Suffolk County Council

Pension Fund

Annual report 2011-2012

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

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Chairman's Report

I am pleased to present the Suffolk County Council Pension Fund Annual Report and Accounts for 2011-12.

The past year has been a disappointing year for stock markets and the return of 1.7% in 2011-12 for Suffolk Fund reflects this difficult market environment. The performance of the Fund's individual investment managers has also detracted from our investment performance in the year. The medium-term performance of the Fund has also been weak. Over the past 5 years the Fund's overall investment return was 1.9% per year, well below the level needed for the Fund to maintain its long-term funding level. Over the longer-tem the investment returns are better, 5.3% per year over the past 10 years, although this is still below the actuary's expectations of returns from investment markets.

The Committee has completed a comprehensive review of the investment strategy for the Fund during the year. Although equities will remain a key component of the Fund's investment strategy, we have increased the Fund's allocation to alternative assets, including absolute return, timber and infrastructure, in order to diversify the fund's investments and reduce the volatility of our investment returns. There will be a number of changes to the Fund's investment managers as a result and the transfer of assets to the new mandates will be completed during 2012-13.

The funding level of the Suffolk Fund has deteriorated since the last actuarial valuation at March 2010, and the Fund is now 72% funded. This is likely to be an important factor which the Pension Fund Committee will need to consider when the results of the next actuarial valuation at March 2013 are available. No changes in employer contributions will be required until April 2014, when the Funding Strategy for the Fund will be reviewed in the light of the 2013 valuation results. The Committee will ensure that scheme employers are kept informed about developments in the funding position of the Fund in the run up to the valuation.

The Government's proposed reforms to the local government pension scheme has been a key theme during the past year. The local authority employers and trade unions have worked jointly to reach agreement on the details of the scheme. I hope that the Government will bring forward the necessary regulatory changes as soon as possible so that we can start to plan for the introduction of the new scheme in April 2014. I believe that the scheme will continue to remain attractive for the vast majority of scheme members. We will ensure that employers and scheme members are kept informed about the implications of the changes for them.

Councillor Peter Bellfield
Chairman of Pension Fund Committee
September 2012

"Over the past 5 years the Fund's overall investment return was 1.9% per year, well below the level needed"

Report from the Head of Strategic Finance

“The Committee is satisfied that no increases to employer contributions will be required before the next review of employer contribution rates”

Explanation of Financial Statements

Suffolk County Council’s Pension Fund Committee is responsible for the administration of the local government pension scheme in Suffolk. The 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 2012. The Report also provides information about the management structure of the Fund, its membership and administration arrangements and an analysis of investment performance.

Investment Performance of the Pension Fund

The Suffolk Pension Fund produced an investment return of 1.7% in 2011-12. This was a disappointing result. It reflects the difficult market conditions over the past year and also the underperformance of the Fund’s managers compared with their benchmark indices. The medium-term performance of the Fund is also weak. Over the past 5 years the Fund produced a return of 1.9% per year, which is less than the long-term rate of inflation, showing the Fund has not kept pace with the growth of liabilities over this period. The Fund’s long-term return is better, 5.3% per year over the past 10 years, but still below the long-term investment return expected by the Fund’s actuary. The Fund’s long-term investment return of 5.3% per year is also below the average local authority fund return of 5.7% per year over the past 10 years.

The Fund assesses its own investment performance and the performance of its managers by making a comparison between the Fund’s return and its benchmark, based on the average return across the markets that the Fund is invested in. On the basis of this comparison, the Fund underperformed its benchmark by -2.0% in 2011-12. This reflects in part the impact of the Fund’s allocations to different asset classes. In particular the Fund’s underweight position in Government bonds meant that it failed to benefit from the strong performance of this asset class in 2011-12. In addition the underperformance of our investment managers has adversely affected the Fund’s performance in the year. The Pension Fund Committee assesses the performance of its managers over a full business cycle, so one year’s underperformance is not considered in isolation.

Review of Investment Strategy

The Pension Fund Committee has completed a review of its investment strategy during the year, which has resulted in a number of changes to our investment managers. The Fund’s investment strategy is set out in its statement of investment principles, and this is subject to a regular review by the Committee. The investment strategy has

"Over the past year, the funding level has deteriorated to 72% funded at March 2012"

a significant level of diversification between different asset classes, which reduces the extent of the Fund's exposure to the volatility of the stockmarket. At 31 March 2012, 63% of the Fund was invested in equities, with the balance in bonds (19%), and a number of alternative investments (18% of the Fund), including property (10%).

The Pension Fund Committee has agreed to increase the Fund's strategic allocation to alternative investments to 35% of the Fund, with a reduction in equities to 45% of the Fund. The new investment allocations will include absolute return mandates (10%), infrastructure (5%) and timber (2%). The revised investment strategy is being implemented on a phased basis over the next two to three years as appropriate investments in the new asset classes are identified.

Actuarial Valuation and Funding Strategy Statement

We are required to obtain an independent actuarial valuation of the Fund's assets and liabilities and to approve a Funding Strategy for the Fund every three years. The Fund had an actuarial deficit at the last actuarial valuation at March 2010 of £306 million and the fund's assets represented 82% of its liabilities at that date. The Funding Strategy sets out the Pension Fund Committee's approach to funding the liabilities of the Fund, in order to recover the deficit and bring the Fund back to a fully funded position over the medium to long-term. Following the 2010 actuarial valuation the Committee agreed a funding strategy which limited the increases in the contributions required for the public sector employers to a maximum of 1% of pay per year. The Funding Strategy is expected to recover the deficit of the Fund over a 20 year period.

Over the past year, the funding level has deteriorated and the Fund was 72% funded at March 2012. This reflects the combined effect of the Fund's poor investment return over the past year and the impact of the continuing decline in bond yields, which has pushed up the value of the Fund's liabilities. The Committee will continue to keep the funding position of the Fund under review in the run up to the next triennial actuarial valuation at March 2013. The Committee is satisfied that no increases to employer contributions will be required before the next review of employer contribution rates at April 2014. The Government's reforms to the Local Government Pension Scheme will also take effect from April 2014 and these will be taken into account by the Fund actuary in setting employer contribution rates following the 2013 actuarial valuation.

Audit

The Pension Fund accounts are included within the County Council's Statement of Accounts for 2011-12, which is subject to audit by the Audit Commission. The full Pension Fund Annual Report and Accounts is not subject to a separate audit. As part of the audit review, the external auditor will provide an opinion to confirm that the information provided within Pension Fund Annual Report and Accounts is consistent with that contained within the County Council's Statement of Accounts.

Geoff Dobson
Head of Strategic Finance
September 2012

Governance Report

"The Pension Fund Committee is responsible for the effective and prudent management of the Pension Fund"

Governance of the Suffolk County Council Pension Fund

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

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

Pension Fund Committee

The Pension Fund Committee's key responsibilities are:

(a) the effective and prudent management of the Suffolk County Council Pension Fund.

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

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

Delegations to the Head of Strategic Finance

Under the Governance Policy Statement the Head of Strategic 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

The Pension Fund Committee consists of five county councillors, who are appointed by the County Council, based on the political balance of councillors on the County Council. In addition there are two district council representatives, who are nominated by the Suffolk Local Government Association. A scheme member representative, who is nominated by UNISON, is also co-opted to the Committee.

Advisers to the Committee

The Pension Fund Committee is advised by the County Council's Head of Strategic Finance, Geoff Dobson. The Pension Fund Committee is also assisted by a number of external professional advisers. These include Hymans Robertson LLP, the fund's actuary and investment adviser, State Street Investment Analytics for investment performance measurement, Pension Investments Research Consultants (PIRC) for governance and shareholder voting and Squire Sanders (UK) LLP for legal advice.

Systems and internal control

The County Council's statement of accounts, including the accounts of the pension fund, is subject to external audit by the Audit Commission. The Audit Commission produce an audit opinion on the County Council's accounts. The Pension Fund Annual Report and Accounts is not subject to a separate audit from that carried out on the Council's accounts.

The auditors produce a statement for the Pension Fund Annual Report to confirm that it is consistent with the Council's accounts. The Pension Fund is also subject to an internal review by the Council's internal auditors who produce an annual Statement of Internal Control. This comments on the robustness of the Pension Fund's systems, procedures and controls. No issues have been raised by the internal auditors in the Statement of Internal Control for 2011-12.

Committee Training

As the body responsible for the administration of the Local Government Pension Scheme in Suffolk, the Pension Fund Committee recognizes the importance of ensuring that those who are responsible for financial management and decision-making with regard to the pension scheme are equipped with the necessary knowledge and skills. The Committee has made the Head of Strategic Finance 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. This is supplemented by external training provided by the Local Government Employers and investment seminars organised by fund managers and other organisations. Committee members and officers have access to the on-line training and reference material contained in the CIPFA Pensions Knowledge and Skills 'tool-kit'.

In addition during the year, the Committee has received presentations from the Fund's investment advisors on the following topics:

- Investment strategy
- Infrastructure
- Timberland
- Absolute return products
- Emerging market debt

Risk Management

The Pension Fund Committee maintains a risk register for the Pension Fund, which forms part of the County Council's corporate approach to risk management. All pension fund risks are subject to regular monitoring, with a formal annual review as part of the approval of the Pension Fund's business plan each year. All risks are considered and monitored in light of their likelihood and potential impact on the Fund.

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 advisors, Hymans Robertson LLP.

A summary of the key funding risks and the controls that are in place to mitigate them are included in the Funding Strategy Statement (FSS) which is available on the County Council's website (www.suffolk.gov.uk). Third party risks such as payments of contributions are monitored by Customer Service Direct. 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 AAF 01/06 reports, prepared in accordance with the guidance from the Audit and Assurance Faculty of the ICAEW.

> *The Committee consults with scheme employers whenever any significant changes in the Pension Fund's investment or funding strategy are under consideration*

A formal review of the Pension Fund's accounting systems is undertaken by the Fund's external auditors, the Audit Commission, as part of the annual audit. The County Council's internal auditors also undertake a review of the control environment for the Pension Fund as part of the internal audit programme.

Reporting to stakeholders

The Pension Fund Annual Report and Accounts is distributed to all employers in the Pension Fund and also published on the County Council's website. The Annual Report is the formal mechanism for reporting on the performance of the Fund to its stakeholders. In addition the Pension Fund Committee invites all the Fund employers to an annual meeting to receive reports on the activities of the Fund during the year and on any developments relating to the local government pension scheme. The annual meeting for 2011-12 was held on 25 July 2012.

The Pension Fund Committee consults with the employers whenever any significant changes in the Pension Fund's investment strategy or funding strategy are under consideration. During the year the Committee has consulted employers on the changes to the investment strategy set out in the Fund's amended statement of investment principles. The Committee has also reviewed the Funding Strategy and made a number of changes to the approach for academies following consultation with this group of employers. In addition Council officers maintain a regular dialogue with individual employers during the year on fund administration issues.

Additional information relating to the Pension Fund

The Pension Fund Annual Report and Accounts comprises the Annual Report and a number of additional policy statements described below, whose publication is prescribed under the regulations governing local authority pension funds. The additional documents are published in electronic form on the County Council's website.

Governance Policy Statement

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

Governance Compliance Statement

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

Statement of Investment Principles (SIP)

The statement of investment principles (SIP) provides an overview of the investment strategy for the pension fund investments.

Funding Strategy Statement (FSS)

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

Administration Policy Statement

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

Voting Policy

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

Management Report

Work of the Pension Fund Committee during the year

The Pension Fund Committee has met on six occasions during 2011-12. The ongoing business of the Committee has included the monitoring of the investment performance of the Fund and its managers, and the review of the actuarial position of the Fund. The Committee completed a procurement exercise for the appointment of managers to new investment mandates for absolute return, infrastructure and timber. The Committee has also reviewed the funding strategy of the Fund in relation to the treatment of academies.

The Committee has continued to review the progress of the national discussions between the Government, local authority employers and trade unions on the introduction of reforms to the local government pension scheme from April 2014, and it has responded to the government consultations on regulatory changes to the scheme.

The Pension Fund Committee has a business plan which sets out its performance management framework and its priorities for service development. The Committee has adopted a formal framework for the identification and management of the risks that the pension fund is exposed to and the pension fund risk register has been reviewed during the year.

Pension Fund Risk Register

A detailed risk register has been established for the Suffolk Pension Fund. It is monitoring by Council officers on an ongoing basis and reported to the Pension Fund Committee on at least an annual basis. The top 5 pension fund risks are shown on the next page.

"The Committee has responded to the government consultations on regulatory changes to the scheme"

Risk ID	Risk	Impact	Probability	Risk Score[1]	Existing risk control measures
SPF13	**Investment**: Failure of investment markets (market crash). **Impact**: increase in employer contribution rates	4	3	12	Diversification between asset classes. Regular reporting and monitoring arrangements for investment performance by the Fund and its managers are in place.
SPF12	**Investment**: Failure of investment strategy to produce long-term returns assumed by Funding Strategy. **Impact**: increase in employer contribution rates	4	3	12	Investment Strategy development is reviewed regularly by the Pension Fund Committee. Changes to investment strategy are currently in the process of implementation.
SPF5	**Demographic**: Pensioners living longer than assumed in actuarial assumptions. **Impact**: increase in employer contribution rates	3	3	9	Review life expectancy assumptions at each valuation. Set mortality assumptions with some allowance for future increases in life expectancy.
SPF3	**Financial**: Pay and price inflation significantly higher than anticipated. **Impact**: increase in employer contribution rates	3	3	9	Inter-valuation monitoring. The focus of the actuarial valuation process is on real returns on assets. Investment in bonds helps to mitigate this risk.
SPF7	**Regulatory**: Changes to regulations (e.g. changes to scheme design following Hutton Review) **Impact**: reduction in scheme membership /participation rates	3	3	9	The Pension Fund responds to all consultation proposals issued by the Department of Communities and Local Government.

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

Actuarial and Funding Strategy

The statutory triennial actuarial valuation of the Pension Fund as at March 2010 reported a 82% funding level for the Fund. The Funding Strategy agreed by the Committee set out its approach to meeting the funding requirements of the Fund and specified the employer contributions for each employer in the Fund for the three years to 2013-14. The Committee agreed to adopt a long-term deficit recovery plan, which is expected to return the Fund to a fully funded position over a period of around 20 years. The Committee has amended the funding strategy for academies during the year to put them on the same basis as the local authority employers in the Fund with a 20 year deficit recovery plan. Shorter deficit recovery periods will in general be appropriate for admission bodies except where they have the support of a local authority employer.

During 2011-12 the funding level fell sharply and the Fund was 72% funded at March 2012. The Committee has reviewed the funding position on a quarterly basis during the year with the assistance of the Fund actuary. It is satisfied that no increase to employer

“ The Committee amended the investment strategy of the Fund with additional allocations to alternative asset classes ”

contribution rates is required in advance of the next triennial valuation at March 2013, which will determine employer contributions from April 2014 onwards. The Committee's funding objective remains to stabilise employer contributions as far as possible, while ensuring that a prudent approach is taken to ensuring that the Fund returns to a fully funded position over the medium to the long-term.

Investment Strategy

The Committee amended the investment strategy of the Fund during the year to reflect the additional allocations to alternative asset classes (absolute return, infrastructure and timber) that it has agreed. Fund employers were consulted on these changes in the updated statement of investment principles for the Fund. The Committee has appointed Pyrford, BlueCrest and Winton for absolute return, Partners Group and Kohlberg, Kravis, Roberts (KKR) for infrastructure and Brookfield for a timber mandate. The funding arrangements for the new mandates will be completed during 2012-13.

Investment Performance Monitoring

The Committee has received reports on the performance of its investment managers on a quarterly basis throughout the year. The Committee agreed to make a number of changes to the mandates of its existing managers as part of the process of the implementation of the revised investment strategy for the Fund. The mandates of JP Morgan and Aberdeen Asset Management will be terminated and the mandate of AllianceBernstein reduced by around 3%. The funds released from these mandates will be used in part to fund the new mandates that have been put in place following the investment review, with the balance being managed on a passive index-tracking basis as part of the Legal and General mandate. These changes will be implemented during 2012-13.

The Pension Fund used the brokerage services of MF Global UK in relation to a UK equities futures programme. MF Global UK went into administration on 31 October 2011 following financial problems at its US parent. The accountancy firm KPMG has been appointed as the administrator of MF Global UK. The Suffolk Pension Fund has registered a claim with the administrator for the sums due to the Fund, around £8.4 million. The Fund has received an interim distribution of £2.2 million. The administration process may take a considerable time to finally determine the amount that the Fund receives.

“At March 2012 there were 25 academies in the Suffolk Fund”

Changes to scheme employers

A number of schools in Suffolk were established as academies during 2011-12 and these automatically become statutory employers in the local government pension scheme with respect to their non-teaching employees. At March 2012 there were 25 academies in the Suffolk Fund. Further academies are expected to join the scheme in 2012-13. In addition there are a number of new admission bodies in the Fund, which have arisen as a result of the outsourcing of services and transfer of scheme members from local authorities to the new employers.

Cost of Running the Fund

The costs of administration and investment management increased by £99,000 (1.8%) in 2011-2012. The main factor that determines the investment management expenses of the fund is the value of the funds under management, which remained largely unchanged during 2011-12. The majority of the administration costs relates to the benefits administration, which is undertaken by Customer Service Direct, a joint venture company that is jointly owned by BT, the County Council and Mid-Suffolk District Council.

Administrative and Management Expenses	2010-11 £000	2011-12 £000
Administrative Costs		
Suffolk County Council	1,259	1,228
Actuarial and Investment Advisory Services	242	235
Audit Fees	39	36
Other Consultancy Charges	84	120
Total Administration Costs	**1,624**	**1,619**
Fund Management Expenses		
Aberdeen	205	223
AllianceBernstein	259	273
BlackRock	242	271
BlackRock performance fee	801	665
JP Morgan	689	718
KKR	0	87
Legal & General	473	472
Millennium	5	3
Newton	856	868
Schroders	235	266
Custodian (State Street Bank and Trust)	104	127
Total Investment Management Costs	**3,869**	**3,973**
Total	**5,493**	**5,592**

Notes: The investment management fees for Pantheon, Wilshire Associates and Millennium are charged direct to the pooled funds in which the Pension Fund is invested and are as a result not shown separately in the Pension Fund’s statement of accounts for 2011-12. The costs relating to Millennium shown above are incidental expenses.

KKR was appointed part way through 2011-12 and the costs shown above represent part year management fees.

Management Structure

Pension Fund Committee

Cllr. Peter Bellfield (Chairman)

Cllr. Jeremy Pembroke (Vice-Chairman)

Cllr. John Klaschka (to Sept. 2011)

Cllr. Andrew Reid (from March 2012)

Cllr. Guy McGregor

Cllr. Richard Kemp

Cllr. Derrick Haley (District Councillor)

Cllr. John Hale (District Councillor)

Mr. Steve Warner (UNISON)

Suffolk County Council

Geoff Dobson, Head of Strategic Finance

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

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

Pension Fund Advisers

Actuaries Hymans	Robertson LLP
Investment Consultancy Services	Hymans Robertson LLP
Performance Measurement	State Street Bank and Trust
Investment Custodians	State Street Bank and Trust
Legal advisors	Squire Sanders (UK) LLP
Voting advisors	Pension Investment Research Consultants

Auditors

Audit Commission

Investment managers

Aberdeen Asset Management

AllianceBernstein

BlackRock Investment Management

JP Morgan Asset Management

Kohlberg, Kravis, Roberts (from Dec.11)

Legal & General Investment Management

MF Global/Man Financials (to Oct.11)

Millennium Global Investments

Newton Investment Management

Pantheon Ventures

Partners Group (from Jan.12)

Schroder Investment Management

Wilshire Associates

AVC providers

Prudential

Clerical Medical

Standard Life

Equitable Life

Century Life

Corporate Social Responsibility and Voting Report

"The Pension Fund seeks to protect and enhance the value of its shareholdings by promoting good practice"

Environmental, Social and Governance Issues

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

Voting Policy

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

The general principles followed in our voting guidelines are:-

- We will vote in favour of proposals at annual and extraordinary general meetings which comply with good practice on corporate governance. The definition of good practice is based on the guidelines in the UK Corporate Governance Code.
- We will vote against proposals which breach the Code and where the company is unable to provide a satisfactory explanation of its policy.

Voting activity in 2011-12

The Fund voted at 101 UK company general meetings during 2011-12, which involved 1,851 resolutions. The Fund voted against the company's proposals on 186 occasions (10%). The Fund's UK voting record is analysed opposite. Full details of the voting by the Fund are contained within the reports to the Pension Fund Committee which are published on the County Council's website.

“Directors’ pay remains the issue where shareholders are most likely to oppose management”

	Resolution Type	For		Abstain		Oppose		Total
		No	%	No	%	No	%	No
1	All Employee Schemes	1	6	15	94	0	0	16
2	Annual Reports (inc. remuneration reports)	91	47	22	11	82	42	195
3	Articles of Association	0	0	12	100	0	0	12
4	Auditors	94	54	61	35	19	11	174
5	Corporate Actions	3	33	6	67	0	0	9
6	Corporate Donations	1	2	40	98	0	0	41
7	Directors	821	92	9	1	62	7	892
8	Dividend	11	14	66	86	0	0	77
9	Executive Pay Schemes	7	15	17	36	23	49	47
10	Non-exec. fees	0	0	6	100	0	0	6
11	Share Issue/Re-purchase	81	91	8	9	0	0	89
12	Shareholder Resolution	192	93	15	7	0	0	207
13	Miscellaneous	84	98	2	2	0	0	86
	TOTAL	**1,386**	**75**	**279**	**15**	**186**	**10**	**1,851**

UK corporate governance issues in 2011-12

Over the past year, shareholder engagement around executive remuneration and other governance issues has attracted increasing attention. There has been a growing tendency for shareholders to use their voting rights more effectively to challenge companies where they have concerns.

Directors’ pay remains the issue where shareholders are most likely to oppose management. From the second quarter of 2011 onwards two mid-cap companies lost the votes on their remuneration reports – Robert Walters and Afren. Suffolk held shares in Afren and was amongst those investors which voted against the company. The remuneration report was defeated with a 51.6% vote against. Other high votes against remuneration reports in 2011 included WPP (41.8%) and William Hill (33%), and concerns about pay have continued to be expressed at both companies.

Shareholder pressure over executive remuneration continued into the first quarter of 2012. Early in the year budget airline easyJet narrowly passed its remuneration report, with a vote of 44.3% against. This followed a defeat on the same vote the previous year. Suffolk had opposed the report. EasyJet also saw large votes against a number of incumbent directors at its 2011 AGM.

There was also significant shareholder opposition to the re-election of Capita Group non-executive Paddy Doyle at its 2011 AGM, with a 23.5% vote against him. Suffolk voted against as he was not considered independent as he is a former executive of the company and there was insufficient independent representation on the board as a whole.

Shareholder challenge to auditor appointments is typically much rarer, with an average vote against of approximately 1% over the last few seasons. Two companies that saw 10% votes against the appointment of their auditor during 2011 were William Hill and Premier Foods. In both cases the fees paid to the auditor for non-audit work were higher than the fees paid for the audit itself, and for both companies this is an ongoing issue. The high value of non-audit work is potentially problematic as it raises a question about the independence of the auditor. Suffolk opposed both auditor appointments.

Administration Report

> “The Pension Administration team carry out the full range of pension benefit calculations and administration functions”

Introduction to the Fund

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

The LGPS is administered within Suffolk by Suffolk County Council. The County Council's statutory responsibilities for the scheme are fulfilled by delegating the necessary powers to the Pension Fund Committee with day-to-day decision-making undertaken by the Head of Strategic Finance.

The Scheme is open to all County Council employees (except teachers and fire fighters who have their own scheme), employees of the Suffolk district councils and employees of certain other public bodies (known as scheduled bodies) within Suffolk. Parish and Town Councils may decide by resolution to allow their employees 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 surplus of contributions and investment income over the benefits currently being paid is invested in a range of investments in compliance with the LGPS investment regulations.

The employers' contributions are assessed periodically by the Fund's Actuary and have to be enough to maintain the long term solvency of the Fund. The law requires that these reviews (actuarial valuations) be carried out every three years. The last statutory actuarial valuation was carried out as at 31 March 2010.

Pensions administration

The Pension Administration team is led by Lynn Wright, the Pensions Manager, and consists of 19 full-time equivalent (FTE) staff who carry out the full range of pension benefit calculations and administration functions. There is significant pensions experience within the team ranging from 6 months to 26 years, with the majority of staff having pensions experience in excess of 5 years. Within the pensions administration team is a help desk facility, which achieves a call abandonment rate of less than 3% of calls. All calls to the team are recorded

“ The help desk achieves a call abandonment rate of less than 3% of calls ”

and regular quality monitoring is undertaken of the calls and e-mails received. 78% of all calls are answered by the helpdesk team at first point of contact.

Pensions administration involves:

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

Regular six-monthly meetings are held with employer representatives on administration matters, which this year included updates on the progress of the review by the Independent Public Service Pensions Commission (the Hutton Commission), information on automatic enrolment and the annual allowance and lifetime allowances, and training sessions on periods of absence and end of year returns.

The Local Government Pension Scheme (Benefits, Membership and Contributions) (Amendment) Regulations 2011 were laid in Parliament on 7 March 2011 and came into force on 1 April 2011. These regulations contained a small number of minor technical or clarifying amendments to ill-health related provisions in the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007. These had been necessitated by an error in the Local Government Pension Scheme (Miscellaneous) Regulations 2010. The main change introduced in the new regulations was to meet the concerns of independent medical practitioners. They were of the view that they were unable, as previously required, to assess employees as regards their ‘likelihood of obtaining gainful employment’ in the future – rather, they could only assess their ‘capability of undertaking gainful employment’ before signing the ill health certificates of permanent incapacity.

Benefits of the Pension Fund

Most of the benefits payable under the regulations are mandatory but in certain instances discretion is given to employing bodies. Pensions payable from the Fund are defined as “official pensions” for the purposes of the Pensions (Increase) Act 1971, the effect of which is to increase the pension annually in line with inflation. With effect from April 2011 the Government has determined that pension increases for the LGPS should be in line with movements in the Consumer Price Index.

> *“Employees contribute between 5.5% and 7.5% of their pay”*

The local government pension scheme pays more than the minimum pension requirements of the State Second Pension (S2P) scheme (formerly the State Earnings Related Pension Scheme, SERPS) and the pension scheme is therefore classified as being ‘contracted out’ of the S2P arrangements.

The core scheme benefits are:

- A guaranteed pension based on final pay and the length of service in the scheme.
- 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 of three times the value of the accrued service to 31 March 2008.
- Life assurance of three times the member’s yearly pay from the day they join the scheme.
- Pensions for spouses, civilly registered partners and qualifying co-habiting partners. Eligible children are also entitled to a pension.
- An entitlement paid early if a member has to stop work permanently due to permanent ill health.
- Pensions increases in line with inflation (measured by the Consumer Price Index).
- Pensions are payable from age 55 with employer’s consent, including flexible retirement.

Here are the pay bands that applied during 2011-12

If your Whole time Pay Rate is:	You pay a contribution rate of:
Up to £12,900	5.5%
£12,901 to £15,100	5.8%
£15,101 to £19,400	5.9%
£19,401 to £32,400	6.5%
£32,401 to £43,000	6.8%
£43,301 to £81,100	7.2%
More than £81,100	7.5%

The band ranges will be increased each April in line with changes in the cost of living.

Costs of Membership

Employees pay between 5.5% and 7.5% of the pay they receive for their contractual hours. The rate that employees pay depends on the pay band they fall into.

Local Government Pension Scheme 2014

The Government established the Independent Public Service Pensions Commission, chaired by Lord Hutton, to review the future arrangements for public service pension schemes, including the local government pension scheme. The Commission’s Final Report in March 2011 produced 27 recommendations, which addressed the design principles for the future public service pension schemes and set out proposals for implementation, future scheme governance and administration.

The Government accepted the Commission’s recommendations and announced heads of agreement in December 2011. These set out the future basis for the local government pension scheme, which will be brought into effect in April 2014 . The Local Government Association and trade unions subsequently worked on the details of the new scheme and jointly issued a set of proposals on 29 May 2012. Subject to the acceptance of these proposals by local government employers and union members, the Government is expected to undertake a statutory consultation on the new scheme in the autumn of 2012, with the regulations governing the new scheme in place by March 2013.

Administration of the Fund – Key facts and figures

17,779 members paying into the fund	£71.7m paid in by employers in 2011-12
12,321 pensioners and dependants currently receiving benefits from the scheme	£19.2m paid in by members in 2011-12
	£55.1m paid out in pensions in 2011-12
85 employers in the fund in 2011-12	£4,472 is the average pension paid to retired members

Employers in the fund

Scheduled Bodies

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

Lowestoft 6th Form College
Lowestoft College
Otley College
Suffolk New College
Suffolk Police Authority
Suffolk Valuation Tribunal
West Suffolk College

Academies

Bungay High School
Bury St Edmunds Academy Trust
Copleston High School
Debenham Academy
East Bergholt High School
East Point Academy
Farlingaye High School
Felixstowe Academy
Forest Academy
Hadleigh High School
Hartismere School
Holbrook High School
Ipswich Academy
Kesgrave High School
Ormiston Endeavour Academy
Samuel Ward Academy
Sir John Leman High School
St Albans School
St Mary's C of E Academy
Stour Valley Community School
Stradbroke High School
The Ashley School Academy Trust
The Priory School
Thomas Mills High School
Thomas Wolsey School

Resolution Bodies

Beccles Town Council
Boxford Parish Council
Brandon Town Council
Bury St. Edmunds Town Council
Felixstowe Town Council
Framlingham Town Council
Great Cornard Parish Council
Hadleigh Town Council
Haverhill Town Council
Kesgrave Town Council
Lakenheath Parish Council
Leavenheath Parish Council
Leiston-cum-Sizewell Town Council
Mildenhall Parish Council
Nayland & Wissington Parish Council
Newmarket Town Council
Onehouse Parish Council
Pinewood Parish Council
Stowmarket Town Council
Sudbury Town Council
Woodbridge Town Council
Woolpit Parish Council

Eastern Facilities Management Solutions

Admitted Bodies

Abbeycroft Leisure
Anglia Community Leisure Trust
Association of Colleges in the Eastern Region

Care Quality Commission
Churchill Contract Services
Coastal Homeless Action Group
Design Clean Ltd
Hadleigh Market Feoffment Charity
Havebury Housing Partnership
Housing 21
Kings Forest Housing Ltd.
Lapwing
Leiston Long Shop Steam Museum
Papworth Trust
Partnership In Care Ltd.
Seckford Foundation
Sentinel Leisure Trust
Sports and Leisure Management Ltd
Suffolk Association of Local Councils
Suffolk Coastal Leisure Community Association Ltd.
University Campus Suffolk
Waveney Norse

Summary of Financial Position and Membership

The following table shows the Pension Fund's financial position and membership for the past five years.

Financial Summary	2007-08	2008-09	2009-10	2010-11	2011-12
	£'000	£'000	£'000	£'000	£'000
Contributions	85,775	90,622	93,826	94,028	90,904
Other Income	7,632	5,467	8,895	7,417	3,619
Total income	**93,407**	**96,089**	**102,721**	**101,445**	**94,523**
Benefits Payable	-49,023	-55,537	-62,923	-68,415	-74,562
Other Expenditure	-4,417	-5,422	-6,115	-42,858	-6,504
Total Expenditure	**-53,440**	**-60,959**	**-69,038**	**-111,273**	**-81,066**
Net additions / withdrawals(-) from dealings with members	**39,967**	**35,130**	**33,683**	**-9,828**	**13,457**
Investment Income (net of fees)	20,475	21,442	24,906	22,984	24,104
Change in Market Value of Investments	-55,877	-324,595	325,247	73,377	-4,738
Net Returns on Investments	**-35,402**	**-303,153**	**350,153**	**96,361**	**19,366**
Change in Fund during the year	**4,565**	**-268,023**	**383,836**	**86,533**	**32,823**
Addition of No. 2 Pension Fund			15,505		
Net Assets at 31 March	**1,305,210**	**1,037,187**	**1,436,528**	**1,523,061**	**1,555,884**

Membership Summary	2007-08	2008-09	2009-10	2010-11	2011-12
Members	18,336	19,058	19,759	18,505	17,779
Employees Pensioners	8,157	8,635	9,261	9,810	10,458
Widow/Widower Pensioners	1,599	1,671	1,771	1,817	1,863
Deferred	11,861	12,442	13,861	14,593	16,040
Total	**39,953**	**41,806**	**44,652**	**44,725**	**46,160**

Investment Report

The global economic background was, at best, uncertain over the period. The European debt crisis was the dominant theme affecting investor sentiment worldwide for much of the 12 months. At times, the credibility of the Euro project came close to breaking point. Politicians struggled to agree a suitable policy response, as political priorities and allegiances clashed with the needs of monetary union.

Although the Greek debt crisis dominated the headlines, concerns over growth in sovereign debt extended to other countries, including Spain, Italy and even the US. Nevertheless, there were signs of economic recovery in the US, for example growth in employment in the latter half of the period. However, the recovery was not mirrored in other regions where economic growth stalled. For some countries, a return to recession (two or more consecutive quarters of economic contraction) was a distinct possibility.

In the UK, the guiding principle of Government policy was austerity, with public sector pay restraint and painful spending cuts, against a background of sluggish economic growth. The Chancellor also announced in his 2011 autumn statement that it will take two years longer than first proposed to eliminate the UK's structural deficit.

Equity markets sustained heavy losses during the summer of 2011, as the enormity of the Greek debt crisis became apparent to investors. By the end of March 2012 these losses were more than made good in the UK, US and Japan. However, recovery in European and Emerging markets was somewhat muted and less than full by this time.

Government bonds of countries spared the worst of the debt crisis (e.g. UK, US, Germany) fared particularly well, reflecting investors' preference for safety in troubled times.

Key events during the year were:

Global Economy

- Short-term interest rates were unchanged in the UK and US; increases in Eurozone rates were reversed as the debt crisis unfolded.
- UK and European central banks provided further liquidity to money markets.
- Two ratings agencies, Moody's and Fitch, placed the UK's top credit rating on negative outlook.
- Economic growth in major Asian markets was impaired by weak external demand.
- The UK declined to participate in a plan for closer fiscal union across the European Union.

"The European debt crisis was the dominant theme affecting investor sentiment"

Equities

- The US equity market delivered a satisfactory positive return, substantially outpacing other markets. Equities in Europe, Japan and Emerging Markets were particularly weak.
- The strongest equity sectors compared with the 'All World' Index were Technology (+14.4% relative) and Health Care (+14.2% relative); the weakest were Basic Materials (-16.5% relative) and Oil & Gas (-9.0% relative).

Bonds

- Yields in safe haven bond markets (US, Germany and UK) fell sharply as investors sought security. By contrast, bond yields in the weaker Eurozone countries moved sharply higher.
- Long dated UK bond yields fell to levels not seen for 60 years as investors sought 'safety'.

The legacy of the financial crisis remains a legitimate concern and still has the capacity to deliver shocks to the system. Policy makers have a fine line to tread between austerity and expansionary measures.

Investment Powers

The principal powers to invest local authority pension fund assets are contained within the Local Government Pension Scheme (Investment and Management of Funds) Regulations 2009 (S.I. 2009/3093) which allow a wide range of investments.

The most significant restrictions in the regulations are that:-

(a) Not more than 10% of the fund (15% where a higher limit is approved) may be invested in securities which are not listed on either the UK Stock Exchange or a foreign stock exchange of international repute.

(b) With the exception of gilts and bank deposits with an institution authorised under the Financial Services and Markets Act 2000, no more than 10% may be invested in a single holding.

(c) Not more than 10% may be deposited with any one bank.

(d) Loans made from the fund, but not including loans to the UK Government, may not in total exceed 10%.

(e) Not more than 10% may be invested in an individual bond with the exception of the UK or Isle of Man governments.

(f) The total investment in funds managed by a single manager may not exceed 25% of the fund (35% where a higher limit is approved).

(g) All securities which are lent under stocklending arrangements may not exceed 25% of the fund (35% where a higher limit is approved).

The Pension Fund Committee has adopted the higher limit of 35% for the investments managed by a single manager to allow it to invest in the index-tracking funds of Legal and General Investment Management up to this limit. It has also adopted a higher limit of 12% for unlisted securities to allow it to invest in private equity, infrastructure and timber assets up to this limit.

The Suffolk Pension Fund complied with the regulatory limits throughout 2011-12.

"The target allocation to equities will be reduced to 45% of the Fund, with the allocation to alternative investments increased to 35%"

Statement of Investment Principles

The Pension Fund Committee has approved a bespoke investment strategy for the Pension Fund, based on a review of the investment strategy that it commissioned from Hymans Robertson, the Fund's investment advisors. This review set out a framework for the investment of the fund's assets and this has been incorporated into a formal policy statement for the Fund, the statement of investment principles. The statement is published on the County Council's website (www.suffolk.gov.uk). The statement of investment principles has been reviewed on a number of occasions, most recently in March 2012.

The Fund's investments are allocated across a range of asset classes. The largest allocation (63% of the Fund at March 2012) was to equities quoted on recognised stockmarkets and the equity allocation also accounts for the majority of the investment risk taken by the Fund. The investment strategy of the Fund has been reviewed during 2011-12 and as a result the target allocation of the Fund to equities will be reduced to 45% of the Fund, with the allocation to alternative investments increased to 35%. Additional allocations to alternative investments will include absolute return (10%), infrastructure (5%) and timber (2%). This is expected to provide a greater degree of diversification between investments and to reduce the overall investment risk of the Fund without reducing its expected long-term investment return.

Asset Allocation		
	Actual Allocation March 2012	**Long-term Strategic Benchmark**
	%	**%**
UK Equities	21.8	18
Overseas equities	40.9	27
Total equities	**62.7**	**45**
Private equity	4.4	5
Property	9.6	10
Currency	2.2	3
Absolute return	-	10
Infrastructure	0.4	5
Timber	-	2
Total Alternatives	**16.6**	**35**
UK Government Bonds	3.4	2
UK Corporate Bonds	11.2	12
UK Index-linked Gilts	4.2	4
Emerging market debt	-	2
Total Bonds	**18.8**	**20**
Cash	1.9	-
Total	**100.0**	**100**

The new strategic benchmark and the actual asset allocation of the Fund at March 2012 is shown above. The implementation of the new strategic benchmark is expected to take place over the next two to three years as the investment managers for the new mandates are funded.

Current Asset Allocation

The Fund had 63% of its assets in equities, 19% of its assets in bonds, 10% in property, 7% in other investments and 1% in cash at March 2012.

Investment Management Arrangements

The following investment managers managed the Fund's assets during 2011-12:

- Legal & General Investment Management managed a multi-asset index tracking mandate (29% of the fund at March 2012);
- JP Morgan Asset Management managed a global equity mandate (14% of the fund);

- Newton Investment Management managed a global equity mandate (13% of the fund);
- AllianceBernstein Institutional Investments managed a UK equity mandate (11% of the fund);
- BlackRock Investment Management managed a UK equity mandate (9% of the fund);
- Schroder Property Investment Management managed a property mandate (10% of the fund);
- Aberdeen Asset Management managed a bonds mandate (7% of the fund);
- Wilshire Associates and Pantheon Ventures managed private equity mandates (4% of the fund);
- Millennium Global Investments managed a currency mandate (2% of the fund).
- Kohlberg, Kravis, Roberts (KKR) and Partners Group were appointed to manage infrastructure mandates during 2011-12 but no significant allocations had been made to the mandates by the end of the year.

Changes to Investment management arrangements

Following the changes to the Fund's investment strategy that the Pension Fund Committee approved during 2011-12, it carried out a procurement process with the assistance of the Fund's investment advisers to identify suitable managers for the new mandates in absolute return, infrastructure and timber. The Committee has appointed Kohlberg, Kravis, Roberts (KKR) and Partners Group for infrastructure mandates (5% of the Fund), Brookfield for a timber mandate (2% of the Fund) and Winton, BlueCrest and Pyrford for absolute return mandates (10% of the Fund). The Committee has decided that the existing mandates of JP Morgan and Aberdeen should be terminated and that the mandate of AllianceBernstein reduced to 7.5% of the Fund as part of the changes to the investment management structure. In the short term, until the new mandates for infrastructure and timber are fully funded, the sums earmarked for these mandates will be managed by Legal & General as part of their index-tracking mandate. The implementation of the changes to the investment management arrangements for the Fund is expected to be completed during 2012-13.

The impact of these changes on the Fund's investment management arrangements is shown below.

Fund Manager Allocation

Investment Manager	Asset class	Actual allocation March 2012	Strategic target allocation
		%	%
Legal & General	Equities and bonds	29	36.0[1]
Alliance Bernstein	UK equities	11	7.5
BlackRock	UK equities	9	9.2
JP Morgan	Global equities	14	-
Newton	Global equities	13	12.9
Aberdeen	Bonds	7	-
Schroder	Property	10	10.4
Pantheon	Private equity	2	1.9
Wilshire	Private equity	2	2.6
Millennium	Currency	2	2.5
BlueCrest	Absolute return	-	2.0
Winton	Absolute return	-	2.0
Pyrford	Absolute return	-	6.0
Kohlberg, Kravis, Roberts (KKR)	Infrastructure	-	2.5[1]
Partners Group	Infrastructure	-	2.5[1]
Brookfield	Timber	-	2.0[1]
	Cash	1	-
Total		**100**	**100.0**

Note[1]: The actual allocation to the Legal & General mandate is expected to be higher than the target allocation shown above pending the investment of the sums earmarked for the mandates managed by KKR, Partners Group and Brookfield.

“The implementation of the changes to the investment management arrangements will be completed during 2012-13”

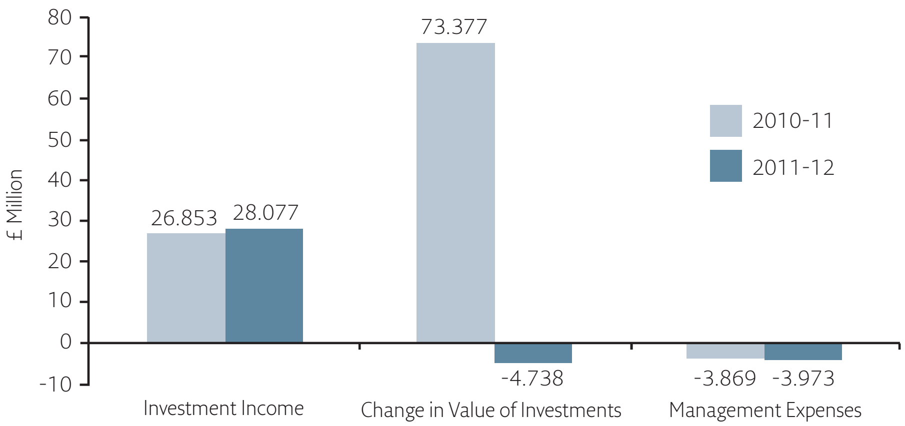
Investment Income		
The following table shows the sources of Investment Income earned by the Fund in 2011-12.		
Investment Income	**£m**	**%**
Interest from fixed interest securities	0.890	3.1
Dividends from equities	20.522	72.2
Income from pooled investment vehicles	6.679	23.5
Interest on cash deposits	0.004	0.0
Interest from Custodian Holdings	0.025	0.1
Interest on Money Market Funds	0.078	0.3
Stock Loan Income	0.128	0.4
Class Actions	0.012	0.0
Commission Income	0.054	0.2
Other	0.044	0.2
Taxes on Income	-0.359	
Total	**28.077**	**100.0**

Investment Performance

The chart right shows the investment returns during 2011-12 compared with 2010-11. 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 £1,523 million to £1,556 million during 2011-12. After allowing for the net cash flow from additional employer and employee contributions in the year, this represented an investment return of 1.7% in 2011-12. The Fund’s benchmark is based on the weighted average of the market index returns for the markets in which it invests. The Fund underperformed by -2.0% compared with its benchmark for 2011-12. The Fund underperformed compared with its benchmark by -1.4% per year over the past five years and by -0.8% per year over the past ten years.

Investment returns during 2011-12

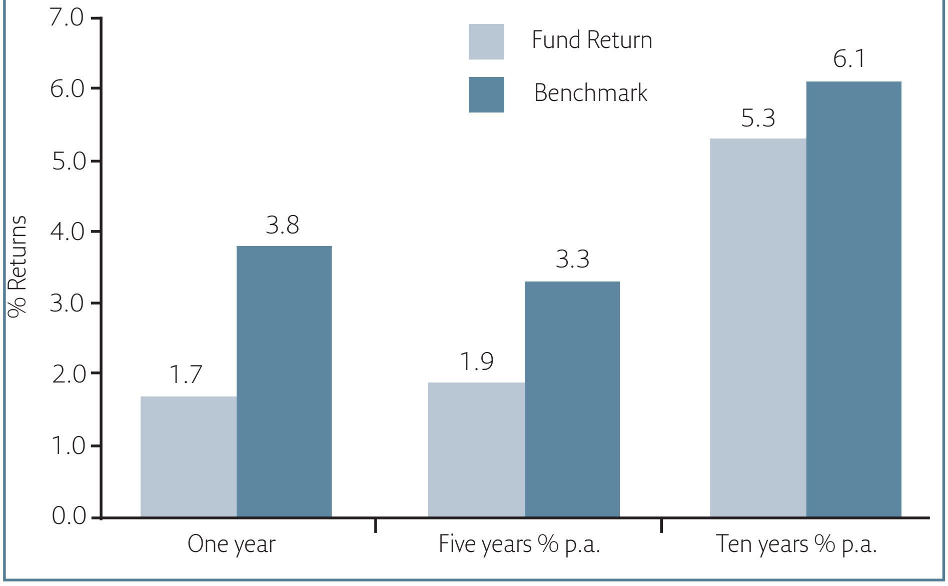


The Fund's investment return compared with its benchmark index over one, five and ten years is shown right.

Long-term Investment Performance

The Fund's investment return in each of the last ten years is shown below. The Fund's investment returns are shown compared with the Fund's own benchmark and also compared with the average local authority pension fund (as collated by the WM Company's performance measurement service). In addition the Fund's returns are compared with the movement in consumer prices and average earnings over this period.

The Fund's investment return compared with its benchmark index



Long-term performance (year ended 31 March)										
	03	04	05	06	07	08	09	10	11	12
	%	%	%	%	%	%	%	%	%	%
Fund return	**-18.4**	**23.9**	**11.0**	**26.2**	**8.3**	**-2.6**	**-22.2**	**32.9**	**7.2**	**1.7**
Fund benchmark	-19.5	23.4	11.7	24.9	7.0	-2.8	-19.9	35.2	8.2	2.6
Relative return	-0.1	-0.1	-0.8	-0.2	0.5	1.0	-1.2	-3.4	-1.2	-2.0
WM average	-19.5	23.4	11.7	24.9	7.0	-2.8	-19.9	35.2	8.2	2.6
WM ranking (percentile)	21	50	60	26	13	37	72	70	74	80
Consumer prices	1.5	1.3	1.7	1.9	2.9	2.4	3.0	3.2	4.2	3.5
Average earnings	4.5	4.6	3.8	5.2	5.0	3.8	-2.1	6.1	2.0	0.2

> *Over the past ten years the Fund's investment return is higher than both price and pay inflation*

The Fund's rolling investment return over one, three, five and ten years is shown right, against various comparators.

The Fund's investment return is below the WM local authority average in each of the periods shown. Over one year the Suffolk Fund's investment return was in the bottom fifth of local authority funds (80th percentile ranking) and the Fund was also in the bottom quarter of local authority returns over three and five years. The Fund's investment return is also below the movement of consumer prices over one and five years, although over the past ten years the Fund's investment return is higher than both price and pay inflation.

Long-term performance (annualised)				
	1 year	3 year	5 year	10 year
	%	p.a. %	p.a. %	p.a. %
Fund return	**1.7**	**13.2**	**1.9**	**5.3**
Fund benchmark	2.6	14.5	3.2	5.7
Relative return	-0.8	-1.2	-1.2	-0.3
WM local authority average	2.6	14.5	3.2	5.7
WM local authority ranking (percentile)	80	82	77	61
Consumer prices	3.5	3.6	3.3	2.6
Average earnings	0.2	2.7	2.0	3.3

Manager Performance

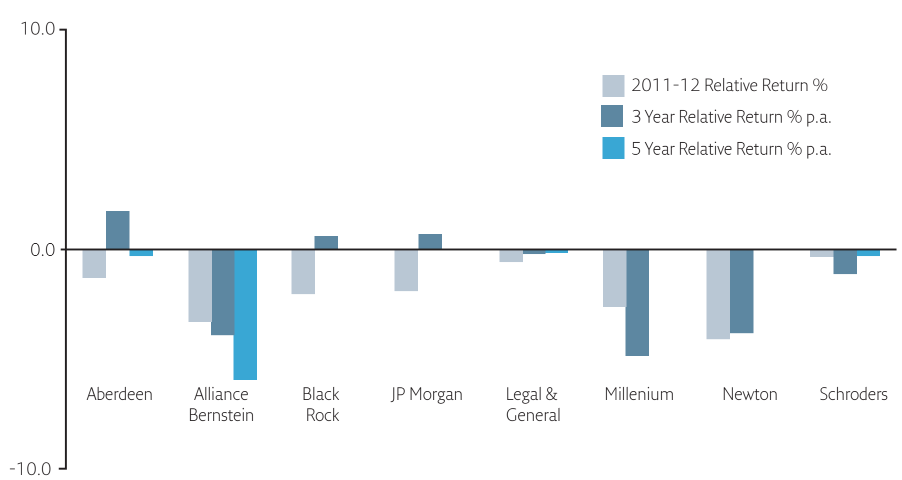
The table and chart right and below shows the investment returns by the Fund's managers relative to their benchmarks over one, three and five years.

Note: The Fund's private equity managers, Pantheon and Wilshire, are compared with the benchmark return for quoted stockmarkets for reporting purposes. Private equity returns can be significantly different from the performance of these markets over the short to medium term and these managers' performance is assessed on the basis of the long-term realised proceeds from their investments. Legal and General manages a passive index-tracking mandate, which is not expected to outperform the benchmark. However the manager's performance may vary from time to time compared with the benchmark index for technical reasons.

Share of Fund 31 Mar 12	Manager	2011-12 Relative Return	3 Year Relative Return	5 Year Relative Return
%		%	% p.a.	% p.a.
7	Aberdeen	-1.2	1.7	-0.2
11	Alliance Bernstein	-3.3	-4.0	-5.9
9	BlackRock	-2.0	0.5	n/a
14	JP Morgan	-1.8	0.7	n/a
29	Legal & General	-0.5	-0.2	-0.1
2	Millennium	-2.6	-4.8	n/a
13	Newton	-4.1	-3.8	n/a
4	Pantheon and Wilshire	1.7	-17.3	-2.4
10	Schroders	-0.3	-1.1	-0.3
1	Cash			
100				

The majority of the Fund's investment managers underperformed in 2011-12. The managers' performance is judged over the longer term, typically over three or five years. Over three years, BlackRock, JP Morgan and Aberdeen achieved a modest level of outperformance, while the Fund's other managers underperformed compared with their benchmarks. Over five years, those managers with a full performance track record over this period underperformed compared with their benchmarks, with significant underperformance by AllianceBernstein. The Pension Fund Committee has made a number of changes to the investment mandates of the Fund as a result of the review of investment strategy referred to above.

Investment Managers' relative returns



Analysis of Investments at 31 March 2012

Holdings	Pooled Investment Vehicles Market Value	Segregated Holdings Market Value	Total Market Value	% of Market Value
	£000	£000	£000	%
Bonds				
Fixed Interest UK Securities - Gilts	28,369	23,053	51,422	3.4
Index Linked Gilts	65,355		65,355	4.3
Overseas Fixed Interest Securities	41,854		41,854	2.7
Corporate Bonds	173,020		173,020	11.4
Total Bonds	**308,598**	**23,053**	**331,651**	**21.8**
UK Equities				
Basic Materials		39,214	39,214	2.6
Consumer Goods		41,474	41,474	2.7
Consumer Services		28,769	28,769	1.9
Financials		69,397	69,397	4.6
Health Care		31,870	31,870	2.1
Industrials		25,021	25,021	1.6
Oil and Gas		58,015	58,015	3.8
Technology		2,379	2,379	0.2
Telecommunications		25,009	25,009	1.6
Utilities		9,734	9,734	0.6
Pooled	7,612		7,612	0.5
Total UK Equities	**7,612**	**330,882**	**338,494**	**22.2**
Overseas Equities				
Europe	77,272	91,902	169,174	11.1
North America	88,281	178,907	267,188	17.6
Japan	22,019	30,354	52,374	3.4
Other Asia	31,054	39,307	70,360	4.6
Other International		35,721	35,721	2.3
Total Overseas Equities	**218,626**	**376,191**	**594,817**	**39.0**
Private Equity		66,212	66,212	4.3
Infrastructure	6,097		6,097	0.4
Other Managed Funds - Cash Instruments	1,301	9,338	10,639	0.7
Active Currency		33,724	33,724	2.2
Forward Foreign Exchange Contracts (Net Asset Position)		-4,543	-4,543	-0.3
Property Unit Trusts	147,155		147,155	9.7
Total	**689,389**	**834,857**	**1,524,246**	**100.0**

Top 40 Holdings as at 31 March 2012

The following table details the top 40 Holdings as at 31 March 2012 and the corresponding holding as at 31 March 2011:

2010 - 2011			2011 - 2012	
Market Value £ Million	% of Market Value	Holding	Market Value £ Million	% of Market Value
91.170	5.85%	L&G Investment Grade Corporate Bond	95.079	6.18%
87.075	5.58%	North America Equity Index GBP hedged	88.281	5.73%
70.223	4.50%	Aberdeen Fixed Income Sterling Credit Fund	77.941	5.06%
73.380	4.71%	L&G European Equity Index Hedged	77.271	5.02%
63.193	4.05%	L&G Over 5 Year Linked Gilts Index	65.355	4.24%
34.615	2.22%	L&G Global Emerging Markets Index	36.258	2.35%
30.394	1.95%	L&G Pacific Basin Equity Index Hedged	31.054	2.02%
30.729	1.97%	Millennium Active Currency Total	29.511	1.92%
28.921	1.85%	L&G Over 15 Years Gilts Index	28.369	1.84%
22.946	1.47%	Royal Dutch Shell	22.799	1.46%
20.736	1.33%	L&G Japan Equity Index	22.019	1.43%
19.821	1.27%	Vodafone Group	21.558	1.40%
17.463	1.12%	HSBC Holdings	18.521	1.20%
14.825	0.95%	British American Tobacco	18.331	1.19%
16.153	1.04%	BP	18.055	1.17%
12.859	0.82%	GlaxoSmithKline	17.522	1.14%
15.378	0.99%	Schroders Exempt Property Units	15.700	1.02%
13.680	0.88%	Standard Life Pooled Pension Property Fund	14.279	0.93%
18.701	1.20%	Rio Tinto	14.128	0.92%
11.982	0.77%	L&G Managed Property Fund	12.586	0.82%
13.499	0.87%	AstraZeneca	11.754	0.76%
10.253	0.66%	BlackRock Property Fund	10.305	0.67%
9.558	0.61%	Lothbury Property Units	9.896	0.64%
7.923	0.51%	Wilshire US Private Markets Fund VII	9.299	0.60%
4.192	0.27%	BG Group	8.777	0.57%
8.221	0.53%	Hermes Property Unit Trusts	8.404	0.55%
3.814	0.24%	Pfizer Inc	8.184	0.53%
8.502	0.55%	Barclays	8.107	0.53%
7.896	0.51%	BlackRock UK Smaller Companies Fund	7.612	0.49%
0.000	0.00%	Real Income Fund	7.608	0.49%
2.556	0.16%	Mayfair Capital Property	7.581	0.49%
2.820	0.18%	Microsoft Corporation	6.854	0.45%
6.229	0.40%	West End of London Property Units	6.830	0.44%
6.662	0.43%	Threadneedle Investment Property Trust	6.762	0.44%
6.910	0.44%	Hercules Unit Trust	6.702	0.44%
0.000	0.00%	Columbus UK Real Estate	6.606	0.43%
4.409	0.28%	Nestle	6.539	0.42%
6.168	0.40%	BHP Billiton	6.470	0.42%
9.844	0.63%	Xstrata	6.465	0.42%
4.178	0.27%	Roche Holdings	6.368	0.41%

These 40 holdings make up £881.740 million, 57.4% of the total portfolio.

Statement of Internal Control 2011-12

Scope of responsibility

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

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

The purpose of the system of internal control

3. The county council's system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise risks to the achievement of the Fund's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The internal control environment

Establishing and monitoring the achievement of the Fund's objectives

4. The main set of rules governing local government pension fund investments is contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (the 2009 Regulations). These consolidate and repeal a number of earlier regulations including the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (the 1998 Regulations).

5. The county council has set up a separate bank account solely for the purpose of the pension scheme.

6. The 2009 Regulations continue to require the administering authority (the county council) to

    (a) formulate a policy for the investment of its fund money which must take into account the advisability of investing in a wide variety of investments and suitability of particular investments and types of investments, and

> *"The County Council's system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives"*

(b) publish a written Statement of Investment Principles (SIP).

7. The county council has established objectives which are set out in its SIP and it has also published a Funding Strategy Statement. The effectiveness of these is monitored throughout the year by the Committee. The Committee monitors investment performance relative to the growth in the liabilities by means of annual interim valuations and quarterly actuarial monitoring reports received by an independent performance analysis service.

8. The county council's internal auditors report the results of their work to the Committee. The Committee reports back to employers by means of the annual employers' meeting and communication of the interim valuation results.

The facilitation of policy and decision-making

9. New members of the Committee receive initial training on the role and responsibilities of the Committee. The Head of Strategic Finance provides advice to the Committee and the county council employs external advisors as necessary to advise on specific issues (e.g. on performance measurement, actuarial issues and investment strategy). The county council has appointed specialist investment managers to manage the investments of the Fund.

10. Committee Members receive on-going training to help develop their awareness and ensure they have the necessary skills / knowledge base to fulfil their responsibilities effectively. Training needs are addressed by a variety of means including external training seminars, in-house briefings and the training provided to the Committee by the Fund's external advisors at the regular Committee meetings.

11. The Committee also receives training in accordance with, and is compliant with, the CIPFA Pensions Finance Knowledge and Skills Framework. In the final report of the Independent Public Service Pensions Commission, Lord Hutton recommended that "every public service pension scheme (and individual LGPS Fund) should have a properly constituted, trained and competent Pension Board".

Ensuring compliance with established policies, procedures, laws and regulations

12. Customer Service Direct (CSD) manages the Local Government Pension Scheme on behalf of the county council. This includes the management of records, calculation of benefits, and payment of pensioners. Day-to-day investment transactions are also made by CSD.

13. Compliance with established policies, procedures, laws and regulations, relating to the conduct of business by CSD is achieved through the contractual agreement between CSD and the county council, and the county council's internal control framework. This includes the county council's Financial Regulations and Procedures, Statement of Investment Principles and Funding Strategy Statement. The Head of Strategic Finance (as the county council's Section 151 Officer) also has a statutory responsibility for ensuring compliance with the regulatory framework.

14. The Fund Management and Advisory agreements with external managers are an important part of the internal control environment. Quarterly performance reports provide evidence of compliance and performance. In addition, through the Advisory agreement, the county council is kept up to date with developments relating to

"The Fund Management and Advisory agreements with external managers are an important part of the internal control environment"

the exercise of its functions as an administering authority and of any changes required to its policies and procedures.

The financial management of the County Council

15. The system of internal financial control operated by the county council is based on a framework of regular management information, financial regulations, administrative procedures, management supervision, and a system of delegation and accountability. The system includes regular reviews of periodic and annual financial reports which indicate financial performance and sets targets to measure financial and other performance. In addition, the Pension Fund Committee has appointed independent advisors on investment matters, and an actuarial consultant specifically for the Pension Fund.

16. Within the county council's agreed internal audit plan, Audit Services carry out reviews of different aspects of the Pension Fund. Using the latest guidance produced by the County Chief Auditors Network and Lead Authority Working Group on the Audit of Investment Managers (LAWGAIM), two audits were completed during 2011-12: a) a compliance review of the Pension Scheme Administration, and b) a review of the Pension Fund Investment Management arrangements against LAWGAIM's good practice guidance.

Review of effectiveness

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

18. The Committee:

    a) Has met on a regular basis and has received reports from officers on issues concerning the Fund;

    b) Receives and considers quarterly performance reports from its Fund Investment Managers and Custodian;

    c) Receives regular monitoring reports of the Fund's asset allocation and investment returns relative to the benchmark;

    d) Monitors the delivery of benchmark returns relative to liabilities at the triennial actuarial valuations and actuarial monitoring between valuations;

    e) Receives annual interim valuations and quarterly actuarial monitoring reports;

    f) Has reviewed the Statement of Investment Principles and approved the publication of a Funding Strategy Statement; and

    g) Is compliant with the CIPFA Pension Finance Knowledge and Skills Framework.

Audit Services

19. Audit Services is an integral part of the county council's internal

"Access rights and restrictions to the pensions system are at an appropriate level"

control arrangements. The role, responsibility and objectives of Audit Services are specified in the county council's Constitution. The Head of Strategic Finance (Section 151 Officer) has delegated responsibility, under the Accounts and Audit Regulations 2011, to maintain a continuous, adequate and effective internal audit of the county council's accounting, financial and other processes.

20. The Audit Committee has responsibility for, amongst other things, ensuring effective mechanisms are in place to provide:

    a) independent assurance of the adequacy of the risk management framework and the associated control environment within the Council; and

    b) independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment.

    As such, the Audit Committee receives reports from Audit Services on a regular basis. This has included the internal audits relating to pensions.

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

Pension Scheme Administration

22. Suffolk County Council Pension Fund comprises over 50 scheme employers with active members and approximately 40,000 scheme members.

23. The audit confirmed that adequate monthly and annual checks and reconciliations are completed, and that access rights and restrictions to the pensions system are at an appropriate level.

24. Assurance can be given that the management of new scheme employers this year has been completed appropriately (specifically schools transferring to Academy Status). Testing will be required next year to seek assurance that Academies have been provided with the Administration Strategy and that Service Level Agreements are in place.

25. Legislative requirements for the production and issue of annual pension benefits statements to employees for the year ending 31 March 2011 was met (these statements were not issued for the year ending 31 March 2010).

26. Audit testing of transfers out originally found that payments were not always completed within ten days in accordance with the service level agreement (SLA) with scheme employers. This has resulted in a review of the system and, consequently, a decision has been made to amend the SLA to a more realistic target of fifteen days. The administration strategy will be amended to reflect this and employers notified.

27. Overall, the audit concluded that the operation of controls for Pension Scheme Administration is Effective.

> *"Overall, the audit concluded that the operation of controls for Pension Fund Investment Management is effective"*

Pension Fund Investment Management

28. A requirement of the 2009 Regulations was the greater separation of the funds of the pension scheme and of the local authority as a council. Local authorities are no longer allowed to use pension fund money for any purpose for which they have the power to borrow money. As such, the county council has set up a separate bank account solely for the purpose of the pension scheme. The need for a separate bank account and internal changes within the CSD / county council management of the fund initially created some control issues which have since been resolved. This reiterates the need for up to date procedure notes and training in place to make sure that changes in staffing and systems do not increase the risks to the controls in place.

29. The Statement of Investment principles has been prepared taking into account, amongst other things, the types of investment to be held, the balance between different types of investments, risk, the expected return on investment and the extent to which social, environmental or ethical considerations are taken into account.

30. The county council has reported on the extent it has complied with the Secretary of State's guidance, provided by CIPFA called Investment Decision-Making and Disclosure in the Local Government Pension Scheme; A Guide to the Application of the Myners Principles. The SIP was last reviewed in May 2011.

31. It is important that Pension Fund Committee members (new and existing) maintain a continuing level of awareness on this subject and the January 2012 Pension Fund Committee included, within the Business Plan, a proposal that the Committee review arrangements for training in 2012.

32. Overall, the audit concluded that the operation of controls for Pension Fund Investment Management is Effective.

33. Whilst the overall audit opinion does not take into account the performance of fund managers, it is important that lessons are learnt following investments with MF Global having been frozen as a result of them being placed in administration.

34. Although this audit provides the responsible Client Manager with assurance over the administration of pension fund investments, it is important that he continues to monitor and satisfy himself that the controls, mechanisms and decision making processes remain robust.

Annual Governance Statement

35. The county council is required to publish an Annual Governance Statement each year, which summarises the annual review of the effectiveness of its governance framework, including the system of internal control. The Annual Governance Statement accompanies the county council's Statement of Accounts.

36. Within the Annual Governance Statement, the Head of Audit Services, gave the following opinion:

    "Management is responsible for establishing and maintaining appropriate risk management

processes, control systems, accounting records and governance arrangements (i.e. the control environment). Audit Services plays a vital part in advising the organisation that these arrangements are in place and operating properly. On behalf of the Authority, Audit Services provides assurance to the organisation (The Chief Executive; Directors; Assistant Directors; Service Leads; and the Audit Committee) and ultimately the taxpayers that the authority maintains an effective control environment that enables it to manage its significant risks.

Audit Services helps the Council achieve its objectives and provides assurance that effective and efficient operations are maintained. The assurance work culminates in my annual opinion on the adequacy of the Authority's control environment.

The Audit Committee agreed the 2011-12 Internal Audit Plan on 18 May 2011. This was developed to focus specifically on financial management, corporate improvement agendas and corporate processes. Taking into account the limited internal audit resources available, the underlying principle to the 2011-12 plan was risk and accordingly audits were only completed in areas that represent an 'in year risk'.

The 2011-12 Internal Audit Plan has been flexible to ensure that resource is allocated to areas that can provide the best coverage to test the system of internal control. Although there were no constraints placed on the scope of audit work in the year, requests for audit work, the need to undertake investigative work, and staff absences have all contributed to the need to revise the audit plan, following agreement with the Head of Strategic Finance, resulting in reduced coverage in some areas and also the cancellation of some planned audits. However, I am satisfied that there has been adequate and effective audit

"There were no significant issues identified in the internal audits on Pension Scheme Administration or Pension Fund Investment Management"

coverage provided to enable a robust audit opinion to be given.

Financial control is a key element of the Council's overall control environment and as such it is recognised that the core financial systems must be considered in the risk based audit plan. During 2011-12, Audit Services carried out detailed reviews of the key main financial systems in operation and all areas were found to have effective systems and controls in place.

Some significant issues have arisen during the year but action plans have been agreed with the relevant managers to address the weaknesses identified. Where weaknesses have been identified they have tended to relate to specific parts of the organisation rather than an across the board breakdown in controls. Those audits involving major control weaknesses are in the minority and in general terms, controls are sufficient to prevent or detect serious breakdowns in systems and procedures. However, it is clearly important that issues identified during the year are addressed. Note: there were no significant issues identified in the internal audits on Pension Scheme Administration or Pension Fund Investment Management.

This opinion relies on the key financial controls being in place and the corporate governance framework operating effectively. Based on the findings of the managed audit and governance reviews together with other operational audits carried out throughout 2011-12, and the outcomes of external assurance provider reports, my opinion is that the Authority's control environment provides assurance that the significant risks facing the Authority are addressed and financial administrative systems are effective.

In arriving at my opinion, I have taken into account:

a) The results of all audits undertaken as part of the 2011-12 audit programme;

b) The results of follow-up audits;

c) Whether or not 'high risk' recommendations have been accepted by management and the consequent risks;

“No significant weaknesses requiring corrective action have been identified in the system of internal control”

d) The effects of any material changes in the Authority’s objectives or activities or risk profile;

e) Whether any limitations have been placed on the scope of audit;

f) The scope of the internal control environment - which comprises the whole network of systems and controls established to manage the county council (including those administered by Customer Services Direct) to ensure that its objectives are met. It includes financial and other controls, and also arrangements for ensuring that the county council is achieving value for money from its activities; and

g) Findings of work performed by other assurance providers (e.g. the Audit Commission who Audit Services has liaised with throughout the year in order to share information and reduce any duplication of audit activity; Mid-Suffolk District Council Internal Audit who, in partnership, carry out internal audit reviews of the main financial systems).

In giving my audit opinion, it should be noted that, with limited resources available, assurance can never be absolute. The most that I can provide to the Head of Strategic Finance and Audit Committee is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.”

Significant Internal Control Issues

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

Geoff Dobson
Head of Strategic Finance
September 2012

Suffolk County Council Pension Fund ("the Fund") Actuarial Statement for 2011-12

This statement has been prepared in accordance with Regulation 34(1)(d) of the Local Government Pension Scheme (Administration) Regulations 2008, and Chapter 6 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK 2011/12.

Description of Funding Policy

The funding policy is set out in the Suffolk County Council's Funding Strategy Statement (FSS). In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund;
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- not to restrain unnecessarily the investment strategy of the Fund so that the Pension Fund Committee can seek to maximise investment returns (and hence minimise the cost of the benefits) with an appropriate level of risk;
- to help employers recognise and manage pension liabilities as they accrue;
- to minimise the degree of short-term change in the level of each employer's contributions where the Pension Fund Committee 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 pension obligations; and
- to address the different characteristics of different employers or groups of employers to the extent that it is practical and cost-effective to do so.

The FSS sets out how the Administering Authority seeks to balance the potentially 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 below the theoretical rate required 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 still a better than 50% 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 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2010. This valuation revealed that the Fund's assets, which at 31 March 2010 were valued at £1,415 million, were sufficient to meet 82% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2010 valuation was £306 million.

Individual employers' contributions for the period 1 April 2011 to 31 March 2014 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 my valuation report dated 24 March 2011.

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 2010 valuation were as follows:

Financial assumptions	31 March 2010 % p.a. Nominal	31 March 2010 % p.a. Real
Discount rate	6.1%	2.8%
Pay increases *	5.3%	2.0%
Price inflation/Pension increases	3.3%	-

* plus an allowance for promotional pay increases. Short term pay growth was assumed to be 1% p.a. for 2010/11 and 2011/12, reverting to 5.3% p.a. thereafter.

The key demographic assumption was the allowance made for longevity. As a member of Club Vita, the baseline longevity assumptions adopted at this valuation were a bespoke set of VitaCurves that were specifically tailored to fit the membership profile of the Fund. Longevity improvements were in line with standard PXA92 year of birth mortality tables, with medium cohort projections and a 1% p.a. underpin effective from 2007. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.4 years	23.3 years
Future Pensioners	23.7 years	25.7 years

Copies of the 2010 valuation report and Funding Strategy Statement are available on request from Suffolk County Council, administering authority to the Fund.

Experience over the period since 1 April 2010

The Administering Authority monitors the funding position on a regular basis as part of its risk management programme. The most recent funding update was produced as at 30 June 2012. It showed that the funding level (excluding the effect of any membership movements) has worsened since the 2010 valuation due to falling real bond yields and lower asset returns than expected.

The next actuarial valuation will be carried out as at 31 March 2013. The Funding Strategy Statement will also be reviewed at that time.

Linda Dudley
Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP
18 July 2012

Hymans Robertson LLP
20 Waterloo Street
Glasgow
G2 6DB

Pension Fund Accounts for 2011-2012

Basis of Preparation of Pension Fund Accounts

The Statement of Accounts summarises the Fund's transactions for the 2011 - 2012 financial year and its position as at 31 March 2012.

These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in United Kingdom 2011 - 2012, which is based upon International Financial Reporting Standards (IFRS). The Code also incorporates elements of 2007 SORP "Financial Reports of Pension Schemes".

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. 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 6.3 of these accounts.

Restated 2010 - 2011 £ million	Fund Account	Notes	2011 - 2012 £ million
	Dealings with members, employers and others directly involved in the scheme		
	Contributions and benefits		
	Contributions receivable:		
	From employers		
66.474	Normal	4	61.568
3.602	Deficit funding	4	6.200
3.548	Other	4	3.936
	From members		
20.404	Normal	4	19.200
	Transfers In		
7.381	Individual transfers in from other schemes		3.402
0.000	Group transfers in from other schemes		0.194
0.036	Other Income		0.023
	Benefits payable:		
-50.064	Pensions	4	-55.097
-16.390	Commutations of pensions and lump sum retirement benefits		-17.246
-1.961	Lump sum death benefits		-2.219
	Payments to and on account of leavers:		
-0.002	Refunds of Contributions		-0.007
-12.605	Individual transfers out to other schemes		-4.878
-28.627	Group Transfers out to other Schemes		0.000
-1.624	Administration expenses borne by the scheme		-1.619
-9.828	**Net additions (withdrawals) from dealings with members**		**13.457**
	Returns on investments		
	Investment income		
0.693	Interest from fixed interest securities		0.890
17.937	Dividends from equities		20.522
8.201	Income from pooled investment vehicles		6.679
0.347	Interest on Cash Deposits		0.004
0.186	Other		0.341
-0.511	Taxes on Income		-0.359
73.377	Change in market value of investments	10	1.481
0.000	Impairment of Investments	10	-6.219
-3.869	Investment management expenses borne by the scheme		-3.973
96.361	**Net returns on investments**		**19.366**
86.533	Net increase, or (decrease), in the fund during the year		32.823
1,436.528	Opening net assets of the scheme		1,523.061
1,523.061	**Closing net assets of the scheme**		**1,555.884**

Restated 31 March 2011 £ million	Net asset statement	Notes	31 March 2012 £ million
	Investment assets		
	Fixed interest securities:		
22.601	UK government fixed interest securities	10	23.053
	Equities:		
340.136	UK companies	10	330.882
390.029	Overseas companies	10	376.191
59.518	Private Equity	10	66.212
0.000	Other Managed Funds	10	9.338
	Pooled Investment Vehicles		
75.356	Open ended investment company	10	83.537
8.679	Unit trusts	10	15.010
429.485	Unit linked insurance policies	10	443.687
142.065	Property unit trust	10	147.155
	Derivative Contracts:		
32.414	Active Currency	10	33.724
47.072	Futures: UK	10	0.000
	Other Investment Balance		
2.974	Cash held by broker for Futures Contracts	5,10	0.026
0.000	Cash Backing Open Futures Contracts	5,10	4.457
6.764	Cash [held by the investment managers]	5	6.307
2.182	Margin Variation	5,10	0.049
1,559.275			**1,539.628**
	Investment liabilities		
-4.084	Futures:Overseas		-4.457
-0.070	Forward Foreign Exchange Contracts		-0.086
-42.986	Cash Backing Open Futures Contracts		0.000
1,512.135	**Total investments**		**1,535.085**
	Current assets		
9.536	Sundry debtors	16	13.292
7.945	Cash Deposits		12.273
0.234	Cash at Bank		0.374
17.715			**25.939**
	Current liabilities		
-6.789	Sundry creditors	16	-5.140
-6.789			**-5.140**
10.926	**Net current assets**		**20.799**
1,523.061	**Net assets**		**1,555.884**

1. Running the Fund

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

2. Restatements

The 2011 – 2012 accounts reflect restatements to the 2010 – 2011 comparative figures to ensure a consistent accounting treatment in both years. One of these restatements was of a significant nature, £3.859 million was incorrectly accounted for as income from dividends in the Fund account whereas it should have been accounted for as pooled investment income.

3. Events after the Balance Sheet Date

There have been no events since 31 March 2012, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

4. Membership

The Fund has the following numbers of members and pensioners:

31 March 2011		31 March 2012
18,505	Members	17,779
9,810	Employee pensioners	10,458
1,817	Dependent pensioners	1,863
14,593	Deferred	16,040

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

2010-2011 Employers' Contributions £ million	2010-2011 Employees' Contributions £ million	2010-2011 Benefits Paid £ million		2011-2012 Employers' Contributions £ million	2011-2012 Employees' Contributions £ million	2011-2012 Benefits Paid £ million
45.323	12.499	-24.498	Suffolk County Council	40.144	10.987	-27.518
25.837	7.187	-24.756	Other Scheduled and Resolution Bodies	28.956	7.514	-26.403
2.461	0.721	-0.810	Admitted Bodies	2.604	0.699	-1.176
73.621	20.407	-50.064	Total	71.704	19.200	-55.097

Included within employer contributions of £71.704 million shown in the fund account and the table above, is an amount for deficit funding of £12.563 million paid within the employers percentage. The deficit funding identified separately on the fund account of £6.200 million refers to those employers funding their deficit by means of lump sum payments.

Employer contributions are made up of two elements:

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

The Fund's actuary is required by the regulations to report the Common Contribution Rate[1] for all employers collectively at each triennial valuation. It combines items (a) and (b) and is expressed as a percentage of pay. For the purpose of calculating the Common Contribution Rate, the surplus or deficit under (b) has in the past been spread over a period equivalent to the

[1] See Regulation 77(4) of the Local Government Scheme Regulations

remaining working lifetime of all the employers' scheme members. The aim is to cover any deficit within 20 years as per the actuarial position on note 6.

The Fund's actuary is also required to adjust the Common Contribution Rate for circumstances which are deemed "peculiar" to an individual employer[2]. It is the adjusted contribution rate which employers are actually required to pay.

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

2011 - 2012 is the first year of three, recovering the contribution rates set by the actuary at the 2010 valuation to reflect the future service rate and the past service adjustment.

A full list of employers and their contribution rates are included in the Funding Strategy Statement that is published separately on the Suffolk County Council website www.suffolk.gov.uk/your-council/finance/pension-fund-and-accounts

Scheduled Bodies are organisations as listed in the Local Government Pension Scheme Regulations 1997 (Schedule 2) such as County Councils and Borough/District Councils etc, the employees of which may join the Scheme as a right.

Resolution Bodies are organisations which have the right to join the Scheme if they elect to do so (e.g. a Parish Council). Membership may apply to some or all of its employees.

5. Managing the Fund

The Fund is invested in line with Local Government Pension Regulations.

The Fund investments are managed by:

- Aberdeen Asset Managers
- BlackRock Investment Management
- JP Morgan Asset Management
- Legal and General Investment Management
- MF Global (up to Oct 2011)
- Pantheon Ventures
- Schroders Property Investment Management
- AllianceBernstein Institutional Investments
- Cambridge Research and Innovation Limited
- Kohlberg Kravis Roberts (From Dec 2011)
- Millennium Global Investments
- Newton Investment Management
- Partners Group (from Mar 2012)
- Wilshire Associates

The managers invest within a broad policy agreed by the Pension Fund Committee, who they report to at intervals during the year. The long term nature of the Fund's liabilities means that capital growth potential and likely income, within acceptable levels of risk, are the main investment considerations. A copy of the Fund's Statement of Investment Principles can be obtained from the Suffolk County Council website www.suffolk.gov.uk/your-council/finance/pension-fund-and-accounts

The following table shows the market value of investments held by each manager at 31 March 2012:

31 March 2011 Market Value £ million	31 March 2011 Percentage of Assets %		31 March 2012 Market Value £ million	31 March 2012 Percentage of Assets %
97.296	6.30%	Aberdeen Asset Managers	106.710	7.00%
167.250	10.83%	AllianceBernstein Institutional Investments	165.261	10.84%
142.321	9.22%	BlackRock Investment Management	140.778	9.24%
0.118	0.01%	Cambridge Research & Innovation Limited	0.064	-
213.069	13.80%	JP Morgan Asset Management	207.517	13.61%
0.000	0.00%	Kohlberg Kravis Roberts	1.232	0.08%
429.486	27.82%	Legal and General Investment Management	443.687	29.11%
45.664	2.96%	Man financials	-	0.00%
32.414	2.10%	Millennium Global Investments	33.724	2.21%
214.117	13.87%	Newton Investment Management	202.046	13.26%
24.611	1.64%	Pantheon Ventures	26.691	1.75%
0.000	0.00%	Partners Group	4.865	0.32%
142.065	9.20%	Schroder Property Investment Management	152.215	9.99%
34.790	2.25%	Wilshire Associates	39.456	2.59%
1,543.201	100.00%		1,524.246	100.00%

[2] See Regulation 77(6) of the Local Government Scheme Regulations

The value of the investments held by the managers (£1,524.246 million) reconciles to the net asset statement as follows:

2010 - 2011 £ million		2011 - 2012 £ million
1,512.135	Total Investments	1,535.085
-2.974	Cash held by Broker	-0.026
-6.764	Cash held by investment Manager	-6.307
-2.182	Margin Variation	-0.049
42.986	Cash backing futures contracts	-4.457
1,543.201	**Market Value**	**1,524.246**

Legal and General Investments are invested in its own index pooled funds, of this £187.572 million is invested in currency hedged funds (£206.560 million as at 31 March 2011). Similarly, £83.538 million (78.3%) of Aberdeen investments are in its own pooled Funds (£73.361 million, 75.4% as at 31 March 2011). The pooled funds are one step removed from direct ownership of the assets. The type of investments shown in the net asset statement, on page 101, includes both equities and pooled fund investments.

At the 31 March 2012 the Derivative contracts shown below were outstanding. The Futures were held by Aberdeen Asset Managers. The Forward exchange contracts were held by Aberdeen Asset Managers, Newton Investment Management and JP Morgan.

The Pension Fund's investment managers are permitted to use derivatives in the management of their mandates, subject to the restrictions set out in the individual manager's investment management agreement.

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

Newton Investment Management and JP Morgan make use of currency hedging for the purpose of reducing exchange rate risk in the investments held in their mandates.

31 March 2011 Economic Exposure Value £ million	Type of Derivative	Expiration	31 March 2012 Economic Exposure Value £ million
15.209	Forward foreign exchange contracts (over the counter)	Less than 1 Year	23.018
45.428	UK FTSE (exchange traded)	Less than 1 Year	0.000
1.406	UK Treasury (exchange traded)	Less than 1 Year	0.000
-6.547	Overseas Treasury (exchange traded)	Less than 1 Year	-7.122

6. Actuarial Position

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

There are three actuarial valuation figures provided below: The first (6.1) is based on information collected at the last formal valuation which was 31 March 2010. The second (6.2) is an interim valuation carried out at 31 March 2012. This is based on assumptions specifically tailored to the Suffolk Pension Fund. Lastly there is the IAS26 (6.3). This is carried out at 1 March 2012, but is based on standardised assumptions set by CIPFA so Pension Funds can be compared.

6.1 Formal Valuation

The last formal three-yearly actuarial valuation was carried out as at 31 March 2010. The valuation report sets out the rates of the employer's contributions for the three years starting 1 April 2011. 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 2010.
- The 'projected unit method' of actuarial valuation.
- Projected investment returns of 6.1% per year, increases in future salaries of 5.3% a year (pay increases of 1.0% in 2010-2011 and 2011-2012 and 2.0% thereafter plus any allowance for increments) and for pension increases of 3.3% a year.

The results of the valuation were:

- The actuarial assessment of the value of the Fund's assets was £1,415 million as at 31 March 2010 (the market value of assets in the accounts of the Pension Fund).
- The actuarial assessment of the Fund's liabilities, was £1,721 million at 31 March 2010.

The valuation showed that the Fund's assets covered 82% of its liabilities at the valuation date, and the deficit based on the actuarial valuation was £306 million. The actuary has confirmed that the employer's Common Contribution Rate should be 22.3% of pensionable pay for the three years starting 1 April 2011. The aim is to recover the Pension Fund deficit over a period of twenty years.

6.2 Interim Valuation

An interim valuation was carried out as at 31 March 2012. The valuation was based on the actuary's Navigator report which is based on long term financial assumptions for the Suffolk Fund and contains the following assumptions:

- Projected investment returns of 4.86% per year, increases in future salaries of 4.80% a year and for pension increases of 3.30% a year.
- The actuarial value of the Fund's assets was £1,631 million and the liabilities £2,264 million at 31 March 2012.

The valuation showed that the Fund's assets covered 72.0% of its liabilities at the valuation date and the deficit was £633 million.

6.3 International Accounting Standard 26 (IAS26)

CIPFA's Code of Practice on Local Authority Accounting 2011 - 2012 requires administering authorities of the LGPS Funds that prepare Pension Fund accounts to disclose what IAS26 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 IAS19 rather than assumptions tailored to the Suffolk Pension Fund.

The following assumptions have been used:

- Pension increases of 2.5% a year.
- Increases in future salaries of 4.8% a year.
- Projected investment returns of 4.8% per year.

The IAS 26 calculation shows that the present value of promised retirement benefits amount to £2,114 million as at the 31 March 2012 (£1,932 million as at 31 March 2011).

7. Accounting Policies

These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in United Kingdom 2011 – 2012, which is based upon International Financial Reporting Standards (IFRS). The Code also incorporates elements of 2007 SORP 'Financial Reports of Pension Schemes'.

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

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

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

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

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

- Listed securities and managed Funds are valued at the current bid price on the 31 March.
- Unit trusts investments are shown at the current market value.
- Private Equity are valuations as at 31 December 2011 which are compiled in accordance with the guidelines issued by the British Venture Association or equivalent body, adjusted for payments to and received from the equity manager in the period 1 January 2012 to 31 March 2012.
- Investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate on the balance sheet date.
- Futures are shown at market value which is the total exposure to the stock market that the futures contracts' effect.
- Forward foreign exchange contracts outstanding at 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.
- For exchange traded derivative contracts which are assets, market value is based on quoted bid prices.
- For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices.

All investment income is valued at the balance sheet date, as follows:

- Investment income is taken into account where dividends have been declared at the end of the financial year. Investment income also includes withholding tax. The amount of irrecoverable withholding tax is disclosed as a separate line item on the face of the Fund account.
- Income from fixed interest and index linked securities, cash and short-term deposits is accounted for on an accruals basis.
- Income from other investments is accounted for on an accruals basis.
- The change in market value of investments during the year comprises all increases and decreases in market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Bank balances and cash held by the Pension Fund at the 31 March are therefore clearly cash equivalent sums. For short term investments there are no strict criteria to follow relating to the nature and maturity of these items. The Pension Fund holds short term investments for the purpose of obtaining a gain or return and its policy is that fixed term deposits of any length should be classed as an investment and not a cash equivalent on the Balance Sheet.

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

8. Critical Judgements in Applying Accounting Policies

Unquoted Private Equity Investments

It is important to recognise the subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds, Wilshire and Pantheon in which Suffolk County Council Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation guidelines, which follow the valuation principles of IFRS. The value of the unquoted equities at 31 March 2012 was £66.212 million (£59.518 million at 31 March 2011).

Pension Fund Liability

The Pension Fund liability is calculated every three years by the appointed actuary, Hymans Robertson LLP. The methodology used is in line with accepted guidelines and in accordance with IAS 19. The assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 6.1. This estimate is subject to significant variances based on changes to the underlying assumptions.

9. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Fund about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Net Asset Statement as at March 2012 for which there is a significant risk of material adjustment in the forth coming 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 is engaged to provide the fund with expert advice about the assumptions to be applied.

Private Equity

Private equity investments are valued at fair value in accordance with appropriate standards and guidance. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

10. Buying and Selling Investments

The following is a summary of the investments that were bought and sold during the year. The total of the summary (£1524.246 million and £10.839 million) is the Total Investment as shown in the net asset statement £1,535.085 million (£1,512.135 million 2010 - 2011)

	Restated Opening Balance 01 April 2011 £ million	Purchase £ million	Transaction costs on purchase £ million	Sales £ million	Transaction costs on sale £ million	Change in Market Value £ million	Closing Balance 31 March 2012 £ million
Quoted							
UK Government Fixed Interest Securities	22.601	14.928	0.000	-18.441	0.000	3.965	23.053
UK Companies	340.136	149.675	0.143	-142.467	0.137	-16.740	330.882
Overseas Companies	390.029	269.106	0.981	-262.330	0.287	-21.882	376.191
Other Managed Funds	0.000	69.434	0.000	-60.460	0.000	0.364	9.338
UK FTSE exchange traded futures	45.666	84.480	0.000	-128.969	0.000	-1.177	0.000
UK Treasury Exchange Traded Futures	1.406	2.218	0.004	-3.744	0.000	0.116	0.000
Overseas Treasury Exchange Traded Futures	-4.084	17.213	0.001	-17.225	0.000	-0.364	-4.457
Derivatives - Currency	32.414	0.000	0.000	0.000	0.000	1.310	33.724
Derivatives - Forward Foreign Exchange contracts	-0.070	344.908	0.000	-344.908	0.000	-0.016	-0.086
Pooled Investment Vehicles							
Open ended investment company	75.356	6.646	0.000	-2.535	0.000	4.070	83.537
Unit trusts	8.679	32.380	0.000	-25.494	0.000	-0.555	15.010
Unit linked insurance policies	429.485	28.375	0.000	-37.375	0.000	23.202	443.687
	1,341.618	**1,019.363**	**1.129**	**-1,043.948**	**0.424**	**-7.707**	**1,310.879**
Unquoted							
Pooled investment vehicle -property unit trust	142.065	20.541	0.000	-18.358	0.000	2.907	147.155
Private Equity	59.518	5.717	0.000	-4.440	0.000	5.417	66.212
	201.583	**26.258**	**0.000**	**-22.798**	**0.000**	**8.324**	**213.367**
	1,543.201	**1,045.621**	**1.129**	**-1,066.746**	**0.424**	**0.617**	**1,524.246**

	Opening Balance 2011-2012 £ million	Movement in cash balance £ million	Impairment of Investments £ million	Change in Market Value £ million	Closing Balance 2011-2012 £ million
Margin Variation	2.182	0.000	0.000	-2.133	0.049
Cash Backing Open Futures	-42.986	45.309	0.000	2.134	4.457
Cash Held by the Broker for Future Contracts	2.974	-2.948	0.000	0.000	0.026
Cash Held by the investment managers	6.764	4.945	-6.219	0.817	0.088
	-31.066	**47.306**	**-6.219**	**0.818**	**10.839**

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

The change in market value £1.435 million (£0.617 million plus £0.818 million) on the table above is £0.046 million lower than the change in market value on the fund account £1.481 million. The difference is caused by the exchange rate differences between the Aberdeen futures when they were opened in 2010 - 2011 and when they closed in 2011 - 2012; the realised loss has been included in the fund account.

The impairment of investments, £6.219 million relates to the MF Global investment. Further details can be found in Note 13c.

11. Holdings above 5% of the Fund

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

Market Value 31 March 2011 £ million	Percentage of the Fund 31 March 2011	Asset Type	Manager	Market Value 31 March 2012 £ million	Percentage of the Fund 31 March 2012
90.665	5.82%	Corporate Bond Index	Legal and General	95.079	6.19%
87.052	5.59%	North American Index	Legal and General	88.281	5.75%
70.261	4.65%	Global Sterling Credit Fund	Aberdeen	77.941	5.08%
75.193	4.98%	European Equity Index Hedged	Legal and General	77.272	5.03%

This is a summary of individual holdings within the Fund which exceed 5% of any class or type of security at the balance sheet date.

Restated Market Value of Asset Class 31 March 2011 £ million	Restated Market Value of Securities 31 March 2011 £ million	Percentage of the Asset Class 31 March 2011 %	Holdings by Asset Type	Market Value of Asset Class 31 March 2012 £ million	Market Value of Securities 31 March 2012 £ million	Percentage of the Asset Class 31 March 2012 %
	1.857	8.22%	Tsy 4 1/4 2036 Bonds 03/36 4.25		4.604	19.97%
	N/A	N/A	Tsy 4 1/2 2042 Bonds 12/42 4.5		4.041	17.53%
	N/A	N/A	Tsy 4 1/4 2055 Bonds 12/55 4.25		3.514	15.24%
	N/A	N/A	Tsy 4 2060 Bonds 01/60 4		3.384	14.68%
	N/A	N/A	Tsy 4 1/4 2046 Bonds 12/46 4.25		3.273	14.20%
	3.713	16.43%	Tsy 4 1/4 2039 Bonds 09/39 4.25		2.938	12.74%
	8.968	39.68%	Tsy 4 1/4 2049 Bonds 12/49 4.25		1.299	5.64%
	3.604	15.94%	Tsy 4 1/2Pct 2042 4.5Pct 07Dec42 Stk Gbp100		N/A	N/A
	3.096	13.70%	Tsy 4 1/2Pct 2034 09/34 Fixed 4.5		N/A	N/A
	1.363	6.03%	Tsy 4 1/4Pct 2027 4.25Pct Stk 07Dec27		N/A	N/A
22.601	**22.601**	**100.00%**	**UK Government Fixed Interest Securities**	**23.053**	**23.053**	**100.00%**
	22.945	6.75%	Royal Dutch Shell PLC		22.799	6.89%
	19.821	5.83%	Vodafone Group PLC		21.558	6.52%
	17.463	5.13%	HSBC Holdings PLC		18.521	5.60%
	N/A	N/A	British American Tobacco		18.331	5.54%
	20.353	5.98%	BP PLC		18.055	5.46%
	N/A	N/A	GlaxoSmithKline		17.522	5.30%
	18.701	5.50%	Rio Tinto PLC		N/A	N/A
340.136	**99.283**	**29.14%**	**UK Equities**	**330.882**	**116.786**	**35.30%**
	7.977	13.40%	Wilshire USA VII		9.022	13.63%
	4.949	8.32%	Wilshire Euro VII		6.097	9.21%
	4.101	6.89%	Wilshire USA VIII		5.286	7.98%
	4.803	8.07%	Wilshire USA VI		5.045	7.62%
	4.350	7.31%	Pantheon International Participations		4.590	6.93%
	4.433	7.45%	Wilshire USA V		4.355	6.58%
	4.284	7.20%	Pantheon Euro IV		4.267	6.44%
	3.426	5.76%	Wilshire Euro VI		3.549	5.36%
	3.435	5.77%	Pantheon USA V		N/A	N/A
59.518	**41.758**	**70.09%**	**Private Equity**	**66.212**	**42.211**	**63.75%**
	70.223	93.19%	Aberdeen Global II Sterling Crd Fd Z2		77.940	93.30%
	4.013	5.33%	Aberdeen Global II Emerging Market Fix Fund		5.597	6.70%
75.356	**74.236**	**98.51%**	**Pooled Investment - Open ended investment company**	**83.537**	**83.537**	**100.00%**
	7.896	90.98%	BlackRock Fd Mgrs Bief Uk Smaller Co Fund		7.611	50.71%
	N/A	N/A	Partners Group Global Infrastructure		4.865	32.41%
	0.783	9.02%	Institutional Cash Series		1.232	8.21%
	N/A	N/A	KKR Global Infrastructure		1.302	8.67%
8.679	**8.679**	**100.00%**	**Pooled Investment - Unit trusts**	**15.010**	**15.010**	**100.00%**
	91.170	21.23%	L&G Investment Grade Corporate Bond		95.079	21.43%
	87.075	20.27%	North America Equity Index GBP hedged		88.281	19.90%
	73.380	17.09%	L&G European Equity Index Hedged		77.272	17.42%
	63.193	14.71%	L&G Over 5 Year Linked Gilts Index		65.355	14.73%
	34.615	8.06%	L&G Global Emerging Markets Index		36.258	8.17%
	30.394	7.08%	L&G Pacific Basin Equity Index Hedged		31.054	7.00%
	28.921	6.73%	L&G Over 15 Years Gilts Index		28.369	6.39%
429.485	**408.748**	**95.17%**	**Pooled Investment - Unit linked insurance policies**	**443.687**	**421.668**	**95.04%**
	15.378	10.81%	Schroder Exempt Property Unit		15.700	10.67%
	13.680	9.62%	Standard Life Assurance		14.279	9.70%
	11.982	8.42%	Legal And General Managed Property		12.586	8.55%
	10.253	7.21%	BlackRock Asset Management Ltd		10.305	7.00%
	9.558	6.72%	Lothbury Prop Property Fund		9.896	6.73%
	8.221	5.78%	Hermes Property Unit Trust		8.404	5.71%
	N/A	N/A	Fund A Units		7.608	5.17%
	N/A	N/A	Mayfair Capital Property Units		7.581	5.15%
142.065	**69.072**	**48.56%**	**Property unit trust**	**147.155**	**86.359**	**58.69%**
	30.729	94.80%	Alpha Fund Limited Class A Gbp Shares Series 1		29.511	87.50%
	4.091	12.62%	Millennium Glbl Alpha Fund Ltd Mutual Fund		3.929	11.65%
	-2.406	-7.42%	Millennium Passive Currency Hedge		N/A	N/A
32.414	**32.414**	**100.00%**	**Active Currency**	**33.725**	**33.440**	**99.15%**
	45.428	96.51%	FTSE 100 Index Futures Jun11 Xlif		N/A	N/A
47.072	**45.428**	**96.51%**	**Futures: UK**	**0.000**	**0.000**	**0.00%**
390.029	0.000	0.00%	Overseas companies	376.191	0.000	0.00%
N/A	0.000	0.00%	Other Managed Funds	9.338	0.000	0.00%
0.000	0.000	0.00%	Cash Backing Open Futures	4.457	0.000	0.00%
2.974	0.000	0.00%	Cash held by broker for Futures Contracts	0.026	0.000	0.00%
6.764	0.000	0.00%	Cash [held by the investment managers]	6.307	0.000	0.00%
2.182	0.000	0.00%	Margin Variation	0.049	0.000	0.00%
401.949	**0.000**	**0.00%**	**Securities/Asset types with no holdings over 5%**	**396.368**	**0.000**	**0.00%**
1,559.275	**802.335**	**51.43%**	**Total**	**1,539.628**	**822.065**	**53.55%**

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

12. Nature and Extent of Risks Arising from Financial Instruments

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, derivative positions (futures) 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 2012 is provided in note 16.

The securities lending programme is undertaken on behalf of the Fund by the custodian State Street Bank and Trust and is managed through a securities lending agreement. The arrangements to manage risks in the securities lending programme are set out in note 14.

Forward currency contracts are undertaken by Millennium for the passive currency hedging programme and 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 5.

Futures contracts entered into by the Fund are all exchange traded. Further details of these futures contracts are provided in note 5.

The Fund's bank account is held with Lloyds TSB Bank, which is also banker to Suffolk County Council the Administering Authority for the Pension Fund. The bank held a Long-Term rating of 'A' and a Short Term Rating 'F1' with Fitch as at May 2012.

Pension Fund cash that is held pending its allocation to the Fund's investment managers is not invested with Lloyds TSB but is placed with institutions on the Pension Fund Committee's approved counter-party list. The management of cash is carried out by the Treasury Management team of Customer Service Direct in accordance with the cash management strategy approved by the Pension Fund Committee and set out in its statement of investment principles. The Pension Fund Committee invests only in money market funds with a 'AAA MR1+' rating. The Fund has had no occasion of default or uncollectable deposits.

The Fund's cash within the custody system is held in the bank account of the custodian, State Street Bank and Trust, or placed on deposit at the instruction of the individual managers.

At 31 March 2012 £0.374 million was with Lloyds TSB. Cash held within the custody system amounted to £6.307 million at 31 March 2012. At 31 March 2012 £12.273 million was invested by the Pension Fund in the Insight Money Market Fund. In addition to this there was £0.026 million held directly with the broker on a variation margin account in respect of futures positions open at the year-end.

Credit risk is considered by the Fund's bond manager, Aberdeen Asset Managers, in their portfolio construction.

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 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 and private equity funds are considerably less liquid but these make up a far smaller proportion of the overall portfolio (less than 15% of the Fund).

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 pool 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 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 statement of investment principles that is available at www.suffolk.gov.uk/your-council/finance/pension-fund-and-accounts. Investment risk and strategy are regularly reviewed by the Pension Fund Committee.

D. Interest Rate Risk

Interest rate risk affects mainly the valuation of the Fund's bond holdings. The bond exposure in the active bonds mandate is managed by the Fund's investment manager, Aberdeen Asset Managers. The bonds holdings within the Legal & General mandate are managed to match the return on the UK Over 15 Years Gilts index.

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 a currency hedging programme in place. This is undertaken partly by investment in the currency-hedged Funds managed by its index-tracking manager, Legal & General Investment Management. In addition the Fund has a currency-hedging programme in place with Millennium for the balance of the Fund's exposure to Euro exchange rate movements.

An analysis of historical data and expected investment return movements by State Street Investment Analytics has resulted in a potential market movement price risk index for each currency that the fund has holdings in. If the market price of the currency increases or decreases in line with the potential market movements then the change in the value of the assets in each currency would be as follows:

Currency	Value £ million	Change %	Value on Increase £ million	Value on Decrease £ million
Australian Dollar	9.976	10.49%	11.023	8.929
Brazilian Real	6.486	12.83%	7.319	5.654
Canadian Dollar	8.252	9.63%	9.046	7.457
EURO	47.775	0.00%	47.775	47.775
Hong Kong Dollar	17.859	9.60%	19.573	16.146
Indian Rupee	4.733	9.31%	5.174	4.293
Indonesian Rupiah	2.513	8.99%	2.739	2.287
Japanese Yen	29.915	13.29%	33.892	25.938
Norwegian Krone	1.964	10.52%	2.170	1.757
Singapore Dollar	3.480	7.49%	3.741	3.219
South African Rand	4.660	13.59%	5.294	4.027
South Korean Won	4.179	10.27%	4.608	3.749
Swedish Krona	2.359	10.22%	2.600	2.118
Swiss Franc	27.552	10.25%	30.376	24.728
Taiwan Dollar	0.881	8.97%	0.960	0.802
Thai Baht	4.779	8.90%	5.204	4.353
Turkish Lira	0.998	9.74%	1.095	0.901
US Dollar	197.830	9.75%	217.123	178.536
Total	**376.190**		**409.712**	**342.669**

F. Price Risk

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

An analysis of historical data and expected investment return movements by State Street Investment Analytics 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:

G. Custody

The Fund has appointed State Street Bank and Trust as a global custodian with responsibility for safeguarding the assets of the Fund. State Street Bank and Trust is an established custodian bank with more than $15 trillion of assets under custody. They were reappointed as the Fund's custodian in 2007 following an OJEU tendering process. Monthly reconciliations are performed between the underlying records of the custodian and the appointed investment managers.

Asset Type	Value £ million	Change %	Value on Increase £ million	Value on Decrease £ million
UK Equities	330.882	16.67%	386.040	275.724
Overseas Equities	376.191	14.48%	430.663	321.719
Total Bonds	23.053	5.77%	24.383	21.723
Index Linked	443.687	7.66%	477.673	409.701
Cash	10.839	0.02%	10.841	10.837
Property	147.155	6.33%	156.470	137.840
Alternatives	203.278	8.95%	221.471	185.085
Total Assets	**1,535.085**		**1,707.541**	**1,362.629**

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 (State Street Investment Analytics). All managers have regular review meetings and discussions with officers and also explain their performance to the committee.

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 is 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 1.6% 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 opposite 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 2012 had been different. The level of the FTSE 100 index is used as a proxy for investment performance and the Fixed Interest Gilt yield as the proxy measure for the valuation of Fund's liabilities. The shaded box is the actual position at 31 March 2012.

Fixed Interest Gilts yield (% p.a.)	3.40%	69% (£679m)	72% (£624m)	74% (£577m)	77% (£515m)	79% (£460m)
	3.26%	68% (£735m)	701% (£681m)	72% (£633m)	75% (£571m)	77% (£517m)
	3.10%	66% (£801m)	68% (£747m)	70% (£699m)	73% (£637m)	75% (£583m)
FTSE 100 Index		5,300	5,550	5,768	6,050	6,300

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.suffolk.gov.uk/your-council/finance/pension-fund-and-accounts

13a. Financial Instruments – Classification

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The table over the page 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). No financial assets were reclassified during the accounting period.

31 March 2011				31 March 2012		
Designated as Fair Value through Profit & Loss £ million	Loans and Receivables £ million	Financial Liabilities at Amortised Cost £ million		Designated as Fair Value through Profit & Loss £ million	Loans and Receivables £ million	Financial Liabilities at Amortised Cost £ million
			Financial Assets			
22.601			Fixed Interest Securities	23.053		
730.165			Equities	716.411		
513.520			Pooled Investments	542.234		
142.065			Pooled Property	147.155		
59.518			Private Equity	66.212		
79.486			Derivatives	33.724		
	8.179		Cash		12.647	
11.920			Other Investment Balances	10.839		
	3.952		Debtors		6.344	
1,559.275	12.131	0.000		1,539.628	18.991	0.000
			Financial Liabilities			
-47.140			Derivative contracts	-4.543		
		-0.839	Creditors			-2.077
			Borrowings			
-47.140	0.000	-0.839		-4.543	0.000	-2.077
1,512.135	12.131	-0.839		1,535.085	18.991	-2.077

13b. Net Gains and Losses on Financial Instruments

31 March 2011 £ million		31 March 2012 £ million
	Financial Assets	
86.996	Fair value through profit and loss	43.485
	Loans and receivables	
	Financial Liabilities measured at amortised cost	
	Financial Liabilities	
-13.619	Fair value through profit and loss	-42.005
	Loans and receivables	
	Financial Liabilities measured at amortised cost	
73.377	**Total**	**1.480**

13c. Impairments on Investments

MF Global

The Pension Fund used the brokerage services of MF Global UK in relation to a UK equities futures programme. MF Global UK went into administration on 31 October 2011, following problems in its US parent, MF Global Inc. The accountancy firm KPMG has been appointed as the administrator of MF Global UK Ltd.

The Pension Fund has made a claim to KPMG for £8.412 million in respect of client money held by MF Global UK for the Fund. KPMG has made an interim distribution of £2.193 million in respect of this claim, which represents 26% of the Fund's claim. The recovery of the remaining £6.219 million of the claim is uncertain and therefore, this amount has been written off the value of the investment as an impairment. The initial distribution of £2.193 million has been taken into account in 2011-12 and is disclosed in change in market value of investments in the fund account and futures, derivative contracts in the net asset statement. The distribution could be subject to claw back by KPMG in the event of a future shortfall in the funds recovered by the administrator.

13d Fair Value of Financial Instruments and Liabilities

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values excluding statutory creditors and debtors.

31 March 2011			31 March 2012	
Carrying Value £ million	Fair Value £ million	Financial Assets	Carrying Value £ million	Fair Value £ million
	1,559.275	Fair value through profit and loss		1,539.628
	12.131	Loans and receivables		18.991
0	1,571.406	**Total Financial Assets**	0.000	1,558.619
		Financial Liabilities		
	-47.140	Fair value through profit and loss		-4.543
	-0.839	Financial Liabilities measured at amortised cost		-2.077
0	-47.979	**Total Financial Liabilities**	0.000	-6.620
0	1,523.427	**Total**	0.000	1,551.999

Note 13e Valuation of Financial Instruments Carried at Fair Value

Level 1

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

Financial instruments at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical asset 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.

Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Suffolk County Council Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The values of the investment in hedge funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

The following table provides an analysis of the financial assets and liabilities of the pension fund, (excluding statutory creditors and debtors) grouped into Level 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2012	Quoted Market Price Level 1 £ million	Using Observable Inputs Level 2 £ million	With Significant Unobservable Inputs Level 3 £ million	Total £ million
Financial Assets				
Fair value through profit and loss	897.108	0.049	642.471	1,539.628
Loans and receivables	18.991			18.991
Total Financial Assets	**916.099**	**0.049**	**642.471**	**1,558.619**
Financial Liabilities				
Fair value through profit and loss	-4.543			-4.543
Financial Liabilities at amortised cost	-2.077			-2.077
Total Financial Assets	**-6.620**	**0.000**	**0.000**	**-6.620**
Net Financial Assets	**909.479**	**0.049**	**642.471**	**1,551.999**

Values at 31 March 2011	Quoted Market Price Level 1 £ million	Using Observable Inputs Level 2 £ million	With Significant Unobservable Inputs Level 3 £ million	Total £ million
Financial Assets				
Fair value through profit and loss	954.750	2.182	602.343	1,559.275
Loans and receivables	12.131			12.131
Total Financial Assets	**966.881**	**2.182**	**602.343**	**1,571.406**
Financial Liabilities				
Fair value through profit and loss	-47.140			-47.140
Financial Liabilities at amortised cost	-0.839			-0.839
Total Financial Assets	**-47.979**	**0.000**	**0.000**	**-47.979**
Net Financial Assets	**918.902**	**2.182**	**602.343**	**1,523.427**

14. Stock Lending

The Fund has an arrangement with its custodian State Street Bank and Trust to lend eligible securities from within its portfolio of stocks to third parties in return for collateral. Lending is limited to a maximum of 25% of the total value. Collateralised lending generated income of £0.128 million in 2011 – 2012 (£0.116 million 2010 - 2011). This is included within 'other' investment income in the Fund Account. At 31 March 2012 £18.695 million worth of stock (1.22% of the Fund) was on loan, for which the Fund was in receipt of £19.614 million worth of collateral.

15. Related Parties

Related Party Transaction requiring disclosure in accordance with International Accounting Standard 24 are as follows:

Under legislation introduced in 2003 - 2004 Councillors are entitled to join the scheme. Three members of the committee, including two councillors are scheme members within the Pension Fund, but are not currently receiving benefits from the scheme. Each member of the Pension Fund Committee is required to declare their interests at each meeting.

Disclosure of senior officers remuneration is made in note 28 of the Statement of Accounts of the Administering Authority (Suffolk County Council). This disclosure includes the Head of Strategic Finance who has responsibility under S151 of the Local Government Act 1972 for the proper financial administration of the Fund and performs the role of Fund Administrator.

No senior officer responsible for the administration of the Fund has entered into any contract, other than their contract of employment with the Council for the supply of goods or services to the Fund.

Suffolk County Council is the largest single employer of members of the Pension Fund and contributed £40.144 million to the Fund in 2011 - 2012 (2010 - 2011 £45.323 million).

The Council incurred costs of £1.211 million (2010 - 2011 £1.227 million) in relation to administration of the Fund and have been reimbursed by the Fund.

Part of the Pension Fund cash holdings are invested in a money market Fund by the Treasury Management operations of Suffolk County Council through a service level agreement. During the year ended 31 March 2012 the Fund had an average investment balance of £10.500 million (2010 - 2011 £10.500 million) earning interest of £76,765 (2010 - 2011 £67,639) from these investments.

16. Net Current Assets and Liabilities

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

31 March 2011 £ million		31 March 2012 £ million
	Analysis of Debtors	
0.267	Central Government Bodies	0.183
5.317	Other Local Authorities	6.765
3.952	Other entities and individuals	6.344
9.536		**13.292**
	Analysis of Creditors	
-0.561	Central Government Bodies	-0.610
-2.144	Other Local Authorities	-1.479
0.000	NHS Bodies	-0.077
-4.084	Other entities and individuals	-2.974
-6.789		**-5.140**

17. Audit Fees

The Audit Commission are the external auditors for the Pension Fund. Audit fees for 2011 - 2012 were £0.036 million, (£0.039 million 2010 - 2011).

18. Additional Voluntary Contributions

Scheme members have the option to make additional voluntary contributions to enhance their pension benefits. In accordance with regulation 4 (2) (b) of the Local Government Pension Scheme Regulations 2009 (as amended), 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 £0.823 million was paid over to the providers, Prudential, Clerical Medical, Standard Life, Equitable Life and Century Life in 2011 – 2012, (£1.073 million 2010 – 2011).

19. Contingent Liabilities and Assets

Contractual Commitments

At 31 March 2012 the Fund had made contractual commitments to private equity funds managed by Wilshire and Pantheon. Commitments are made in the underlying currency of the Fund (Euros and Dollars respectively) and are therefore subject to volatility (risk) arising from exchange rate fluctuation. This volatility will impact both the value of unfunded commitments in Sterling terms and the valuation of the funded interest and monies received as distributions.

Unfunded Commitments

At 31 March 2012 the unfunded commitment (monies to be drawn in future periods) was £25.692 million (£36.240 million 2010 - 2011). The commitments are paid over the investment timeframe of the underlying partnerships. The current value of the funded commitment net of distributions in these funds at 31 March 2012 is included in the net asset statement.

In addition to the private equity commitments, within the Schroders property portfolio there are unfunded commitments of £1.961 million (£9.778 million 2010 - 2011) to various property investment vehicles.

Additional funds have been committed towards the end of the 2011 – 2012 financial year, Kohlberg Kravis Roberts and Partners Group have already drawn down some of their commitment and have £32.184 million and £38.183 million remaining respectively.

Brookfield Timberland has a commitment of £30.263 million and M&G Investments £30.000 million, neither of these funds have drawn down any capital in 2011 – 2012.

Additional Statements

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

- **Governance Policy Statement**
- **Governance Compliance Statement**
- **Statement of Investment Principles**
- **Funding Strategy Statement**
- **Actuarial Report**
- **Administration Strategy**
- **Voting Policy Statement**

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Bengali

بەم زانیاریەیشتنی ئە ب ت گەیەتی ەە یارمەر پ ویستیت بەگەیە
بکەوەی خوارەم ژمارەندی بەیوە پەزمان کی تر تکایە

Kurdish

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