

ANNUAL REPORT & ACCOUNTS 2016/2017

INNOVATION IN STAFFORDSHIRE

IDEAS
DESIRE
CREATIVE
GOALS
DESIGN
POSITIVE
SMART
VISION
MOTIVATION
PASSION
INVENTOR
IMAGINATION
SPARK
DESIGN
INNOVATION
IN STAFFORDSHIRE
DIRECTION
IDEAS
VISION
IMAGINATION
BUSINESS
ENGINEER
PASSION
SPARK
GOAL
CREATIVE
GOAL
IDEAS
DESIGN
POSITIVE
INTUITION
TALENT
OPPORTUNITY
DESIRE



Staffordshire
Pension Fund
Local Government Pension Scheme

www.staffspf.org.uk

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Innovation in Staffordshire

For centuries Staffordshire has been a county that has led the way in innovation.

Our report this year focuses on some of the organisations, individuals and products that have connections with our county. All of them in their own way have made a contribution to the United Kingdom and beyond.

WELCOME TO THE 2016-17 ANNUAL REPORT

It is with pleasure that I present the Staffordshire Pension Fund's Annual Report and Accounts for the year ended 31 March 2017.

I would like to take this opportunity to thank the members of the Pensions Committee and Pensions Panel for their work during the year; their advice, support and challenge have been invaluable. In particular, I thank Mike Lawrence, the Chair of the Pensions Committee, who did not seek re-election in May. He did some sterling work for which we are all most grateful. The new Committee Chair, Robbie Marshall took up the role in May 2017 and I wish him well, along with the rest of the Committee, in the challenges that lie ahead.

Major developments in the Fund's governance and management continued during the year. Our Local Pensions Board continued to provide an oversight role to ensure the Fund complies with its legislative obligations and has held a number of formal meetings since its establishment. The Board's first year was a developmental one in which it set good foundations to assist in delivering an effective and efficient scheme.

The Board's second annual report summary is included with this report. I would also like to thank them for their on-going contribution to the work of the Staffordshire Pension Fund.

In 2016/17 the Pension Fund's market value steadily increased over the year despite being impacted by volatility in global markets, driven by continuing economic uncertainty, Brexit and the US Presidential Election. All primary asset classes had significant returns and the Pension Fund achieved

a return of 22.9% against a benchmark of 21.9%. This is a very pleasing result and meant that at 31 March 2017 the Fund recorded its highest ever value of £4.6 billion.

Work on LGPS pooling continues at pace and our role as one of the 8 Partner Funds in LGPS Central has continued to develop and impact workloads as a result. The LGPS Central project team still has a great deal of work to do before the go-live deadline of 1 April 2018, but given what has been achieved over the last 12 months, the Committee remains confident that LGPS Central will be ready.

Within pensions administration significant work took place to meet the Pension Regulator's (TPR) Code of Practice requirements on maintaining accurate member data. The Fund undertook a detailed review of its data and processes and is working with all employers to continue to improve the way that data is provided to the Pension Fund. The Fund will also continue to make positive steps with the digital delivery of services to members and stakeholders.

Finally on behalf of the Pensions Committee and Pensions Panel, I would like to thank the Director of Finance and Resources and his staff for their continued contribution towards delivering an excellent service throughout an extremely challenging year.



Philip E B Atkins
OBE
Chairman
(Pensions Panel)

FUND MANAGEMENT

Governance

Staffordshire County Council is legally responsible for the Staffordshire Pension Fund. Managing the Fund's affairs effectively is one of our main aims. Under the County Council's constitution, the Pensions Committee and Pensions Panel are delegated to look after the Fund. As a result of the Public Service Pensions Act 2013, a new Local Pensions Board was also set up to aid effective governance. Details of the three bodies are provided below.

Pensions Committee

The main tasks of the Pensions Committee are to:

- decide the overall funding strategy
- decide how much of the Fund should be shared out between different types of assets and which countries they should be invested in
- make sure that the Fund invests in different kinds of assets to spread the risk
- review investments to make sure they are suitable for the needs of the Fund
- agree the terms under which bodies (for example, contractors) will be allowed to join the LGPS
- decide how to use its discretionary powers
- approve the Pension Fund Annual Report and Accounts
- monitor the overall administration of the LGPS.

Pensions Committee council members at 31 March 2017



During the course of 2016/2017 the Pensions Committee:

- approved the response to the Government's consultation on LGPS Pooling, which forms the 'business case' for LGPS Central Ltd's proposal
- formally approved the 2015/2016 Pension Fund Annual Report and Accounts
- reviewed the Triennial Valuation from the Actuary and approved the Funding Strategy Statement in light of this
- approved the Investment Strategy Statement including the Statement of Compliance with the UK Stewardship Code.

Involving others in governance

As well as the nine council members shown, the Pensions Committee also has co-opted members. Co-opted members represent the Pensions Consultative Forum, which is made up of representatives from all organisations that are members of the Fund. The co-opted members cannot vote at meetings. Representatives for 2016/2017 are shown below with who they represent:

Nigel Caine (Larger Public Bodies)

Sue Insull (Trade Unions)

Geoff Locke (Other Scheduled Employers)

Peter Noskiw (Education Sector)

Kevin Upton (Admitted Bodies)

Vacant (Pensioner Representative)

SIR JONATHAN PAUL "JONY" IVE...

...is a British industrial designer who is currently the chief design officer (CDO) of Apple. While working for a design firm in London he was asked by Apple, then a struggling company, to create a look for a new laptop. He took the design to Apple and was hired immediately.

Although not born in the county he did attend the Chingford Foundation School, then Walton High School in Stafford.



Pensions Panel

The Pensions Panel helps the Pensions Committee. The Pensions Panel's main tasks are to:

- decide the appropriate structure of investment management and appoint appropriate investment managers
- co-ordinate the activities of the various investment managers to reflect the overall aims of the Fund
- monitor how the investment managers perform against their investment targets.

The Director of Finance and Resources is responsible for managing the Fund's investments from day to day, in line with the decisions of the Pensions Panel.

Pensions Panel council members at 31 March 2017



Philip E B Atkins



Derek Davis OBE



Robert Marshall



Shelagh McKiernan



Mike Lawrence

The Pensions Panel during 2016/2017:

- reviewed and monitored the Pension Fund performance and Portfolio of Investments for 2015/16
- considered the implications of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016
- approved the 2017/18 Annual Investment Strategy for managing the Pension Fund's cash
- received training on the implications of the Strategic Asset Allocation (SAA) following the Triennial Valuation and reviewed the SAA in light of this.

Local Pensions Board

The main purpose and role of the Board is to:

- assist the County Council as the administering authority, to secure compliance with all regulations related to the governance of the LGPS
- help ensure the Fund is managed and administered effectively and efficiently
- ensure the Fund complies with the Code of Practice issued by the Pensions Regulator.

Local Pensions Board members at 31 March 2017

Employer representatives:

Gordon Alcott - Cannock Chase District Council
Christina Washington - St Bart's Multi-Academy Trust
Corrina Bradley - Staffordshire Fire and Rescue (Vice Chair)

Scheme Member representatives:

Tim Legge - Retired Scheme Member
Ian Jenkinson - Retired Scheme Member (Chair)
Vacant - Employee Representative

The Local Pensions Board during 2016/2017:

- reviewed Pensions Committee and Pensions Panel meetings held during the year
- considered the development of a Work Plan including training needs for members of the Board
- received a Data Protection Training presentation from the County Council's Information Governance Unit

The Local Pensions Board have produced their own Annual Report. The full Report which covers the last financial year is available by following the attached link:



www.staffspf.org.uk/Finance-and-Investments/Annual-Reports-and-Accounts/Pension-Board-Annual-Report-2017.pdf

The Executive Summary from the Report is provided below:

"The opinion of the Board is that they currently have no concerns about the Staffordshire Pension Fund, its administration or the newly created LGPS Central".

Ian Jenkinson – Chair of the Staffordshire Pension Board



More details of the responsibilities of the Pensions Committee, the Pensions Panel and the Local Pensions Board are set out in our Governance Policy Statement which is available on our website at

www.staffspf.org.uk/Governance/Policies.aspx. The Governance Policy Statement also contains the 'Statement of Compliance'. This is our assessment of how the Fund's governance arrangements compare to nine best practice principles set by the government.





REGINALD MITCHELL, INVENTOR OF THE SPITFIRE

Reginald Mitchell was born in Kidsgrove, Staffordshire in 1895. He was an English aeronautical engineer, who worked for Supermarine Aviation. Between 1920 and 1936 he designed many aircraft. He is best remembered for his racing seaplanes, which culminated in the Supermarine S.6B, and the iconic Second World War fighter, the Supermarine Spitfire.



Attendance

The table below sets out the attendance at the quarterly meetings in 2016/2017.

Pensions Committee Member	17/06/2016	21/10/2016	09/12/2016	17/03/2017
Margaret Astle	✓	✗	✗	✗
Philip Atkins OBE	✓	✗	✗	✗
Derek Davis OBE	✓	✗	✓	✓
Alan Dudson	✓	✓	✗	✓
Mike Worthington	✓	✓	✓	✓
Mike Lawrence	✓	✓	✓	✓
Robert Marshall	✗	✓	✗	✗
Shelagh McKiernan	✓	✓	✓	✓
Stephen Sweeney	✓	✓	✓	✓
Nigel Caine	✓	✗	✗	✗
Sue Insull	✓	✗	✓	✗
Geoff Locke	✓	✓	✓	✓
Alan Knight	✗	✗	n/a	n/a
Peter Noskiw	n/a	n/a	✓	✗
Kevin Upton	n/a	n/a	✓	✓

Pensions Panel Member	07/06/2016	08/09/2016	06/12/2016	07/03/2017
Philip Atkins OBE	✗	✓	✓	✗
Derek Davis OBE	✗	✓	✓	✓
Robert Marshall	✗	✓	✗	✓
Shelagh McKiernan	✓	✓	✓	✓
Mike Lawrence	n/a	✓	✓	✓

Pensions Board Member	15/07/2016	21/10/2016	09/12/2016	17/03/2017
Gordon Alcott	✗	✓	✓	✓
Christina Washington	✓	✓	✓	✗
Corrina Bradley	✓	✓	✓	✓
Susan Lees	✓	✗	n/a	n/a
Tim Legge	✗	✗	✗	✗
Ian Jenkinson	✓	✓	✗	✓

n/a = not a member at the time of meeting.

Administration and Investments

The Director of Finance and Resources and his staff are responsible for the administration and accounting functions that relate to the investments of the Fund. Details of all transactions carried out by the Fund's investment managers are collected and examined.

The Director of Finance and Resources and his staff are also responsible for all administration related to recording each member's years of service, working out benefits and paying pensions.

The Director of Strategy, Governance and Change is responsible for providing legal advice.

Advice

The Pensions Committee and Pensions Panel take advice from the Director of Finance and Resources and consultants appointed by the Pensions Panel, including a main investment consultant and two independent consultants. The performance of the consultants is reviewed annually.

Training

The Pensions Committee have adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Knowledge and Skills Framework for training members and officers. The training addresses 6 areas of knowledge:

- Legislative and governance
- Accounting and auditing
- Financial Services, procurement, and relationship management
- Investment performance and risk management
- Financial markets and products knowledge
- Actuarial methods, standards and practices

During the year the Pensions Committee received training on the Strategic Asset Allocation from the Fund's Independent Investment Advisor and on the Triennial Valuation from the Actuary.

Communication



The Fund produces a Communications Policy that it reviews annually and is available at www.staffspf.org.uk/About-Us/Policies/Communication-Policy/Communication-Policy.aspx

Full details on how the Fund communicates with its members are available on page 31.

Risk management

The main strategic risk to the Fund is failing to meet its primary objective of having sufficient funds to meet its liabilities when they become due for payment. This particular risk is managed through the Funding Strategy, which models the probability of a range of possible outcomes occurring (known as Monte Carlo Simulation). The primary reason for the high variability (risk) in outcomes derives from the high proportion of the Fund invested in growth assets, in particular equities. However, in the long term this is considered to deliver returns that are commensurate with the risk and this helps to keep employer contributions lower than they would otherwise be. It also relies upon the strong covenant of the major employing bodies in the Fund which allows for a long term perspective to be taken.

Risks are inherently reported to the Pensions Committee/Panel as part of routine reporting. However, there is a separate risk register, which has been developed to categorise risk across 4 main areas of focus: **Funding, Administration, Governance** and **Investment**. Some key risks from each of the areas, and the way in which they are mitigated, are highlighted in the following paragraphs.

Funding

- **Inflation** - Future payments the Fund has to make to pensioners are linked to inflation. Therefore, increases in the rate of inflation will increase the value of payments to pensioners. The Fund invests in assets, such as index linked gilts, which are linked to inflation. This reduces risk as it matches the return on these assets to actual increases in inflation.
- **Longevity** - Future life expectancy is an area which is difficult to forecast accurately but, as people are living longer, the cost to the fund of paying their pensions increases. The Fund has made assumptions on longevity with allowances for future increases. The Fund Actuary also has access to information on the experiences of other local authority pension funds. A substantial portion of this risk has been transferred to employees under the changes to the scheme made in 2014 which links the scheme retirement age to state pension age.
- **Changes in the maturity profile of the Fund** - The Fund will mature as the ratio of pensioners and deferred pensioners to active employees increases. This is growing as an issue as a result of structural changes affecting employers in the Fund. Over time it is possible to amend the investment strategy to better match this change but it may result in higher contribution rates for Fund employers.

Administration

- **Maintaining an appropriate level of staffing and resources** – This risk is managed by monitoring workloads and benchmarking staff numbers. Management also hold performance conversations and monitor customer feedback results and complaints.
- **Maintaining complete and accurate records** – Risks are mitigated through the use of internal contribution control and financial systems. Other controls include actuarial data checks, record keeping checks and actuarial calculations.

Governance

- **Structure** - The Fund must demonstrate key principles of accountability and transparency through clear responsibilities and reporting and an appropriate governance structure. To manage this, the Fund's objectives are defined, reviewed annually and approved by Pensions Committee as part of a comprehensive performance management framework which includes KPI's and review of the Risk Register. Reports on governance arrangements are presented at the Pensions Committee and Local Pensions Board.
- **Training** - Elected Members and Senior Managers need to have the required skills and qualifications to perform their function effectively, and be supported by an ongoing programme of training. This is promoted by the adoption of the CIPFA Training and Skills Framework, the use of a Training policy and Training Log. Assurance is given by review of the training records log, Local Pensions Board, the qualifications and experience of senior officers, performance meetings with staff and through the appointment process.
- **Advice** - The Fund needs to have proper arrangements to receive appropriate financial, investment and actuarial advice in order to make the best possible decisions. This risk is managed by procuring the services of several advisors who attend and report to the Pensions Committee, Panel and Local Pensions Board, advising them on key decisions.

Investments

- **Investment in equities** - A large proportion of the Fund is invested in equities which are expected to provide better returns than government bonds over the long term. The risk with this strategy is that equity values fall significantly in the short term and they fail to outperform bonds in the long term. This risk is managed through reliance on the funding strategy which monitors the positive cash flows of the Fund and the long term covenant of the main employing bodies. This then allows the Fund to take a long-term investment perspective and maintain a high exposure to equities which, over time are expected to deliver better financial returns.
- **Interest rates** - Changes in interest rates will affect the level of the Fund's liabilities and the value of the Fund's investment in bonds. Little can be done in relation to the change in liabilities; this is a fundamental part of having a Pension Fund. To mitigate the risk of capital loss on bonds from interest rate changes, the Fund's strategic asset allocation allows scope to adjust the bond exposure, should it be necessary.
- **Pension Fund investment managers underperform their target benchmarks** - As the majority of the Fund is invested through external investment managers, this risk is partially managed by keeping a substantial share of the Fund invested passively and by ensuring that the active managers have complementary styles. Each manager has an investment management agreement in place which sets out the relevant investment benchmark, investment performance target, asset allocation ranges and any investment restrictions. This constrains the investment managers from deviating significantly from the intended approach, while permitting sufficient flexibility to allow the manager to reach their investment performance target. All this is allied to regular monitoring.

In terms of investment risks, the Pensions Committee receives an annual report from the Fund's independent performance measurer to show both performance and risk; where risk is measured as the variability of returns, both against liabilities and against equity or other benchmarks. The Pensions Panel receives reports which monitor such risks quarterly.

Scheme management and advisors

Advisors

Carolan Dobson BSc, MSII
David G Thomas BSc, FIA
Hymans Robertson LLP

Actuary

Hymans Robertson LLP

Auditors

Ernst & Young LLP

AVC providers

Clerical Medical
Standard Life Assurance Ltd
The Equitable Life Assurance Society

Bankers

Lloyds Bank plc

Custodian

The Northern Trust Company

Investment managers

Aberdeen Asset Managers Limited
(until Jan 2017)
Alcentra Limited
Capital Dynamics Ltd
Colliers International UK plc
Goldman Sachs Asset Management
Harbourvest Partners LLC
Hayfin Capital Management

Highbridge Capital Management
Insight Investment
JP Morgan Asset Management
Knightsbridge Advisors LLC
Lazard Technology Partners LP
Legal & General Investment Management
Longview Partners Limited
Morgan Stanley Investment Management
Limited (until June 2016)
Partners Group LP
Record Currency Management
Russell Investments Limited
Sarasin & Partners LLP (until Jan 2017)
Schroder Investment Management Limited
(until June 2016)
Standard Life Investments Limited

Legal advisor

John Tradewell, LLB, MBA
Director of Strategy Governance and Change

Official responsible for the Fund

Andrew Burns BSc (Hons), CPFA, MBA
Director of Finance and Resources

Performance measurement

Portfolio Evaluation Ltd

If you need more information, you can find contact names and phone numbers on page 76.

INVESTMENT REPORT

Global economic review

2016/17 ended up being a good year for global growth, considering the events that occurred, including - the UK vote to leave the EU (Brexit), the US Presidential Election and the resignation of Italy's Prime Minister. By the end of the financial year all markets had performed well, despite volatility in global equity markets throughout driven by political concerns. The International Monetary Fund (IMF) estimated world GDP growth rates were 3.1% in 2016 and forecast this to increase to 3.4% in 2017.



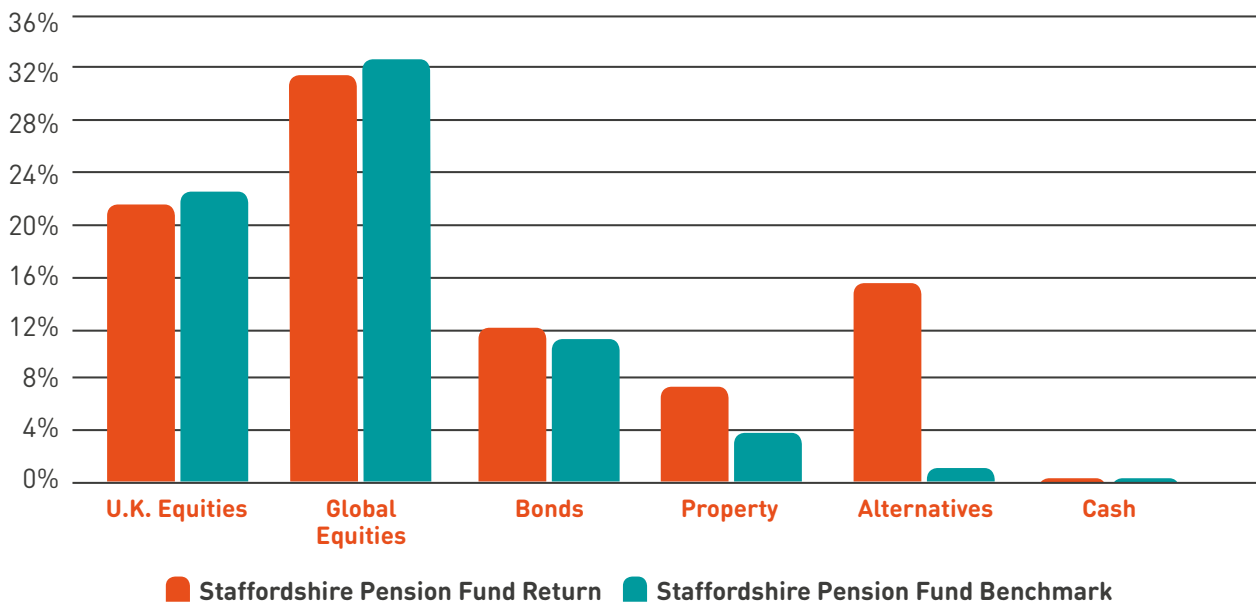
During the first quarter of 2016/17, the UK voted to leave the EU (Brexit). This resulted in markets across the world initially selling-off and Sterling significantly weakening. Despite Brexit, global equity market returns were broadly flat during the quarter; however performance varied considerably by region and the period was characterised by volatility. UK investors benefited as a result of the fall in Sterling to achieve substantially higher returns on their foreign investments than they would have done otherwise.

In the second quarter, as a result of Brexit, the Bank of England cut base rate to 0.25% from 0.50% and extended its quantitative easing programme. The UK had a better than expected quarter following the Brexit vote; the pound remained weaker against the Euro and Dollar and this appeared to have helped to boost economic growth. Meanwhile the US Federal Reserve (Fed) continued to hold US interest rates, as inflation remained below the Fed target of 2%. World equity markets rose during this period with the MSCI World Index rising by +4.8%.

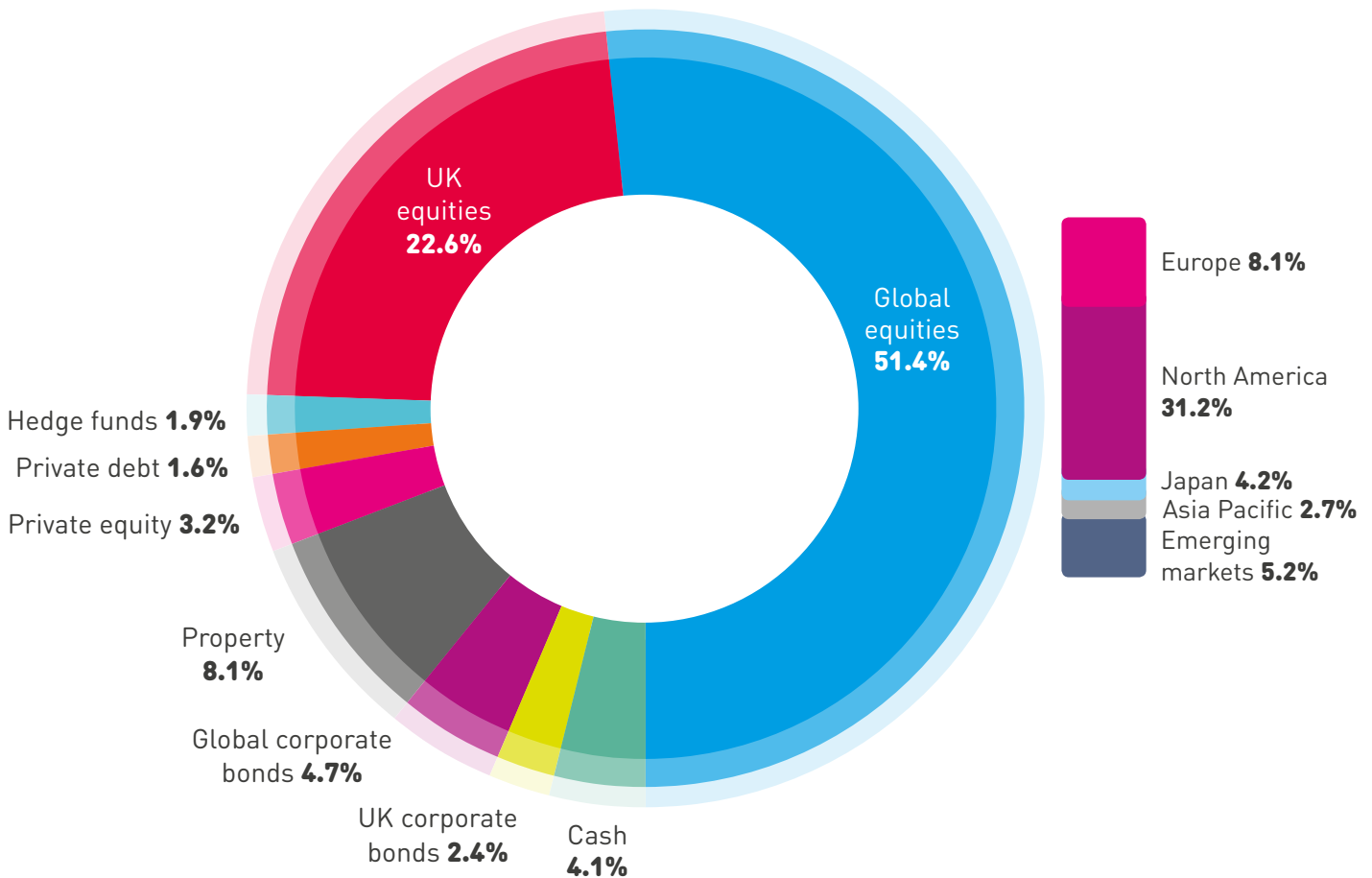
The third quarter saw world equity markets continue to increase; the FTSE rose to all-time highs by the end of the quarter and in the US the Dow Jones reached similar all-time highs following Donald Trump's election in November. The uncertainty of Brexit was still affecting Sterling, with further weakening following suggestions Article 50 would be triggered by March 2017. Central banks were active during the quarter; after much anticipation, the Federal Reserve (Fed) increased interest rates in December causing the US Dollar to rise to a 14 year high against the Euro and in Europe, the European Central Bank (ECB) extended its quantitative easing program.

The positive momentum driving equity markets higher after the US election continued into the final quarter of the financial year with the MSCI World Index up by over 6% with Emerging Markets outperforming Developed Markets. Despite the UK applying for Brexit under Article 50 and Scotland threatening a second independence referendum, the FTSE continued to hit all-time highs. In the US, stock markets also hit a series of record highs over the first two months of 2017, before the rally cooled somewhat and the Fed raised interest rates again in March. Meanwhile, the Eurozone project was boosted by the failure of anti-EU parties to gain popular support in elections in Austria and the Netherlands.

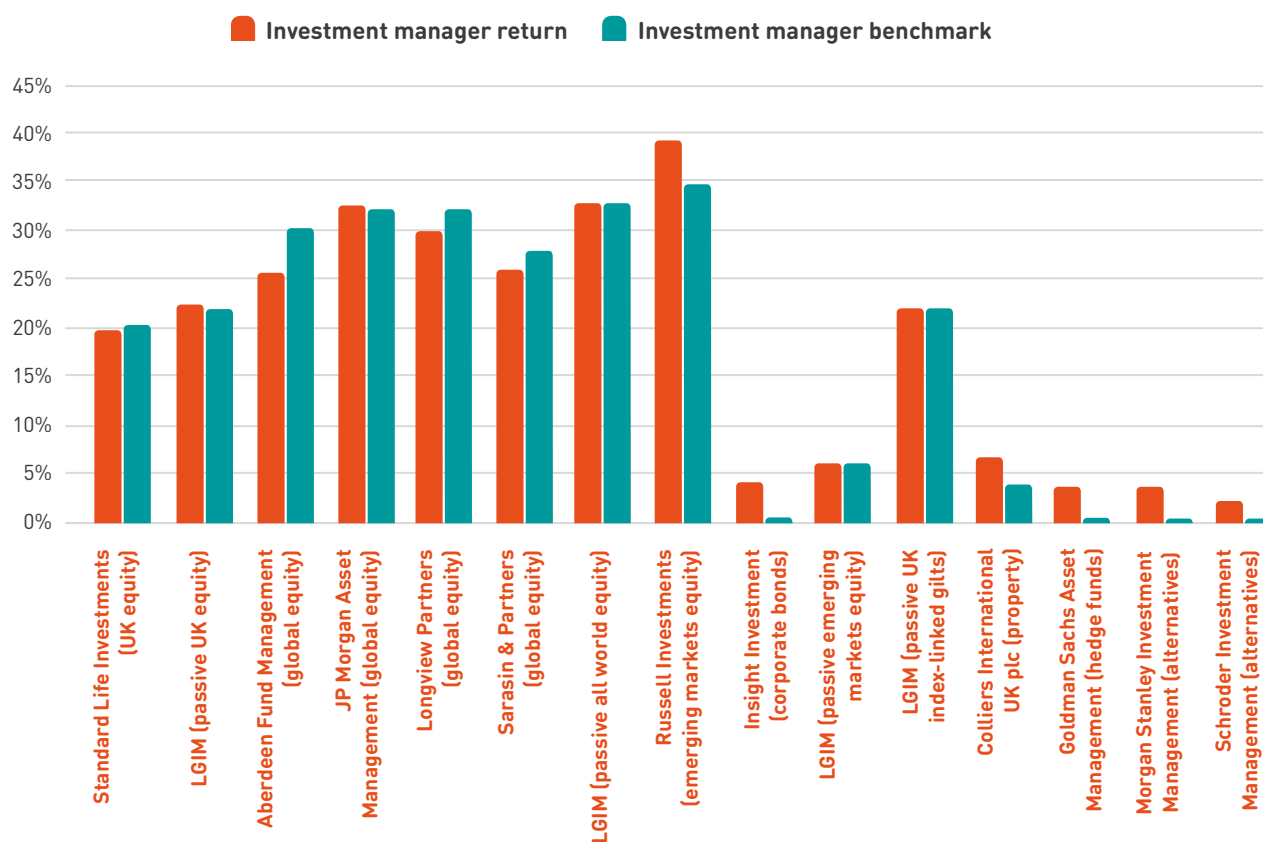
Major asset class returns for year ended 31 March 2017



Percentage breakdown by investment type at 31 March 2017



Investment manager returns for the year ended 31 March 2017



Equities

Equity assets generated excellent returns during 2016/17, with the Fund’s equity portfolio returning 29.3% against a benchmark of 30.4%; within this UK equities returned 21% and global equities 31.5%. Whilst equity assets were the highest return generators for the Fund, they were significant detractors from positive excess performance due to the underperformance of active investment managers, two of whom have since had their contracts terminated.

Global equities performed well during the year, with healthy returns across all markets. The Emerging markets performed the best with returns of 38.1%, followed by North America (35.4%), Asia Pacific (35.0%) and Japan (34.3%). Europe (ex UK) returned 27.5% and UK 21.0%.

Top Ten Equity Holdings

Name of company	Market value at 31 March 2017
Glencore Plc	£12,292,293
WPP Plc	£12,026,446
Shire Plc	£11,783,101
Prudential	£11,756,040
Rio Tinto	£11,276,257
Pfizer Inc	£10,107,113
Lloyds Banking Group	£9,558,773
British American Tobacco	£9,555,688
Apple Inc	£9,523,298
Sanofi	£9,496,889



BREWING IN BURTON AND THE POWER OF MARMITE

Burton-upon-Trent had a unique position in the history of brewing, exporting beer throughout the world and accounting for a quarter of UK beer production at one time. Much of its area was given over to the industry throughout the 19th century and brewers dominated the town politically and socially.

Marmite was invented by accident. In the late 19th Century a German scientist, Justus Liebig, discovered brewer's yeast could be concentrated, bottled and eaten. In 1902 the Marmite Food Company was founded in Burton-on-Trent, where the raw material was readily available from the town's brewers.

Bonds

During the year the Fund continued its strategy of not holding conventional UK Government bonds as their valuations remained at a premium.

The Fund had previously reinvested in corporate bonds on a 'buy and hold' strategy where limited trading took place and bonds would be held to maturity. In June 2016 the Pensions Panel agreed to change to an 'evergreen' policy where cash from maturing bonds is reinvested back into bonds, to limit the build-up of a cash surplus in the Fund. Corporate bonds returned 4.1% during the year, against a benchmark of 0.4%.

The Fund also holds an investment in index-linked Gilts and no changes were made to this portfolio during the year. As these are passively managed they returned the same as the benchmark of 22.0%.

During 2016/17 the Fund's overall bond holding returned 12.2%, exceeding the benchmark return of 11.1%.

Property

The Fund's total property investment return for 2016/2017 was 6.6%, against a benchmark of 3.9%.

All sectors produced positive returns and outperformed the benchmark but Industrials were the highest return generators at 18.6%.

During the year, in line with the Fund's Property investment strategy, four of the five properties the Fund purchased were outside of London, taking advantage of market strength in other areas of the country. The Fund also sold three properties and its holdings in a property unit trust.

Largest direct property holdings

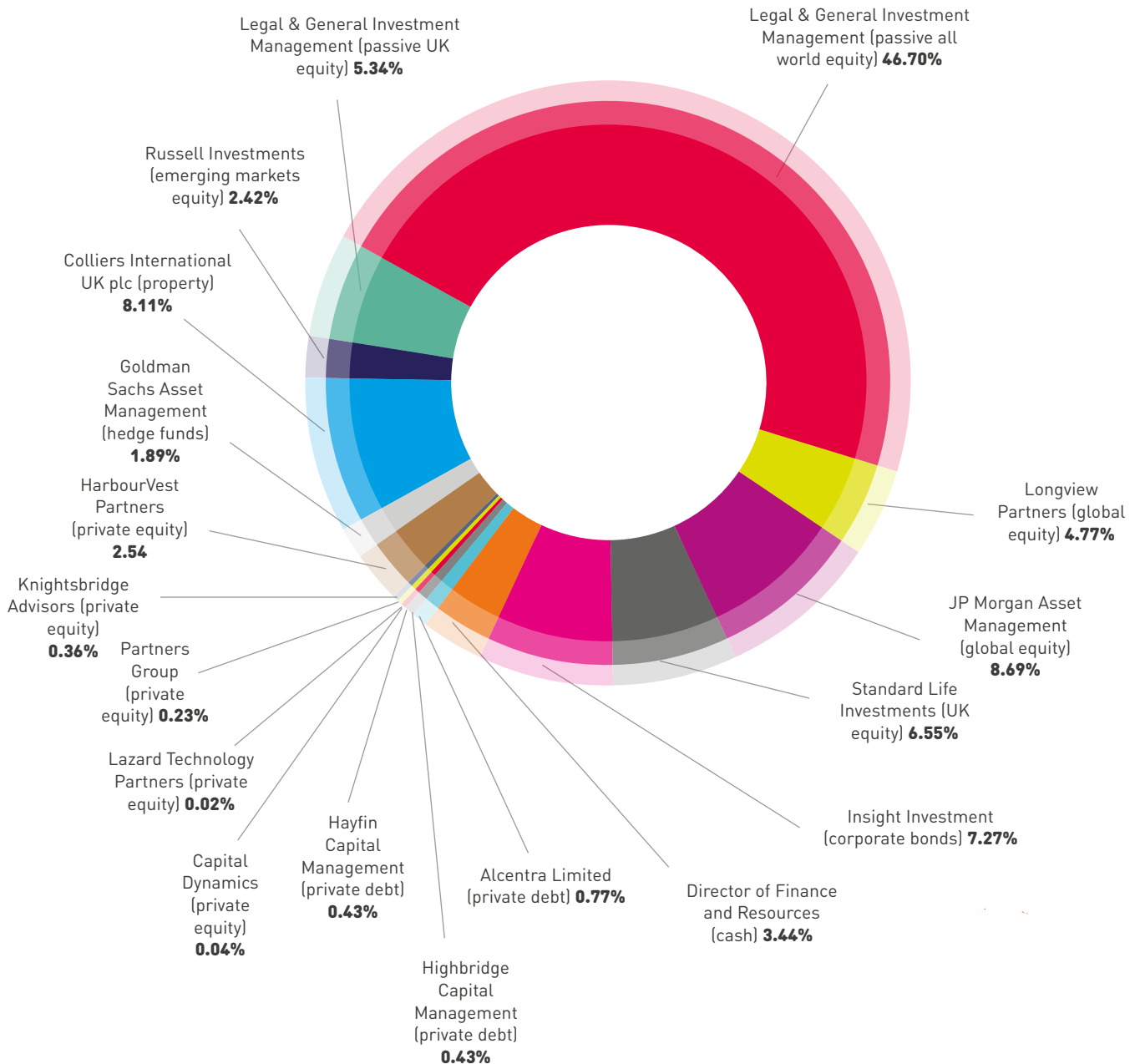
Location	Market value on 31 March 2017
Upper Woburn Place, London	£30,300,000
Burwood House, London	£22,500,000
Stukeley Street, London	£21,300,000
Old Jewry, London	£20,300,000
Grosvenor Street, Edinburgh	£18,500,000
Drum Industrial Estate, Chester-Le-Street, Durham	£18,500,000

Alternative investments

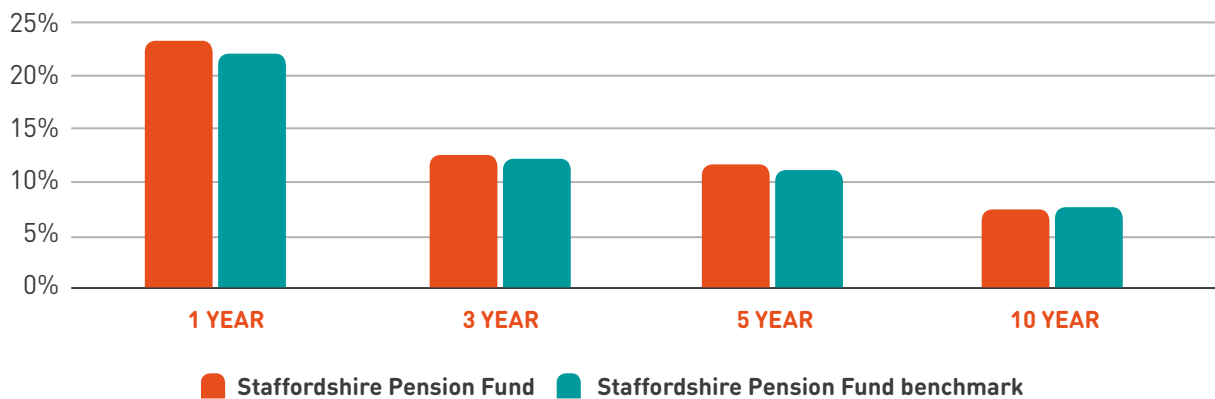
The Fund invests in 'Alternatives' for diversification, as they typically provide a return uncorrelated to equities, which make up a high proportion of the Fund's investments. They also provide an illiquidity premium due to the longer-term nature of the investment and the fact it cannot be easily traded.

The market for alternative assets is diverse and depending on asset class and manager selection, investors can be rewarded with varying returns. The Fund's investment in alternative assets returned 15.3% in 2016/2017, well in excess of the benchmark. Within this asset class, private equity performed exceptionally well with returns of 30.0%, driven in part by the collapse in the value of Sterling. Hedge funds returned 3.7%, whilst private debt did not see any return during the year, as the asset class was new and only a small portion of the Fund's commitment had been drawn down.

How much of the investments each manager looks after (by market value on 31 March 2017)



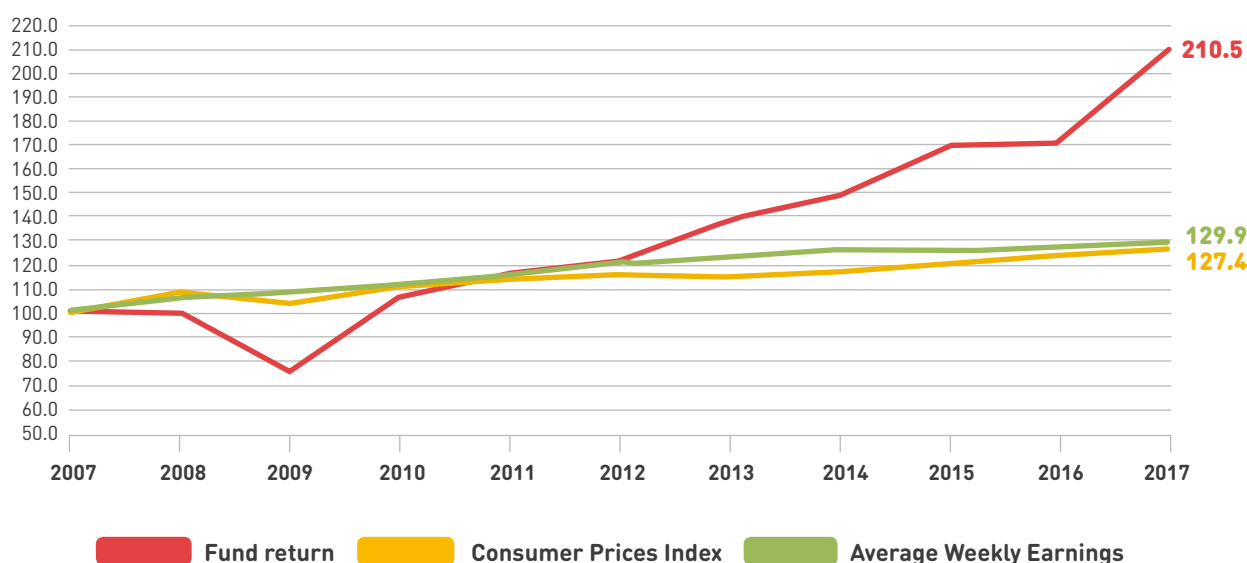
Pension Fund investment returns



For the year ending 31 March 2017, the Fund’s total portfolio of investments earned a return of 22.9%. This outperformed the Fund’s strategic asset allocation benchmark by 1.0% and increased the Fund value to £4,591m. All primary asset classes had significant positive returns for the year.

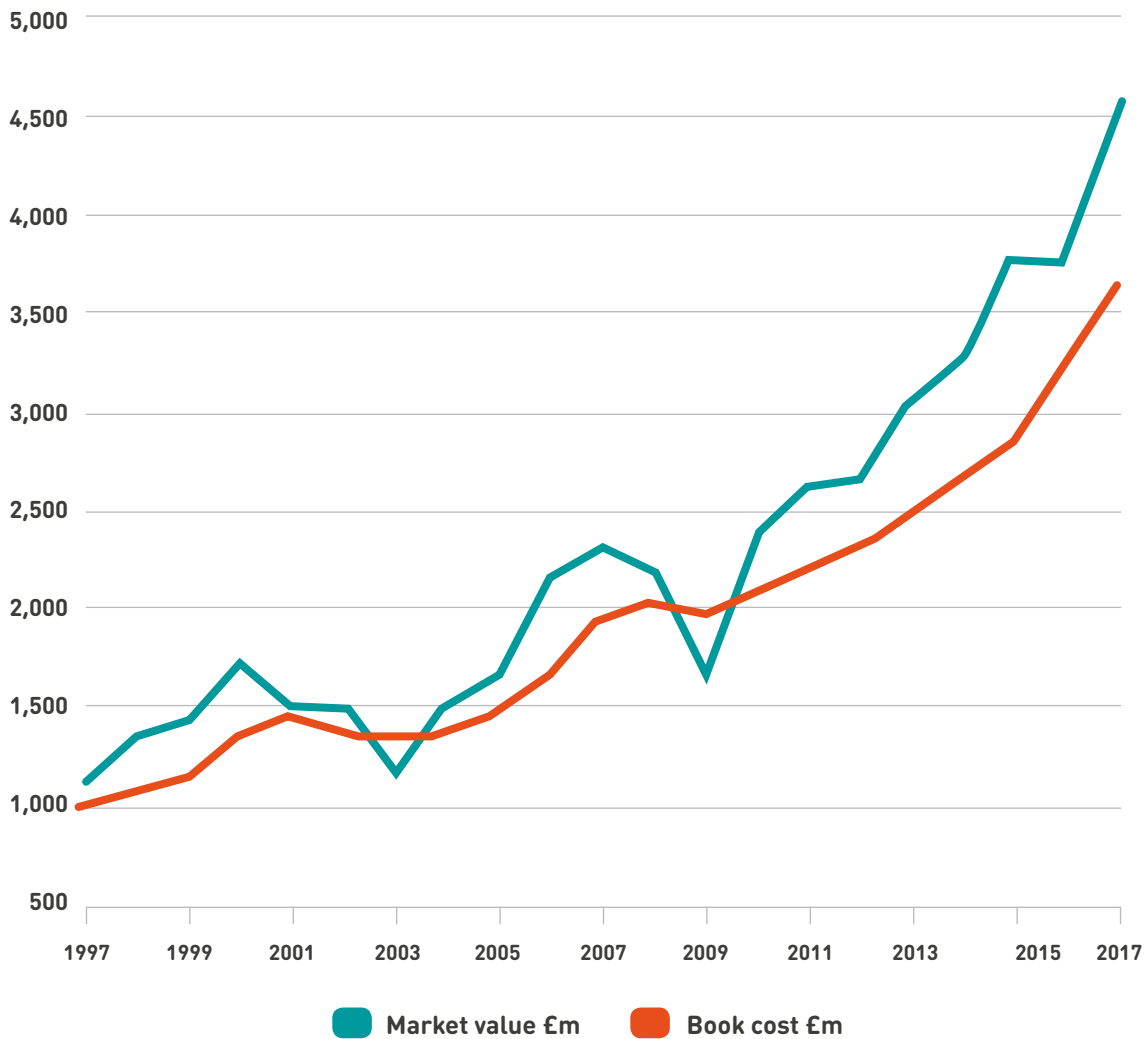
The previous graph shows how the Fund outperformed its strategic asset allocation benchmark over the 1, 3 and 5 year periods and marginally underperformed the benchmark in the 10 year period. The underperformance in the 10 year period was down to poorly performing investment managers who have since had their contracts terminated.

10 year investment performance versus inflation and earnings



The graph on page 20 compares the Fund return over the past 10 years against inflation, in the form of the Consumer Prices Index, and Average Weekly Earnings. The value of all three measures was indexed to 100 at 31 March 2007 and revalued at 31 March every year thereafter.

It can clearly be seen that the Fund has performed well and significantly outperformed the other two measures over the past decade, bar the dip in 2009 attributed to the financial crisis during that year.



The graph above shows the market value of the Fund over the past 20 years versus its book cost (what we paid for the assets). The graph clearly shows the effect on the market value of the financial crisis of 2008/2009 and strong recovery since.

Responsible Investment report 2016/2017

The Pensions Panel recognises its role in promoting Responsible Investment (RI) and endorses the United Nations Principles of responsible Investing (UNPRI). The Fund's equity managers are encouraged to sign up to the UNPRI to ensure they incorporate Environmental, Social and Governance (ESG) issues into their investment process. Currently all of the Fund's equity managers are signatories to the UNPRI.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, which came into force on 1 November 2016, require the Pension Fund to have an Investment Strategy Statement (ISS), the replacement for the previous Statement of Investment Principles (SIP). An ISS must make reference to the way in which the authority takes RI into account in the selection, non-selection, retention and realisation of investments. The Staffordshire Pension Fund ISS was approved at the Pensions Panel meeting in March 2017. The ISS is available on the Pension Fund website www.staffspf.org.uk/Finance-and-Investments/Finance-and-Investments.aspx



As per the 2016 regulations, the Pension Fund is now a signatory to the Financial Reporting Council's UK Stewardship Code and has been categorised as a Tier 1 signatory (providing a good quality and transparent description of their approach to stewardship). The Fund's statement of compliance with the UK Stewardship Code is available on the Pension Fund website www.staffspf.org.uk/Finance-and-Investments/Finance-and-Investments.aspx. Currently all of the Fund's equity managers are signatories to the UK Stewardship Code. Individual investment manager's RI policies, their statements of compliance with the UK Stewardship code and the UNPRI, are also available on the Staffordshire Pension Fund website: www.staffspf.org.uk/Finance-and-Investments/Finance-and-Investments.aspx



Local Authority Pension Fund Forum

To further enhance the commitment to Responsible Investment the Fund is a member of the Local Authority Pension Fund Forum (LAPFF). LAPFF is a voluntary association of 72 LGPS funds with total assets under management of over £200bn. Formed in 1990 the forum exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders while promoting social responsibility and high standards of corporate governance at the companies in which they invest.

During the year LAPFF engaged with a variety of companies. Below is a selection of issues they engaged on to promote RI:

- On climate risk, LAPFF met with Rio Tinto to discuss their newly issued climate change report, released in response to the shareholder resolution on strategic resilience co-filed by member funds. The Forum also issued a press release welcoming Shell's move to divest oil sands assets. LAPFF has been engaging with Shell and other energy companies about how they can move towards a low carbon future for several years. So it was welcome news that the company appeared to be responding to investor concerns.
- LAPFF was one of a number of shareholders and shareholder groups supporting a UNITE-backed resolution at the Sports Direct AGM, that called for an independent review of the Company's human capital management strategy. The AGM received much media coverage, and LAPFF's Executive Committee member, Jane Firth, spoke to Channel Five, BBC TV and Radio Five Live. The latest development is a promise from Sports Direct that it will replace its lawyers, RPC, as the party to conduct the next independent review of workplace practices and corporate governance.

- LAPFF was also pleased to have been part of an investor coalition which has successfully engaged with Total on strategic resilience. As a result of this engagement, the Company committed to reporting in line with the requests of the strategic resilience resolutions that have already been filed at oil, gas and mining companies in the UK. This includes reporting on emissions, the International Energy Agency's post-2015 scenarios, research and development, key performance indicators, and public policy positions.



You can find more out about LAPFF at their website www.lapfforum.org

Annual voting summary

The Pensions Panel receives quarterly updates from managers on details of votes cast on corporate resolutions for holdings in their relevant portfolios. Below is a summary of their activity in 2016/2017. The managers quarterly voting summaries can be obtained by contacting the Treasury and Pension Fund team at: treasury.pensionfund@staffordshire.gov.uk or 01785 276330.



	Total resolutions	Vote with management	Votes against management	Abstain	Not voted
JP Morgan Asset Management	31,750	29,004	2,724	16	6
Standard Life Investments	1,023	988	24	11	0
Aberdeen Fund Management	566	466	42	55	3
Sarasin & Partners	665	524	111	9	21
Longview Partners	535	501	34	0	0
Legal & General Investment Management	44,526	39,409	5,042	75	0

JCB

The story of JCB is one of innovation, ambition and sheer hard work. From small beginnings building agricultural tipping trailers in 1945, to the global force in manufacturing the company has become today.

Joseph Cyril Bamford started his business in a rented lock-up garage in Uttoxeter, using a second-hand welding set and some surplus military equipment. JCB now employ around 12,000 people on four continents and sell their products in 150 countries.



FUND ADMINISTRATION

Overview and legal status of Staffordshire Pension Fund

Staffordshire Pension Fund is part of the Local Government Pension Scheme (LGPS). The LGPS is a statutory scheme and benefits are paid under the provisions of the Local Government Pension Scheme Regulations 2013, the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 and other applicable legislation. The government issues a number of administrative LGPS directives and regulations through the Department for Communities and Local Government, as such these directives and regulations have the force of law.



Janet Caiazzo
Pension Manager

Activities during the year

It has been another challenging year for the Pensions Administration team.

However, I am pleased to report that the team have performed magnificently despite the increase in volume of work, and completing the triennial fund valuation.

As mentioned in the Welcome by the Pension Panel Chair, the Fund undertook a full and independent review into whether the Staffordshire Pension Fund was complying with the Pension Regulators 'Code of Practice' requirements. Following an assessment we received a report and the following statement from Aon Hewitt who carried out the review for us:

"We (Aon Hewitt) recently conducted an independent review of the Staffordshire Fund's compliance with the Pension Regulator's Code of Practice for Public Sector Schemes, and of the Fund's governance as a whole. This project involved both reviewing the Staffordshire Fund's policies / processes, and meeting with Fund Officers to further investigate the Fund's governance structure. We were extremely impressed with the overall standard of governance of the Fund, and with how well the Fund complied with the Code of Practice, and we believe the Staffordshire Fund compared very favourably to the average LGPS Fund. As you would always expect with a project of this nature, the review identified several areas where minor improvements could be made, and we hope that the identification of these as part of this review can help the Fund further improve the Fund's governance in future. We would like to thank the Fund's Officers for their assistance and co-operation in this exercise, which was a pleasure to undertake."

Although our main concentration has been on clearing casework there have also been some highlights during the year. In August we successfully retained our Customer Service Excellence award following our annual inspection. We also consulted upon and introduced our Pensions Administration Strategy which clearly sets out the responsibilities of Staffordshire County Council as the administering authority and the responsibilities placed on our employers in order for them to comply with the complex requirements of the LGPS.

We were extremely pleased to be able to meet the deadline for issuing annual benefit statements to scheme members. In any year the 31 August is a challenging target to achieve but together with the Fund Valuation extra strain was put on the team, but we still managed to deliver on both projects.

We will be looking at and re-launching **mypension online** over the coming months. This will remind our members that there is an alternative way of obtaining pension figures rather than waiting for their annual benefit statements to arrive.

Membership

The introduction of pension freedom and choice has generated a number of queries from members, but, to date has not led to an increase in the number of members transferring their benefits out of the Fund.

The number of active members is expected to fall in time as larger employers are expected to reduce their workforce.

In the 2016/2017 financial year the total membership of the Fund has increased by 756 members to the current total of 106,038.

	31 March 2013	31 March 2014	31 March 2015	31 March 2016	31 March 2017
Active pensionable employees	35,008	36,119	36,991	36,785	34,963
Pensioners and Dependents	26,637	28,260	28,713	30,051	31,713
Deferred pensioners (people who no longer pay into the scheme)	33,857	36,604	38,079	38,446	39,362
Total membership	95,502	100,983	103,783	105,282	106,038

The profile of our current membership as at 31/03/2017 is illustrated in the table provided below:

Age group	Active	Deferred Beneficiaries	Retired	Spouse/Dependent
0-15	0	0	0	87
15-19	438	13	0	76
20-24	1,332	573	0	43
25-29	2,243	2,121	0	1
30-34	2,910	3,416	3	2
35-39	3,609	3,986	2	4
40-44	4,506	5,115	15	22
45-49	6,021	7,122	58	55
50-54	6,270	8,011	139	110
55-59	4,642	6,507	1,204	187
60-64	2,419	2,346	5,605	271
65-69	461	101	8,095	366
70-74	112	51	6,118	561
75-79	0	0	3,222	501
80-84	0	0	1,967	646
85-89	0	0	1,012	484
90+	0	0	493	364
Total	34,963	39,362	27,933	3,780

Total membership 106,038

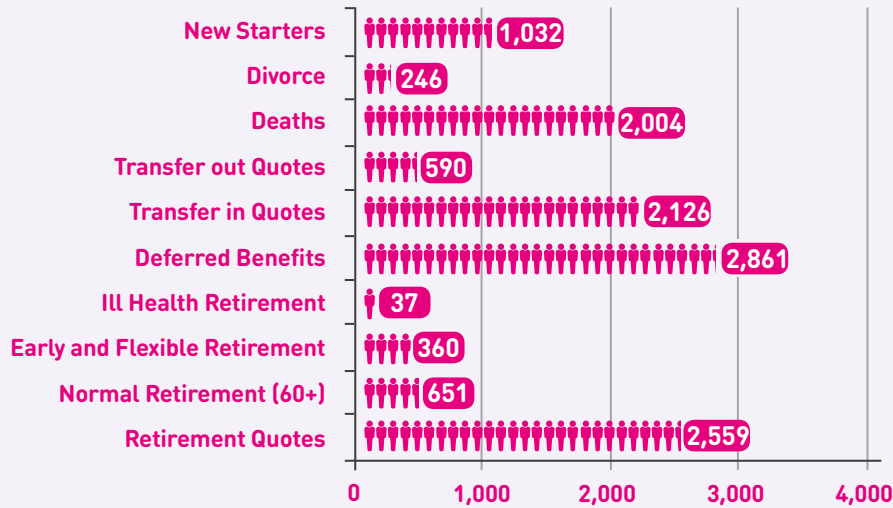
Performance Monitoring

As part of our commitment to continued service improvements we operate a system of performance monitoring. The Pensions Administration system monitors the key procedures that are performed by the administration unit. Each procedure is measured against its target and monitored on a monthly basis.

Performance

The tables below highlight the performance of the administration unit against the key procedure targets.

Analysis of workload 2016/17



Number of cases processed in year

Performance against standard 2016/17



Performance against standard

Pension administration and cost

As in previous years, the workload of the pension administration section increased. Member numbers continued to increase, with leavers increasing due to budget reductions and the sharing of services.

The Fund has also experienced considerable challenges in obtaining data from a number of employers in a timely manner, in order to comply with the requirements of the Pension Regulator. Although this is now being achieved, additional resources have been required in computer and manpower.

Our management systems ensure that we are providing the best possible service to customers and will continue to ensure that we deliver best value to all our stakeholders.

In the latest published data for administration costs for the Staffordshire Pension Fund, the cost per member was £23.

Staff training and development

Staffordshire Pension Fund provides a comprehensive training programme for its entire staff and encourages staff to work towards professional qualifications such as:

- Institute of Payroll Professionals (IPP) foundation degree in Pensions Administration and Management

In addition staff members attended a variety of useful events during the year, including:

- National Association of Pension Fund (NAPF) Local Authority Conference
- Pension Managers Conference
- Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Network events
- In House Training, often organised through the Local Government Employers Association with neighbouring Pension Funds

Members of the Team also sit on National Groups and Forums where information is gained and shared.

Employer training and development

Our employer base has continued to expand with the total active employers increasing by over 70 during the year. Schools converting to academy status and outsourcing support services remain the key reasons for the increase.

We have continued to provide employer training sessions and newsletters throughout the year as well as maintaining open dialogue and support when required.

We continue to develop our processes and procedures in response to the feedback that we receive.



We also launched our Administration Strategy to assist our employers in understanding the Scheme Regulations. The Administration Strategy can be found on our website at: www.staffspf.org.uk/Governance/Staffordshire-Pension-Fund-Administration-Strategy.pdf

Internal Dispute Resolution Procedure (IDRP)

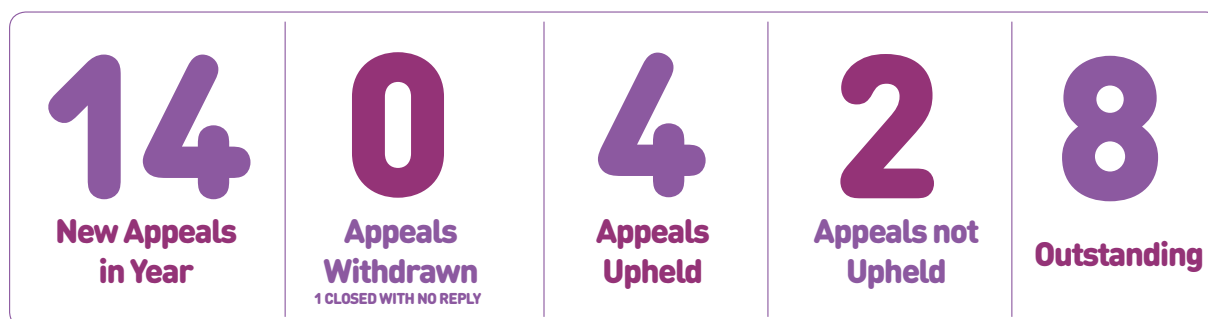
In the last 12 months, Staffordshire Pension Fund has revised its procedure for dealing with formal complaints.

In the first instance the member should contact the Staffordshire Pension Fund at the address shown in this Report. We then send a detailed guide explaining the IDRP and how the appeal process will be handled. Any appeal must, ordinarily, be made within six months of receipt of the notification of the decision which is being disputed.

The initial review (stage 1) of each case is conducted by a person nominated by the body who made the decision (the 'adjudicator'). Where an appeal concerns the employer's decision, the adjudicator is an individual nominated by that employer; if the appeal is about the calculation of benefits, it will be reviewed by the adjudicator for the Staffordshire Pension Fund.

If, after the initial review, the member is still dissatisfied with the decision, they can apply via the second stage of the process to have the decision reconsidered. This application must be made within six months of receiving the decision of the initial review. At the second stage, if the appeal concerns an employer decision, it is reviewed by Staffordshire County Council. If the member is still not satisfied following the second stage decision, an appeal can be made to the Pensions Ombudsman. However, advice must first have been sought from the Pensions Advisory Service before the Ombudsman will consider the case.

Details of IDRP Stage 2 Cases processed in the year



Staffordshire Pension Fund received 5 other complaints during the year that did not follow the IDRP route.

Communication

Staffordshire Pension Fund recognises the government's objective to help people save for their retirement and aims to:-

- Actively encourage the provision of good pension information and the promotion of pensions in the workplace.
- Increase transparency and build trust, confidence and engagement in pension saving.

To achieve this aim Staffordshire Pension Fund: -

- Provides clear, accurate and timely communication about the Local Government Pension Scheme to all stakeholders.
- Actively promotes the Scheme to prospective members and their employers.
- Use and encourage the use of electronic/online communication and information sharing. In particular working jointly with neighbouring Pension Funds on Communication Projects.
- Support Scheme employers, providing publicity and information to enable them to fulfil their responsibility to communicate and share information with members in relation to the Scheme.
- Treat information security with utmost importance.

Further information can be obtained in our Communication Policy which can be found at:



<https://www.staffspf.org.uk/About-Us/Policies/Communication-Policy/Communication-Policy.aspx>





IZAACK WALTON

Izaak Walton, the celebrated author of the 'Compleat Angler', owned this charming cottage that nestles in the tiny hamlet of Shallowford, between Stafford and Eccleshall. His charming thatched 16th century half-timbered cottage is still of interest to anglers and non anglers alike to this day.

The 'Compleat Angler' is the third most frequently reprinted book in the English language, one that has been in print for over three hundred years.



List of participating Employers

Employer Name	Employee Contributions	Employer Contributions
Staffordshire County Council	£10,895,328.37	£30,619,261.49
Stoke-on-Trent City Council	£7,477,334.36	£24,513,783.97
Staffordshire Moorlands District Council	£321,301.09	£756,997.38
Newcastle Under Lyme Borough Council	£723,845.63	£1,913,980.01
Stafford Borough Council	£521,103.71	£1,347,287.94
East Staffordshire Borough Council	£455,917.34	£1,808,411.88
South Staffordshire District Council	£333,640.66	£831,868.16
Cannock Chase District Council	£649,282.76	£1,731,087.50
Lichfield District Council	£500,519.53	£1,849,596.25
Tamworth Borough Council	£526,796.60	£1,301,870.05
Alrewas Parish Council	£819.24	£2,966.04
Fradley and Streethay Parish Council	£800.32	£3,055.73
Heath Hayes & Wimblebury Parish Council	£1,094.52	£3,962.76
Swinfen & Packington Parish Council	£109.56	£418.32
Bridgtown Parish Council	£101.92	£388.90
Cheslyn Hay Parish Council	£2,772.06	£9,356.17
Cheadle Town Council	£2,832.56	£9,542.60
Burntwood Town Council	£10,039.14	£30,177.49
Great Wyrley Parish Council	£2,471.22	£7,679.60
Leek Town Council	£1,778.83	£5,746.83
Uttoxeter Town Council	£7,753.34	£26,929.73
Lichfield City Council (Former Charter Trustees)	£18,486.03	£61,695.56
Penkridge Parish Council	£7,170.67	£24,291.07
Wombourne Parish Council	£3,245.87	£10,553.89
Stone Town Council	£5,828.79	£19,922.85
Norton Canes Parish Council	£825.32	£2,988.50
Brereton And Ravenhill Parish Council	£1,959.29	£6,635.01
Codsall Parish Council	£1,864.12	£6,060.97
Kinver Parish Council	£4,022.57	£14,077.56
Brewood & Coven Parish Council	£2,975.23	£10,487.34
Lapley, Stretton & Wheaton Aston Parish Council	£1,015.78	£3,398.63
Perton Parish Council	£6,917.05	£23,425.17
Shenstone Parish Council	£1,653.84	£5,348.87
Hednesford Town Council	£2,538.99	£8,831.27
Essington Parish Council	£1,432.99	£4,629.70
Kidsgrove Town Council	£1,626.06	£5,247.35
Eccleshall Parish Council	£1,458.25	£4,711.18
Cheddleton Parish Council	£1,486.34	£4,802.16
Audley Rural Parish Council	£811.34	£2,926.44
Biddulph Town Council	£4,107.17	£12,693.50
Horninglow And Eton Parish Council	£646.42	£2,377.40
Colwich Parish Council	£1,780.57	£5,752.69
Draycott In The Clay Parish Council	£338.33	£1,291.81
Abbots Bromley Parish Council	£230.96	£836.48
Gnosall Parish Council	£1,806.85	£5,837.45
Branston Parish Council	£210.36	£761.67
Rugeley Town Council	£4,518.17	£15,741.93
Stoke-on-Trent and Staffordshire Combined Fire Authority	£308,817.71	£992,845.32
Cannock Chase District Council Councillors	£7.41	£21.35
Tamworth Borough Council-Councillors	£326.51	£897.89
The Office Of The Police And Crime Commissioner Staffordshire	£62,248.50	£119,436.42
The Office Of The Chief Constable Staffordshire	£2,314,955.74	£5,500,280.33
Tatenhill Parish Council	£283.60	£1,082.89
Pattingham and Patshull Parish Council	£283.60	£1,082.89
Tutbury Parish Council	£784.00	£1,084.40
Bilbrook Parish Council	£215.24	£821.78

Employer Name	Employee Contributions	Employer Contributions
The Cannock Chase Academy	£48,216.25	£169,239.68
Weston Road Academy	£28,045.89	£94,325.71
The Eaton Park Academy	£42,860.07	£148,611.28
The Bursley MAT - Bursley Academy	£15,032.23	£56,709.22
The Bursley MAT - Manifold Primary School	£2,656.02	£10,975.52
The Bursley MAT - Hollinsclough Primary School	£1,176.32	£4,931.72
St. Joseph's College Edmund Rice Academy Trust	£48,511.70	£172,425.95
The Rural Enterprise Academy	£5,646.47	£20,082.14
The College Academies Trust LTD Studio School	£19,601.71	£66,823.14
The College Academies Trust - The Discovery Academy	£76,171.75	£258,737.42
The College Academies Trust - Maple Court Primary	£23,263.63	£87,746.15
The College Academies Trust - The Excel Academy	£35,552.55	£128,054.33
Academies Enterprise Trust Anglesey	£45,724.61	£166,713.61
Academies Enterprise Trust Rawlet	£38,760.53	£136,708.47
Academies Enterprise Trust Belgrave High	£36,602.09	£127,237.75
Painsley Catholic College	£58,742.75	£204,669.08
Painsley Catholic College St Filumenas	£10,487.18	£38,550.72
Painsley Catholic College St Giles Cheadle	£10,695.79	£39,615.96
Painsley Catholic College St Josephs Uttoxeter	£10,579.37	£39,372.63
Painsley Catholic College St Marys Leek	£10,174.84	£38,719.03
Painsley Catholic College St Thomas Kidsgrove	£12,098.62	£45,355.48
Painsley Catholic College Faber Cotton	£4,735.76	£17,491.81
The Sutherland Academy	£30,795.05	£109,802.28
City Learning Trust - Haywood Engineering College	£80,061.19	£269,736.59
City Learning Trust - Smallthorne Primary Academy	£3,621.42	£13,536.75
City Learning Trust - Mosley Academy	£5,285.48	£19,425.89
City Learning Trust - St Edwards CE Academy	£25,413.05	£87,827.69
Wilnecote High School (Academy)	£17,652.60	£62,294.15
The Academy Transformation Trust - Star Academy	£14,554.84	£54,635.72
The Academy Transformation Trust - Sun Academy	£13,234.09	£48,454.55
The Creative Education Academy Trust - Hagley Park School	£15,071.75	£52,514.45
The Creative Education Academy Trust - Fair Oak School	£8,083.91	£29,996.96
The Creative Academy Trust - Alfgar (Rugeley)	£536.67	£2,068.60
The Creative Academy Trust - Harpfield Primary Academy	£11,211.59	£41,803.80
The Creative Academy Trust - Thistley Hough Academy	£31,953.68	£110,411.29
The Creative Academy Trust - Three Peaks Academy	£20,107.57	£73,947.42
The Creative Academy Trust - The Hart School	£30,676.77	£107,922.11
Landau Forte Academy Trust - Woodhouse Academy	£76,937.32	£263,747.30
Landau Forte Academy Trust - QEMS	£50,797.87	£176,178.97
Landau Forte Academy Trust - Greenacres Primary School	£22,117.45	£81,697.97
Reach2 Staffordshire Scientia Academy	£11,261.23	£41,270.20
Reach2 Springhill Primary Academy	£14,179.47	£51,163.39
Reach2 Norton Canes Primary Academy	£16,592.83	£62,146.19
Reach2 Heath Hayes Primary Academy	£9,265.83	£34,521.77

Employer Name	Employee Contributions	Employer Contributions
Reach2 Silkmore Academy	£17,989.77	£66,767.22
Reach2 Five Spires Academy	£4,943.83	£16,909.75
Reach2 Veritas Primary School	£12,048.30	£43,874.16
Ormiston - Sir Stanley Matthews Academy	£80,224.52	£274,046.47
Ormiston - The Ormiston Horizon Academy	£57,738.42	£193,380.38
Ormiston - Packmoor Ormiston Academy	£18,935.77	£70,062.79
University Of Chester Academy Trust - Uttoxeter	£31,736.57	£112,236.88
University Of Chester Academy Trust - Maryhill Primary School	£11,664.93	£39,791.25
Christ The King Catholic Collegiate - St John Fisher Catholic College	£49,578.82	£174,768.29
Christ The King Catholic Collegiate - St Mary's Catholic Primary School	£25,816.78	£94,990.18
Christ The King Catholic Collegiate - St Teresa's Catholic Primary School	£15,200.55	£56,876.10
Christ The King Catholic Collegiate - St Thomas Aquinas Catholic Primary School	£14,308.46	£53,635.29
Newman Catholic Collegiate - Newman St. Margaret Ward Catholic Academy	£55,750.81	£195,331.36
Newman Catholic Collegiate - Newman St. Peters Catholic Primary School	£17,282.14	£64,357.19
Newman Catholic Collegiate - Our Lady & St Benedict Catholic Primary School	£8,872.07	£33,719.17
Newman Catholic Collegiate - St. George & St Martin's Catholic Primary School	£15,205.28	£56,682.86
Newman Catholic Collegiate - St. Joseph Catholic Primary School	£12,005.69	£44,773.56
Newman Catholic Collegiate - St. Mary's Catholic Primary School	£14,674.08	£54,661.75
Newman Catholic Collegiate - St. Wilfrid's Catholic Primary School	£19,903.93	£73,983.47
Newman Catholic Collegiate - St. John Evangelist Catholic Primary School	£15,627.26	£57,601.35
Newman Catholic Collegiate - Our Lady of Grace Catholic Academy	£6,966.16	£26,266.48
All Saints Catholic Collegiate - St Thomas Moore Catholic Primary School	£48,526.75	£172,840.54
All Saints Catholic Collegiate - Our Lady's Catholic Primary School	£16,474.80	£61,882.60
All Saints Catholic Collegiate - St Augustine's Catholic Primary School	£17,381.03	£65,382.68
All Saints Catholic Collegiate - St Gregory's Catholic Primary School	£34,584.77	£124,862.95
All Saints Catholic Collegiate - St Maria Goretti Catholic Primary School	£16,776.26	£62,345.44
Inspirational Learning Academies Trust - Newstead Primary Academy	£22,606.84	£78,088.14
Inspirational Learning Academies Trust - Norton Le Moors Primary Academy	£16,126.08	£60,239.53
Inspirational Learning Academies Trust - Whitfield Academy	£24,202.63	£92,073.68
St Chads Academy Trust - St Matthews Primary School	£6,396.68	£23,341.77
St Chads Academy Trust - Havergal Primary Academy	£7,568.64	£27,833.00
St Chads Academy Trust - St. Peter's CE(VC) Primary School, Stonnal	£5,499.02	£21,028.80
St Chads Academy Trust - Bishop Lonsdale CofE Primary School	£5,501.19	£20,564.99
St Chads Academy Trust - St Johns Primary School	£8,805.29	£31,707.40
St Chads Academy Trust - St James CofE Primary School	£3,652.57	£13,884.08
Chesterton Academy Trust - Chesterton Sports College	£38,797.91	£136,535.95
Chesterton Academy Trust - Churchfield Primary School	£15,607.32	£56,718.19
Chesterton Academy Trust - Chesterton Primary School	£8,961.49	£26,934.46
Chesterton Academy Trust - Crackley Bank Primary School	£7,618.11	£27,655.78
Mercia Primary Academy Trust - Lark Hall Academy	£8,004.02	£29,542.01
Mercia Primary Academy Trust - Flaxhill Academy	£15,703.45	£52,026.03
United Learning Trust - Silverdale Primary Academy	£11,259.83	£40,629.35
United Learning Trust - Co-operative Academy	£63,790.69	£219,837.65
John Taylor Multi Academy Trust - John Taylor Academy	£59,600.77	£204,076.89
John Taylor Multi Academy Trust - Kingsmead School Academy	£48,979.48	£177,440.74
John Taylor Multi Academy Trust - Thomas Russell Infants School	£8,461.49	£31,879.87
John Taylor Multi Academy Trust - Yoxall St Peters Primary School	£8,229.78	£29,563.16
De Ferrers MAT - De Ferrers Academy	£88,844.10	£307,536.48
De Ferrers MAT - Lansdowne Academy	£15,657.70	£56,506.09
De Ferrers MAT - Horninglow Academy	£11,929.66	£44,453.09
De Ferrers MAT - Eton Park Academy	£15,937.26	£58,433.90

Employer Name	Employee Contributions	Employer Contributions
Belgrave Academy (not part of the St Barts MAT)	£41,607.33	£153,710.58
St Barts MAT - St Nathaniel Academy	£31,445.19	£115,792.68
St Barts MAT - Knutton, St Mary's CE(VC) Primary School	£11,083.18	£41,092.61
St Barts MAT - Park Hall Primary School	£10,232.67	£38,291.06
St Barts MAT - Meir Heath Primary School	£2,981.15	£11,299.10
St Barts MAT - JCB Academy	£54,543.71	£190,377.13
St Barts MAT - The Violet Lane Academy	£25,137.25	£85,129.02
St Barts MAT - Glascote Heath Academy	£16,490.13	£61,239.37
St Barts MAT - Anker Moor Primary Academy	£4,183.64	£15,388.82
St Barts MAT - The Erasmus Darwin Academy	£45,261.41	£152,762.12
The Key Educational Trust - The Christchurch Academy	£18,846.78	£66,213.67
The Key Educational Trust - Oulton CofE First School	£3,454.47	£12,985.40
The Key Educational Trust - Christ Church First School	£7,013.78	£25,339.03
The Key Educational Trust - The Crescent Academy	£43,271.46	£159,782.32
The Key Educational Trust - The Cheadle Academy	£19,543.95	£66,260.91
The Chadsmead Academy	£7,533.49	£22,969.24
Staffordshire University MAC Trust - Staffordshire University Academy	£40,424.63	£136,603.48
Staffordshire University MAC Trust - Moorgate Primary Academy	£14,948.54	£53,715.05
Staffordshire University MAC Trust - John Wheeldon Academy	£17,995.53	£66,419.26
Staffordshire University MAC Trust - Perton Sandown First School	£6,068.59	£22,581.51
Staffordshire University MAC Trust - Boney Hay Primary School	£2,394.21	£9,043.14
Staffordshire University MAC Trust - Littleton Green Community Primary	£4,705.06	£17,301.61
Staffordshire University MAC Trust - St.Edwards First School	£1,741.63	£6,628.62
Staffordshire University MAC Trust - Tynsel Parkes First School	£1,642.02	£6,098.65
Staffordshire University MAC Trust - The Biddulph Academy	£44,463.16	£158,918.04
Staffordshire University MAC Trust - Lichfield Diocese/Woodard Academy	£49,732.68	£172,353.11
Victoria Academy Trust - Rowley Park Primary Academy	£14,349.64	£51,809.44
Education Central Multi Academy Trust - Featherstone Academy	£17,571.50	£65,463.86
Education Central Multi Academy Trust - Pye Green Academy	£19,646.26	£71,863.67
The Shaw Trust - Blackfriars Academy	£83,271.65	£302,505.30
The Shaw Trust - The Coppice Academy	£26,105.34	£96,406.04
The Shaw Trust - Walton Hall Academy	£46,525.45	£165,571.38
The Shaw Trust - Wolstanton High School	£42,477.80	£147,290.99
The Shaw Trust - Saxon Hill Academy	£67,482.42	£245,818.07
The Shaw Trust - Madeley High School	£7,155.92	£25,273.93
The Shaw Trust - Kingfisher Academy	£10,073.80	£37,348.55
Carmountside Primary School	£16,844.90	£61,675.46
Alleyes Academy	£26,306.55	£91,035.16
Madeley Academy	£21,958.94	£77,743.93
Glebe Primary School	£19,559.07	£69,575.82
Sandon Primary Academy	£20,052.80	£73,102.20
Woodhouse Academy	£18,286.54	£67,043.97
St Giles and St Georges Academy	£19,751.60	£69,303.54
West Stafford MAT - Houghton St Giles Primary School	£5,955.83	£22,181.45
West Stafford MAT - St Lawrence CofE Primary School	£20,196.14	£75,355.79
West Stafford MAT - Woodseaves CofE Primary School	£4,772.14	£17,743.47
Invictus Trust - Kinver High School	£19,272.11	£71,983.33
Invictus Trust - Ounsdale High School	£28,983.90	£105,329.63
Future Generation Trust St Johns Primary Academy	£27,375.49	£100,529.62
Congleton MAT Castle Primary School	£4,730.05	£17,828.99
Manor Hall Academy Trust - Loxley Hall Academy	£51,758.18	£179,327.59

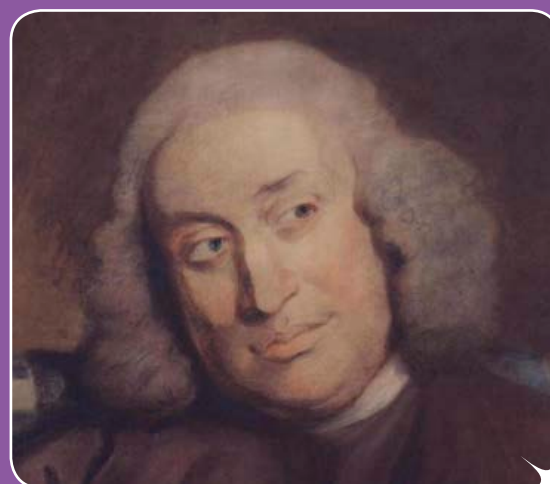
Employer Name	Employee Contributions	Employer Contributions
Manor Hall Academy Trust - Cicely Haughton Academy	£40,774.35	£137,764.60
Manor Hall Academy Trust - Meadows Special School	£18,135.84	£66,207.07
Manor Hall Academy Trust - Springfield Community Special School	£11,184.62	£41,633.52
Manor Hall Academy Trust - Merryfields School	£5,500.84	£19,944.00
The Small Schools MAT - Howard Primary Academy	£3,645.91	£13,176.84
The Small Schools MAT - St Mary's Primary Academy Colton	£2,783.90	£10,324.74
The Small Schools MAT - Richard Crosse Primary Academy	£8,600.55	£31,104.32
Moorlands Primary Federation - Dilhorne Endowed Primary School	£3,331.69	£11,805.44
Moorlands Primary Federation - St Werbergh's Primary School	£9,014.49	£32,867.50
Moorlands Primary Federation - Valley Primary School	£3,192.81	£12,084.58
United Endeavour Trust - Newcastle Academy	£26,036.47	£89,167.03
United Endeavour Trust - Clayton Hall Academy	£43,813.45	£151,431.41
Mid Trent Academy Trust - St Andrews CE Primary School	£5,639.90	£21,556.66
Mid Trent Academy Trust - Colwich CE Primary School	£8,218.86	£30,643.97
Mid Trent Academy Trust - St Peters CE Primary School	£6,156.68	£23,397.47
Holy Trinity MAC - St.Anne's Catholic Primary School	£8,711.42	£32,058.11
Holy Trinity MAC - St.Austin's Catholic Primary School	£9,001.94	£33,357.95
Holy Trinity MAC - St.Dominic's Catholic Primary School	£9,741.66	£36,793.60
Holy Trinity MAC - St.John's Catholic Primary School	£5,674.20	£21,805.58
Holy Trinity MAC - St. Mary's Catholic Primary School	£8,575.67	£31,516.57
Holy Trinity MAC - St. Patricks Catholic Primary School	£11,865.34	£43,996.38
Holy Trinity MAC - Blessed Mother Teresa's Catholic Primary School	£10,814.15	£40,046.55
Holy Trinity MAC - Blessed William Howard Catholic High School	£27,688.05	£95,566.58
Talentum Learning Trust - Westwood College	£32,162.09	£110,936.68
Talentum Learning Trust - Leek High School	£25,451.22	£90,047.42
Talentum Learning Trust - Churnet View Middle School	£24,203.45	£84,239.28
South East Stafford MAT - Barnfields Primary School	£12,278.26	£45,406.33
South East Stafford MAT - Leasowes Primary School	£13,373.81	£50,250.19
Creative Learning Partnership - Hempstalls Primary School	£20,855.37	£75,632.24
Creative Learning Partnership - Parkside Primary School	£13,408.78	£48,498.74
Creative Learning Partnership - Thursfield Primary School	£7,716.57	£26,882.17
Walton MAT - Walton High School	£26,366.50	£91,929.36
Sir Graham Balfour MAT - Sir Graham Balfour School	£20,077.79	£72,116.58
The Lighthouse Trust - Newford Primary Academy	£18,603.40	£70,416.09
Community Academy Trust - Wilnecote Academy	£18,598.70	£65,654.51
Community Academy Trust - Community Academy	£9,413.75	£35,224.16
Codsall MAT - Codsall Middle School	£10,070.48	£36,431.76
Codsall MAT - St Nicholas CE First School	£8,971.63	£33,119.24
Societas MAT - Ellison Primary School	£9,134.42	£33,228.99
The Learning Village Academy Trust - Greenways Primary	£4,724.66	£18,267.20
St Bartholomew's CE MAT - St Benedict Biscop CE Primary	£3,616.96	£13,346.39
Stephen Sutton MAT - Chase Terrace Tec College	£11,412.78	£38,363.98
South Staffordshire College	£310,636.28	£1,145,691.12
Staffordshire University	£1,297,147.58	£4,382,439.59
Sixth Form College - Stoke On Trent	£58,216.19	£169,865.84
Newcastle Under Lyme College	£191,071.43	£461,784.98
Stoke On Trent College	£323,146.67	£979,842.18
Stafford College	£89,226.50	£295,069.51
Burton And South Derbyshire College	£208,869.47	£708,437.11
Newcastle and Stafford Colleges Group	£199,447.59	£544,523.98
Keele University	£10,906.40	£124,801.58

Employer Name	Employee Contributions	Employer Contributions
South Staffordshire and Shropshire NHS Foundation Trust	£39,416.76	£112,173.39
North Staffordshire Combined Health Care (Ex SCC)	£16,899.92	£44,930.89
North Staffordshire Combined Health Care (Ex Stoke)	£5,357.25	£14,390.07
Make Some Noise West Midlands Ltd	£2,419.81	£7,686.46
Entrust	£812,296.48	£2,086,662.83
Compass Contract Services (UK) Ltd	£434,547.05	£1,411,250.03
Staffordshire and Stoke on Trent Partnership Trust	£819,744.37	£2,555,393.32
Lichfield Garrick Theatre Ltd	£4,267.08	£14,986.59
Tiny Toez Ltd	£10,201.84	£38,807.71
South Staffordshire Housing Association	£25,340.70	£75,344.00
Homezone Housing Ltd (Lichfield)	£98,132.05	£794,349.55
Moorlands Housing	£86,634.03	£510,092.29
Aspire Housing Ltd (Newcastle)	£314,701.39	£1,383,356.41
Stafford And Rural Homes Ltd	£249,396.03	£876,394.87
Trent And Dove Housing Association1	£141,185.35	£694,083.05
Housing Plus Group Ltd	£200,386.83	£985,791.82
Mears Ltd	£13,859.59	£48,496.10
R M Education	£8,450.07	£23,530.66
Liverpool Personal Services Society	£1,519.32	£4,938.55
Northgate I.S (UK) Ltd	£4,238.10	£11,293.73
Landscape Group Ltd	£1,068.96	£3,686.40
Amey Services Ltd	£273,620.57	£854,945.44
Midland Heart Ltd	£8,760.09	£36,690.42
Keir Group	£508,742.06	£1,561,366.09
KGB Cleaning Ltd	£3,805.07	£13,343.09
Northgate I.S (UK) Ltd (Ex Staffs Moorlands)	£7,201.36	£21,276.06
Northgate 1.S (UK) Ltd (Ex Lichfield)	£1,317.21	£4,173.37
Taylor Shaw Ltd (Alleynes)	£0.00	£15,600.00
Wigan Leisure and Culture Trust	£50,648.89	£196,232.29
Inspace Partnerships	£133.34	£605.96
Lovells	£1,475.75	£5,630.63
Wates Group Ltd	£1,748.28	£7,961.16
Aspens Services Ltd	£1,036.48	£4,296.78
Choices Housing Association Ltd	£1,581.70	£6,080.05
Mellors Newcastle	£8,903.38	£34,566.94
Mellors Biddulph High School	£1,672.96	£6,965.63
Mellors Burton Schools	£8,688.96	£31,709.51
Mellors Holy Trinity Primary School	£175.15	£729.21
Mellors Thomas Russell Junior School	£1,098.35	£4,573.22
Accord Housing Association	£114,619.51	£417,453.41
Silvertree Cleaning Support Ltd Watermill School	£1,085.18	£4,340.72
Catering Academy Ltd UCAT	£4,070.21	£32,982.79
ABM Catering LTD - Kingfisher	£352.52	£1,467.69
Kier Facilities Ltd	£1,255.28	£5,270.26
Kier Facilities Services Ltd	£16,415.62	£52,861.80
Elite Cleaning and Enviromental Services Ltd Gt Wyrley	£375.84	£1,346.15
Elite Cleaning and Environmental Services Ltd Chase Terrace T C	£1,538.93	£5,511.94
Elite Cleaning and Environmental Services Ltd Norton Canes	£799.64	£2,864.55
Servicemaster Mill Hill Primary Academy	£642.75	£2,535.01

Employer Name	Employee Contributions	Employer Contributions
Servicemaster Oaklands Nursery	£195.24	£812.76
Servicemaster The Colleges Academies Trust	£2,475.64	£15,670.39
Servicemaster Thistly Hough	£3,508.12	£13,550.87
Enviroserve St Dominics Catholic Primary School	£0.00	£0.00
Enviroserve Christchurch C E Primary	£0.00	£0.00
Aspens Services Ltd - CAT Excel Academy	£5,669.16	£21,937.52
Aspens Services Ltd - Great Wyrley High	£8,336.46	£32,117.53
Aspens Services Ltd - Chancel Primary	£958.20	£3,989.59
Aspens Services – Cannock Chase High	£1,910.36	£7,798.35
Aspens Services Ltd – The Shaw Academy Trust	£2,829.84	£11,833.87
Aspens – Westwood College	£4,434.10	£17,276.79
Aspens – Leek High	£2,945.60	£11,933.77
Aspens – Churnet View	£3,092.24	£12,874.97
Aspens – St.Edwards Academy	£1,930.34	£7,988.79
Aspens – The Hart School	£4,063.84	£16,920.35
Chartwells - Glebe	£1,343.68	£5,373.80
Chartwells- Nether Stone	£2,469.24	£10,201.26
Chartwells - Kingsmeade	£3,189.64	£13,503.39
Chartwells - St Johns	£452.76	£1,816.58
Chartwells- Moorgate Academy	£1,583.39	£6,550.91
Chartwells - St Matthews Academy	£257.17	£1,028.82
Chartwells - St Josephs	£343.74	£1,397.36
Chartwells -St Benedicts	£90.05	£374.95
Boeing UK	£123,984.34	£425,285.44
Biffa Plc	£25,874.64	£96,426.61
ASIST	£651.87	£2,247.84
Superclean Services Wothorpe Ltd	£293.19	£1,220.70
Busy Bee	£2,469.12	£9,928.77
	£36,416,831.18	£112,525,195.80

SAMUEL JOHNSON THE POET, AUTHOR

Samuel Johnson was born in 1709 in Lichfield, Staffordshire. The son of a bookseller, he rose to become one of the greatest literary figures of the eighteenth century, most famously compiling *A Dictionary of the English Language*.



FINANCIAL STATEMENTS

1 APRIL 2016 TO 31 MARCH 2017

Pension Fund account

Staffordshire Pension Fund account for the year ended 31 March 2017

Contributions and benefits	Notes	2015/2016 £ 000	2016/2017 £ 000
Contributions receivable	4	152,732	155,621
Transfers in	5	8,479	11,193
		161,211	166,814
Benefits payable	6	(156,857)	(165,244)
Leavers	7	(7,722)	(12,024)
		(164,579)	(177,268)
Net withdrawals from dealings with Fund members		(3,368)	(10,454)
Management expenses	8	(16,730)	(16,425)
Returns on investments			
Investment income	9	56,501	64,127
Change in the market value of investments	10	(53,185)	801,338
Net returns on investments		3,316	865,465
Net (decrease)/increase in the Fund during the year		(16,782)	838,586
Opening net assets of the Fund		3,768,709	3,751,927
Closing net assets of the Fund at 31 March		3,751,927	4,590,513

Net assets statement

Net assets statement at 31 March 2017

	Notes	2015/2016 £ 000	2016/2017 £ 000
Investment assets			
Fixed interest securities	10/10a	177,489	324,582
Equities	10/10a	1,229,468	890,756
Pooled investment vehicles	10/10a	1,522,626	2,497,325
Property	10/10a	325,921	370,601
Cash deposits	10/10a	173,627	185,190
Other investment balances	10a	317,219	321,783
Derivatives	10a	578	1,446
		3,746,928	4,591,683
Investment liabilities			
Derivatives	10a	(732)	(266)
Other investment balances	10a	(1,908)	(8,327)
Net Investment assets		3,744,288	4,583,090
Long term assets	12	4,016	3,012
Current assets	12	15,340	11,893
Long term liabilities	13	(113)	(100)
Current liabilities	13	(11,604)	(7,382)
Net assets of the Fund at 31 March		3,751,927	4,590,513

The financial statements summarise the transactions of the Fund and deal with the net assets available to us. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial position on the scheme, which does take account of these obligations, is set out in the actuary's report on page 42.

The notes on pages 46 to 72 also form part of the Pension Fund's financial statements.

Actuarial statement

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

Description of funding policy

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

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

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to return their portion of the Fund to full funding over 20 years, if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrates that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still around a 66% chance that the Fund will return to full funding over 20 years.

Funding position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2016. This valuation revealed that the Fund's assets, which at 31 March 2016 were valued at £3,753 million, were sufficient to meet 78% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £1,059 million.

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

Principal actuarial assumptions and method used to value the liabilities

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

Method

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

Assumptions

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

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

Financial assumptions	31 March 2016
Discount rate	3.8%
Salary increase assumption	2.6%
Benefit increase assumption (CPI)	2.1%

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

	Males	Females
Current Pensioners	22.1 years	24.4 years
Future Pensioners*	24.1 years	26.4 years

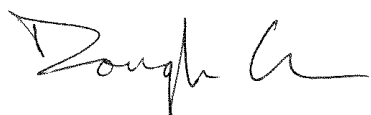
*Aged 45 at the 2016 Valuation

Copies of the 2016 valuation report and Funding Strategy Statement are available on request from the Administering Authority of the Fund.

Experience over the period since 31 March 2016

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities. The effect of this has been broadly offset by strong asset returns. Both events have roughly cancelled each other out in terms of the impact on the funding position as at 31 March 2017.

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



Douglas Green FFA

Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP
4 July 2017

Hymans Robertson LLP, 20 Waterloo Street, Glasgow, G2 6DB

Pension Fund accounts reporting requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2016/17 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the Staffordshire Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the Pension Fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

Present value of Promised Retirement Benefits

Year Ended	31 March 2017	31 March 2016
Active members (£m)	2,875	3,053
Deferred members (£m)	1,427	915
Pensioners (£m)	2,351	1,768
Total (£)	6,653	5,736

The promised retirement benefits at 31 March 2017 (2016) have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016 (2013). The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the Pension Fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2017 and 31 March 2016. I estimate that the impact of the change in financial assumptions to 31 March 2017 is to increase the actuarial present value by £881m. I estimate that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £34m.

Financial assumptions

Year ended (% p.a.)	31 March 2017	31 March 2016
Pension Increase Rate	2.4%	2.2%
Salary Increase Rate	2.8%	4.2%
Discount Rate	2.6%	3.5%

Longevity assumption

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	22.1 years	24.4 years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	24.1 years	26.4 years

Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Commutation assumption

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

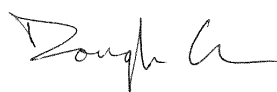
Sensitivity to the assumptions for the year ended 31 March 2017	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	8%	525
0.5% p.a. increase in the Salary Increase Rate	2%	157
0.5% p.a. decrease in the Real Discount Rate	10%	694

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2016 for accounting purposes'. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-



Douglas Green FFA

5 May 2017, For and on behalf of Hymans Robertson LLP
Hymans Robertson LLP, 20 Waterloo Street, Glasgow, G2 6DB

Notes to the accounts

1. Basis of preparation

We have prepared the financial statements in accordance with the requirements of the Local Government Pension Scheme Regulations 2013 (as amended), the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended), the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and the Statement of Recommended Practice (SORP) The Financial Reports of Pension Schemes (as amended in 2014).

The financial statements follow the Code of Practice on Local Authority Accounting in the United Kingdom 2016/2017 which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector and issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).



You can get more information on the Pension Fund, including the Fund Governance Statement, the Investment Strategy Statement and the Funding Strategy Statement at www.staffspf.org.uk/Governance/Governance.aspx and www.staffspf.org.uk/Finance-and-Investments/Finance-and-Investments.aspx

2. Accounting policies

When preparing the Pension Fund financial statements we have adopted the following significant accounting policies, which we have applied consistently.

Investments

Equities traded through the Stock Exchange Electronic Trading Service (SETS), are valued on the basis of the latest bid (buying) price.

Pooled investment vehicles are valued at the bid market price provided by the relevant fund managers, which reflects the market value of the underlying investments.

The value of fixed interest investments are recorded at the net market value based on their current market yields. The value does not include interest earned but not paid at the year end, which is included separately within accrued investment income.

UK directly held property investments are stated at their value on the open-market based on an annual independent valuation by Savills, as at 31 March 2017. The valuation has been made in accordance with the RICS Valuation - Professional Standards, January 2014, published by the Royal Institute of Chartered Surveyors (RICS).

The private equity, private debt and hedge fund valuations are valued based on the Fund's share of the net assets of the underlying funds using the latest financial statements provided by the respective fund managers.

Derivative contracts are valued at bid market price.

Investment income is recognised as follows:

- Interest income as it accrues
- Dividend income on the date the shares are quoted ex-dividend
- Property related income, which primarily consists of rental income, is received in advance and is accrued into the correct year
- Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Contributions

Normal contributions, both from members and employers, are accounted for in the payroll month they relate to, at the rates given on the rates and adjustments certificate. Additional contributions such as employer deficit funding and actuarial strain are accounted for in line with the agreement under which they are paid, or when they are received if there is no agreement. Amounts not due until future years are classed as a deferred debtor.

Transfer values

Transfer values represent the amounts either due to the Fund from new members' previous pension funds, or which the Fund is due to pay to the new pension funds of members who have left the Fund. Transfer values are accounted for on a receipts basis.

Foreign currency transactions

Dividends, interest and the purchase and sale of investments in foreign currencies have been accounted for at the spot rates at the date of transaction. Where forward foreign exchange contracts are in place for assets and liabilities in foreign currencies, the exchange rate set out in the contract is used. Other assets and liabilities in foreign currencies are given in Sterling (£) at the rates of exchange that apply at the end of the financial year.

Surpluses and deficits arising when converting currency are dealt with as part of the change in market value of investments.

Management expenses

All costs related to managing investments, administration, oversight and governance are reported in one line in the Fund Account called 'Management expenses.'

Investment management expenses, including performance-related fees, are accounted for on an accruals basis and are recognised before any VAT the Fund can recover.

Investment management transaction costs include fees, commissions, stamp duty and other fees (see note 8a).

The fees of external investment managers and the custodian are agreed in their respective mandates governing their appointments. They are broadly based on the market value of investments and can increase or decrease as the value of these investments change.

All administrative expenses and oversight and governance costs are accounted for on an accruals basis. All staff costs of the Pensions Administration team are charged to the Fund. Management, accommodation and other support service costs are charged to the Fund based on Staffordshire County Council policy.

Taxation

The Fund is a registered public service scheme and as such is exempt from paying tax in the UK on interest received and on the proceeds of investments sold. The Fund may suffer withholding tax on overseas investments in the country of origin, where this is not recoverable it is accounted for as an expense when it arises.

Benefits payable

Under pension fund rules, members may receive a lump-sum retirement grant on top of their annual pension. Lump-sum retirement grants are accounted for from the date of retirement.

Other benefits are accounted for on the date the member leaves the Fund or dies.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimal risk of changes in value.

Contingent assets and contingent liabilities

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the notes.

Financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The financial instruments of the Fund have to be classified into the following categories under International Financial Reporting Standards (IFRS):

- Financial assets and liabilities at fair value through profit or loss, these have two categories: *Designated*, where assets and liabilities are measured at fair value with fair value changes through profit and loss; and *Held for trading*, where financial assets and liabilities are held for the purpose of selling in the short-term for which there is a pattern of short-term profit making.
- Available for sale financial assets; any financial asset designated on initial recognition as available for sale.
- Loans and receivables; any financial asset with fixed or determinable payments not quoted in the open market such as debtors.
- Held to maturity investments; any financial asset which is intended to be held to maturity at amortised cost.
- Other financial liabilities measured at amortised cost using the effective interest rate.

3. Pension Fund investments 2016/2017

The market value and percentage of assets held by each of the investment managers at the end of the financial year is shown overleaf.

Major changes made to the Fund's investment management structure during 2016/2017 include:-

- The termination of the contracts with Aberdeen Fund Management and Sarasin & Partners, and transfer of assets to Legal and General Investment Management.
- Disinvestment from the Fund's diversified alternatives funds managed by Morgan Stanley Investment Management and Schroders Investment Management.
- Investment in private debt funds managed by Hayfin Capital Management, Highbridge Capital Management and Alcentra Limited.

External fund manager	31 March 2016		31 March 2017	
	£ 000		£ 000	
Insight Investment (corporate bonds)	247,634	7%	332,616	7%
Standard Life Investments (UK equity)	250,023	7%	299,696	7%
Aberdeen Fund Management (global equity)	270,358	7%	0	0%
JP Morgan Asset Management (global equity)	298,679	8%	397,750	9%
Longview Partners (global equity)	168,378	5%	218,263	5%
Sarasin & Partners (global equity)	272,690	7%	0	0%
Legal & General Investment Management (passive all world equity)	1,238,653	33%	2,137,459	47%
Legal & General Investment Management (passive UK index-linked gilts)	200,485	5%	244,634	5%
Russell Investments (emerging markets equity)	79,430	2%	110,563	2%
Record Currency Management (currency hedging)	218	0%	0	0%
Colliers International UK plc (property)	326,172	9%	371,098	8%
Morgan Stanley Investment Management (alternatives funds)	48,839	1%	0	0%
Schroder Investment Management (alternatives funds)	53,207	2%	0	0%
HarbourVest Partners (private equity)	95,674	3%	116,166	3%
Knightsbridge Advisors (private equity)	13,779	0%	16,271	0%
Partners Group (private equity)	9,557	0%	10,730	0%
Lazard Technology Partners (private equity)	1,008	0%	1,144	0%
Capital Dynamics (private equity)	628	0%	1,769	0%
Hayfin Capital Management (private debt)	0	0%	19,850	0%
Highbridge Capital Management (private debt)	0	0%	19,531	0%
Alcentra Limited (private debt)	0	0%	35,188	2%
Goldman Sachs Asset Management (hedge funds)	83,290	2%	86,455	2%
Director of Finance and Resources (central cash)	76,257	2%	157,555	3%
	3,734,959	100%	4,576,738	100%

Stock Lending

The Fund lends stock in return for payment. The table below summarises the value of the stock lent out by the Fund at the end of the last two years.

	31 March 2016	31 March 2017
	£ 000	£ 000
Equities - UK	26,139	57,606
Equities - Global	63,686	26,600
Fixed interest - UK	2,496	2,089
Fixed interest - Global	4,340	6,622
	96,661	92,917

Securities released to a third party under the stock-lending agreement are included in the net assets statement to reflect the Fund's continuing economic interest in those securities.

Collateral holdings, supporting the loans, are not identified as individual loans but are kept in a pooled structure. As security for the stocks on loan, as at 31 March 2017 the Fund held £99.5 million (£103.5 million at 31 March 2016) of collateral in the form of government obligations (such as Gilts) and equities.

Income received from stock-lending activities was £0.38 million for the year ending 31 March 2017 (£0.26 million for year ending 31 March 2016). This is included within the investment income figure shown on the Pension Fund account.

4. Contributions receivable

	2015/2016 £ 000	2016/2017 £ 000
Employers		
Normal	109,868	112,945
Actuarial strain	5,651	6,137
Scheme members		
Normal	37,213	36,539
Total	152,732	155,621

Employer's normal contributions include payments for past deficits as agreed by the actuary. The 31 March 2013 valuation's common contribution rate, which covers the period up to 31 March 2017, was 31.2% in total; of which 11.5% related to recovering past deficits.

These contributions can be analysed by type of member body as follows.

Staffordshire County Council	50,517	44,116
Scheduled bodies	79,774	90,036
Admitted bodies	22,441	21,469
Total	152,732	155,621

5. Transfers in

	2015/2016 £ 000	2016/2017 £ 000
Individual transfers in from other schemes	4,117	11,193
Group transfers in from other schemes	4,362	0
Total	8,479	11,193

6. Benefits payable

	2015/2016 £ 000	2016/2017 £ 000
Pensions	124,837	128,843
Commutations and lump-sum retirement benefits	28,762	31,885
Lump-sum death benefits	3,258	4,516
Total	156,857	165,244

These benefits can be analysed by type of member body as follows.

Staffordshire County Council	63,977	68,552
Scheduled bodies	80,176	81,984
Admitted bodies	12,704	14,708
Total	156,857	165,244

7. Payments to and on account of leavers

	2015/2016 £ 000	2016/2017 £ 000
Individual transfers to other schemes	6,121	11,082
Group transfers to other schemes	1,207	570
Payments for members joining / (leaving) state scheme	3	(67)
Refunds to members leaving service	391	439
Total	7,722	12,024

8. Management expenses

	2015/2016 £ 000	2016/2017 £ 000
Administration expenses	2,346	2,161
Investment management expenses (see note 8a)	13,677	13,322
Oversight and governance costs	707	942
Total	16,730	16,425

Included within administration expenses are the Fund's external audit costs of £0.03m for 2016/17 (£0.03m for 2015/16)

8a. Investment management expenses

A breakdown of the costs we had to pay in connection with the investment of the Fund is set out below.

	2015/2016 £ 000	2016/2017 £ 000
Transaction costs	1,197	1,570
Management fees	10,027	10,644
Performance related fees	2,297	926
Custody fees	156	182
Total	13,677	13,322

The Fund was also charged indirectly through the bid-offer spread (the difference between bid prices and offer prices) on investments.

9. Investment income

	2015/2016 £ 000	2016/2017 £ 000
Fixed interest securities	8,801	10,221
Dividends from equities	30,034	29,755
Income from pooled investment vehicles	1,316	1,450
Rents from property	15,342	18,518
Interest on cash deposits	923	853
Stock lending	258	378
Other (See note 10a)	200	3,174
	56,874	64,349
Withholding tax we cannot recover	(373)	(222)
Total	56,501	64,127

10. Investment reconciliation

	Value at 1 April 2016	Purchases at cost	Sales proceeds	Change in market value	Value at 31 March 2017
	£ 000	£ 000	£ 000	£ 000	£ 000
Fixed interest securities	177,489	182,107	(37,578)	2,564	324,582
Equities	1,229,468	1,033,898	(1,674,666)	302,056	890,756
Pooled investment vehicles	1,522,626	756,091	(226,517)	445,125	2,497,325
Derivatives	(154)	1,537,947	(1,536,935)	322	1,180
Property	325,921	67,728	(26,672)	3,624	370,601
Other	305,982	117,667	(158,124)	41,579	307,104
	3,561,332	3,695,438	(3,660,492)	795,270	4,391,548
External cash deposits (central cash)	73,007				151,500
Investment manager cash	100,620			6,068	33,690
	3,734,959			801,338	4,576,738
Outstanding dividend entitlements and recoverable withholding tax	8,194				9,061
Amount receivable for sales of investments	3,043				5,618
Amounts payable for purchases of investments	(1,908)				(8,327)
Net Investment assets	3,744,288				4,583,090

The Fund holds the following pooled investments that exceed 5% of the total value of net assets at 31 March 2017 (also at 31 March 2016):

- LGIM, passive UK equity - £445.8m or 9.7% (£339.3m or 9.1%)
- LGIM, passive all world equity - £1,691.7m or 36.9% (£899.4m or 24.1%)
- LGIM, passive index - linked gilts - £244.6m or 5.3% (£200.5m or 5.3%)

As at 31 March 2017 (also at 31 March 2016) the Fund was committed to the following:

- £128.5m of private equity investments (£115.3m)
- The purchase of a UK pooled property fund for £10m (£10m)
- £139.6m of private debt investments (Nil)

A further analysis of the market value of investments at 31 March is given overleaf.

10a. Analysis of investments

	31 March 2016		31 March 2017	
	£ 000		£ 000	
Fixed interest securities				
UK corporate quoted	80,169	2%	108,350	2%
Global corporate quoted	97,320	3%	216,232	5%
	177,489	5%	324,582	7%
Equities				
UK quoted	346,232	9%	341,079	7%
Global quoted	883,236	24%	549,677	12%
	1,229,468	33%	890,756	19%
Pooled investment vehicles				
UK	343,360	9%	450,450	10%
UK index-linked	200,485	5%	244,634	5%
Global	978,781	26%	1,802,241	40%
	1,522,626	40%	2,497,325	55%
All companies operating unit trusts or managed funds are registered in the United Kingdom.				
Derivatives (see note 11)				
Forward foreign currency	441	0%	160	0%
Futures	137	0%	1,286	0%
	578	0%	1,446	0%
Property				
UK directly held property	284,535	8%	340,675	7%
UK pooled property funds	41,386	1%	29,926	1%
	325,921	9%	370,601	8%
Other				
Alternatives funds	102,046	3%	0	0%
Private equity	120,646	3%	146,080	3%
Private debt	0	0%	74,569	2%
Hedge funds	83,290	2%	86,455	2%
	305,982	8%	307,104	7%
Cash				
External deposits	73,007	2%	151,500	4%
Investment manager cash (Sterling £)	94,490	3%	19,867	0%
Investment manager cash (non Sterling £)	6,130	0%	13,823	0%
	173,627	5%	185,190	4%
	3,735,691	100%	4,577,004	100%

Continued on next page

10a. Analysis of investments continued

	31 March 2016 £ 000	31 March 2017 £ 000
Outstanding dividend entitlements and recoverable withholding tax	8,194	9,061
Amount receivable for sales of investments	3,043	5,618
Total Investment assets	3,746,928	4,591,683
Investment liabilities		
Derivatives (see note 11)		
Forward foreign currency	(709)	(55)
Futures	(23)	(211)
	(732)	(266)
Amounts payable for purchases of investments	(1,908)	(8,327)
Total Investment liabilities	(2,640)	(8,593)
Net Investment assets	3,744,288	4,583,090

11. Derivative contracts

Forward foreign currency contracts

The holding of derivative contracts is to hedge exposures and reduce risk for the Fund. The use of derivative contracts is managed in line with the investment management agreement between the Fund and the various investment managers who use them.

Forward foreign currency contracts

A significant proportion of the Fund's equity holdings is held in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, some of the Fund's investment managers hold forward foreign currency contracts. The open contracts at 31 March are analysed in Sterling (£) below against other major currencies.

	31 March 2016	31 March 2016	31 March 2017	31 March 2017
	Assets	Liabilities	Assets	Liabilities
	£ 000	£ 000	£ 000	£ 000
Swiss Franc	18	(24)	0	0
Euro	111	(355)	0	(50)
Japanese Yen	297	(301)	0	0
United States Dollar	15	(29)	160	(5)
	441	(709)	160	(55)

Futures contracts

Futures contracts are used to manage interest rate risk. All are traded on a stock exchange and are listed below at 31 March.

The Fund invests in fixed-rate corporate bonds denominated in US dollars and Euros. In order to avoid taking duration risk in relation to movements in US dollar and Euro based interest rates, positions are taken in the corresponding government bond futures.

	Nominal Value	31 March 2016	31 March 2016	31 March 2017	31 March 2017
	£ 000	Assets	Liabilities	Assets	Liabilities
	£ 000	£ 000	£ 000	£ 000	£ 000
Euro Bund Future (Euro €)					
- June 2016	4,691	0	(23)	0	0
Long Gilt Future (Sterling £)					
- June 2016	16,145	99	0	0	0
US 10 year Note (US \$)					
- June 2016	7,246	34	0	0	0
US 5 year Note (US \$)					
- June 2016	3,784	4	0	0	0
Euro Bund Future (Euro €)					
- June 2017	15,768	0	0	0	(2)
Long Gilt Future (Sterling £)					
- June 2017	75,007	0	0	1,286	0
US 10 year Note (US \$)					
- June 2017	69,401	0	0	0	(192)
US 5 year Note (US \$)					
- June 2017	13,024	0	0	0	(17)
		137	(23)	1,286	(211)

12. Long term/current assets

	2015/2016 £ 000	2016/2017 £ 000
Long term assets		
Contributions due - employers	4,016	3,012
Current assets		
Contributions due - employers	8,080	6,780
Contributions due - members	1,889	1,883
Cash balances	4,190	2,742
HM Revenue & Customs	11	11
Other	1,170	477
	15,340	11,893
Total	19,356	14,905

An analysis of assets above by type of body is given below

	2015/2016 £ 000	2016/2017 £ 000
Central government bodies	6,825	5,970
Other local authorities	7,361	5,068
NHS bodies	25	281
Public corporations and trading funds	433	492
Other entities and individuals	4,712	3,094
Total	19,356	14,905

13. Long term/current liabilities

	2015/2016 £ 000	2016/2017 £ 000
Long term liabilities		
Income received in advance	(113)	(100)
Current liabilities		
Investment management expenses	(4,108)	(1,030)
Income received in advance	(1,731)	(556)
Benefits payable	(3,370)	(4,055)
Other	(2,395)	(1,741)
	(11,604)	(7,382)
Total	(11,717)	(7,482)

An analysis of liabilities above by type of body is given below

	2015/2016 £ 000	2016/2017 £ 000
Central government bodies	0	0
Other local authorities	0	0
NHS bodies	0	0
Public corporations and trading funds	0	0
Other entities and individuals	(11,717)	(7,482)
Total	(11,717)	(7,482)

The information for 2015/16 has been restated from the audited 2015/16 accounts to separate long term assets and long term liabilities.

14. Directly held property net asset account

The Fund had investments in property of £370.6m at 31 March 2017 (£325.9m at 31 March 2016), of which £340.7m was in directly held property (£284.5m at 31 March 2016). The account below reconciles the movement in the Fund's investments in directly held property.

The Fund is required to classify its directly held property into a hierarchy by reference to the quality and reliability of information used to determine fair values (See note 25 for more information on the hierarchy). The Fund has classified its directly held property as Level 3, as fair values are based on significant unobservable inputs and estimated using valuation techniques.

Transaction costs for directly held property in 2016/2017 were £3.9m (£1.2m in 2015/2016).

	2015/2016 £ 000	2016/2017 £ 000
Balance at start of year	256,125	284,535
Purchases at cost	25,133	66,672
Sale proceeds	(8,595)	(10,164)
Change in market value	11,872	(368)
Balance at 31 March	284,535	340,675

15. Directly held property fund account

A summary of the income and expenses associated with the Fund's directly held property is given below.

	2015/2016 £ 000	2016/2017 £ 000
Rental income	15,342	18,518
Direct operating expenses	(1,022)	(1,180)
Net gain	14,320	17,338

16. Additional voluntary contributions

As well as joining the Fund, scheme members can pay into an additional voluntary contributions (AVC) scheme run by three providers. Contributions are paid directly from scheme members to the providers.

The contributions are not included within the Fund accounts, in line with regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. The table below shows the activity for each AVC provider in the year.

	Clerical Medical £ 000	Equitable Life £ 000	Standard Life £ 000
Opening value	977	572	1,805
Income	58	0	181
Expenditure	(227)	(40)	(95)
Change in market value	148	22	244
Closing value	956	554	2,135

17. Related-party disclosure

Staffordshire Pension Fund is administered by Staffordshire County Council. During the reporting period the County Council incurred costs of £2.2m (£2.3m in 2015/16) in relation to the administration of the Pension Fund. The County Council was subsequently reimbursed by the Fund for these expenses.

The Pension Fund holds a proportion of its assets in cash to meet short term commitments. This cash is managed by the Staffordshire County Council Treasury and Pension Fund team in line with the Fund's Annual Investment Strategy, which sets out the permitted counterparties and limits. At 31 March 2017 the Fund held £154.0m in cash (£76.5m at 31 March 2016).

New regulations stopped Staffordshire County Councillors from joining the scheme from 1 April 2014. Only Councillors who were members of the scheme at 31 March 2014 could continue to accrue benefits in the scheme up until the end of their term of office, which occurred when the local elections were held in May 2017.

At 31 March 2017 three members of the Pensions Committee and the Pensions Panel remained members of the scheme, as they were members prior to 31 March 2014.

17a. Key management personnel

The key management personnel of the Fund are the Staffordshire County Council Director of Finance and Resources (Section 151 Officer) and Head of Financial Strategy and Support. Total remuneration payable to key personnel is set out below:

	2015/2016 £ 000	2016/2017 £ 000
Short Term Benefits	84	85
Post-employment benefits	54	78
	138	163

18. Deferred debtor

A transfer was made from the Fund to the Civil Service Pension Scheme on 1 April 2005 in respect of Magistrates Courts. As at 31 March 2011, agreement had been reached that the Fund was due a payment that represented the shortfall between the assets held and the liabilities retained within the Fund. The shortfall of £8.512 million, including an allowance for the delay in receipt of 3.765%, meant ten payments were due to the Fund of £1.004m.

19. Deferred liability

A cash transfer was made to the Fund in 2011/2012 by the Environment Agency of £0.188m. The transfer was in respect of Pre-1974 Water Company Pensions increase recharges and represents income received in advance. £0.013m has been transferred to the revenue account in 2016/2017 and £0.013m will be released per year until 2025/2026.

20. Events after the balance sheet date

There have been no significant events since 31 March 2017 that require any adjustment to these accounts.

21. Critical judgements in applying accounting policies

Pension Fund liability

The Pension Fund liability is calculated every three years by the Fund actuary, Hymans Robertson, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19, the assumptions underpinning the valuation are given in the Actuarial Statement. The estimate is subject to significant variances based on changes to the underlying assumptions.

22. Assumptions made about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The items in the net assets statement at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are shown below.

Item	Uncertainty	Effect if actual results differ from assumptions
Private equity	Private equity funds are valued in accordance with each investment managers valuation policy. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £146.1m. There is a risk that this investment may be under or overstated in the accounts.
Private debt	Private debt funds are valued in accordance with each investment managers valuation policy. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total value of private debt funds in the financial statements is £74.6m. There is a risk that this investment may be under or overstated in the accounts.
Hedge funds	Hedge funds are valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the funds directors or independent administrators judge necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total value of Hedge funds in the financial statements is £86.4m. There is a risk that this investment may be under or overstated in the accounts.
Freehold/leasehold property and pooled property funds	Valuation techniques are used to determine the carrying amount of pooled property funds and directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, but where this is not possible management uses the best available data. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property.	The total value of all property in the financial statements is £370.6m. There is a risk that this investment may be under or overstated in the accounts.

23. Classification of financial instruments

The net assets of the Fund disclosed in the Net Assets statement and in note 12 are made up of the following categories of financial instruments. No financial instruments were reclassified during 2016/2017.

The analysis within notes 23, 24 and 26 on financial instruments does not include the Pension Fund's directly held property. This is treated under a different accounting standard (IAS 40 Investment Property) and is disclosed in note 14 - Directly held property net asset account and note 15 - Directly held property fund account.

31 March 2017	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Total
	£ 000	£ 000	£ 000	£ 000
Financial assets				
Fixed interest securities	324,582	0	0	324,582
Equities	890,756	0	0	890,756
Pooled investment vehicles	2,497,325	0	0	2,497,325
UK pooled property funds	29,926	0	0	29,926
Cash	0	187,932	0	187,932
Other investment balances	307,104	14,679	0	321,783
Derivatives	1,446	0	0	1,446
Long term assets	0	3,012	0	3,012
Current assets	0	9,151	0	9,151
	4,051,139	214,774	0	4,265,913
Financial liabilities				
Derivatives	(266)	0	0	(266)
Other investment balances	0	0	(8,327)	(8,327)
Long term Liabilities	0	0	(100)	(100)
Current liabilities	0	0	(7,382)	(7,382)
	(266)	0	(15,809)	(16,075)
	4,050,873	214,774	(15,809)	4,249,838

The previous years data is given below

31 March 2016	Designated as fair value through profit and loss £ 000	Loans and receivables £ 000	Financial liabilities at amortised cost £ 000	Total £ 000
Financial assets				
Fixed interest securities	177,489	0	0	177,489
Equities	1,229,468	0	0	1,229,468
Pooled investment vehicles	1,522,626	0	0	1,522,626
UK pooled property funds	41,386	0	0	41,386
Cash	0	177,817	0	177,817
Other investment balances	305,982	11,237	0	317,219
Derivatives	578	0	0	578
Long term assets	0	4,016		4,016
Current assets	0	11,150	0	11,150
	3,277,529	204,220	0	3,481,749
Financial liabilities				
Derivatives	(732)	0	0	(732)
Other investment balances	0	0	(1,908)	(1,908)
Long term Liabilities	0	0	(113)	(113)
Current liabilities	0	0	(11,604)	(11,604)
	(732)	0	(13,625)	(14,357)
	3,276,797	204,220	(13,625)	3,467,392

As a result of changes to the Code of Practice on Local Authority Accounting in 2016/2017, the information for 2015/16 has been restated from the audited 2015/16 accounts to move other investment balances to loans and receivables and to financial liabilities at amortised cost, for assets and liabilities respectively.

24. Net gains and losses on financial instruments

The gains and losses recognised in the accounts in relation to financial instruments are made up as follows.

	2015/2016 £ 000	2016/2017 £ 000
Financial assets		
Designated as fair value through profit and loss	(76,018)	795,638
Loans and receivables	6,035	6,068
	(69,983)	801,706

25. Fair value - basis of valuation

The basis of the valuation of each asset class of investment is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments (equities and fixed interest securities)	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Pooled investment vehicles	Level 2	Fair value based on the weekly market quoted prices of the respective underlying securities	When considering the fair value of assets which are not at the reporting date, the price of a recent transaction for an identical asset provides evidence of fair value	Not required
Freehold and leasehold properties	Level 3	Valued at fair value by Savills in accordance with International Valuation Standards and RICS Valuation Standards.	<ul style="list-style-type: none"> - Existing lease terms rentals - Independent market research - Covenant strength for existing tenants - Assumed vacancy levels - Estimated rental growth - Discount rate 	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices
Pooled property funds	Level 3	The Fund's ownership share in property limited partnerships is applied to the partnership net assets. The net assets are based on the fair value of the underlying investment properties in accordance with International Valuation Standards and RICS Valuation Standards	<ul style="list-style-type: none"> - Existing lease terms rentals - Independent market research - Covenant strength for existing tenants - Assumed vacancy levels - Estimated rental growth - Discount rate 	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices

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25. Fair value - basis of valuation (continued)

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Private debt	Level 3	Valued at fair value in accordance with International Valuation Standards and investment managers valuation policy	<ul style="list-style-type: none"> - Comparable valuation of similar assets - EBITDA multiple - Revenue multiple - Discounted cash flows - Enterprise value estimation 	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts
Hedge funds	Level 3	Closing bid price and offer prices are published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts
Private equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012) Updated	<ul style="list-style-type: none"> - EBITDA multiple - Revenue multiple - Discount for lack of marketability - Control Premium 	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts
Forward foreign currency contracts	Level 1	Market forward exchange rates at the year end	Exchange rate risk	Not required
Futures	Level 1	Published exchange prices at the year-end	Not required	Not required

25a. Fair value hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. The three levels are detailed below.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. Products classified as Level 1 are quoted equities and fixed interest securities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Level 2 products include pooled investment vehicles, as they are not traded in a market that is considered to be active and where the asset value can be determined by observed values for the underlying assets.

Level 3 - Inputs for assets or liabilities that are not based on observable market data (unobservable inputs). Examples include private equity, private debt and hedge funds, which are valued using valuation techniques that require significant judgement.

The following table provides an analysis by the three levels based on the level at which the fair value is observable.

31 March 2017

	Level 1 £ 000	Level 2 £ 000	Level 3 £ 000	Total £ 000
Financial assets				
Designated as fair value through profit and loss	1,216,624	2,497,485	337,030	4,051,139
Non-financial assets at fair value through profit and loss (See note 14)	0	0	340,675	340,675
Financial liabilities				
Designated as fair value through profit and loss	(211)	(55)	0	(266)
	1,216,413	2,497,430	677,705	4,391,548

The previous years data is given below.

31 March 2016

	Level 1 £ 000	Level 2 £ 000	Level 3 £ 000	Total £ 000
Financial assets				
Designated as fair value through profit and loss	1,407,093	1,523,068	347,368	3,277,529
Non-financial assets at fair value through profit and loss (See note 14)	0	0	284,535	284,535
Financial liabilities				
Designated as fair value through profit and loss	(23)	(709)	0	(732)
	1,407,070	1,522,359	631,903	3,561,332

The information for 2015/16 has been restated from the audited 2015/16 accounts to include investments in directly held property and to remove loans and receivables and financial liabilities at amortised cost as a result of changes to the Code of Practice on Local Authority Accounting in 2016/2017.

25b. Reconciliation of fair value measurements within level 3

	Market Value 1 April 2016	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/ (Losses)	Realised gains/ (Losses)	Market Value 31 March 2017
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Alternative funds	102,046	0	(104,971)	(5,546)	8,471	0
Private equity	120,646	22,186	(28,439)	20,218	11,469	146,080
Private debt	0	95,481	(24,714)	3,802	0	74,569
Hedge funds	83,290	0	0	3,165	0	86,455
UK pooled property funds	41,386	1,056	(16,508)	(1,220)	5,212	29,926
UK directly held property	284,535	66,672	(10,164)	(2,838)	2,470	340,675
	631,903	185,395	(184,796)	17,581	27,622	677,705

26. Nature and extent of risks arising from financial instruments

The primary objective of the Fund is to ensure that sufficient funds are available to meet all Pension liabilities as they fall due for payment. The Fund aims to do this by adopting an investment strategy that balances risk and return.

The majority of the Fund is invested through external investment managers. Each has an investment management agreement in place which sets out the relevant benchmark, performance target, asset allocation ranges and any restrictions.

Risks are managed through diversification; by investing across asset classes, across managers and styles and ensuring managers maintain a diversified portfolio of investments within their mandate. The majority of the Fund is invested in liquid investments.

Market risk

Market risk is the risk of loss from fluctuations in market prices, interest rates or currencies. The Fund is exposed through its investment portfolio to all these market risks.

Market risk also represents the risk that the value of a financial instrument will fluctuate caused by factors other than those mentioned above. These changes can be caused by factors specific to the individual instrument or those affecting the market in general and will affect each asset class the Pension Fund holds in different ways.

Continued on the next page

A high proportion of the Fund is invested in equities and therefore fluctuation in equity prices is the largest risk the Fund faces. The Fund relies on the fact that it has positive cash flows and a strong employer covenant to underpin its investment in equities and maintains its high exposure to equities over the long-term as they are expected to deliver higher returns.

The Fund manages market risk through a diversified investment portfolio and instructing individual investment managers to diversify investments within their own individual portfolios in line with their investment strategies and mandate guidelines. The Pensions Panel and Pensions Committee regularly receive reports which monitor such risks.

Market risk – sensitivity analysis

In consultation with the Fund's investment advisor, the following movements in market prices have been judged as possible for the 2017/2018 financial year. The potential market movements figures also allow for interest rate and currency rate fluctuations.

Asset type	Possible market movements
UK equity	+/- 18%
Global equity	+/- 22%
Private equity	+/- 27%
Private debt	+/- 7%
UK fixed interest bonds	+/- 11%
UK index-linked bonds	+/- 9%
Corporate bonds	+/- 7%
Cash	+/- 1%
UK pooled property funds	+/- 14%
Hedge funds	+/- 13%
Cash	+/- 1%
UK pooled property funds	+/- 15%
Alternatives	+/- 11%

This movement in the market prices would increase or decrease the net assets at 31 March 2017 to the amounts shown overleaf.

Asset type	31 March 2017 £ 000	Percentage change (+/-) %	Value on increase £ 000	Value on decrease £ 000
UK corporate bonds	108,350	7%	115,935	100,766
Global corporate bonds	216,232	7%	231,368	201,096
UK equities	341,079	18%	402,473	279,685
Global equities	549,677	22%	670,606	428,748
UK pooled investments	450,450	18%	531,531	369,369
UK index-linked pooled investments	244,634	9%	266,651	222,617
Overseas pooled investments	1,802,241	22%	2,198,734	1,405,748
UK pooled property funds	29,926	14%	34,116	25,736
Cash	185,190	1%	187,042	183,338
Private equity	146,080	27%	185,522	106,638
Private debt	74,569	7%	79,789	69,349
Hedge funds	86,455	13%	97,694	75,216
Outstanding dividend entitlements and recoverable withholding tax	9,061	0%	9,061	9,061
Amount receivable for sales of investments	5,618	0%	5,618	5,618
Derivatives	1,180	0%	1,180	1,180
Amounts payable for purchases of investments	(8,327)	0%	(8,327)	(8,327)
Long term assets	3,012		3,012	3,012
Current assets	11,893	0%	11,893	11,893
Long term Liabilities	(100)		(100)	(100)
Current liabilities	(7,382)	0%	(7,382)	(7,382)
	4,249,838		5,016,416	3,483,261

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

Changes in market interest rates would affect the value of the Fund's fixed interest and index-linked securities. The amount of income the Fund generates from its cash holdings would also be affected.

Foreign currency risk

Foreign currency risk represents the risk that the fair value of financial instruments when expressed in Sterling (£) will fluctuate because of changes in foreign exchange rates.

A high proportion of the Fund's equity portfolio is held in global stock markets. Any short term volatility associated with fluctuating currencies is balanced by the long term nature of investments in equity markets.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to meet an obligation and cause the Fund to incur a financial loss. The biggest exposure the Fund has is through its investment in corporate bonds and private debt.

The Fund is also exposed to credit risk through other investment managers that hold assets and the custodian. The Fund minimises credit risk through the careful selection and monitoring of high quality counterparties. Assets and cash held by the custodian are held in individual accounts in the Pension Fund's name, clearly segregated from the assets of other clients and the custodian.

Through its stock lending programme the Fund is exposed to the collateral provided by the borrower against the securities lent. To manage this risk the collateral permitted is restricted to government obligations (such as Gilts) and equities. Collateral is held in excess of the securities lent.

Foreign exchange contracts are subject to credit risk in relation to the counterparties of the contracts. The maximum credit risk exposure on foreign currency contracts is the full amount of the foreign currency the Fund pays when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the Fund.

Another source of credit risk for the Fund is the cash it holds to meet short-term commitments. The cash is managed by the Staffordshire County Council Treasury and Pensions Fund team in line with the Pension Fund's Annual Investment Strategy which sets out the permitted counterparties and limits.

In 2016/2017 investments were made with:

Staffordshire Pension Fund's banker, Lloyds Bank (maximum £5m).

"AAA" rated Sterling (£) Money Market funds (maximum £25m per fund).

At 31 March 2017, £154.0m was held in this way (£76.5m at 31 March 2016).

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. To manage this risk the Fund holds an allocation of its assets in cash, the majority of which Staffordshire County Council Treasury and Pensions Fund team have same day access to. This is to ensure short term commitments can be met.

The majority of the stocks held by the Fund's investment managers are quoted on major stock markets and may be realised quickly if required. Less liquid investments such as property, private equity, hedge funds and private debt currently make up a smaller proportion of the Fund's assets.

In the short-term we can borrow money on the money markets to cover any shortfall that may arise. Overall there is very little risk that we will not be able to raise cash to meet our commitments.



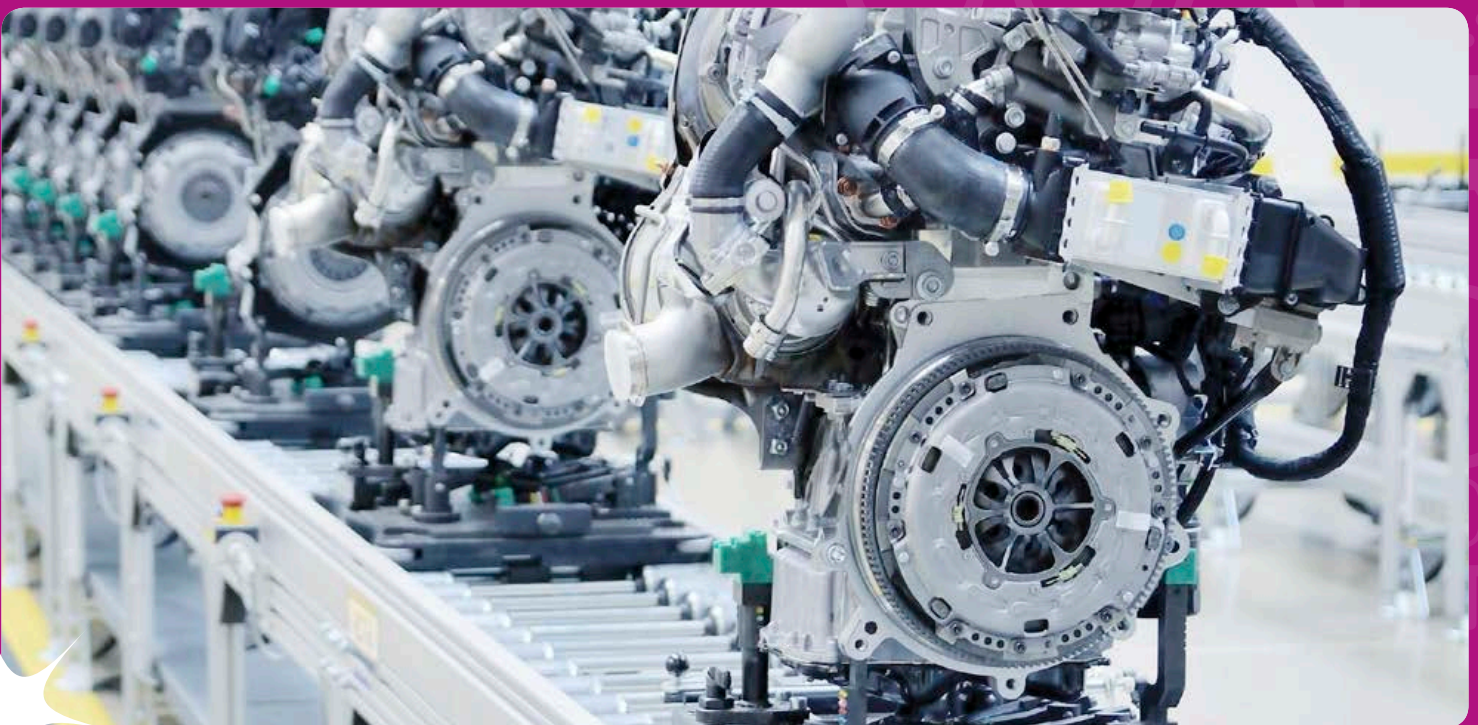
THE I54 AND JAGUAR LANDROVER

i54 South Staffordshire is a unique partnership development between Staffordshire County Council, Wolverhampton City Council and South Staffordshire District Council.

It has secured a number of businesses, representing thousands of jobs for the region.

Jaguar Land Rover is just one of those business who have a new £500 million advanced engine facility at i54 South Staffordshire. This factory, alone will eventually employ 1,400 people.

i54 will set new standards for British business, engineering and advanced manufacturing.



INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF STAFFORDSHIRE PENSION FUND ON THE PENSION FUND FINANCIAL STATEMENTS

We have examined the pension fund financial statements for the year ended 31 March 2017, which comprise the Fund Account, the Net Assets Statement and the related notes.

Respective responsibilities of the Director of Finance and Resources and the auditor

As explained more fully in the Statement of the Director of Finance and Resources' Responsibilities, the Director of Finance and Resources is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of Staffordshire County Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

We also read the other information contained in the pension fund annual report and consider the implications for my report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists only The Chair's and Directors' Statements, the Statutory Information, the Management Reports, the Statistical Information and Risk Management and the Appendices.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the administering authority's full annual statement of accounts describes the basis of our opinion on those financial statements.

Opinion

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of Staffordshire County Council for the year ended 31 March 2017 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

We have not considered the effects of any events between the date we signed our report on the full annual statement of accounts 28 September 2017 and the date of this statement.



Richard Page
for and on behalf of Ernst & Young LLP
The Paragon
Counterslip
BS1 6BX
Bristol

28 September 2017

GLOSSARY OF TERMS

Actuarial valuation

A valuation carried out by an actuary to check what a pension scheme's assets are worth versus its future liabilities. This is then used to work out how much contributions must be so there will be enough money in the scheme for all people to get their pensions.

Actuarial strain

This is a charge paid to the Pension Fund for paying pensions early.

Additional voluntary contributions (AVCs)

This is an extra contribution a member can pay to their own pension scheme to increase future pension benefits.

Alternative investments

Investments considered outside of the traditional asset classes of stocks, bonds and cash.

Benchmarks

These are investment performance standards that we expect our investment managers to achieve and against which we measure their investment return.

Bid-market price

The price a buyer pays for a stock.

Bond

A bond is a written promise to repay a debt at an agreed time and to pay an agreed rate of interest on that debt.

Collateral holdings

Assets pledged to a lender until the loan is repaid. If the borrower does not pay off the loan, the lender has the legal right to seize the asset and sell it to pay off the loan.

Corporate governance

The systems by which companies are directed and controlled.

Derivatives

Investments that derive their value from underlying assets such as currencies or are linked to indices such as a stock market index.

Equities

Stocks representing ownership interest in companies.

Financial instrument

A contract between two parties that involves a monetary exchange for some type of debt or asset.

Fixed-interest investments

Where you loan money to a government or individual company for a fixed rate of income.

Hedge funds

A portfolio of investments that use advanced investment strategies with the goal of generating high returns.

Index-linked securities

Investments in stock where the rate of interest and capital value are linked to the rate of inflation.

Investment management expenses

All expenses relating to managing the Fund's investments.

Investment managers

Firms we appoint to deal with the Fund's investments on a day-to-day basis.

Local Pension Board

The board assists and supports the management and governance of the Pension Fund in complying with the LGPS and other legal and regulatory requirements.

Pensions Committee

A committee formed under the constitution of the County Council to deal specifically with pension's administration and investment.

Pensions Panel

An independent panel we set up to provide advice on investments and to report to the Pensions Committee.

Pooled investment vehicles

A fund that combines the resources or capital from a number of investors and pursues a clearly defined investment plan.

Private debt

Loans to private companies from lenders other than banks, often to small or medium sized companies to expand or manage their operations.

Private equity

Ownership in a company that is not publicly-traded.

Property

All buildings and land that the Fund owns including pooled property funds.

Refunds of contributions

2008 Scheme: The amount employees will receive if they stop their pensionable employment within the first three months of working for us.

2014 Scheme: The amount employees will receive if they stop their pensionable employment within the first two years of working for us.

Responsible Investment

Investments which take into consideration environmental, social and governance factors as well as financial factors.

Stock lending

The act of loaning securities to another investor in return for a fee. When a security is loaned the ownership is also transferred to the borrower.

Transfer values

The value of a pension scheme members benefits available to buy benefits in another scheme.

Withholding tax

A tax on dividend income that is charged at source. Some of this may be recoverable and some may not.



HOW TO CONTACT US



If you have any questions or need more information about our Pension Fund, please contact the relevant person below.

Investment and Fund management

Melanie Stokes – Head of Treasury and Pensions
Phone: 01785 276330
E-mail: treasury.pensionfund@staffordshire.gov.uk

Benefits, Contributions and Pensions Payroll

Janet Caiazzo – Pensions Manager
Phone: 01785 276441 or for Payroll
01785 278222 (option 2)
E-mail: pensions.enquiries@staffordshire.gov.uk

Or, you can write to us at:

Treasury and Pension Fund
Staffordshire County Council
2 Staffordshire Place
Tipping Street
Stafford ST16 2DH.

You can also visit our website at
www.staffspf.org.uk

If you would like this information in large print, in Braille, on audio tape or CD, in British Sign Language or in any other language, please ring 01785 276330.



Staffordshire
Pension Fund
Local Government Pension Scheme

Pension Scheme registration number: 10011745

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