

Pension Fund

Annual report 2009/10





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Additional Statements

(published on Suffolk County Council website www.suffolk.gov.uk)

- Governance Policy Statement
- Governance Compliance Statement
- Statement of Investment Principles (No. 1 and No. 2 Funds)
- Funding Strategy Statement (No. 1 and No. 2 Funds)
- Actuarial Report (No. 1 and No. 2 Funds)
- Administration Strategy
- Voting Policy Statement

Chairman's Report

I am pleased to present the Suffolk County Council Pension Fund Annual Report and Accounts for 2009-10.

The past year has been an excellent year for stock markets and our investments have produced a return of 32.9% in 2009-10. Unfortunately this has only gone part of the way to reversing the impact of the fall in stock markets in the previous two years as a result of the credit crunch. Looking longer term, over the past 10 years the investment return for the fund was 3.3% per year, well below the level needed for the fund to maintain its long-term funding level. Poor investment returns over the medium term combined with other actuarial developments such as improvements in life expectancy have put pressure on the funding level of the Suffolk Pension Fund; this is a problem that has been experienced by many pension funds in both the public and private sector.

The actuarial assessment of the Suffolk Fund's funding level has deteriorated from 89% funded in 2007 to 73% funded at March 2010. We will have the full actuarial valuation later in 2010 and we will be talking to employers about our proposals for the future funding strategy of the Pension Fund. I am confident that the Pension Fund Committee will be able to approve a funding strategy for the next three years which meets our

key objectives of stability, affordability and prudence in setting the contributions to the fund that are needed from individual employers.

The new Government has announced its intention to set up an independent commission to review the arrangements for public sector pensions, including the local government pension scheme. I believe that the local government pension scheme can continue to be an important element of the remuneration arrangements for public sector employees, while meeting the Government's objectives of affordability, sustainability and fairness between scheme members, employers and the taxpayer. We look forward to contributing to the public debate on the future of the scheme.

Councillor Peter Bellfield
Chairman of Pension
Fund Committee

June 2010



“The new Government has announced its intention to set up an independent commission to review the arrangements for public sector pensions, including the local government pension scheme.”

Report of the Head of Strategic Finance



Explanation of Financial Statements

The County Council is responsible for the administration of the local government pension scheme in Suffolk. We manage two pension funds of which the No. 1 Fund is the main fund, covering most of the employees and pensioners in the local government pension scheme in Suffolk. This report sets out the pension funds' income and expenditure, and assets and liabilities for the financial year ended 31 March 2010. The report also provides information about the management structure of the funds, their membership and administration and an analysis of investment performance.

Investment Performance of the No.1 Pension Fund

The Suffolk No. 1 Pension Fund produced an investment return of 32.9% in 2009-2010. This was an excellent result in absolute terms, and it reflected the strong performance by most major stockmarkets in 2009-2010 after the falls in markets during the previous two years. However despite the strong returns in 2009-10, the impact of the credit crunch has meant that the fund has produced a return over the three years to March 2010 of only 0.2% per year.

The returns of the Fund over the medium term are better. Over the past five years, the No. 1 Fund produced an investment return of 6.6% per year. However over the past 10 years, the fund's overall return was 3.3% per year. This is significantly below the long-term investment return expected by the fund's actuary. This reflects the impact of the falls in most stockmarkets in the early years of the new century after the collapse of the dotcom bubble.

Returns from most major equity markets over the past 10 years have been well below the long-term expected levels. The FTSE All Share Index produced a return of 2.6% per year over this period. The long-term investment performance of the Suffolk Pension Fund is similar to that of local authority funds generally which like Suffolk have had around 70% of their assets in equities over this period. The Pension Fund Committee undertakes a regular review of the investment strategy of the fund. However it is likely that we will continue to maintain a substantial weighting in equities as part of the fund's overall asset allocation.

The Suffolk Pension Fund assesses its own investment performance and the performance of its managers by making a comparison between the fund's investment return and the return of the benchmark (based on the indices of the markets that the Suffolk fund is invested in). On the basis of this comparison, the fund underperformed its benchmark by -2.4% in 2009-10. This reflects the underperformance of

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several of our investment managers in 2009-10, including Newton, Alliance Bernstein, Schroders and the fund’s two currency managers, Millennium and Record Currency Management.

Over the past five years, the fund’s performance is slightly worse than its benchmark, by -0.4% per year, and over the past 10 years the fund’s managers have also underperformed collectively by -0.6% per year. The Pension Fund Committee has made changes to its investment management arrangements over this period, most recently in 2007, with the introduction of three new equity managers (Newton, JP Morgan and BlackRock) and two currency managers (Millennium and Record Currency Management). The Committee continues to keep the performance of our fund managers under review, but it recognises that a manager’s performance needs to be assessed over a sufficient period of time to allow short-term market fluctuations to work their way through.

Actuarial Valuation and Funding Strategy Statement

We are required to obtain an independent actuarial valuation of the fund’s assets and liabilities and to approve a Funding Strategy for the Fund every three years. The fund had an actuarial deficit of £158 million at the most recent statutory actuarial valuation at March 2007 and the fund’s assets represented 89% of its liabilities at that date.

Between the triennial valuations the Pension Fund Committee monitors the actuarial position of the Fund on a quarterly basis. The poor investment returns over the period from March 2007 to March 2010, combined with other adverse actuarial factors, have been reflected in a deterioration of the funding level from 89% funded at March 2007 to approximately 73% funded at March 2010.

The statutory actuarial valuation will be completed later during 2010 and this

will form the basis for the Pension Fund’s Funding Strategy for the three years starting April 2011. The Funding Strategy will set out the Pension Fund’s approach to funding the liabilities of the fund, recovering the fund deficit and setting the future contributions to the fund required from individual employers. The Pension Fund Committee will consult with employers and other stakeholders in the fund in determining the Funding Strategy for the next three years.

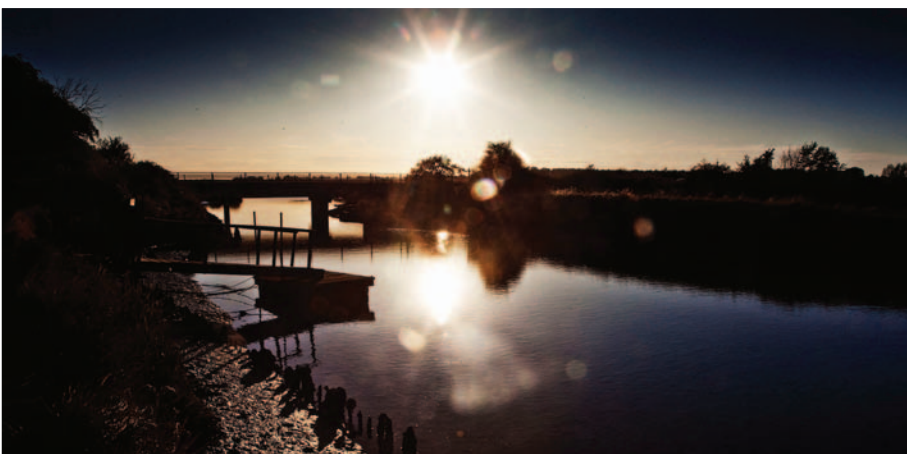
Audit

The Pension Fund accounts are included within the County Council’s Statement of Accounts for 2009-10, which is subject to audit by the Audit Commission. The Pension Fund’s statement of accounts is subject to a separate audit opinion as part of that audit. The full Pension Fund Annual Report and Accounts is not subject to a separate audit. However as part of the audit, the external auditor will provide an opinion to confirm that the information contained within Pension Fund Annual Report and Accounts is consistent with that contained within the County Council’s Statement of Accounts.

Geoff Dobson

Head of Strategic Finance

June 2010



Governance Report



“ This report describes how Suffolk County Council discharges its responsibilities for the administration of the local government pension scheme in Suffolk ”

This report describes how Suffolk County Council discharges its responsibilities for the administration of the local government pension scheme in Suffolk.

The Local Government Pension Scheme (LGPS) is a pension scheme established under statute, which provides pension benefits for local government employees and certain other groups of workers involved in the provision of local government services. Administering authorities for the LGPS were established by the Local Government Superannuation Act 1972 and Suffolk County Council is the administering authority for the LGPS within Suffolk.

The County Council is required to approve a Governance Policy Statement, which sets out how its statutory responsibilities for the LGPS pension funds will be met. Under this statement, the Suffolk County Council Pension Fund Committee has been made responsible for the management of the pension funds.

Pension Fund Committee

The Pension Fund Committee's key responsibilities are:

- (a) the effective and prudent management of the Suffolk pension funds.
- (b) the approval of the funds' investment strategy and the appointment of the investment managers.
- (c) the approval of the funding strategy for the funds following the triennial actuarial valuation, and the determination of the employers' contributions to the funds.

Membership of the Committee

The Pension Fund Committee consists of five county councillors, who are appointed by the County Council. In addition there are two district council representatives, who are appointed by

the Suffolk Local Government Association. A scheme member representative, who is nominated by UNISON, is also co-opted to the Committee.

Following the local government elections in June 2009, the new County Council appointed the following county councillors to the Committee: Peter Bellfield (Chairman), John Klaschka (Vice-chairman), Jeremy Pembroke, Guy McGregor and Richard Kemp. The district councillor representatives were Councillors Derrick Haley (Mid-Suffolk District Council) and John Hale (St Edmundsbury Borough Council). Mr Andrew Monro was UNISON's nominated representative on the Committee.

Advisers to the Committee

The Pension Fund Committee is advised by the County Council's Head of Strategic Finance, Geoff Dobson. The Pension Fund Committee is also assisted by a number of external professional advisers, with the principal adviser being Hymans Robertson LLP, the fund's actuary and investment adviser.

Committee Training

The Committee has adopted a training strategy and Committee members receive regular training on investment and actuarial matters to allow them to discharge their responsibilities for the pension fund. Training is provided via a variety of in-house sessions undertaken by Hymans Robertson, by training organised by the Local Government Employers and by attendance at investment seminars organised by fund managers and other organisations.

Reporting and controls

Suffolk County Council's statement of accounts, including the accounts of the pension funds, are subject to external audit by the Audit Commission. The Audit Commission produce an audit opinion on the Council's accounts. The Pension Fund Annual Report and Accounts is not subject to an audit separate from that carried out on the Council's accounts. However the auditors produce a statement for the Pension Fund Annual Report to confirm its consistency with the Council's accounts. The Pension Fund is also

subject to an internal review by the Council's internal auditors who produce a Statement of Internal Control. This comments on the robustness of the Pension fund's systems, procedures and controls. There were no concerns raised by the internal auditors in the statement of internal control for 2009-10.

The Pension Fund Annual Report and Accounts comprises the Annual Report and a number of additional documents, whose publication is prescribed under the regulations governing local authority pension funds. The additional documents comprise the fund's governance policy statement, the governance compliance statement, the statement of investment principles, the funding strategy statement, the actuarial statement, the administration policy statement and the pension fund's voting policy. The Pension Fund Annual Report and Accounts, including these additional statements, is published in electronic form on the County Council's website.

The Pension Fund Committee invites all employers in the fund to an annual meeting to receive reports on the fund's performance in the year and on other developments relating to the pension fund. The annual meeting for 2008-09 was held on 8 February 2010 and contained presentations from the Head of Strategic Finance, the fund's actuary, Hymans Robertson, one

of the fund's investment managers, Legal and General, and the fund's pensions manager, Lynn Wright.

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 the Council's officers maintain a regular dialogue with individual employers during the year on fund administration issues.

Governance Compliance Statement

The Government has issued guidance setting out best practice on the governance arrangements for LGPS funds and administering authorities are required to report on any variations from the best practice guidance. The Suffolk Pension Fund's governance arrangements comply with the Government's guidance in all material respects. The Governance Compliance Statement is published on the County Council's website.



“The County Council is required to approve a Governance Policy Statement, which sets out how its statutory responsibilities for the LGPS pension funds will be met.”



Public Policy Statements

The following policy statements are reviewed regularly by the Pension Fund Committee. They are published on the County Council's website:

Governance Policy Statement.

The governance policy statement sets out the arrangements approved by the County Council for the discharge of its responsibilities for the LGPS in Suffolk.

Governance Compliance

Statement. The governance compliance statement sets out the extent to which the County Council's governance arrangements for the pension fund complies with the Government's best practice guidance

and provides explanations of any variations from that guidance.

Statement of Investment

Principles (SIP). The statement of investment principles (SIP) provides an overview of the investment strategy for the pension fund's investments. There is a separate SIP for each of the two Pension Funds.

Funding Strategy Statement

(FSS). The funding strategy statement (FSS) sets out the approach taken by the Pension Fund Committee to meeting the long-term liabilities of the fund. It includes the determination of the individual employers' contributions to the fund for the three years following

the triennial actuarial valuation. There is a separate FSS for each of the two Pension Funds.

Administration Policy Statement.

The administration policy statement, which includes the pension fund's communication policy, sets out the arrangements for the administration of the pension fund, including the performance standards which the County Council and the fund's employers are expected to achieve.

Voting Policy. The voting policy sets out the pension fund's policies in relation to voting the shareholder rights attached to the fund's shareholdings.

Management Report

Introduction

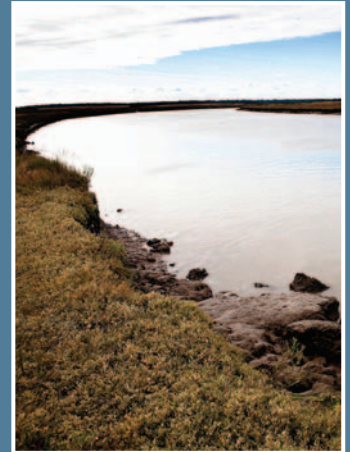
Following the County Council elections in June 2009, five county councillors were appointed to the Pension Fund Committee in June 2009, with Councillor Peter Bellfield serving as Chairman and Councillor John Klaschka as Vice-Chairman. Councillor Derrick Haley continued during 2009-2010 as a district councillor representative on the Committee and Councillor John Hale joined the Committee as the other district councillor representative with effect from November 2009. Mr Andrew Monro continued during 2009-2010 as the scheme member representative nominated by UNISON. The Pension Fund Committee met on six occasions during 2009-2010.

Investment Manager Reviews

The Committee has received reports on the performance of all its investment managers on a quarterly basis throughout the year. In addition it has conducted a number of in-depth reviews of individual managers. Following a sustained period of underperformance, the Committee reviewed the performance of AllianceBernstein at its meeting in June 2009 and again in January 2010. Although AllianceBernstein underperformed during 2009-2010, the Committee has agreed to continue the mandate pending a further review in a year's time. The Committee reviewed the performance of Record Currency Management at its meeting in July 2009. The Committee agreed to suspend allocations of new money to the manager, pending a further review of the mandate which will take place in 2010-2011.

Actuarial Monitoring

The Committee has reviewed the actuarial position of the fund on a quarterly basis during the year. The actuarial position of the fund improved during the year, from a low point of 60.5% funded at March 2009 to an estimated 72.9% funded at March 2010. This is still substantially below the funding level of 89% at the last triennial valuation in March 2007. The Committee commissioned a review by the actuary during the year to examine the prospects for the 2010 actuarial valuation and the options available to stabilise the contributions required by employers following the valuation. The actuarial results for individual employers will be available later in 2010 and the Committee will consult with employers in determining the funding strategy for the three years starting April 2011.



“Following the County Council elections in June 2009, five county councillors were appointed to the Pension Fund Committee in June 2009”

Investment Strategy

The fund's investment strategy is set out in its statement of investment principles (SIP). Best practice guidelines for institutional investors were developed by Sir Paul Myners following a review commissioned by the Government in 2000, and pension funds are required to report in their SIP on their compliance with these guidelines. The guidelines were revised following a review in 2008, and the Committee reviewed its investment practices against the new Myners guidelines in September 2009.



The Pension Fund Committee agreed to undertake a review of investment strategy for the fund during 2009-2010 and it received a number of presentations from the fund's investment advisers, Hymans

Robertson LLP. The review is expected to be concluded during 2010-2011. Scheme employers and other stakeholders will be consulted on any changes to the investment strategy that are proposed for the fund.

Pension Fund Committee

Councillor Peter Bellfield - Chairman
Councillor John Klaschka
Councillor Guy McGregor
Councillor Jeremy Pembroke
Councillor Richard Kemp

Suffolk Local Government Association (SLGA) representatives:

Councillor Derrick Haley
Councillor John Hale
(from November 2009)

UNISON representative:

Mr. Andrew Monro

Pension Fund SCC Contacts

Investments

Peter Edwards
Corporate Finance Manager
Suffolk County Council, Endeavour House, 8 Russell Road, Ipswich, Suffolk IP1 2BX

Benefits

Lynn Wright
Payroll and Pensions Manager
Constantine House
5 Constantine Road
Ipswich, Suffolk, IP1 2DH

Pension Fund Advisers

Actuaries

Hymans Robertson LLP

Investment Consultancy Service

Hymans Robertson LLP

Investment Custodians

State Street

Auditors:

Audit Commission

Investment managers

Aberdeen Asset Management Limited
AllianceBernstein Institutional Investments
BlackRock Investment Management
JP Morgan Asset Management
Legal & General Investment
Millennium Global Investments
Newton Investment Management
Pantheon Ventures
Record Currency Management
Schroder Property Investment
Wilshire Associates



Banking and treasury management arrangements

New regulations governing the management of local government pension fund investments were issued during 2009-2010 (S.I. 2009/3093). These regulations were largely a consolidation of the existing investment regulations. However they also introduced certain changes governing the management of pension fund cash by the administering authority. With effect from April 2010 local authority pension funds will no longer be permitted to lend pension fund cash to the administering authority. With effect from April 2011 local authority pension funds will also be required to maintain separate bank accounts, to ensure that pension fund transactions are segregated from those of the administering authority.

The Pension Fund Committee approved a treasury strategy for the management of pension fund cash, held temporarily pending its allocation to the fund's investment managers.

Any pension fund cash held by the County Council will be invested on behalf of the pension fund in a AAA-rated money market fund. The implementation of a separate bank account for the pension fund will take place during 2010-2011.

Pension Fund No. 2

The Pension Fund No. 2 exists to provide retirement benefits for certain employees and pensioners of Ipswich Buses, which is an admitted body within the local government pension scheme in Suffolk. Ipswich Borough Council is the guarantor for the scheme. Ipswich Buses advised that it intended to transfer its existing active scheme members into alternative pension arrangements from January 2010. As a result at March 2010, the membership of the No 2 fund consists of deferred scheme members and pensioners only.

The Pension Fund No 2 has a net cash outflow to meet its pensions liabilities, which will over the course of time

require the disposal of assets to meet pensions payments. The Pension Fund Committee agreed to move the assets and liabilities of the No 2 fund into the No 1 Fund during 2010-2011, in order to manage the future cash flow of the fund more efficiently.

Risk Management

During 2009-2010 the Pension Fund Committee agreed to adopt a formal framework for the identification and management of the risks that the pension fund is exposed to. The Committee agreed that pension fund risks and the associated control measures should be recorded on a pension fund risk register and subject to review by the Committee at regular intervals.

Training and Development of Pension Fund Committee members

During 2009-2010 the local authority accountancy body, CIPFA, published guidance on the training and development of officers and committee members with responsibilities relating to the local government pension scheme. The Pension Fund Committee agreed to adopt the CIPFA Knowledge and Skills Framework as the basis for determining the future training needs of Pension Fund Committee members. It is anticipated that all committee members will undertake an appropriate level of training in accordance with the framework.

Voting Policy

The pension fund investments in UK and overseas equities give the Pension Fund the right to vote on the resolutions at company general meetings. The Pension Fund Committee has a voting policy which covers our holdings in the top 350 UK companies. This represents around 90% of our UK equities by value. Voting is carried out on our behalf in accordance with Suffolk County Council voting policy by Pension Investment Research Consultants (PIRC). A copy of the detailed voting

guidelines can be obtained from the Head of Strategic Finance.

The general principles followed in our voting guidelines are:-

- We will vote in favour of proposals at annual and extraordinary general meetings which comply with good practice on corporate governance.
- We will vote against proposals

which breach the code where the company is unable to provide a satisfactory explanation of its policy.

With effect from April 2010, the Pension Fund Committee has agreed to extend the voting by the Pension Fund to include its overseas equity holdings.

Cost of Running the Fund

The Pension Fund Committee reviewed the management costs of the fund during 2009-2010. The costs of administration and investment management increased by £1,278,000 (30%) in 2009-2010. The main factor that determines the investment management expenses of the fund is the value of the funds under management, which increased by 38% in 2009-2010.

The total administration and investment management costs represent about 0.4% of the value of the Fund at 31 March 2010, which is broadly in line with the local authority average.

Administrative and Management Expenses	2008-09 £000	2009-10 £000
Administrative Costs		
Suffolk County Council	1,073	1,074
Actuarial and Investment Advisory Services	155	145
Audit Fees	47	48
Other Charges	69	162
	1,344	1,429
Fund Management Expenses		
Aberdeen	157	187
Legal & General	343	406
Schroders	154	156
AllianceBernstein	489	458
BlackRock	180	636
Blackrock performance fee	273	700
Newton	701	812
JP Morgan	501	623
Millennium	6	6
Custodian (State Street Bank and Trust)	83	96
	2,887	4,080
Total	4,231	5,509

Administration Report

Introduction to the Fund

The Suffolk County Council Pension Fund is part of the Local Government Pension Scheme (LGPS). The LGPS is governed by statute and the statutory responsibility for the LGPS falls under the remit of the Minister of State for the Department for Communities and Local Government.

The County Council is the administering authority for the Suffolk County Council Pension No. 1 Fund. Its duties are fulfilled by delegating the necessary powers to the Pension Fund Committee, with day-to-day decision-making undertaken by the Head of Strategic Finance.

The Scheme is open to all County Council employees (except teachers and fire fighters who have their own scheme), employees of the Suffolk district councils and employees of certain other public bodies (known as scheduled bodies) within Suffolk. Parish and Town Councils may decide by resolution to allow their employees join the pension fund. The regulations also permit the County Council to admit to the fund certain other bodies providing public services. The County Council also administers a separate smaller No. 2 pension fund, which provides pension benefits for certain employees and pensioners of Ipswich Buses Ltd.

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 through contributions from employees and employers and by earnings from the fund's investments. The surplus of contributions and investment income over benefits currently being paid is invested in compliance with the regulations.

The employers' contributions are assessed periodically by the Fund's Actuary and have to be enough to maintain the long term solvency of the Fund. The law requires these reviews (actuarial valuations) to be carried out every three years. The last statutory actuarial valuation was carried out as at 31 March 2007.



“*The Suffolk County Council Pension Fund is part of the Local Government Pension Scheme (LGPS).*”

Administration of the Fund - Key facts and figures

2 the number of funds managed by Suffolk County Council.

19,759 number of members paying into fund.

11,032 number of pensioners and dependants currently receiving benefits from the scheme.

59 number of employers in the fund in 2009/10

£73.1m the amount paid in by employers in 2009/10

£20.8m the amount paid in by members in 2009/10.

£47.7m paid out in pensions in 2009/10.

£4,320 average annual pension paid to retired members.

- 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.

Amendments to regulations were issued on 24th December 2009 and came into force on 31st December 2009 and amended five different sets of regulations, although the amendments were mostly technical and minor, with some corrections of previous errors and omissions.

Pensions administration

The local government pension scheme administration team is led by Lynn Wright, the Pensions Manager, and consists of 19.5 FTE staff who carry out the full range of pension administration functions. There is a range of experience within the team from 20+ years to 6 months, with the majority having pension experience in excess of 5 years.

Within the pensions administration team is a help desk facility maintaining a call abandonment rate of <5%. All calls are recorded and regular quality monitoring is undertaken of the calls and e-mails received. 71% of all calls are answered by the helpdesk team at first point of contact.

Pensions administration involves:

- Maintaining an accurate database of pension scheme members,
- 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;
- Calculating and paying dependent pensions and lump sums when a member, deferred member or pensioner dies;
- Paying pensioners monthly;
- Providing estimates of benefits, information on entitlements and implementing pension sharing orders on divorce;
- Calculating and paying dependent pensions and lump sums when a member, deferred member or pensioner dies;
- Paying pensioners monthly;
- Providing estimates of benefits, information on entitlements and implementing pension sharing orders on divorce;

Regular 6-monthly meetings are held with employer representatives on administration matters, which this year included legislation updates, end of year routines and procedures, TUPE and pensions and maternity, paternity and unpaid leave. A guidance manual has been issued to employers and training on administration matters was given to employer representatives to enable them to better understand the pension issues they may face in the course of a day.

Annual benefit statements were issued together with a revised pension scheme booklet which takes account of the changes in the pension scheme from April 2008. Surgeries, workshops and presentations for scheme members have also been held during the year.

An Administration strategy has been developed to help in delivering a high quality administration service to scheme members and other interested parties. The strategy statement sets out the quality and performance standards expected of Suffolk County Council in its role of administering authority and a scheme employer, as well as all other scheme employers within the Suffolk Fund. It seeks to promote good working relationships, improve efficiency and enforce quality assurance between the scheme employers and the administering authority.

Pension fund liaison officers have been introduced this year. These are members of the pensions team that have a specific responsibility for employers within the fund. They are there to help out with difficult issues, provide information and to be the first point of contact for any issues and concerns.

Benefits of the Pension Fund

Most of the benefits payable under the regulations are mandatory but in certain instances discretion is given to employing bodies. Pensions payable from the Fund are defined as “official pensions” for the purposes of the Pensions (Increase) Act 1971, the effect of which is to increase the pension annually in line with movements in prices..

The local government pension scheme pays more than the minimum pension

requirements of the State Second Pension (S2P) scheme (formerly the State Earnings Related Pension Scheme, SERPS) and the pension scheme is therefore classified as being ‘contracted out’.

The core benefits are

- A guaranteed pension based on final pay and the length of service in the scheme.
- The ability to provide a tax-free lump sum by commutation of pension. Members of the scheme prior to 1 April 2008 have a tax free lump sum of approximately three times the pension accrued based on service 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 permanently due to permanent ill health.
- Pensions increases in line with inflation.
- Pensions are payable from age 50 (age 55 from April 2010) with employer’s consent, including flexible retirement.

Costs of Membership

Employees pay between 5.5% and 7.5% of the pay they receive for their contractual hours. The rate employees pay depends on the pay band they fall into. Here are the pay bands that applied from April 2009

If your Whole time Pay Rate is:	You pay a contribution rate of:
Up to £12,600	5.5%
£12,601 to £14,700	5.8%
£14,701 to £18,900	5.9%
£18,901 to £31,500	6.5%
£31,501 to £42,000	6.8%
£42,001 to £78,700	7.2%
More than £78,700	7.5%

Employers in the fund

Scheduled Bodies

Suffolk County Council
Babergh District Council
Forest Heath District Council
Ipswich Borough Council
Mid Suffolk District Council
St. Edmundsbury Borough Council
Suffolk Coastal District Council
Waveney District Council
Suffolk Valuation Tribunal
Suffolk New College
West Suffolk College
Lowestoft College
Otley College
Suffolk Police Authority
Suffolk Probation Service

Resolution Bodies

Beccles Town Council
Bury St. Edmunds Town Council
Brandon Town Council
Felixstowe Town Council
Framlingham Town Council
Hadleigh Town Council
Haverhill Town Council
Kesgrave Town Council
Newmarket Town Council
Stowmarket Town Council
Sudbury Town Council
Woodbridge Town Council
Leiston-cum-Sizewell Town Council

Great Cornard Parish Council
Mildenhall Parish Council
Onehouse Parish Council
Pinewood Parish Council
Woolpit Parish Council
Nayland & Wissington Parish Council
Boxford Parish Council

Leavenheath Parish Council
Lakenheath Parish Council

Admitted Bodies

1ST East
Abbeycroft Leisure
Anglia Community Leisure Trust
Association of Colleges in the Eastern Region
Coastal Homeless Action Group
Churchill Contract Services
Care Quality Commission (formerly Commission for Social Care Inspection)
Design Clean Ltd
Hadleigh Market Feoffment Charity
Havebury Housing Partnership
Housing 21
Kings Forest Housing Ltd.
Longshop Project Trust
Papworth Trust
Partnership In Care Ltd.
Seckford Foundation
Sports and Leisure Management Ltd
Suffolk Association of Local Councils
Suffolk Coastal Leisure Community Assn. Ltd.

University Campus Suffolk
Waveney Norse

Other Employers (no active members)

Aldeburgh Town Council
Community Council For Suffolk
Ely, Mildenhall & Newmarket Water Board
Felixstowe Dock and Railway Company
Ipswich and District Citizens' Advice Bureau
Lakenheath Internal Drainage Board
Leiston Town Council
Mid Suffolk MIND
Mildenhall Fen Internal Drainage Board
Museum of East Anglian Life
National Care Standards Commission
Suffolk Archaeological Unit
Suffolk Development Agency
Suffolk Heritage Housing Association
Suffolk Magistrates' Courts Committee
Suffolk Old People's Welfare Association
Suffolk Trust for Nature Conservation
West Suffolk Water Board



Summary of Financial Position and Membership

The following table shows a summary of the financial position at the end of the year.

Financial Summary	2005-06 £'000	2006-07 £'000	2007-08 £'000	2008-09 £'000	2009-10 £'000
Contributions	82,988	87,963	85,775	90,622	93,826
Other Income	11,201	7,040	7,632	5,467	8,895
	94,189	95,003	93,407	96,089	102,721
Benefits Payable	-42,521	-46,636	-49,023	-55,537	-62,923
Other Expenditure	-14,056	-5,577	-4,417	-5,422	-6,115
	-56,577	-52,213	-53,440	-60,959	-69,038
Net additions / withdrawals (-) from dealings with members	37,612	42,790	39,967	35,130	33,683
Investment Income (net of fees)	18,301	18,387	20,475	21,442	18,445
Change in Market Value of Investments	216,255	72,866	-55,877	-324,595	325,247
Net Return on Investments	234,556	91,253	-35,402	-303,153	343,692
Change in Fund during year	272,168	134,043	4,565	-268,023	377,375
Net Assets at 31 March (Market Value)	1,166,602	1,300,645	1,305,210	1,037,187	1,414,562
Membership Summary	2005-06	2006-07	2007-08	2008-09	2009-10
Members	17,517	17,977	18,336	19,058	19,759
Employee Pensioners	7,417	7,721	8,157	8,635	9,261
Widow / Widower Pensioners	1,533	1,545	1,599	1,671	1,771
Deferred	9,189	10,748	11,861	12,442	13,861
Total	35,656	37,991	39,953	41,806	44,652

Investment Report

Market Review by Hymans Year to 31 March 2010



“After sharp falls in the previous 12 months, equity markets recovered very strongly during the year to end March 2010.”

After sharp falls in the previous 12 months, equity markets recovered very strongly during the year to end March 2010. In the early months, evidence that government stimulus packages were being effective supported markets. Expectations that the worst of the economic crisis would soon be over gathered strength.

Hope turned to reality in the final months of 2009, as major developed economies recovered from recession. The US and Japan were first to report a return to economic growth, followed by the Eurozone (which has since ground to a standstill).

In January 2010, and after six consecutive quarters of economic contraction, the UK also returned to economic growth. Both manufacturing and service sectors contributed to the recovery. During the recession, the UK economy contracted by close to 6% in aggregate. This loss will take some time to make good, particularly if some capacity was permanently lost during the recession.

In contrast to the developed economies, China weathered the economic storm relatively well. The economy expanded by a little under 8.7% during 2009, despite the global downturn. China is now close to overtaking Japan's position as the world's second largest economy.

UK equities, as measured by the FTSE All Share Index, returned 52.3% over the twelve months to end March 2010.

In local currencies, European (ex UK) equities returned 51.4% and those of North America 49.1%. Japanese equities returned 29.7%. When translated into Sterling, returns from North America and Europe (ex UK) were lower, reflecting the appreciation of Sterling against the US\$ and the Euro. Against the Yen, Sterling changed little over the period.

The best performing global sectors (relative to the FTSE 'All World' Index) over the twelve months were Basic Materials (+18.6%) and Financials (+13.8%). The poorest performing sectors were Utilities (-18.5%) and Telecoms (-17.8%).

Yields on government fixed interest bonds rose (prices fell) modestly during the twelve months; the 'All Stocks' Index returned just 0.8%. In contrast, index linked issues returned 10.3%, reflecting concerns over inflationary pressures as the economy moves out of recession. The strongest returns in bond markets came from corporate issues, +31.2% over the year, as credit spreads narrowed from historically high levels.

The global economic recovery remains uneven and is tentative at best. Fears of a 'double dip' recession cannot be dismissed and for this reason central banks are treading a wary path. The expectation is that short-term interest rates will remain low for some time. In the UK, the Bank of England held short-term interest rates at a record low of 0.5% throughout the twelve months and, commencing in March 2009, provided £200bn of additional economic stimulus, through its programme of quantitative easing.

The Greek debt crisis which erupted towards the end of the period illustrates the perils of running a high level of public debt. Loss of investor confidence is the major threat. In the UK, the immediate and most pressing economic challenge for the new Government will be the management of public finances. A robust approach is required to retain the confidence of the international community and to avoid a serious decline in Sterling against its major trading partners. The next budget will be very different from that delivered in March 2010.

John Hastings

Hymans Robertson

18 May 2010

Investment Powers

1. The principal powers to invest pension fund assets are contained within the Local Government Pension Scheme (Investment and Management of Funds) Regulations 2009 (S.I. 2009/3093) which allow a wide range of investments.
2. The most significant restrictions in the regulations are that:-
 - (a) Not more than 10% of the fund (15% where a higher limit is approved) may be invested in securities which are not listed on either the UK Stock Exchange or a foreign stock exchange of international repute.
 - (b) With the exception of gilts and bank deposits with an institution authorised under the Financial Services and Markets Act 2000, no more than 10% may be invested in a single holding.
 - (c) Not more than 10% may be deposited with any one bank.
 - (d) Loans made from the fund, but not including loans to the UK Government, may not in total exceed 10%.
 - (e) Not more than 10% may be invested in an individual bond with the exception of the UK or Isle of Man governments.
 - (f) The total investment in funds managed by a single manager may not exceed 25% of the fund (35% where a higher limit is approved).
 - (g) All securities which are lent under stocklending arrangements may not exceed 25% of the fund (35% where a higher limit is approved).

The Pension Fund Committee has adopted the higher limit of 35% for the investments managed by a single manager, to allow it to invest in the index-tracking funds of Legal and General Investment Management up to this limit.

The Suffolk Pension Fund complied with the regulatory limits throughout 2009-2010.

Statement of Investment Principles

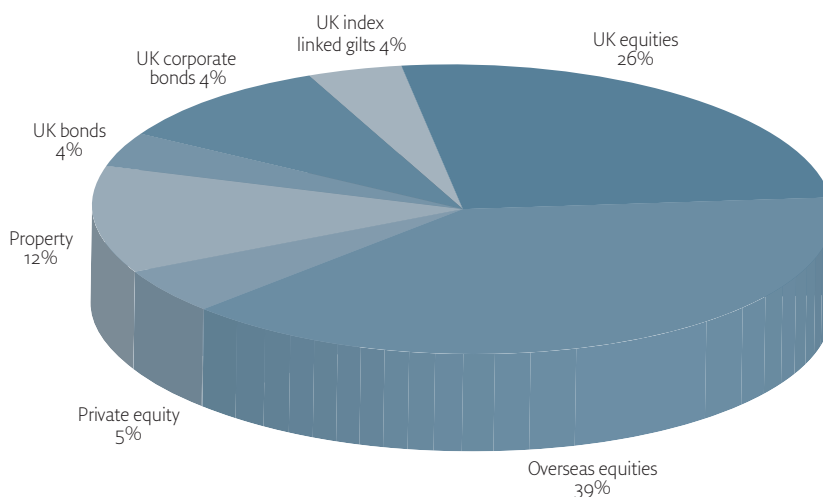
- The County Council adopted a bespoke investment strategy for the Pension Fund in 2000, following an asset-liability review, which it commissioned from the fund's actuary. This review set a framework for the investment of the fund's assets, and this has been incorporated into a formal policy statement for the fund, the Statement of Investment Principles. The statement is published on the County Council's website (www.suffolk.gov.uk). The investment strategy has been reviewed on a number of occasions since 2000, most recently in September 2009.
- The main rationale for holding equities is that over the longer term they are expected to outperform bonds, which are a closer match to the Fund's liabilities. Any investment in equities implies a departure from the matching portfolio in the pursuit of higher expected returns. The equity allocation accounts for the majority of the investment risk taken by the Fund. The equity benchmark is structured in such a way as to generate the highest return for a given level of risk, and to provide appropriate diversification, rather than being considered as matching the fund's

liabilities in any way. The Fund currently invests around 70% of its assets in equities with a target of 65% in quoted equities and 5% in private (unquoted) equities.

- The strategic asset allocation benchmark for the Fund is shown

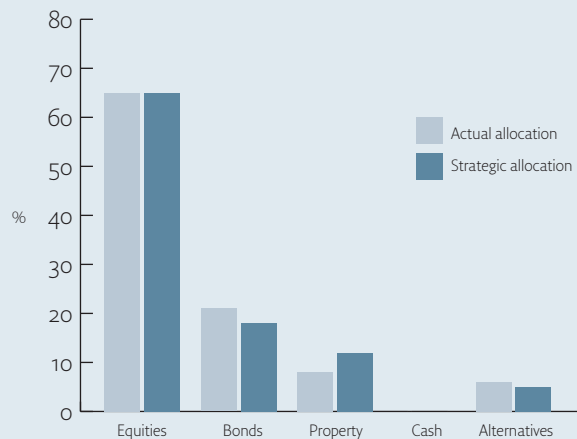
below. Cash flow from employer and employee contributions is used to re-balance any variation in allocation caused by market movements back towards the strategic asset allocation.

Asset Class	Benchmark Allocation	
	%	%
UK Equities	26	
Overseas equities	39	
Total equities		65
Private equity	5	
Property	12	
Total Alternatives		17
UK Bonds	4	
UK Corporate Bonds	10	
UK Index-linked Gilts	4	
Total Bonds		18
Total		100



Asset Allocation

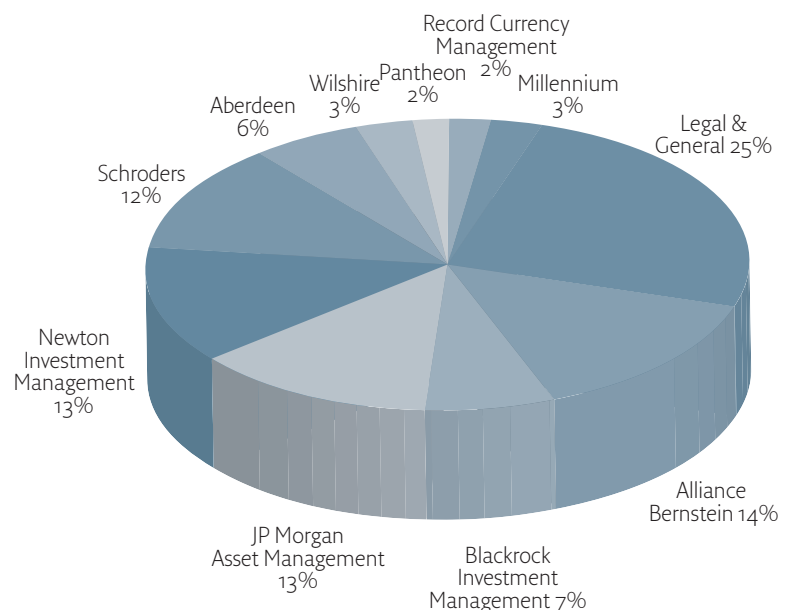
6. The fund had 65% of its assets in equities in March 2010. The fund had 20% of its assets in bonds (2% over the strategic allocation), 8.0% in property (4% under the strategic allocation), 6% in other investments and temporary cash (1% over the strategic allocation).



Investment Management Arrangements

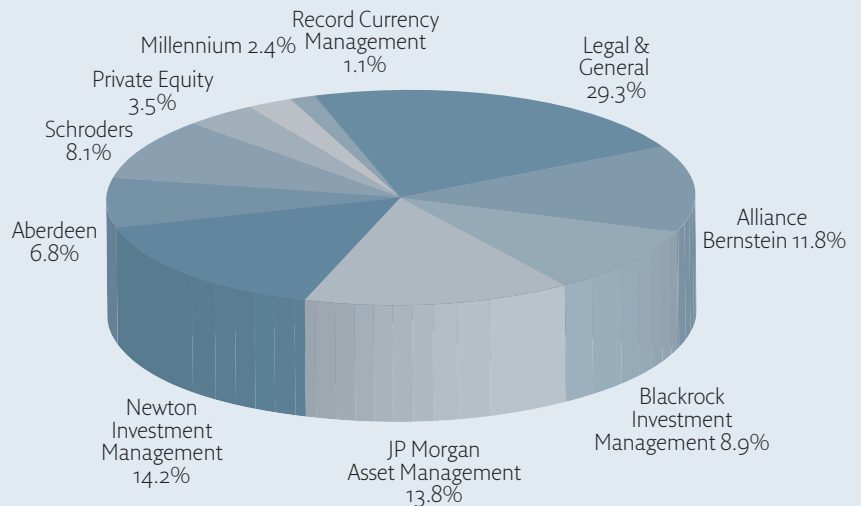
7. The following investment managers managed the fund's assets during 2009-2010:
- Legal & General Investment Management manage a multi-asset index tracking mandate (target allocation 25% of the fund);
 - JP Morgan Asset Management manage a global equity mandate (13.2% of the fund);
 - Newton Investment Management manage a global equity mandate (13.2% of the fund);
 - AllianceBernstein Institutional Investments manage a UK equity mandate (14% of the fund);
 - BlackRock Investment Management manage a UK equity mandate (6.6% of the fund);
 - Schroder Property Investment Management manage a property mandate (12% of the fund);

- Aberdeen Asset Management (6% of the fund) manage a bonds mandate;
- Wilshire Associates (3% of the fund) and Pantheon Ventures (2% of the fund) manage private equity mandates;
- Record Currency Management (1.8% of the fund) and Millennium Global Investments (3.2% of the fund) manage currency mandates. Man Financials undertake an equitisation programme as part of Millennium's currency mandate.



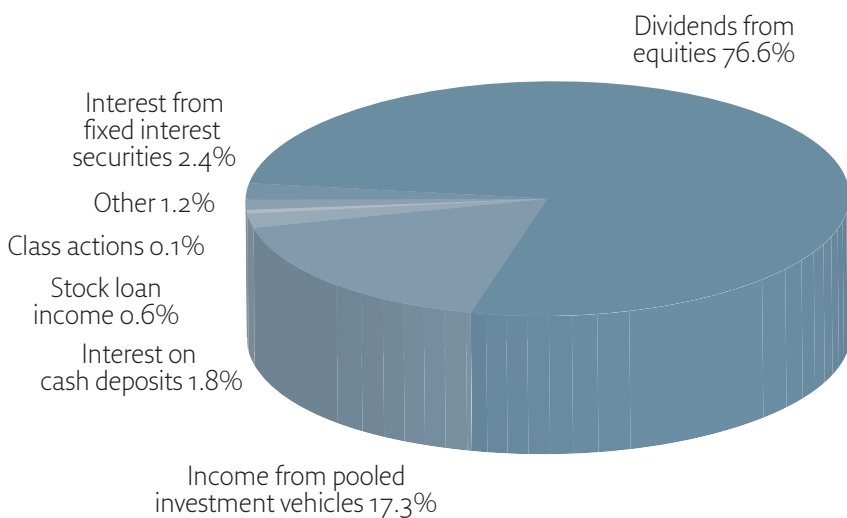
Investment Manager Allocation at March 2010

8. In practice the value of the holdings managed by individual managers may vary from their target allocations, because of market movements of different asset classes. The shares of the pension fund held by the fund's investment managers at March 2010 were as follows.



Investment Income

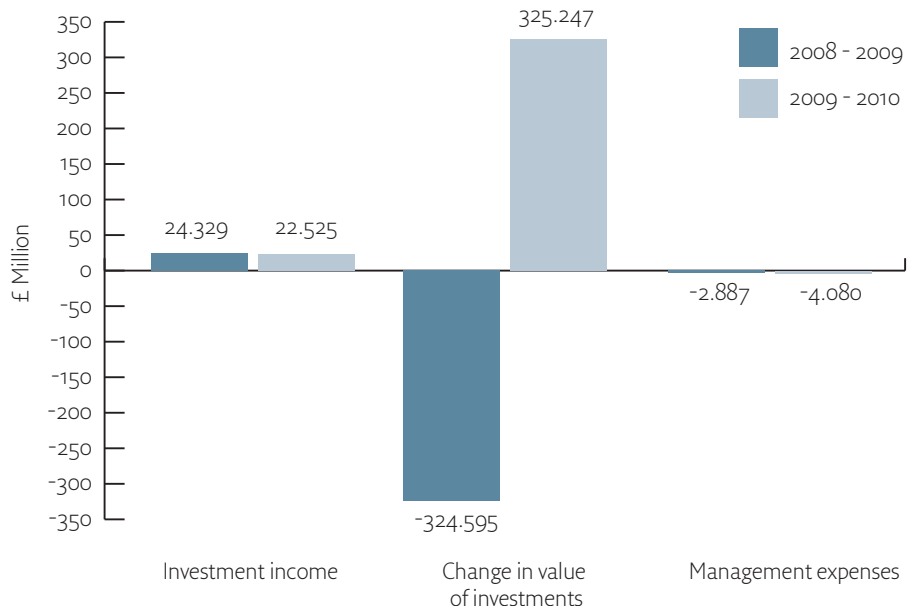
9. The following chart shows the sources of Investment Income earned by the Fund in 2009 2010.



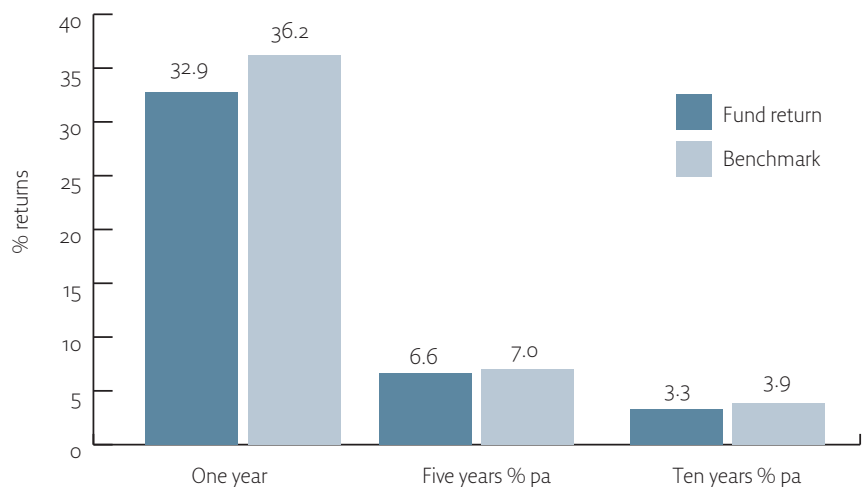
Investment income	£m	%
Interest from fixed interest securities	0.546	2.4
Dividends from equities	17.722	76.6
Income from pooled investment vehicles	4.014	17.3
Interest on cash deposits	0.421	1.8
Stock Loan Income	0.147	0.6
Class Actions	0.015	0.1
Other	0.275	1.2
	23.142	100.0

Investment Performance

10. The chart below shows the main source of investment returns during 2009-2010. The change in the value of the investments includes realised and unrealised gains and losses.



11. The fund's assets increased from £1,037 million to £1,415 million during 2009-2010. After allowing for the net cash flow from additional employer and employee contributions in the year, this represented a positive investment return of 32.9%, compared with the fund's own benchmark target of 36.2%. The fund's own benchmark is based on the index returns for the markets that the fund invests in. The fund's investment return compared with its benchmark index over one, five and 10 years is shown below.



Manager Performance

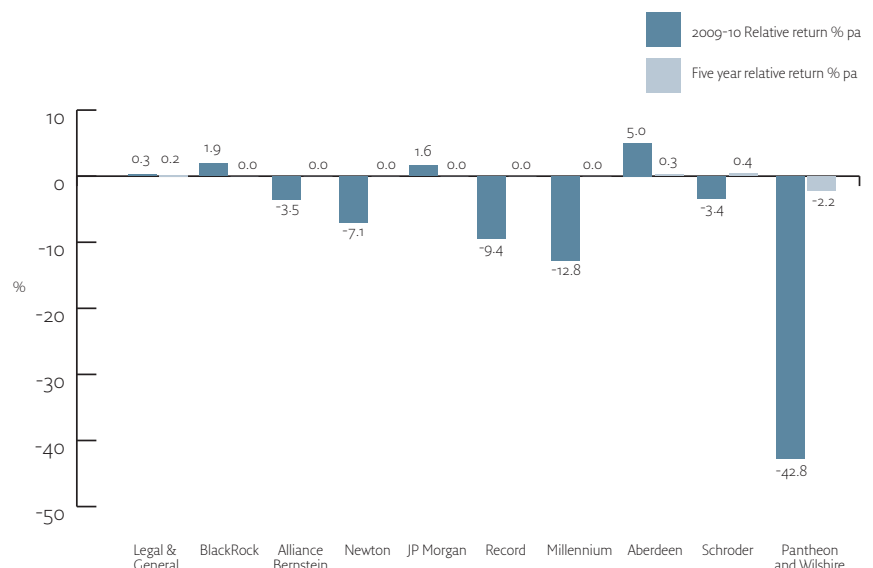
12. The table and chart below shows the investment returns achieved by the fund managers relative to their own benchmarks, over one year and five years. AllianceBernstein's mandate started in June 2006, JP Morgan, Newton and BlackRock's mandates started in July 2007, Record started December 2007 and Millennium started in March 2008. As a result longer-term performance figures for these managers are not yet available.

% of Fund	Manager	Asset	2009-2010 Relative Return	5 Year Relative Return %
			%	% p.a.
30	Legal & General	Multi Asset Passive	0.3	0.2
9	BlackRock	UK Equities	1.9	N/A
12	Alliance Bernstein	UK Equities	-3.5	N/A
14	Newton	Global Equities	-7.1	N/A
14	JP Morgan	Global Equities	1.6	N/A
1	Record	Active Currency	-9.4	N/A
2	Millennium	Active Currency/Futures	-12.8	N/A
7	Aberdeen	Bonds	5.0	0.3
8	Schroders	Property	-3.4	0.4
3	Pantheon and Wilshire	Private Equity	-42.8	-2.2

13. Although very short-term performance is not considered especially significant, Legal and General, BlackRock, JP Morgan, and Aberdeen outperformed in 2009-2010. All other managers underperformed against their benchmarks in 2009-2010. Over five years Aberdeen, Schroders and Legal and General have outperformed against their benchmarks. Legal and General manage a passive index-tracking mandate, which is not expected to outperform the benchmark. However the manager's performance may from time to time vary compared with the index for technical reasons.

14. The performance of the fund's private equity investments is shown relative to the indices for publicly listed equity markets. These investments have underperformed public equity markets over both

one and five years. In practice the performance of the fund's private equity managers will be assessed over the longer term based on the realised values of the holdings and the distributions received by the fund.



Analysis of Investments at 31 March 2010 by Industrial and Geographical Sector

Holdings	Pooled Investment Vehicles - Market Value	Segregated Holdings - Market Value	Total Market Value	% of Market Value
	£000	£000	£000	%
Bonds				
Fixed Interest UK Securities - Gilts	26,475	22,966	49,441	3.5
Index Linked Gilts	59,235		59,235	4.1
Overseas Fixed Interest Securities	38,145		38,145	2.7
Corporate Bonds	154,250		154,250	10.8
Total Bonds	278,105	22,966	301,071	21.1
UK Equities				
Basic Materials		41,902	41,902	2.9
Consumer Goods		26,721	26,721	1.9
Consumer Services		41,320	41,320	2.9
Financials		60,910	60,910	4.3
Health Care		27,853	27,853	2.0
Industrials		21,628	21,628	1.5
Oil and Gas		50,645	50,645	3.5
Technology		5,685	5,685	0.4
Telecommunications		25,929	25,929	1.8
Utilities		2,828	2,828	0.2
Pooled	7,795		7,795	0.5
Total UK Equities	7,795	305,421	313,216	21.9
Overseas Equities				
Europe	68,987	199,271	268,258	18.7
North America	81,675	77,507	159,182	11.2
Japan	20,952	33,528	54,480	3.8
Other Asia	30,042	28,047	58,089	4.1
Other International		24,055	24,055	1.7
Total Overseas Equities	201,656	362,408	564,064	39.5
Private Equity		47,855	47,855	3.4
Other Managed Funds - Cash Instruments		83	83	0.0
Active Currency		45,835	45,835	3.2
Futures Contract		41,645	41,645	2.9
Forward Foreign Exchange Contracts (Net Asset Position)		261	261	0.0
Property Unit Trusts	113,540		113,540	8.0
Total	601,096	780,542	1,427,570	100.0

Top 40 Holdings as at 31 March 2010

Holding (No of Units)		Market Value £ million	% of Market Value
65,647,296	L&G All Stocks Index Linked Gilts Index Fund	88.737	6.2%
56,000,750	North America Equity Index GBP hedged	82.093	5.8%
39,085,025	L&G European Equity Index Hedged	69.409	4.9%
46,594,900	Aberdeen Fixed Income Sterling Credit Fund	65.512	4.6%
16,321,434	L&G Over 5 Year Linked Gilts Index	62.328	4.4%
5,846,196	L&G Global Emerging Markets Index	33.164	2.3%
12,160,965	L&G Pacific Basin Equity Index Hedged	30.259	2.1%
286,010	Millennium Active Currency Total	30.125	2.1%
8,052,511	L&G Over 15 Years Gilts Index	26.062	1.9%
15,647,784	L&G Japan Equity Index	21.250	1.5%
3,265,390	BP PLC	20.353	1.4%
13,025,809	Vodafone Group PLC	19.799	1.4%
1,079,843	Royal Dutch Shell	19.599	1.4%
2,541,815	HSBC Holdings PLC	16.979	1.2%
399,159	Record Active Currency	15.709	1.1%
393,239	Rio Tinto PLC	15.356	1.1%
1,152,120	GlaxoSmithKline PLC	14.569	1.0%
489,108	Schroders Exempt Property Units	14.346	1.0%
3,400,026	Barclays PLC	12.249	0.9%
401,829	AstraZeneca PLC	11.802	0.8%
269,478	Standard Life Pooled Pension Property Fund	11.588	0.8%
11,895,000	Aberdeen UK Treasury	11.457	0.8%
409,813	L&G Managed Property Fund	10.832	0.8%
305,282	BlackRock Property Fund	9.836	0.7%
378,569	BHP Billiton PLC	8.556	0.6%
6,478	UBS Triton Property Unit Trust	8.505	0.6%
367,345	British American Tobacco PLC	8.342	0.6%
1,889,823	Hermes Property Unit Trusts	7.845	0.5%
581,749	Xstrata PLC	7.263	0.5%
1,068,653	Wilshire US Private Markets Fund VII	6.451	0.5%
10,245,693	Lloyds Banking Group	6.430	0.5%
345,851	Standard Chartered PLC	6.217	0.4%
1,247,792	BlackRock UK Smaller Companies Fund	6.157	0.4%
11,754	Industrial Property Investment Fund	5.893	0.4%
7,127,477	Schroders Unite UK Student Accommodation Unit Trust	5.545	0.4%
7,896	Hercules Property Units	5.480	0.4%
405,425	Altria Group inc	5.479	0.4%
49,591	Roche Holdings AG	5.308	0.4%
727,784	Wilshire US Private Markets	5.166	0.4%
1,378,730	BAE Systems PLC	5.116	0.4%

These 40 holdings make up £817.166 m, 57% of the total portfolio.

Statement of Internal Controls

1. Scope of responsibility

1.1 Suffolk County Council (the County Council) is responsible for administering the Local Government Pension Scheme in Suffolk in accordance with Statutory Regulations. It has a fiduciary duty to the contributors and beneficiaries of the Fund to ensure contributions are collected, that benefits are calculated correctly and paid promptly, and that any surplus monies are properly invested. The County Council has established a Pension Fund Committee (the Committee) to carry out its duties and responsibilities as an administering authority within the Statutory Regulations.

1.2 In discharging its responsibilities the County Council is responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions, which includes arrangements for the management of risk.

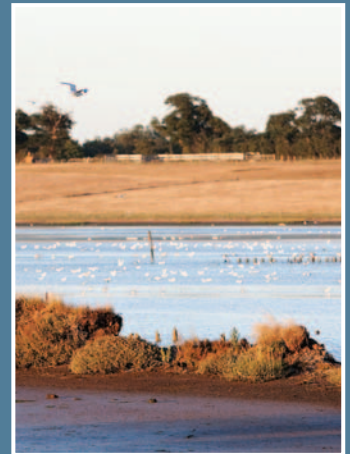
2. The purpose of the system of internal control

2.1 The County Council's system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of

effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise risks to the achievement of the Fund's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

3. The internal control environment, Establishing and monitoring the achievement of the Fund's objectives

3.1 The County Council has established objectives which are set out in its Statement of Investment Principles and it has also published a Funding Strategy Statement. The effectiveness of these is monitored throughout the year by the Committee. The Committee monitors investment performance relative to the growth in the liabilities by means of annual interim valuations and quarterly actuarial monitoring reports received by an independent performance analysis service. The County Council's internal auditors report the results of their work to the Committee. The Committee reports back to employers by means of the annual employers' meeting and communication of the interim valuation results.



“Suffolk County Council is responsible for administering the Local Government Pension Scheme in Suffolk”

The facilitation of policy and decision-making

- 3.2 New members of the Committee receive initial training on the role and responsibilities of the Committee. The Head of Strategic Finance provides advice to the Committee and the County Council employs external advisors as necessary to advise on specific issues (e.g. on performance measurement, actuarial issues and corporate governance). The County Council has appointed specialist investment managers to manage the investments of the Fund.
- 3.3 Committee Members receive on-going training to help develop their awareness and ensure they have the necessary skills/knowledge base to fulfil their responsibilities effectively. Training needs are addressed by a variety of means including external training seminars, in-house briefings and the training provided to the Committee by the Fund's external advisors at the quarterly Committee meetings.

Ensuring compliance with established policies, procedures, laws and regulations

- 3.4 Customer Service Direct (CSD) manages the Local Government Pension Scheme on behalf of the County Council. This includes the management of records,

calculation of benefits, and payment of pensioners. Day-to-day investment transactions are also made by CSD.

- 3.5 Compliance with established policies, procedures, laws and regulations, relating to the conduct of business by CSD is achieved through the contractual agreement between CSD and the County Council, and the County Council's internal control framework. This includes the County Council's Financial Regulations and Procedures, Statement of Investment Principles and Funding Strategy Statement. The Head of Strategic Finance (as the County Council's Section 151 Officer) also has a statutory responsibility for ensuring compliance with the regulatory framework.
- 3.6 The Fund Management and Advisory agreements with external managers are an important part of the internal control environment. Quarterly performance reports provide evidence of compliance and performance. In addition, through the Advisory agreement the County Council is kept up to date with developments relating to the exercise of its functions as an administering authority and of any changes required to its policies and procedures.

The financial management of the County Council

- 3.7 The system of internal financial control operated by the County Council is based on a framework of regular management information, financial regulations, administrative procedures, management supervision, and a system of delegation and accountability. The system includes regular reviews of periodic and annual financial reports which indicate financial performance and sets targets to measure financial and other performance. In addition, the County Council has appointed independent advisors on investment matters, and an actuarial consultant, specifically for the Pension Fund.
- 3.8 Within the County Council's agreed internal audit plan, Audit Services carry out reviews of different aspects of the Pension Fund. Using the latest guidance produced by the County Chief Auditors Network and Lead Authority Working Group on the Audit of Investment Managers (LAWGAIM), two audits were completed during 2009/10: a) a compliance review of the Pension Scheme Administration, and b) a review of the Pension Fund Investment Management arrangements against LAWGAIM's good practice guidance.

4. Review of effectiveness

4.1 Specific review processes applied in maintaining and reviewing the effectiveness of the system of internal control are indicated below.

The Committee:

- Has met on a regular basis and has received regular reports from officers on issues concerning the Fund;
- Receives and considers quarterly performance reports from its Fund Investment Managers and Custodian;
- Receives regular monitoring reports of the Fund's asset allocation and investment returns relative to the benchmark;
- Monitors the delivery of benchmark returns relative to liabilities at the triennial actuarial valuations and actuarial monitoring between valuations;

- Receives annual interim valuations and quarterly actuarial monitoring reports;
- Has reviewed the Statement of Investment Principles and approved the publication of a Funding Strategy Statement; and
- Receives quarterly reports on investment performance from an independent performance analysis service.

Audit Services

Audit Services is an integral part of the County Council's internal control arrangements. The role, responsibility and objectives of Audit Services are specified in the County Council's Constitution. The Head of Strategic Finance (Section 151 Officer) has delegated responsibility, under the Accounts and Audit (Amendment) (England) Regulations 2006, to

maintain a continuous, adequate and effective internal audit of the County Council's accounting, financial and other processes.

Audit Services work to the professional standards specified by the Chartered Institute of Public Finance and Accountancy (CIPFA). Internal audit reports address identified weaknesses in internal control arrangements. The work includes auditing the Fund, as described in 3.8 above and a summary of the findings from this work is detailed below.

Pension Scheme Administration

The main findings from this review relate to performance benchmarking information which was completed for the first year in 2008/09 and, as this was considered a 'settling in' period, full figures were not included. It should be ensured that all benchmarking areas are monitored and full information reported in future, including comparators with other administering authorities. Also, in order to comply with both the service level agreement and performance indicators, annual pension statements need to be produced earlier than has been the case in recent years. Both these areas were contained within the audit review report for 2008/09.

To ensure that reliance can be placed on the level of contributions received, rather than to undertake a separate verification exercise, it has been



recommended that admitted bodies are requested to confirm the audit procedures for their payroll system on an annual basis.

The audit recommendations made have been accepted.

Pension Fund Investment Management

The review of this area recommended improvements to ensure the timeliness of receipt of information from State Street, and to strengthen the reasonableness checks performed by CSD on receipt of the information.

Formalisation of a programme and evaluation of training for both Councillors and Officers was raised as an area which required implementation along with an update of the voting policy.

A follow up review of the issue regarding the reasonableness checks found that this area had been addressed. Action is also underway to address the issues raised regarding training and the voting policy.

Overall, the audits concluded that the internal controls within the Pension Scheme Administration and Pension Fund Investment arrangements were effective.

Annual Governance Statement

The County Council is required to publish an Annual Governance

Statement each year, which summarises the annual review of the effectiveness of its governance framework, including the system of internal control. The Annual Governance Statement is published within the County Council's Statement of Accounts.

Within the Annual Governance Statement, the Head of Audit, Governance & Customer Rights gave the following opinion:

"In the opinion of the Head of Audit, Governance and Customer Rights, overall systems of control within the County Council are acceptable and financial administration systems are effective. However, Councillors should note that assurance cannot be absolute.

Where internal audit work identified that controls were not operating effectively within operational, governance and financial systems, recommendations to correct these were made. Audit Services have revisited those systems and are now satisfied that the internal control environment is effective.

Within directorates, internal audit work has identified where improvements to controls are required and these recommendations have been accepted by management. Follow-up work undertaken to date has identified that improvements as specified have been

implemented. Outstanding matters will be subject to further audit review.

Looking forward, as the County Council and the wider public sector enters a period of severe financial constraint, and with the County Council specifically entering a period of significant organisational change there will be a need to ensure that appropriate and efficient controls remain in place to maintain the governance standards within the organisation. Audit Services will work with management to ensure that the internal control environment is appropriate to risk. Reduction in external regulation can be supported by the demonstration of appropriate governance arrangements within the Council."

5. Significant internal control issues

5.1 In my view, no significant weaknesses requiring corrective action have been identified in the system of internal control with regard to the County Council's Pension Scheme Administration and Pension Fund Investment Management arrangements.

Geoff Dobson

Head of Strategic Finance

June 2010

Pension Fund Accounts for 2009-2010

Pension Number 1 Fund

2008-2009	Fund Account	2009-2010	
<u>£ million</u>		<u>Notes</u>	<u>£ million</u>
	Dealings with members, employers and others directly involved in the scheme		
	Contributions and benefits		
	Contributions receivable:		
	From employers		
64.280	Normal	2	67.934
3.337	Deficit funding	2	3.310
3.256	Other	2	1.812
	From members		
19.749	Normal	2	20.770
	Transfers In		
5.431	Individual transfers in from other schemes		8.848
0.036	Other Income		0.047
	Benefits payable:		
-43.947	Pensions	2	-47.657
-10.590	Commutations of pensions and lump sum retirement benefits		-12.762
-1.000	Lump sum death benefits		-2.504
	Payments to and on account of leavers:		
-0.021	Refunds of Contributions		-0.014
-0.005	State Scheme Premiums		0.000
-4.052	Individual transfers out to other schemes		-4.672
-1.344	Administration expenses borne by the scheme		-1.429
35.130	Net additions (withdrawals) from dealings with members		33.683
	Returns on investments		
	Investment income		
0.968	Interest from fixed interest securities		0.546
19.197	Dividends from equities		17.722
4.656	Income from pooled investment vehicles		4.014
0.572	Interest on Cash Deposits		0.421
0.225	Other		0.437
-1.289	Taxation Irrecoverable Withholding Tax		-0.615
-324.595	Change in market value of investments:		325.247
-2.887	Investment management expenses borne by the scheme		-4.080
-303.153	Net returns on investments		343.692
-268.023	Net increase, or decrease (-), in the fund during the year		377.375
1,305.210	Opening net assets of the scheme		1,037.187
1,037.187	Closing net assets of the scheme		1,414.562

Pension Number 1 Fund

2008-2009		2009-2010	
£ million		Notes	£ million
Net asset statement			
Investment assets			
		6	
Fixed interest securities:			
20.469	UK government fixed interest securities		22.966
Equities:			
198.004	UK companies		305.421
241.736	Overseas companies		362.408
45.245	Private equity		47.855
10.458	Other Managed Funds		0.083
Pooled Investment Vehicles:			
56.746	Open ended investment company		70.687
2.651	Unit trusts		7.795
308.570	Unit linked insurance policies		409.074
82.863	Property unit trusts		113.540
Derivative Contracts:			
42.167	Active Currency		45.835
31.804	Futures: UK		45.401
2.756	Forward Foreign Exchange Contracts		0.261
1,043.468			1,431.326
Investment liabilities			
Derivative Contracts:			
-3.549	Futures: Overseas		-3.756
-2.702	Forward Foreign Exchange Contracts		0.000
1,037.217	Total investments		1,427.570
Current assets			
8.153	Sundry debtors	10	6.061
0.598	Margin Variation	6	0.148
9.594	Cash held by Pension Fund	6	16.458
6.874	Cash held by broker for Futures Contracts	6	3.926
5.887	Cash [held by the investment managers]	6	6.611
31.106			33.204
Current liabilities			
-28.255	Cash Backing Open Futures Contracts	6	-41.647
-2.882	Sundry creditors	10	-4.565
-31.137			-46.212
-0.031	Net current assets / liabilities (-)		-13.008
1,037.187	Net assets		1,414.562

The accounts do not take account of liabilities to pay pensions and other benefits after the year end. The ability to meet these future liabilities is considered by the actuary as part of the valuation.

Notes to the Pension Number 1 Fund

1. Running the Fund

The Fund is administered by Suffolk County Council and provides retirement benefits for all employees who are members of the Local Government Pension Scheme. Also included in the fund are employees of all District Councils and Town Councils in Suffolk, the Suffolk Probation Board, civilian employees of the Suffolk Police Authority and several other organisations. A full list of the organisations can be found in the Funding Strategy Statement on the Suffolk County Council website. Teachers, Firefighters and Police officers have their own pension schemes and are not included in the fund.

2. Membership

The fund has the following numbers of members and pensioners:

<u>2008-2009</u>	<u>2009-2010</u>
19,058 Members	19,759
8,635 Employee pensioners	9,261
1,671 Dependent pensioners	1,771
12,442 Deferred	13,861

Contributions received and benefits paid during the year were as follows:

<u>2008-2009</u>				<u>2009-2010</u>		
Employers' Contributions £ million	Employees' Contributions £ million	Benefits Paid £ million		Employers' Contributions £ million	Employees' Contributions £ million	Benefits Paid £ million
41.429	11.598	-20.887	Suffolk County Council	43.541	12.381	-22.971
			Scheduled and Resolution Bodies			
27.269	7.404	-22.595		27.252	7.606	-24.037
2.175	0.747	-0.465	Admitted Bodies	2.263	0.783	-0.649
<u>70.873</u>	<u>19.749</u>	<u>-43.947</u>	Total	<u>73.056</u>	<u>20.770</u>	<u>-47.657</u>

Included within employer normal contributions of £67.934 million is an amount for deficit funding of £21.753 million. This deficit funding is included within the employer contributions and is collected as part of the adjusted contribution rate. The information on deficit payments is compiled by the pensions department. This is the treatment stated in the Statement of Recommended Practice from the Pensions Research Accounts Group paragraph 2.47. The deficit funding identified separately on the fund account of £3.310 million refers to those employers funding their deficit by means of lump sum payments.

Employer contributions are made up of two elements:

- a) the estimated cost of future benefits being accrued, the "future service rate"; plus
- b) an adjustment for the funding position of accrued benefits relative to the Fund's solvency target, "past service adjustment". If there is a surplus there may be a contribution reduction; if there is a deficit there may be a contribution addition, with the surplus or deficit spread over an appropriate period.

Notes to the Pension Number 1 Fund

The Fund's actuary is required by the regulations to report the Common Contribution Rate¹ for all employers collectively at each triennial valuation. It combines items (a) and (b) and is expressed as a percentage of pay. For the purpose of calculating the Common Contribution Rate, the surplus or deficit under (b) has in the past been spread over a period equivalent to the remaining working lifetime of all the employers' scheme members. The aim is to cover any deficit within 15 years as per the actuarial position on page 95.

The Fund's actuary is also required to adjust the Common Contribution Rate for circumstances which are deemed "peculiar" to an individual employer². It is the adjusted contribution rate which employers are actually required to pay.

In effect, the Common Contribution Rate is a notional quantity. Separate future service rates are calculated for each employer together with individual past service adjustments according to employer-specific spreading and phasing periods.

2009-2010 is the second in a three year period for the contribution rates set by the actuary to reflect a and b above.

You will find a full list of employers and their contribution rates in the Funding Strategy Statement that we publish separately on the Suffolk County Council website.

The scheduled and resolution bodies contributing to the fund are:

County and District Councils (Scheduled)	Town Councils (Resolution)
Suffolk County Council	Beccles Town Council
Babergh District Council	Bury St. Edmunds Town Council
Forest Heath District Council	Felixstowe Town Council
Ipswich Borough Council	Framlingham Town Council
Mid Suffolk District Council	Hadleigh Town Council
St. Edmundsbury Borough Council	Haverhill Town Council
Suffolk Coastal District Council	Kesgrave Town Council
Waveney District Council	Leiston-Cum-Sizewell Town Council
	Newmarket Town Council
	Stowmarket Town Council
	Sudbury Town Council
	Woodbridge Town Council
Parish Councils (Resolution)	Other Bodies (Scheduled)
Boxford Parish Council	Lowestoft College
Great Cornard Parish Council	Otley College
Lakenheath Parish Council	Suffolk New College
Leavenheath Parish Council	Suffolk Police Authority
Mildenhall Parish Council	Suffolk Probation Service
Nayland and Wissington Parish Council	Suffolk Valuation Tribunal
Onehouse Parish Council	West Suffolk College
Pinewood Parish Council	
Woolpit Parish Council	

¹ See Regulation 08(4)

² See Regulation 08(6)

Notes to the Pension Number 1 Fund

3. Managing the Fund

We invest the balance of the fund in line with Local Government Pension Regulations.

The Funds investments are managed by:

- Aberdeen Asset Management
- AllianceBernstein Institutional Investments
- BlackRock Investment Management
- JP Morgan Asset Management
- Legal and General Investment Management
- Millennium Global Investments
- Man F Financials
- Newton Investment Management
- Pantheon Ventures
- Record Currency Management
- Schroders Property Investment Management
- Wilshire Associates

The managers invest within a broad policy agreed with the Pension Fund Committee, who they report to at intervals during the year. The long term nature of the fund's liabilities means that capital growth potential and likely income, within acceptable levels of risk, are the main investment considerations. You can get a copy of the fund's Statement of Investment Principles from the Head of Strategic Finance or from the Suffolk County Council website.

The following table shows the market value of investments held by each manager at 31 March 2010.

31 March 2009		31 March 2010		
Market Value £ million	Percentage of Assets %	Market Value £ million	Percentage of Assets %	
77.098	7.43%	Aberdeen Asset Management	93.243	6.53%
109.520	10.56%	AllianceBernstein Institutional Investments	163.040	11.42%
70.953	6.84%	BlackRock Investment Management	124.190	8.70%
0.119	0.01%	Cambridge Research & Innovation Limited	0.118	0.01%
123.177	11.88%	JP Morgan Asset Management	191.918	13.44%
308.570	29.75%	Legal and General Investment Management	409.074	28.66%
28.477	2.75%	Man Financials	42.303	2.96%
33.486	3.23%	Millennium Global Investments	30.125	2.11%
139.559	13.46%	Newton Investment Management	196.573	13.77%
15.171	1.46%	Pantheon Ventures	18.664	1.31%
8.681	0.84%	Record Currency Management	15.710	1.10%
92.452	8.91%	Schroders Property Investment Management	113.540	7.95%
29.955	2.88%	Wilshire Associates	29.072	2.04%
1,037.218	100.00%	1,427.570	100.00%	

100% (£409.074 million) of the Legal and General Investments are invested in its own index pooled funds, of this £201.658 million is invested in currency hedged equity funds (£103.685 million as at 31 March 2009). Similarly 75.8% (£70.687 million) of Aberdeen investments are in its own pooled funds (73.4%, £56.746 million as at 31 March 2009). The pooled funds are one step removed from direct ownership of the assets. The type of investments shown in the Net Asset Statement, on page 91, includes both direct and pooled fund investments.

Notes to the Pension Number 1 Fund

At the 31 March 2010 the following Derivative contracts were outstanding. The Futures were held by Man Financials and Aberdeen Asset Management. The Forward exchange contracts were held by Aberdeen Asset Management and Newton Investment Management.

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. Aberdeen Asset Management makes use of forward foreign exchange contracts on an unleveraged basis both for the purposes of reducing or gaining exposure to currency markets.

Millennium Global Currency Management makes use of futures for the purpose of equitising the investment in the manager's currency fund in line with the FTSE 100 index. Newton Investment Management and JP Morgan make use of currency hedging for the purpose of reducing exchange rate risk in the investments held in their mandates.

31 March 2009		31 March 2010	
Economic Exposure	Value	Economic Exposure	Value
	£ million		£ million
	Re-stated		
		Forward foreign exchange contracts	
	51.715 (over the counter)	Less than 1 Year	18.411
	28.477 UK FTSE (exchange traded futures)	Less than 1 Year	42.303
	3.327 UK Treasury (exchange traded futures)	Less than 1 Year	3.098
	Overseas Treasury (exchange traded		
	-5.087 futures)	Less than 1 Year	-5.696

4. Actuarial Position

The last formal three-yearly actuarial valuation was carried out as at 31 March 2007. The valuation report sets out the rates of the employer's contributions for the three years starting 1 April 2008. 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 2007.
- The 'projected unit method' of actuarial valuation.
- Projected investment returns of 6.1% per year, increases in future salaries of 4.7% a year and for pension increases of 3.2% a year.
- The actuarial assessment of the value of the Fund's assets was £1,301.2 million as at 31 March 2007 (the market value of assets in the draft accounts), plus £1.3 million for augmentation and redundancies, making a total of £1,302.5 million, and
- The actuarial assessment of the fund's liabilities, which was £1,460.9 million at 31 March 2007

The valuation showed that the fund's assets covered 89.2% of its liabilities at the valuation date, and the deficit based on the actuarial valuation was £158.4 million. The actuary has confirmed that the employer's common contribution rate should be 19.0% of pensionable pay for the three years starting 1 April 2008. The aim is to recover the pension fund deficit over a period of fifteen years.

An interim valuation was carried out as at 31 March 2010. The valuation was based on the following assumptions:

- Projected investment returns of 6.1% per year, increases in future salaries of 5.3% a year and for pension increases of 3.8% a year.
- The actuarial value of the fund's assets was £1,456.8 million and the liabilities £1,998.8 million at 31 March 2010.

Notes to the Pension Number 1 Fund

The valuation showed that the fund's assets covered 72.9% of its liabilities at the valuation date and the deficit was £542.0 million.

5. Accounting Policies

The Fund Account and Net Asset Statement have been prepared in accordance with the provisions of Section 2 *Recommended Accounting Practice* of the Pension SORP – *The Financial Reports of Pension Schemes* issued by the Pensions Research Accounts Group and the Local Authority Statement of Recommended Practice issued by the Chartered Institute of Public Finance and Accountancy Local Authority Code Board.

Expenditure and income are accounted for on an accruals basis with the exception of transfers into and out of the scheme and which are accounted for on a cash basis. Acquisition costs of investments are included in the purchase price.

Administration costs are charged to the pension fund based on time spent by our staff.

Investment management expenses are agreed in the respective mandates governing their appointment. Fees are based on the market value of the portfolio under management.

The accounts do not take account of liabilities to pay pensions and other benefits after the year end. The ability to meet these future liabilities is considered by the actuary as part of the valuation.

All investments are valued at their market value at the balance sheet date, as follows;

- Listed securities and managed funds are valued at the current bid price on the 31 March 2010.
- Unit trusts investments are shown at the current market value
- Private Equity – valuations as at 31 December 2009 which are compiled in accordance with the guidelines issued by the British Venture Capital Association or an Equivalent body, adjusted for payments to and payments received from the equity managers in the period 1 January 2010 to 31 March 2010.
- Investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate on the Balance Sheet date.
- Futures are shown at market value which is the total exposure to the stock market that the futures contracts effect.

Notes to the Pension Number 1 Fund

6. Buying and Selling Investments

This is a summary of the investments we bought and sold during the year.

Investments	Opening Balance	Purchase	Transaction costs on purchase	Sales	Transaction costs on sale	Change in Market Value	Closing Balance
	01 April 2009						31 March 2010
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Quoted							
UK Government Fixed Interest Securities	20.469	33.448		-30.338		-0.613	22.966
UK Companies	198.004	159.916	0.151	-147.040	0.132	94.258	305.421
Overseas Companies	241.736	274.280	0.337	-250.786	0.313	96.528	362.408
Other Managed Funds	10.458	24.648		-35.062		0.039	0.083
UK FTSE exchange traded futures	28.477	150.469		-150.516		13.873	42.303
UK Treasury Exchange Traded Futures	3.327	25.378	0.002	-25.614		0.005	3.098
Overseas Treasury Exchange Traded Futures	-3.549	26.850	0.001	-27.443		0.385	-3.756
Derivatives - Currency	42.167	3.000		0.000		0.668	45.835
Derivatives - Forward Foreign Exchange contracts	0.054	356.472	0.000	-356.472	0.000	0.207	0.261
Pooled Investment Vehicles							
Open ended investment company	56.746	0.470		-2.595		16.066	70.687
Unit trusts	2.651	2.485		0.000		2.659	7.795
Unit linked insurance policies	308.570	73.622		-73.622		100.504	409.074
	909.110	1131.038	0.491	-1099.488	0.445	324.579	1266.175
Unquoted							
Pooled investment vehicle -property unit trust	82.863	27.727		-1.717		4.667	113.540
Private Equity	45.245	6.729		-0.553	-	-3.566	47.855
	128.108	34.456	-	-2.270	-	1.101	161.395
	1,037.218	1,165.494	0.491	-1101.758	0.445	325.680	1,427.570
Cash							
	Opening Balance	Movement in cash balance	Change in Market Value	Closing Balance			
	01 April 2009			31 March 2010			
	£ million	£ million	£ million	£ million			
Margin Variation	0.598		-0.450	0.148			
Cash [(temporarily lent to/(borrowed from) the Council]	9.594	6.864		16.458			
Cash Backing Open Futures	-28.255	-13.842	0.450	-41.647			
Cash Held by the Broker for Future Contracts	6.874	-2.948		3.926			
Cash Held by the investment managers	5.887	0.816	-0.092	6.611			
	-5.302	-9.110	-0.092	-14.504			

The pooled investment vehicles are managed by fund managers registered in the UK.

The Change in Market value £325.588 million (£325.680 million less £0.092 million) on the table above is £0.341million lower than the change in market value on the fund account. The difference is caused by exchange rate differences between the Aberdeen futures when they were opened in February 2009 and closed in May 2009; the further realised loss has been included in the fund account.

Notes to the Pension Number 1 Fund

7. Holdings above 5 % of the Fund

This is a summary of the individual holdings within the Fund which exceed 5% of the total value of the Fund at the Balance Sheet date.

<u>Market Value 31 March 2009 £ million</u>	<u>Percentage of the Fund 31 March 2009</u>	<u>Asset Type</u>	<u>Manager</u>	<u>Market Value 31 March 2010 £ million</u>	<u>Percentage of the Fund 31 March 2010</u>
66.412	6.40%	Corporate Bond Index	Legal and General	87.075	6.10%
52.149	5.03%	Corporate Bond Index	Aberdeen Asset Management	N/A	N/A
N/A	N/A	North American Index	Legal and General	77.121	5.40%

8. Stock Lending

The Fund has an arrangement with its custodian State Street Bank and Trust 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 of the fund. Collateralised lending generated income of £0.147 million in 2009-2010 (£0.129 million 2008-2009) the fourth year that securities lending has occurred within the fund. This is included within 'other' investment income in the Fund Account. At 31 March 2010 £17.287 million worth of stock (1.22% of the Fund) was on loan, for which the Fund was in receipt of £18.256 million worth of collateral.

9. Related Parties

The pension fund is a related party to its administering authority and other participating employers. During 2009-2010 the material transactions were as follows:

<u>Restated 2008-2009 £ million</u>	<u>2009-2010 £ million</u>
0.981 Suffolk County Council - Administration Expenses	1.074
-0.086 Interest on money lent to Suffolk County Council	-0.023
0.092 Interest on money borrowed from Suffolk County Council	0.001
<u><u>0.987</u></u>	<u><u>1.052</u></u>

There are no significant related parties' transactions involving members or officers.

Notes to the Pension Number 1 Fund

10. Net Current Assets and Liabilities

This is a breakdown of the Listed Debtors and Creditors in the Net Asset Statement:

<u>31 March 2009</u> <u>£ million</u>		<u>31 March 2010</u> <u>£ million</u>
	<u>Sundry Debtors:</u>	
3.460	Employer Contributions	1.663
0.502	Employee Contributions	0.590
3.048	Investment Assets	3.126
0.012	Stock Lending Income	0.003
0.001	Class action income	0.000
0.037	Payments in Advance	0.000
0.086	Interest on Cash Deposits	0.005
1.007	Income due from Employers for Benefits Paid	0.655
0.000	Administration Expenses refund	0.019
<u>8.153</u>		<u>6.061</u>
	<u>Sundry Creditors:</u>	
-0.826	Investment Manager Expenses	-1.514
-1.025	Administration Expenses	-1.078
-0.400	Pre Payment from Employers	-0.344
-0.343	Individual Transfers Into the Scheme	-0.365
-0.288	Payments for Lump Sums on Retirement	-1.264
<u>-2.882</u>		<u>-4.565</u>

11. Additional Voluntary Contributions

Scheme members have the option to make additional voluntary contributions to enhance their pension benefits. In accordance with regulation 5 (2) (C) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (as amended), additional voluntary contributions have been excluded from the Fund Account and Net Assets Statement. These contributions are held by the providers and therefore do not form part of the Fund's investments.

A total of £1.031million was paid over to the providers, Prudential, Clerical Medical, Standard Life, Equitable Life and Century Life in 2009-2010.

12. Contingent Liabilities

At the 31 March 2010 there was a pending determination of the transfer value from the Pension No. 1 Fund to the Civil Service Pension Scheme due to a staff transfer which occurred in April 2005 of employees of the Suffolk Magistrates Courts Committee. The determination of the amount of any payment from the Suffolk Pension Fund to the Civil Service Pension Scheme is subject to the outcome of national discussions between the Government Actuary and the actuaries acting on behalf of local authority pension funds.

At the 31 March 2010 there was a pending bulk transfer of 41 employees from the Pension No. 1 Fund to the National Health Service. The value of the transfer is still to be determined by the actuaries of the respective schemes.

At the 31 March 2010 there was a pending transfer of 5 employees from Suffolk County Council to the NHS pension scheme. The value of the transfer is still to be determined by the actuaries of the respective schemes.

Notes to the Pension Number 1 Fund

At the 31 March 2010 there was a pending transfer of 5 employees from Waveney District Council to Norfolk County services. The value of the transfer is still to be determined by the actuaries of the respective schemes.

The Suffolk Probation Board is merging with the Norfolk Probation Board to form a new Suffolk and Norfolk Probation trust with effect from the 1 April 2010. The Suffolk Probation employees will transfer over to the Norfolk Pension Fund. The value of the transfer is still to be determined by the actuaries of the respective schemes.

On the 6 April 2010, 12 employees from Ipswich Borough Council are transferring to Colchester Borough Council. The value of the transfer is £735,053.

13. Information on Significant Changes to the Fund in 2010-2011

The Suffolk Pension No 2 Fund which provides benefits for employees and pensioners of Ipswich Buses will merge with Suffolk Pension No 1 Fund during 2010-2011. All assets and liabilities relating to Fund No 2 will be transferred into the Pension No 1 Fund at the effective date.

Pension Number 2 Fund (Ipswich Buses Ltd)

2008-2009			2009-2010	
<u>£ million</u>	<u>Fund Account</u>	<u>Notes</u>	<u>£ million</u>	
	Dealings with members, employers and others directly involved in the scheme			
	Contributions and benefits			
	Contributions receivable:			
	From employers:			
0.232	Normal			0.170
0.130	Deficit Funding			0.136
0.073	Other			0.040
	From members			
0.047	Normal			0.035
	Benefits payable:			
-0.644	Pensions			-0.715
-0.207	Commutations of pensions and lump sum retirement benefits			-0.450
-0.036	Individual transfers out			0.000
-0.038	Administration expenses borne by the scheme			-0.010
<u>-0.443</u>	Net additions (withdrawals) from dealings with members			<u>-0.794</u>
	Returns on investments			
	Investment income			
0.054	Income from pooled investment vehicles			0.057
-2.658	Change in market value of investments:	6		3.955
-0.004	Taxation (Irrecoverable Withholding Tax)			-0.006
-0.012	Investment management expenses borne by the scheme			-0.013
<u>-2.620</u>	Net returns on investments			<u>3.993</u>
-3.063	Net increase, or decrease, in the fund during the year			3.199
15.368	Opening net assets of the scheme			12.305
<u>12.305</u>	Closing net assets of the scheme			<u>15.504</u>

Pension Number 2 Fund (Ipswich Buses Ltd)

31 March 2009		Notes	31 March 2010
<u>£ million</u>			<u>£ million</u>
	Net asset statement		
	Investment assets	6	
	Pooled investment vehicles		
11.828	Unit Linked Insurance policies		14.272
0.910	Unit trusts: property		0.942
<u>12.738</u>	Total investments		<u>15.214</u>
	Current assets		
0.132	Sundry debtors		0.004
0.002	Cash [held by the investment managers]		0.040
0.134			<u>0.044</u>
	Current liabilities		
-0.015	Sundry creditors		-0.008
-0.552	Cash		0.254
-0.567			<u>0.246</u>
<u>-0.433</u>	Net current assets		<u>0.290</u>
<u>12.305</u>	Net assets		<u>15.504</u>

The accounts do not take account of liabilities to pay pensions and other benefits after the year end. The ability to meet these future liabilities is considered by the actuary as part of the valuation.

Notes to the Pension Number 2 Fund (Ipswich Buses Ltd)

1. Running the Fund

The fund is administered by Suffolk County Council and provides retirement benefits for employees of Ipswich Buses Limited. The separate fund was started on 1 April 1987.

2. Membership

The fund has the following number of members:

31 March 2009		31 March 2010
39	Members	0
135	Employee pensioners	151
22	Dependent pensioners	22
35	Deferred	56

Ipswich Buses Limited closed the scheme to existing employees in January 2010. As at March 2010 the fund's scheme members comprised pensioner and deferred members only.

3. Managing the Fund

The balance of the Fund is invested in line with the Local Government Pension Regulations. The Fund is quite small therefore to keep administration costs down the Fund is invested in Legal and General equity and bond index tracking pooled funds (£14.272 million, 94% as at 31 March 2010) and Schroders property units (£0.942 million, 6% as at 31 March 2010).

A copy of the Funds Statement of Investment Principles can be obtained from the Head of Strategic Finance or from Suffolk County Council's website.

4. Actuarial Position

The last formal three-yearly actuarial valuation was carried out as at 31 March 2007. The valuation report sets out the rates of the employer's contributions for the three years starting 1 April 2008. 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 2007.
- The 'projected unit method' of actuarial valuation.
- Projected investment returns of 5.8% per year, increases in future salaries of 4.7% a year and for pension increases of 3.2% a year.
- The actuarial assessment of the value of the fund's assets was £15.8 million as at 31 March 2007 (the market value of assets), and
- The actuarial assessment of the fund's liabilities, which was £16.6 million at 31 March 2007

The valuation showed that the fund's assets covered 94.9% of its liabilities at the valuation date, and the deficit based on the actuarial valuation was £842,000. The actuary has confirmed that the employer's common contribution rate should be 26.2% of pensionable pay for the three years starting 1 April 2008. In addition, a monetary payment of £409,000 should be paid over the three years, to be phased as follows £130,000 in 2008-2009, £136,000 in 2009-2010 and £143,000 in 2010-2011.

Notes to the Pension Number 2 Fund (Ipswich Buses Ltd)

An interim valuation was carried out as at 30 November 2008. The valuation was based on the following assumptions:

- Projected investment returns of 5.6% per year, increases in future salaries of 4.41% a year and pension increases of 3% a year.
- The actuarial value of the Fund's assets was £12.663 million and the liabilities £17.373 million at 30 November 2008.

The valuation showed that the Fund's assets covered 72.9% of its liabilities at 30 November 2008 and the deficit was £4.7 million.

5. Accounting Policies

The Fund Account and Net Asset Statement have been prepared in accordance with the provisions of Section 2 *Recommended Accounting Practice* of the Pension SORP – *The Financial Reports of Pension Schemes* issued by the Pensions Research Accounts Group and the associated guidance notes issued by CIPFA.

Expenditure and income are accounted for on an accruals basis with the exception of transfers into and out of the scheme which are accounted for on a cash basis. Acquisition costs of investments are included in the purchase price.

Administration costs are charged to the pension fund based on time spent by our staff.

Investment management expenses are agreed in the respective mandates governing their appointment. Fees are based on the market value of the portfolio under management.

The accounts do not take account of liabilities to pay pensions and other benefits after the year end. The ability to meet these future liabilities is considered by the actuary as part of the valuation.

All investments are valued at their market value at the Balance Sheet date, as follows:

- Listed securities and managed funds are valued at the current bid price on the 31 March 2010
- Unit trusts investments are shown at the current market value
- Investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate on the Balance Sheet date.

6. Buying and Selling Investments

	Opening Balance 01 April 2009 £ million	Purchase £ million	Sales £ million	Change in Market Value £ million	Closing Balance 31 March 2010 £ million
Pooled Investment Vehicles					
Unit Linked Insurance policies	11.828	0.696	-2.147	3.895	14.272
Unit trusts: property	0.910	-	-0.029	0.061	0.942
Totals	12.738	0.696	-2.176	3.956	15.214

The pooled investment vehicles are managed by fund managers registered in the UK. No transaction costs were incurred by the fund managers in managing this fund.

Notes to the Pension Number 2 Fund (Ipswich Buses Ltd)

7. Holdings above 5% of the fund

This is a summary of the investments above 5% of the total value of the investments (£15.214 million) at the Balance Sheet date.

Value 31 March 2009 £ million	% of the Fund 31 March 2009	Asset Type	Manager	Value 31 March 2010 £ million	% of the Fund 31 March 2010
N/A	N/A	North American Equities Index	Legal and General	0.793	5.21%
0.677	5.32%	European Equities Index	Legal and General	0.790	5.20%
0.910	7.14%	Property Unit Trust	Schroders	0.943	6.20%
2.523	19.82%	Over 5 Year Index Linked Index	Legal and General	3.093	20.33%
2.640	20.72%	Corporate Bond Index	Legal and General	3.087	20.29%
3.359	26.37%	UK Equities Index	Legal and General	4.018	26.41%

8. Related Parties

The pension fund is a related party to its administering authority and Ipswich Buses Ltd. During 2009-2010 the material transactions were as follows:

<u>2008-2009</u> <u>£ million</u>		<u>2009-2010</u> <u>£ million</u>
	<u>Transactions</u>	
0.005	Suffolk County Council - Administration Expenses	0.005
	Interest on money borrowed from Suffolk County Council	
0.005		0.001
	<u>Balances</u>	
0.020	Employer contributions	0.000

9. Information on Significant Changes to the Fund in 2010-2011

The Suffolk Pension No 2 Fund which provides benefits for employees and pensioners of Ipswich Buses will merge with Suffolk Pension No 1 Fund during 2010-2011. All assets and liabilities relating to fund number two will be transferred into the Pension No 1 Fund at the effective date.

If you need help to understand this information in another language please call **08456 066 067**.

Se precisar de ajuda para ler estas informações em outra língua, por favor telefone para o número abaixo.

Portuguese

بەم زانیاریەشینی ئە ب ت گەییەتی دە یارمەر پ ویستیەت بەگەئە
بەگە، وە ی خوارەم ژمارەندی بەیو بەزمان کی نتر تکیایە

Kurdish

Jeżeli potrzebujesz pomocy w zrozumieniu tych informacji w swoim języku zadzwoń na podany poniżej numer.

Polish

如果你需要其他語言來幫助你了解這些資訊，請撥以下電話。

Chinese

এই লেখাটি যদি অন্য ভাষাতে বুঝতে চান তাহলে নিচের নম্বরে ফোন করুন

Bengali

اگر شما نیاز دارید که این اطلاعات را به زبان دیگری دریافت کنید لطفاً به شماره زیر تلفن کنید.

Farsi

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