14. Analysis of Derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposure to reduce risk in the Pension Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Pension Fund and the various investment managers.

The pension fund's investment managers are permitted to use derivatives in the management of their mandates, subject to the restrictions set out in the individual manager's investment management agreement. The investment managers will make use of currency hedging for the purpose of reducing exchange rate risk in the investments held in their mandates. Kohlberg Kravis Roberts holds a currency hedge for this purpose which equates to £2.188 million on the Suffolk Pension Fund's holdings (£2.281 million as at 31 March 2015)

In order to maintain appropriate diversification and to take advantage of overseas investment returns, the fund hedges a proportion of the Euro and Yen exposure within the portfolios managed by Legal and General Investment Management. £91.383 million is invested in currency hedged funds (£108.583 million as at 31 March 2015). The pooled funds are one step removed from direct ownership of the assets.

The Open Forward Currency contracts as at 31 March 2015 are as follows:

Settlement	Currency Bought	Local Value million	Currency Sold	Local Value million	Asset Value £ million		Liability Value £ million
Up to six months	USD	13.761	JPY	1,614.839	0.194		
	JPY	1,614.839	USD	13.631	-	-	0.106
	USD	14.170	JPY	1,719.629		-	0.125
				Total	**0.194**	**-**	**0.231**
		Net Forward Currency contracts as at 31 March 2015				**-**	**0.037**

There were no Open Forward Currency contracts as at 31 March 2016.

15a. Financial Instruments – Classification

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

31 March 2015				31 March 2016		
Designated as Fair Value through Profit & Loss	**Loans and Receivables**	**Financial Liabilities at Amortised Cost**		**Designated as Fair Value through Profit & Loss**	**Loans and Receivables**	**Financial Liabilities at Amortised Cost**
£ million	**£ million**	**£ million**		**£ million**	**£ million**	**£ million**
			Financial Assets			
502.660			Equities	507.828		
24.056			Pooled Investments - Unit Trusts	17.782		
1,062.206			Pooled Investments - Unit Linked Insurance	727.955		
212.702			Pooled Investments - Property	241.309		
384.987			Pooled Investments - Other Managed Funds	702.461		
2.245	3.716		Other Investment Balances	2.188	1.926	
	5.584		Debtors		5.325	
	3.150		Cash		6.148	
2,188.856	12.450	0.000		2,199.523	13.399	0.000
			Financial Liabilities			
		-5.035	Creditors			-5.471
0.000	0.000	-5.035		0.000	0.000	-5.471
2,188.856	**12.450**	**-5.035**		**2,199.523**	**13.399**	**-5.471**

The debtor figure of £5.325 million overleaf (£5.584 million at 31 March 2015) excludes statutory debtors of £7.695 million (£4.940 million at 31 March 2015).

The creditor figure of £5.471 million overleaf (£5.035 million at 31 March 2015) excludes statutory creditors of £1.951 million (£2.770 million at 31 March 2015).

No financial assets were reclassified during the accounting period.

15b. Net Gains and Losses on Financial Instruments

31 March 2015 £ million	Financial Assets	31 March 2016 £ million
270.636	Fair Value through Profit and Loss	-19.570
0.517	Loans and Receivables	-0.256
	Financial Liabilities	
0.000	Fair Value through Profit and Loss	0.000
271.153	**Total**	**-19.826**

15c. Fair Value of Financial Instruments and Liabilities

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

15d. Valuation of Financial Instruments Carried at Fair Value

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

Level 1

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

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

Level 2

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

Level 3

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

These instruments would include unquoted investments such as private equity, infrastructure, debt opportunity and timberlands, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The table overleaf provides an analysis of the financial assets and liabilities of the Pension Fund grouped into level 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2015	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	1,819.496	214.947	154.413	2,188.856
Loans and Receivables	12.450			12.450
Total Financial Assets	**1,831.946**	**214.947**	**154.413**	**2,201.306**
Financial Liabilities				
Financial Liabilites at Amortised Cost	-5.035			-5.035
Total Financial Assets	**-5.035**	**0.000**	**0.000**	**-5.035**
Net Financial Assets	**1,826.911**	**214.947**	**154.413**	**2,196.271**

Values at 31 March 2016	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	1,790.136	243.497	165.889	2,199.523
Loans and Receivables	13.399			13.399
Total Financial Assets	**1,803.535**	**243.497**	**165.889**	**2,212.922**
Financial Liabilities				
Financial Liabilites at Amortised Cost	-5.471			-5.471
Total Financial Assets	**-5.471**	**0.000**	**0.000**	**-5.471**
Net Financial Assets	**1,798.064**	**243.497**	**165.889**	**2,207.451**

16. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

The key risks that have been identified are:

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

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

A. Credit risk

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

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

The Fund monitors the monthly receipt of contributions from employers. The Funding Strategy Statement requires safeguards to be in place for all new admission agreements to protect the Fund from an employer default, primarily through a guarantee from a tax-backed scheme employer for any new employer in the Fund. An analysis of debtor balances at 31 March 2016 is provided in Note 19.

The securities lending programme is undertaken on behalf of the Fund by the custodian HSBC and is managed through a securities lending agreement. The arrangements to manage risks in the securities lending programme are set out in Note 23.

Forward currency contracts are undertaken by the fund managers within the terms set out in their investment management agreements. All parties entering into forward contracts on behalf of the Fund are Financial Services Authority (FSA) regulated and meet the requirements of the LGPS investment regulations. Further details of forward foreign exchange contracts are provided in Note 14.

The Fund's bank account is held with Lloyds Bank Plc, which is also banker to Suffolk County Council the Administering Authority for the Pension Fund. The bank held a Long-Term rating of 'A+' and a Short Term Rating 'F1' with Fitch as at March 2016.

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

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

At 31 March 2016, £6.148 million was with Lloyds (£3.150 million at March 2015). Cash held within the custody system amounted to £13.650 million at 31 March 2016 (£8.931 million at March 2015) and Blackrock held £0.525 million in their money market fund, (£3.227 million at March 2015).

B. Liquidity risk

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

The Pension Fund holds sufficient working capital to ensure that it has cash available to meet benefit and transfer payments and cash drawdown requirements in respect of certain investment transactions. Within mandates it is the responsibility of the individual managers to ensure that they have sufficient funds available to meet the transactions they enter into on behalf of the Fund. These responsibilities are detailed within the investment management agreements. At an investment level a large proportion of the Fund's investments are held in instruments that can be realised at short notice if a cash flow need arose. Certain investments, particularly property, private equity, debt opportunity, timberlands and infrastructure funds are considerably less liquid but these make up a far smaller proportion of the overall portfolio, £414.601 million, 19% (£375.209 million, 17% at March 2015).

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

D. Interest Rate Risk

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

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

31 March 2015 £ million		31 March 2016 £ million
3.150	Cash held for Deposit	6.148
15.874	Cash and Cash Equivalent	16.101
19.024	**Total**	**22.249**

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

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

Asset Type	Value as at 31 March 2015 £ million	Change + 100 BP's £ million	Change - 100 BP's £ million
Cash held for Deposit	3.150	0.032	-0.032
Cash and Cash Equival	15.874	0.159	-0.159
Total Assets	**19.024**	**0.191**	**-0.191**

Asset Type	Value as at 31 March 2016 £ million	Change + 100 BP's £ million	Change - 100 BP's £ million
Cash held for Deposit	6.148	0.061	-0.061
Cash and Cash Equival	16.101	0.161	-0.161
Total Assets	**22.249**	**0.222**	**-0.222**

E. Currency Risk

Currency risk is the extent to which the Pension Fund is exposed to fluctuations in exchange rates and the impact these fluctuations have on the sterling valuation of assets denominated in foreign currency. To partly mitigate this risk the Fund has some currency hedging in place. This is undertaken partly by investment in the currency-hedged Funds managed by its index-tracking manager, Legal & General Investment Management. An analysis of historical data and expected investment return movements by State Street Investment Analytics has resulted in a potential market movement currency risk index for each asset type as follows:

Asset Type	Value as at 31 March 2015 £ million	Change %	Value on Increase £ million	Value on Decrease £ million
Overseas Equities	291.288	3.63	301.861	280.713
Overseas Index Linked	288.063	3.38	297.801	278.327
Alternative Investments	115.562	3.12	119.168	111.956
Total overseas assets	**694.913**		**718.830**	**670.996**

Asset Type	Value as at 31 March 2016 £ million	Change %	Value on Increase £ million	Value on Decrease £ million
Overseas Equities	283.686	6.85	303.118	264.254
Overseas Index Linked	486.872	5.90	515.597	458.147
Alternative Investments	118.407	6.38	125.961	110.852
Total overseas assets	**888.965**		**944.676**	**833.253**

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:

Asset Type	Value as at 31 March 2015 £ million	Change %	Value on Increase £ million	Value on Decrease £ million
UK Equities	211.372	10.66	233.904	188.840
Overseas Equities	291.288	8.67	316.543	266.033
Index Linked	1,062.206	9.77	1,165.984	958.428
Cash	5.961	0.02	5.962	5.960
Property	212.702	2.68	218.402	207.002
Alternatives	409.043	3.54	423.523	394.563
Total Assets	**2,192.572**		**2,364.318**	**2,020.826**

Asset Type	Value as at 31 March 2016 £ million	Change %	Value on Increase £ million	Value on Decrease £ million
UK Equities	224.142	10.82	248.395	199.890
Overseas Equities	283.686	10.00	312.054	255.317
Bonds	304.827	8.58	330.981	278.673
Index Linked	727.955	9.53	797.330	658.581
Cash	4.114	0.01	4.114	4.114
Property	241.309	2.05	246.256	236.363
Alternatives	415.416	3.72	430.869	399.962
Total Assets	**2,201.449**		**2,369.999**	**2,032.900**

G. Custody

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

H. Investment Management

The Fund has appointed a number of segregated and pooled fund managers to manage portions of the Fund. An Investment Management Agreement is in place for each relationship. All appointments meet the requirements set out in the LGPS investment regulations. Managers' report performance on a quarterly basis and this is monitored and reported to the 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 the chair and vice chair of the Pension Fund Committee, officers and the independent financial adviser Mark Stevens.

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

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

Less obvious is the effect of anticipated investment performance on the Fund's liability to pay future pension benefits. Here the returns available on government bonds (gilts) are important, as the discount rate that is used to place a value on liabilities is the gilt yield at the valuation date plus a margin of 1.6% 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 overleaf has been prepared by the actuary and shows how the funding level (top) and deficit (bottom) would vary if the investment conditions at 31 March 2016 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 the Fund's liabilities. The shaded box is the actual position at 31 March 2016.

Bond Interest Gilts yield (% p.a.)	2.38%	68% (£842m)	75% (£671m)	81% (£500m)	88% (£329m)	94% (£158m)
	2.18%	66% (£934m)	72% (£763m)	**79% (£592m)**	85% (£421m)	91% (£250m)
	1.98%	64% (£1,032m)	70% (£861m)	76% (£690m)	82% (£518m)	88% (£347m)
FTSE 100 Index		4,940	5,557	6,175	6,792	7,410

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: http://www.suffolkpensionfund.org

17. Funding Position

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

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

The key elements of the funding policy are:

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

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading increases in rates over a period of time. This is usually over three years but in some cases the period can be extended.

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

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

Formal Valuation

The last formal three-yearly actuarial valuation was carried out as at 31 March 2013. The valuation report sets out the rates of the employer’s contributions for the three years starting 1 April 2014. 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 2013.
- The ‘projected unit method’ of actuarial valuation.

Financial Assumptions

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

- Projected investment returns of 4.6% per year. (Asset Outperformance Assumption (AOA) of 1.6%)
- Projected increase in future salaries of 4.3% a year. (CPI plus 1.8%)
- Projected pension increases of 2.5% a year. (CPI)

Funding Position

The actuary uses the market value of the Fund's assets as stated in the audited accounts of March 2013. The actuarial assessment of the value of the fund's assets was £1,767 million as at 31 March 2013 and the liabilities, £2,235 million.

The valuation showed that the Fund's assets covered 79.1% of its liabilities at the valuation date, and the deficit based on the actuarial valuation was £468 million.

Common Contribution Rate

The common contribution rate is a theoretical figure and does not represent the rate which any one employer is actually required to pay and nor is it the average of the actual employers rates. In practice each employer that participates in the Fund has its own underlying funding position and circumstances giving rise to its own contribution rate requirement.

The common contribution rate payable is the average future service rate for Fund employers plus the past service adjustment; an additional amount to recover the deficit and bring the funding level back to 100% over 20 years.

The actuary states that the employer's common contribution rate should be 28.4% of pensionable pay for the three years starting 1 April 2014.

The next formal valuation is as at 31 March 2016.

18. Actuarial Present Value of Promised Retirement Benefits

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

Interim Valuation

An interim valuation was carried out as at 31 March 2016. The valuation was included on the actuary's Navigator report which is based on long term financial assumptions for the Suffolk Pension Fund and contains the following assumptions:

Increases in future salaries of 4.2% a year
Projected investment returns of 3.8% per year

The actuarial value of the Fund's assets was £2,166 million and the liabilities £2,758 million at 31 March 2016 (£2,168 million and £2,674 million at 31 March 2015).

The valuation showed that the Fund's assets covered 78.5% of its liabilities at the valuation date and the deficit was £592 million (£506 million at March 2015).

International Accounting Standard 26 (IAS 26)

CIPFA's Code of Practice on Local Authority Accounting 2015 - 2016 requires administering authorities of the LGPS funds that prepare Pension Fund Accounts to disclose what IAS 26 refers to as the actuarial present value of promised retirement benefits. This is similar to the interim valuation but the assumptions used are in line with IAS 19 rather than assumptions tailored to the Suffolk Pension Fund.

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

- Pension increases of 2.2% a year (2.4% 2014 - 2015).
- Increases in future salaries of 4.2% a year (4.3% 2014 - 2015)
- Projected investment returns of 3.5% per year (3.2% 2014 - 2015)

The IAS 26 calculation shows that the present value of promised retirement benefits amount to £2,965 million as at 31 March 2016 (£3,158 million as at 31 March 2015).

19. Current Debtors

The current debtors can be analysed as below:

31 March 2015 £ million		31 March 2016 £ million
	Debtors	
3.744	Employers Contributions	5.984
1.018	Employee Contributions	1.549
3.038	Investment Assets	4.188
2.724	Sundry Debtors	1.299
10.524		**13.020**

The investment assets as at 31 March 2016 includes £0.934 million of spot foreign exchange sales awaiting settlement and £3.254 million of recoverable tax and income not yet received.

Debtors can be further analysed into sectors as below:

31 March 2015 £ million		31 March 2016 £ million
	Analysis of Debtors	
0.181	Central Government Bodies	0.152
5.333	Other Local Authorities	6.294
5.010	Other entities and individuals	6.571
0.000	NHS	0.003
10.524		**13.020**

20. Current Creditors

The current creditors can be analysed as below:

31 March 2015 £ million		31 March 2016 £ million
	Creditors	
-4.957	Investment Expenses	-4.835
-0.056	Administration Expenses	-0.284
-0.112	Transfer Values In Adjustment	-0.080
-1.433	Lump Sum Benefits	-0.995
-1.247	Sundry Creditors	-1.228
-7.805	**Total**	**-7.422**

The investment expenses as at 31 March 2016 includes £1.143 million of purchases and £0.933 million of spot foreign exchange purchases awaiting settlement and an allowance of £2.756 million for investment management fees and £0.003 million of irrecoverable tax not yet paid.

Creditors can be further analysed into sectors as below:

31 March 2015 £ million		31 March 2016 £ million
	Analysis of Creditors	
-0.002	Central Government Bodies	0.000
-0.945	Other Local Authorities	-0.052
-0.002	NHS Bodies	-0.001
-6.856	Other entities and individuals	-7.369
-7.805		**-7.422**

21. Additional Voluntary Contributions

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

A total of £0.093 million was paid over to the providers Clerical Medical, Standard Life and Equitable Life in 2015 – 2016, (£0.104 million 2014 – 2015).

22. Related Party Transactions

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

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

Suffolk County Council is the largest single employer of members of the Pension Fund and contributed £37.451 million to the Fund in 2015 - 2016 (£38.797 million in 2014 - 2015). In addition the council incurred costs of £0.948 million (£0.945 million in 2014 - 2015) in relation to the administration of the Fund, audit, legal and committee services. These have all been reimbursed by the Fund.

Under legislation introduced in 2003 - 2004 councillors were entitled to join the Scheme, this was rescinded in April 2014 when the Government laid down regulations barring councillors joining the scheme. Any councillor who is in the scheme as a result of joining before 1 April 2014 will cease to be a member at the end of the current term of office that they are serving. 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.

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

Part of the Pension Fund cash holdings are invested by the Treasury Management operations of Suffolk County Council through the Treasury Management Policy approved by the Pension Fund Committee. During the year ending 31 March 2016 the Fund had an average investment balance of £7.305 million (£10.174 million in 2014 - 2015) earning interest of £0.036 million (£0.068 million in 2014 - 2015) from these investments.

Key Management Personnel

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.

Paragraph 3.9.4.3 of the Code exempts Local Authorities from the key management personnel disclosure requirements of IAS 24. The disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code satisfy the key management personnel disclosure requirements that apply to the Suffolk Pension Fund. The disclosures required can be found in the main accounts of Suffolk County Council.

Disclosure of senior officers’ remuneration is made in Note 24 of the Statement of Accounts of the Administering Authority (Suffolk County Council). This disclosure includes the Director of Resource Management 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.

23. Stock Lending

The Fund has an arrangement with its custodian HSBC to lend eligible securities from within its portfolio of stocks to third parties in return for collateral. Lending is limited to a maximum of 25% of the total value. Collateralised lending generated income of £0.054 million in 2015 - 2016 (£0.016 million in 2014 - 2015). This is included within ‘other’ investment income in the Fund Account. The stock lending levels and income raised for the Fund are minimal due to the relatively small holding of non-pooled equities owned by the Fund.

At 31 March 2016, £3.022 million (£0.687 million at 31 March 2015) worth of stock was on loan, for which the Fund was in receipt of £3.180 million worth of collateral (£0.727 million at 31 March 2015). This is a minimal share of the Fund holdings representing less than 1% of investment holdings in both 2015 - 2016 and 2014 - 2015. The figure out on loan as at 31 March does not reflect the amount that has been out on loan during the year.

24. Contingent Liabilities and Contractual Commitments

Contractual Commitments

In 2003 the Fund has made contractual commitments to private equity funds managed by Wilshire and Pantheon. Commitments are made in the underlying currency of the funds (Euros and Dollars respectively) and are therefore subject to volatility (risk) arising from exchange rate fluctuation. This volatility will impact both on the value of unfunded commitments in sterling terms and the valuation of the funded interest and monies received as distributions.

At 31 March 2016 the unfunded commitment (monies to be drawn in future periods) was £10.088 million. 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 2016 is included in the net asset statement.

In 2011 - 2012 the Pension Fund made contractual commitments to infrastructure investments managed by Partners Group and Kohlberg, Kravis, Roberts. Draw downs on the commitments have been made and the outstanding amounts to 31 March 2016 are £23.341 million and £2.963 million respectively.

In 2015 - 2016 the Pension Fund made contractual commitments to private equity investments managed by Pantheon. Some draw downs on the commitments have been made and the outstanding amounts to 31 March 2016 are £94.898 million.