

Suffolk Pension Board

(Quorum 2 – 1 member of each representative group)

Scheme Employer Representatives

Councillor Richard Smith MVO, representing Suffolk County Council.

John Chance, representing all Borough, District, Town and Parish Councils.

Thomas Jarrett, representing all other employers in the Fund.

Scheme Member Representatives

Suzanne Williams, representing the Unions.

David Rowe, representing Active Members.

Eric Prince, representing Pensioners.

Date: Tuesday, 23 July 2019

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

Time: 2:00 pm

Business to be taken in public

1. **Apologies for Absence and Substitutions**

To note and record any apologies for absence or substitutions received.

2. **Declarations of Interest and Dispensations**

To receive any declarations of interests, and the nature of that interest, in respect of any matter to be considered at this meeting.

3. **Minutes of the Previous Meeting**

Pages 5-10

To approve as a correct record, the minutes of the meeting held on 13 March 2019.

4. **Investment Performance**

Pages 11-49

To receive a report on the investment performance of the Fund from HSBC, the Fund's investment performance monitoring provider.

5. **Annual Report and Accounts 2018/19**

Pages 51-180

To review the Annual Report and Accounts of the Pension Fund.

6. **Overseas Existence Service**

Pages 181-183

To receive a report on the completion of the overseas existence check, undertaken by Western Union.

7. **Pensions Administration Performance**

Pages 185-188

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

8. **Pooling Update**

To receive an update on the progress of the development of the ACCESS Pool.

9. **Pension Board Risk Register**

Pages 189-190

To consider an addition to the Board's Risk register specifically around the ACCESS pool.

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|-----|--|---------------|
| 10. | Management Expenses | Pages 191-196 |
| | To consider the management expenses of the Fund for 2019/20. | |
| 11. | Annual Employers Meeting | Pages 197-200 |
| | To consider the arrangements for the Annual Employers meeting to be held on 9 October 2019. | |
| 12. | Information Bulletin | Pages 201-206 |
| | To receive an information bulletin on some recent developments that will be of interest to the Board. | |
| 13. | Forward Work Programme | Pages 207-212 |
| | To consider whether there are any matters which the Board would wish to have included in its Forward Work Programme. | |

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Telephone: 01473 264371;

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

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

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

Nicola Beach
Chief Executive

Minutes of the Suffolk Pension Board Meeting held on 13 March 2019 at 3:00 pm in the Rose Room, Endeavour House, Ipswich.

Present: Councillor Richard Smith MVO (Chairman) (representing Suffolk County Council), John Chance (representing all Borough, District, Town and Parish Councils), Thomas Jarrett (representing all other employers in the Fund), Eric Prince (representing Pensioners) and David Rowe (representing Active Members).

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

32. Apologies for Absence

An apology was received from Suzanne Williams (representing the Unions).

33. Declarations of Interest and Dispensations

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

John Chance, Thomas Jarrett and David Rowe declared a non-pecuniary interest by virtue of the fact they were active members of the pension scheme.

34. Minutes of the Previous Meeting

The minutes of the meeting held on 14 December 2018 were confirmed as a correct record and signed by the Chairman.

35. Overseas Existence Service

At Agenda Item 4, the Board received a report which provided an overview of the Western Union Existence project, to verify the Pensioners who lived overseas, and included the processes and timescales around this.

Members welcomed the work being undertaken, stating that it was good value for money and were interested in seeing the results of the project.

Decision: The Board unanimously agreed to note the report and requested a follow-up report which detailed the results of the project to be brought to the Boards next meeting.

Reason for decision: The Board was interested in receiving an overview of the Western Union existence project to verify the Pensioners who lived overseas.

Alternative options: There were none considered.

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

John Chance, Thomas Jarrett and David Rowe declared a non-pecuniary interest by virtue of the fact they were active members of the pension scheme.

Dispensations: There were none granted.

36. Pensions Administration Performance

The Board considered a report at Agenda Item 5, which provided an update on the performance of the Pensions Administration Team. This report also included details of compliments and complaints.

The Board noted an amendment to the report at paragraph 7, where the deadline to provide the initial full data cuts to Heywood had been brought forward to 15 March 2019.

Members also noted that since the report was published, the IDRPs complaint mentioned at paragraph 13 had been upheld and the member awarded.

In response to a scheme Member's question in relation to the decision making of ill-health retirements within organisations, the Board was informed that employers did not just take the decision received by an Occupational Health professional but interpreted the evidence and formed their own decision. The employer maintained the right to challenge ill-health directly with a Doctor or professional advisor. This was why there could sometimes be disparity between the expectations of the employee and that of the employer. Members heard that Suffolk County Council was therefore now asking employers to document how they formed their decision at stage 1 of the Internal Disputes Resolution Process (IDRP). Suffolk County Council, as scheme manager, would then undertake stage 2 of the process with the information from stage 1 being more readily available. The Board were informed that pension fund members had three-years to make a complaint to the ombudsman as part of stage 3 of the IDRPs.

The Board was also informed that Vertas had again made late contribution payments to the Suffolk Pension Fund. Members were assured that payment was still received within the statutory deadline, however they had not met the agreed local terms, and as such were now being sent monthly reminders. The Board expressed their disappointment and confirmed that they wished to see Vertas improve to meet Suffolk's payment terms in future.

Decision: The Board unanimously agreed to note the report.

Reason for decision: The Board was interested in being provided with regular updates on the performance of the Pensions Administration Team including updates on statutory requirements and Service Level Agreements.

Alternative options: There were none considered.

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

John Chance, Thomas Jarrett and David Rowe declared a non-pecuniary interest by virtue of the fact they were active members of the pension scheme.

Dispensations: There were none granted.

37. Pension Board Risk Register

At Agenda Item 6, the Board received a report which set out the Risk Register for the Pension Board as approved on 4 October 2018 and how the risk control measures had been implemented against the risks.

A Member stated that ACCESS was a risk for the Board, and it was felt that it should be recognised as such because Suffolk would be handing a degree of control to a body outside of the Suffolk Pension Fund Committee. The Board heard that the Committee already had a detailed risk noted on its Risk Register and the Board were keen to see what it said in order to form their own risk. Officers confirmed this would be circulated to Members outside of the meeting so Members could consider wording before the Boards next meeting.

Decision: The Board unanimously agreed:

- a) the implementation of the risk control measures;
- b) to approve the Pension Board Risk Register; and
- c) to consider wording for an additional risk to cover the ACCESS pooling arrangements to be brought to the Board's next meeting.

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

The effective management of risk is also an area which is covered within the CIPFA Knowledge and Skills framework which recognised the importance of having an understanding of the risks that could have an impact on the Pension Fund and what steps could be taken to mitigate such risks.

Alternative options: There were none considered.

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

John Chance, Thomas Jarrett and David Rowe declared a non-pecuniary interest by virtue of the fact they were active members of the pension scheme.

Dispensations: There were none granted.

38. Pension Board Training Programme

The Board considered a report at Agenda Item 7 which outlined areas of training for Board Members to gain the necessary knowledge and understanding to fulfil their Board role.

The Board were reminded that they could attend the external training courses on offer throughout the year and if they were interested, to contact the Democratic Services Officer in the first instance.

Decision: The Board unanimously agreed the content of the training programme for the coming year with the following additional topic suggestions:

- a) to repeat the ill-health retirement training for the benefit of the new Board Members;

- b) to learn about the benefits of the scheme, when they can be taken, effects of ill-health, redundancy or business efficiency on both the scheme member and the employer, and HMRC annual and lifetime allowances;
- c) to provide further knowledge on how employer contribution rates were calculated;
- d) to compare the Suffolk Pension Board against other local boards to see how they operated, with the potential to invite the Chairman from either Norfolk or Essex to a future meeting.

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

Alternative options: There were none considered.

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

John Chance, Thomas Jarrett and David Rowe declared a non-pecuniary interest by virtue of the fact they were active members of the pension scheme.

Dispensations: There were none granted.

39. Information Bulletin

The Board received an Information Bulletin at Agenda Item 8.

40. Forward Work Programme

At Agenda Item 9, the Board received a copy of its Forward Work Programme.

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

- a) a report detailing the results of the Overseas Existence Service project – to be considered at the Boards 23 July 2019 meeting;
- b) a report identifying a new risk in relation to ACCESS pooling, specific to the Board – to be considered at the Board’s 23 July 2019 meeting;
- c) a report to consider the itinerary for the 2019 Employer meeting to be held on 9 or 10 October – to be considered at the Board’s 23 July 2019 meeting; and
- d) the Administration Expenses report to be considered at the Board’s 23 July 2019 meeting.

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

41. Exclusion of the Press and Public

Decision: The Board agreed that the public (including the press) should be excluded from the meeting during the consideration of Agenda Items 11 and 12 on the grounds that:

- a) that it involves the likely disclosure of exempt information as referred to under Parts 1 to 3 of Schedule 12A (as amended) of the Local Government Act 1972 (as amended); and
- b) that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

42. Pooling Update

The Board received a report at Agenda Item 11 which set out the progress made by the ACCESS Pool since the Board's last meeting in December 2018 and the proposed response to the government on their informal consultation on new statutory guidance on Asset Pooling.

Decision: The Board unanimously agreed to:

- a) note the report; and
- b) approve the draft ACCESS response to the asset pooling guidance.

The Board voted and agreed by majority to:

- c) include a paragraph in the covering letter from Suffolk which stated the Board's desire to see paragraph 4.5 and 4.6 of the guidance go further, to allow scheme member representatives to have a greater voice on pooling boards, with full observer status in confidential parts of the meeting.

Reason for decision: The Board:

- a) needed to be kept up to date with the progress of the ACCESS pool; and
- b) was a consultee on the new statutory guidance issued on asset pooling.
- c) Members of the Board felt that the pension fund scheme should be a joint venture between the employer and the employee and whilst this was recognised by Government through the creation of local pension boards in 2015, it was suggested that the move to pooling had meant that voice had been lost once again.

Alternative options: There were none considered.

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

John Chance, Thomas Jarrett and David Rowe declared a non-pecuniary interest by virtue of the fact they were active members of the pension scheme.

Dispensations: There were none granted.

43. Pensions Regulator

At Agenda Item 12, the Board received a report which provided the Board with further information about the recent visit of the Pensions Regulator to Suffolk.

Decision: The Board unanimously agreed to note the report.

Reason for decision: The Board was responsible for the oversight of the administration of the Suffolk Pension Fund.

Alternative options: There were none considered.

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

John Chance, Thomas Jarrett and David Rowe declared a non-pecuniary interest by virtue of the fact they were active members of the pension scheme.

Dispensations: There were none granted.

The meeting closed at 4:50 pm.

Chairman

Suffolk Pension Board

Report Title:	Investment Performance
Meeting Date:	23 July 2019
Chairman:	Councillor Richard Smith MVO
Director:	Chris Bally, Deputy Chief Executive
Assistant Director or Head of Service:	Louise Aynsley, Head of Finance (S151 Officer)
Author:	Paul Finbow, Senior Pension Specialist Telephone: 01473 265288

Brief summary of report

1. This report provides a summary of the performance of the Suffolk Pension Fund for the 2018-19 financial year and performance against other local authority pension funds.
2. The total size of the Fund as at 31 March 2019 was £2.931bn, an increase of around £169m from the previous financial year.
3. The annual return of 5.9% is behind of the Fund's specific benchmark by 1.5%. The underperformance comes from both asset allocation (0.6%) and stock selection decisions (0.9%).
4. Compared with other local authority funds, the Suffolk lower weighting to equities and higher weighting to alternatives resulted in a lower than average return in 2018-19.
5. The Fund's absolute return over a rolling three-year period is 9.5%, just below the benchmark by 0.4%. Compared to other local authority funds, the Suffolk Fund underperformed the local authority average by 1.0% per annum across the three years.

Action recommended

- | |
|--|
| 6. The Board is asked to note the report |
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Reason for recommendation

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

Alternative options

8. There are no alternative options.

Main body of report

9. The performance of the Pension Fund has been analysed by HSBC and measured against market index returns and the Fund's benchmark. The performance analysis is attached as **Appendix 1**.
10. The Pension Fund also subscribes to the Local Authority Pension Performance Analytics service offered by Pensions & Investment Research Consultants (PIRC). **Appendix 2** shows the Fund performance of 64 Local Authority Funds and further disaggregates their performance based on the asset classes invested in.
11. PIRC also provides a summary overview of the Suffolk results which is attached as **Appendix 3**.

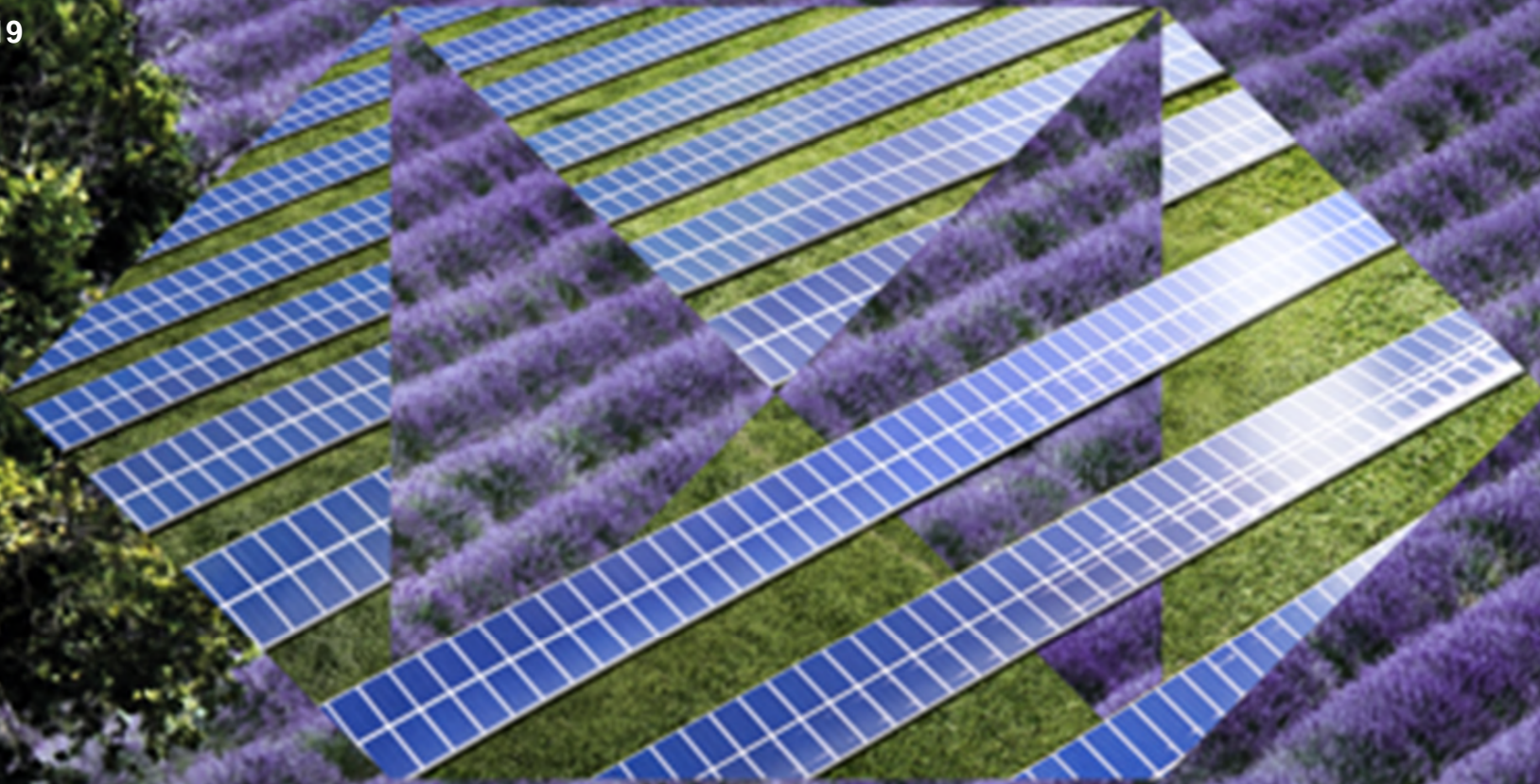
Sources of further information

- | |
|----------|
| a) None. |
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Suffolk Pension Fund

Performance Analysis to 31 March 2019

Date: July 2019

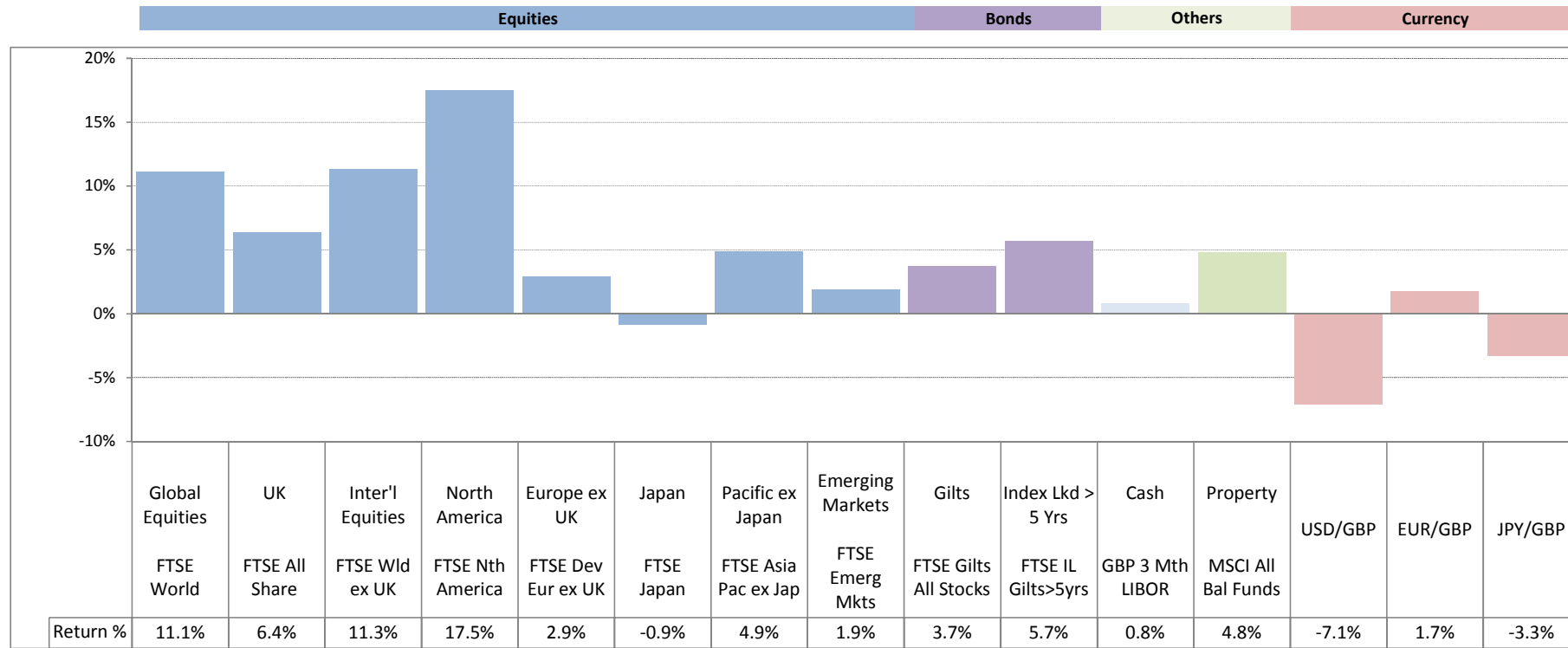


Suffolk Pension Fund Performance Analysis - Contents

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Suffolk Pension Fund Performance Analysis - Market Results

Market Data Returns for 12 months ending: 31/03/2019



Comments:

Almost all markets, with the exception of Japan provided positive returns over the 12 months to end March 2019.

Equities as a whole offered the best available returns in GBP terms, especially North America fuelled in part by the 7.1% decline in sterling vs US dollar. Of the other asset classes the best performance was achieved by Index Linked Gilts > 5 Years.

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

Suffolk Pension Fund Performance Analysis - Fund Structure and Benchmark

Fund Structure and Benchmark

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

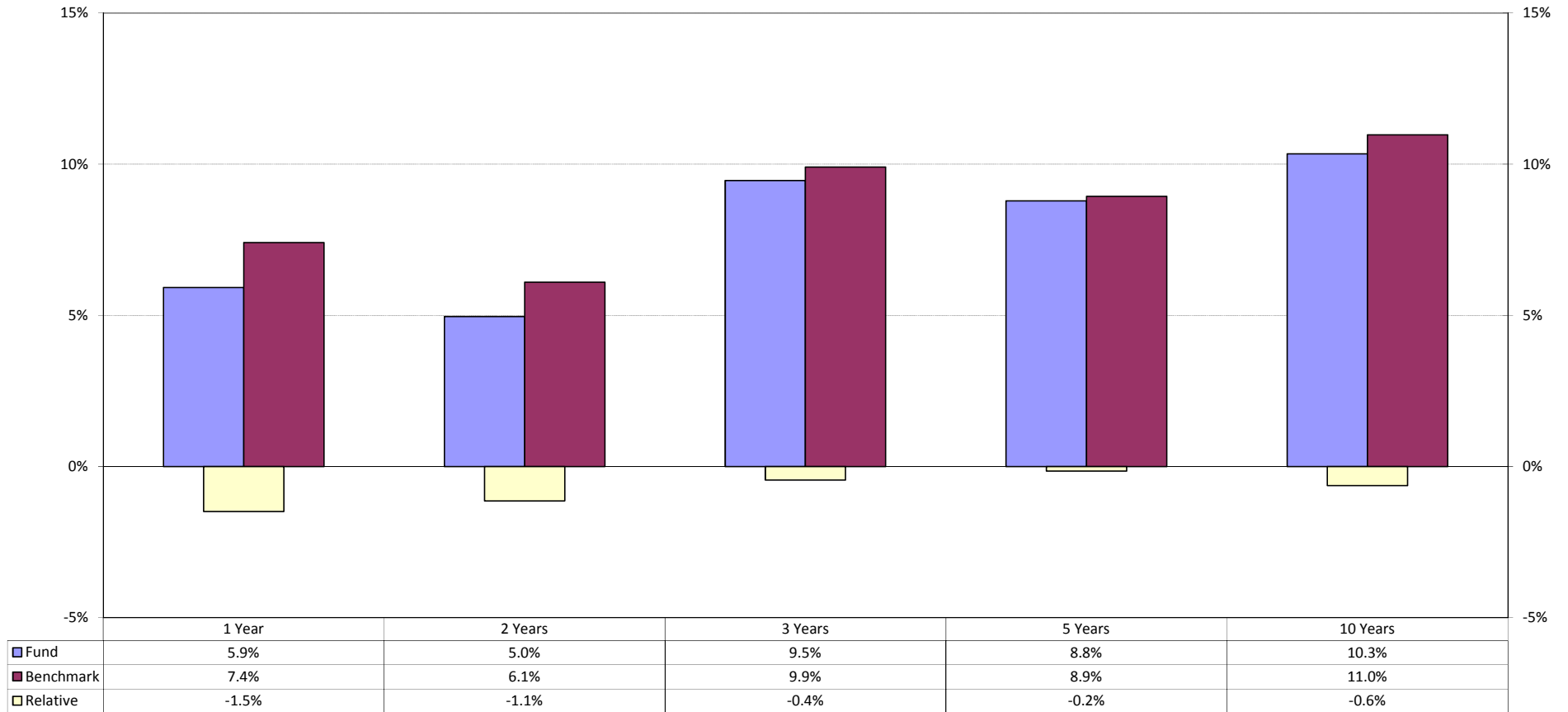
* Benchmark and % Weights as per end of reporting period:

31/03/2019

Suffolk Pension Fund Performance Analysis - Summary to Date

Annualised Returns - Total Fund

- Periods ending 31 March 2019



Total Scheme Value:

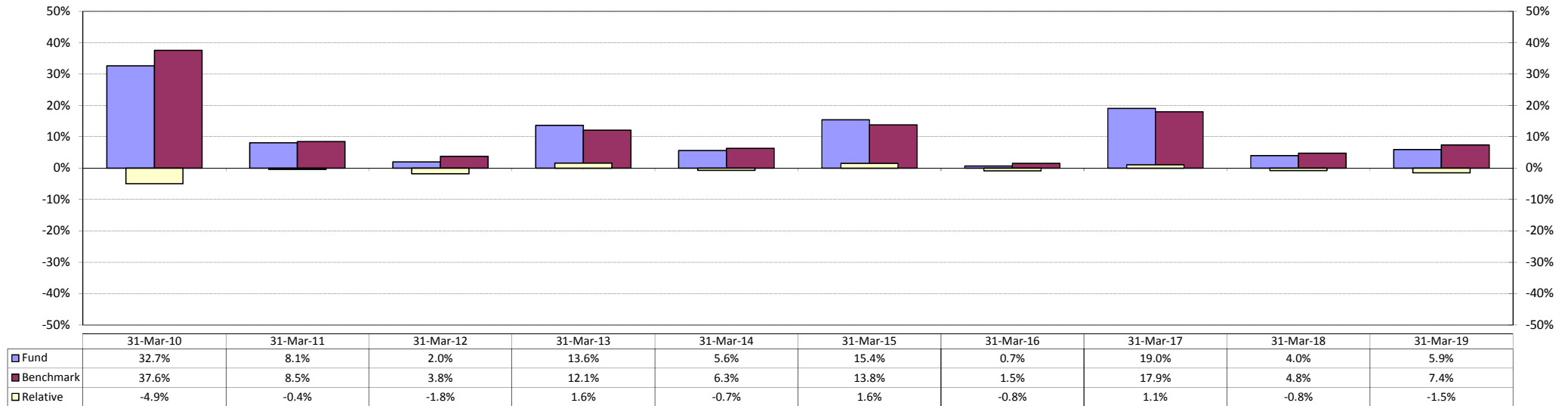
31 March 2018 = £2,758m
 31 March 2019 = £2,918m

Comments:

Underperformance over the latest fiscal and two year periods
 Returns broadly in-line over mid to longer periods
 Marginal underperformance over the 10 years

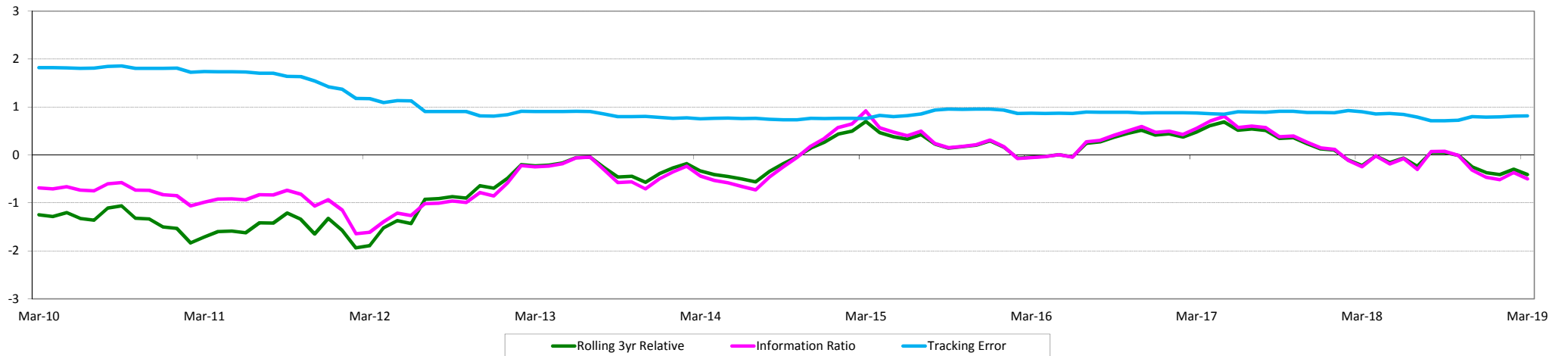
Suffolk Pension Fund Performance Analysis - Fiscal Summary and Risk

Historic Annual Returns - Total Fund, Fiscal Year Results



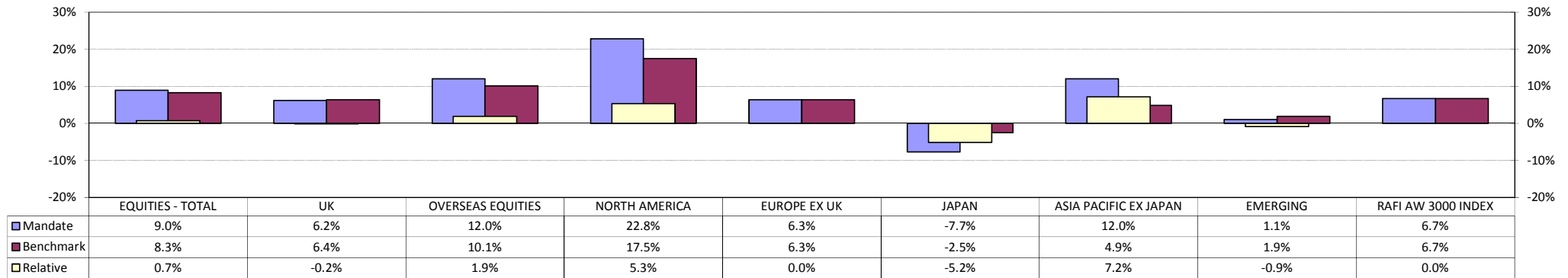
3 Year Annualised Rolling Returns - Total Fund, Relative Return

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

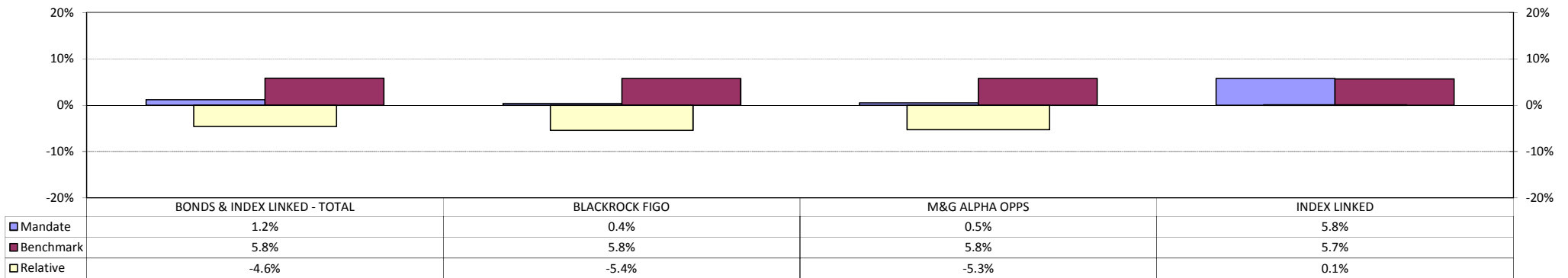


Suffolk Pension Fund Performance Analysis - Mandate Returns

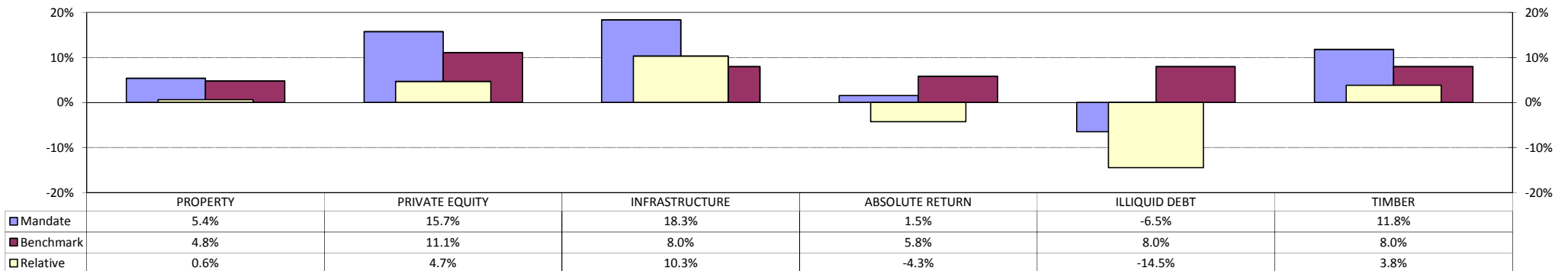
Equities - 12 month returns



Bonds & Index Linked - 12 month returns

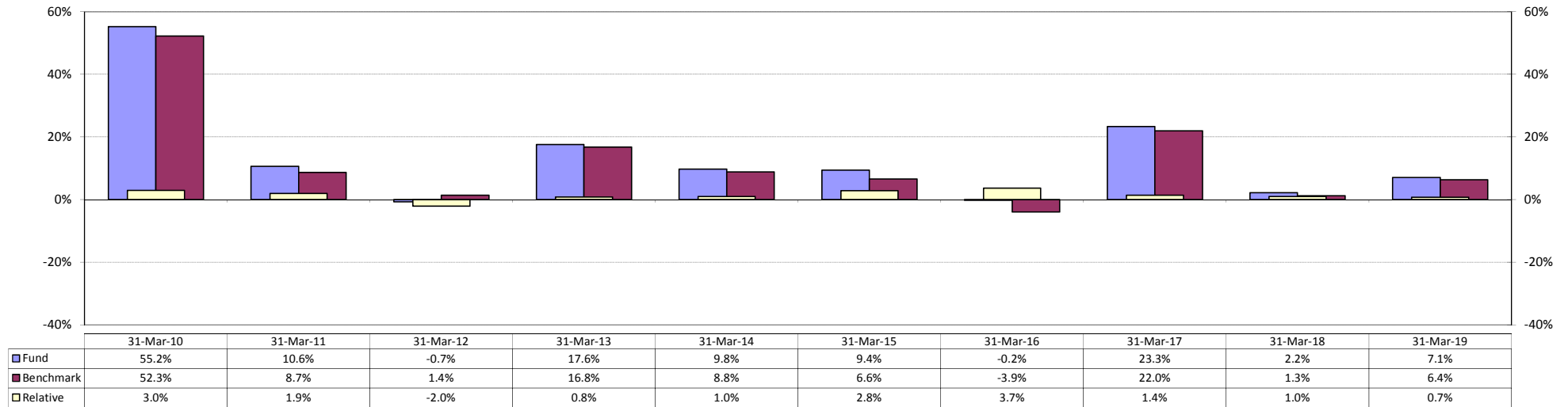


Alternatives & Property - 12 month returns



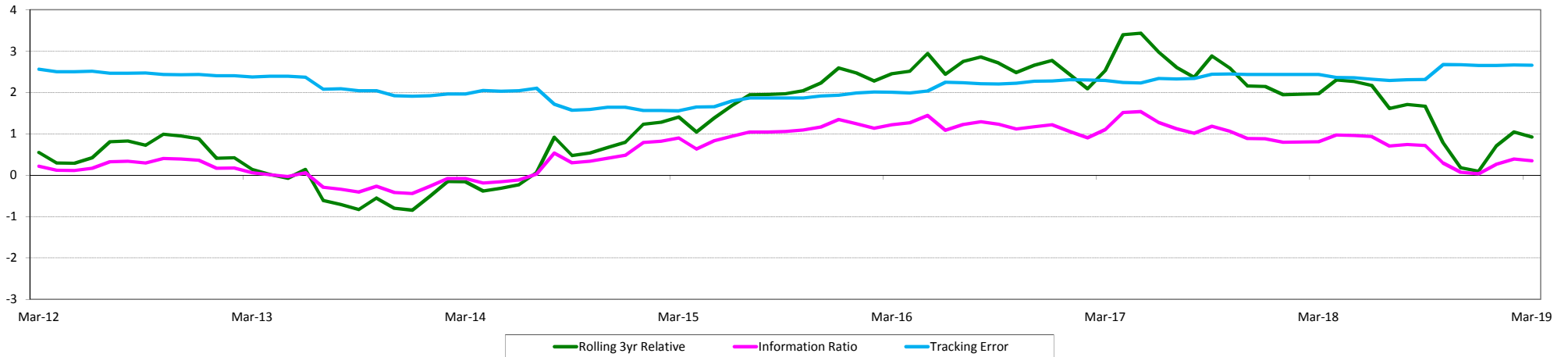
Suffolk Pension Fund Performance Analysis - Manager Summary

Historic Annual Returns - BlackRock Equities, Fiscal Year Results



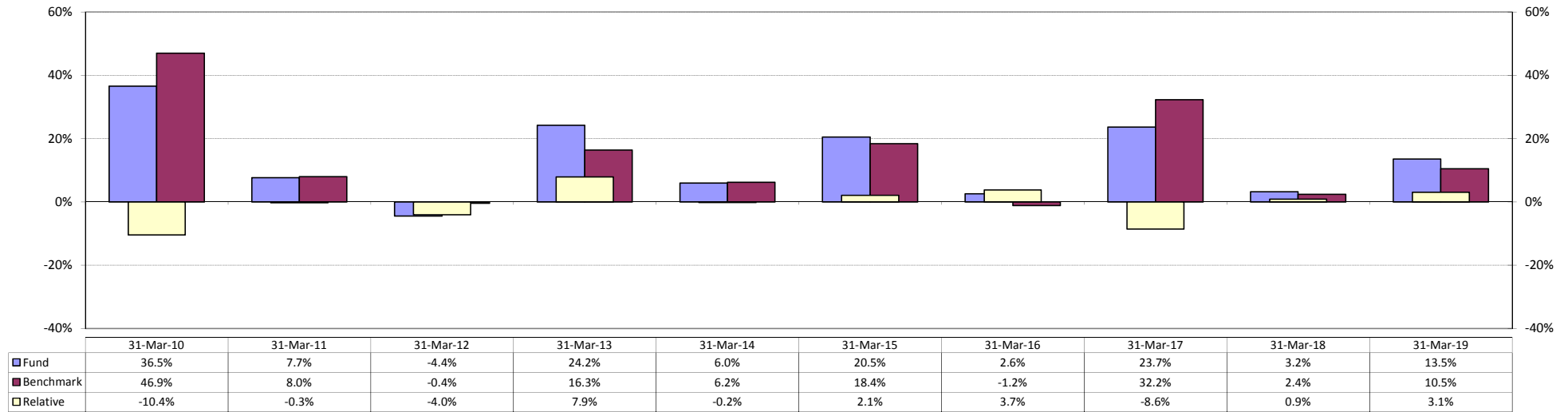
3 Year Annualised Rolling Returns - BlackRock Equities, Relative Return

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



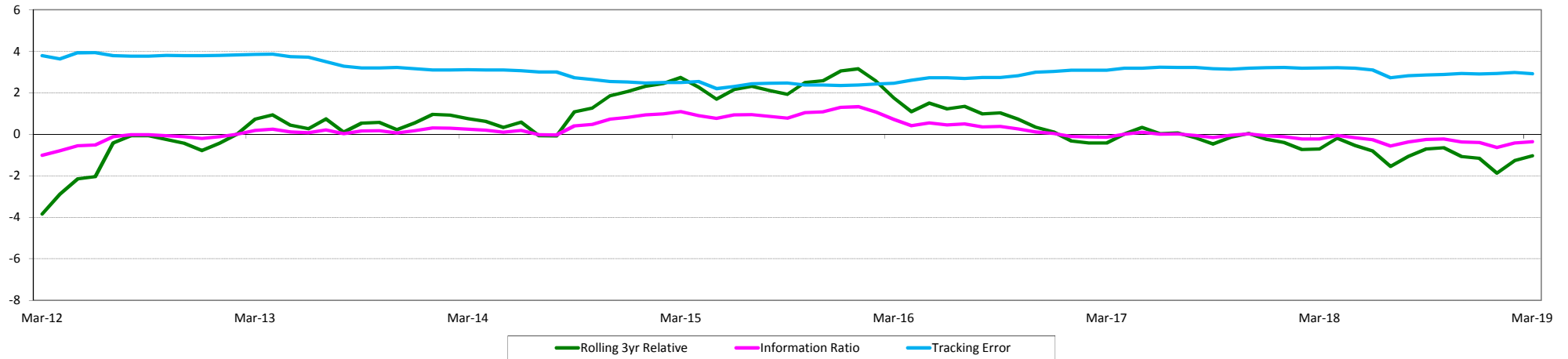
Suffolk Pension Fund Performance Analysis - Manager Summary

Historic Annual Returns - Newton, Fiscal Year Results



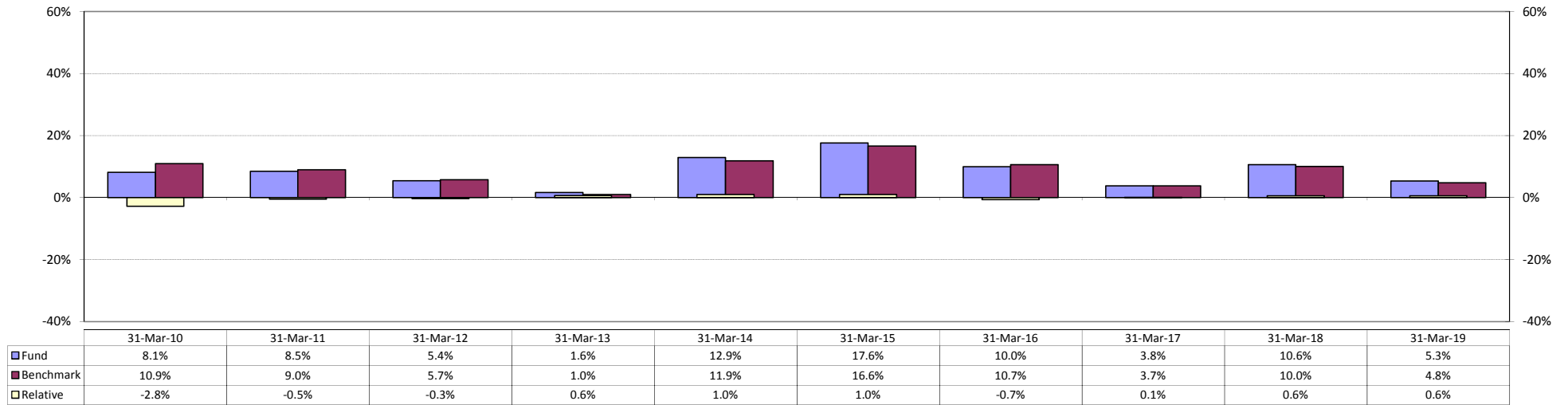
3 Year Annualised Rolling Returns - Newton, Relative Return

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



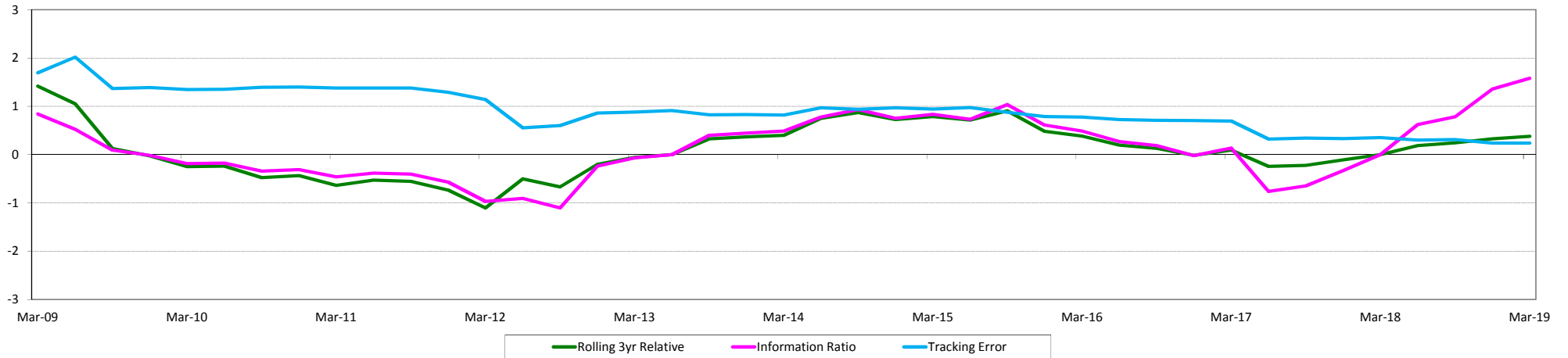
Suffolk Pension Fund Performance Analysis - Manager Summary

Historic Annual Returns - Schroders, Fiscal Year Results



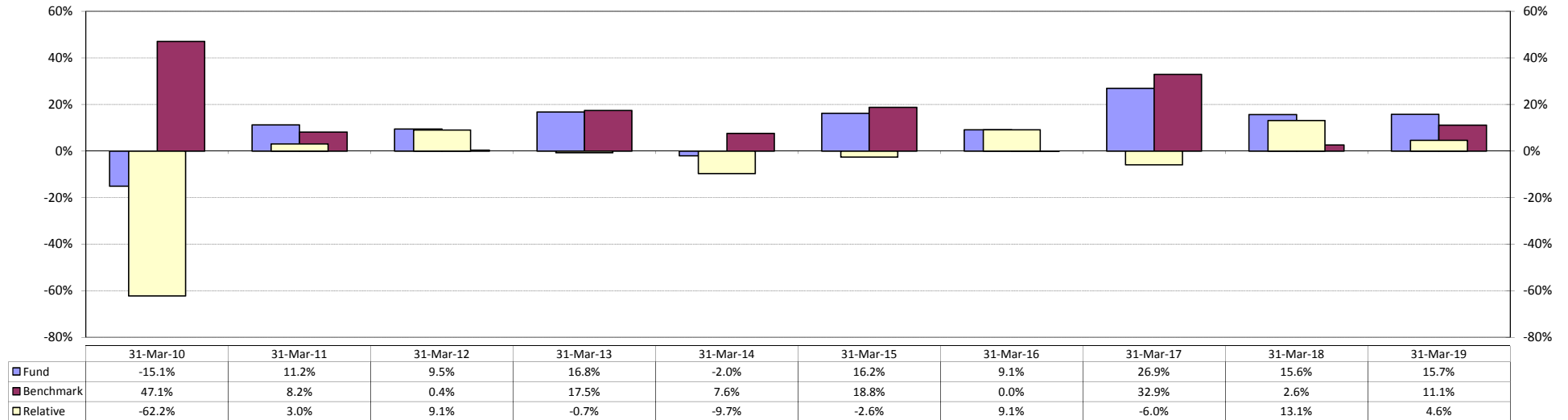
3 Year Annualised Rolling Returns - Schroders, Relative Return

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



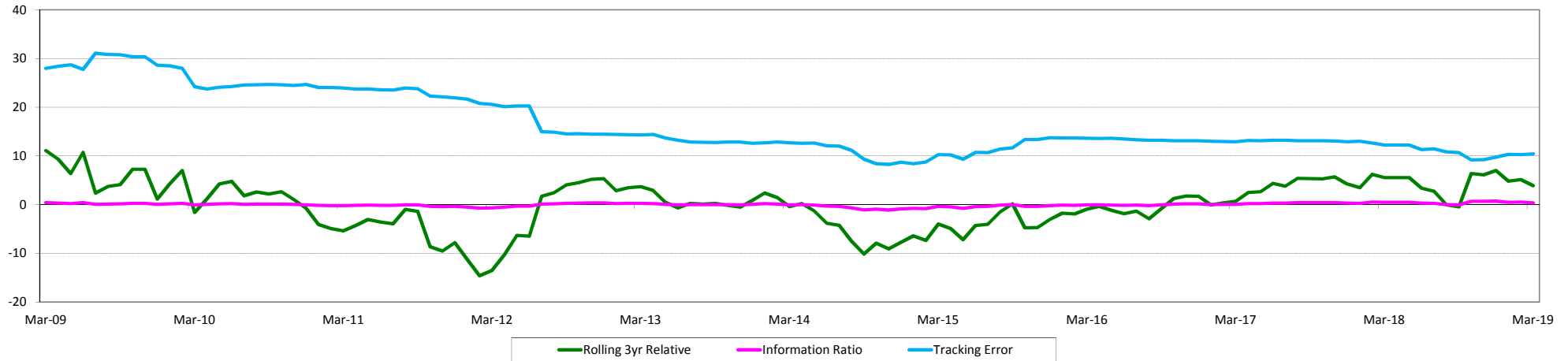
Suffolk Pension Fund Performance Analysis - Manager Summary

Historic Annual Returns - Private Equity, Fiscal Year Results



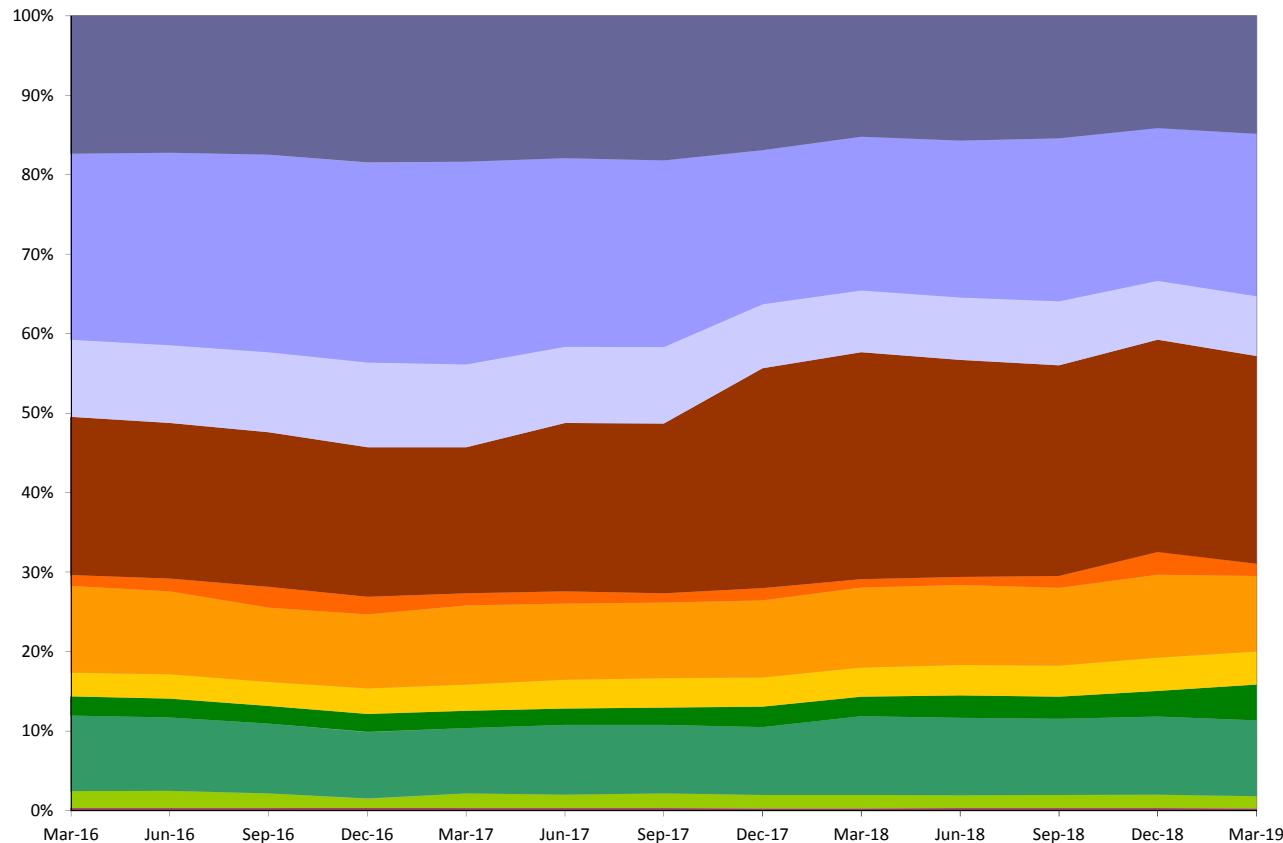
3 Year Annualised Rolling Returns - Private Equity, Relative Return

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



Suffolk Pension Fund Performance Analysis - Benchmark Allocation

Strategic Asset Allocation, 3 year progression:



Asset Class:

	Start	End
Equities - UK	17.3%	14.8%
Equities - Overseas	23.4%	20.4%
Equities - RAFI AW 3000 Index	9.7%	7.6%
Bonds & Index Linked	19.9%	26.1%
Cash	1.4%	1.5%
Property	10.9%	9.5%
Private Equity	3.0%	4.1%
Infrastructure	2.4%	4.5%
Absolute Return	9.5%	9.5%
Illiquid Debt	2.1%	1.5%
Timber	0.3%	0.3%

Comments:

- Over the 3 year time-frame, the Fund's exposure to Equities has decreased, down from 50% to 43%
- Overseas equities experienced the largest drop in allocation down 23.4% to 20.4%
- Bonds as an asset class benefited with allocation increasing from 20% to 26% over the same period
- Alternatives saw an increase of 2.6% to 20%, primarily driven by increased allocation for Private Equity and Infrastructure
- Allocation to Property has decreased slightly by 1.4% to 9.5%

Asset Class Grouping:

	Start	End
Equities	50.4%	42.8%
Bonds	19.9%	26.1%
Property	10.9%	9.5%
Alternatives	17.4%	20.0%
Cash	1.4%	1.5%

Suffolk Pension Fund Performance Analysis - Long Term Manager Returns

Manager Returns - Long Term Results

Mandate	One Year			Three Years			Five Years			
	Portfolio	Benchmark	Relative	Portfolio	Benchmark	Relative	Portfolio	Benchmark	Relative	
Suffolk Pension Fund	5.9%	7.4%	-1.5%	9.5%	9.9%	-0.4%	8.8%	8.9%	-0.1%	
BlackRock Equities	Equities	7.1%	6.4%	0.7%	10.5%	9.5%	1.0%	8.1%	6.1%	2.0%
BlackRock Fixed Income	Bonds	0.4%	5.8%	-5.4%	2.7%	5.6%	-2.8%	-	-	-
Brookfield	Timber	11.4%	8.0%	3.4%	13.6%	8.0%	5.6%	-	-	-
J.P. Morgan - new January 2019	Infrastructure	N/A	N/A	-	-	-	-	-	-	-
KKR	Infrastructure	31.0%	8.0%	23.0%	27.7%	8.0%	19.6%	27.6%	8.0%	19.6%
M&G	Bonds/Infrastructure	0.8%	6.4%	-5.6%	5.0%	6.1%	-1.1%	-	-	-
- Alpha Opportunities		0.5%	5.8%	-5.3%	-	-	-	-	-	-
- Illiquid Debt		-6.5%	8.0%	-14.5%	5.5%	8.0%	-2.5%	5.9%	8.0%	-2.1%
- Infrastructure		19.0%	-	-	-	-	-	-	-	-
Newton	Equities	13.5%	10.5%	3.1%	13.2%	14.4%	-1.2%	12.4%	11.8%	0.5%
Partners Group	Infrastructure	13.5%	8.0%	5.5%	14.8%	8.0%	6.8%	17.2%	8.0%	9.3%
Pyrford	Absolute Return	3.5%	5.8%	-2.3%	3.3%	5.6%	-2.3%	3.7%	5.6%	-1.9%
Schroders	Property	5.3%	4.8%	0.6%	6.6%	6.2%	0.4%	9.4%	9.1%	0.3%
UBS	Multi Asset	6.8%	7.1%	-0.2%	-	-	-	-	-	-
Winton	Absolute Return	-0.6%	5.8%	-6.4%	0.3%	5.6%	-5.2%	3.2%	5.6%	-2.3%
Private Equity - Total	Private Equity	15.7%	11.1%	4.7%	19.3%	14.8%	4.5%	16.6%	12.5%	4.1%
Pantheon	Private Equity	16.1%	11.1%	5.0%	18.6%	14.8%	3.8%	-	-	-
Wilshire	Private Equity	15.8%	11.1%	4.7%	21.6%	14.8%	6.7%	-	-	-
Internally Managed Cash	Cash	1.3%	0.8%	0.5%	0.8%	0.6%	0.2%	-	-	-

Suffolk Pension Fund Performance Analysis - Latest Year Attribution

Latest Year Attribution

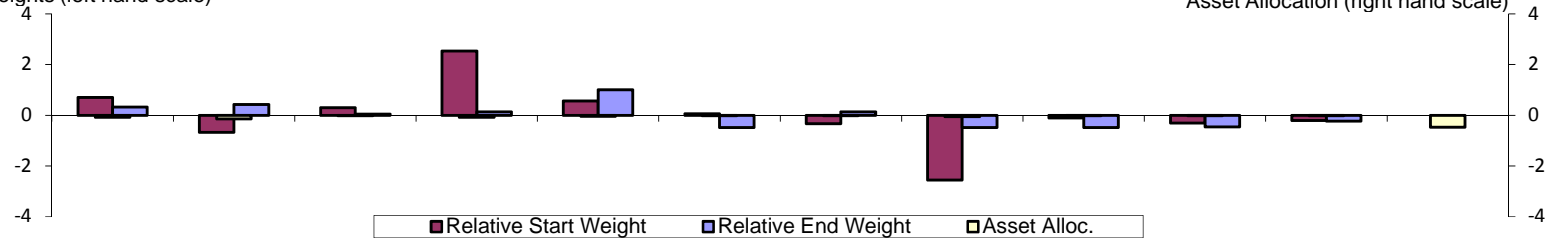
Fund Return 5.9% **Benchmark Return** 7.4%
Asset Allocation -0.5% **Selection** -0.9%
Relative Performance attributable to -1.5%

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

Relative Weights (left hand scale)

Asset Allocation (right hand scale)

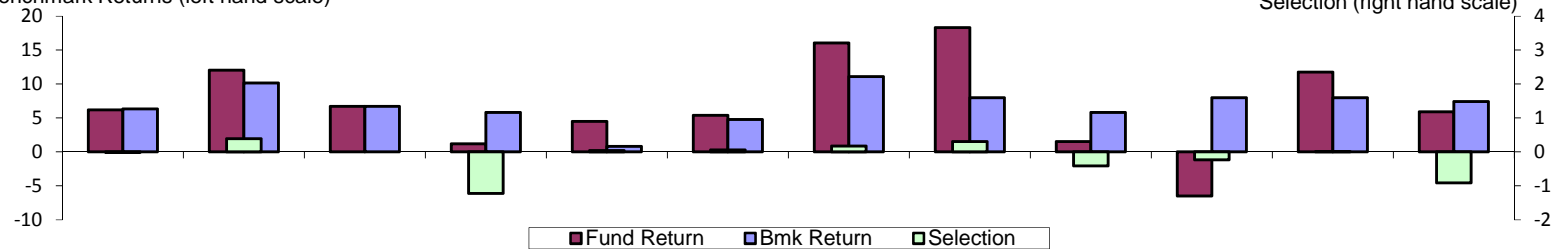


Fund Start	15.2	19.3	7.8	28.5	1.1	10.1	3.7	2.5	9.9	1.7	0.3	100
Fund End	14.8	20.4	7.6	26.1	1.5	9.5	4.1	4.5	9.5	1.5	0.3	100
Bmk Start	14.5	20.0	7.5	26.0	0.5	10.0	4.0	5.0	10.0	2.0	0.5	100
Bmk End	14.5	20.0	7.5	26.0	0.5	10.0	4.0	5.0	10.0	2.0	0.5	100
Asset Alloc.	-0.1	-0.1	0.0	-0.1	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	-0.5

SELECTION

Fund & Benchmark Returns (left hand scale)

Selection (right hand scale)



Fund Return	6.2	12.0	6.7	1.2	4.5	5.4	16.0	18.3	1.5	-6.5	11.8	5.9
Bmk Return	6.4	10.1	6.7	5.8	0.8	4.8	11.1	8.0	5.8	8.0	8.0	7.4
Selection	0.0	0.4	0.0	-1.2	0.0	0.1	0.2	0.3	-0.4	-0.2	0.0	-0.9



2018/19 Local Authority Fund Statistics

FINAL - 18th June 2019

UNIVERSE OVERVIEW

	1 Year	3 Yrs (% p.a.)	5 Yrs (% p.a.)	10 Yrs (% p.a.)	20 Yrs (% p.a.)	30 Yrs (% p.a.)
Universe average	6.6	10.5	8.8	10.7	6.4	8.4
Range of Results						
Top Quartile	7.2	10.8	9.2	11.2	6.6	8.5
Median	6.2	10.0	8.5	10.6	6.0	8.2
Bottom Quartile	5.3	9.1	7.8	10.1	5.7	8.0
Total Equity	7.3	13.0	9.9	12.9	6.6	8.8
Global	8.6	14.3	11.6	13.2		
UK	5.7	9.2	5.9	11.5		
Overseas	6.0	14.1	11.6	13.2		
North America	16.2	17.0	15.6	16.4		
Europe	2.0	11.0	8.3	11.6		
Japan	-1.2	13.7	12.2	10.7		
Pacific	2.9	14.1	9.1	11.9		
Emerging	0.0	13.3	8.7	10.6		
Total Bonds	3.7	5.4	5.8	6.8	5.9	5.9
Global	3.9	5.9	3.5	1.7		
UK Bonds	4.5	5.5	5.7	7.2		
UK Govt	5.1	5.7				
UK Corp	4.0	5.8				
UK IL	5.3	7.6	8.9	8.8		
Non UK Bonds	3.9	6.1	6.2	5.8		
Absolute Return Bonds	1.0	2.9				
MAC	0.1					
Cash	0.8	0.2	0.7	1.1	2.8	4.7
Alternatives	10.3	10.8	10.5	8.1	8.8	
Private Equity	15.3	15.1	14.7	10.2		
Hedge Funds	1.8	3.1	4.5	5.0		
Infrastructure	11.7	11.9	11			
Diversified Growth	0.3	3.2	3.1			
Property	6.1	7.2	9.5	8.7	7.6	7.5

At the end of March 2019 the Universe was comprised of 64 funds with a combined value of £193 bn.

TOTAL FUND PERFORMANCE

	1 Year	Rank	3 Yrs (% p.a.)	Rank	5 Yrs (% p.a.)	Rank	10 Yrs (% p.a.)	Rank	20 Yrs (% p.a.)	Rank	30 Yrs (% p.a.)	Rank
Universe average	6.6		10.5		8.8		10.7		6.4		8.4	
Range of Results												
Top Quartile	7.2		10.8		9.2		11.2		6.6		8.5	
Median	6.2		10.0		8.5		10.6		6.0		8.2	
Bottom Quartile	5.3		9.1		7.8		10.1		5.7		8.0	
Avon Pension Fund	5.1	84	8.8	81	7.4	87	10.1	75	5.8	74	8.0	80
Barking and Dagenham	5.2	76	9.4	69	8.5	54	9.4	93	5.1	96	8.0	72
Barnet Pension Fund	5.1	82	7.9	97	6.7	95	8.4	98	5.5	91	7.6	98
Bexley Pension Fund	7.4	21	10.4	39	9.4	18	11.5	11	7.1	6	9.0	4
Brent Pension Fund	7.2	26	8.5	86	7.6	80	9.1	97	4.7	98	7.0	100
Bromley Pension Fund	8.0	11	13.5	1	11.6	2	13.7	1	7.9	1	9.2	1
Cambridgeshire Pension Fund	7.1	31	11.2	15	8.5	56	10.2	70	5.8	74	8.1	61
Camden Pension Fund	4.9	92	9.9	58	7.2	92	10.2	68	6.0	55	8.0	69
Cardiff & Glamorgan Pension Fund	5.1	81	9.6	66	7.8	72	10.5	55	6.0	53	7.9	84
City of London Corporation Pension Fund	7.6	13	9.8	60	7.9	69	10.4	64				
Cornwall Pension Fund	6.6	44	8.3	89	5.6	98						
Cumbria Pension Fund	6.8	40	10.0	47	9.4	20	10.7	47	6.8	13	8.4	35
Devon Pension Fund	5.6	73	9.1	74	7.3	90	9.5	91	6.15	47	7.93	86
Dyfed Pension Fund	6.5	47	11.5	8	9.8	15	11.6	7	6.9	8	8.7	10
Ealing Pension Fund	4.8	94	9.7	63	7.7	77	10.8	41	6.6	23	8.4	31
East Riding Pension Fund	6.8	40	10.4	39	8.4	61	11.1	27	6.4	32	8.3	43
East Sussex Pension Fund	7.3	23	9.7	61	9.1	28	10.5	61	6.6	27	8.4	33
Enfield Pension Fund	7.3	24	8.8	82	8.5	49	9.7	86	6.2	43	8.6	23
Flintshire (Clywd)	5.0	89	9.9	55	8.6	46	9.6	88	5.8	70	7.8	94
Gloucestershire Pension Fund	5.0	87	10.1	45	8.4	62	11.2	25	5.9	62	8.3	41
Greater Manchester No 2	4.2	98	2.1	100	1.4	100	2.8	100	3.9	100		
Greater Manchester Pension Fund	5.6	71	10.8	24	8.6	48	10.6	50	7.1	6	8.9	6
Greenwich Pension Fund	4.3	97	8.2	92	7.2	94	10.0	80	5.3	94		
Gwynedd Pension Fund	7.6	15	10.6	32	8.9	31	10.7	48	6.2	40	8.1	67
Hackney Pension Fund	5.7	68	9.3	73	7.5	85	9.6	89	5.7	85	7.9	90
Hammersmith and Fulham	5.0	87	8.2	90	7.8	76	10.6	52	6.2	40	8.2	53
Haringey Pension Fund	5.7	66	11.5	10	10.1	12	11.4	16	5.7	77	8.1	55
Harrow Pension Fund	6.0	57	11.0	18	9.1	28	11.6	9	6.4	34	8.7	16
Havering Pension Fund	3.4	100	8.3	87	7.4	89	10.5	57	5.4	93	8.2	51
Hillingdon Pension Fund	5.2	78	8.6	84	7.5	84	10.0	79				
Hounslow Pension Fund	8.6	8	10.5	34	7.8	76	10.5	59	6.3	36	8.5	29
Isle of Wight Pension Fund	7.4	19	9.1	76	8.1	64	11.4	14	6.7	17	8.5	27

TOTAL FUND PERFORMANCE

	1 Year	Rank	3 Yrs (% p.a.)	Rank	5 Yrs (% p.a.)	Rank	10 Yrs (% p.a.)	Rank	20 Yrs (% p.a.)	Rank	30 Yrs (% p.a.)	Rank
Universe average	6.6		10.5		8.8		10.7		6.4		8.4	
Range of Results												
Top Quartile	7.2		10.8		9.2		11.2		6.6		8.5	
Median	6.2		10.0		8.5		10.6		6.0		8.2	
Bottom Quartile	5.3		9.1		7.8		10.1		5.7		8.0	
Islington Pension Fund	7.0	32	9.0	78	7.6	82	10.1	72	5.5	89	8.0	80
Kensington and Chelsea	10.9	2	13.2	2	11.9	1						
Kent Pension Fund	7.1	31	10.8	28	8.9	33	11.3	20	6.0	49	8.2	49
Kingston upon Thames	6.2	50	9.9	57	9.0	30	10.9	36	6.0	51	8.2	49
Lambeth Pension Fund	4.5	95	8.1	94								
Lancashire Pension Fund	11.7	1	11.8	7	10.8	3	11.5	13	6.6	28	8.6	23
Lewisham Pension Fund	7.2	28	10.8	26	9.7	16	10.9	38	5.7	76	8.2	45
Lincolnshire Pension Fund	8.2	10	10.2	42	8.5	59	9.8	82	5.7	81	8.1	67
Merseyside Pension Fund	5.6	69	10.0	50	8.7	44	10.5	55	6.8	11	8.5	27
Merton Pension Fund	7.8	13	10.4	37	8.3	63	10.9	37	6.4	32	8.5	30
Newham Pension Fund	9.0	3	10.0	53	10.1	10	10.9	39	5.9	57	7.9	88
Northamptonshire Pension Fund	7.4	18	10.3	40	8.5	54	10.8	43	6.2	42	8.4	37
Orkney Islands Pension Fund	5.8	61	12.7	3	10.1	8	13.4	2	7.8	2	9.1	2
Oxfordshire Pension Fund	6.8	40	10.8	24	8.8	35	11.1	29	5.8	66	8.0	74
Powys Pension Fund	5.4	74	9.6	65	8.7	39	9.8	84	5.6	87	7.7	96
Redbridge Pension Fund	5.7	63	8.9	79	7.9	67	9.3	95	5.7	81	8.0	80
Rhondda Cynon Taf Pension Fund	8.8	7	12.1	5	10.6	5	12.0	4	6.7	21	8.6	18
South Yorkshire Pension Authority	5.9	60	10.7	29	9.3	21	11.0	32	6.7	15	8.4	39
Southwark Pension Fund	9.0	5	10.7	31	10.3	7	11.1	30	6.5	30		
Strathclyde No 3 Fund	4.9	90	7.5	98	8.7	44	10.7	45				
Strathclyde Pension Fund	5.9	58	11.4	11	9.9	13	11.3	18	6.8	10	8.7	12
Suffolk Pension Fund	6.0	55	9.5	68	8.8	36	10.3	66	5.7	85		
Surrey Pension Fund	5.7	65	9.3	71	8.0	66	11.2	23	6.2	47	8.1	63
Sutton Pension Fund	6.4	48	10.0	50	8.7	41						
Swansea Pension Fund	6.1	52	10.0	52	7.7	79	10.0	77	5.9	64	8.1	61
Torfaen Pension Fund	5.1	81	10.2	44	7.9	71						
Tower Hamlets Pension Fund	6.5	45	10.9	21	8.5	51	10.1	73	5.9	62	7.8	92
Waltham Forest Pension Fund	6.9	36	8.0	95	6.5	97	10.9	34	5.9	59	8.1	61
Wandsworth & Richmond Fund	6.7	42	11.0	16	9.2	25	11.9	5	6.7	19	8.8	8
West Yorkshire Pension Fund	7.0	34	10.9	19	8.7	39	10.4	63	6.6	25	8.7	14
Westminster Pension Fund	6.1	53	10.4	36	8.5	57						
Wiltshire Pension Fund	7.4	16	11.4	13	9.2	23	11.2	22	5.8	70	7.9	84

EQUITY PERFORMANCE

	1 Year	Rank	3 Yrs (% p.a.)	Rank	5 Yrs (% p.a.)	Rank	10 Yrs (% p.a.)	Rank	20 Yrs (% p.a.)	Rank	30 Yrs (% p.a.)	Rank
Universe average	7.3		13.0		9.9		12.9		6.6		8.8	
Range of Results												
Top Quartile	9.6		13.7		10.8		13.4		6.9		9.1	
Median	7.9		12.9		9.9		12.8		6.6		8.8	
Bottom Quartile	6.4		12.1		9.0		12.3		6.0		8.4	
Avon Pension Fund	5.8	91	10.5	95	8.6	86	12.3	76	5.9	80	8.3	83
Barking and Dagenham	7.9	52	15.5	8	12.5	11	13.4	24	6.2	68	9.1	19
Barnet Pension Fund	6.1	87	12.3	68	10.1	44	13.4	26	6.9	28	9.0	32
Bexley Pension Fund	13.3	2	12.9	48	11.1	25	13.7	20	7.9	4	10.0	2
Brent Pension Fund	9.1	33	12.8	53	9.6	56	12.3	78	5.4	98	7.5	100
Bromley Pension Fund	10.1	24	16.6	3	14.2	2	15.9	2	8.6	1	9.9	4
Cambridgeshire Pension Fund	8.4	45	13.4	34	9.4	67	12.3	80	5.9	78	8.5	70
Camden Pension Fund	6.2	84	13.1	39	8.8	83	12.1	83	6.5	54	8.8	55
Cardiff & Glamorgan Pension Fund	5.0	97	11.2	94	8.5	90	12.6	61	6.3	64	8.5	66
City of London Corporation Pension Fund	9.0	37	12.1	81	9.4	63	12.9	46				
Cornwall Pension Fund	7.9	54	12.6	61	10.8	30						
Cumbria Pension Fund	11.8	6	12.9	50	10.4	39	13.1	37	7.0	20	8.9	47
Devon Pension Fund	5.7	92	13.6	29	9.6	58	12.9	45	6.6	44	8.6	62
Dyfed Pension Fund	6.6	70	12.7	55	10.1	46						
Ealing Pension Fund	6.2	83	12.0	82	8.8	81	11.9	87	7.0	22	8.9	34
East Riding Pension Fund	6.6	72	12.6	60	9.2	70	13.3	28	6.8	36	8.9	45
East Sussex Pension Fund	8.8	41	13.4	34	11.0	26	13.0	41	6.9	30	8.8	49
Enfield Pension Fund	10.5	14	15.1	11	12.3	16	14.4	8	7.1	16	9.6	6
Flintshire (Clywd)	1.7	100	14.2	19	10.1	47	12.7	54	6.1	72	8.0	94
Gloucestershire Pension Fund	6.5	76	12.5	65	9.4	65	12.5	69	6.2	68	8.8	55
Greater Manchester No 2	6.9	65										
Greater Manchester Pension Fund	4.6	99	13.1	39	9.2	72	12.6	63	7.0	18	9.4	11
Greenwich Pension Fund	6.3	81	11.7	87	8.8	77	11.6	95	5.6	90		
Gwynedd Pension Fund	7.7	56	12.1	78	9.7	53	12.3	74	6.2	70	8.4	79
Hackney Pension Fund	6.4	79	11.6	89	8.3	95	11.8	91	5.8	86	8.3	85
Hammersmith and Fulham	9.8	25	12.4	66	10.4	40	14.1	9	7.8	6	9.5	9
Haringey Pension Fund	6.8	67	13.0	44	10.5	33	12.6	65	5.6	88	8.3	87
Harrow Pension Fund	8.4	46	14.1	21	10.4	35	13.5	22	6.3	58	9.1	28
Havering Pension Fund	8.3	48	15.9	7	12.8	9	11.8	91	5.5	94	8.5	72
Hillingdon Pension Fund	10.2	21	10.3	97	7.4	98	11.3	98				
Hounslow Pension Fund	11.1	10	12.9	52	8.5	91	12.5	69	6.6	46	8.9	45
Isle of Wight Pension Fund	10.5	16	11.6	90	9.7	54	13.8	17	7.1	14	8.9	36

EQUITY PERFORMANCE

	1 Year	Rank	3 Yrs (% p.a.)	Rank	5 Yrs (% p.a.)	Rank	10 Yrs (% p.a.)	Rank	20 Yrs (% p.a.)	Rank	30 Yrs (% p.a.)	Rank
Universe average	7.3		13.0		9.9		12.9		6.6		8.8	
Range of Results												
Top Quartile	9.6		13.7		10.8		13.4		6.9		9.1	
Median	7.9		12.9		9.9		12.8		6.6		8.8	
Bottom Quartile	6.4		12.1		9.0		12.3		6.0		8.4	
Islington Pension Fund	9.4	29	12.5	63	9.0	76	11.8	93	5.5	92	8.1	92
Kensington and Chelsea	12.9	3	16.1	5	14.4	1						
Kent Pension Fund	6.5	73	12.3	73	9.5	62	13.0	43	6.0	76	8.5	75
Kingston upon Thames	9.4	30	14.3	18	12.1	18	14.0	13	6.6	44	8.9	38
Lambeth Pension Fund	8.2	49	13.9	24								
Lancashire Pension Fund	16.0	1	14.5	16	13.0	5	14.1	11	6.9	28	9.2	17
Lewisham Pension Fund	10.3	19	13.5	31	11.2	23	12.7	52	5.8	86	8.4	77
Lincolnshire Pension Fund	10.6	13	13.0	44	10.3	42	12.7	58	6.0	74	8.5	68
Merseyside Pension Fund	5.3	95	11.3	92	8.7	84	11.9	85	6.3	56	8.3	81
Merton Pension Fund	10.4	18	12.3	73	8.6	88	12.5	72	6.3	62	8.7	58
Newham Pension Fund	12.0	5	14.1	23	12.5	12	13.8	15	7.0	24	9.1	24
Northamptonshire Pension Fund	9.2	32	12.6	57	9.8	51	12.8	48	6.7	38	9.1	26
Orkney Islands Pension Fund	9.0	35	16.8	2	13.0	7	16.5	1	8.5	2	10.0	1
Oxfordshire Pension Fund	7.2	59	13.0	47	9.2	69	12.8	50				
Powys Pension Fund	7.1	60	13.7	28	11.6	21	13.7	20	5.5	96	7.8	98
Redbridge Pension Fund	6.1	87	10.0	98	7.7	97	10.3	100	5.3	100	7.9	96
Rhondda Cynon Taf Pension Fund	10.1	22	14.6	15	12.3	16	14.8	4	7.3	8	9.4	13
South Yorkshire Pension Authority	7.3	57	13.0	45	9.9	49	12.6	61	6.7	40	8.7	60
Southwark Pension Fund	9.6	27	13.3	36	11.8	19	13.3	33	6.5	52		
Strathclyde Pension Fund	6.7	68	13.8	26	10.7	32	13.3	32	7.2	12	9.2	15
Strathclyde No 3 Fund	6.1	89	11.8	84	8.5	93	11.4	96				
Suffolk Pension Fund	9.0	38	12.6	58	10.4	39	12.7	56	5.8	82		
Surrey Pension Fund	8.1	51	12.1	76	9.6	60	13.2	35	6.8	34	8.8	51
Sutton Pension Fund	8.8	41	13.1	40								
Swansea Pension Fund	7.0	62	12.2	74	9.0	74	12.5	70	6.3	60	8.5	64
Torfaen Pension Fund	5.4	94	12.1	79								
Tower Hamlets Pension Fund	11.3	8	15.4	10	10.8	28	13.3	32	6.5	50	8.2	89
Waltham Forest Pension Fund	6.5	78	9.2	100	7.1	100	13.1	39	6.8	34	9.0	30
Wandsworth & Richmond Fund	10.9	11	15.0	13								
West Yorkshire Pension Fund	6.5	76	11.8	86	8.8	81	12.1	82	6.6	48	8.9	45
Westminster Pension Fund	6.9	64	12.3	73								
Wiltshire Pension Fund	8.5	43	17.0	1	13.1	4	14.7	6	7.2	10	9.1	21

FIXED INCOME PERFORMANCE

	1 Year	Rank	3 Yrs (% p.a.)	Rank	5 Yrs (% p.a.)	Rank	10 Yrs (% p.a.)	Rank	20 Yrs (% p.a.)	Rank	30 Yrs (% p.a.)	Rank
Universe average	3.7		5.4		5.8		6.8		5.9		5.9	
Range of Results												
Top Quartile	4.2		6.2		6.8		8.1		6.5		6.2	
Median	3.3		5.2		5.9		7.4		5.9		5.8	
Bottom Quartile	2.1		3.8		3.9		5.6		5.0		5.1	
Avon Pension Fund	1.5	81	4.2	63	6.3	35	7.5	42				
Barking and Dagenham	-1.7	95	1.6	97	2.4	92	4.0	96	4.4	93	7.0	83
Barnet Pension Fund	3.4	46	5.3	46	5.9	48	6.9	58	6.2	26	7.3	61
Bexley Pension Fund	2.6	63	3.3	83	2.5	90	5.6	78	5.4	70	7.2	73
Brent Pension Fund	1.2	85	3.2	88	2.5	89	5.8	72	4.5	91	7.0	83
Bromley Pension Fund	2.0	75	4.4	56	5.6	58	8.1	26	5.7	56	7.4	59
Cambridgeshire Pension Fund	0.3	90	3.7	79	4.6	69	5.5	84	5.1	77	7.0	88
Camden Pension Fund	-2.9	98	2.1	95	2.4	96	5.6	82	5.2	75	7.0	85
Cardiff & Glamorgan Pension Fund	3.3	51	3.7	77	4.3	73	5.8	70	5.8	49	7.6	42
Cornwall Pension Fund	-6.7	100	-0.2	100	2.4	94						
Cumbria Pension Fund	1.6	78	6.7	16	8.0	15	8.4	20				
Devon Pension Fund	3.4	48	5.9	30	4.9	67	4.0	92	5.4	68	7.2	71
Dyfed	4.5	24	7.3	12	7.9	17						
Ealing Pension Fund	4.2	29	6.2	25	6.3	31	9.9	6	6.2	23	7.8	29
East Riding Pension Fund	6.3	1	6.3	23	6.1	40	5.1	88	5.6	61	7.0	83
East Sussex Pension Fund	5.3	10	8.2	7	9.0	2	10.1	2	6.8	7	8.1	20
Enfield Pension Fund	2.6	66	4.9	51	5.3	62	7.6	36	6.1	33	7.9	24
Flintshire (Clywd)	0.3	88	3.4	81	6.0	44	8.6	16	5.4	72	7.7	34
Gloucestershire Pension Fund	0.9	87	5.4	42	6.3	33	8.9	14	5.7	54	7.7	37
Greater Manchester No 2	5.3	7	2.7	93	1.9	98	3.5	100	4.2	95		
Greater Manchester Pension Fund	5.0	14	5.2	47	6.4	29	6.6	62	6.3	19	7.8	27
Greenwich Pension Fund	2.1	73	3.8	74	5.3	60	7.6	36	5.9	42		
Gwynedd Pension Fund	-2.3	97	0.6	98	0.8	100	3.5	98	4.1	98	6.3	98
Hackney Pension Fund	3.5	44	5.8	32	6.9	25	6.9	60				
Hammersmith and Fulham	3.2	53	5.3	44	8.0	14	7.4	50	5.9	42	7.5	49
Haringey Pension Fund	4.0	36	6.2	28	8.3	10	9.1	10	6.5	12	8.4	10
Harrow Pension Fund	5.3	9	7.5	9	8.3	8	9.4	8	7.3	1	8.4	5
Havering Pension Fund	5.4	5	8.3	4	9.2	1	11.2	1	7.0	2	8.7	1
Hillingdon Pension Fund	4.1	32	8.8	1	8.0	12	8.1	26				
Hounslow Pension Fund	3.8	37										
Isle of Wight Pension Fund	2.7	59	4.8	53	6.0	42	7.0	56				

FIXED INCOME PERFORMANCE

	1 Year	Rank	3 Yrs (% p.a.)	Rank	5 Yrs (% p.a.)	Rank	10 Yrs (% p.a.)	Rank	20 Yrs (% p.a.)	Rank	30 Yrs (% p.a.)	Rank
Universe average	3.7		5.4		5.8		6.8		5.9		5.9	
Range of Results												
Top Quartile	4.2		6.2		6.8		8.1		6.5		6.2	
Median	3.3		5.2		5.9		7.4		5.9		5.8	
Bottom Quartile	2.1		3.8		3.9		5.6		5.0		5.1	
Islington Pension Fund	3.5	42	5.1	49	5.7	54	7.6	38	5.5	63	7.6	44
Kent Pension Fund	1.7	76	4.1	67	3.4	81	5.6	82	4.9	81	7.3	64
Kingston upon Thames	1.6	80	4.1	70	4.4	71	5.6	76	5.8	51	7.3	66
Lambeth Pension Fund	2.4	68	4.6	54								
Lancashire Pension Fund	5.2	12	8.2	7	7.6	19	7.5	44	5.8	47	7.5	56
Lewisham Pension Fund	4.9	17	7.3	11	8.7	4	10.0	4	6.9	5	8.4	10
Lincolnshire Pension Fund	3.3	51	3.9	72	3.4	83	5.2	86	4.6	86	6.3	95
Merseyside Pension Fund	4.5	24	6.5	18	7.5	21	7.9	28	6.3	16	8.3	12
Merton Pension Fund	4.6	19	7.0	14	8.4	6	7.8	30	6.4	14	8.0	22
Newham Pension Fund	5.5	3	3.0	91	3.5	79	6.5	68	5.5	65	7.2	68
Northamptonshire Pension Fund	4.1	34	5.6	37	5.6	56	7.5	46	6.0	35	7.5	51
Orkney Islands Pension Fund	3.8	39	6.4	19	6.3	37	7.5	40	6.0	37	7.5	46
Oxfordshire Pension Fund	4.5	20	5.5	40	6.7	27	7.4	52	6.1	30	8.1	17
Powys Pension Fund	2.7	58	4.3	62	5.1	65	7.3	54	6.2	21	8.1	15
Redbridge Pension Fund	4.2	29	5.7	33	7.5	23	8.5	18	6.2	28	7.6	42
Rhondda Cynon Taf Pension Fund	3.8	41	4.4	58	5.7	52	6.5	68	5.6	58	7.8	32
South Yorkshire Pension Authority	5.0	15	8.4	2	6.2	39	8.3	22				
Strathclyde Pension Fund	2.3	70	4.1	69	4.2	75	5.6	76	5.0	79	6.8	90
Suffolk Pension Fund	1.2	83										
Surrey Pension Fund	-0.1	92	4.1	65	5.1	65	7.4	48	5.8	47	7.5	54
Sutton Pension Fund	3.1	54	6.4	21								
Swansea Pension Fund	2.6	61	3.2	90	3.1	85	4.3	90	4.8	84	7.1	76
Torfaen Pension Fund	4.1	31	4.3	60								
Tower Hamlets Pension Fund	-0.6	93	3.3	86	3.7	77	4.0	94	4.5	88	6.7	93
Waltham Forest Pension Fund	2.6	66	3.3	84	2.7	87	7.8	32	2.9	100	5.4	100
Wandsworth & Richmond Fund	2.2	71	5.7	35								
West Yorkshire Pension Fund	5.5	2	6.2	26	5.7	50	6.5	68	6.8	9	8.6	3
Westminster Pension Fund	2.8	56	3.8	76								
Wiltshire Pension Fund	4.2	29	5.5	39	5.9	46	9.0	12				

ALTERNATIVES PERFORMANCE

	1 Year	Rank	3 Yrs (% p.a.)	Rank	5 Yrs (% p.a.)	Rank	10 Yrs (% p.a.)	Rank
Universe average	10.3		10.8		10.5		8.1	
Range of Results								
Top Quartile	12.9		12.5		12.6		9.6	
Median	9.8		8.0		9.1		6.9	
Bottom Quartile	5.9		6.7		6.4		5.4	
Avon Pension Fund	13.7	21	12.6	22	7.5	63	5.5	71
Barking and Dagenham	1.1	98	4.8	89	5.4	88		
Barnet Pension Fund	17.0	11						
Bexley Pension Fund	8.5	61	14.8	13	11.6	35	10.0	19
Brent Pension Fund	17.0	8	10.0	45	12.6	25	9.5	26
Cambridgeshire Pension Fund	8.3	65	6.7	78	10.9	40	9.3	32
Camden Pension Fund	10.7	42	7.5	58	5.4	85	-4.3	100
Cardiff & Glamorgan Pension Fund	16.4	15	15.7	11	14.4	10	9.6	23
City of London Corporation Pension Fund	5.3	81	7.0	67				
Cornwall Pension Fund	2.7	92	6.8	71	5.8	83		
Cumbria Pension Fund	10.5	44	11.1	36	12.6	28	9.5	29
Devon Pension Fund	9.0	54	9.9	47	7.7	58	6.8	52
East Riding Pension Fund	12.4	33	12.2	31	10.7	43	11.5	7
East Sussex Pension Fund	7.0	69	6.0	85	6.5	73	5.4	74
Enfield Pension Fund	5.8	77	5.0	87	7.6	60	7.6	45
Flintshire (Clywd)	5.9	75	6.5	80	6.1	78	5.4	78
Gloucestershire Pension Fund	12.4	31	7.9	51	3.3	93		
Greater Manchester Pension Fund	13.1	23	12.5	25	12.5	30	8.9	39
Greenwich Pension Fund	2.7	92	2.3	93	0.1	98		
Gwynedd Pension Fund	24.8	2	24.9	1	20.0	1	13.2	3
Hammersmith and Fulham	8.8	56	7.1	62	6.4	75	6.8	58
Haringey Pension Fund	12.5	27	13.9	18	12.2	33	6.1	65
Harrow Pension Fund	11.0	40	11.2	33	14.2	13	10.2	16
Havering Pension Fund	1.7	96	-4.2	100	-0.8	100		
Hillingdon Pension Fund	4.2	88	7.0	65	8.1	55	5.5	68
Hounslow Pension Fund	6.1	71						
Islington Pension Fund	35.6	1	16.0	7				
Kensington and Chelsea	9.8	52	7.8	53	13.9	20		
Kent Pension Fund	6.0	73	6.3	82	7.1	68	0.3	97
Lambeth Pension Fund	5.0	83	1.9	96				
Lancashire Pension Fund	15.4	17	14.3	16	13.9	18	11.0	10

ALTERNATIVES PERFORMANCE

	1 Year	Rank	3 Yrs (% p.a.)	Rank	5 Yrs (% p.a.)	Rank	10 Yrs (% p.a.)	Rank
Universe average	10.3		10.8		10.5		8.1	
Range of Results								
Top Quartile	12.9		12.5		12.6		9.6	
Median	9.8		8.0		9.1		6.9	
Bottom Quartile	5.9		6.7		6.4		5.4	
Lewisham Pension Fund	9.8	48	8.1	49	7.2	65	4.6	84
Lincolnshire Pension Fund	5.7	79	6.9	69	5.2	90	4.9	81
Merseyside Pension Fund	7.1	67	10.9	38	9.94	45	8.07	42
Newham Pension Fund	12.8	25	6.7	73	14.0	15	3.4	90
Northamptonshire Pension Fund	11.2	38	0.1	98	0.4	95	0.7	94
Oxfordshire Pension Fund	12.5	29	16.3	2	15.0	8	15.2	1
Powys Pension Fund	9.8	52	6.7	76	6.0	80	4.6	87
South Yorkshire Pension Authority	11.8	36	10.8	40	11.4	38		
Strathclyde Pension Fund	16.7	13	15.8	9	15.6	5	10.9	13
Strathclyde No 3 Fund	-0.9	100	3.1	91				
Suffolk Pension Fund	4.7	86	7.6	56	8.2	53	6.9	48
Surrey Pension Fund	18.0	4	16.1	5	16.8	3		
Sutton Pension Fund	8.6	58	12.5	27				
Swansea Pension Fund	8.4	63	7.5	60	6.9	70	6.6	61
Torfaen Pension Fund	2.5	94						
Waltham Forest Pension Fund	17.3	6	10.6	42	9.9	48	6.8	55
West Yorkshire Pension Fund	10.0	46	12.2	29	12.7	23	8.9	36
Wiltshire Pension Fund	14.4	19	13.2	20	9.1	50		

PROPERTY PERFORMANCE

	1 Year	Rank	3 Yrs (% p.a.)	Rank	5 Yrs (% p.a.)	Rank	10 Yrs (% p.a.)	Rank	20 Yrs (% p.a.)	Rank	30 Yrs (% p.a.)	Rank
Universe average	6.1		7.2		9.5		8.7		7.6		7.5	
Range of Results												
Top Quartile	6.8		7.5		9.9		9.1		8.0		7.9	
Median	5.4		6.7		9.6		8.2		7.2		7.1	
Bottom Quartile	4.3		5.8		8.4		7.2		6.3		6.5	
Avon Pension Fund	5.7	54	7.7	20	8.9	71						
Barking and Dagenham	4.3	76	5.2	91	7.9	80	5.5	93	5.7	89	6.6	70
Bexley Pension Fund	4.7	71	6.2	61	9.3	63						
Brent Pension Fund	-74.6	100	-32.0	100	-16.6	100	-7.3	100	0.2	100	3.0	100
Bromley Pension Fund	1.1	98										
Cambridgeshire Pension Fund	5.9	45	6.2	59	9.0	69	6.5	85				
Camden Pension Fund	6.8	24	8.4	4	10.1	20	9.6	13	8.1	22	7.6	37
Cardiff & Glamorgan Pension Fund	7.6	14	6.9	41	9.6	47	10.1	7				
Cornwall Pension Fund	8.8	10	7.2	36	9.6	43						
Cumbria Pension Fund	4.7	73	7.6	25	11.0	6	10.7	2	9.3	3	8.8	1
Devon Pension Fund	6.2	40	7.2	34	9.7	33	9.0	29	7.1	54		
Dyfed Pension Fund	8.1	12	7.6	25	9.7	37						
Ealing Pension Fund	4.2	79	6.2	64	6.9	96						
East Riding Pension Fund	2.3	93	4.2	97	7.0	92	6.7	78	6.2	78	6.6	74
East Sussex Pension Fund	6.5	31	6.2	63	9.6	51	8.1	51	7.4	41	7.1	56
Enfield Pension Fund	5.0	62	5.4	89	7.3	90	5.6	91	5.5	92	8.2	8
Flintshire (Clywd)	9.3	7	7.3	32	10.2	16	8.3	49	7.8	35	7.1	52
Gloucestershire Pension Fund	6.9	21	7.5	27	10.4	12	10.3	5	8.2	14		
Greater Manchester Pension Fund	4.7	69	5.9	73	8.1	79	7.9	56	7.4	43	7.6	33
Greenwich Pension Fund	5.7	52	6.0	68	9.6	41	8.0	53	5.9	87		
Gwynedd Pension Fund	5.2	60	5.6	82	10.0	22	9.0	31	7.9	27	8.1	11
Hackney Pension Fund	4.8	67	5.8	77	9.8	31	9.3	20	8.4	6	8.0	22
Hammersmith and Fulham	6.9	19	8.1	9								
Haringey Pension Fund	5.2	59	5.9	72	8.4	77	7.8	60	6.7	68	6.9	67
Harrow Pension Fund	4.2	79	5.4	88	8.4	75	8.3	47	7.6	38	7.9	26
Havering Pension Fund	6.4	36	6.5	52	9.8	26	6.7	80				
Hillingdon Pension Fund	1.5	97	5.5	86	9.8	28	8.6	40				
Hounslow Pension Fund	4.1	83	5.8	75	9.4	59	8.8	33	7.9	30		
Isle of Wight Pension Fund	4.7	74	7.5	29	10.6	8	9.4	18	7.4	46	5.7	96
Islington Pension Fund	6.5	33	6.8	43	9.6	49	8.4	45				
Kensington and Chelsea	6.6	28	6.8	45	9.1	65						

PROPERTY PERFORMANCE

	1 Year	Rank	3 Yrs (% p.a.)	Rank	5 Yrs (% p.a.)	Rank	10 Yrs (% p.a.)	Rank	20 Yrs (% p.a.)	Rank	30 Yrs (% p.a.)	Rank
Universe average	6.1		7.2		9.5		8.7		7.6		7.5	
Range of Results												
Top Quartile	6.8		7.5		9.9		9.1		8.0		7.9	
Median	5.4		6.7		9.6		8.2		7.2		7.1	
Bottom Quartile	4.3		5.8		8.4		7.2		6.3		6.5	
Kent Pension Fund	7.2	17	9.5	1	11.8	1	11.8	1	10.2	1		
Kingston upon Thames	3.2	86	5.0	93	8.7	73	7.2	73	6.0	84		
Lambeth Pension Fund	2.0	95	7.7	18								
Lancashire Pension Fund	2.9	88	8.1	13	7.4	88	9.2	25	8.4	8	8.1	15
Lewisham Pension Fund	5.9	48	6.3	57	10.1	20	7.6	62	6.7	65	7.3	45
Lincolnshire Pension Fund	4.2	81	5.5	84	7.5	86	5.9	89	6.1	81	6.2	85
Merseyside Pension Fund	6.5	31	7.4	30	9.3	61	10.1	9	7.8	35	7.8	
Merton Pension Fund	6.0	43	6.1	66	9.1	67	6.3	87	6.6	70	7.3	48
Newham Pension Fund	10.2	5	6.0	70	9.5	53	7.4	69	5.4	95	6.5	78
Northamptonshire Pension Fund	6.0	41	6.4	55	9.4	57	7.0	76	7.2	51	8.5	4
Oxfordshire Pension Fund	5.4	55	6.7	47	9.5	55	8.8	36	6.3	76	6.1	93
Powys Pension Fund	5.0	64	6.6	50	7.7	84	3.9	96				
Redbridge Pension Fund	5.9	47	7.9	16	10.3	14	9.2	22	8.2	14		
Rhondda Cynon Taf Pension Fund	7.5	16	8.2	5	9.7	39	6.6	82				
South Yorkshire Pension Authority	2.8	90	4.7	95	7.0	94	9.7	11	8.2	19	8.1	19
Southwark Pension Fund	10.8	2	8.0	14	11.6	4	9.0	27	8.2	16		
Strathclyde Pension Fund	6.4	36	8.2	7	11.6	4	9.5	16	8.0	24	7.6	41
Suffolk Pension Fund	5.3	57	6.5	54	9.6	47	8.4	42	6.8	62		
Surrey Pension Fund	10.5	4	7.7	22	9.9	24	7.2	73	7.0	57		
Sutton Pension Fund	3.4	85	4.1	98								
Swansea Pension Fund	2.5	91	5.6	80	7.8	82	7.4	67				
Torfaen Pension Fund	5.9	50	7.1	38								
Tower Hamlets Pension Fund	6.7	26	7.0	39	9.7	35	7.5	65	6.9	60	7.0	63
Waltham Forest Pension Fund	4.9	66	5.7	79	6.4	98	1.7	98	5.0	97	6.3	82
Wandsworth & Richmond Fund	6.3	38										
West Yorkshire Pension Fund	13.3	1	9.4	2	10.4	10	8.7	38	7.2	49	7.0	59
Westminster Pension Fund	6.9	23	8.1	11								
Wiltshire Pension Fund	8.9	9	6.7	48	9.8	30	7.8	58	6.6	73	6.2	89

DIVERSIFIED GROWTH PERFORMANCE

	1 Year	Rank	3 Yrs (% p.a.)	Rank	5 Yrs (% p.a.)	Rank
Universe average	0.3		3.2		3.1	
Range of Results						
Top Quartile	1.3		5.0		4.3	
Median	0.3		3.8		3.6	
Bottom Quartile	-0.5		2.8		2.3	
Barking and Dagenham	5.0	1	2.9	72		
Barnet Pension Fund	3.0	10	3.6	56	3.6	50
Bexley Pension Fund	-1.2	80	0.1	96		
Brent Pension Fund	3.6	3	4.0	44	4.1	31
Camden Pension Fund	1.1	37	3.9	48	3.3	56
Cornwall Pension Fund	1.9	17	4.7	28	0.2	100
Devon Pension Fund	1.0	40	5.6	4	4.7	13
Flintshire (Clywd)	0.9	43	3.2	64		
Gloucestershire Pension Fund	0.0	67	0.7	92	1.7	88
Greenwich Pension Fund	-1.9	93				
Hackney Pension Fund	-2.6	97	2.3	80	0.8	94
Hammersmith and Fulham	-1.9	90	3.1	68		
Haringey Pension Fund	-0.5	77				
Harrow Pension Fund	1.2	30	2.8	76	2.3	75
Havering Pension Fund	-1.4	87	3.7	52	2.7	63
Hounslow Pension Fund	3.0	7	5.3	8	5.1	1
Isle of Wight Pension Fund	0.2	57	5.2	20	4.3	25
Islington Pension Fund	0.0	60	5.2	16		
Kingston upon Thames	1.3	23	2.0	84	2.5	69
Lambeth Pension Fund	0.0	63				
Lewisham Pension Fund	-1.3	83				
Newham Pension Fund	0.7	47	3.5	60		
Northamptonshire Pension Fund	0.3	50	5.2	12	4.4	19
Orkney Islands Pension Fund	1.1	33	5.9	1	5.0	6
Oxfordshire Pension Fund	1.9	13	4.4	32		
Surrey Pension Fund	-0.5	73	1.4	88	1.9	81
Sutton Pension Fund	1.8	20	4.1	40		
Torfaen Pension Fund	-4.5	100	-1.0	100		
Tower Hamlets Pension Fund	-0.1	70	4.3	36	3.9	44
Wandsworth & Richmond Fund	0.3	53				
Wiltshire Pension Fund	1.3	27	5.1	24	4.0	38

ASSET ALLOCATION AT END MARCH

	Equity		Bonds		Alternatives		Property		Cash		Diversified Growth		Multi Asset*		LDI	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Average	55	55	19	18	11	11	9	9	3	3	3	4			0	0
Range																
Top Quartile	64	65	22	22	14	14	10	10	2	2	11	11				
Median	55	53	17	15	7	7	8	8	1	1	3	4				
Bottom Quartile	46	42	11	11	1	0	5	5	0	0	0	0				

* Multi Asset value is removed prior to Universe allocation by asset type being calculated

Avon Pension Fund	42	22	11	0	12	11	9	10	1	6	12	25	0	25	12	0
Barking and Dagenham	53	53	10	11	14	13	6	7	0	0	17	17	0	0	0	0
Barnet Pension Fund	39	41	31	32	5	0	0	0	1	1	23	26	0	0	0	0
Bexley Pension Fund	46	39	22	20	10	10	12	11	0	0	9	19	0	0	0	0
Brent Pension Fund	53	50	13	11	11	18	0	0	3	12	20	9	0	0	0	0
Bromley Pension Fund	63	76	32	22	0	0	5	2	0	0	0	0	0	0	0	0
Cambridgeshire Pension Fund	68	69	10	13	13	9	8	8	1	1	0	0	0	0	0	0
Camden Pension Fund	66	64	10	11	2	5	11	10	0	0	10	11	0	0	0	0
Cardiff & Glamorgan Pension Fund	61	61	27	27	4	4	7	6	2	1	0	0	0	0	0	0
City of London Corporation	68	66	7	0	25	26	0	0	0	0	0	7	0	0	0	0
Cornwall Pension Fund	33	32	7	9	21	15	8	7	1	1	11	18	0	0	19	17
Cumbria Pension Fund	49	48	25	26	20	17	6	7	1	2	0	0	0	0	0	0
Devon Pension Fund	60	59	11	11	5	4	9	10	1	2	14	15	0	0	0	0
Dyfed Pension Fund	71	70	16	19	0	0	13	10	1	0	0	0	0	0	0	0
Ealing Pension Fund	58	62	25	25	0	0	10	10	6	3	0	0	0	0	0	0
East Riding Pension Fund	59	60	13	12	14	13	11	12	3	3	0	0	0	0	0	0
East Sussex Pension Fund	42	51	10	9	37	27	10	11	2	2	0	0	0	0	0	0
Enfield Pension Fund	39	38	29	23	21	25	6	7	5	7	0	0	0	0	0	0
Flintshire (Clywd)	14	15	13	12	34	33	7	6	0	1	9	9	0	0	23	23
Gloucestershire Pension Fund	64	65	22	22	2	1	9	8	0	0	3	4	0	0	0	0
Greater Manchester No 2	10	0	82	73	0	0	0	0	8	27	0	0	0	0	0	0
Greater Manchester Pension Fund	54	56	19	22	14	11	8	7	4	4	0	0	0	0	0	0
Greenwich Pension Fund	53	52	18	18	9	9	11	11	1	1	9	10	0	0	0	0
Gwynedd Pension Fund	70	70	14	15	7	6	9	8	0	0	0	0	0	0	0	0
Hackney Pension Fund	57	61	22	16	0	0	10	10	0	0	11	12	0	0	0	0
Hammersmith and Fulham	48	46	20	30	5	1	5	5	9	1	12	16	0	0	0	0
Haringey Pension Fund	62	70	12	7	7	8	7	7	0	0	11	7	0	0	0	0
Harrow Pension Fund	55	52	13	12	1	2	8	8	1	2	22	23	0	0	0	0
Havering Pension Fund	37	32	19	19	5	0	8	6	2	3	30	41	0	0	0	0

ASSET ALLOCATION AT END MARCH

	Equity		Bonds		Alternatives		Property		Cash		Diversified Growth		Multi Asset*		LDI	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Average	55	55	19	18	11	11	9	9	3	3	3	4			0	0
Range																
Top Quartile	64	65	22	22	14	14	10	10	2	2	11	11				
Median	55	53	17	15	7	7	8	8	1	1	3	4				
Bottom Quartile	46	42	11	11	1	0	5	5	0	0	0	0				

* Multi Asset value is removed prior to Universe allocation by asset type being calculated

Hillingdon Pension Fund	46	49	27	13	14	15	12	13	1	4	0	0	0	7	0	0
Hounslow Pension Fund	43	53	8	11	15	0	5	8	0	0	4	4	26	28	0	0
Isle of Wight Pension Fund	62	60	19	19	0	0	6	6	0	0	14	14	0	0	0	0
Islington Pension Fund	55	53	12	19	5	2	19	15	0	1	8	10	0	0	0	0
Kensington and Chelsea	67	75	0	0	14	14	4	4	15	7	0	0	0	0	0	0
Kent Pension Fund	66	66	10	11	10	9	12	13	2	2	0	0	0	0	0	0
Kingston upon Thames	61	60	12	12	0	0	5	5	0	0	21	22	0	0	0	0
Lambeth Pension Fund	43	41	18	23	10	4	9	10	3	0	14	18	0	0	4	4
Lancashire Pension Fund	45	42	22	23	21	21	11	11	2	3	0	0	0	0	0	0
Lewisham Pension Fund	50	54	20	19	16	8	9	9	0	4	5	6	0	0	0	0
Lincolnshire Pension Fund	63	62	12	12	14	14	11	11	0	1	0	0	0	0	0	0
Merseyside Pension Fund	51	53	16	17	22	21	9	9	1	1	0	0	0	0	0	0
Merton Pension Fund	63	73	22	23	0	0	3	4	2	0	9	0	0	0	0	0
Newham Pension Fund	50	57	23	19	7	3	11	10	3	6	7	5	0	0	0	0
Northamptonshire Pension Fund	61	67	16	17	2	1	8	8	0	0	12	8	0	0	0	0
Orkney Islands Pension Fund	63	61	11	11	0	0	0	0	0	0	26	27	0	0	0	0
Oxfordshire Pension Fund	58	58	20	20	8	7	7	7	3	3	5	5	0	0	0	0
Powys Pension Fund	49	17	28	29	12	11	10	12	1	0	0	0	0	30	0	0
Redbridge Pension Fund	70	71	20	20	0	0	9	9	0	0	0	0	0	0	0	0
Rhondda Cynon Taf Pension Fund	67	75	25	18	0	0	8	5	0	1	0	0	0	0	0	0
South Yorkshire Pension Authority	51	52	23	23	13	10	9	9	3	6	0	0	0	0	0	0
Southwark Pension Fund	64	62	8	13	0	0	18	18	0	0	10	8	0	0	0	0
Strathclyde No 3 Fund	7	7	0	0	7	7	0	0	0	0	0	0	0	0	86	86
Strathclyde Pension Fund	51	50	26	24	8	7	11	11	4	9	0	0	0	0	0	0
Suffolk Pension Fund	44	43	16	17	30	29	10	10	0	0	0	0	0	0	0	0
Surrey Pension Fund	53	38	12	10	7	6	7	7	0	0	10	10	12	29	0	0
Sutton Pension Fund	55	59	20	15	3	3	8	8	0	1	13	14	0	0	0	0
Swansea Pension Fund	73	74	11	12	7	6	5	5	3	3	0	0	0	0	0	0
Torfaen (Gwent)Pension Fund	73	75	17	17	5	0	3	3	1	1	2	4	0	0	0	0

ASSET ALLOCATION AT END MARCH

	Equity		Bonds		Alternatives		Property		Cash		Diversified Growth		Multi Asset*		LDI	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Average	55	55	19	18	11	11	9	9	3	3	3	4			0	0
Range																
Top Quartile	64	65	22	22	14	14	10	10	2	2	11	11				
Median	55	53	17	15	7	7	8	8	1	1	3	4				
Bottom Quartile	46	42	11	11	1	0	5	5	0	0	0	0				

* Multi Asset value is removed prior to Universe allocation by asset type being calculated

Tower Hamlets Pension Fund	46	55	17	10	0	0	10	10	10	2	17	18	0	0	0	0
Waltham Forest Pension Fund	66	65	11	11	12	11	9	7	2	6	0	0	0	0	0	0
Wandsworth & Richmond Fund	33	41	20	9	1	0	4	3	1	1	3	9	38	37	0	0
West Yorkshire Pension Fund	66	68	15	15	12	10	5	5	1	2	0	0	0	0	0	0
Westminster Pension Fund	69	76	21	14	0	0	9	9	0	0	0	0	0	0	0	0
Wiltshire Pension Fund	48	52	27	22	2	15	13	0	1	0	10	10	0	0	0	0



These tables are intended solely for the use of the participating funds. Whilst individual fund returns and rankings may be used, the tables in their entirety should not be copied or distributed beyond these funds.

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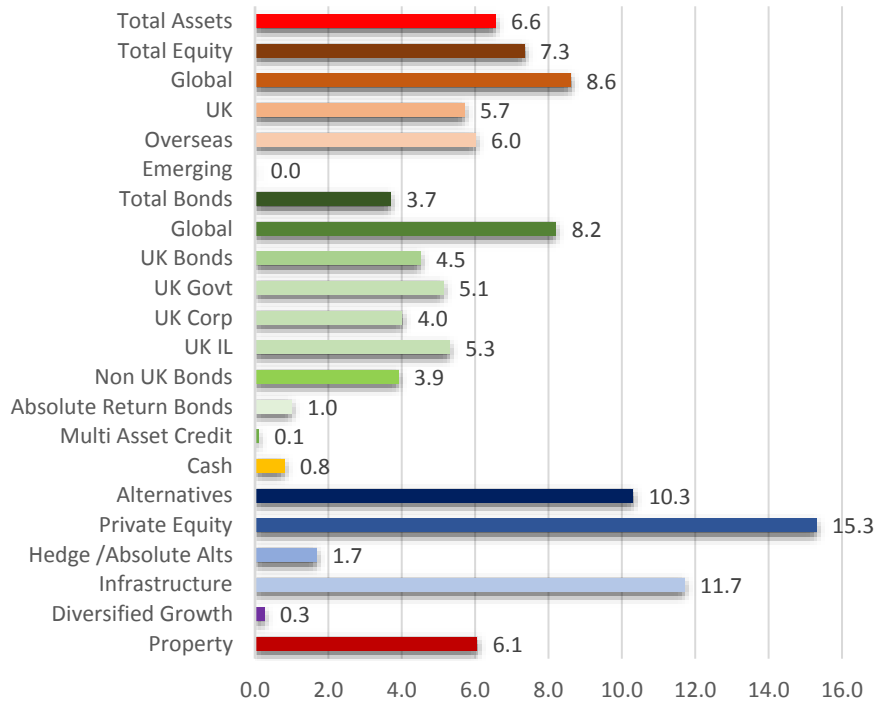
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Universe Overview - Latest Year

Latest Year Performance



- A year of global political uncertainty, a burgeoning trade war and no resolution to the Brexit issue. Despite this, investment returns, though volatile, were positive and the average Local Authority fund produced a return of almost 7% for the year.
- This was below the long term average but the return was ahead of inflation and actuarial assumptions.
- Asset returns were tightly grouped with bonds, property and equities returning 4%, 6%, and 7% respectively for the year.
- Most funds failed to outperform their benchmarks this year.

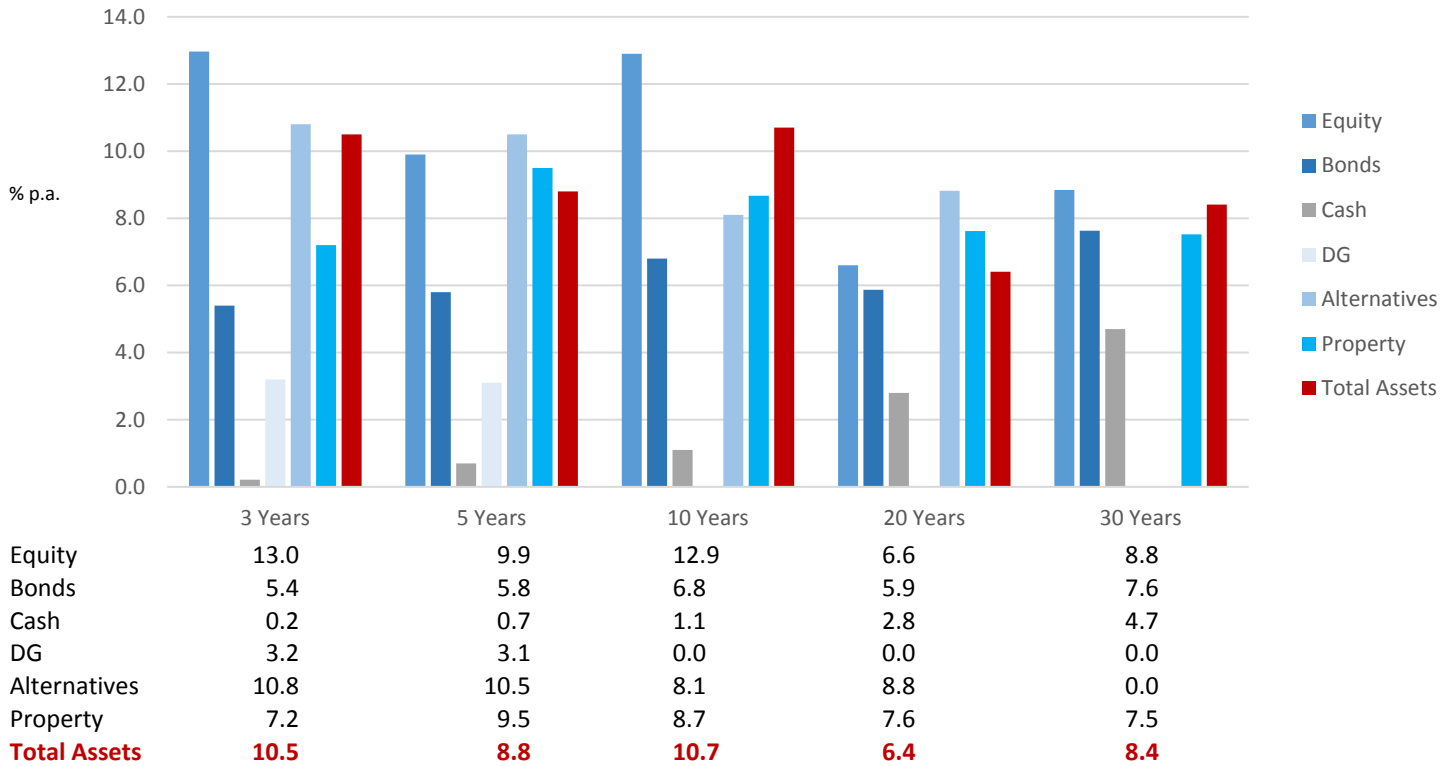
Asset Allocation

- Strategic asset allocation remained broadly static as funds wait for the results of this year's actuarial revaluations.
- There was considerable portfolio movement as active investments were transferred to Pools.

% Allocation	End March		Diff
	2018	2019	
Equities	55	55	-
UK	15	14	-1
Overseas	40	41	1
Bonds	18	19	1
UK	8	8	-
Global	4	4	-
Overseas	1	0	-1
Absolute Return	5	5	-
Multi Asset Credit		1	1
Cash	3	3	-
Alternatives	11	11	-
Private Equity	5	5	-
Infrastructure	3	3	-
Absolute Return	3	3	-
Diversified Growth	4	3	-1
Property	9	9	-

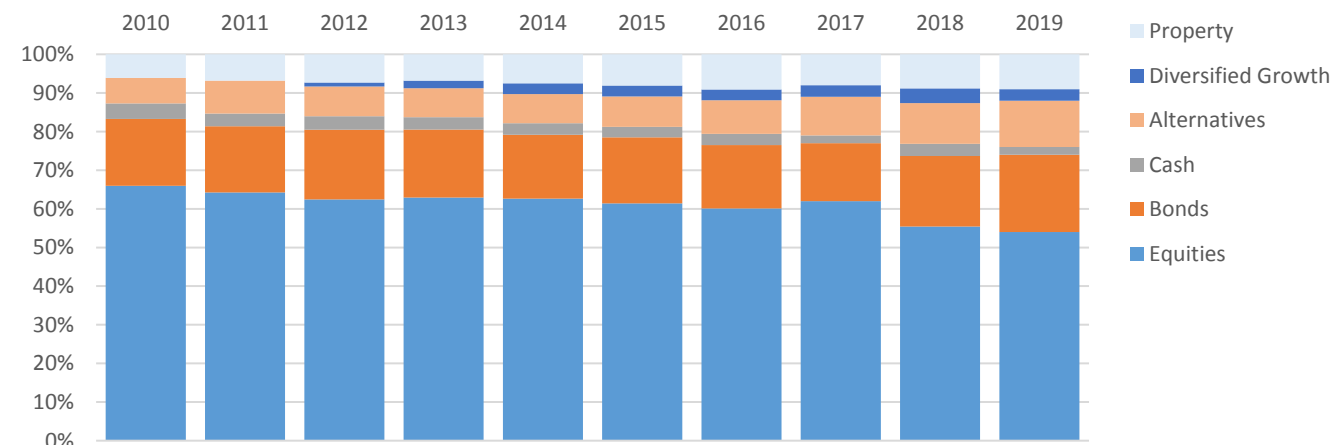
Universe Longer Term Results

- Long term performance of the LGPS has been excellent. The average funds delivered a positive return in 25 of the last 30 years and delivered an annualised performance of 8.4% p.a.
- Equities have driven the strong long term performance.
- Alternatives have performed strongly due in a large part to the excellent returns from private equity.



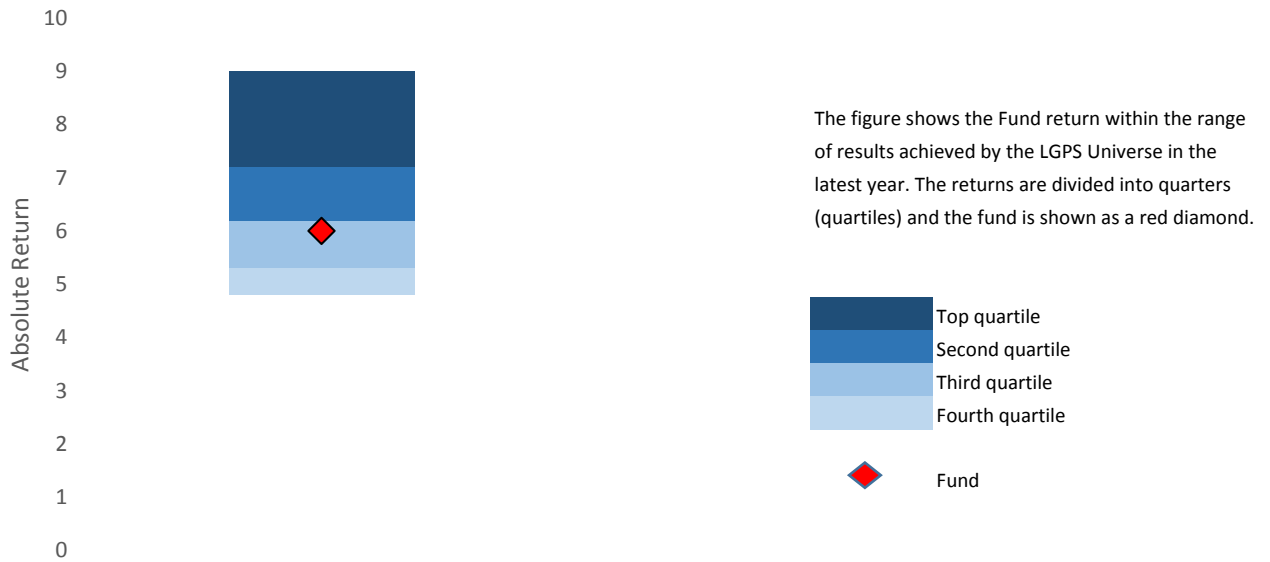
Asset Allocation

- Equities remain the largest allocation within most fund's assets. Three quarters of this allocation is now invested overseas.
- Alternatives have increased markedly over the decade. Private equity makes up a half of this allocation with infrastructure increasing in recent years and expected to increase further.
- Within the bond allocation, there has been a marked move from index based towards absolute return mandates.



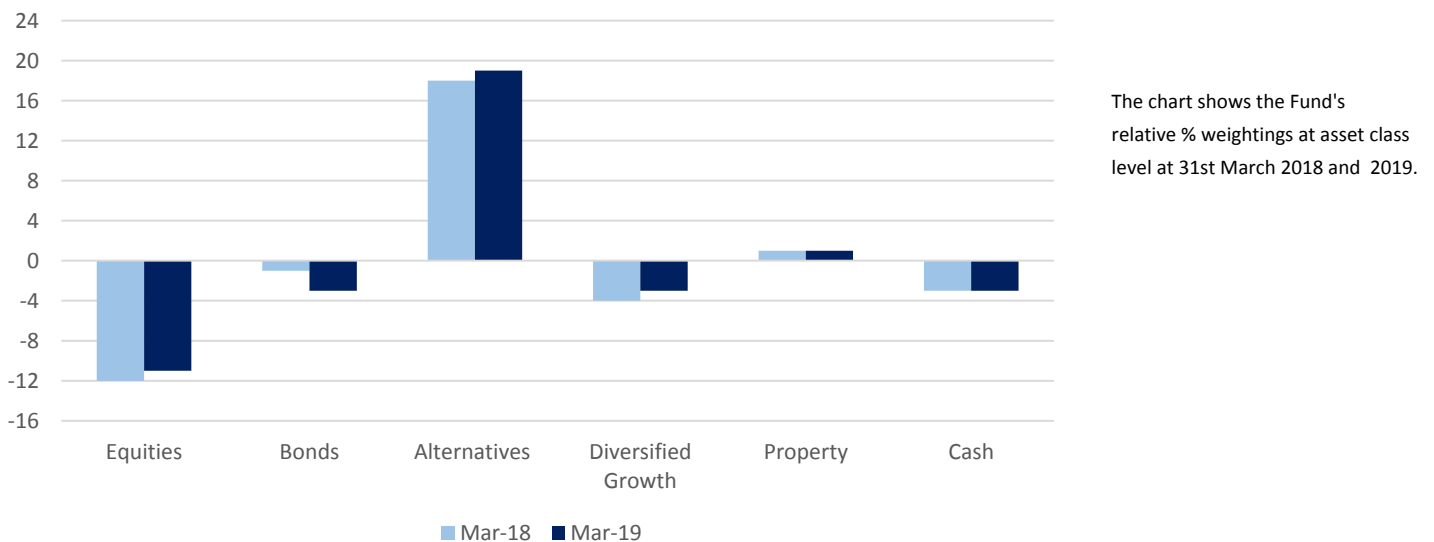
Suffolk Pension Fund Performance - Latest Year

- In the latest year the Fund return of 6.0% was below the average of 6.6% and ranked in the 55th percentile.
- Strong selection results from equities were offset by relatively poor results in bonds and alternatives.



Fund Asset Allocation

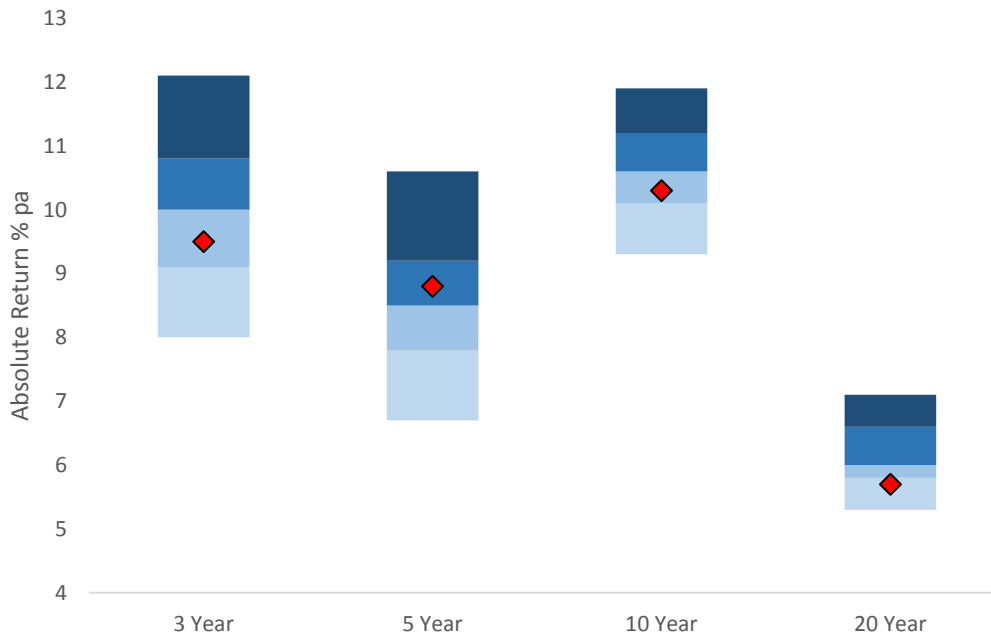
- The Fund has a very high commitment to alternatives.
- The Fund is substantially underweight equities and slightly underweight most other asset classes.
- Last year this allocation had a positive impact on the relative performance.





Fund Longer Term Returns

- The Fund performance over the longer term has relatively disappointing, ranking 85th percentile over 20 years.
- Performance over the recent past has been better particularly the last five years where the Fund ranked 36th percentile.

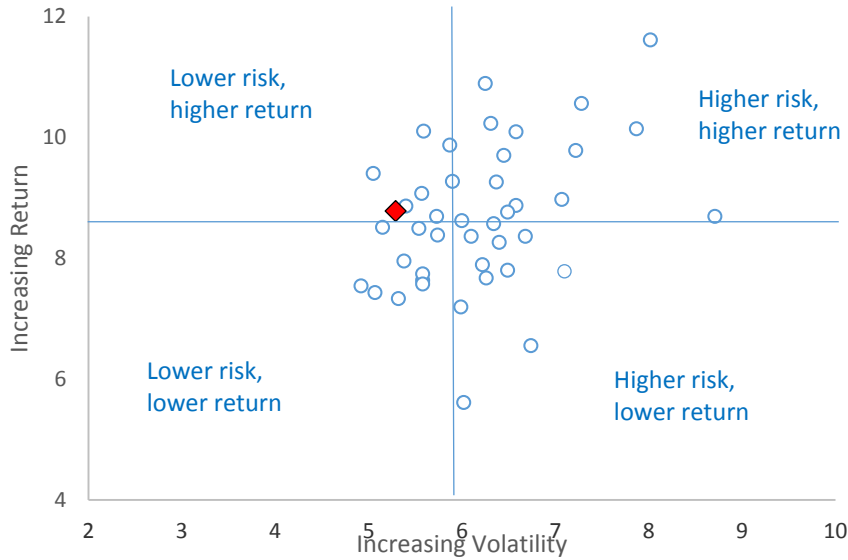


Fund	9.5	8.8	10.3	5.7
Universe Average	10.5	8.8	10.7	6.4
Ranking	(68)	(36)	(66)	(85)

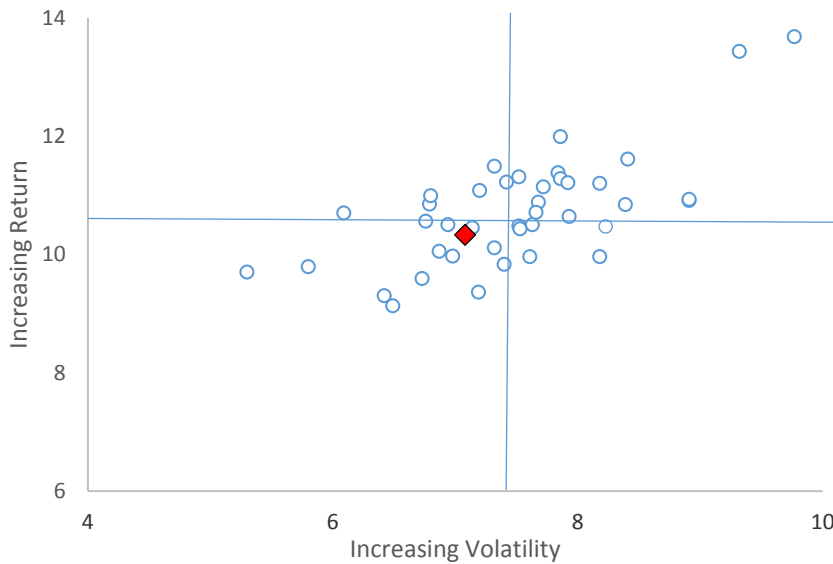
Risk and Return

- Over the last ten years the Fund delivered a slightly lower than average level of return at a lower than average level of volatility.
- Over the last five years the volatility has reduced relative to that of its peers and the Fund has managed to be able to deliver a better than average return.

Last Five Years (% p.a.)



Last Ten Years (% p.a.)



The charts show the funds (blue rimmed dots) in the LGPS Universe in risk/return space. The further up the vertical axis a fund is the better the return achieved. The further along the horizontal axis the more risk has been taken.

The blue lines are the median results. These divide the funds into quadrants. Most funds would prefer to be in the top left quadrant.

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Suffolk Pension Board

Report Title:	Annual Report and Accounts 2018-19
Meeting Date:	23 July 2019
Chairman:	Councillor Richard Smith MVO
Director:	Chris Bally, Deputy Chief Executive
Assistant Director or Head of Service:	Louise Aynsley, Head of Finance (S151 Officer)
Author:	Paul Finbow, Senior Pensions Specialist Telephone: 01473 265288

Brief summary of report

1. This report provides the Pension Board with a copy of the Annual Report and Accounts published by the Suffolk Pension Fund and the opinion issued by the Fund's auditors, EY.

Action recommended

2. The Board is asked to note the Fund's Annual Report and Accounts and consider any areas of interest that the Board would like further information on to be added to the forward work programme.

Reason for recommendation

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

Alternative options

4. There are no alternative options.

Main body of report

5. The Board receives information about the Annual Report and Accounts of the Suffolk Fund to fulfil its remit to secure the effective and efficient governance and administration of the Suffolk pension Fund.
6. The Annual Report and Accounts was presented to the Pension Fund Committee to approve on the morning of 23 July 2019. A copy of the Annual Report and Accounts is attached as **Appendix 1** for the Board's consideration, along with the Auditors opinion as **Appendix 2**.

Audit of Pension Fund Accounts for 2018-19

7. The audited Suffolk County Council Statement of Accounts for 2018-19, which includes the Pension Fund accounts, will be presented to the Audit Committee on 24 July 2019. It is anticipated that an unqualified audit opinion will be issued by Ernst & Young. The Audit Results Report by Ernst & Young presents the key findings and outcomes from the audit of the Pension Fund Annual Report and Accounts.

Publication

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

Sources of further information

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

Suffolk Pension Fund Annual Report and Accounts 2018-19



CONTENTS

Pension Fund Committee Chairman's Report

Pension Board Chairman's Report

Head of Finance Report

Independent Auditor's Report

Actuarial Report

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Financial Performance

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Governance Report

ACCESS Pool Report

Pension Fund Accounts 2018-19

Additional Statements

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

Governance Policy Statement

Governance Compliance Statement

Investment Strategy Statement

Funding Strategy Statement

Actuarial Report

Administration Strategy

Voting Policy Statement

Communications Policy

Pension Fund Committee Chairman's Report

As Chairman of the Suffolk Pension Fund Committee, I am pleased to introduce the Pension Fund's Annual Report and Accounts for 2018-19. The value of the Suffolk Pension Fund was £2.931 billion at 31 March 2019, which was an increase of £169m in the year. The Fund administers the local government pension scheme in Suffolk on behalf of 307 active employers and just over 64,000 scheme members.



The Fund achieved an investment return of 5.9% in 2018-19, which is greater than the actuary's assumptions for future investment returns. The estimated funding level is 91.0% as at 31 March 2019. Over three years the annual return has been 9.5% per annum, and over ten years 10.3%.

The Pension Fund Committee is responsible for managing the Fund, with the assistance of council officers, external advisors and professional investment managers. The Fund recognises the importance of those who are responsible for financial management and decision making are equipped with the necessary knowledge and skills. Knowledge is gained through focussed training enabling thorough discussion on the key decisions that need to be made.

The Committee monitored the investment performance of the Fund and all its managers on a quarterly basis, receiving a combined investment report with collaboration from Hymans Robertson LLP and Mark Stevens, the Fund's Investment advisers and officers of the Pension Fund. The Committee also reviewed the investment strategy of the Fund and approving minor changes to the strategy to further enhance the portfolio and returns whilst maintaining a lower risk approach to investments.

During 2018-19 work commenced on the data submissions required for the March 2019 triennial valuation exercise which will set the contribution rates for the period 1 April 2020 to March 2023. A consultation period will commence in October 2019 with the employers' in the Fund in relation to the Funding Strategy Statement and their contribution rates for the next three years.

The pooling of assets through ACCESS (A Collaboration of Central, Eastern and Southern Shires) with other Pension Funds has continued in its development and there will be a number of appropriate sub-funds for the Suffolk Pension Fund to transfer their liquid assets into during 2019-20. This will be in addition to the passive index tracking investments already held by UBS on an ACCESS pooled governance basis.

I would like to extend my appreciation to everyone involved in the Suffolk Pension Fund for their work and commitment throughout the year.

Councillor Andrew Reid

Chairman of the Pension Fund Committee

May 2019

Pension Board Chairman's Report

It is a pleasure to introduce the Suffolk Pension Board's annual report, which is incorporated within the Suffolk Pension Fund annual report and accounts for 2018-19.

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



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

The Board continues to engage with the employers of the Fund organising the annual Employers' meeting in September in conjunction with the Pension Fund Committee. This year the meeting covered the work of the Pension Board and the Pension Fund Committee. The actuary covered the funding position as at March 2016 and the current conditions and developments which could affect the 2019 triennial valuation and the strategies utilised in calculating the employers' rates. There was also sessions on the data requirements for year end and how this data is used by the Pension Fund administration team.

The next annual employers' meeting will be held on 9 October 2019 which coincides with the start of the consultation with employers on their contribution rates for the next three years.

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

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

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

Richard Smith MVO

Chairman of the Suffolk Pension Board

May 2019

Report from the Head of Finance

Foreword to Annual Report and Accounts

The Suffolk Pension Fund Annual Report and Accounts sets out the Pension Fund's income and expenditure and its assets and liabilities for the financial year ended 31 March 2019, the governance arrangements for administering the scheme and the work carried out by the Pension Fund Committee, Pension Fund Board and the Pension Fund officers throughout the year.

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



Business Plan

The Committee approves a business plan at the start of each financial year. This provides a mechanism for the Committee to ensure that its responsibilities for the Fund are carried out effectively. Their key actions for 2018-19 are as below:

Actuarial Valuation and Funding Strategy Statement

The Fund is required to obtain an independent actuarial valuation of its assets and liabilities every three years. The next actuarial valuation will be undertaken as at March 2019 and the results of the valuation will determine the employer contributions that are required for the three years starting April 2020. A timetable has been agreed with the actuary, Hymans Robertson, which will lead to whole Fund results being delivered to the September 2019 Committee meeting. A formal consultation with the individual employers will commence in October regarding their results and the Funding Strategy Statement.

The Committee has received reports on the actuarial position of the Fund on a quarterly basis. The estimated funding level at March 2019 was 91.0% and the actuarial deficit at that date was £290 million. Higher investment returns compared with expected asset returns used in the financial assumptions in the valuation have had a positive effect on the current valuation and this has in part offset the increase in deficit as a result of lower gilt yields and higher inflation.

Investment Strategy

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

These objectives have been translated into an asset allocation plan and as at 31 March 2019, 42% of the Fund is to be invested in equities, with the balance in bonds (26%), property (10%), a number of funds in alternative investments (21.5%) and a small holding in cash and money markets of 0.5%.

Investment Performance of the Pension Fund

The Suffolk Pension Fund had an investment return of 5.9% in 2018-19, with the asset value increasing by £169 million. The Local Authority average based on 64 funds (out of the 89 Funds in England and Wales) was 6.6% with the lowest returning 3.4% and the highest 11.7% (each fund will have a different asset mix dependent on its appetite for risk and funding level). The Suffolk Fund's investment strategy is diversified across a number of asset classes and regions which provides the Fund with diversification benefits and limits the Fund's exposure to the volatility of the markets and improves its risk return characteristics.

The Pension Fund Committee assesses its own investment performance and the performance of its managers by making a comparison between the Fund's return and its benchmark return, based on the returns of the markets that the Fund is invested in, or a mandate specific absolute return. On the basis of this comparison, the Fund underperformed its target benchmark investment return by 1.5% in 2018-19.

Over the past five years the Fund's return was 8.8% per year, which is just under the benchmark by 0.1% but significantly above the rate of inflation. Over the longer term the Fund's investment has returned 10.3% per year over the ten years to March 2019.

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

Administration

The Committee agreed to the implementation of a separate payroll service for Pensions during 2018. Initial preparation work has been completed with an expected go live date in Autumn 2019.

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

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

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

Audit

The Pension Fund accounts are included within the County Council's Statement of Accounts for 2018-19, which is subject to audit by Ernst and Young LLP. As part of the audit review, the external auditor will provide an opinion to confirm whether the information provided within the Pension Fund Annual Report and Accounts is consistent with the information contained within the County Council's Statement of Accounts.

Louise Aynsley

Head of Finance

May 2019

Statement of Responsibilities for the Pension Fund Accounts

The Council's Responsibilities

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, during 2018-19 that officer was the Head of Finance;
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets; and
- to approve the statement of accounts

Certification

I confirm that these Accounts were approved by the Audit Committee at its meeting on 24 July 2019 on behalf of Suffolk County Council and have been authorised for issue.

Councillor Joanna Spicer

Chairman of the Audit Committee

24 July 2019

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

The Head of Finance is responsible for the preparation of the Council's Statements of Accounts including those of the Pension Fund. In order to comply with the Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), these statements must present a true and fair view of the financial position of the Pension Fund at 31 March 2019, and the income and expenditure (spending) for the year to that date.

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

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

The Head of Finance has also:

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

Certification

I certify that this statement of accounts has been prepared in accordance with proper accounting practices and presents a true and fair view of the Pension Fund at 31 March 2019 and its income and expenditure for the year to that date.

Louise Aynsley

Head of Finance (Section 151 Officer)

24 July 2019

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

Opinion on the Pension Fund financial statements

We have audited the pension fund financial statements for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The Pension Fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018-19.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2019 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2019; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018-19.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Head of Finance (Section 151 Officer)'s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Finance (Section 151 Officer) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Pension Fund' ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the "Statement of Accounts 2018-19", other than the financial statements and our auditor's report thereon. The Head of Finance (Section 151 Officer) is responsible for the other information.

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

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

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects

Responsibility of the Head of Finance (Section 151 Officer)

The Head of Finance (Section 151 Officer) is responsible for the preparation of the Authority's Statement of Accounts, which includes the Pension Fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018-19, and for being satisfied that they give a true and fair view.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of Suffolk County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinion we have formed.

Mark Hodgson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Cambridge
24 July 2019

ACTUARIAL STATEMENT FOR 2018-19

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

Description of Funding Policy

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

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

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

Funding Position as at the last formal funding valuation

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

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

Principal Actuarial Assumptions and Method used to value the liabilities

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

Method

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

Assumptions

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

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

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

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

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

*Aged 45 at 2016 Valuation

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

Experience over the period since 31 March 2016

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities and there have been strong asset returns over the 3 years. Both events are of broadly similar magnitude with regards to the impact on the funding position.

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



Craig Alexander FFA

For and on behalf of Hymans Robertson LLP
11 April 2019

Management Structure

Pension Fund Committee

Cllr. Andrew Reid (Chairman)
 Cllr. Karen Soons (Vice-Chair)
 Cllr. Alexander Nicoll
 Cllr. Peter Gardiner
 Cllr. David Roach

Cllr. Robert Lindsay
 Cllr. David Goldsmith
 Cllr. Colin Kreidewolf
 Cllr. Chris Punt
 Steve Warner (Unison)

Pension Board

Cllr. Richard Smith (Chairman)
 David Rowe (Vice-Chairman)
 Eric Prince

Thomas Jarrett (replacing Marie McCleary)
 John Chance (replacing Homira Javadi)
 Suzanne Williams

Suffolk County Council

Louise Aynsley
 Paul Finbow
 Sharon Tan
 Andy Chapman
 Stuart Potter

Head of Finance
 Senior Pensions Specialist (Head of Pensions)
 Technical Pensions Specialist (Invest & Accts)
 Technical Pensions Specialist (Administration)
 Operations Manager (Administration)

Investment Managers

Blackrock Investment Management
 Brookfield Asset Management
 JP Morgan
 Kohlberg, Kravis, Roberts
 M&G Investments
 Newton Investment Management
 Pantheon Ventures

Partners Group
 Pymfords International
 Schroder Investment Management
 UBS Group
 Wilshire Associates
 Winton Capital Management

Pension Fund Advisers

Auditors
 Actuary
 Investment Consultancy Services
 Independent Investment Adviser
 Performance Measurement
 Investment Custodians
 Banking Services
 Legal Advisers
 Voting Advisers
 Pool Operator

Ernst & Young LLP
 Hymans Robertson LLP
 Hymans Robertson LLP
 Mr Mark Stevens
 HSBC and PIRC
 HSBC
 Lloyds Banking Group Plc
 Squire Patton Boggs
 Pension Investment Research Consultants
 Link Fund Solutions

Risk Management

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

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

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

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

Systems and internal control

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

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

Internal Audit was satisfied that a good standard of internal control, governance and risk management was evident. Financial assets are held by a regulated, external custodian who keeps a register of holdings, collects income and distributes monies. Audit was satisfied that the data provided by the current custodian is appropriately reviewed and is reported consistently, reconciliations are undertaken, and variances are identified and resolved.

Following a review of the Fund's approach to pooling of investments with the ACCESS pool, Internal Audit was satisfied that progress is being well communicated with the Suffolk Pension Board and the Committee. Governance arrangements for the pool preserve the ability of Suffolk Pension Fund to determine investment decisions in accordance with the Suffolk Pension Fund's own investment strategy.

The administrative systems have established control arrangements to ensure that staff are trained and the relevant policies are in place, member benefits are protected and issued accurately, and that pensions systems are secure.

Internal audit have concluded that the Pension Fund Committee and Pension Board can take assurance that the results of the two internal audits undertaken in 2018-19 financial year have provided reasonable or higher assurance on the operation of controls within the Pension Fund.

The following table lists the audit opinions for the last three years.

Audit	2016-17	2017-18	2018-19
Pensions Investments	Substantial Assurance	Substantial Assurance	Substantial Assurance
Pensions Administration	Sufficient Assurance	Sufficient Assurance	Reasonable Assurance *

*Opinion definition changed in 2019.

- Substantial Assurance – There are sound governance, risk management and control arrangements in place in order to meet the objectives of the area under examination.
- Sufficient/Reasonable Assurance - Whilst there is basically sound governance, risk management and control arrangements in place, there are some gaps in assurance which put at risk some of the objectives of the area under examination.

Pension Fund Risk Register

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

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

The key risk, is that required investment returns are not generated, resulting in assets falling short of the liabilities. Investment objectives have been set with the aim of achieving asset returns within an acceptable risk tolerance. The risks are managed in accordance with the County Council's arrangements for managing risks, including appropriate monitoring and mitigation measures.

The Pension Fund risk register includes risk on pooling and that the progress of pooling the Suffolk Pension Fund assets does not meet Government expectation. The Committee and Board are updated on pooling at every meeting and the officers actively participate within the ACCESS pool.

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

ACCESS Pool Risk Register

The ACCESS Pool has a detailed risk register that is reviewed at every officer working group and reported to the Joint Committee. The risk register covers the establishment of pool governance and sub-fund establishment and implementation.

Financial Performance

Summary of the Financial Position

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

Financial Summary	2014-15	2015-16	2016-17	2017-18	2018-19
	£'000	£'000	£'000	£'000	£'000
Contributions	103,897	103,155	108,698	108,619	111,531
Other Income	5,561	3,478	2,474	4,056	5,612
	109,458	106,633	111,172	112,675	117,143
Benefits Payable	-85,235	-86,370	-86,783	-91,567	-96,152
Other Expenditure	-3,945	-4,463	-4,314	-4,920	-10,371
	-89,180	-90,833	-91,097	-96,487	-106,523
Net additions / withdrawals(-) from dealings with members	20,278	15,800	20,075	16,188	10,620
Management Expenses	-12,053	-12,174	-15,654	-19,161	-12,479
Investment Income (net of tax)	25,761	24,775	32,550	35,415	35,085
Change in Market Value of Investments	279,733	-13,647	398,499	81,374	135,384
Net Returns on Investments	293,441	-1,046	415,395	97,628	157,990
Change in Fund during the year	313,719	14,754	435,470	113,816	168,610
Net Assets at 31 March	2,198,441	2,213,195	2,648,665	2,762,481	2,931,091

Other Expenditure

Other expenditure includes individual transfers out of the scheme which were £7.8 million in 2018-19, an increase of £3.2 million from the year before, and a group transfer which totalled £2.4m. This relates to the Association of Colleges, Eastern Region (ACER) which transferred to the London Pension Fund Authority when it merged with Association of Colleges.

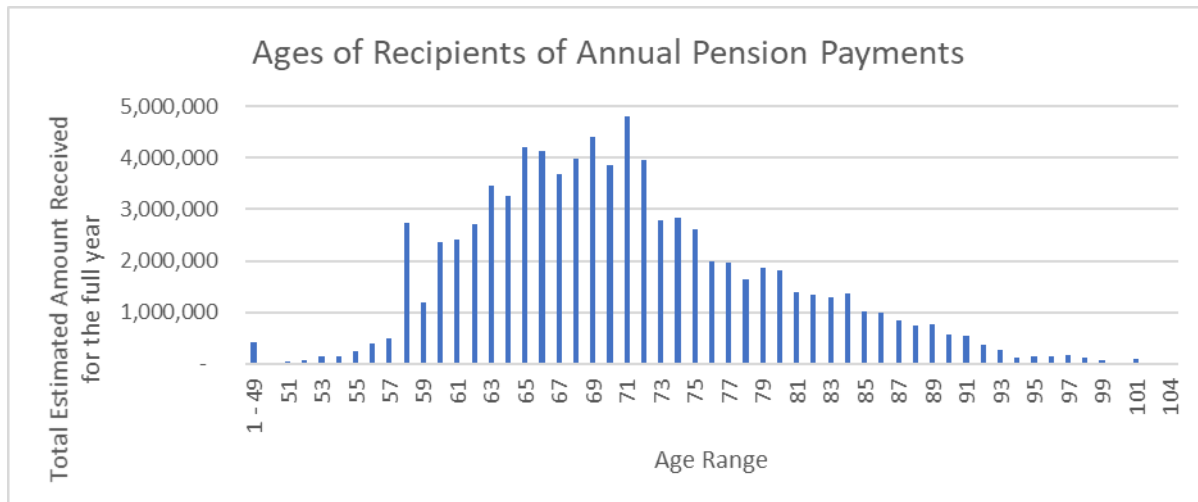
Benefit Payments

Annual pension benefits are paid:

- To a retiree for the rest of their life;
- To the partner of a retiree when they have died;
- To the partner of a member who dies before claiming their retirement benefits;
- To dependent children of retirees when they die or members who die before claiming their retirement benefits until they leave full time education;
- To dependent children of retirees when they die or members who die before claiming their retirement benefits, for the rest of their life if they have a disability that inhibits their ability to be in gainful employment.

Demographic assumptions about the proportion of members who are assumed to be married or have a dependent at retirement or on earlier death are made as part of the valuation process.

The graph below, shows the total pension payments for each age. Pension payments tend to be concentrated within the 58 – 80 age brackets. Pension payments peak with recipients at age 71 at £4.8m a year. A significant reduction is not experienced until pensioners are in their mid 80's. This is in line with the longevity demographic assumptions reported in the last valuation exercise.



- 9% of the recipients (1,477) are aged 85 or over and account for 9% of the annual benefits being received.
- There are 42 recipients who are aged 100 or over, the average receipt of their pension benefit is 36 years.
- The pension being drawn for the longest (49 years) is currently £3,827. The initial amount of this pension was £266 in 1968 when it was first drawn.
- The average age of those who have claimed a pension for 40 or more years is 90.
- The average amount received during the year is £5,016. 11,202 recipients receive less than the average payment.
- The national average wage is £27,271. 294 recipients receive a pension in excess of the national average wage.

Counteracting Fraud

The Suffolk Pension Fund participated in the National Fraud Initiative exercise which matches electronic data between public and private sector bodies to prevent and detect fraud. The exercise identified 10 pensioners that the Fund had not been informed were deceased. Payments were immediately ceased and any overpayments will be recovered.

A Western Union exercise has also commenced during the year which requires all recipients of a pension residing outside the United Kingdom to present them self to a Western Union office so that their identity and existence can be verified.

If any unopened pension correspondence or pension bank payments are returned to the Fund, payments are ceased and a tracing agency is utilised to track down the member to confirm existence or otherwise.

The Suffolk Pension Fund utilises the ‘Tell us once’ service that enables someone to report a death to most government organisations online, in one go, instead of having to write to the Pension Fund at a later date, which results in a more timely notification.

The Pension Fund has a number of controls in place to prevent internal fraud, such as administrative staff being unable to access their own records, separation of duties and appropriate authorised signatories which are checked against payments. Internal controls are also subject to audit scrutiny on an annual basis.

Contribution Receipts

A review is carried out on the timings of the payment of pension contributions to the fund by the employers and reported quarterly to the Pension Board. The administration strategy requires these to be received by the Pension Fund within 5 working days of the month in which the contributions were deducted. The table below summarises the timeliness of receipts for the 2018-19 financial year:

	2018-19		
	Emp.	Contribs.	
	%	£'000	%
On Time	87	106,112	95
Up to 1 week late	5	1,671	2
Over 1 week late	8	3,730	3
Total		111,513	

Cost of Running the Fund

The costs incurred by the Pension Fund in managing the Fund are relating to administration, investment management and governance costs. These costs represent about 0.4% of the value of the Fund at 31 March 2019, which is a reduction from previous years.

The overall costs of administering the Pension Fund has decreased by £3.937 million in 2018-19 to £12.479 million, the majority of which, can be attributed to a decrease in investment management fees.

Administration Expenses

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

	2017-18	2018-19
Administration Expenses	£'000	£'000
Suffolk County Council	769	810
Heywood pension administration system	256	307
Subscriptions and other costs	56	53
Total Administration Expenses	1,081	1,170

The Heywood administration software system supports the pensions' administration team to fulfil the complex requirements around administering the scheme; such as calculating pension benefits and producing the annual statements. The system holds every pension member record and history. Ongoing charges are incurred for maintenance of the system, licenses to use it and includes the costs of the self-service system which allows contributing and deferred members of the scheme to access their pension data, change their personal details, calculate their pension estimates and receive their annual benefit statements.

The increase in the Heywood expenses relates to the preliminary work undertaken to implement the new Pensioners payroll system. Pensioners are currently paid through the council's payroll system, I-Trent. The current payroll system is not compatible with the pension administration software leading to duplication of work. The new payroll service is an integrated payroll system that would link with member self-service, therefore extending the opportunities for digitalisation of the pension service.

Oversight and Governance Expenses

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

Asset pooling costs represents Suffolk's share of costs included in the ACCESS Pool Report (please see section on ACCESS for further information about the costs of the Pool). These are the operational ongoing costs for running the ACCESS Pool and include the costs of the ACCESS support unit and professional and legal advice.

	2017-18	2018-19
Oversight and Governance Expenses	£'000	£'000
Suffolk County Council	161	154
Pension Fund Committee	7	7
Pension Board	3	4
Actuarial Services	62	80
Audit Fees	37	33
Legal Fees	5	2
Performance Analysis	54	39
Proxy Voting Service	10	10
Investment Advice	106	114
Asset Pooling	94	115
Subscriptions and membership fees	18	25
Total Oversight and Governance Expenses	557	583

Investment Management Expenses

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

	2017-18	2018-19
Investment Management Expenses	£'000	£'000
BlackRock	2,738	1,946
Brookfield	152	72
J P Morgan	0	57
KKR	357	338
Legal & General	789	0
M&G	2,522	2,040
Newton	1,217	1,141
Pantheon	1,252	990
Partners	2,250	1,245
Pyrford	677	512
Schroders	898	463
UBS	37	222
Wilshire	338	297
Winton	737	884
Transaction Costs	769	467
Custodian (HSBC)	44	52
Total Investment Management Expenses	14,779	10,726

Notes:

1. Partners costs were higher in 2017-18 due to the additional investment in the Partners 2015 Fund, which incurred back charging of management fees.
2. The Legal & General index tracking funds were transferred to UBS as part of the pooling of assets, with significant savings achieved.

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

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

	2017-18	2018-19
Investment Management Expenses	£'000	£'000
BlackRock	699	667
KKR	-23	120
M&G	500	-
Pantheon	1	-
Partners	30	-
Winton	25	-
Total Investment Management Expenses	1,232	787

The following table shows the investment expenses as a percentage of the Fund and the cost of the administration function per scheme member over time

Management Expenses	2014-15	2015-16	2016-17	2017-18	2018-19
	£'m	£'m	£'m	£'m	£'m
Administration Costs	1.000	0.980	1.068	1.081	1.170
Governance and Oversight Costs	0.500	0.514	0.618	0.557	0.583
Investment Costs	10.553	10.680	13.968	14.778	10.726
Total Management Expenses	12.053	12.174	15.654	16.416	12.479
Scheme Assets	2,198.441	2,213.195	2,648.665	2,762.481	2,931.091
Investment Costs as % of assets	0.48	0.48	0.53	0.53	0.37
Scheme Membership	51,991	55,648	58,466	60,649	64,250
Admin costs per scheme member	19.23	17.61	18.27	17.82	18.21

Investment Income

The following table shows the sources of Investment Income earned by the Fund in 2018-19:

Investment Income	UK	Non-UK	Global
	£'m	£'m	£'m
Equities	8.213	-	8.329
Property	9.248		
Alternatives	6.087	3.003	
Cash & Cash Equivalent	0.056	-	-
Other	-	-	0.149
Total Income	23.604	3.003	8.478

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

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

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

Fund Performance Report

Investment Powers

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

Investment Strategy Statement

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

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

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

Asset Allocation

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

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

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

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

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

The strategic benchmark and the actual asset allocation of the Fund at March 2019 are shown overleaf along with the maximum investment limits set for each asset class.

Asset Allocation			
	Actual Allocation March 2019	Long-term Allocation	Maximum Limit
	%	%	%
UK Equities	15.1	14.5	25.0
Overseas Equities	27.6	27.5	40.0
Total Equities	42.7	42.0	65.0
Global Bonds	22.1	22.0	35.0
UK Index-linked Gilts	4.0	4.0	8.0
Total Bonds	26.1	26.0	43.0
Private equity	4.1	4.0	8.0
Property	9.5	10.0	15.0
Absolute return	9.5	10.0	15.0
Illiquid Debt	1.5	2.0	5.0
Infrastructure	4.5	5.0	15.0
Timber	0.3	0.5	1.0
Total Alternatives	29.4	31.5	59.0
Cash & Cash Equivalents	1.8	0.5	5.0
Total	100.0	100.0	

Investment Management Arrangements

The Fund's investment management arrangements at March 2019 are shown below.

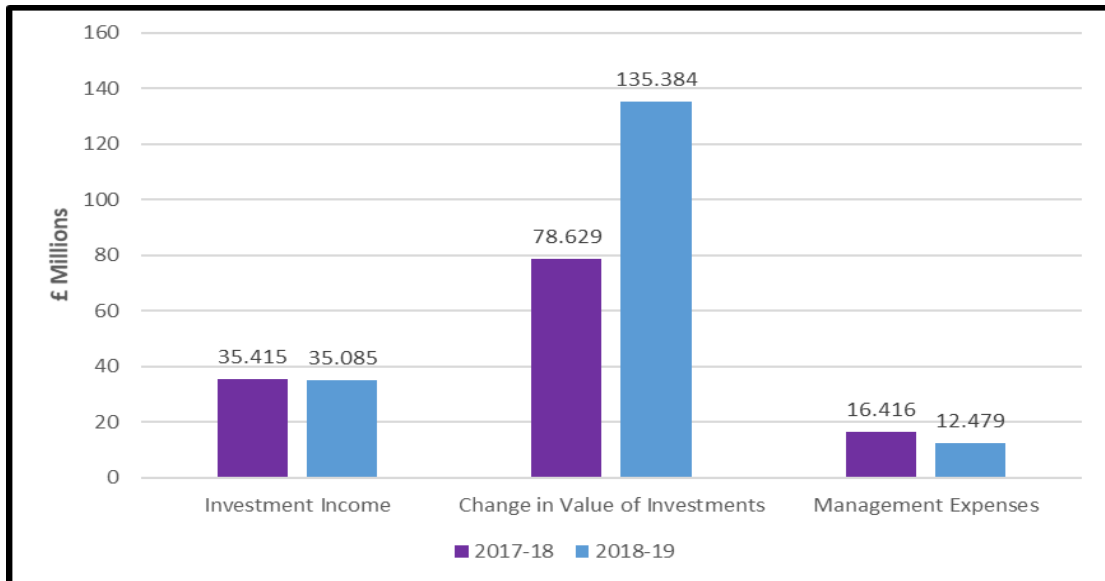
Fund Manager Allocation			
Investment Manager	Asset class	Actual allocation March 2019	Long-term allocation
		%	%
BlackRock	UK equities and Bonds	20.3	20.0
Brookfield	Timber	0.3	0.5
JP Morgan	Infrastructure	1.2	1.0
Kohlberg, Kravis, Roberts (KKR)	Infrastructure	0.7	0.5
M&G Investments	Bonds, Illiquid Debt and Infrastructure	12.5	13.5
Newton	Global equities	12.9	12.0
Pantheon	Private equity	3.5	3.0
Partners Group	Infrastructure	1.6	2.0
Pyrford	Absolute return	5.8	6.0
Schroder	Property	10.2	10.0
UBS	Equities and Bonds	26.2	26.0
Wilshire	Private equity	0.7	1.0
Winton	Absolute Return	3.7	4.0
Internal Cash	Cash	0.4	0.5
Total		100.0	100.0

Notes

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

Investment Performance

The chart below shows the comparative investment returns between 2017-18 and 2018-19. The change in the value of the Fund’s investments includes realised and unrealised gains and losses during the year.

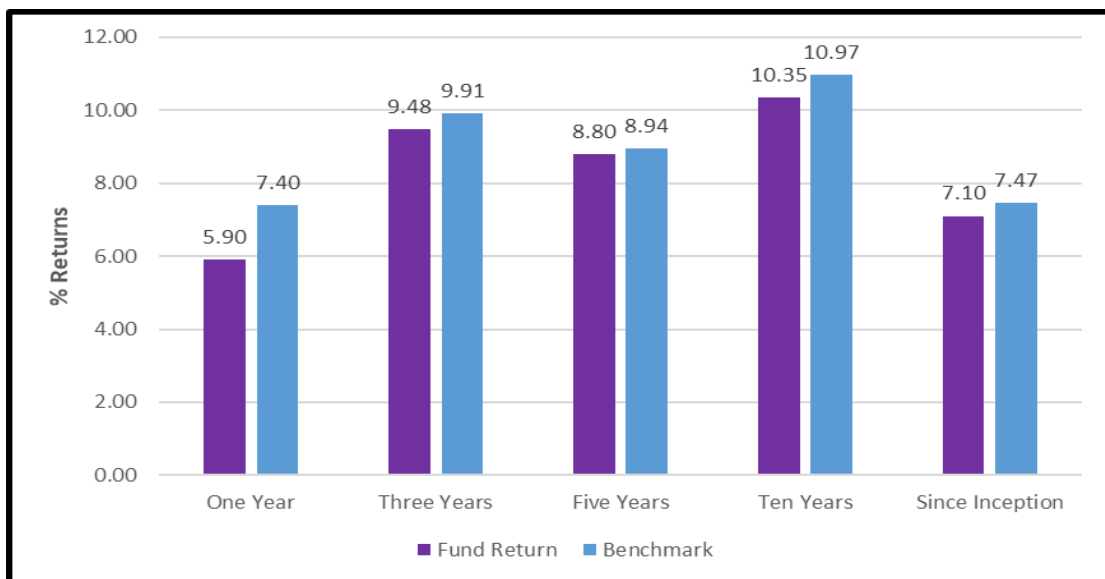


The Fund’s assets increased from £2,762 million to £2,931 million during 2018-19, representing an investment return of 5.9%. The Fund’s benchmark is based on the weighted average of the market index returns for the markets in which it invests in or a mandate specific absolute return. The Fund underperformed the benchmark by 1.5%.

The Fund performed just under benchmark for the five year benchmark, but underperformed by 0.6% per year for the ten year benchmark.

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

Fund Investment returns



Long-term Investment Performance

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

Long-term performance (year ended 31 March)										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	%	%	%	%	%	%	%	%	%	%
Retail prices	4.4	5.3	3.6	3.3	2.5	0.9	1.6	3.1	3.3	2.4
Fund return	32.6	8.1	2.0	13.6	5.6	15.4	0.7	19.0	4.0	5.9
Fund benchmark	37.6	8.5	3.8	12.1	6.3	13.9	1.5	17.9	4.8	7.4
Relative return	-5.0	-0.4	-1.8	1.5	-0.7	1.5	-0.8	1.1	-0.8	-1.5

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

The table below shows the opening and closing balances and reported performance for each asset class for 2018-19, alongside the Suffolk benchmark target and the passive index if an appropriate index exists.

Holdings	Opening Value		Closing value		Perf.	Passive Index	Benchmark
	£' m	%	£' m	%	%	%	%
Pool Aligned							
Passive Equities	617.648	22.5	650.770	22.3	7.0	7.1	7.1
UK Index-linked Bonds	110.484	4.0	116.867	4.0	5.8	5.7	5.7
Total Pool Aligned	728.132	26.5	767.637	26.3	6.8	6.9	6.9
UK Equities							
UK Equities	257.749	9.4	276.833	9.5	6.2	6.1	6.4
Overseas Equities	291.739	10.6	321.65	11.1	13.5	10.5	10.5
Total Equities	549.488	20.0	598.483	20.6	10.1		8.6
Global Bonds	676.532	24.6	645.810	22.1	1.0	5.8	5.8
Total Bonds	676.532	24.6	645.810	22.1	1.0		5.8
Absolute Return	272.959	9.8	277.979	9.6	1.5		5.8
Illiquid Debt	46.610	1.7	44.951	1.5	-6.5		8.0
Infrastructure	67.598	2.5	131.923	4.5	18.3		8.0
Money Market	21.052	0.8	43.679	1.5	4.5		0.8
Private Equity	101.528	3.7	121.048	4.1	16.0		11.1
Property	277.478	10.1	277.393	9.5	5.3	4.5	4.8
Timber	8.074	0.3	8.055	0.3	11.4		8.0
Total Alternatives	795.299	28.9	905.028	31.0	5.6		6.6
Total	2,749.451	100.0	2,916.958	100.0	5.9		7.4

Asset Pooling

The Suffolk Pension Fund has made a commitment to pool all of its assets into the ACCESS Pool. (Please see section on ACCESS for further information about the Pool). The first sub-fund that Suffolk will be transferring into will be available for investment in the first quarter of 2019-20.

The passive investment funds are held on a pool governance basis under one investment manager as these assets are held in life fund policies, which cannot be held within an authorised contractual scheme which is how the Pool operates.

The Suffolk Pension Fund has saved £0.876 million on fees by transferring their passive investments to the one investment manager jointly procured by the Funds in the ACCESS Pool.

Manager Performance

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

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

Investment Manager Performance					
Share of Fund 31 Mar 19	Manager	2018-19 Absolute Return	2018-19 Relative Return	3 Year Relative Return	5 Year Relative Return
%		%	%	% p.a.	% p.a.
12.2	Blackrock Equities	7.1	+0.7	+1.0	+2.0
8.3	Blackrock Bonds	0.4	-5.4	-2.9	-3.7
0.3	Brookfield	11.4	+3.4	+5.6	+7.2
1.2	JP Morgan	-	-	-	-
0.7	KKR	31.0	+23.0	+19.7	+19.6
12.6	M&G	0.8	-5.6	-1.1	
12.9	Newton	13.5	+3.0	-1.2	+0.5
1.6	Partners	10.0	+2.0	+5.6	+8.5
3.5	Pantheon	16.1	+5.0		
5.8	Pyrford	3.5	-2.3	-2.3	-1.9
10.2	Schroders	5.3	+0.5	+0.4	+0.3
26.2	UBS	6.9	-0.3		
0.7	Wilshire	15.8	+4.7		
3.7	Winton	-0.6	-6.4	-5.3	-2.4

Note:

- UBS received the various passive index-tracking investments during the last quarter of 2017-18.
- JP Morgan investment commenced in the last quarter of 2018-19.
- The private equity mandates held by Wilshire and Pantheon were previously reported combined which is why long-term data is not available.

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

Market Review (prepared by Mark Stevens, independent adviser)

Market review: Year to 31 March 2019

Global equity markets produced positive returns over the twelve months to 31 March 2019. The US market in particular continued a very strong bull run up 9.3% in local currency terms. Developed Pacific, Emerging markets and Europe ex-UK all delivered modest single digit returns. The only negative return in major equity markets over the period was from Japan which fell 3.5% however, given the slight strengthening of the Yen over the period the return was close to flat for sterling investors. Somewhat surprisingly given the major 'Brexit' uncertainties, sterling remained stable against the euro over the financial year but steadily fell against the US dollar. This sterling weakness enhanced the return from US equities to sterling based investors to 17.5%.

Global Economy Highlights

- The US economy continued to deliver solid growth and corporate earnings were boosted by tax cuts. The Federal Reserve raised rates four times over the period. However further hikes previously indicated for the coming year appear now to be on hold. The US China trade war has intensified and moved from rhetoric to reality. US equity valuations remain at historically high levels
- China and the Emerging markets were volatile as concerns over slowing growth and high debt levels emerged. The escalating US-China trade war and US dollar strength caused investor nervousness. Intra Asian trade has slowed over the period and China is still grappling with a potential credit crisis internally.
- European growth decelerated over the period with Germany in particularly enduring a sharp slowdown in manufacturing as slowing Chinese demand for capital goods hit home. Manufacturing PMI figures fell below 50 over the period and have continued to fall into the new calendar year. Political concerns remain with President Macron facing on going protests including the '*Gilets jaunes*' movement. In Italy the dispute with the EU over budget deficits rumbles on.
- The UK economy continued to grow albeit slowly, the ongoing uncertainty over 'Brexit' and the seemingly intractable political log jam of a minority government failing to build a consensus on how to leave the EU is causing increasing harm to business planning and investment. The UK equity market continued to be driven by the high exposure to overseas revenues and the prospects for sterling, it trades at a modest valuation when compared to many other global markets in part because of concerns over the seemingly never ending 'Brexit' process.
- Short-term interest rates were raised four times in US. The Bank of England raised rates for only the second time in a decade up to 0.75% but with ongoing 'Brexit' uncertainties they are likely to postpone further rises in the short term. In

the Eurozone the ECB left rates unchanged at zero. Concerns over slowing economic growth have resulted in a number of bonds markets trading at negative yields once again.

Equities

- The performance of global equities was strong in Sterling terms. Single digit returns in local currency translated into 11% for sterling based investors. Returns were both volatile and disparate. Once again, the US was the strongest region rising 17.5% in sterling terms, however Emerging markets were flat over the period while Japanese equities actually fell in local currency.
- The strongest sectors, relative to the 'All World' Index, were Utilities (+22.0%) Real Estate (+20.5%) and Health Care (+20.0%) the weakest sectors were Financials (-0.1%) and Materials (+4.8%).

Bonds

- Overseas bonds delivered low positive returns in local currency of 3.6%. This translated into 7.5% for un-hedged UK investors as a result of the weakness in sterling during the period. Central bank monetary tightening continued with rate rises in the US and UK. Towards the end of the period in response to slowing economic growth there was a significant softening in stance from the US Federal Reserve
- Despite a 0.25% rate rise over the period over 15 year Gilts produced positive returns of 4.7%. Index linked bonds also performed well up 5.7%, partly in response to ongoing uncertainties over the inflation outlook for the UK.

Property

- UK Property continues to defy many market expectations and delivered positive returns up 5.6%. The best performing sector was Industrial driven by strong demand for 'last mile' distribution space close to population centres. Office occupation remains particularly strong in the major cities. The retail sector continues to struggle with the rise of company voluntary arrangements (CVA) a significant negative for the sector. The polarisation between primary retail locations and secondary and tertiary locations continues to develop.

Environmental, Social and Governance Issues

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

Engagement

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

The Fund expects its investment managers to be engaged in social, environmental and ethical considerations insofar as these matters are regarded as impacting on the current and future valuations of individual investments. The Fund believes taking account of such considerations forms part of the investment managers' normal fiduciary duty.

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

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

Voting Policy

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

The general principles followed in the voting guidelines are: -

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

Annual Proxy Voting Review (Prepared by PIRC, proxy voting provider)

From the 1 April 2018 to the 31 March 2019 PIRC voted on a total of 102 General Meetings on behalf of Suffolk County Council Pension Fund.

UK Voting

In 2018 the topic of Executive remuneration continued to attract close scrutiny and remained a contentious issue at companies' AGMs.

As a result of the requirement to put the remuneration policy to a shareholder vote which came into effect in 2014, once the remuneration policy is approved, a company only needs to seek shareholder approval for the policy on a three-year basis, unless changes are made by the Remuneration Committee to the terms of the policy.

The majority of UK companies in the Suffolk portfolio submitted the Remuneration Report to a vote at their 2017 Annual General Meetings. In 2018 most companies were subjected to a single non-binding resolution on the Remuneration Report, which focuses on actual amounts paid to directors during the year. The Remuneration Report vote remains non-binding.

Overall, Suffolk voted against 27 Remuneration reports during the year and abstained on 7 of them.

In the UK, within the Suffolk portfolio there were a number of companies who received over 20% opposition on their remuneration reports including Royal Dutch Shell Plc (25%); Melrose Industries Plc (22%); and Lloyds Bank Group Plc (20.5%).

The portfolio company which received the highest number of oppose votes was Royal Dutch Shell Plc. The Remuneration report's disclosure of performance conditions and targets was adequate, however the dividends accrued on long term incentive awards were not separately categorised.

The LTIP had a maximum vesting opportunity of 680% of salary and the CEO's total realised variable pay was considered excessive at 471% of salary (Annual Bonus: 201% and LTIP: 270%). The CEO's total salary was also in the upper quartile of his peer comparison group.

Melrose Industries Plc, a company that specialises in buying and improving underperforming businesses, also received significant shareholder opposition on their remuneration report, with 22% of votes against.

In the remuneration report there was inadequate disclosure regarding the specific performance conditions and targets for the annual bonus. There was also concern that share incentive awards under the Value Incentive Plan could not be estimated with the information provided. Overall there was a lack of transparency.

In addition, there is no information provided by the company regarding the reasons for the significant opposition to the remuneration policy put forward at the extraordinary general meeting on 11 May 2017, nor is there any mention of shareholder engagement and steps taken to address shareholder concerns.

The change in the CEO's salary is in line with the rest of the Company. However, the Company disclosed only the change in the salaries of senior head office employees, which is inappropriate, as this is not reflective of the change in the salaries of the general workforce.

The changes in CEO pay over the last five years are not considered in line with the changes in the Company's TSR performance over the same period. The ratio of CEO pay compared to average employee pay is not acceptable at 25:1. The recommended limit for total variable pay is 200% of salary, however the total variable

pay for the CEO in 2018 was highly excessive, amounting to £42,198,280 for the CEO, which is 8884% times his salary.

The majority of this was from the Value Incentive Plan (£41,770,280). The Company explained that they created £3.6 billion in value for shareholders in that five year period. The Company believed that their remuneration strategy has directly driven performance. The fact remains that the amount of remuneration paid to the CEO is highly excessive.

Concerns about excessiveness appears to be the common theme in instances of a higher than normal proportion of opposition votes to the remuneration report during the season.

There have also been a significant number of notable shareholder proposals, which although relatively common in the US market has not traditionally been a feature of UK GMs. For instance, at Royal Dutch Shell Plc's AGM there was a shareholder resolution put forward to publish targets that are aligned with the goal of the Paris Climate Agreement to limit global warming to below 2C. This resolution failed to pass with 87.2 % of votes against. Suffolk abstained on this resolution.

Director elections is the single biggest resolution type reflected in the fact that of the resolutions voted 355 were on the election of directors to the board of which Suffolk opposed 22 with none abstained.

In part this is due to the fact that non-executive directors who are not considered independent are fewer in number in the UK when compared to other markets, however it should be noted that time commitments or 'over boarding' remains an important concern with non-executive directors in the UK market.

US Voting

The two most significant issues in the US portfolio last season remain board independence and auditor tenure. Suffolk opposed or abstained on re-election of 35% of directors elected at US companies during the year, up slightly on 2017 where Suffolk opposed 34%. With regard to auditor tenure Suffolk voted to oppose the re-election of 84% and abstained on 8% for reason of tenure exceeding ten years or because of concern about levels of non-audit fees.

Remuneration was also an issue in 2018 with Suffolk opposing or abstaining on 100% of advisory votes on compensation companies including Cisco Systems Inc. which saw the highest amount of shareholder opposition at 17.7%. In general, however Advisory votes on compensation in the USA passed without significant shareholder opposition.

There were a number of notable shareholder resolutions which came to light in Suffolk's US portfolio, ranging from the adoption of a policy of board diversity at Alphabet Inc.'s AGM to mandating the use of GAAP performance metrics for executive remuneration at Walgreens Boots Alliance's AGM. Suffolk supported both resolutions although they failed to pass decisively.

Whilst Activist shareholders have been a notable feature of the US market for some time, -recent years have also, seen a general increase in shareholder resolutions;

with the total number rising from 407 in 2010 to 464 in 2018 (down from 494 in 2017) as reported by CNN.

European Voting

Remuneration was also an issue in Europe where Vivendi SA again saw significant opposition to elements of its compensation proposals. The resolution to approve the remuneration paid or due to Arnaud de Puyfontaine, Vivendi's CEO, with an advisory vote saw shareholder opposition of 19.2%.

The Company had not fully disclosed quantified targets against which the achievements and the corresponding variable remuneration has been calculated. In addition, there were no claw back clauses in place over the entirety of the variable remuneration component, which makes it unlikely for shareholders to be able to reclaim variable remuneration unfairly paid out.

The major concern here, as with many European companies, was the lack of disclosure of performance targets for variable remuneration. This lack of disclosure compromises the ability of shareholders to assess whether or not variable remuneration is appropriately tied to performance.

Asia, Japan and the Rest of the World

Suffolk voted at 4 General Meetings in the rest of the world and 7 in Japan.

AIA GROUP LTD and its subsidiaries are engaged in the provision of insurance services to businesses and individuals. The resolutions opposed were the re-election of the current auditor, PwC who has been in place for more than five years, and the issue of shares for a Restricted Share Plan.

It was proposed to authorise the Board to issue shares under the RSP Scheme which would not exceed 2.5% of the issued share capital. This was considered acceptable. However, shares were also to be awarded with no performance conditions disclosed and there was generally inadequate disclosure over other features of the plan.

The effectiveness of Long-Term Incentive Plans to incentivise performance is not considered obvious, and most existing schemes in use today are discretionary in their nature. However, at a minimum target should be set and caps set on pay-outs.

In much of the 'rest of the world' and particularly parts of Asia, such as Japan, Taiwan and South Korea is a poor level of timely disclosure. Even when meeting materials are disclosed in a timely manner and in English, the level of detail is often inadequate for shareholders to reach an informed view on the resolutions proposed.

Governance concerns highlighted in Japan

There are no specific legal requirements in Japan to introduce gender diversity to company boards. However, PIRC has been seeking to encourage Japanese companies to introduce gender diversity to their boards, by reflecting this concern in PIRC's voting recommendations. This issue has not been apparent in the Suffolk portfolio, where the main concern continues to be Board and Corporate Auditor independence and English disclosure.

This can be illustrated in Japan Tobacco Inc which operates under the Kansayaku-setchi-kaisha structure, with a board of directors and a board of corporate auditors. For the AGM on the 30 March 2019, Resolution 4.3 for the election of Mr. Mimura Tooru to the Corporate Auditors was opposed on independence grounds.

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

Governance Report

Governance of the Suffolk Pension Fund

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

Each authority is required to:

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

The Statement is required to set out:

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

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

Pension Fund Committee

The Pension Fund Committee's key responsibilities are:

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

Delegations to the Head of Finance

During 2018-19, the Head of Finance, the County Council's responsible financial officer under section 151 of the Local Government Act 1972, is responsible for all decisions concerning the Pension Fund within the scope of the policies that have been approved by the Pension Fund Committee.

Membership of the Committee

During 2018-19 the Pension Fund Committee consisted of seven county councillors, who were appointed by the County Council, reflecting the political balance on the County Council as a result of the May 2017 County Council elections. In addition, the Committee included two district council representatives, who were nominated by the Suffolk District Council leaders, and a scheme member representative, who was nominated by UNISON.

The attendance of the Pension Fund committee members for the five committee meetings held during 2018-19 are shown below:

Councillor	Meetings attended
Cllr Andrew Reid	5
Cllr Karen Soons	4
Cllr Alexander Nicholl	3
Cllr David Goldsmith	5
Cllr David Roach	4
Cllr Peter Gardiner	4
Cllr Robert Lindsay	2
Cllr Colin Kreidewolf	5
Cllr Chris Punt	3
Mr Steve Warner	4

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

All members of the Pension Fund Committee have voting rights.

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

Committee Training

The Pension Fund Committee recognises the importance of ensuring that those who are responsible for financial management and decision making with regards to the pension scheme are equipped with the necessary knowledge and skills. During 2018-19, the Head of Finance was responsible for ensuring that appropriate training is undertaken by members and officers with responsibilities relating to the Pension Fund.

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

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

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

- Committee training day:
 - Research Affiliates Fundamental Indexation (RAFI)
 - Developments in passive investing
 - Stranded assets
 - Environmental Governance and Social issues
 - Infrastructure
 - Managing an absolute return mandate versus outperforming an index
 - Roundtable discussion involving equity investments
- Progress on the development of the ACCESS pooling of assets
- Other investment alternatives
- UK Property investing
- Responsibilities of Link Fund Solutions as operator of the ACCESS pool
- Actuarial valuation

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

Work of the Pension Fund Committee

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

The annual report on investment performance for 2017-18 was produced and presented by HSBC, the Fund's performance advisers.

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

The main topics considered by the Committee were:

- Further commitment to infrastructure
- Asset allocation review

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

The Committee undertook its annual Asset Allocation Review in November 2018, with further work being considered at its March 2019 meeting. Any agreed changes will be completed in 2019.

The Committee has been regularly kept informed of the development of the ACCESS pool and the creation of the ACCESS Authorised Contractual Scheme. The pipeline of Sub Fund creation dictates that the first move of Suffolk assets into the pool will be early in 2019-20.

The Committee has delayed its review of its Investment Strategy Statement until later in 2019. This will enable the outcomes of the asset allocation review to be fully reflected when the document is updated.

The Committee undertook a review of the additional voluntary contribution scheme that is available for members of the scheme who would like to build up additional pension benefits.

The Committee updated and approved the following documents:

- Communications Policy
- Governance Policy
- Voting Policy
- Treasury Management Strategy
- Administration Strategy

Pension Board

The Pension Board's key responsibilities are:

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

Membership of the Board

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

legislative requirements.

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

Due to inclement weather in March 2018 the meeting was postponed until April so there were five meetings held in 2018-19. The attendance of the Pension Board members for the meetings held are as follows:

Councillor	Representing	Meetings attended	Joined/ Resigned
Cllr Richard Smith	Suffolk County Council	5	
David Rowe	Active Scheme Members	5	
Eric Prince	Retired members	5	
John Chance	Other Local Government	1	Dec-18
Thomas Jarrett	Other Members	2	Oct-18
Suzanne Williams	Unions	3	
Marie McCleary	Other Members	1	Jul-18
Homira Javadi	Other Local Government	1	Jul-18

Board Training

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

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

Members of the Board also attend the Pension Fund Committee training and attend the annual Committee training day.

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

- The development of the ACCESS Pool
- Progress on the development of the ACCESS pooling of assets
- Other types of investment opportunities
- Developments in the regulators approach to the LGPS
- Roles and responsibilities for the Suffolk Pension Fund

Work of the Pension Board

The Pension Board agreed a forward work programme for the year ahead.

The Board has received and reviewed:

- Pension Fund Annual Report and Accounts 2017-18
- Fund investment performance for 2017-18
- Digitalisation of the Fund's engagement with members
- Management expenses for 2017-18 estimates for 2018-19
- Voting policy
- Administration data requirements for the actuarial valuation
- Governance Policy
- Risk Register
- Regular updates on the progress of the pooling of assets
- Regular updates on the performance of the administration team and complaints and compliments received.
- Regular updates on recent developments with the Fund

Administration Report

Introduction to the Fund

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

The Scheme is open to all County Council employees (except teachers and fire fighters and former NHS staff who have their own scheme), employees of the Suffolk district councils and employees of certain other public bodies (known as scheduled bodies) within Suffolk.

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

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

How the Fund Works

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

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

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

Costs of Membership

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

The pay banding table which was used during 2018-19 is shown below. The contribution rates and / or pay bands are reviewed periodically to maintain the average contribution from employees at 6.5% and to ensure the long term costs of the scheme are affordable.

Actual Pensionable Pay	Contribution Rate
£0 - £14,100	5.5%
£14,101 - £22,000	5.8%
£22,001 - £35,700	6.5%
£35,701 - £45,200	6.8%
£45,201 - £63,100	8.5%
£63,101 - £89,400	9.9%
£89,401 - £105,200	10.5%
£105,201 - £157,800	11.4%
Over £157,801	12.5%

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

Benefits of the Pension Fund

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

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

The core scheme benefits are:

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

Pension Administration

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

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

Summary of Work Undertaken by the Fund in 18-19

In addition to the day to day functions of completing and processing various administration tasks the team seeks to continually improve the functionality of the Pension Fund and the quality of the data required to administrate the Pension Fund effectively and to a high standard.

- Commenced an existence project with Western Union to check the validity of the overseas Pensioner members. These members are unable to be checked via the usual methods and the Pension Fund is seeking an assurance that no monies are being paid out to unintended beneficiaries. This project will continue into the next reporting year when the validation of members at Western Union agent locations will take place.
- Completion of the preliminary preparation work for the new payroll system migration. This project, when complete, will bring administration advantages in removing duplication of record creation as well as enhancing the member self-service function for Pensioner members.
- Completion of the digitalising of the microfiche records. This now enables administration staff to view the information on the pension administration system and removes the risks associated with having this information stored on microfiche.
- The reconciliation of HMRC GMP information with Suffolk's data started in late 2017. All queries from the Suffolk Pension fund were raised with HMRC during 2018-19. As a result, updates to the pension and payroll systems have been identified and work continues. HMRC's final dataset is expected in late 2019 and this will be used to determine if under or overpayments have been made with a view to taking corrective action.
- Further development and promotion of the member self service system. Annual benefit statements are now available for all active and deferred members enabling them to access their pension information at their convenience and all in one place enabling the member to gain a better understanding of the options available to them.
- The management team is actively working to improve the quality of data. During the reporting year the Fund reported common and conditional data scores of 92% and 95% to the pensions regulator. This process identified some areas to improve and an extract was produced to enable the team to work on some of these areas and improve the quality of data.
- In addition to this, the payroll migration project has been a good catalyst to identify opportunities to improve the quality of data further.

Key Performance Indicators

The administration team monitors its performances based on the key indicators in the tables overleaf. This information has been downloaded from the Heywood Altair pension administration system which records all tasks required to complete and sign off the cases logged.

Number of Cases completed

Case Type	Cases outstanding at the start of the year	Cases commenced in year	Cases completed during the year	Cases outstanding at year end	Percentage completed
Death - Initial letter acknowledgement death of active/deferred/pensioner member	6	445	442	9	98%
Death - Letter notifying amount of dependant's benefits	-	179	177	2	99%
Retirements - Letter notifying estimate of benefits - Active members	20	482	477	25	95%
Retirements - Letter notifying estimate of benefits - Deferred members	13	1,127	1,089	51	96%
Retirements - Letter notifying actual retirements and process and pay lump sum retirement grant - Active members	21	395	409	7	98%
Retirements - Letter notifying actual retirements and process and pay lump sum retirement grant - Deferred members	1	565	561	5	99%
Transfer Ins - Letter detailing transfer in quote	3	235	234	4	98%
Transfers In - Letter detailing transfer in	13	180	190	3	98%
Transfers Out - Letter detailing transfer out quote	57	284	298	43	87%
Transfers Out - Letter detailing transfer out	1	206	202	5	98%
Refund - Process and pay refund	-	308	306	2	99%
Divorce quote - Letter detailing cash equivalent value and other benefits	1	153	151	3	98%
Divorce settlement - Letter detailing implementation of cash equivalent value and application of PSO	-	3	3	-	100%
Member Estimates / Projections	4	162	160	2	99%

Key Performance Indicators:

Case Type	Fund KPI	Cases Completed	% Completed	Legal Requirement	Legal % Completed	Total number of cases
Death - Initial letter acknowledgement death of active/deferred/pensioner member	5 days	100%	442	2 months	100%	442
Death - Letter notifying amount of dependant's benefits	10 days	97%	172	2 months	100%	177
Retirements - Letter notifying estimate of benefits (all types) Total	5 days	99%	1,555	2 months	99%	1,565
Retirements - Letter notifying actual retirements and process and pay lump sum retirement grant (all types) Total	10 days	100%	439	2 months	100%	367
Deferred in to Pay - Process and Pay lump sum retirement grant	10 days	100%	531	2 months	100%	603
Transfer Ins - Letter detailing transfer in quote	10 days	100%	234	2 months	100%	234
Refund - Process and pay refund	10 days	88%	269	2 months	99%	306
Divorce quote - Letter detailing cash equivalent value and other benefits	10 days	76%	115	3 months	98%	151
Divorce settlement - Letter detailing implementation of cash equivalent value and application of PSO	10 days	100%	3	3 months	100%	3

Employer Performance

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

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

Internal Dispute Resolution Procedure (IDRP)

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

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

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

In 2018-19 there were 5 IDRPs from a total of 8,222 cases processed.

Membership

The overall membership has increased year on year, with an active member increase of 8% during the last five years.

Membership Summary	2014-15	2015-16	2016-17	2017-18	2018-19
Members	18,871	20,129	19,954	19,950	20,354
Pensioners	14,023	14,647	15,074	15,661	16,075
Deferred Members	19,097	20,872	23,438	25,038	27,821
Total	51,991	55,648	58,466	60,649	64,250

In 2018-19 there have been 887 new pensions paid, which are further analysed as below:

Retirement Type	Number of Retirements
Deferred Pension	492
Ill Health	30
Early (aged 60 and over) /Normal	217
Early (aged under 60)	59
Late Retirements	89
Total Retirements	887

Employers in the Fund

There are 307 active employers in the Fund and 10 employers who do not have active members but have deferred pension members and/or pensioners.

	Active	Ceased	Total
Scheduled Bodies	204	1	205
Resolution Bodies	45	4	49
Admitted Bodies	58	5	63
Total	307	10	317

A list of the active employers in the Fund as at 31 March 2019 are as follows:

Scheduled Bodies

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

Local Authority

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

Other

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

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

Free Schools

Everitt Academy	Seckford Foundation Free Schools Trust
IES Breckland	

Academies

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

Academies Enterprise Trust

Felixstowe Academy

Langer Primary

Academy Transformation Trust

Beck Row Primary

Great Heath Academy

Mildenhall College Academy

Westbourne Academy

Active Learning Trust

Albert Pye Primary

Chantry Academy

Grove Park

Gusford

Hillside

Pakefield

Ravensmere Infant School

Red Oak

Reydon

Sidegate

Westwood Primary

All Saints School Trust

All Saints (Laxfield)

Charsfield CoE Primary

Dennington CoE Primary

Fressingfield CEP

St Peter & St Paul

Stradbroke CEP

Wortham Primary

ASSET Education

Bungay Primary

Castle Hill Infants School Academy

Castle Hill Junior School Academy

Cliff Lane Primary School Academy

Egdar Sewter

Holton St Peter

Ilketshall

Shotley Primary

St Helens Primary School

Stutton C of E Primary School

The Oaks Primary School

Wenhaston

Whitton Community Primary School

Avocet Academy Trust

Aldeburgh Primary School

Easton Primary Academy

Leiston Primary Academy

Saxmundham Primary

Wickham Market Primary Academy

Believe Engage Succeed Trust

Riverwalk

The Albany Centre PRU

Warren School

Children's Endeavour Trust

Broke Hall

Springfield Junior

Chilford Hundred Education Trust

Howard Primary School

The Pines Primary School

Diocese of Ely

St Christophers CE Primary

Eastern Multi Academy Trust

The Glade Community Primary School

West Row Academy

Evolution Academy Trust

Elm Tree Community Primary School

Poplars Community Primary School

The Dell Primary School

Forest Academy

Elveden Primary School

Forest Academy

Gippeswyk Community Educational Trust

Brittania Primary School

Rose Hill Primary School

Hartismere Family of Schools

Benjamin Britten High School

Hartismere School

Somerleyton Primary

Woods Loke Primary

Inspiration Trust

Eastpoint Academy

John Milton Academy Trust

Bacton Community Primary

Cedars Park Primary

Mendlesham Primary

Stowupland High School

Olive Academy Trust

Olive AP Academy (Kingsfield PRU)

Ormiston Academies Trust

Ormiston Denes Academy

Ormiston Endeavour Academy

Ormiston Sudbury Academy

Stoke High School-Ormiston Academy

Thomas Wolsey Academy

Orwell Multi Academy Trust

Brooklands Primary School

Grange Community Primary School

Halifax Primary School

Handford Hall Primary School

Springfield Infant School

Willows Primary School

Our Lady of Walsingham

St Felix-Haverhill

St Mary's Catholic Primary (Ipswich)

St Louis Catholic Academy

Paradigm Trust

Ipswich Academy

Murrayfield Primary School

Pipers Vale Community Primary

School

Raedwald Trust

Alderwood PRU
 First Base Bury St Edmunds
 First Base Ipswich PRU

Parkside Pupil Referral Unit
 St Christophers PRU
 Westbridge Pupil Referral Unit

REAch2 Multi Academy Trust

Beccles Primary Academy (ex Crowfoot)
 Gunton Primary Academy
 Martlesham Primary Academy
 Northfield St Nicholas Primary Academy

Phoenix St Peter/Meadow Primary Academy
 Sprites Primary Academy
 St Margarets Primary Academy
 The Limes

South Suffolk Learning Trust

Claydon High School
 Claydon Primary

East Bergholt High School
 Hadleigh High School

St Edmundsbury and Ipswich Diocesan Trust

All Saints CEVAP School
 Bramfield Church of England Primary School
 Brampton C of E Primary
 Chelmondiston C of E Primary
 Eyke
 Hartest C of E Primary
 Hintlesham & Chattisham
 Long Melford Church of England Primary School
 Mellis

Morland Primary School
 Nacton Church of England Primary School
 Ringsfield C of E Primary
 Sproughton CEVC Primary
 St Marys Hadleigh
 St Marys Woodbridge
 St Matthews CEVAP
 Stoke by Nayland C of E Primary
 Tudor Primary School

St Johns the Baptist Multi Academy Trust

St Benet's Catholic Primary (Beccles)
 St Edmund's Catholic Primary (Bungay)

St Mary's Catholic Primary (Lowestoft)

Stour Valley Educational Trust

Clare Community Primary

Stour Valley Community School

The Consortium Multi Academy Trust

Barnby & North Cove
 Helmingham Primary
 Henley Primary School
 Mendham
 Middleton Primary

Rendlesham Primary School
 Southwold Primary
 St Edmunds Primary-Hoxne
 Yoxford Primary

The Tilian Partnership

Bardwell CEVC Primary School
 Crawford's CEVC Primary School
 Gislingham CEVC Primary School
 Ixworth CEVCP

Old Newton CEVC Primary
 Palgrave CEVC Primary
 Rougham CEVCP

Thedwastre Education Trust

Great Barton CE Primary Academy
Rattlesden CE Primary Academy

Thurston CE Primary Academy
Woolpit Primary Academy

Unity Schools Partnership

Abbotts Green
Burton End Academy
Castle Manor Academy
Clements Primary School
Coupals Primary Academy
Glemsford Primary Academy
Houldsworth Valley
Kedington Primary Academy
Laureate Primary
Newmarket Academy

Place Farm Academy
Samuel Ward Academy
Sybil Andrews
The Churchill Free School
Thomas Gainsborough School
Wells Hall Primary
Westfield Academy
Wickhambrook
Woodhall (Sudbury)

Waveney Valley Academy Trust

Alde Valley Academy
Roman Hill Primary School

Sir John Lehman High School
Stowmarket High School

Resolution Bodies

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

Barningham Parish Council	Lowestoft Town Council
Beccles Town Council	Market Weston Parish Council
Botesdale Parish Council	Martlesham Parish Council
Boxford Parish Council	Melton Parish Council
Bramford Parish Council	Mildenhall Parish Council
Bury St Edmunds Town Council	Nayland and Wissington Parish Council
Claydon & Whitton Parish Council	Newmarket Town Council
Felixstowe Town Council	Onehouse Parish Council
Framlingham Town Council	Pinewood Parish Council
Glemsford Parish Council	Red Lodge PC
Great Cornard Parish Council	Redgrave Parish Council
Great Livermere Parish Council	Rickinghall Parish Council
Great Waldingfield Council	Saxmundham Town Council
Hadleigh Town Council	Schools' Choice Limited
Halesworth Town Council	Southwold TC
Haverhill Town Council	Stowmarket Town Council
Hollesley Parish Council	Sudbury Town Council
IPSERV	Thurston Parish Council
Kesgrave Town Council	Ufford Parish Council
Kessingland Parish Council	Verse
Lakenheath Parish Council	Vertas
Leavenheath Parish Council	Woodbridge Town Council
Leiston cum Sizewell Town Council	Woolpit Parish Council
Long Melford Parish Council	Worlingham Parish Council

Admitted Bodies

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

Abbeycroft Leisure	Edwards and Blake - Waveney Valley
Anglia Community Leisure	Elior Ltd-Chantry Academy
Beccles Fenland Charity Trust	European Electronique
Care Quality Commission	Flagship Housing Group
Care UK	Hadleigh Market Feoffment Charity
Caterlink - ALT	Housing 21
Caterlink - Copleston	Kier MG Ltd
Caterlink - Gorseland	Leading Lives
Caterlink - St Albans	Marina Theatre
Caterlink-Bungay	Norland Managed Services
Caterlink-Farlingaye	Nuffield Health
Caterlink-Gusford	Occold Primary School (All Saints School Trust)
Caterlink-Kesgrave	Opus People Solutions Ltd
Caterlink-Ormiston Denes	Orwell Housing
Churchill - SS Learning	Papworth Trust
Churchill Contract Services	Places for People
Churchill CS-Bungay High School	Radis Limited
Churchill CS-Hadleigh	Realise Futures
Compass - ATT	SALC (Suffolk Association of Local Councils)
Compass - Kessingland	Seckford Foundation
Compass-East Point Academy	Sentinel Leisure Services
Compass-Felixstowe	South Suffolk Leisure – Sudbury
Concertus	South Suffolk Leisure-East Bergholt
Deben - Ravenswood	South Suffolk Leisure-Holbrook
Edwards & Blake – Aldeburgh	Sports and Leisure Management Ltd
Edwards & Blake – ASSET	Suffolk Libraries IPS
Edwards & Blake – Bright Tribe	Suffolk Norse Ltd
Edwards & Blake – Kyson	Suffolk Norse Transport
Edwards & Blake – Saxmundham	The Havebury Housing Partnership
Edwards and Blake – Leiston	The Partnership in Care Ltd
Edwards and Blake – Pakefield	Thorpe Woodlands A.C.T
	Waveney Norse Ltd

ACCESS

As Chairman of the ACCESS Joint Committee I am pleased to be introducing the first Annual Report for the ACCESS Pool. The Pool has made excellent progress during the year with just under £20 billion of assets pooled. £8.176 billion is invested directly in the Pool through Link Fund Solutions and the passive investments of £11.431 billion are invested on a pool governance basis.



I am grateful for the dedication and support from my fellow Chairmen on the Joint Committee, the officers from the ACCESS authorities and the staff of the Support Unit whose hard work and collaborative spirit has made such progress possible.

The pace of development for the Pool will continue during 2019-20, with further sub-fund launches planned throughout the year.

Background

ACCESS (A Collaboration of Central, Eastern and Southern Shires) is made up of 11 Local Government Pension Schemes (LGPS) Administering Authorities: Cambridgeshire County Council; East Sussex County Council; Essex County Council; Hampshire County Council; Hertfordshire County Council; Isle of Wight Council; Kent County Council; Norfolk County Council; Northamptonshire County Council; Suffolk County Council and West Sussex County Council in response to the Government's pooling agenda across the LGPS.

The ACCESS Administering Authorities are committed to working together to optimise benefits and efficiencies on behalf of their individual and collective stakeholders, operating within a clear set of objectives and principles that drives the decision making process.

Collectively as at 31 March 2019, the pool has assets of £46 billion serving 3,000 employers with over 1 million members including 290,000 pensioners.

Governance

The ACCESS Pool is not a legal entity in itself but is governed by an Inter Authority Agreement signed by each Administering Authority. The Inter Authority Agreement sets out the terms of reference and constitution of ACCESS.

The formal decision-making body within the ACCESS Pool is the Joint Committee. The Joint Committee has been appointed by the 11 Administering Authorities under s102 of the Local Government Act 1972, with delegated authority from the Full Council of each Administering Authority to exercise specific functions in relation to the Pooling of Pension Fund assets.

The Joint Committee is responsible for ongoing contract management and budget management for the Pool and is supported by the Officer Working Group and the ACCESS Support Unit (ASU).

The Officer Working Group are officers representing the Administering Authorities whose role is to provide a central resource for advice, assistance, guidance and support for the Joint Committee.

The ACCESS Support Unit (ASU) provides the day-to-day support for running the ACCESS Pool and has responsibility for programme management, contract management, administration and

technical support services. The permanent staff roles within the ASU are employed by the Host Authority (Essex) with additional technical support from Officers of the ACCESS Pension Funds. The Section 151 Officers of each authority provide advice to the Joint Committee and in response to decisions made by the Joint Committee ensure appropriate resourcing and support is available to implement the decisions and to run the ACCESS Pool.

Strategic oversight and scrutiny responsibilities remain with the Administering Authorities as does all decision making on their individual Funds asset allocation and the timing of transfers of assets from each Fund into the arrangements developed by the ACCESS Pool.

The Operator

Link Fund Solutions Ltd has been appointed to provide a pooled operator service. Link is responsible for establishing and operating an authorised contractual scheme (ACS) along with the creation of a range of investment sub-funds to meet the needs of the investing authorities enabling them to execute their asset allocation strategies, and the appointment of the investment managers to those sub-funds.

Progress

ACCESS submitted its pooling proposal to Government in July 2016 with detailed plans for establishing and moving assets into the pool and has regularly submitted progress reports to Government. These are all published on the Pool’s website (www.accesspool.org).

Included in the proposal is an indicative timeline of when assets will be pooled and ACCESS has made excellent progress against the principal milestone of having £27.2 billion assets pooled and estimated savings of £13.6 million by March 2021.

Pooled Assets

As at 31 March 2019 ACCESS has pooled the following assets:

	£ billion
Passive investments	11.431
UK Equity Funds	2.323
Global Equity Funds	5.853
Total Pooled Investments	19.607

The passive investment funds are held on a pool governance basis under one investment manager as these assets are held in life fund policies, which cannot be held within an ACS.

Key milestones achieved in 2018-19

- Establishment of the ACCESS Support Unit and recruitment of a contract manager and support officer to provide day to day support for the Pool. The unit was further strengthened by the appointment of technical leads from existing officers to lead and progress specific areas of work.
- Development of a Governance Manual to reflect decision making principles, communications strategy, policies and procedures.
- Approval and launch of the first two tranches of sub-funds.
- Establishment and implementation of the stock lending programme.
- Providing updates of progress to Government and responding to consultations.

Objectives for 2019-20

Following the launch of a number of sub-funds, progress will continue a pace with significant rationalisation of the existing range of mandates. The Operator will be developing and launching a further series of sub-funds which will collectively reflect the strategic asset allocation needs of the Funds and facilitate a significant move of the assets to be pooled.

Whilst establishing and developing the ACCESS Pool, the initial focus has been on pooling the most liquid assets, mainly equities and fixed income bonds. The next step is to formulate an approach to pooling and managing illiquid assets such as private equity and infrastructure. This will involve reviewing various structures and platforms and assessing these to identify the best fit to meet with the Funds' current and future requirements.

Financial Management Pool Set-Up Costs

The set-up costs incurred by the pool includes professional and legal advice received in relation to establishing the pool and procuring the operator, and advice and support in the development of good governance. A breakdown of the total costs from inception are as below. The costs are split equally amongst the 11 Funds.

	2015 – 2016	2016 – 2017	2017 – 2018
	£'000	£'000	£'000
Strategic & Technical Advice	38	295	281
Legal	1	95	313
Project Management	20	379	189
ACCESS Support Unit			3
Other	1	108	101
Total Set Up Costs	60	877	887

Fee Savings

The ACCESS pool has sought out fee savings based on economies of scale with investment mandates that have been set up as sub-funds by Link and by consolidating its passive investments with one investment manager. The management fee savings received by the pool are as overleaf:

	2015 – 2016	2016 – 2017	2017 – 2018	2018 – 2019	Total
	£'000	£'000	£'000	£'000	£'000
Set Up Costs	60	877	887	-	1,824
Ongoing Operational Costs	-	-	149	1,248	1,397
Transition Costs	-	-	-	674	674
Total Costs	60	877	1,036	1,922	3,895
Fee Savings	-	-	681	6,378	7,059
Net Savings Realised/(Costs)	(60)	(877)	(355)	4,456	3,164

Expected v Actual Costs and Savings

The table below compares the actual costs and savings for 2017-18 and 2018-19 to the Business case submission to MHCLG.

	2017 – 2018		2017 – 2018	
	Actual	Budget	Actual	Budget
	In Year	In Year	Cumulative to date	Cumulative to date
	£'000	£'000	£'000	£'000
Set Up Costs	887	800	1,824	1,400
Ongoing Operational Costs	149	-	149	-
Transition Costs	-	-	-	-
Total Costs	1,036	800	1,973	1,400
Pool Fee Savings	(681)	(950)	(681)	(950)
Net Savings Realised/(Costs)	(355)	(150)	(1,292)	(450)

	2018 – 2019		2018 – 2019	
	Actual	Budget	Actual	Budget
	In Year	In Year	Cumulative to date	Cumulative to date
	£'000	£'000	£'000	£'000
Set Up Costs	-	-	1,824	1,400
Ongoing Operational Costs	1,248	1,266	1,397	1,266
Transition Costs	674	2,499	674	2,499
Total Costs	1,922	3,765	3,895	5,165
Pool Fee Savings	6,378	3,800	7,059	4,750
Net Savings Realised/(Costs)	4,456	35	3,164	(415)

The original budget for setting up the ACCESS Pool was £1 million which was 0.3 bps based on the value of the Funds, £33.5 billion as at 31 March 2015. The Fund value has risen in the intervening years and 0.3 bps on the current value is £1.4 million. The additional expense has been incurred in securing technical and legal advice in setting up the Pool and procuring the Operator.

Ongoing operational costs were included in the submission at 1.5 bps of pooled assets excluding the passive investments. These are the costs for running the ACCESS Pool and include the costs of the support unit and professional and legal advice.

Significant additional savings have also been achieved through negotiating a reduction in investment management fees in pooled aligned investments. These savings have not been included in the table overleaf.

The ACCESS Pool has worked hard to minimise the costs of transition for pooled holdings. Transition costs for the passive investment mandate were met by the appointed investment manager.

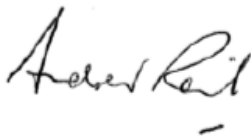
Environmental, Social and Governance

The Pension Funds in ACCESS believe in making long term sustainable investments whilst integrating environment and social risk considerations, promoting good governance and stewardship.

Whilst the participating authorities have an overriding fiduciary and public law duty to act in the best long term interests of their LGPS stakeholders to achieve the best possible financial returns, with an appropriate level of risk they also recognise the importance of committing to responsible investment alongside financial factors in the investment decision making process.

ACCESS acknowledges its responsibilities as an investor and has considered how environmental, social and governance issues can be taken into account when managing investment portfolios. It believes that the pursuit of standards of best practice aligns the interest of Fund members with those of fellow shareholders and with society as a whole.

The ACCESS pool has a single voting policy for pooled assets and seeks to protect and enhance the value of its shareholdings by promoting good practice in the corporate governance and management of those companies. The voting policy sets out the principles of good corporate governance and the means by which ACCESS will seek to exercise its influence on companies.



Andrew Reid

Cllr Andrew Reid - Chairman, ACCESS Joint Committee

Fund Account

2017 - 2018 £ million	Fund Account	Notes	2018 - 2019 £ million
	Dealings with members, employers and others directly involved in the scheme		
	Contributions and benefits		
	Contributions receivable:		
	From employers		
78.581	Normal	9	81.089
7.267	Deficit funding	9	7.375
2.276	Other	9	1.937
	From members		
20.495	Normal	9	21.130
	Transfers In		
4.056	Individual transfers in from other schemes		5.611
0.000	Other Income		0.001
	Benefits payable:		
-75.385	Pensions	9	-79.662
-14.461	Commutations of pensions and lump sum retirement benefits	9	-14.534
-1.721	Lump sum death benefits	9	-1.956
	Payments to and on account of leavers:		
-0.282	Refunds of Contributions		-0.217
-4.638	Individual transfers out to other schemes		-7.795
0.000	Group Transfers out to other Schemes		-2.359
16.188	Net additions (withdrawals) from dealings with members		10.620
-16.416	Management Expenses	10	-12.479
-0.228	Net additions (withdrawals) including management expenses		-1.859
	Returns on investments		
	Investment income		
15.065	Dividends from equities		16.675
9.058	Income from pooled investment vehicles - Property		9.248
1.689	Income from pooled investment vehicles - Private Equity		0.747
9.416	Income from Other Managed Funds		8.342
0.056	Interest on Cash Deposits		0.056
0.194	Other		0.149
-0.063	Taxes on Income		-0.132
78.629	Change in market value of investments		135.384
114.044	Net returns on investments		170.469
113.816	Net increase, or (decrease), in the fund during the year		168.610
2,648.665	Opening net assets of the scheme		2,762.481
2,762.481	Closing net assets of the scheme		2,931.091

Net Asset Statement

2017 - 2018 £ million	Net asset statement	Notes	2018 - 2019 £ million
	Investment assets		
	Equities:		
240.580	UK companies	12,13	260.410
291.739	Overseas companies	12,13	321.650
	Pooled Investment Vehicles		
17.169	Unit trusts	12,13	16.423
728.132	Unit linked insurance policies	12,13	767.637
277.478	Property unit trust	12,13	277.393
1,194.353	Other Managed Funds	12,13	1,273.445
	Other Investment Balance		
5.862	Cash [held for investment]	12	2.592
-0.113	Forward Foreign Exchange Contracts	12	0.466
2,755.200	Total investments		2,920.016
	Current assets		
12.950	Debtors	21	15.826
2.235	Cash Deposits	18d	3.495
0.042	Cash at Bank	18d	0.016
15.227	Total current assets		19.337
	Current liabilities		
-7.946	Creditors	22	-8.262
-7.946	Total current liabilities		-8.262
<u>7.281</u>	Net current assets		<u>11.075</u>
<u>2,762.481</u>	Net assets		<u>2,931.091</u>

Notes to the Accounts

1. Description of the Fund

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

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

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

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

Organisations participating in the Suffolk Pension Fund include:

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

There are 307 employer organisations with active members within the Scheme as at 31 March 2019, an increase of 45 from 2017 - 2018. Teachers, Firefighters and NHS staff have their own pension schemes and are not included in the Fund.

The Fund has the following number of members and pensioners:

31 March 2018	31 March 2019
Number of Employees in the Scheme	
8,177 County Council	7,344
11,773 Other Employers	13,010
19,950 Total	20,354
Number of Pensioners	
8,721 County Council	8,879
6,940 Other Employers	7,196
15,661 Total	16,075
Number of Deferred Members	
14,397 County Council	15,478
10,641 Other Employers	12,343
25,038 Total	27,821

Funding

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

Benefits

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

2. Events after the Balance Sheet Date

In response to the Government's requirement for the LGPS to pool their assets with Local Government Pension Funds, the Suffolk Pension Fund joined ACCESS (A Collaboration of Central, Eastern and Southern Shires) alongside Cambridgeshire, East Sussex, Essex, Hampshire, Hertfordshire, Isle of Wight, Kent, Norfolk, Northamptonshire and West Sussex. The Funds are working together to collectively invest assets in order to significantly reduce investment costs whilst maintaining investment performance.

ACCESS appointed Link Fund Solutions Ltd to establish and operate its authorised contractual scheme and are responsible for the creation of investment sub-funds and the appointment of managers to those sub-funds.

On the 7 May 2019 the Fund transferred the Global Equity holding with Newton (valued at £375.973 million at 31 March 2019) into the ACCESS pooled vehicle Newton sub fund.

3. Significant Changes to the Fund

On 4 June 2018 the Pension Fund Committee made a decision to make a £35 million commitment to the JP Morgan Infrastructure Fund. The units were purchased on 2 January 2019. This was funded through a £28 million disinvestment from the Blackrock Bond mandate with the balance met from surplus Pension Fund cash.

4. Basis of Preparation of Pension Fund Accounts

The Statement of Accounts summarises the Fund's transactions for the 2018 - 2019 financial year and its position as at 31 March 2019.

These accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in United Kingdom 2018 - 2019', which is based upon International Financial Reporting Standards (IFRS). The Code also incorporates the 2015 Statement of Recommended Practice (SORP) 'Financial Reports of Pension Schemes'.

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

These accounts have been prepared on a going concern basis.

5. Summary of Significant Accounting Policies

5.1 Fund Account - Revenue Recognition

Contribution Income

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

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

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

Transfers to and from Other Schemes

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

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

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

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

Investment Income

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

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

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

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

Movement in the Market Value of Investments

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

5.2 Fund Account - Expenditure

Benefits Payable

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

Taxation

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

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

Management Expenses

All management expenses are accounted for on an accruals basis.

i) Administration Expenses

Suffolk County Council staff costs are charged to the Pension Fund based on time spent.

ii) Oversight and Governance Expenses

Suffolk County Council staff costs are charged to the Pension Fund based on time spent.

iii) Investment Management Expenses

Investment management fees and performance fees are agreed in the respective mandates governing their appointment. These fees are based on the market value of the investments under management and therefore increase or decrease as the value of the investments change.

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

5.3 Net Asset Statement

Financial Assets

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

The value of investments has been determined as follows:

Market Quoted Investments

Managed Funds are valued using the bid market price on 31 March 2019.

Property

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

Unquoted Pooled Investment Vehicles

Unquoted Securities include pooled investments in Infrastructure, Illiquid Debt, Private Equity and Timberlands. Market quotations are not readily available. The value is based on the Fund's share of the net asset using the latest financial statements received from the respective fund manager and adjusted for capital calls and distributions received from that date to 31 March 2019.

Quoted Pooled Investment Vehicles

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

Foreign Currency Transactions

Investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate as at 31 March 2019.

Derivatives

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

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

Cash and Cash Equivalents

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

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

Events after the Balance Sheet date

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

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

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

Additional Voluntary Contributions

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

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

Actuarial Present Value of Promised Retirement Benefits

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

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

6. Accounting Standards Issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2018 – 2019 requires the disclosure of information relating to the expected impact of changes that will be required by a new standard that has been introduced but not yet adopted and applies to the adoption of the following disclosures as amended in the 2019 - 2020 code:

- IAS 40 - Investment Property: Transfers of Investment Property
- IFRS 12 - Disclosure of Interests in Other Entities
- IAS 28 - Investments in Associates and Joint Ventures
- IFRIC 22 - Foreign Currency Transactions
- IFRIC 23 - Uncertainty over Income Tax Treatments
- IFRS 9 - Financial Instruments: Prepayment features with negative compensation

The code requires implementation of the above disclosure from 1 April 2019 and IFRS 16 Leases from 1 April 2020. These changes are not considered to have a material effect on the Pension Fund accounts of 2018 - 2019.

7. Critical Judgements in Applying Accounting Policies

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

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

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

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

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

Actuarial Present Value of Promised Retirement Benefits

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries,

Hymans Robertson LLP are engaged to provide the Fund with expert advice about the assumptions to be applied.

Private Equity

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

The unquoted Private Equity investments at 31 March 2019 are £72.323 million with Pantheon and £19.264million with Wilshire.

Infrastructure

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

The Infrastructure investments held with Partners, KKR, M&G and JP Morgan at 31 March 2019 are £48.074 million, £21.665 million, £27.104 million and £35.080 million respectively.

Illiquid Debt

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

Illiquid Debt is held with M&G and includes the Debt Opportunity investments, the Illiquid Credit Opportunity Fund and the Debt Solutions Fund totalling £44.951 million as at 31 March 2019.

Timberlands

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

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

The Timber investment held with Brookfield at 31 March 2019 is £8.055 million.

9. Contributions Received and Benefits Paid during the Year

Employers' Contributions £ million	2017-2018			2018-2019		Benefits Paid £ million
	Employers' Contributions £ million	Employees' Contributions £ million		Employers' Contributions £ million	Employees' Contributions £ million	
35.566	8.640	-45.216	Suffolk County Council	35.271	8.520	-47.540
49.131	10.815	-42.552	Other Scheduled and Resolution Bodies	51.953	11.618	-45.434
3.427	1.040	-3.799	Admitted Bodies	3.177	0.992	-3.178
88.124	20.495	-91.567	Total	90.401	21.130	-96.152

Included within employer normal contributions of £90.401 million shown in the Fund account, is an amount for deficit funding of £7.191 million paid within the employers' percentage (£7.057 million in 2017 - 2018). The deficit funding identified separately on the Fund account of £7.375 million ((£7.270 million in 2017 - 2018) refers to those employers funding their deficit by means of lump sum payments.

Employer contributions are made up of two elements:

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

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

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

2018 - 2019 was the second year in the three year period following the 31 March 2016 valuation for the contribution rates set by the actuary to reflect a and b above.

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

10. Management Expenses

2017 - 2018 £ million	2018 - 2019 £ million
14.778 Investment Management Expenses	10.726
1.081 Administration Expenses	1.170
0.557 Oversight and Governance Costs	0.583
<u>16.416</u>	<u>12.479</u>

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

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

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

External audit fees charged by Ernst & Young for 2018 - 2019 were £0.019 million, (£0.025 million 2017 - 2018). Ernst & Young will charge an additional £0.006 million to respond to IAS 19 assurance requests for 2018 - 2019 reports. This will be charged to the employers who have requested assurance.

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

2017 - 2018 £ million	2018 - 2019 £ million
12.733 Investment Management Fees and Expenses	9.419
1.232 Performance Fees	0.788
0.769 Transaction Costs	0.467
0.044 Custodian Fees	0.052
<u>14.779</u>	<u>10.726</u>

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

31 March 2018		31 March 2019	
Market Value £ million	Percentage of Assets %	Market Value £ million	Percentage of Assets %
608.442	22.14%	591.781	20.28%
0.352	0.01%	0.203	0.01%
8.074	0.29%	8.055	0.28%
0.238	0.01%	0.238	0.01%
0.000	0.00%	7.745	0.27%
0.000	0.00%	35.080	1.20%
29.139	1.06%	21.665	0.74%
350.131	12.73%	365.378	12.53%
333.484	12.13%	375.973	12.88%
82.469	3.00%	101.556	3.48%
31.116	1.13%	48.074	1.65%
164.729	5.99%	170.505	5.85%
281.832	10.25%	296.532	10.17%
728.132	26.49%	767.637	26.31%
23.435	0.85%	19.264	0.66%
107.878	3.92%	107.272	3.68%
2,749.451	100.00%	2,916.958	100.00%

The JP Morgan investment was funded by £28 million from the Blackrock Bond mandate and surplus cash held by the Pension Fund.

The HSBC holding is the surplus cash managed by the Pension Fund and invested in money market funds.

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

The mandate with Bluecrest Capital Management was terminated in November 2015 with the balance representing holdings that are still to be liquidated. The debt opportunity mandates with M&G, infrastructure with KKR and private equity with Wilshire are mature investments that are returning funds as the investments are realised.

12. Reconciliation of Movements in Investments and Derivatives

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

The change in market value of £68.865 million (£70.781 million less £1.916 million) is £9.764 million lower than the change in market value on the Fund Account of £78.629 million. The difference is caused by indirect management fees of £8.995 million and investment transaction costs of £0.769 million which are charged against the NAV and not directly to the Fund.

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

	Opening Market Value 01 April 2018 £ million	Purchases £ million	Sales £ million	Change in Market Value £ million	Closing Market Value 31 March 2019 £ million
UK Companies	240.580	66.396	-53.797	7.231	260.410
Overseas Companies	291.739	89.939	-96.946	36.918	321.650
Derivatives - Forward Foreign Exchange contracts	-0.113	1.347	-0.768	0.000	0.466
Quoted					
Pooled Investment Vehicles:					
Other Managed Funds	993.885	207.914	-209.183	4.075	996.691
Unit trusts	17.169	-	0.000	-0.746	16.423
Unit linked insurance policies	728.132	8.902	-18.900	49.503	767.637
Unquoted					
Pooled Investment Vehicles:					
Other Managed Funds	200.469	88.903	-36.575	23.957	276.754
Property	277.478	13.474	-19.329	5.770	277.393
Total of Investments	2,749.339	476.875	-435.498	126.708	2,917.424
	Opening Market Value 01 April 2018 £ million	Movement in Cash Balance £ million	Impairment of Investments £ million	Change in Market Value £ million	Closing Market Value 31 March 2019 £ million
Other Investment Balances:					
Cash Held for Investment	5.862	-4.528	-	1.258	2.592
Net Investments	5.862	-4.528	-	1.258	2.592

The change in market value of £127.966 million (£126.708 million and £1.258 million) is £7.418 million lower than the change in market value on the Fund Account of £135.384 million. The difference is caused by indirect management fees of £6.952 million and transaction costs of £0.466 million which are charged against the NAV and not directly to the Fund.

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

13. Analysis of Investments (excluding Cash and Derivatives)

Market Value 31 March 2018 £ million £ million		Market Value 31 March 2019 £ million £ million	
	Equities		
	240.580 UK Companies		260.410
	291.739 Overseas Companies		321.650
	Pooled Investment Vehicles - Quoted		
	17.169 Unit Trusts		16.423
	728.132 Unit Linked Insurance Policies		767.637
	<u>Other Managed Funds</u>		
676.532	Fixed Income	645.810	
272.959	Absolute Returns	277.979	
21.052	Money Market Funds	43.679	
23.341	Private Equity	29.223	
<u>993.884</u>	Total Quoted Other managed Funds	<u>996.691</u>	
	Pooled Investment Vehicles - Unquoted		
	<u>Other Managed Funds</u>		
46.610	Illiquid Debt	44.951	
67.598	Infrastructure	131.923	
78.187	Private Equity	91.825	
8.074	Timberlands	8.055	
<u>200.469</u>	Total Unquoted Other Managed Funds	<u>276.754</u>	
	1,194.353 Total Other Managed Funds		1,273.445
	277.478 Property		277.393
	<u>2,749.451 Total</u>		<u>2,916.958</u>

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

14. Holdings Above 5% of the Fund

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

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

Market Value 31 March 2019 £ million	Percentage of the Fund 31 March 2019	Asset Type	Manager
352.488	12.07%	Fixed Income Global Opportunity Fund	Blackrock
293.322	10.04%	Alpha Opportunities Fund	M&G
220.364	7.54%	UBS Life All World Equity (RAFI)	UBS
170.505	5.84%	Pyrford Global Total Return Mutual Fund	Pyrford
163.869	5.61%	UBS Life UK Equity Tracker	UBS

15. Analysis of Derivatives

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

The Pension Fund's investment managers are permitted to use derivatives in the management of their mandates, subject to the restrictions set out in the individual manager's investment management agreement. The investment managers will make use of currency hedging for the purpose of reducing exchange rate risk in the investments held in their mandates. KKR holds a currency hedge for this purpose which equates to £0.466 million in the Suffolk Pension Fund's holdings, (-£0.113 million as at 31 March 2018).

In order to maintain appropriate diversification and to take advantage of overseas investment returns, the fund hedges a proportion of the Euro and Yen exposure within the passive index tracking portfolios. This is managed by UBS Investment Management with £115.668 million invested in currency hedged funds as at 31 March 2019, (£104.821 million as at 31 March 2018).

16a. Financial Instruments – Classification

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

31 March 2018			31 March 2019		
Designated as Fair Value through Profit & Loss £ million	Assets at Amortised Cost £ million	Financial Liabilities at Amortised Cost £ million	Designated as Fair Value through Profit & Loss £ million	Assets at Amortised Cost £ million	Financial Liabilities at Amortised Cost £ million
Financial Assets					
532.319			582.060		
17.169			16.423		
728.132			767.637		
277.478			277.393		
1,194.353			1,273.445		
-0.113	5.862		0.466	2.592	
	7.286			7.748	
	2.277			3.511	
2,749.338	15.425	0.000	2,917.424	13.851	0.000
Financial Liabilities					
		-4.658			-4.784
0.000	0.000	-4.658	0.000	0.000	-4.784
2,749.338	15.425	-4.658	2,917.424	13.851	-4.784

The debtor figure of £7.748 million above (£7.286 million at 31 March 2018) excludes statutory debtors of £8.078 million (£5.644 million at 31 March 2018).

The creditor figure of £4.784 million above (£4.658 million at 31 March 2018) excludes statutory creditors of £3.478 million (£3.288 million at 31 March 2018).

No financial assets were reclassified during the accounting period.

16b. Net Gains and Losses on Financial Instruments

31 March 2018		31 March 2019	
£ million	Financial Assets	£ million	
70.781	Fair value through profit and loss	126.708	
-1.916	Amortised cost - unrealised gains	1.258	
Financial Liabilities			
0.000	Fair value through profit and loss	0.000	
68.865	Total	127.966	

17a. Fair Value Hierarchy

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

Level 1

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

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

Level 2

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

Level 3

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

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

17.b Fair Value - Basis of valuation

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

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

Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable inputs	Key Sensitivities affecting the Valuations
Forward Foreign Exchange derivatives	Level 2	Market exchange rates at the year end	Price of recent transactions for identical instrument	Risk of an exchange rate changing between the transaction date and the subsequent settlement date volatility of the exchange rates during the hedge period
Property	Level 3	Assets are priced based on valuations received from the Managers which are determined in accordance with the last known NAV and adjusted for subsequent capital calls and distributions and other relevant information provided by the property fund.	Pricing inputs are unobservable and includes situations where there is little market activity. Estimated rental growth. Covenant strength for existing tenancies. Discount rate. Land/Building valuation surveys.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices and volumes of sales and purchases
Illiquid Debt	Level 3	The valuation techniques used include comparison to recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option adjusted spread models and, if applicable, enterprise valuation.	These techniques may include a number of assumptions relating to variables such as credit risk and interest rates.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Funds reporting date, by changes to expected cash flows, earning multiples and discount rates used in the discounted cash flow analysis.
Infrastructure	Level 3	The valuation of the investment assets is determined in accordance with generally accepted valuation principles in compliance with article 5(3) of the Luxembourg law of 15 June 2004 on investment companies in risk capital.	Management's cash flow projections. Estimates of growth expectations and profitability. Profit margin expectations. Adjustments to current prices for similar properties	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Funds reporting date by changes to expected cash flows and fair value adjustments
Private Equity	Level 3	The valuation of the investments are carried at fair value as determined in good faith by the General Partner in accordance with the terms of the Partnership Agreement and US GAAP.	Management's cash flow projections Estimates of growth expectations and profitability Profit margin expectations Adjustments to current prices for similar assets valuation techniques	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Funds reporting date, by changes to expected cash flows, earning multiples and discount rates used in the discounted cash flow analysis.

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

17.c Valuation of Financial Instruments Carried at Fair Value

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

	Quoted Market Price Level 1 £ million	Using Observable Inputs Level 2 £ million	With Significant Unobservable Inputs Level 3 £ million	Total £ million
Values at 31 March 2019				
Financial Assets				
Fair value through profit and loss	949.365	1,413.913	554.147	2,917.425
Assets at amortised cost	13.851			13.851
Total Financial Assets	963.216	1,413.913	554.147	2,931.275
Financial Liabilities				
Fair value through profit and loss				
Financial Liabilities at amortised cost	-4.784			-4.784
Total Financial Liabilities	-4.784	0.000	0.000	-4.784
Net Financial Assets	958.432	1,413.913	554.147	2,926.492

17.d Reconciliation of Fair Value measurements within Level 3

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

Assets	Opening Market Value 01 April 2018 £ million	Purchases £ million	Sales £ million	Realised Gains/(Losses) £ million	Unrealised Gains/(Losses) £ million	Closing Market Value 31 March 2019 £ million
Quoted						
Property	277.478	13.474	-19.329	8.509	-2.739	277.393
Illiquid Debt	46.610	5.858	-3.848	0.837	-4.506	44.951
Infrastructure	67.597	67.621	-17.916	5.728	8.893	131.923
Private Equity	78.188	15.425	-14.739	9.048	3.903	91.825
Timberlands	8.074	-	-0.073	-	0.054	8.055
Total of Investments	477.947	102.378	-55.905	24.122	5.605	554.147

17.e Sensitivity of assets values at Level 3

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

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

	Market Value 31 March 2019 £ million	Valuation Range	Value on Increase £ million	Value on Decrease £ million
Property	277.393	14.3%	317.060	237.725
Illiquid Debt	44.951	7.3%	48.233	41.670
Infrastructure	131.923	20.1%	158.439	105.406
Private Equity	91.825	28.3%	117.811	65.838
Timberlands	8.055	20.1%	9.674	6.436
Total of Investments	554.147		651.217	457.075

18. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

The key risks that have been identified are:

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

A. Credit risk

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

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

The Fund monitors the monthly receipt of contributions from employers. The Funding Strategy Statement requires safeguards to be in place for all new admission agreements to protect the Fund from an employer default, primarily through a guarantee from a tax-backed scheme employer for

any new employer in the Fund. An analysis of debtor balances at 31 March 2019 is provided in Note 21.

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

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

The Fund's bank account is held with Lloyds Bank Plc, which is also banker to Suffolk County Council the Administering Authority for the Pension Fund. The bank held a Long-Term rating of 'A+' (strong) with Standard and Poor and a AA- (very strong) with Fitch as at March 2019. The management of this cash held for the purpose of managing the cashflow was carried out by the Council's Treasury Management team in accordance with the cash management strategy approved by the Pension Fund Committee. The Fund has had no occasion of default or uncollectable deposits.

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

At 31 March 2019, £3.511 million was with Lloyds (£2.277 million at March 2018). Cash deposited in HSBC money markets amounted to £35.879 million at 31 March 2019 (£15.741 million at March 2018), Blackrock held £7.370 million in their money market fund, (£2.388 million at March 2018) and Schrodgers held £0.430 million in their money market fund, (£2.923 million at March 2018).

B. Liquidity risk

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

The Pension Fund holds sufficient working capital to ensure that it has cash available to meet benefit and transfer payments and cash drawdown requirements in respect of certain investment transactions. Within mandates it is the responsibility of the individual managers to ensure that they have sufficient funds available to meet the transactions they enter into on behalf of the Fund. These responsibilities are detailed within the investment management agreements. At an investment level a large proportion of the Fund's investments are held in instruments that can be realised at short notice if a cash flow need arose. Certain investments, particularly property, unquoted private equity, illiquid debt, timberlands and infrastructure funds are considerably less liquid, but these make up a far smaller proportion of the overall portfolio, £554.147 million, 19% (£477.947 million, 17% at March 2018).

C. Market risk

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

Market risk is inherent in the investments that the Fund makes. To mitigate market risk the investments are made in a diversified set of asset classes and investment approaches, to ensure a risk adjusted balance between categories. The Fund takes formal advice from its independent investment advisers (Hymans Robertson LLP and Mark Stevens) and the portfolio is split between a

number of managers and investment strategies with different benchmarks and performance targets. Full details can be found in the Investment Strategy Statement that is available at www.suffolkpensionfund.org. Investment risk and strategy are regularly reviewed by the Pension Fund Committee.

D. Interest Rate Risk

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

The Pension Fund's exposure to interest rate movements from its investments in fixed interest securities and cash and cash equivalents which includes the custodian money market fund and cash held for investment.

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

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

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

Asset Type	Value as at 31 March 2019 £ million	Change + 100 BP's £ million	Change - 100 BP's £ million
Cash held for Deposit	3.511	0.035	-0.035
Cash and Cash Equivalent	46.271	0.463	-0.463
Total Assets	49.782	0.498	-0.498

E. Currency Risk

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

The one year expected standard deviation for an individual currency as at 31 March 2019 is 10% (as provided by Hymans Robertson). This is based on the assumption that there is no diversification with other assets and that all other variables, in particular interest rates remain constant.

The foreign exchange rate movement exposure to the strengthening or weakening of sterling against the various currencies in which the fund holds investments which are not hedged to sterling are as follows overleaf:

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

Asset Type	Value as at 31 March 2019 £ million	Potential Market Movement £ million	Value on Increase £ million	Value on Decrease £ million
Overseas Equities	321.650	32.165	353.815	289.485
Overseas Index Linked Equities	429.562	42.956	472.518	386.606
Alternative Investments	204.460	20.446	224.906	184.014
Total overseas assets	955.672	95.567	1,051.238	860.105

F. Price Risk

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

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

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

Asset Type	Value as at 31 March 2019 £ million	Change %	Value on Increase Increase £ million	Value on Increase Decrease £ million
UK Equities	260.410	16.60	303.638	217.182
Overseas Equities	321.650	16.90	376.009	267.291
Fixed Income	645.810	3.00	665.184	626.436
Index Linked	767.637	16.51	894.392	640.880
Cash & FFX	3.058	0.50	3.073	3.043
Money Markets	43.679	3.00	44.989	42.369
Unit Trusts	16.423	16.60	19.149	13.697
Property	277.393	14.30	317.060	237.725
Alternatives	583.956	17.33	684.656	483.257
Total Assets	<u>2,920.016</u>		<u>3,308.150</u>	<u>2,531.880</u>

G. Custody

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

H. Investment Management

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

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

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

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

The table below has been prepared by the Fund Actuary and shows how the funding level (top) and deficit (bottom) would vary if the investment conditions at 31 March 2019 had been different. The level of the FTSE 100 index is used as a proxy for investment performance and the Fixed Interest Gilt yield as the proxy measure for the valuation of Fund's liabilities. The shaded box is the estimated position at 31 March 2019.

Movement in Bond Interest Gilt's yield (% p.a.)	+ 0.2%	80.7% (£618m)	87.3% (£407m)	93.9% (£196m)	100.5% £15m	107.0% £226m
	+ 0.0%	77.8% (£713m)	84.4% (£501m)	91.0% (£289m)	97.5% (£79m)	104.1% £132m
	- 0.2%	74.7% (£813m)	81.2% (£602m)	87.8% (£391m)	94.4% (£180m)	101.0% £32m
Movement in FTSE 100 Index		- 20%	- 10%	0	+ 10%	+ 20%

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

19. Funding Position

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

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

The key elements of the funding policy are:

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

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

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

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

Formal Valuation

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

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

Financial Assumptions

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

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

Funding Position

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

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

Contribution Rates

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

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

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

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

The next formal valuation is as at 31 March 2019.

20. Actuarial Present Value of Promised Retirement Benefits

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

In 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes in 2015. In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judicial and fire fighters' schemes, as part of the reforms, amounted to unlawful discrimination on regarding age discrimination. This ruling may have implications for the Local Government Pension Scheme.

Over recent months there has been a lot of discussion, debate and conjecture about the cost cap process and the McCloud case ruling. The final situation in terms of employer pension liabilities and financial impact is not clear, since the government has had its appeal against the ruling turned down and any remediation process, including cost cap considerations, may affect the resolution and financial impact for entities.

Interim Valuation

An interim valuation was carried out as at 31 March 2019. The valuation was included in the actuary's Navigator report which is based on long term financial assumptions for the Suffolk Pension Fund and contains the following assumptions:

Increases in future salaries of 2.4% a year
Projected investment returns of 4.0% per year

The actuarial value of the Fund's assets was £2,918 million and the liabilities £3,209 million at 31 March 2019 (£2,762 million and £3,003 million at 31 March 2018).

The valuation showed that the Fund's assets covered 91.0% of its liabilities at the interim valuation date and the deficit was £290 million (£241 million at March 2018).

International Accounting Standard 26 (IAS 26)

CIPFA's Code of Practice on Local Authority Accounting 2018 - 2019 requires administering authorities of the LGPS funds that prepare pension fund accounts to disclose what IAS 26 refers to as the actuarial present value of promised retirement benefits. This is similar to the interim valuation but the assumptions used are in line with IAS 19 rather than assumptions tailored to the Suffolk Pension Fund.

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

- Pension increases of 2.5% a year (2.4% 2017 - 2018)
- Increases in future salaries of 2.8% a year (2.7% 2017 - 2018)
- Discount Rate of 2.4% per year (2.7% 2017 - 2018)

The IAS 26 calculation shows that the present value of promised retirement benefits amount to £3,980 million as at 31 March 2019 (£3,529 million as at 31 March 2018).

21. Current Debtors

The current debtors can be analysed as below:

31 March 2018 £ million		31 March 2019 £ million
	<u>Debtors</u>	
5.485	Employers Contributions	5.876
1.356	Employee Contributions	1.401
3.895	Investment Assets	6.918
1.983	Sundry Debtors	1.585
0.231	Asset Pooling	0.046
<u>12.950</u>		<u>15.826</u>

22. Current Creditors

The current creditors can be analysed as below:

31 March 2018 £ million		31 March 2019 £ million
	<u>Creditors</u>	
-4.489	Investment Expenses	-4.747
-0.097	Administration Expenses	-0.037
-0.574	Transfer Values In Adjustmer	-0.193
-0.980	Lump Sum Benefits	-0.765
-1.806	Sundry creditors	-2.520
<u>-7.946</u>		<u>-8.262</u>

23. Additional Voluntary Contributions

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

A total of £0.095 million was paid over to the providers Clerical Medical, Standard Life and Equitable Life in 2018 - 2019, (£0.116 million 2017 - 2018).

24. Related Party Transactions

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

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

Suffolk County Council is the largest single employer of members of the Pension Fund and contributed £35.270 million to the Fund in 2018 - 2019 (£35.566 million in 2017 - 2018). In addition the council incurred costs of £0.994 million (£0.955 million in 2017 - 2018) in relation to the administration of the Fund, audit, legal and committee services. These have all been reimbursed by the Fund.

Part of the Pension Fund cash holdings are invested by the Treasury Management operations of Suffolk County Council through the Treasury Management Policy approved by the Pension Fund Committee. During the year ending 31 March 2019 the Fund had an average investment balance of £9.106 million (£10.900 million in 2017 - 2018) earning interest of £0.054 million (£0.035 million in 2017 - 2018) from these investments.

One member of the Pension Fund Committee and six members of the Pension Fund Board are scheme members within the Pension Fund. All members of the Pension Fund Committee and Board are required to declare their interests at each meeting.

25. Key Management Personnel

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

The key management personnel of the Fund are the S151 Officer, Senior Pensions Specialist and Technical Pensions Specialist. The total remuneration payable by the Suffolk Pension Fund, for the element of time spent by the key management personnel was £0.116 million in 2018 - 2019 (£0.125 million in 2017 - 2018).

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

26. Agency Services

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

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

The costs charged are as overleaf:

2017 - 2018 £ million	2018 - 2019 £ million
0.608	0.692
<u>0.608</u>	<u>0.692</u>
Payments on behalf of the ACCESS pool	

27. Securities Lending

The Fund has an arrangement with its custodian HSBC to lend eligible securities from within its portfolio of stocks to third parties in return for collateral. Lending is limited to a maximum of 25% of the total value. Collateralised lending generated income of £0.093 million in 2018 - 2019 (£0.066 million in 2017 - 2018). This is included within 'other' investment income in the Fund Account. The stock lending levels and income raised for the Fund are minimal due to the relatively small holding of non-pooled equities owned by the Fund.

At 31 March 2019, £78.419 million (£33.609 million at 31 March 2018) worth of stock was on loan, for which the Fund was in receipt of £82.705 million worth of collateral (£35.482 million at 31 March 2018). This is a minimal share of the Fund holdings representing around 3% of investment holdings in 2018 - 2019 and 1% in 2017 - 2018. The figure out on loan as at 31 March does not reflect the amount that has been out on loan during the year.

28. Contractual Commitments

In 2003 the Fund has made contractual commitments to private equity funds managed by Wilshire and Pantheon. Commitments are made in the underlying currency of the funds (\$103.132 million and €41.288 million) and are therefore subject to volatility (risk) arising from exchange rate fluctuation. This volatility will impact both the value of unfunded commitments in sterling terms and the valuation of the funded interest and monies received as distributions. At 31 March 2019 the unfunded commitment (monies to be drawn in future periods) is \$9.256 million and €2.584 million. The commitments are paid over the investment timeframe of the underlying partnerships.

In 2011 - 2012 a contractual commitment of €54 million was made to an infrastructure investment (Partners Group Global Infrastructure 2012) managed by Partners Group, the outstanding amount as at 31 March 2019 is €11.798 million.

In 2011 a contractual commitment of \$55 million was made to KKR Global Infrastructure Investors. The amount outstanding at 31 March 2019 is \$0.137 million.

In 2015 - 2016 contractual commitments of \$149.500 million were made to private equity investments managed by Pantheon. Some draw downs on the commitments have been made and the outstanding amounts to 31 March 2019 are \$78.915 million.

In 2016 - 2017 the Pension Fund made additional contractual commitments to M & G, of £60 million in the Greenfield infrastructure fund and £25 million in the Debt Solutions investment. Some draw downs on the commitments have been made. The outstanding amount for the Greenfield infrastructure fund is £38.386 million and for Debt Solutions investment £11.026 million.

During 2017 - 2018 a contractual commitment was made to an infrastructure investment (Partners Group Global Infrastructure 2015) managed by Partners Group of €55 million, the outstanding amount as at 31 March 2019 is €33.788 million.

A summary of the commitments converted into sterling as at 31 March 2019 is as below:

Asset Class	2018 - 2019		
	Commitment £ million	Drawn £ million	Outstanding £ million
Private Equity			
Wilshire (2003-2008)	69.864	65.107	4.757
Pantheon (2003-2010)	44.860	40.287	4.573
Pantheon (2015)	114.731	54.169	60.562
Total Private Equity	229.455	159.563	69.892
Infrastructure			
KKR (2012)	42.209	42.104	0.105
Partners (2012)	46.532	36.366	10.167
Partners (2016)	47.394	18.279	29.115
M&G (2016)	60.000	21.614	38.386
Total Infrastructure	196.135	118.363	77.773
Illiquid Debt			
Debt Finance Solutions	25.000	13.974	11.026
Total Illiquid Debt	25.000	13.974	11.026

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Suffolk Pension Fund Audit results report

Year ended 31 Month 2019

10 July 2019



10 July 2019

Dear Audit Committee Members

We are pleased to attach our Audit Results report for the forthcoming meeting of the Audit Committee. This report summarises our preliminary audit conclusion in relation to the audit of Suffolk Pension Fund for 2018/19.

We have substantially completed our audit of Suffolk Pension Fund for the year ended 31 March 2019.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3, before the statutory deadline of 31 July 2019.

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

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

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 24 July 2019.

Yours faithfully

MARK HODGSON

Mark Hodgson

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk). This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The 'Terms of Appointment (updated April 2018)' issued by sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities / Terms and Conditions of Engagement. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01 Executive Summary



Executive Summary

Scope update

In our Audit Plan presented to the 12 March 2019 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We have carried out our audit in accordance with this plan. There have been no changes in our planned audit strategy.

We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of net assets, we have updated our overall materiality assessment to £29.3 million (Audit Plan – £27.6 million). This results in updated performance materiality, 75% of overall materiality, of £22.0 million, and an updated threshold for reporting misstatements of £1.5 million.

Status of the audit

We have substantially completed our audit of Suffolk Pension Fund's financial statements for the year ended 31 March 2019 and have performed the procedures outlined in our Audit Plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Fund's financial statements in the form which appears at Section 3.

However until work is complete, further amendments may arise:

- Review of the final version of the Annual Report;
- Receipt of Lloyds bank confirmation;
- Receipt of two Related party declaration returns from two Pension Committee members;
- Completion of subsequent events review;
- Completion of Final Review Procedures; and
- Receipt of the signed Management Representation letter.

A national issue has resulted in a relatively late change to the pension fund accounts and IAS 26 fund liability disclosure. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. The draft pension fund accounts did not recognise this matter, but officers were aware of the issue and intended to disclose it as a contingent liability. However, since the year-end there has been additional evidence, including the legal ruling by the Supreme Court on 27th June 2019 which rejected the Government's appeal, which suggested that the amounts should in fact be able to be fully calculated and so included in the IAS 26 liability disclosed within the financial statements. We consider the impact of this on the financial statements further in Section 2 and Section 4.



Executive Summary

Audit differences

There are no unadjusted audit differences arising from our audit.

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

Areas of audit focus

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

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

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

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

Control observations

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

Other reporting issues

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

Independence

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



02 Areas of Audit Focus



Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

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

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

What did we do?

As set out in our Audit Plan we confirm that we have performed the following procedures:

- We inquired of management about risks of fraud and the controls put in place to address those risks;
- We obtained an understanding the oversight given by those charged with governance of management's processes over fraud;
- We considered the effectiveness of management's controls designed to address the risk of fraud;
- We performed mandatory procedures regardless of specifically identified fraud risks, including;
 - testing of journal entries and other adjustments in the preparation of the financial statements;
 - reviewing accounting estimates for evidence of management bias; and
 - evaluating the business rationale for significant unusual transactions.
- We utilised our data analytics capabilities to assist with our work, including journal entry testing; and
- We assessed journal entries for evidence of management bias and evaluate for business rationale.

What are our conclusions?

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

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

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



Areas of Audit Focus

Significant risk

Investment income and asset valuations - Investment Journals

What is the risk?

We have considered the key areas where management has the opportunity and incentive to override controls that could affect the Fund Account and the Net Asset Statement.

We have identified the main area being:

- ▶ Investment income and asset valuations being taken from the Custodian reports and incorrectly posted to the general ledger in the year, specifically through journal postings.

What did we do?

As set out in our Audit Plan we confirm that we have performed the following procedures:

- Tested journals at year-end to ensure there are no unexpected or unusual postings;
- Undertook a review of reconciliations to the fund manager and custodian reports and investigated any reconciling differences;
- Re-performed the detailed investment note using the reports we acquired directly from the custodian or fund managers;
- Checked the reconciliation of holdings included in the Net Assets Statement back to the source reports; and
- For quoted investment income we will agreed the reconciliation between fund managers and custodians back to the source reports.

What are our conclusions?

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

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

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



Areas of Audit Focus

Other area of audit focus

Valuation of Complex Investments

What is the risk?

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

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

As the proportion of the fund comprising of these investment types is circa 19%, and these investments are more complex to value, we have identified the Fund's investments in private equity and pooled property investments as higher risk, as even a small movement in these assumptions could have an impact on the financial statements.

What did we do and what management judgements did we focus on?

Our audit approach has included the following procedures:

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

What are our conclusions?

As the Custodian provides the estimated value for some of the unquoted investments based on information at January 2019 there will always be a possibility that the fund manager will provide a different valuation as at 31 March 2019.

The Fund Managers have provided updated 31 March 2019 valuations to the Pension Fund and the revised financial statements reflect these year end balances.

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



Areas of Audit Focus

Other area of audit focus

IAS 26 disclosure - Actuarial Present Value of Promised Retirement Benefits

What is the risk?

The Fund's IAS 26 calculation shows that the present value of promised retirement benefits amount to £3,529 million as at 31 March 2018.

The figure is material and subject to complex estimation techniques and judgements by the Actuary, Hymans Robertson.

What did we do and what management judgements did we focus on?

Our audit approach has included the following procedures:

- Assessing the competence of management experts, Hymans Robertson;
- Engaging with the NAO's consulting actuary and our EY Pensions Advisory Team to review the IAS 26 approach applied by the actuary are reasonable and compliant with IAS 26; and
- Ensuring that the IAS 26 disclosure is in line with the relevant standards and consistent with the valuation provided by the Actuary.

What are our conclusions?

We did not identify any issues with the competence of the actuary, Hymans Robertson.

There were no significant changes in the IAS 26 approach or methodology and the assumptions used in calculating the IAS 26 figure was considered reasonable and compliant.

The disclosure of IAS 26 was in line with the relevant standards and the valuation provided by the Actuary.

As noted in the Executive Summary a national issue has resulted in a relatively late change to the pension fund accounts and IAS 26 fund liability disclosure. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. The draft pension fund accounts did not recognise this matter, but officers were aware of the issue and intended to disclose it as a contingent liability. However, since the year-end there has been additional evidence, including the legal ruling by the Supreme Court on 27th June 2019 which rejected the Government's appeal, which suggested that the amounts should in fact be able to be fully calculated and so included within the financial statements as a provision. The actuary has now estimated the impact of the McCloud ruling on the present value of promised retirement benefits. The estimated increase in value of £8.0 million has now been disclosed at Note 20 to the accounts.



03 Audit Report

 **Audit Report**

Draft audit report

Our opinion on the financial statements**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SUFFOLK COUNTY COUNCIL****Opinion**

We have audited the pension fund financial statements for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019 and the amount and disposition of the fund's assets and liabilities as at 31 March 2019; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Head of Finance (Section 151 Officer)'s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Finance (Section 151 Officer) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



Audit Report

Our opinion on the financial statements

Other information

The other information comprises the information included in the “Statement of Accounts 2018-2019”, other than the financial statements and our auditor’s report thereon. The Head of Finance (Section 151 Officer) is responsible for the other information.

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

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

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

Responsibility of the Head of Finance (Section 151 Officer)

As explained more fully in the “Statement of Responsibilities for the Statement of Accounts” set out on page v, the Head of Finance (Section 151 Officer) is responsible for the preparation of the Authority’s Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.



Audit Report

Our opinion on the financial statements

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

Mark Hodgson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Cambridge
Date



04 Audit Differences



Audit Differences

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

Summary of adjusted differences

We highlight the following misstatements greater than £1.5 million which have been corrected by management that were identified during the course of our audit

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

Summary of unadjusted differences

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

McCloud ruling

As noted in the Executive Summary a national issue has resulted in a relatively late change to the pension fund accounts and IAS 26 fund liability disclosure. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. The draft pension fund accounts did not recognise this matter, but officers were aware of the issue and intended to disclose it as a contingent liability. However, since the year-end there has been additional evidence, including the legal ruling by the Supreme Court on 27th June 2019 which rejected the Government’s appeal, which suggested that the amounts should in fact be able to be fully calculated and so included in the IAS 26 liability disclosed within the financial statements. The actuary has now estimated the impact of the McCloud ruling on the present value of promised retirement benefits. The estimated increase in value of £8.0 million has now been disclosed at Note 20 to the accounts, with further associated disclosure added to recognise this as a source of estimation uncertainty and an adjusted post balance sheet event.



05 Other reporting issues



Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

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

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

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

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

Other matters

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

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

We have nothing to report in respect of these matters.



06

Assessment of Control Environment

Assessment of Control Environment

Financial controls

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

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

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

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



07

Independence

 Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 12 March 2019.

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

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit Committee on 24 July 2019.

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Independence

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 Month 2019.

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

	Final Fee 2018/19	Planned Fee 2018/19	Scale Fee 2018/19	Final Fee 2017/18
	£'s	£'s	£'s	£'s
Total Audit Fee - Code work (Note 1)	24,770	24,770	19,270	30,526

Note 1:

As reported in our Audit Plan dated 12 March 2019, we plan to charge an additional fee of £5,500 in 2018/19 to take into account the additional work required to respond to IAS19 assurance requests from scheduled bodies.

This additional fee is subject to approval by the Public Sector Audit Appointments Ltd.

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



08 Appendices

 Appendix A

Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.




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

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

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

 Appendix B

Summary of communications





Date 	Nature 	Summary 
12 March 2019	Meeting/Report	The partner in charge of the engagement met with the Audit Committee to discuss focus areas of the Audit Committee to discuss the Audit Plan and areas of focus for the audit. This included confirmation of independence.
18 June 2019	Meeting	The Partner and Audit Manager met with key officers of the Pension Fund to discuss the progress of the audit and discuss emerging issues.
28 June 2019	Report	The Audit Results Report, including confirmation of independence, was issued to the Audit Committee.
28 June 2019	Meeting	The Audit Partner met with key officers of Suffolk County Council to discuss progress of the audit and discuss emerging issues and the draft Audit Results Report
24 July 2019	Meeting/Report	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the Audit Committee and senior members of the management team to discuss the audit results report.

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

 Appendix C

Required communications with the Audit Committee





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

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Plan - 12 March 2019
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan - 12 March 2019
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report - 24 July 2019

 Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	We have asked management and those charged with governance. We have not identified any going concern issues.
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit Results Report - 24 July 2019
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	We have asked management and those charged with governance. We have not identified any subsequent events.
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit Committee responsibility. 	We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit.

 Appendix C

		 Our Reporting to you
 Required communications	 What is reported?	 When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Authority 	We have no matters to report.
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	Audit Results Report - 24 July 2019

 Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	We have no matters to report.
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Audit Results Report - 24 July 2019
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit Results Report - 24 July 2018
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit Results Report - 24 July 2018
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - 24 July 2018
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the Audit Plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit Plan - 12 March 2019 Audit Results Report - 24 July 2018



Appendix D – Request for a management representation letter

Request for a Management Representation Letter



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

Tel: 01223 394400
Fax: 01223 394401
www.ey.com/uk

10 July 2019

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

Dear Louise,

**Suffolk Pension Fund – 2018/19 financial year
Request for a letter of representation**

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

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


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

General statement

That the letter of representations is provided in connection with our audit of the financial statements of Suffolk Pension Fund ("the Fund") for the year ended 31 March 2019.

That you recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the period from 1 April 2018 to 31 March 2019 and of the amount and disposition of the Fund's assets and liabilities as at 31 March 2019, other than liabilities to pay pensions and benefits after the end of the period, have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300021 and is a member firm of Ernst & Young Global Limited. A list of member names is available for inspection at 1 More London Place, London SE1 2AF. The firm's principal place of business and registered office. Ernst & Young LLP is a multi-disciplinary practice and is authorised and regulated by the Institute of Chartered Accountants in England and Wales, the Solicitors Regulation Authority and other regulators. Further details can be found at <http://www.ey.com/UK/en/Private/Legal>.



2

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

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


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

1. That you have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
2. That you confirm that the Fund is a Registered Pension Scheme. You are not aware of any reason why the tax status of the scheme should change.
3. That you acknowledge, as members of management of the Fund, your responsibility for the fair presentation of the financial statements. You believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and are free of material misstatements, including omissions. That you have approved the financial statements.
4. That the significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. As members of management of the Fund, you believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/2019 that are free from material misstatement, whether due to fraud or error.
6. That there are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.



Appendix D – Request for a management representation letter

Request for a Management Representation Letter


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B. Non-compliance with laws and regulations including fraud

1. That you acknowledge that you are responsible for determining that the Fund's activities are conducted in accordance with laws and regulations and that you are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. That you acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. That you have disclosed to us the results of your assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. That you have not made any reports to The Pensions Regulator, nor are you aware of any such reports having been made by any of your advisors.
5. That there have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of non-compliance with any legal duty. That you have drawn to our attention all correspondence and notes of meetings with regulators (if applicable).
6. That you have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - Involving financial improprieties
 - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements
 - Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties
 - Involving management, or employees who have significant roles in internal control, or others
 - In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

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

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2. That we have been informed of all changes to the Fund rules.
3. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
4. That you have made available to us all minutes of the meetings of members of the management of the Fund and committees of members of the management of the Fund (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date (24 July 2019).
5. That you confirm the completeness of information provided regarding the identification of related parties. You have disclosed to us the identity of the Fund's related parties and all related party relationships and transactions of which you are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
6. That you confirm the completeness of information provided regarding annuities held in the name of the members of the management of the Fund.

Where members of the management of the Fund have determined that annuity policies are not material the following statement may be added: The Scheme holds annuity policies which have not been recognised and recorded as an asset of the Scheme in the financial statements as they are not considered material in relation to the net assets. These policies have an estimated value of £xxx.
7. That you have disclosed to us, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
8. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.
9. That you believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.


D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to us and are appropriately reflected in the financial statements.
2. You have informed us of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. You have recorded and/or disclosed, as appropriate, all liabilities relating to litigation and claims, both actual and contingent, and have disclosed in Note [X] to the financial statements all guarantees that we have given to third parties.
4. No other claims in connection with litigation have been or are expected to be received.



Appendix D – Request for a management representation letter

Request for a Management Representation Letter



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E. Subsequent Events

- Other than described in the relevant note (Note [X]) to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

- You acknowledge your responsibility for the preparation of the other information. The other information comprises the The Suffolk Pension Fund Annual Report and Accounts 2018/2019.
- You confirm that the content contained within the other information is consistent with the financial statements.

G. Independence

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

H. Derivative Financial Instruments


- You confirm that all investments in derivative financial instruments have been made after due consideration by the members of the management of the Fund of the limitations in their use imposed by The LGPS Management and Investment of Funds Regulations 2016. The Fund's Investment Strategy Statement has been duly reviewed to ensure that such investments comply with any limitations imposed by its provisions. The financial statements disclose all transactions in derivative financial instruments that have been entered into during the period, those still held by the members of the management of the Fund at the Fund's year end and the terms and conditions relating thereto.
- Management has duly considered and deemed as appropriate the assumptions and methodologies used in the valuation of 'over the counter' derivative financial instruments which the Fund is holding, and these have been communicated to you.

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

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

J. Actuarial valuation

- The latest report of the actuary [Name] as at [Date] and dated [Date] has been provided to us. To the best of your knowledge and belief you confirm that the information supplied by you to the actuary was true and that no significant information was omitted which may have a bearing on his report.



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K. Use of the Work of a Specialist

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

L. Estimates

Valuation of Investments

- You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the applicable financial reporting framework (the CIRFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/2019).
- You confirm that the significant assumptions used in making the valuation of investments appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.
- You confirm that the disclosures made in the financial statements with respect to the accounting estimate(s) are complete and made in accordance with the applicable financial reporting framework.
- You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements due to subsequent events.

M. Specific Representations

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

I would be grateful if you could provide a letter of representation, which is appropriately signed and dated (by the Fund Administrator, Chair of the Pension Committee and Chair of Audit Committee) on the proposed audit opinion date (currently 24 July 2019) on formal headed paper.

Yours sincerely

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

EY | Assurance | Tax | Transactions | Advisory

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ED None

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Suffolk Pension Board

Report Title:	Western Union Existence Project
Meeting Date:	23 July 2019
Chairman:	Councillor Richard Smith MVO
Director:	Chris Bally, Deputy Chief Executive
Assistant Director or Head of Service:	Louise Aynsley, Head of Finance (S151 Officer)
Author:	Stuart Potter, Pensions Operations Manager

Brief summary of report

1. This report provides the Pension Board with an overview of the Western Union Existence project, to verify our Pensioners who live overseas, and includes the processes and results around this.

Action recommended

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

Reason for recommendation

3. To provide the board with an overview of the Western Union existence project to verify our Pensioners who live overseas.

Alternative options

4. There are no alternative options.

Main body of report

5. This project was a one-off exercise to validate our Overseas Pensioners. This was to ensure that we are paying the correct beneficiary and reduce the risk of fraud and to allow ourselves to be satisfied that the information we hold on our Pensioner Members who live abroad is up to date.
6. 224 pensioners were written to on 19 March as part of the exercise. These members were identified as holding an overseas address on our pensions administration system.
7. These members were required to visit their local Western Union agent and complete their verification process by 30 April 2019. As part of this verification process these members received a £10 'goodwill' gesture payment from the agent.
8. Western Union provided weekly updates on which members had completed this process enabling us to monitor the progress.

9. A reminder letter was sent on 12 April to the remaining 95 pensioners that had not yet completed this process. This letter asked them to ensure they completed the process by 30 April otherwise their pension would be suspended.
10. There were a few issues that occurred during the process which are detailed below.
11. A few pensioners had middle names either on our records, or in their documentation and not our records, which meant we needed to liaise with Western Union to ensure these records were updated before they visited their agent. Any discrepancy would have resulted in their verification failing.
12. A couple of pensioners contacted us to inform us they had been to their local agent but the agent didn't understand what needed to happen so they couldn't complete their verification. With these cases, following conversations with Western Union, it was established that the pensioners hadn't followed the correct process. These cases were resolved following clarification with the Pensioner member.
13. There was one complaint from a pensioner member who received unacceptable customer service from the Western Union branch where she lived. This member complained to us and we raised an official complaint with Western Union about it. Following an investigation Western Union offered compensation to the member which was accepted along with a full apology. We also received an explanation as to what happened, and what steps were being put in place to avoid a future repeat of this. We then completed a verification process directly with this individual, as they were also in poor health.
14. 194 pensioner members successfully completed this verification process and received their payment.
15. This exercise identified some discrepancies however which has allowed us to update our records.
16. Firstly, 6 pensioners have recently moved back to the UK. Therefore, life certificates were issued to these members to enable them to complete the process we would do for those in the United Kingdom. In addition, we were contacted by relatives of 6 Pensioners that were either in a care home or they held Power of Attorney for. Life certificates were sent to these pensioners instead to complete a verification process. 2 Pensioner members were in this country visiting family so verified themselves at our office.
17. 2 pensioners are deceased, and our usual process is in progress. Once we were aware of the deaths the process was stopped to ensure no further communications were issued. One was identified before the letters were issued and the other death happened during the timeframe for this exercise. No overpayments were therefore associated with these cases.
18. 13 pensioner members failed to make contact during this time and had their pension suspended from May 2019. 4 of these members have now verified themselves resulting in their pension being reinstated. The remaining 9 members (2 of which have now made contact) are being chased in accordance with our usual process.
19. The 10 pensioner members in countries that were not supported by Western Union had life certificates sent with a deadline to complete and return the form by mid-May to ensure pensions could be suspended, if necessary. So far, 7

have completed and returned this form to allow their pensions to continue, with the others having their pensions stopped in May.

20. The initial total cost of this process was £7,840 to write to the 224 pensioners. While the admin costs are non-refundable for pensioner members who didn't complete the process, we received £300 for the 30 members goodwill payments that didn't attend to complete their validation
21. 3 compliments were received from pensioner members or their relatives thanking us for making alternative arrangements and providing support and information.

Sources of further information

- | |
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| a) None. |
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Suffolk Pension Board

Report Title:	Pensions Administration Performance
Meeting Date:	23 July 2019
Chairman:	Councillor Richard Smith MVO
Director:	Chris Bally, Deputy Chief Executive
Assistant Director or Head of Service:	Louise Aynsley, Head of Finance (S151 Officer)
Author:	Stuart Potter, Pensions Operations Manager

Brief summary of report

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

Action recommended

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

Reason for recommendation

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

Alternative options

4. There are no alternative options.

Main body of report

5. This report covers staff performance and team achievements since the previous Board meeting on 13 March 2019.
6. The Service Level Agreements for our 'key' processes between February 2019 – June 2019 are shown below:
 - a) Provision of a transfer quote to scheme members within 10 days of the receipt of the estimated value and all necessary information – Total cases **115**, percentage completed in SLA **99%**
 - b) Estimates are issued to members or employers within 10 working days of receipt of all information – Total cases **278**, percentage completed in SLA **99%**

- c) Retiring employees are notified of their options within 5 working days of receipt of all information – Total cases **689**, percentage completed in SLA **97%**
 - d) Retirement lump sums will be paid within 10 working days of receipt of all necessary information after retirement – Total cases **477**, percentage completed in SLA **100%**
 - e) Notification of survivor benefits will be issued within 10 working days of receipt of all information – Total cases **71**, percentage completed in SLA **93%**
 - f) Outstanding monies owed in respect of a deceased pension, and any death grant, will be paid within 10 working days of receipt of all information – Total cases **120**, percentage completed in SLA **89%**
7. The triennial valuation administration work has been completed and sent to our Pensions Actuary Hymans Robertson on 28 June 2019 ensuring we met the deadline set. This data has also successfully gone through the Actuary's portal. The Actuary will now continue working on this data to ensure they can provide the fund with the agreed data on time. These results are expected in early September 2019.
 8. The Payroll migration project has been slightly delayed due to some clarification and further work needed to match records and ensure cost codes will be allocated correctly. This work has now been completed and we are working closely with Heywood still to finalise the costing structure. The new expected go live date is November 2019 and we are working hard to achieve this. However, we will only go live at the point we accept the new system is set up and working entirely as we require.
 9. There have been changes to actuarial factors for various calculations performed in the administration team. All of these factors have been applied to the system and staff made aware to ensure that the up to date factors are being used in all cases.
 10. This year's internal Audit was completed and the report was issued on 8th April 2019. Some transactional errors were found, however there was a recognition that these were not due to an absence of controls but human error due to the volume, frequency and complexity of cases. Staff have been reminded of the correct processes to follow. Longer term targets have been placed against other areas, including a backlog relating to the notification of deferred benefits to leavers. An overall rating of 'Reasonable Assurance' was obtained which means 'whilst there is basically a sound governance, risk management and control arrangements in place, there are some gaps in assurance which put at risk some of the objectives of the area under examination.
 11. Ill-health certificates for members who may be entitled to receive their pension under ill-health have been updated to include references to the latest LGPS (Amendment) Regulations 2018. These certificates have been provided to all employers in the fund with a notification for them to make their occupational health providers aware.
 12. The Pension Regulator has now completed its visits to our fund with the final meeting held on 16 July. We have worked openly with the regulator and helped them understand our scheme and fund more while valuing their suggestions made, and implementing them where possible.

13. Since the update at the last board meeting there have been 8 compliments. 7 of these were thanks from individuals for the service they had received. This ranged from thanks in relation to help with retirement benefits through to a member thanking an individual for all the support and help they had given them to enable their death grant payment to be resolved and paid following the death of their spouse. The other compliment was from one of our employers thanking us for the 'excellent, clear and easy to understand advice' on a case.
14. During this time there have been no recorded complaints received.
15. This report will be ongoing in all future Board meetings and will be developed in accordance with the requirements of the Board.

Contribution Payments

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

	2018 - 19		
	Employer	Contributions	
	%	£'000	%
On Time	87	106,112	
Up to 1 week late	5	1,671	
Over 1 week late	8	3,730	
Total		111,513	

Sources of further information

- a) None.

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Suffolk Pension Board

Report Title:	Risk Register Review
Meeting Date:	23 July 2019
Chairman:	Councillor Richard Smith MVO
Director:	Chris Bally, Deputy Chief Executive
Assistant Director or Head of Service:	Louise Aynsley, Head of Finance (S151 Officer)
Author:	Paul Finbow, Senior Pensions Specialist Telephone: 01473 265288

Brief summary of report

1. This report sets out the risk associated with the pooling of assets which the Pension Board may want to consider whether the risk should be added to the Pension Board Risk Register.

Action recommended

- | |
|--|
| <ol style="list-style-type: none"> 2. The Board is asked to consider the risks associated with pooling to determine the risk to add to the Pension Board risk register. 3. The Board is asked to consider the frequency of reviewing the risk register |
|--|

Reason for recommendation

4. Risk management is a key responsibility of those charged with Pension Fund governance, with a duty to identify the range of risks that could affect the long-term sustainability of the Fund.
5. The effective management of risk is also an area which is covered within the CIPFA Knowledge and Skills framework which recognises the importance of having an understanding of the risks that could have an impact on the Pension Fund and what steps can be taken to mitigate such risks.
6. At the Board's meeting on 13 March 2019 the Board requested further information regarding the risks associated with pooling with the aim of including it as a risk in the Pension Board risk register.
7. The Pensions Regulator has suggested that an assessment of the frequency that the Board reviews the risk register should be considered.

Alternative options

8. There are no alternative options.

Main body of report

Risks associated with pooling of assets

9. The Pooling of assets within the LGPS is a large undertaking, the value of the ACCESS Fund's is £46bn. Good corporate governance with an emphasis on accountability and risk management is essential to ensure the success of the Pool.
10. The ACCESS Pool has a detailed risk register which covers the establishment and implementation of each sub-fund and pool governance. This is reviewed at each Officer Working Group meeting and reported to the Joint Committee.

Governance

11. The effective Governance of the Pool is extremely important as delayed decision making or poor decision making will have a detrimental effect on the development of the Pool and the long-term outcomes in terms of costs, savings and investments.

Operator risk

12. Link as operator of the ACS (Authorised Contractual Scheme) is pivotal to the success of the ACCESS Pool. The Pool needs to implement a culture of effective contract management to ensure that Link complies with the complexities of investment regulations and that Link are robust in the fee negotiations with the investment managers and in the setting up and launching of sub-funds.

Transition risk

13. Transition risk is one of the hidden risks that has the potential to have one of the biggest impacts. A miss-timed transition could wipe out any management fees savings, due to the scale of the assets involved and the uncertainty of investment markets.

Investment risk

14. On top of the risks usually associated with investment risk such as market risk and liquidity risk, there are additional pooling risks which are associated with the sub-funds. Do the sub-funds being set-up meet the needs of the Suffolk Fund and enable the asset allocation to be met.

Pension Board risk

15. The Pension Board is asked to consider the risks associated with pooling to determine the risk to add to the Pension Board risk register.

Review of the risk register

16. Feedback from the latest meeting with the Pensions Regulator held on 30 April 2019, included a recommendation for the Pension Board to consider reviewing the risk register at every meeting.

Sources of further information

- | |
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| a) None. |
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Suffolk Pension Board

Report Title:	Management Expenses
Meeting Date:	23 July 2019
Chairman:	Councillor Richard Smith MVO
Director:	Chris Bally, Deputy Chief Executive
Assistant Director or Head of Service:	Louise Aynsley, Head of Finance (S151 Officer)
Author:	Paul Finbow, Senior Pensions Specialist Telephone: 01473 265288

Brief summary of report

1. This report sets out the management expenses of the Suffolk Pension Fund.

Action recommended

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| 2. The Board is asked to receive the management expenses report. |
|--|

Reason for recommendation

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

Alternative options

4. There are no alternative options.

Main body of report

Administration Expenses

5. Administrative expenses (shown overleaf) consist of costs relating to activities the pension administration team perform to administer pensions and provide members with scheme and benefit entitlement information.
6. The Heywood administration software system supports the pensions administration team to fulfil the complex requirements around administering the scheme; such as calculating pension benefits and producing the annual statements. The system holds every pension members record and history. Ongoing charges are incurred for maintenance of the system and licenses to use it.

	Budget	Actual	Budget	Actual	Budget
Administration Expenses	2017-18	2017-18	2018-19	2018-19	2019-20
	£'000	£'000	£'000	£'000	£'000
SCC Admin Costs	880	769	840	810	895
Heywood System	265	256	215	243	275
Payroll Implementation			55	64	195
Other Expenses	75	56	75	53	50
Total Admin Costs	1,220	1,081	1,185	1,170	1,415

7. The implementation of the pensioners payroll system, which was approved in 2017-18, has been delayed. The preliminary work has been undertaken and work is in hand for going live in Autumn 2019.
8. The administrative function is a multifaceted service, having to manage increasing numbers of employers, members and manage new regulatory requirements. The Pension Fund needs to invest in the appropriate technological platforms available to assist in effectively managing the administration of the Fund to a high standard and to have appropriately skilled staff to implement new procedures and processes.
9. The staffing budget in both 2017/18 and 2018/19 was underspent which was caused in part by staff turnover. The vacancies have now been filled, which has removed the underspend going forward and help deliver the ever increasing volume of work. In order to deliver the system improvements that the team needs, the reduction of the staff budget in 2018/19 will be reversed, to increase the capacity to deliver these important projects.

Governance and oversight costs

10. Oversight and governance expenses (shown overleaf) are costs relating to the 'over seeing' of the fund such as actuarial costs, internal and external audit costs and the costs of independent advisers to the Fund. Costs associated with the operation and support of the Pension Fund Committee, the Pension Board and costs associated with reporting (such as committee reports, annual reports and accounts) are also included.
11. ACCESS asset pooling costs represents costs incurred for advice and guidance in relation to the Governments requirements for all LGPS Funds to pool their assets and the costs incurred in setting up and running the ACCESS Support Unit. These costs are shared equally by the eleven funds which are members of the ACCESS pool.
12. The difference in actuarial costs and total costs between the years is due to the additional fees incurred with the triennial valuation exercise.

	Actual	Actual	Estimate
Governance and oversight costs	2017-18	2018-19	2019-20
	£'000	£'000	£'000
Suffolk County Council costs	161	155	171
Investment Advice	106	114	125
Actuarial costs	62	80	135
Pension Fund Committee	7	7	7
Pension Board	3	4	3
Asset Pooling	94	115	125
Other costs	124	108	100
Total Governance and Oversight Costs	557	583	666

Investment Management Expenses

13. Investment management expenses are costs related to the management of the fund's assets including directly invoiced fees from investments managers and fees payable to fund managers which are deducted from the fund assets as opposed to being invoiced to the Pension Fund. The fees charged by the custodian, HSBC, are also included.
14. The decrease in expenses can be attributed to savings offered by some of the investment managers pre-pooling and due to the Fund's returns not being as high as the previous year.

	Actual	Actual	Estimate
Investment Management Expenses	2017-18	2018-19	2019-20
	£'000	£'000	£'000
Blackrock	2,739	1,946	2,500
Brookfield	152	72	100
JP Morgan	-	57	250
KKR	357	338	100
Legal & General	789	-	-
M&G	2,522	2,040	2,150
Newton	1,217	1,141	1,000
Pantheon	1,252	990	1,500
Partners	2,250	1,245	1,500
Pyrford	677	512	750
Schroders	898	463	900
UBS	37	222	250
Wilshire	338	297	150
Winton	737	884	950
Total Managers Expenses	13,965	10,207	12,100
Other Costs			
Operator costs	-	-	140
Custodian	44	52	50
Transaction Costs	769	467	750
Total Other Costs	813	519	940
Total Investment Management Expenses	14,778	10,726	13,040

Notes:

- i) Partners costs were higher in 2017-18 due to the additional investment in the Partners 2015 Fund, which incurred back charging of management fees.

- ii) The Legal & General index tracking funds were transferred to UBS as part of the pooling of assets, with significant savings achieved.
- iii) The operator investment costs will be incurred as a percentage of the value of the assets the Fund invests in the sub funds, as they are set up by the operator and the assets are transferred. Savings will be expected against the current management fees where these fees have not already been reduced.

Performance Fees

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

	Actual	Actual	Estimate
Performance Fees	2017-18	2018-19	2019-20
	£'000	£'000	£'000
Blackrock	699	667	500
KKR	-23	120	-
M&G	500	-	50
Pantheon	1	-	-
Partners	30	-	-
Winton	25	-	-
Total Performance Fees	1,232	787	550

Notes:

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

Total costs

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

	Actual	Actual	Estimate
Management Expenses	2017-18	2018-19	2019-20
	£'000	£'000	£'000
Administration Costs	1,081	1,170	1,415
Governance and Oversight Costs	557	583	666
Investment Costs	14,778	10,726	13,040
Total Management Expenses	16,416	12,479	15,121
Scheme Assets (£m)	2,762	2,931	3,000
Invest Costs as % of assets	0.53	0.37	0.43
Scheme Membership	60,649	64,250	65,598
Admin Costs per scheme member (£)	17.82	18.21	19.88

17. The comparative national figures for management expenses in 2017-18 are published in the SF3 statistical return by the Ministry of Housing, Communities and Local Government (MHCLG) who calculate the unit costs for local authority pension funds based on the submissions by the English and Welsh administering authorities.

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

Fund	Scheme Assets	No. of Emp	Members	Admin Costs	Gov Costs	Invest Costs	Total Costs
	£ bn			£'000	£'000	£'000	£'000
Fund A	2.822	323	70,054	1,865	751	16,623	19,239
Fund B	2.969	291	69,992	1,775	532	12,081	14,388
Fund C	2.868	114	53,581	1,000	904	15,220	17,124
Fund D	2.791	95	59,294	1,225	649	7,492	9,366
Fund E	2.689	257	60,346	772	132	8,926	9,830
Suffolk	2.762	285	60,649	1,081	557	14,778	16,416
Average	2.817	228	62,319	1,286	588	12,520	14,394

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

Fund	Admin cost per Member	Invest Costs	Total Costs
	£	%	%
Fund A	26.62	0.59	0.68
Fund B	25.36	0.41	0.48
Fund C	18.66	0.53	0.60
Fund D	20.66	0.27	0.34
Fund E	12.79	0.33	0.37
Suffolk	17.82	0.54	0.59
Total	20.64	0.44	0.51

20. Suffolk has a lower than average cost of administration. However, it shows a higher than average cost of investment management costs, this may be partly due to the Fund's investment strategy if the Fund is investing in more alternative investments than other funds as these are more expensive from a fee perspective.

Sources of further information

- a) MHCLG SF3 statistical return.

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Suffolk Pension Board

Report Title:	Annual Employers Meeting
Meeting Date:	23 July 2019
Chairman:	Councillor Richard Smith MVO
Director:	Chris Bally, Deputy Chief Executive
Assistant Director or Head of Service:	Louise Aynsley, Head of Finance (S151 Officer)
Author:	Paul Finbow, Senior Pensions Specialist Telephone: 01473 265288

Brief summary of report

1. This report reminds the Pension Board of the arrangements for last year's annual employers meeting and seeks input from Board members on the arrangements for this year's meeting to be held on 9 October 2019.

Action recommended

- | |
|---|
| <ol style="list-style-type: none"> 2. To consider the contents of the report and make suggestions for this year's meeting. |
|---|

Reason for recommendation

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

Alternative options

4. There are no alternative options.

Main body of report

5. The Pension Fund arranges an annual employers meeting to update employers on developments that have happened during the year. Up until 2015, the annual employers' meeting was arranged by the Pension Fund Committee.
6. During 2016, the Pension Board, in its role of representing Employers and Scheme members, suggested that it should organise future meetings, as part of its communication strategy with employers.
7. The last employers' meeting was held on 21 September 2018. Over 30 representatives of employers attended. Attached as **Appendix 1** is the Agenda that was used last year, with involvement from both the Chairman of the Board as well as the Chairman of the Pension Fund Committee.
8. The meeting was followed with a light sandwich lunch.

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

Sources of further information

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



SUFFOLK PENSION FUND ANNUAL EMPLOYERS MEETING

10.00 a.m., Friday, 21 September 2018

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

AGENDA

1. Welcome by Councillor Richard Smith, Chairman of the Suffolk Pension Fund Board
2. Pension Fund Committee Update – Paul Finbow, Senior Pensions Specialist, covering:-
 - Investment Performance of the Fund
 - Membership
 - Committee’s Future Work
 - Progress on Asset Pooling
3. Actuary Update – Craig Alexander, Hymans Robertson, covering:-
 - 2019 Valuation - scene setting and timetable for results
 - Pension hot topics
4. Pensions Administration Update , Stuart Potter, Pensions Operations Manager and Andy Chapman-Ennos Technical Pension Specialist, covering:-
 - Importance of Data
 - Review of Year End Process in preparation for March 19 Triennial valuation.
5. Open Forum
 - Open session to raise additional questions
6. Closing Remarks by Councillor Andrew Reid, Chairman of the Suffolk Pension Fund Committee

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Suffolk Pension Board, 23 July 2019

Information Bulletin

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

This Information Bulletin covers the following items:

1. [Government Consultation](#)
2. [Employee £95,000 exit payment cap](#)
3. [National Fraud Initiative exercise](#)
4. [New Employers](#)
5. [Pension Overpayment](#)

1. Government Consultation

MHCLG are consulting on policy proposals to amend the Local Government Pension Scheme 2013 Act regulations. The main views being sought are:

- The best approach to transitioning the Pension Funds to a quadrennial local valuation cycle.
- Alternatives to the regulations that require Employers to pay a lump sum exit payment to the scheme when the last active employer leaves.
- Allow higher and further education establishments to determine whether to offer the LGPS to new non-teaching staff which would reflect their non-public sector category status.

The consultation closes on 31 July.

The link to the consultation is:

<http://lgpslibrary.org/assets/cons/lgpsew/20190508CD.pdf>

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2. Employee £95,000 exit payment cap

In April HM Treasury launched a consultation on draft regulations to implement an exit payment cap of £95,000 to all public sector employees. The payments included are redundancy payments (including statutory redundancy payments), severance payments, pension strain costs – which arise when a Local Government Pension Scheme (LGPS) pension is paid unreduced before a member's normal pension age – and other payments made as a consequence of termination of employment are included in the cap.

Payments related to death in service or ill health retirement, pay in lieu of holiday and payments made in compliance with an order made by a court or tribunal are not exit payments for the purposes of these regulations.

The statutory redundancy element of an exit payment cannot be reduced. If the cap is exceeded, other elements that make up the exit payment must be reduced to achieve an exit payment of £95,000.

The Suffolk Pension Fund’s response to the consultation is attached as **Appendix 1**.

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3. National Fraud Initiative exercise

During 2018-19 Suffolk pension Fund participated in the bi-annual National Fraud Initiative (NFI) conducted by the Cabinet Office, which matches electronic data between public and private sector bodies to prevent and detect fraud.

In February 2019 the results from the submitted data (as at Sept 2018), showed 136 members who were deceased on DWP files.

Of these 136:

- 110 had already been processed before the results were received
- 15 were currently being processed
- 1 has been confirmed to be alive
- 10 required further investigation

The details of the 10 that required further investigation and action taken to date are as follows:

Value of Overpayment (£)	Recovered	Current position
216.13	Awaiting repayment	
1,880.47	Awaiting repayment	
4,007.96		Seeking confirmation of spouse
155.22		Funeral home has passed on details to next of kin
1.85	Will be written off	
3,098.59	Paid in full	
531.34	Awaiting repayment	
101.04	Paid in full	
2,290.86		Requested death certificate from registry office
0	No action required	

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4. New Employers

There have been 6 new employers admitted into the Fund during the first quarter of the year (April to June).

- Pakefield High School (Clarion Academy Trust)
- Coldfair Green Primary (Evolution Trust)
- St Pancras Primary
- The Bridge School (Unity Schools Partnership)
- Causton Junior School
- Maidstone Infant School

In addition, West Suffolk Council and East Suffolk Council became 'new' employers due to the merging of their respective councils Forest Heath DC and St Edmundsbury BC and Suffolk Coastal DC and Waveney DC.

There are currently 311 active employers in the Fund.

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5. Pension Overpayment

During the preparatory work for the implementation of the new Payroll system, a reconciliation has been completed between the payments being made under the current payroll system with the pensions records held in Altair. This was always expected to identify some small differences caused by roundings in the calculation of annual pensions' increases, which would need to be corrected before the new Payroll is implemented.

During this process, it was identified that five members had been overpaid since the time their original pension was processed (one in 2000, and the remaining four in 2006).

Internal Audit has investigated these cases and is satisfied that no fraud has been committed. The five scheme members have been contacted and their monthly pension has been corrected from May 2019. Each has also agreed a further reduction to their future monthly pensions to repay some of the overpayment.

Under the Breaches policy, this has been recorded as a breach on the local register but is not being reported to the Pensions Regulator as a material breach. This is on the basis that this is 5 out of over 15,000 pensions in payment and they refer to cases that were processed many years before the requirements of the regulator were established.

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

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Your Ref:
Our Ref: PEN/
Date: 15 July 2019
Enquiries to: Pensions Helpdesk
Telephone: 03456 053000
Fax: (01473) 253660
E-mail: pensions@suffolk.gov.uk



Workforce, Pay & Pensions Team,
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Restricting exit payments in the public sector HM Treasury consultation on implementation of regulations Suffolk Pension Fund Response

We support the LGA response of June 2019, and agree with their summary of the impact on Administering Authorities and pension scheme members.

In particular:

Whilst we are supportive of the principal of capping exit payments, the suggested implementation will capture many more scheme members than the original policy intention intended. If low earners with many years of service are affected (due to potential pension strain exit costs), this would appear not to be 'proportionate' or 'justifiable' as stated in the Executive Summary.

The main issue appears to be the inclusion of pension strain costs in the definition of types of payments subjected to the cap. These are notional amounts, not paid directly to an individual, but rather picked up by employers as a direct cost or as part of contribution rate assumptions. The calculation factors are determined locally and would need to be standardised in order to provide a fair system. Also, it's not possible to accurately determine how long a member might live, and what the actual strain cost may be. The true cost of reduced benefits to a member could easily be more than was required by the cap.

The suggested implementation will require a change to the Local Government Pension Scheme (LGPS) Regulations, which would in turn require changes to pensions software. There would then be a follow-on administrative burden on Administering Authorities to ensure that the new regulations are followed correctly, and leads to potentially complicated calculations where members may be affected by the tapered annual allowance, as set out in the LGA's response.

The current proposal would see pension benefits reduced as the statutory redundancy payment cannot be changed. This appears to remove the option for a scheme member to choose whether to have a higher one-off lump sum, or to protect their annual pension. The Local Government Pension Scheme Regulations already make provision for a member to give up some of their pension in exchange for lump sum, so, by allowing the statutory redundancy payment to be reduced, the member can make this decision through existing regulations. Also, allowing reductions to be applied to a member's pension savings would seem to de-emphasise the importance of pension savings.

The LGPS regulations require pension benefits to be brought into payment on redundancy grounds. The new legislation could then require the benefits to be reduced for early payment. This reduction would apply for life, which seems unfair as a result of a compulsory decision that was out of their control. A possible alternative would appear to be remove the requirement for a member to take immediate payment of their pension benefits on redundancy grounds. This could avoid complicated calculations and allow the member to choose whether or not to take payment of reduced benefits.

Yours sincerely,

Andy Chapman-Ennos

Andy Chapman-Ennos
Pensions Technical Specialist

Suffolk Pension Board Forward Work Programme

Purpose

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

Terms of reference

The terms of reference of the Pension Board are:

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

Meeting date (see Note)	Added to Work Programme	Subject	Short description	How is it anticipated the Board will deal with this issue?
Friday, 11 October 2019 (PM)	Added 13 March 2019	Complaints, Compliments and Administration Performance	To receive a report on the complaints and compliments received by the Fund	Written Report
	Added 13 March 2019	Suffolk's progress on Pooling of Assets	To receive an update on the progress of pooling assets	Presentation
	Added 23 July 2019	Actuarial Valuation Update	To receive an update of the triennial valuation progress and to be consulted on the Funding Strategy Statement	Written Report
	Added 13 March 2019	Pension Board Risk Register	To review the Pension Board Risk Register	Written Report
	Added 13 March 2019	Recent Developments	To receive an information bulletin covering recent developments that the Board has an interest in	Written Report
	Added 13 March 2019	Forward Work Programme	To approve the Forward Work Programme for the Suffolk Pension Board.	Written Report
Thursday, 12 December 2019	Added 23 July 2019	Complaints, Compliments and Administration Performance	To receive a report on the complaints and compliments received by the Fund	Written Report

Meeting date (see Note)	Added to Work Programme	Subject	Short description	How is it anticipated the Board will deal with this issue?
Thursday, 12 December 2019	Added 23 July 2019	Suffolk's progress on Pooling of Assets	To receive an update on the progress of pooling assets	Presentation
	Added 23 July 2019	New Payroll System	To receive a report on the Payroll implementation project	Written Report
	Added 23 July 2019	Recent Developments	To receive an information bulletin covering recent developments that the Board has an interest in	Written Report
	Added 23 July 2019	Forward Work Programme	To approve the Forward Work Programme for the Suffolk Pension Board.	Written Report
Friday, 13 March 2020	Added 23 July 2019	Complaints, Compliments and Administration Performance	To receive a report on the complaints and compliments received by the Fund	Written Report
	Added 23 July 2019	Suffolk's progress on Pooling of Assets	To receive an update on the progress of pooling assets	Presentation
	Added 23 July 2019	Administration Costs	To consider the administration costs for 2020/21	Written Paper

Meeting date (see Note)	Added to Work Programme	Subject	Short description	How is it anticipated the Board will deal with this issue?
Friday, 13 March 2020	Added 23 July 2019	Board Training Programme	To consider the Board's Training programme for the next 12 months	Written Report
	Added 23 July 2019	Pension Board Risk Register	To review the Pension Board Risk Register	Written Report
	Added 23 July 2019	Recent Developments	To receive an information bulletin covering recent developments that the Board has an interest in	Written Report
	Added 23 July 2019	Forward Work Programme	To approve the Forward Work Programme for the Suffolk Pension Board.	Written Report
Monday, 20 July 2020	Added 23 July 2019	Complaints, Compliments and Administration Performance	To receive a report on the complaints and compliments received by the Fund	Written Report
	Added 23 July 2019	Suffolk's progress on Pooling of Assets	To receive an update on the progress of pooling assets	Presentation
	Added 23 July 2019	Investment Performance	To receive a report on the investment performance of the Fund in 2019/20	Written Report

Meeting date (see Note)	Added to Work Programme	Subject	Short description	How is it anticipated the Board will deal with this issue?
Monday, 20 July 2020	Added 23 July 2019	Annual Report and Accounts 2019/20	To review the annual report and Accounts of the Pension Fund	Written Report
	Added 23 July 2019	Recent Developments	To receive an information bulletin covering recent developments that the Board has an interest in	Written Report
	Added 23 July 2019	Forward Work Programme	To approve the Forward Work Programme for the Suffolk Pension Board.	Written Report

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

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

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