £ million	Impairment of Investments £ million	Change in Market Value £ million	Closing Market Value 31 March 2018 £ million
Other Investment Balances:					
Cash held by investment managers	2.919	4.859	-	-1.916	5.862
Net Investments	2.919	4.859	-	-1.916	5.862

The change in market value of £68.865 million (£70.781 million less £1.916 million) is £9.764 million lower than the change in market value on the Fund Account of £78.629 million. The difference is caused by indirect management fees and expenses and investment transaction costs.

Transaction costs, such as commissions, stamp duty and other transaction fees are included in the cost of purchases and sale proceeds and are included in management fees and expenses. Transaction costs incurred during the year total £0.769 million (£0.734 million in 2016 - 2017).

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

13. Analysis of Investments (excluding Cash and Derivatives)

Market Value 31 March 2017			Market Value 31 March 2018	
£ million	£ million		£ million	£ million
		Equities		
	268.998	UK Companies		240.580
	353.603	Overseas Companies		291.739
		Pooled Investment Vehicles - Quoted		
	16.244	Unit Trusts		17.169
	903.687	Unit Linked Insurance Policies		728.132
		<u>Other Managed Funds</u>		
376.740		Fixed Income	676.532	
218.846		Absolute Returns	272.959	
38.048		Money Market Funds	21.052	
16.932		Private Equity	23.341	
<u>650.566</u>		Total Quoted Other managed Funds	<u>993.884</u>	
		Pooled Investment Vehicles - Unquoted		
		<u>Other Managed Funds</u>		
49.263		Illiquid Debt	46.610	
58.123		Infrastructure	67.598	
71.403		Private Equity	78.187	
8.306		Timberlands	8.074	
<u>187.095</u>		Total Unquoted Other Managed Funds	<u>200.469</u>	
	837.661	Total Other Managed Funds		1,194.353
	258.117	Property		277.478
	<u>2,638.310</u>	Total		<u>2,749.451</u>

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

14. Holdings Above 5% of the Fund

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

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

Market Value 31 March 2018 £ million	Percentage of the Fund 31 March 2018	Asset Type	Manager
384.766	13.99%	Fixed Income Global Opportunity Fund	Blackrock
291.766	10.61%	Alpha Opportunities Fund	M&G
214.973	7.72%	UBS Life All World Equity (RAFI)	UBS
164.729	5.99%	Pyrford Global Total Return Mutual Fund	Pyrford
161.298	5.87%	UBS Life UK Equity Tracker	UBS

The mandate with Legal and General Investment Management was disinvested during January and February 2018 and reinvested with UBS Group.

15. Analysis of Derivatives

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

The Pension Fund's investment managers are permitted to use derivatives in the management of their mandates, subject to the restrictions set out in the individual manager's investment management agreement. The investment managers will make use of currency hedging for the purpose of reducing exchange rate risk in the investments held in their mandates. KKR holds a currency hedge for this purpose which equates to (£0.113 million) in the Suffolk Pension Fund's holdings, £1.341 million as at 31 March 2017.

In order to maintain appropriate diversification and to take advantage of overseas investment returns, the fund hedges a proportion of the Euro and Yen exposure within the passive index tracking portfolios. This has been managed by UBS Group from January 2018 having previously been managed by Legal & General Investment Management. £104.821 million is invested in currency hedged funds as at 31 March 2018, £140.275 million as at 31 March 2017.

16a. Financial Instruments – Classification

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

31 March 2017			31 March 2018		
Designated as Fair Value through Profit & Loss £ million	Loans and Receivables £ million	Financial Liabilities at Amortised Cost £ million	Designated as Fair Value through Profit & Loss £ million	Loans and Receivables £ million	Financial Liabilities at Amortised Cost £ million
Financial Assets			Financial Assets		
622.601			532.319		
16.244			17.169		
903.687			728.132		
258.117			277.478		
837.661			1,194.353		
1.341	2.919		-0.113	5.862	
	8.070			7.286	
	8.653			2.277	
2,639.651	19.642	0.000	2,749.338	15.425	0.000
Financial Liabilities			Financial Liabilities		
		-14.875			-4.658
0.000	0.000	-14.875	0.000	0.000	-4.658
2,639.651	19.642	-14.875	2,749.338	15.425	-4.658

The debtor figure of £7.286 million above (£8.070 million at 31 March 2017) excludes statutory debtors of £5.664 million (£6.714 million at 31 March 2017).

The creditor figure of £4.658 million above (£14.875 million at 31 March 2017) excludes statutory creditors of £3.288 million (£2.467 million at 31 March 2017).

No financial assets were reclassified during the accounting period.

16b. Net Gains and Losses on Financial Instruments

31 March 2017 £ million		31 March 2018 £ million	
Financial Assets		Financial Assets	
388.701	Fair value through profit and loss	70.781	
0.68	Loans and receivables	-1.916	
Financial Liabilities		Financial Liabilities	
0.000	Fair value through profit and loss	0.000	
389.381	Total	68.865	

16c. Fair Value of Financial Instruments and Liabilities

The carrying values of financial assets and liabilities are all carried at fair value.

17a. Fair Value Hierarchy

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

Level 1

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

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

Level 2

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

Level 3

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

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

17.b Fair Value - Basis of valuation

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

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

PENSION FUND ACCOUNTS

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

Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable inputs	Key Sensitivities affecting the Valuations
Timberlands	Level 3	Valuation technique is based on accepted valuation techniques that include discounted cash flow and multiple earnings.	Management's cash flow projections Estimates of growth expectations and profitability Profit margin expectations Adjustments to current prices for similar assets Valuation techniques	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Funds reporting date by changes to expected cash flows, earning multiples and discount rates used in the discounted cash flow analysis.

17.c Valuation of Financial Instruments Carried at Fair Value

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

PENSION FUND ACCOUNTS

Values at 31 March 2018	Quoted Market Price Level 1 £ million	Using Observable Inputs Level 2 £ million	With Significant Unobservable Inputs Level 3 £ million	Total £ million
Financial Assets				
Fair value through profit and loss	866.840	1,404.551	477.947	2,749.338
Loans and receivables	15.425			15.425
Total Financial Assets	882.265	1,404.551	477.947	2,764.763
Financial Liabilities				
Fair value through profit and loss				
Financial Liabilities at amortised cost	-4.658			-4.658
Total Financial Liabilities	-4.658	0.000	0.000	-4.658
Net Financial Assets	877.606	1,404.551	477.947	2,760.105

17.d Transfers between hierarchy levels 1 and 2

There has been no transfers of investment assets between the hierarchy levels.

17.e Reconciliation of Fair Value measurements within Level 3

Assets	Opening Market Value 01 April 2016 £ million	Purchases £ million	Sales £ million	Realised Gains/(Losses) £ million	Unrealised Gains/(Losses) £ million	Closing Market Value 31 March 2017 £ million
Quoted						
Property	241.309	21.362	-12.913	3.32	5.039	258.117
Illiquid Debt	47.371	25.000	-32.660	0.002	9.550	49.263
Infrastructure	52.978	8.855	-18.494	7.883	6.901	58.123
Private Equity	58.592	13.254	-15.410	6.292	8.675	71.403
Timberlands	6.948	-	-	-	1.358	8.306
Total of Investments	407.198	68.471	-79.477	17.497	31.524	445.212

Assets	Opening Market Value 01 April 2017 £ million	Purchases £ million	Sales £ million	Realised Gains/(Losses) £ million	Unrealised Gains/(Losses) £ million	Closing Market Value 31 March 2018 £ million
Quoted						
Property	258.117	21.995	-13.643	2.589	8.420	277.478
Illiquid Debt	49.263	8.916	-15.521	9.648	-5.696	46.610
Infrastructure	58.123	20.716	-14.916	1.846	1.828	67.597
Private Equity	71.403	15.437	-18.471	13.557	-3.738	78.188
Timberlands	8.306	-	-	-	-0.232	8.074
Total of Investments	445.212	67.064	-62.551	27.640	0.582	477.947

17.f Sensitivity of assets values at Level 3

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

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

	Market Value 31 March 2018 £ million	Valuation Range	Value on Increase £ million	Value on Decrease £ million
Property	277.478	14.3%	317.157	237.799
Illiquid Debt	46.610	6.7%	49.733	43.487
Infrastructure	67.598	20.1%	81.185	54.010
Private Equity	78.187	28.3%	100.314	56.060
Timberlands	8.074	20.1%	9.697	6.451
Total of Investments	477.947		558.086	397.807

18. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

The key risks that have been identified are:

- A. Credit risk
- B. Liquidity risk
- C. Market risk
- D. Interest Rate Risk
- E. Currency Risk
- F. Price Risk

- G. Custody
- H. Investment Management
- I. Sensitivity of funding position to market conditions and investment performance

A. Credit risk

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

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

The Fund monitors the monthly receipt of contributions from employers. The Funding Strategy Statement requires safeguards to be in place for all new admission agreements to protect the Fund from an employer default, primarily through a guarantee from a tax-backed scheme employer for any new employer in the Fund. An analysis of debtor balances at 31 March 2018 is provided in Note 21.

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

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

The Fund's bank account is held with Lloyds Bank Plc, which is also banker to Suffolk County Council the Administering Authority for the Pension Fund. The bank held a Long-Term rating of 'A+' and a Short Term Rating 'F1' with Fitch as at March 2018.

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

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

At 31 March 2018, £2.277 million was with Lloyds (£8.653 million at March 2017). Cash deposited in HSBC money markets amounted to £15.741 million at 31 March 2018 (£22.420 million at March 2017), Blackrock held £2.388 million in their money market fund, (£11.137 million at March 2017) and Schrodgers held £2.923 million in their money market fund, (£4.491 million at March 2017).

B. Liquidity risk

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

The Pension Fund holds sufficient working capital to ensure that it has cash available to meet benefit and transfer payments and cash drawdown requirements in respect of certain investment transactions. Within mandates it is the responsibility of the individual managers to ensure that they have sufficient funds available to meet the transactions they enter into on behalf of the Fund. These responsibilities are detailed within the investment management agreements. At an investment level a large proportion of the Fund's investments are held in instruments that can be realised at short notice if a cash flow need arose. Certain investments, particularly property, unquoted private equity, illiquid debt, timberlands and infrastructure funds are considerably less liquid, but these make up a far smaller proportion of the overall portfolio, £477.947 million, 17% (£462.144 million, 18% at March 2017).

C. Market risk

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

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

D. Interest Rate Risk

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

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

31 March 2017 £ million	31 March 2018 £ million
8.653 Cash held for Deposit	2.277
40.967 Cash and Cash Equivalent	26.914
49.620 Total	29.191

The Pension Fund recognises that interest rates can vary and can affect both income to the fund and the value of the net assets. A 100 basis point (BPS) movement in interest rates (equivalent to 1%) is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

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

PENSION FUND ACCOUNTS

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

Asset Type	Value as at 31 March 2018 £ million	Change + 100 BP's £ million	Change - 100 BP's £ million
Cash held for Deposit	2.277	0.023	-0.023
Cash and Cash Equivalent	26.914	0.269	-0.269
Total Assets	29.191	0.292	-0.292

E. Currency Risk

Currency risk is the extent to which the Pension Fund is exposed to fluctuations in exchange rates and the impact these fluctuations have on the sterling valuation of assets denominated in foreign currency. To partly mitigate this risk the Fund has some currency hedging in place. This is undertaken partly by investment in the currency-hedged Funds managed by its index-tracking manager, UBS Group.

The one year expected standard deviation for an individual currency as at 31 March 2018 is 10% (as provided by Hymans Robertson). This is based on the assumption that there is no diversification with other assets and that all other variables, in particular interest rates remain constant.

The foreign exchange rate movement exposure to the strengthening or weakening of sterling against the various currencies in which the fund holds investments are as follows:

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

Asset Type	Value as at 31 March 2018 £ million	Potential Market Movement £ million	Value on Increase £ million	Value on Decrease £ million
Overseas Equities	291.739	29.174	320.913	262.565
Overseas Index Linked	456.350	45.635	501.985	410.715
Alternative Investments	145.893	14.589	160.482	131.304
Total overseas assets	893.982	89.398	983.380	804.584

F. Price Risk

Price risk is the risk of volatility in the valuation of the assets held by the Fund. The level of volatility will vary by asset class and also over time. The Fund has some diversification in the asset classes in which it invests, which seeks to reduce the correlation of price movements between different asset types, while employing specialist investment managers to best deploy capital in line with the Fund's overall strategy.

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

Asset Type	Value as at 31 March 2017 £ million	Change %	Value on Increase £ million	Value on Decrease £ million
UK Equities	268.998	15.80	311.500	226.497
Overseas Equities	353.603	18.40	418.666	288.540
Fixed Income	376.740	2.90	387.665	365.814
Unit Linked	903.687	16.44	1,052.253	755.121
Cash & FFX	4.260	0.00	4.260	4.260
Money Markets	38.048	2.90	39.152	36.945
Unit Trusts	16.244	15.80	18.811	13.678
Property	258.117	14.20	294.769	221.464
Alternatives	422.873	16.40	492.208	353.537
Total Assets	2,642.570		3,019.284	2,265.856

Asset Type	Value as at 31 March 2018 £ million	Change %	Value on Increase £ million	Value on Decrease £ million
UK Equities	240.580	16.80	280.998	200.163
Overseas Equities	291.739	17.90	343.960	239.518
Fixed Income	676.532	2.80	695.475	657.589
Index Linked	728.132	16.11	845.435	610.830
Cash & FFX	5.749	0.50	5.778	5.720
Money Markets	21.052	2.80	21.641	20.462
Unit Trusts	17.169	16.80	20.053	14.284
Property	277.478	14.30	317.157	237.799
Alternatives	496.769	16.50	578.736	414.802
Total Assets	2,755.200		3,109.232	2,401.167

G. Custody

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

H. Investment Management

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

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

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

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

The table below has been prepared by the Fund Actuary and shows how the funding level (top) and deficit (bottom) would vary if the investment conditions at 31 March 2018 had been different. The level of the FTSE 100 index is used as a proxy for investment performance and the Fixed Interest Gilt yield as the proxy measure for the valuation of Fund’s liabilities. The shaded box is the actual position at 31 March 2018.

Movement in Bond Interest Gilts yield (% p.a.)	+ 0.2%	80.3% (£543m)	87.3% (£349m)	94.4% (£153m)	101.4% £41m	108.5% £236m
	+ 0.0%	77.4% (£625m)	84.4% (£430m)	92.2% (£241m)	98.5% (£40m)	105.6% £155m
	- 0.2%	74.2% (£714m)	81.2% (£519m)	88.3% (£323m)	95.3% (£129m)	102.4% £66m
Movement in FTSE 100 Index		- 20%	- 10%	0	+ 10%	+ 20%

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

19. Funding Position

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

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

The key elements of the funding policy are:

- To ensure the long term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment.
- To ensure that employer contribution rates are as stable as possible.

PENSION FUND ACCOUNTS

- To minimise the long term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risks and returns.
- To reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so.
- To use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pensions obligations.

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

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

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

Formal Valuation

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

- Meeting the requirements of the Local Government Pension Regulations.
- 100% funding of future liabilities for service completed to 31 March 2016.
- The 'projected unit method' of actuarial valuation.

Financial Assumptions

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

- Projected investment returns of 4.0% per year.
- Projected increase in future salaries of 2.4% a year.
- Projected pension increases of 2.1% a year.

Funding Position

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

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

Contribution Rates

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

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

PENSION FUND ACCOUNTS

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

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

The next formal valuation is as at 31 March 2019.

20. Actuarial Present Value of Promised Retirement Benefits

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

Interim Valuation

An interim valuation was carried out as at 31 March 2018. The valuation was included in the actuary's Navigator report which is based on long term financial assumptions for the Suffolk Pension Fund and contains the following assumptions:

Increases in future salaries of 2.6% a year
Projected investment returns of 3.5% per year

The actuarial value of the Fund's assets was £2,762 million and the liabilities £3,003 million at 31 March 2018 (£2,213 million and £2,429 million at 31 March 2016 as at the last valuation).

The valuation showed that the Fund's assets covered 92.2% of its liabilities at the valuation date and the deficit was £241 million (£237 million at March 2017).

International Accounting Standard 26 (IAS 26)

CIPFA's Code of Practice on Local Authority Accounting 2017 - 2018 requires administering authorities of the LGPS funds that prepare Pension Fund Accounts to disclose what IAS 26 refers to as the actuarial present value of promised retirement benefits. This is similar to the interim valuation but the assumptions used are in line with IAS 19 rather than assumptions tailored to the Suffolk Pension Fund.

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

- Pension increases of 2.4% a year (2.4% 2016 - 2017)
- Increases in future salaries of 2.7% a year (2.7% 2016 - 2017)
- Discount rate of 2.7% per year (2.6% 2016 - 2017)

The IAS 26 calculation shows that the present value of promised retirement benefits amount to £3,529 million as at 31 March 2018 (£3,456 million as at 31 March 2017).

21. Current Debtors

The current debtors can be analysed as below:

31 March 2017 £ million		31 March 2018 £ million
	<u>Debtors</u>	
5.277	Employers Contributions	5.485
1.251	Employee Contributions	1.356
6.010	Investment Assets	3.895
2.246	Sundry Debtors	1.983
0.000	Asset Pooling	0.231
<u>14.784</u>		<u>12.950</u>

The investment assets as at 31 March 2018 includes £0.308 million of purchases awaiting settlement, £3.587 million of recoverable tax and income not yet received.

Debtors can be further analysed into sectors as below:

31 March 2017 £ million		31 March 2018 £ million
	<u>Analysis of Debtors</u>	
0.187	Central Government Bodies	0.445
6.109	Other Local Authorities	5.764
8.482	Other entities and individuals	6.726
0.006	NHS	0.015
<u>14.784</u>		<u>12.950</u>

22. Current Creditors

The current creditors can be analysed as below:

31 March 2017 £ million		31 March 2018 £ million
	<u>Creditors</u>	
-13.802	Investment Expenses	-4.489
-0.322	Administration Expenses	-0.097
-0.419	Transfer Values In Adjustment	-0.574
-0.167	Lump Sum Benefits	-0.980
-2.632	Sundry creditors	-1.806
<u>-17.342</u>		<u>-7.946</u>

The investment expenses as at 31 March 2018 includes £2.466 million of purchases awaiting settlement, an allowance of £2.017 million for investment management fees and expenses and £0.006 million of irrecoverable tax not yet paid.

Creditors can be further analysed into sectors as below:

31 March 2017 £ million	Analysis of Creditors	31 March 2018 £ million
-0.104	Central Government Bodies	0.000
-0.985	Other Local Authorities	-0.937
-0.006	NHS Bodies	-0.015
-16.247	Other entities and individuals	-6.994
-17.342		-7.946

23. Additional Voluntary Contributions

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

A total of £0.116 million was paid over to the providers Clerical Medical, Standard Life and Equitable Life in 2017 – 2018, (£0.105 million 2016 – 2017).

24. Related Party Transactions

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

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

Suffolk County Council is the largest single employer of members of the Pension Fund and contributed £35.566 million to the Fund in 2017 - 2018 (£39.233 million in 2016 - 2017). In addition the council incurred costs of £0.955 million (£0.933 million in 2016 - 2017) in relation to the administration of the Fund, audit, legal and committee services. These have all been reimbursed by the Fund.

Under legislation introduced in 2003 - 2004 councillors were entitled to join the Scheme this was rescinded in April 2014 when the Government laid down regulations barring councillors joining the scheme. Any councillor who is in the scheme as a result of joining before 1 April 2014 will now be a deferred member as their eligibility for active membership was removed when they were re-elected.

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

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

Part of the Pension Fund cash holdings are invested by the Treasury Management operations of Suffolk County Council through the Treasury Management Policy approved by the Pension Fund Committee. During the year ending 31 March 2018 the Fund had an average investment balance of

£10.900 million (£12.855 million in 2016 - 2017) earning interest of £0.035 million (£0.042 million in 2016 - 2017) from these investments.

25. Key Management Personnel

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

The key management personnel of the Fund are the S151 Officer, Senior Pensions Specialist and Technical Pensions Specialist. The total remuneration payable to the key management personnel by the Suffolk Pension Fund was £0.125 million in 2017 - 2018 (£0.139 million in 2016 - 2017).

These costs are charged to the Pension Fund as governance and oversight costs, Note 10 and are included in the related parties Note 24.

26. Agency Services

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

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

The costs charged are as below:

2016 - 2017 £ million		2017 - 2018 £ million
0.830	Payments on behalf of the ACCESS pool	0.608
<u>0.830</u>		<u>0.608</u>

27. Stock Lending

The Fund has an arrangement with its custodian HSBC to lend eligible securities from within its portfolio of stocks to third parties in return for collateral. Lending is limited to a maximum of 25% of the total value. Collateralised lending generated income of £0.066 million in 2017 - 2018 (£0.049 million in 2016 - 2017). This is included within 'other' investment income in the Fund Account. The stock lending levels and income raised for the Fund are minimal due to the relatively small holding of non-pooled equities owned by the Fund.

At 31 March 2018, £33.609 million (£27.752 million at 31 March 2017) worth of stock was on loan, for which the Fund was in receipt of £35.482 million worth of collateral (£29.269 million at 31 March 2017). This is a minimal share of the Fund holdings representing less than 1% of total investment holdings in both 2017 - 2018 and 2016 - 2017. The figure out on loan as at 31 March does not necessarily reflect the amount that has been out on loan during the year.

28. Contingent Liabilities and Contractual Commitments

Contractual Commitments

In 2003 the Fund has made contractual commitments to private equity funds managed by Wilshire and Pantheon. Commitments are made in the underlying currency of the funds (Euros and US Dollars respectively) and are therefore subject to volatility (risk) arising from exchange rate fluctuation. This volatility will impact both the value of unfunded commitments in sterling terms and the valuation of the funded interest and monies received as distributions. At 31 March 2018 the unfunded commitment (monies to be drawn in future periods) was £9.177 million. The commitments are paid over the investment timeframe of the underlying partnerships.

In 2011 - 2012 a contractual commitment was made to an infrastructure investment (Partners Group Global Infrastructure 2012) managed by Partners Group, the outstanding amount as at 31 March 2018 is £14.114 million.

In 2011 a contractual commitment of £39 million was made to KKR Global Infrastructure Investors. The amount outstanding at 31 March 2018 was £0.852 million.

In 2015 - 2016 contractual commitments were made to private equity investments managed by Pantheon. Some draw downs on the commitments have been made and the outstanding amounts to 31 March 2018 are £69.952 million.

In 2016 - 2017 the Pension Fund made additional contractual commitments to M & G, of £60 million in the Greenfield infrastructure fund and £25 million in the Debt Solutions investment. Some draw downs on the commitments have been made. The outstanding amount for the Greenfield infrastructure fund is £53.742 million and for Debt Solutions investment £16.253 million.

During 2017 - 2018 a contractual commitment was made to an infrastructure investment (Partners Group Global Infrastructure 2015) managed by Partners Group, the outstanding amount as at 31 March 2018 is £40.160 million.

Asset Class	2017 - 2018		
	Commitment £ million	Drawn £ million	Outstanding £ million
Private Equity			
Wilshire (2003-2008)	66.521	61.870	4.651
Pantheon (2003-2010)	42.780	38.314	4.466
Pantheon (2015)	106.021	36.068	69.952
Total Private Equity	215.322	136.252	79.069
Infrastructure			
KKR (2012)	39.004	38.153	0.852
Partners (2012)	47.298	33.185	14.114
Partners (2016)	48.174	8.014	40.160
M&G (2016)	60.000	6.258	53.742
Total Infrastructure	194.476	85.610	108.868
Illiquid Debt			
Debt Finance Solutions	25.000	8.747	16.253
Total Illiquid Debt	25.000	8.747	16.253

Suffolk Pension Fund Audit results report

Year ended 31 Month 2018

27 June 2018

27 June 2018

Dear Audit Committee Members



We are pleased to attach our audit results report for the forthcoming meeting of the Audit Committee. This report summarises our preliminary audit conclusion in relation to the audit of Suffolk Pension Fund for 2017/18.

We have substantially completed our audit of Suffolk Pension Fund for the year ended 31 March 2018.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3, before the statutory deadline of 31 July 2018.

This report is intended solely for the use of the Audit Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We look forward to discussing with you any aspects of this report or any other issues arising from our work.

MARK HODGSON

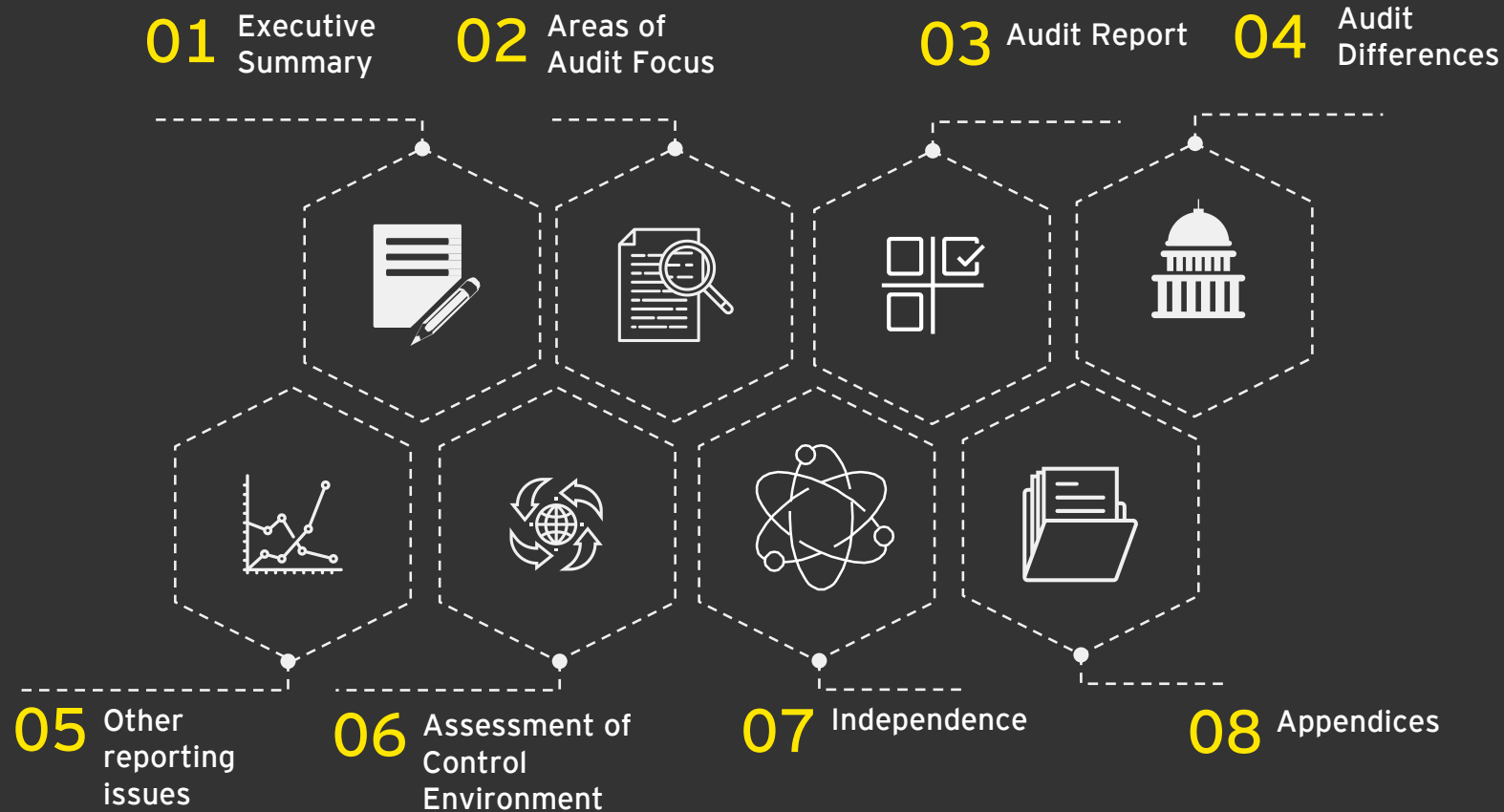
Mark Hodgson

Associate Partner

For and on behalf of Ernst & Young LLP

Enc

Contents



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit Committee and management of Suffolk Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Suffolk Pension Fund those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Suffolk Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary



Executive Summary

Scope update

In our Audit Plan presented to the Audit Committee on 14 March 2018, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We have carried out our audit in accordance with this plan. There have been no changes in our planned audit strategy.

We planned our procedures using a materiality of £52.8 million. We reassessed this using the actual year-end figures, which have increased this amount to £55.0 million. The threshold for reporting audit differences has increased from £2.6 million to £2.75 million. The basis of our assessment of materiality has remained consistent with prior years at 2% of Net Assets.

We also identified areas where misstatement at a lower level than materiality might influence the reader and developed a specific audit strategy for them.

They include:

- Related Party Transactions - The accounting standard requires us to consider the disclosure from the point of materiality to either side of the transaction. We have therefore considered the nature of the relationship in applying materiality.

Status of the audit

We have substantially completed our audit of Suffolk Pension Fund's financial statements for the year ended 31 March 2018 and have performed the procedures outlined in our Audit plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Fund's financial statements in the form which appears in section 3.

However until the following work is complete, further amendments may arise. The outstanding items as of 27 June 2018 are:

- Review of the final version of the annual report;
- Review of final 31 March 2018 Private Equity valuations;
- Completion of subsequent events review;
- Completion of Final Review Procedures; and
- Receipt of the signed Management Representation letter.

Executive Summary

Audit differences

There are no unadjusted audit differences arising from our audit.

We identified a limited number of audit disclosure differences in the draft financial statements, which have been adjusted by management. Further details are provided in Section 4, although none are so significant as to merit bringing to your attention.

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of Suffolk Pension Fund's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- ▶ There are no other considerations or matters that could have an impact on these issues;
- ▶ You agree with the resolution of the issue; and
- ▶ There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee.

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

Executive Summary

Other reporting issues

We have reviewed the information presented in the Annual Report for consistency with the financial statements and our knowledge of the Fund.

We will perform a review of the information presented in the Annual report for consistency with the financial statements and our knowledge of the Fund. As reported in the Status of Work section on page 5, we are currently awaiting the final annual report for our review.

Independence

Please refer to Section 7 for our update on Independence. We have no independence issues to highlight.



02 Areas of Audit Focus

Areas of Audit Focus

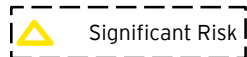
Significant risk

Risk of management override

What is the risk?

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.



What judgements are we focused on?

We have assessed that the risk of management override is most likely to affect investment income and assets in the year, specifically through journal postings.

Net return on investments for period up to 31 March 2018: £116.8 million

Total net assets of the Fund available at 31 March 2018: £2.76 billion

What are our conclusions?

Our testing has not identified any material misstatements from investment income or year end investment assets.

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Fund's normal course of business

What did we do?

We performed the following audit procedures:

- ▶ Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- ▶ Reviewed accounting estimates for evidence of management bias; and
- ▶ Evaluated the business rationale for significant unusual transactions,

We utilised our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluated for business rationale.



Areas of Audit Focus



Valuation of complex investments (Unquoted investments)

The Fund's investments include unquoted pooled investment vehicles such as private equity, and property investments. Judgements are taken by the Investment Managers to value those investments whose prices are not publically available. The material nature of Investments means that any error in judgement could result in a material valuation error.

Current market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements.

The total fund investment assets at 31 March 2018 are £2.76 billion, of which unquoted investments are £200 million (7.2% of total investments).

Although the proportion of the fund comprising of these investment types is relatively low, these investments are more complex to value. We have identified the Fund's investments in private equity, infrastructure and illiquid debt as a higher risk, as even a small movement in these assumptions could have an impact on the financial statements.

Our audit approach has included the following procedures:

- Assessing the competence of management experts;
- Reviewing the basis of valuation for unquoted investments and assessing the appropriateness of the valuation methods used;
- Comparing the investment value included in the financial statements to direct confirmations from the Fund Managers;
- Where available, reviewing the latest audited accounts for the relevant fund managers and ensuring there are no matters arising that highlight weaknesses in the funds valuation;
- Obtain copies of the ISAE3402 reports over internal control for any control exceptions raised in relation to the valuation of investments; and
- Performing analytical procedures and checking the valuation output for reasonableness against our own expectations.

As the Custodian provides the estimated value for some of the unquoted investments based on information at January 2018 there will always be a possibility that the fund manager will provide a different valuation as at 31 March 2018.

We have not identified any other issues in the completion of our work.



Areas of Audit Focus



Valuation methods applied

Financial statement area	Valuation method applied and related disclosures	Impact of changes made to the valuation method applied
Valuation of complex investments (Unquoted investments)	The valuation methodology applied to these investments is reported in note 17.b of the financial statements.	No changes have been made to the valuation methodology applied in 2017/18.
Actuarial present value of promised retirement benefits (IAS 26)	The valuation methodology applied to IAS 26 in reported is note 20 of the financial statements. This figure is calculated by the Actuary.	No changes have been made to the valuation methodology applied in 2017/18.

We report valuation methods applied where there is a risk of material misstatement. We have not identified any issues with these valuation methodologies applied by the Pension Fund.

As per page 10 of this report, we raised the valuation of complex investments for unquoted investments as a area of audit focus.



Other matters

There are some 2018/19 regulatory developments including some technical changes which might impact the Pension Fund, these include:

- ▶ IFRS 9 Financial Instruments - classification and measurement of financial assets after initial recognition. The code requires implementation of the above disclosure from 1 April 2018. These changes are not considered to have a material effect on the Pension Fund accounts of 2017/18; and
- ▶ IFRS 15 Revenue from Contracts with Customers - the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations. These changes are not considered to have a material effect on the Pension Fund accounts of 2017/18 due to the nature of its income.



03 Audit Report



Audit Report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SUFFOLK PENSION FUND

Opinion

We have audited the pension fund financial statements for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2018 and the amount and disposition of the fund's assets and liabilities as at 31 March 2018; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the pension fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where: the Head of Finance (Section 151 Officer) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Head of Finance (Section 151 Officer) is responsible for the other information.



Audit Report

Our opinion on the financial statements

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Head of Finance (Section 151 Officer)

As explained more fully in the 'Responsibilities of the Head of Finance (Section 151 Officer)' set out on page 8, the Head of Finance (Section 151 Officer) is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Head of Finance (Section 151 Officer) is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Pension Fund either intends to cease operations, or have no realistic alternative but to do so.



Audit Report

Our opinion on the financial statements

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



04

Audit Differences



Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatements greater than £2.75 million which have been corrected by management that were identified during the course of our audit

Our audit identified only a limited number of minor misstatements which our team have highlighted to management for amendment. These have been corrected during the course of the audit and relate to disclosure and presentational matters in both the Annual Accounts and Annual Report. We do not consider any of the misstatements to be so significant as to merit bringing to your attention.

There are no unadjusted misstatements that we need to bring to your attention.



05 Other reporting issues





Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements

We must give an opinion on the consistency of the financial and non-financial information in the Suffolk Pension Fund Statement of Accounts with the audited financial statements

We have no matters to report in relation to the above.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").

We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the [Authority]'s financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

We have no matters to report.



06

Assessment of Control Environment

Assessment of Control Environment

Financial controls

It is the responsibility of the Fund to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Fund has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



07

Independence



Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 14 March 2018.

We complied with the APB Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit Committee on 25 July 2018.



Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 Month 2018.

We confirm that we have not undertaken non-audit work outside the PSAA Code requirements

	Final Fee 2017/18	Planned Fee 2017/18	Scale Fee 2017/18	Final Fee 2016/17
	£'s	£'s	£'s	£'s
Total Audit Fee - Code work (Note 1).	30,526	30,526	25,026	30,526

Note 1:

As reported in our Audit Plan report dated 14 March 2018, we plan to charge an additional fee of £5,500 in 2017/18 to take into account the additional work required to respond to IAS19 assurance requests from scheduled bodies.

This additional fee has been discussed with management and is subject to approval by the PSAA.

We will confirm our final fees following the completion of our work and report this within our Annual Audit Letter.



08 Appendices

 Appendix A

Audit approach update

We summarise below our approach to the audit of the Net Assets Statement and any changes to this approach from the prior year audit.




Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the Net Assets Statement include:

- ▶ Existence: An asset, liability and equity interest exists at a given date
- ▶ Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- ▶ Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- ▶ Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- ▶ Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

Net Assets Statement category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
Investment Assets and Liabilities	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/A
Debtors	Immaterial - Substantively tested assertion for presentation and disclosure	Immaterial - Substantively tested assertion for presentation and disclosure	N/A
Cash in hand	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/A
Creditors	Immaterial - Substantively tested assertion for presentation and disclosure	Immaterial - Substantively tested assertion for presentation and disclosure	N/A

 Appendix B

Summary of communications





Date 	Nature 	Summary 
31 January 2018	Meeting/Report	The partner in charge of the engagement met with the Audit Committee to discuss focus areas of the audit this year.
14 March 2018	Meeting/Report	The partner in charge of the engagement met with the Audit Committee to discuss focus areas of the Audit Committee to discuss the Audit Plan and areas of focus for the audit. This included confirmation of independence.
20 March 2018	Meeting/Report	The Audit Manager presented the Audit Plan to the Pension Fund Committee to discuss the areas of focus.
27 June 2018	Report	The Audit Results Report, including confirmation of independence, was issued to the Audit Committee.
23 July 2018	Meeting/Report	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the Pension Committee and senior members of the management team to discuss the Audit Results Report.
25 July 2018	Meeting/Report	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the Audit Committee and senior members of the management team to discuss the Audit Results Report.

In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings.





 Appendix C

Required communications with the Audit Committee




There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Plan - 14 March 2018
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan - 14 March 2018
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report 	Audit Results Report - 25 July 2018
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Audit Results Report - 25 July 2018

 Appendix C

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Public Interest Entities	<p>For the audits of financial statements of public interest entities our written communications to the audit committee include:</p> <ul style="list-style-type: none"> ▶ A declaration of independence ▶ The identity of each key audit partner ▶ The use of non-member firms or external specialists and confirmation of their independence ▶ The nature and frequency of communications ▶ A description of the scope and timing of the audit ▶ Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits ▶ Materiality ▶ Any going concern issues identified ▶ Any significant deficiencies in internal control identified and whether they have been resolved by management ▶ Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the audit committee ▶ Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof ▶ The valuation methods used and any changes to these including first year audits ▶ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework ▶ The identification of any non-EY component teams used in the group audit ▶ The completeness of documentation and explanations received ▶ Any significant difficulties encountered in the course of the audit ▶ Any significant matters discussed with management ▶ Any other matters considered significant 	<p>Audit Plan - 14 March 2018</p> <p>and</p> <p>Audit Results Report - 25 July 2018</p>





 Appendix C

		Our Reporting to you
Required communications	 What is reported?	  When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit Results Report - 25 July 2018
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit Results Report - 25 July 2018
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit Results Report - 25 July 2018
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit Committee responsibility. 	We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit.

 Appendix C


		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Authority 	We have no matters to report.
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	Audit Results Report - 25 July 2018
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	We have no matters to report.
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.

 Appendix C

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit Results Report - 25 July 2018
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit Results Report - 25 July 2018
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor’s report 	Audit Results Report - 25 July 2018
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the Audit Plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit Plan - 14 March 2018 and Audit Results Report - 25 July 2018



Appendix D – Request for a management representation letter



Ernst & Young LLP
One Cambridge Business Park
Cambridge
CB4 0WZ

Tel: 01223 384400
Fax: 01223 384401
www.ey.com/uk

27 June 2018

Louise Aynsley
S151 Officer
Suffolk County Council Pension Fund,
Floor 2, Constatine House,
5 Constatine Road,
Ipswich,
IP1 2DH

Dear Louise,

**Suffolk Pension Fund – 2017/18 financial year
Request for a letter of representation**

International Standards on Auditing set out guidance on the use by auditors of management representations (ISA (UK&I) 580) and on possible non-compliance with laws and regulations (ISA (UK&I) 250). I have interpreted this guidance as it affects Local Government bodies and I expect the following points to apply:

- auditors may wish to obtain written representation where they are relying on management's representations in respect of judgemental matters (for example the level of likely incidence of a claim), which may not be readily corroborated by other evidence;
- auditors are likely to request written representations on the completeness of information provided;
- auditors may wish to obtain written representation on issues other than those directly related to the Statement of Accounts;
- the letter is dated on the date on which the auditor signs the opinion and certificate;
- the letter is signed by the person or persons with specific responsibility for the financial statements; and
- the letter is formally acknowledged as having been discussed and approved by the Audit Committee, as those charged with governance of the Pension Fund.


I would expect the letter of representation to include the following matters.

General statement

That the letter of representations is provided in connection with our audit of the financial statements of Suffolk Pension Fund ("Pension Fund") for the year ended 31 March 2018.

That you recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the financial statements give a true and fair view of the financial position of Suffolk Pension Fund as of 31 March 2018 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited. A list of member firms is available for inspection at 1 More London Place, London SE1 2AF. The firm's principal place of business and registered office, Ernst & Young LLP is a multi-disciplinary practice and is authorised and regulated by the Institute of Chartered Accountants in England and Wales, the Solicitors Regulation Authority and other regulators. Further details can be found at <http://www.ey.com/UKandIreland/Legal>.



2

You understand that the purpose of our audit of your financial statements is to express an opinion thereon and that our audit is conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, you make the following representations, which are true to the best of your knowledge and belief, having made such inquiries as you considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records (See Note B)

A1. That you have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/2018.

A2. That you confirm that the Fund is a Registered Pension Scheme. That you are not aware of any reason why the tax status of the scheme should change.

A3. That you acknowledge, as members of management of the Fund, your responsibility for the fair presentation of the financial statements. You believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/2018, and are free of material misstatements, including omissions. You have approved the financial statements.

A4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

A5. As members of management of the Fund, you believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/2018 that are free from material misstatement, whether due to fraud or error.

A6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with laws and regulations including fraud

B1. You acknowledge that you are responsible to determine that the Fund's activities are conducted in accordance with laws and regulations and that you are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.


B2. You acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

B3. You have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

B4. You have not made any reports to The Pensions Regulator, nor are you aware of any such reports having been made by any of our advisors.



Appendix D – Request for a management representation letter (continued)


3

B5. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of non-compliance with any legal duty.

B6. You have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by “whistleblowers”), including non-compliance matters:

- Involving financial improprieties
- Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund’s financial statements
- Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties
- Involving management, or employees who have significant roles in internal control, or others
- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

C1. You have provided you with:

- Access to all information of which you are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
- Additional information that you have requested from us for the purpose of the audit.
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

C2. You have been informed of all changes to the Fund rules.

C3. All material transactions have been recorded in the accounting records and are reflected in the financial statements.


C4. You have made available to you all minutes of the meetings of the Pension and Audit held through the year to the most recent meeting on the following date: 23 July 2018 for the Pension Fund Committee and 25 July 2018 for the Suffolk County Council Audit Committee.

C5. You confirm the completeness of information provided regarding the identification of related parties.

C6. You have disclosed to you the identity of the Fund’s related parties and all related party relationships and transactions of which You are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

C7. You have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

C8. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.


4

C9. You believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.

D. Liabilities and Contingencies

D1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

D2. You have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

D3. You have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent.

D4. No other claims in connection with litigation have been or are expected to be received.

E. Subsequent Events

E1. As described in Note 2 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

F1. You acknowledge our responsibility for the preparation of the other information. The other information comprises The Suffolk Pension Fund Annual Report and Accounts 2017/2018.

F2. You confirm that the content contained within the other information is consistent with the financial statements.

G. Independence

G1. You confirm that, under section 27 of the Pensions Act 1995, no members of the management of the Fund of the Scheme is connected with, or is an associate of, Ernst & Young LLP which would render Ernst & Young LLP ineligible to act as auditor to the Scheme.

H. Derivative Financial Instruments

H1. You confirm that all investments in derivative financial instruments have been made after due consideration by the [members of the management of the Fund] of the limitations in their use imposed by The LGPS Management and Investment of Funds Regulations 2016. The Fund’s Investment Strategy Statement has been duly reviewed to ensure that such investments comply with any limitations imposed by its provisions. The financial statements disclose all transactions in derivative financial instruments that have been entered into during the period, those still held by the members of the management of the Fund at the Fund’s year end and the terms and conditions relating thereto.

H2. Management has duly considered and deemed as appropriate the assumptions and methodologies used in the valuation of ‘over the counter’ derivative financial instruments which the Fund is holding, and these have been communicated to you.

Appendix D – Request for a management representation letter (continued)



5

I - Pooling investments, including the use of collective investment vehicles and shared services

I1. You confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the requirements of the LGPS Management and Investment of Funds Regulations 2016 in respect of these investments has been followed.

J. Actuarial valuation

J1. The latest report of the actuary Hymans as at 31 March 16 has been provided to you. To the best of our knowledge and belief you confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on his report.

K. Use of the Work of a Specialist

K1. You agree with the findings of the specialists that you have engaged to value Private Equity Investments and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

L. Estimates – Valuation of Investments

L1. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/2018.

L2. You confirm that the significant assumptions used in making the valuation of investments appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

L3. You confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/2018.

L4. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements due to subsequent events.

M. Specific Representations

You do not require any specific representations in addition to those above.



6

I would be grateful if you could provide a letter of representation, which is appropriately signed and dated (by the Fund Administrator, Chair of the Pension Committee and Chair of Audit Committee) on the proposed audit opinion date (currently 25 July 2018) on formal headed paper.

Yours sincerely

Mark Hodgson
Associate Partner
For and on behalf of Ernst & Young LLP

EY | Assurance | Tax | Transactions | Advisory

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ED None

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Suffolk Pension Board

Report Title:	Governance Policy and Governance Compliance Statement
Meeting Date:	23 July 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. The Governance Policy and Governance Compliance Statement outlines the governance arrangements for the Suffolk Pension Fund as required by Regulation 55 of the Local Government Pension Scheme (Administration) Regulations 2013 (as amended).

2. The Board is asked to note the Fund's Governance Policy.
3. The Board is asked to note the Fund's Governance Compliance Statement.

Reason for recommendation

4. The Board has received the Governance Policy and Governance Compliance Statement to fulfil its remit to secure the effective and efficient governance and administration of the Suffolk Pension Fund.

Alternative options

5. None.

Main body of report

Governance of the Suffolk Pension Fund

6. The Pension Fund Governance Policy Statement (**Appendix 1**) sets out how the Council's statutory responsibilities for the LGPS will be carried out. The Suffolk Pension Fund Committee carries out the Council's responsibilities for the management of the Fund as the administering authority.

Pension Fund Committee

7. The Pension Fund Committee's key responsibilities are:
 - a) The effective and prudent management of the Suffolk Pension Fund.

- b) The approval of the Fund's investment strategy and the appointment of the investment managers.
- c) The approval of the funding strategy following the triennial actuarial valuation and the determination of the employers' contributions to the Fund.

Delegations to the Section 151 officer

- 8. The Head of Finance, the Council's responsible financial officer under section 151 of the Local Government Act 1972, is responsible for all decisions concerning the Pension Fund within the scope of the policies that have been approved by the Pension Fund Committee.

Pension Board

- 9. The Pension Board's key responsibilities are:
 - a) Assist the Council as scheme manager:
 - i) to secure compliance with the Local Government Pension Scheme (LGPS) Regulations and any other legislation relating to the governance and administration of the LGPS;
 - ii) to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator;
 - iii) in such other matters as the LGPS Regulations may specify.
 - b) Secure the effective and efficient governance and administration of the LGPS of the Suffolk Pension Fund.

Systems and internal control

- 10. The Council's statement of accounts, including the accounts of the Pension Fund, is subject to external audit by Ernst & Young LLP who produce an audit opinion on the Council's accounts. The auditors produce a separate opinion on the Pension Fund financial statements and an opinion that the Pension Fund annual report is consistent with the Pension Fund accounts.
- 11. The Pension Fund is also subject to an internal review by the Council's internal auditors on the robustness of the Pension Fund's systems, procedures and controls. A report summarising the outcomes of the internal audit reviews conducted during the year and their overall opinion of the effectiveness of controls with the Pension Fund is in **Appendix 2**.
- 12. The Head of Audit Services has provided the opinion that the internal control environment provides sufficient assurance that the Pension Fund financial and administrative systems have adequate controls and effective systems in operation.

Accountability to stakeholders

- 13. The Pension Fund Annual Report and Accounts is available to all employers in the Pension Fund and published on the Pension Fund's website. The Annual Report is the formal mechanism for reporting on the performance of the Fund to its stakeholders. In addition, all the Fund's employers are invited to an annual meeting to receive reports on the activities of the Fund during the year and on any developments relating to the LGPS. This was held on 21 September 2017.
- 14. The Pension Fund committee consults with the employers whenever any significant changes in the Pension Fund's investment strategy or funding strategy are under consideration. In addition, Pension Fund officers maintain a regular

dialogue with individual employers during the year on fund administration issues including regular employer newsletters.

15. Pensioners are kept up to date through the provision of a newsletter informing them of statutory changes to their entitlements. Active and deferred members of the pension scheme are provided with an annual benefits statement.

Governance Compliance Statement

16. All LGPS Funds in England and Wales are required to produce a Governance Compliance Statement, revise it following any material change in their delegation arrangements and publish it.
17. Each authority is required to:
 - a) Keep the statement under review;
 - b) Make appropriate revisions following a material change in respect of any matters mentioned in paragraph 8; and
 - c) If revisions are made:
 - i) Publish the statement as revised; and
 - ii) Send a copy of it to the Secretary of State.
18. The Statement is required to set out:
 - a) Whether the administering authority delegates their function or part of their function in relation to maintaining a Pension Fund to a committee or an officer of the Council;
 - b) Where this is the case, details of:
 - i) The frequency of any committee meetings;
 - ii) The terms of reference, structure and operational procedures in relation to the use of delegated powers; and
 - iii) Whether the committee includes representatives of employing authorities or scheme members, and if so, whether those representatives have voting rights.
 - c) The extent to which a delegation complies with the guidance given by the Secretary of State and if it does not comply the reasons why.
19. The Pension Fund Governance Compliance Statement (**Appendix 3**) sets out how the Council complies with best practice guidelines in regards to the delegation of the Pension Fund.

Sources of further information

- a) Regulation 55 of the Local Government Pension Scheme (Administration)
- b) Regulations 2013 (as amended).

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Suffolk Pension Fund Governance Policy Statement 2018

Purpose

1. Pension Fund administering authorities are required to prepare and publish a governance policy statement. The policy statement must set out:

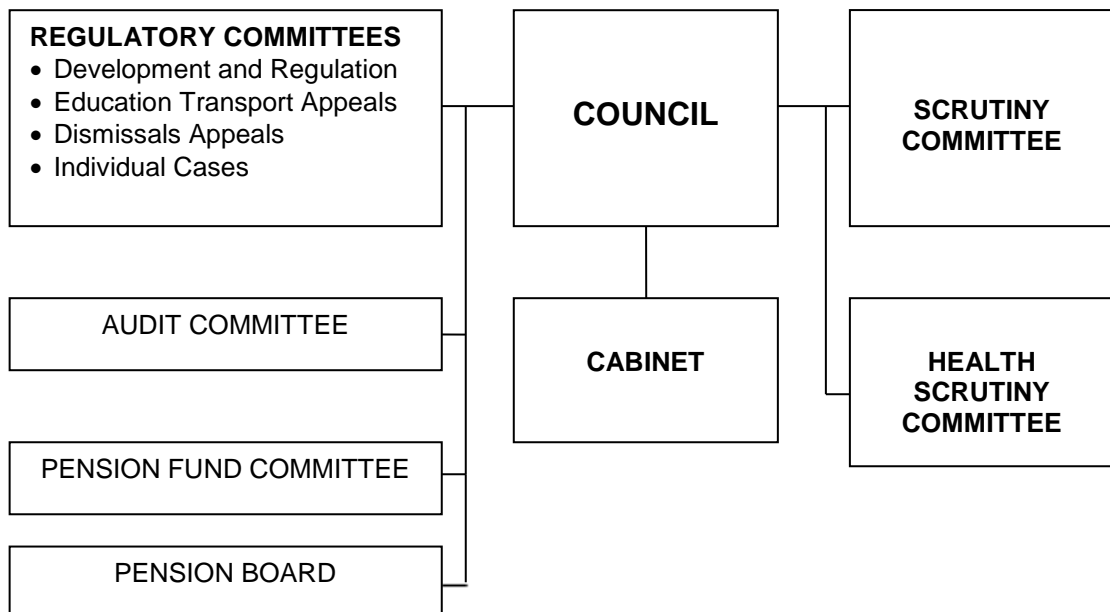
“whether the administering authority delegates its functions in relation to the pension fund to a committee, a sub-committee or an officer of the Council; and where this is the case, details of:

 - (i) the frequency of any committee’s meetings;
 - (ii) the terms of reference, structure and operational procedures in relation to the use of delegated powers;
 - (iii) whether the committee includes representatives of employers or scheme members; and if so, whether they have voting rights.”

2. This policy statement sets out Suffolk County Council’s arrangements for discharging its responsibilities for Pension Fund matters.

Governance of the Suffolk Pension Fund

3. Under the Cabinet structure in local government, management of the Pension Fund is a non-executive function and this is reflected in the Suffolk governance structure that is set out below:



Pension Fund Committee Terms of Reference

4. The terms of reference for the Pension Fund committee are set out below:
 - (a) To be responsible for the effective and prudent management of the Suffolk Pension Fund, having proper regard to the professional advice that it receives.
 - (b) To approve and maintain the fund's investment strategy statement.
 - (c) To consider and approve the fund's funding strategy statement.
 - (d) To review and set the Pension Fund's asset allocation.
 - (e) To appoint fund managers and other providers of professional services for the fund and to review from time to time their terms of appointment.
 - (f) To review and set investment objectives for the fund managers.
 - (g) To receive information on the fund's performance on at least a quarterly basis and to consider future asset allocation and investment strategy.
 - (h) To meet with the fund's investment adviser on at least a quarterly basis to consider the performance of the fund managers.
 - (i) To consider the results and impact of the triennial actuarial valuation and any interim valuation reports.
 - (j) To publicise their stewardship role to all scheduled and admitted bodies of the Pension Fund and to all contributors and beneficiaries by means of an annual report and annual meeting for employers and other stakeholders.
 - (k) To consider and approve if appropriate, the applications of organisations to be admitted bodies of the fund.
 - (l) To consider any other relevant matters on the administration of the Pension Fund investments.
 - (m) To receive regular training to enable committee members to make effective decisions and be fully aware of their statutory and fiduciary responsibilities and their stewardship role.
 - (n) To be responsible for any other matters which fall within the Council's responsibilities as the administering authority for the Pension Fund.

Operational Procedures

5. The committee shall have at least four regular meetings scheduled each year. At these meetings the committee will receive a report on the investment performance of the fund in the quarter.
6. The committee will receive an annual report from the fund's independent performance measurement adviser to review the long-term performance of the fund and the fund's investment managers. In addition, the committee will hold meetings as required, to discuss specific issues, such as the actuarial results, to review the overall investment strategy of the fund and to examine manager performance in greater depth.

7. If a vacancy occurs on the committee, it will not be filled until the nominated member has received appropriate training. Substitutes will only be allowed if they have received appropriate training in the business and responsibilities of the committee.

Communication and Reporting

8. All employers and other stakeholders in the Suffolk Pension Fund will be invited to an annual meeting each year with the Pension Fund committee. The meeting will consider reports on the fund's performance and its actuarial position.
9. The Pension Fund's web site will publish relevant documents and reports relating to the Pension Fund, including the annual report, the investment strategy statement, the funding strategy statement and the fund's policy statement on proxy voting.

Membership of Pension Fund Committee

10. The Pension Fund committee will consist of seven county councillors. Its membership will reflect the political balance of the County Council.
11. There will be in addition two co-opted district or borough councillors, with voting rights, who will be nominated annually by the Suffolk Public Sector Leaders Group.
12. There will also be one co-opted scheme member representative, who will have voting rights, and who will be nominated by UNISON. The scheme member representative will represent the interests of employee members, pensioners and deferred pensioners.

ACCESS Pool Terms of Reference

13. The ACCESS Pool will be governed by a Joint Committee constituted under s101 of the Local Government Act 1972 and made up of one elected councillor chosen by each authority from their Pension Committee. The Joint Committee will be "hosted" by one of the ACCESS local authorities. The host authority will undertake the secretariat function for the Joint Committee.
14. A Chairman and Vice-Chairman of the Joint Committee will be appointed by the members of the Joint Committee. Each elected member will have one vote in any decision requiring a vote, and decisions will be carried by a simple majority with the Chairman having a casting vote if necessary.
15. The specific functions that would be delegated to the Joint Committee are specified in Schedule 2 of the Inter Authority Agreement. The terms of reference are as follows:

Part 1 Functions in relation to the Operator

1. **Specifying Operator services:** Deciding, in consultation with the Councils, the specification of services and functions that the Operator will be required to deliver including the sub-funds and classes of investments required to enable each Council to execute its investment strategy.
2. **Procuring the Operator:** Agreeing the method and process for the procurement and selection of the Operator.
3. **Appointing the Operator:** Making a recommendation to the Councils as to the identity of the Operator and the terms upon which the Operator are to be appointed.
4. **Reviewing the Performance of the Operator:** Keeping the performance of the Operator under constant review and making arrangements to ensure that the Joint Committee is provided with regular and sufficient reports from the Officer Working Group to enable it to do so including but not limited to:
 - 4.1 the performance of the Operator against its contractual requirements and any other performance measures such as any Service Level Agreement (SLA) and key performance indicators (KPIs) and Officer Working Group recommendations on any remedial action;
 - 4.2 sub-fund investment performance;
 - 4.3 investment and operational costs including the annual review of investment manager costs;
 - 4.4 performance against the strategic business plan agreed by the Councils.
5. **Managing the Operator:** The Joint Committee shall:
 - 5.1 Make recommendations to the Councils on the termination or extension of the Operator Contract and
 - 5.2 Make decisions about any other action to be taken to manage the Operator Contract including the giving of any instruction or the making of any recommendation to the Operator including but not restricted to recommendations on investment managers (within any regulatory constraints that may apply).
6. **Appointment of Advisers**
 - 6.1 The Joint Committee may appoint such professional advisers on such terms as it thinks fit. Any procurement of advisers must comply with the constitution of the Authority designated to undertake the procurement and that Authority will enter into a contract with the appointed adviser on behalf of the Authorities.

- 6.2 The Joint Committee shall decide which tasks shall be performed by the Client Unit and which Council shall manage the Client Unit including the employment arrangements for employees in the Client Unit.

Part 2 Functions in relation to management of Pool Assets

7. The Joint Committee shall make recommendations to the Councils on the strategic plan for transition of assets that are to become Pool Assets.

Part 3 Functions Concerning Pool Aligned Assets

8. Making recommendations to the Councils about Pool Aligned Assets (including proposals concerning the migration of investments such as passive investments via life fund policies to become Pool Aligned Assets) in accordance with this Agreement or any other delegation to the Joint Committee by the Councils.

Part 4 Functions concerning Business Planning and Budget

9. Make recommendations to the Councils about the annual strategic business plan for the Pool
10. Determine the budget necessary to implement that plan and meet the expenses of undertaking the Specified Functions (insofar as they will not be met by individual transaction costs paid by Councils to the Operator) in accordance with Schedule 5 hereof.
11. Keep the structures created by this Agreement under review from time to time and make recommendations to the Councils about:
 - 11.1 the future of the Pool;
 - 11.2 any changes to this Agreement; and
 - 11.3 as to the respective merits of continuing to procure operator services by means of a third party or by creation of an operator owned by the Councils.
12. The Joint Committee is required to commence the first review of this Agreement by the second anniversary of its first meeting.
13. The Joint Committee is required to undertake a review of the Pool and this Agreement:
 - 13.1 to be completed 18 months before the expiry of each and every Operator Contract including as a result of the exercise of any option to terminate the Operator Contract;
 - 13.2 whenever a Council gives notice of withdrawal under clause 12 of this agreement.

Pension Board Terms of Reference

16. The role of the Pension Board as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013, is to –
 - a) Assist the Council as Scheme Manager:
 - i. to secure compliance with the Local Government Pension Scheme (LGPS) Regulations and any other legislation relating to the governance and administration of the LGPS;
 - ii. to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator;
 - iii. in such other matters as the LGPS Regulations may specify.
 - b) Secure the effective and efficient governance and administration of the LGPS of the Suffolk Pension Fund
17. The Pension Board is to effectively and efficiently comply with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.
18. The Pension Board will also help ensure that the Suffolk Pension Fund is managed and administered effectively and efficiently and complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.
19. The Pension Board will receive regular training to enable committee members to make effective decisions and be fully aware of their statutory and fiduciary responsibilities and their stewardship role.
20. The Pension Board shall have access to the Council, Pension Fund committee, or any other body or officer that it considers appropriate, in order to fulfil its obligations.

Membership of Pension Board

21. The Board will consist of six members - three Pension Fund employer representatives, and three Pension Fund member representatives. No Board member may also be a member of the Pension Fund committee.
22. The Council will arrange for the selection of the employer and member representatives, ensuring that any vacancies are advertised appropriately in order to provide an opportunity for all to apply, including those from minority groups.

Responsibilities of the Section 151 officer for Pension Fund matters

23. The Council's Head of Finance, the responsible financial officer under section 151 of the Local Government Act 1972, is responsible for all arrangements

concerning the Pension Fund within the scope of the policies that are approved by the Pension Fund committee.

24. The Head of Finance will ensure that the Pension Fund complies with the regulations governing the administration and the investment of the Local Government Pension Fund Scheme as amended from time to time by the Secretary of State for the Ministry of Housing, Communities and Local Government.
25. The Head of Finance will ensure that the Pension Fund complies with Council's Financial Regulations.

CIPFA Code of Practice

26. The Pension Fund adopts the key recommendations of Public Sector Pensions Finance - Knowledge and Skills: A CIPFA Code of Practice.
27. The Pension Fund recognises that effective financial management and decision-making⁽¹⁾ can only be achieved where those involved have the requisite knowledge and skills.
28. Accordingly the Pension Fund will create and maintain formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of public sector pension scheme finance knowledge and skills for those in the organisation responsible for financial management and decision-making.
29. These policies and practices will be guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the CIPFA Pensions Finance Knowledge and Skills Frameworks.
30. The Pension Fund will report on an annual basis how these policies have been put into practice throughout the financial year.
31. This organisation has delegated the responsibility for the implementation of the requirements of the CIPFA Code of Practice to the Section 151 officer who will act in accordance with the organisation's policy statement, and, where if they are a CIPFA member, with the CIPFA Standards of Professional Practice (where relevant).

Note (1) In this context, decision-makers are those with executive authority serving on governing bodies: boards, pensions fund committees, investment committees etc.

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Head of Audit opinion on the work undertaken by Audit Services on the Pension Fund

1. Suffolk County Council is responsible for the administration and investment arrangements of the Local Government Pension Scheme in Suffolk. In discharging its responsibilities, the Council is responsible for ensuring that there is a sound system of internal control.
2. Local government organisations are under an obligation to ensure that their governance arrangements meet best practice, and this applies to their Pension Funds.
3. Audit Services is an integral part of the Council's governance and internal control arrangements. The role, responsibility and objectives of Audit Services are specified in the Council's Constitution. The Head of Finance (Section 151 Officer) has delegated responsibility, under the Accounts and Audit Regulations 2015, to maintain a continuous, adequate and effective internal audit of the County Council's accounting, financial and other processes.
4. The Accounts and Audit Regulations 2015 require that:
"A relevant authority must ensure that it has a sound system of internal control which:
 - (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - (b) ensures that the financial and operational management of the authority is effective; and
 - (c) includes effective arrangements for the management of risk."
5. In addition, the Regulations require:
"A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."

Head of Audit Opinion

6. Based on the findings of the programme of work undertaken on the Pension Fund during 2017-18, it is the opinion of the Head of Audit Services that the control environment provides sufficient assurance that the Pension Fund financial and administrative systems are effective.
7. The Head of Audit Services has performed his duties in accordance with CIPFA's guidance on the Role of the Head of Internal Audit. In giving the audit opinion, it should be noted that assurance can never be absolute. The most that can be provided is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

Findings of internal audit work 2017-18**Investment**

8. The Pension Committee is able to take assurance on the governance and other key controls in place for the Pension Fund Investments. In the areas reviewed, sound systems of control could be demonstrated which has resulted in an overall opinion of Substantial Assurance.
9. Pension investments are subject to annual review by Internal Audit to provide assurance over the effectiveness of controls to manage the fund, by evaluating the effectiveness of governance arrangements, systems and procedures in place to manage the fund effectively. In the areas reviewed, audit was satisfied that a good standard of internal control, governance and risk management could be demonstrated.
10. The review also examined the preparation and progress in response to recent developments of regulatory requirements and investment reforms.
11. The Markets in Financial Instruments Directive (MiFID II), whereby local authorities will be re-classified from their current status of professional clients to retail clients would result in investment restrictions on the Fund as some investments are not deemed suitable for retail clients, limiting the Fund's ability to implement its investment strategy. Internal Audit was satisfied that appropriate action was being taken to allow the Suffolk Pension Fund to opt up to professional status before the legislation came into effect (3 January 2018).
12. The audit reviewed the Fund's approach to the LGPS reforms on asset pooling issued by Government. It was found that good governance arrangements are in place, and that progress is being well communicated with the Pension Fund Committee and Board.
13. There were no findings raised as a result of this review

Pension Fund Scheme Administration

14. The Pension Committee is able to take assurance on the governance and other key controls in place for Pension Fund Scheme Administration. In the areas reviewed, sound systems of control could be demonstrated which has resulted in an overall opinion of Sufficient Assurance.
15. The audit reviewed the controls and systems in operation covering transactions and their life cycle, system controls and the administration of employers and their contributions.
16. This is a service that processes a high volume of intricate and legislation-led transaction tasks on a daily basis and, like other services, faces strained resources and deadline-driven tasks. The audit identified a need to review the control environment as a whole to ensure that the controls in place are still fit for purpose.
17. The opinion encompasses transactions such as retirements, deaths, deferred benefits and transfers and control areas such as training, management checks, performance monitoring, payment controls and so on.
18. Standard system controls were evaluated in the pension system, Altair. The purpose of audit testing in this area was to ensure that the system can only be

used by authorised personnel, access levels are commensurate with business need and upgrades to the system are appropriately tested and implemented. This should be underpinned by an agreement with the software provider that includes back-up arrangements, continuity of service, SLAs and future upgrades. These proved satisfactory although monitoring of the contractual relationship needs to be reviewed.

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GOVERNANCE POLICY STATEMENT
COMPLIANCE WITH BEST PRACTICE GUIDELINES

BEST PRACTICE GUIDELINES	SUFFOLK COUNTY COUNCIL POLICY	COMPLIANT?
STRUCTURE		
1 The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	<i>Suffolk County Council has delegated the management of the Suffolk Pension Fund to the Pension Fund committee.</i>	Yes
2 That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	<p><i>The Pension Fund committee includes two representatives of participating district council employers and a representative of scheme members nominated by UNISON. The Pension Fund committee does not include representatives of other scheduled bodies (e.g. further education colleges), admitted bodies, or specific representatives of either pensioners or deferred members.</i></p> <p><i>No changes to the current arrangements for representation of participating employers are proposed, as the committee has alternative channels of communication for reporting to employers on its stewardship of the Pension Fund.</i></p>	Partially compliant

BEST PRACTICE GUIDELINES	SUFFOLK COUNTY COUNCIL POLICY	COMPLIANT?
3 That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	<i>Not applicable * (see note)</i>	Not applicable
4 That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	<i>Not applicable * (see note)</i>	Not applicable
<p>REPRESENTATION</p> <p>5 That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include :-</p> <ul style="list-style-type: none"> i) employing authorities (including non-scheme employers, e.g., admitted bodies); ii) scheme members (including deferred and pensioner scheme members); iii) independent professional advisers, and iv) expert advisers (on an ad-hoc basis). 	<p><i>The Pension Fund committee does not include representatives of all scheme employers or of deferred members and pensioners.</i></p> <p><i>No changes to the current arrangements for representation of participating employers are proposed, as the committee has alternative channels of communication for reporting to employers on its stewardship of the Pension Fund.</i></p> <p><i>The committee agreed at its meeting on 15 November 2007 to adopt a standing role for its investment advisers, Hymans Robertson, in attending future committee meetings. The activities which the CLG envisage might be undertaken by an independent observer are covered by the terms of reference for Hymans Robertson. In addition, the Pension Fund committee has engaged the services of an independent investment adviser who also attends the committee meetings.</i></p>	Partially compliant

BEST PRACTICE GUIDELINES	SUFFOLK COUNTY COUNCIL POLICY	COMPLIANT?
<p>6 That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers, meetings and training and are given full opportunity to contribute to the decision making process, with or without voting rights.</p>	<p><i>All Pension Fund committee members have equal access to all papers and meetings, are able to participate in training, and are able to contribute to the committee's decision-making process.</i></p>	<p>Yes</p>
<p>SELECTION AND ROLE OF LAY MEMBERS</p> <p>7 That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.</p> <p>VOTING</p> <p>8 The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.</p>	<p><i>All Pension Fund committee members are given training on their responsibilities and are aware of the terms of reference and remit of the Pension Fund committee.</i></p> <p><i>The co-opted elected district councillor representatives and the co-opted employee representative on the Pension Fund committee have voting rights. The Council set out its policy on voting rights for co-opted members in the report on the Governance Policy Statement to Suffolk County Council on 27 March 2008.</i></p>	<p>Yes</p> <p>Yes</p>

BEST PRACTICE GUIDELINES	SUFFOLK COUNTY COUNCIL POLICY	COMPLIANT?
TRAINING/ FACILITY TIME/ EXPENSES		
9 That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	<i>The Pension Fund committee has adopted a training programme for committee members. All Pension Fund committee members are covered by the Council's scheme for reimbursement of expenses for committee members.</i>	Yes
10 That where such a policy exists, it applies equally to all members of committee, sub-committees, advisory panels or any other form of secondary forum.	<i>Not applicable * (See note)</i>	Not applicable
MEETINGS (FREQUENCY/QUORUM)		
11 That an administering authority's main committee or committees meet at least quarterly.	<i>The Pension Fund committee meets on at least four occasions each year.</i>	Yes
12 That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	<i>Not applicable * (see note)</i>	Not applicable
13 That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	<i>All scheme employers and other stakeholders are invited to an Annual Pension Fund meeting, where the financial position of the Pension Fund is presented and there is an opportunity to ask questions in regards to the governance arrangements.</i>	Yes

BEST PRACTICE GUIDELINES	SUFFOLK COUNTY COUNCIL POLICY	COMPLIANT?
<p>ACCESS TO INFORMATION, DOCUMENTS AND ADVICE</p>		
<p>14 That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.</p>	<p><i>All Pension Fund committee members have equal access to all papers and meetings.</i></p>	<p>Yes</p>
<p>SCOPE</p>		
<p>15 That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements</p>	<p><i>The Pension Fund committee's terms of reference include all matters that fall within the Council's responsibility as the administering authority for the Pension Funds.</i></p> <p><i>The Pension Board's terms of reference include all matters regarding compliance with the code of practice in the governance of public service schemes issued by the Pension Regulator</i></p>	<p>Yes</p>
<p>PUBLICITY</p>		
<p>16 That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.</p>	<p><i>The Pension Fund Governance Policy Statement is published on the Suffolk Pension Fund website.</i></p>	<p>Yes</p>

Note: A number of administering authorities manage the discharge of their responsibilities for the Pension Fund through an investment panel, or some other form of secondary committee. The Suffolk Pension Fund Committee is a main committee of the Council, formally constituted under section 101 of the Local Government Act 1972. Therefore, references to arrangements where secondary committees or panels are in place are not relevant to the Council.

Suffolk Pension Board

Report Title:	Compliments, Complaints and Administration Performance
Meeting Date:	23 July 2018
Chairman:	Councillor Richard Smith MVO
Director:	Chris Bally, Deputy Chief Executive and Director of Corporate Services
Assistant Director or Head of Service:	Louise Aynsley, Head of Finance (S151 Officer)
Author:	Stuart Potter, Pensions Operations Manager

Brief summary of report

1. This report provides the Pension Board with an update on the performance of the Pensions Administration Team.

Action recommended

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

Reason for recommendation

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

Alternative options

4. There are no alternative options.

Main body of report

5. This report covers staff performance and team achievements since the previous Board meeting on 6 April 2018.
6. The Service Level Agreements for our 'key' processes between March 2018-June 2018 are shown below:
 - a) Provision of a transfer quote to scheme members within 10 days of the receipt of the estimated value and all necessary information – Total cases 86, percentage completed in SLA 100%
 - b) Estimates are issued to members or employers within 10 working days of receipt of all information – Total cases 230, percentage completed in SLA 97%

- c) Retiring employees are notified of their options within 5 working days of receipt of all information – Total cases 508, percentage completed in SLA 99%
 - d) Retirement lump sums will be paid within 10 working days of receipt of all necessary information after retirement – Total cases 394, percentage completed in SLA 100%
 - e) Notification of survivor benefits will be issued within 10 working days of receipt of all information – Total cases 162, percentage completed in SLA 100%
 - f) Outstanding monies owed in respect of a deceased pension, and any death grant, will be paid within 10 working days of receipt of all information – Total cases 170, percentage completed in SLA 99%
7. As a result of the improved communications and information made available to employers the quality of the annual data returns has been significantly better. However, we are experiencing difficulties with a couple of employers, we are working with them to ensure we can successfully issue statements by the statutory deadline of 31 August. Deferred annual benefit statements will be produced in July before we produce the active member statements. These statements will be issued online, apart from the exception of the 166 individuals who have specifically requested to continue receiving a paper version. A final written communication will be issued to all members in August making them aware their statements are available on Member Self Service. This will be the final communication required to satisfy the conditions of the Disclosure Regulations 2013 to enable us to publish statements solely on this system. In future years we will e-mail members to make them aware when their statement is available.
 8. There have been some LGPS (Amendment) Regulations 2018 issued. As part of the above final written communication to members there will be a notification of these changes and a link to a document on our website if any member would like further information. This information must be communicated to members within three months, requiring us to do this in August.
 9. The most significant change in these regulations is in relation to early payment of deferred benefits for leavers who left the scheme before 1 April 2014. The change was designed to allow all deferred members to take their pension anytime from age 55 up until their normal pension age, which would bring earlier scheme regulations in line with the 2014 regulations. However, while this regulation change has successfully updated the regulations for leavers from 1 April 1998 the change has not had the intended impact for leavers before 1 April 1998. For these members the change means they can only take their deferred pension at age 55 (previously 60) or at Normal retirement age. The only exceptions are those members who opted out of the scheme before 1 April 1998 and are now leaving their employment. This will be reviewed again by Government.
 10. There are also changes in relation to assumed pensionable pay (where individuals are in reduced or nil pay) which enables an employer discretion to allow a longer period of earnings prior to an absence to be counted. In addition to this, there is an expansion of the underpin which means that anyone born before 1 April 1957 who joined the LGPS after 1 April 2012, may have underpin

protection if they transferred in any public-sector scheme benefits. There are also some clarifications provided.

11. Work on the payroll migration project is continuing and we should shortly be agreeing the specific dates/timescales for the data requests and parallel runs. The contract amendments have been signed and the final pieces of the pre-work including the exact requirements for the Costing and General Ledger interfaces are being completed.
12. With the introduction of the General Data Protection Regulation (GDPR) that came into force on 25 May 2018, the team reviewed communications to ensure they are compliant with the new regulations. A specific privacy notice was adapted from a template provided by the Local Government Association and added to our website along with a memorandum of understanding for all employers and a frequently asked questions document for all members. In addition, GDPR wording and links to the privacy notice were added to the footer of all letters. Further to this, we also took the opportunity to remove all pre-populated personal information from communications we issue. All staff are also in the process of completing the Suffolk County Council mandatory e-learning training module on GDPR, however they have also been specifically advised on GDPR in meetings and communications.
13. There was one significant change as a result of GDPR which requires both the employer and the pensions administration team to have explicit consent to process ill health retirements as personal health data is not covered under the LGPS regulations as part of general processing. As a result, the referral process from Suffolk County Council to the Occupational Health provider was amended to require the individual to consent to this. This change has been communicated with to all scheme employers.
14. The microfiche project to digitalise all microfiche is almost complete. The final alphabetical batch has now been sent to Aquila Heywood for them to load into the system at an agreed future date. It is hoped to complete this project in early September 2018 if the scanning bureau and Aquila Heywood can meet these timescales.
15. Since the last board meeting, a new Senior Technical Pensions Officer role has been created to enable more support for the technical side of the administration team and allow the other Senior Officers time to focus on their teams, the successful completion of their workloads and the individual development of staff. In addition, two new Pensions Officers have been appointed, one being one of our former Apprentices who has achieved a promotion and the other an external candidate who commenced on 16 July 2018. We look forward to them all making a positive difference to the administration of the Pension Fund.
16. Since the update at the last board meeting there have been four compliments received by members of the team. These are cases where 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.
17. Two of these compliments were from customers thanking members of the team for their 'clear explanations' and 'being very helpful' in relation to a meeting. Another compliment was from a member thanking the team for their contribution in the commencement of their pension and for her first pensioner newsletter. The final compliment was received from a consultancy firm, who support a number of academy conversions and creation of new Multi Academy Trusts across the

country, and they found the service provided by Suffolk Pension Fund to be 'particularly efficient and helpful'.

18. During this reporting period, there has been one complaint in relation to a member who was not happy that her request for a transfer out of the scheme could not proceed due to the time we had taken to respond. After investigating this complaint, we had not followed our agreed process. However, before responding, we contacted the external pension fund and asked for a special dispensation to allow this transfer late and received agreement to do this. We resolved the complaint with the customer who was satisfied with the outcome.
19. There has also been an IDRPs stage 2 complaint in relation to the amount of a spouse's pension due in respect of a pensioner who had died. The member's partner disputed the amount payable, which had been calculated correctly in accordance with the Regulations in force at that time. This complaint is still being investigated by the nominated Officer.
20. This report will be ongoing in all future Board meetings and will be developed in accordance with the requirements of the Board.

Contribution payments

21. The administration strategy requires contributions from employers to be received by the Pension Fund within five working days of the month end in which the contributions were deducted. The table below summarises the timeliness of receipts received during quarter 4, compared to quarter 3. The collection figures have fallen between the quarters as a number of new employers have joined the Fund and there can sometimes be a delay in the initial months for employers who have had no previous contact with the Pension Fund.

	Quarter 3			Quarter 4		
	Employer	Contributions		Employer	Contributions	
	%	£'000	%	%	£'000	%
On Time	93	26,014	99	89	27,728	93
Up to 1 week late	3	51	0	7	1,348	5
Over 1 week late	4	236	1	4	435	2
Total		26,301			26,510	

22. The table below summarises the timeliness of receipts received during 2017-18:

	2017-18		
	Employer	Contributions	
	%	£'000	%
On Time	90	103,387	95.0
Up to 1 week late	5	3,678	3.5
Over 1 week late	5	1,554	1.5
Total		108,619	

Sources of further information

- a) None.

Suffolk Pension Board, 23 July 2018

Information Bulletin

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

This Information Bulletin covers the following items:

1. [Annual Employers' Meeting](#)
2. [New Employers](#)

1. Annual Employers' Meeting

The annual employers' meeting is to be held on Friday 21 September at Endeavour House, 10 am to 12 noon.

The agenda for the meeting is attached as **Appendix 1**. The employers in the Fund have been formally invited and the event will be promoted on a regular basis to encourage attendance.

2. New Employers

There have been 13 new employers admitted into the Fund during the period April to June. There were 12 new Academies and one Parish Council.

For further information on any of these information items please contact: Paul Finbow Senior Pensions Specialist (Deputy 151 Officer); Email: paul.finbow@suffolk.gov.uk, Telephone: 01473 265288.

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SUFFOLK PENSION FUND ANNUAL EMPLOYERS MEETING

10.00 a.m., Friday, 21 September 2018

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 on Asset Pooling
3. Actuary Update – Craig Alexander, Hymans Robertson, covering:-
 - 2019 Valuation - scene setting and timetable for results
 - Pension hot topics
4. Pensions Administration Update , Stuart Potter, Pensions Operations Manager and Andy Chapman-Ennos, Technical Pension Specialist, covering:-
 - Importance of Data
 - Review of Year End Process in preparation for March 19 Triennial valuation.
5. Open Forum
6. Closing Remarks by Councillor Richard Smith, Chairman of the Suffolk Pension Fund Board

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Suffolk Pension Board Forward Work Programme

Purpose

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

Terms of reference

The terms of reference of the Pension Board are:

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

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	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
Friday, 14 December 2018	Added 23 July 2018	Complaints, Compliments and Administration Performance	To receive a report on the complaints and compliments received by the Fund	Written Report

Meeting date (see Note)	Added to Work Programme	Subject	Short description	How is it anticipated the Board will deal with this issue?
Friday, 14 December 2018	Added 23 July 2018	Suffolk's progress on Pooling of Assets	To receive an update on the progress of pooling assets	Presentation
	Added 23 July 2018	Recent Developments	To receive an information bulletin covering recent developments that the Board has an interest in	Written Report
	Added 23 July 2018	Forward Work Programme	To approve the Forward Work Programme for the Suffolk Pension Board	Written Report
Monday, 11 March 2019	Added 23 July 2018	Complaints, Compliments and Administration Performance	To receive a report on the complaints and compliments received by the Fund	Written Report
	Added 23 July 2018	Suffolk's progress on Pooling of Assets	To receive an update on the progress of pooling assets	Presentation
	Added 23 July 2018	Pension Board Risk Register	To review the Pension Board Risk Register	Written Report
	Added 23 July 2018	Recent Developments	To receive an information bulletin covering recent developments that the Board has an interest in	Written Report

Meeting date (see Note)	Added to Work Programme	Subject	Short description	How is it anticipated the Board will deal with this issue?
Monday, 11 March 2019	Added 23 July 2018	Forward Work Programme	To approve the Forward Work Programme for the Suffolk Pension Board.	Written Report

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

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

Revised – July 2018