

Staffordshire Pension Fund

Annual Report

and Accounts 2017/18



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Apedale Quarry Monument

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Welcome

It gives us great pleasure to present the Annual Report and Accounts for the financial year ended 31 March 2018 for the Staffordshire Pension Fund.

The Staffordshire Pension Fund administers the Fund on behalf of over 400 different employers and once again we are most grateful to the Pensions team for the efficient service they have provided to all of our employers and their continued professionalism in maintaining the highest standards of service to our scheme members.

The Pensions Team is continually striving to provide the best 'customer' experience for all of our scheme members, whether they are current contributing employees, deferred members awaiting payment of their benefits from a future retirement date or retired members in receipt of their pension benefits. The Fund is working hard to promote the online self-service facility - 'my pension ONLINE' which enables our members to access their pension information through a secure portal from the comfort of their own home or workplace. With the ever evolving Local Government Pension Scheme and the need to communicate information and updates to our members and employers alike, we are keen to encourage greater use of our online facility going forward.

The Investment Team has been working hard to complete the day job as well as help set up the new regional pool 'LGPS Central', where Staffordshire are one of the 8 Partner Funds. Launching on 3 April 2018, LGPS Central



Philip Atkins, OBE
Chairman
(Pensions Panel)



Colin Greatorex
Chairman
(Pension Committee)

Ltd made significant progress during the year and achieved regulatory authorisation from the Financial Conduct Authority (FCA).

LGPS Central has already made an initial transfer of Partner Fund assets and is aiming to deliver savings in excess of £250m over the next 16 years.

The Local Pensions Board, established in accordance with the Public Service Pensions Act 2013 and Regulation 106 of the Local Government Pension Scheme (LGPS) continues to operate. The Board consists of 6 members, 3 from our employer base and 3 from the membership side.

The Board is non- executive and its purpose is to assist the administering authority in securing compliance with the increasingly complex LGPS Regulations, other legislation relating to the governance and administration of the scheme and requirements imposed by the Pensions Regulator.

A link to the Board's annual report can be found on page 7.

We also wish to thank the members of the Pension Committee, Pensions Panel and to the Director of Finance and Resources and his staff for their invaluable contributions to the work of the Fund during the year.

Fund Governance

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 Local Pensions Board was also set up to aid effective governance. Details of the three bodies follow.

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
- approve the Pension Fund Annual Report and Accounts
- monitor the overall administration of the LGPS

Pensions Committee council members at 31 March 2018



Ben Adams



*Philip Atkins,
OBE*



*Derek Davis,
OBE*



*Ann Edgeller
(Vice Chair)*



*Colin Greatorex
(Chair)*



Bob Spencer



Mike Sutherland



Stephen Sweeney



Martin Tittley

During the course of 2017/2018 the Pensions Committee:

- granted approval for the Staffordshire Pension Fund to elect up to professional client status under the Second Markets in Financial Instruments Directive (MiFID II) regulations
- formally approved the 2016/2017 Pension Fund Annual Report and Accounts
- reviewed the Pension Fund Business Plan Outturn for 2017/2018 and approved the Pensions Fund Business Plan for 2018/2019
- noted and approved amendments made to the Funding Strategy Statement (FSS) and the Investment Strategy Statement (ISS)

Involving others in governance

As well as the nine council members shown, the Pensions Committee also has non-voting 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.

Representatives for 2017/2018 are shown below with who they represent.

Nigel Caine (Larger Public Bodies)

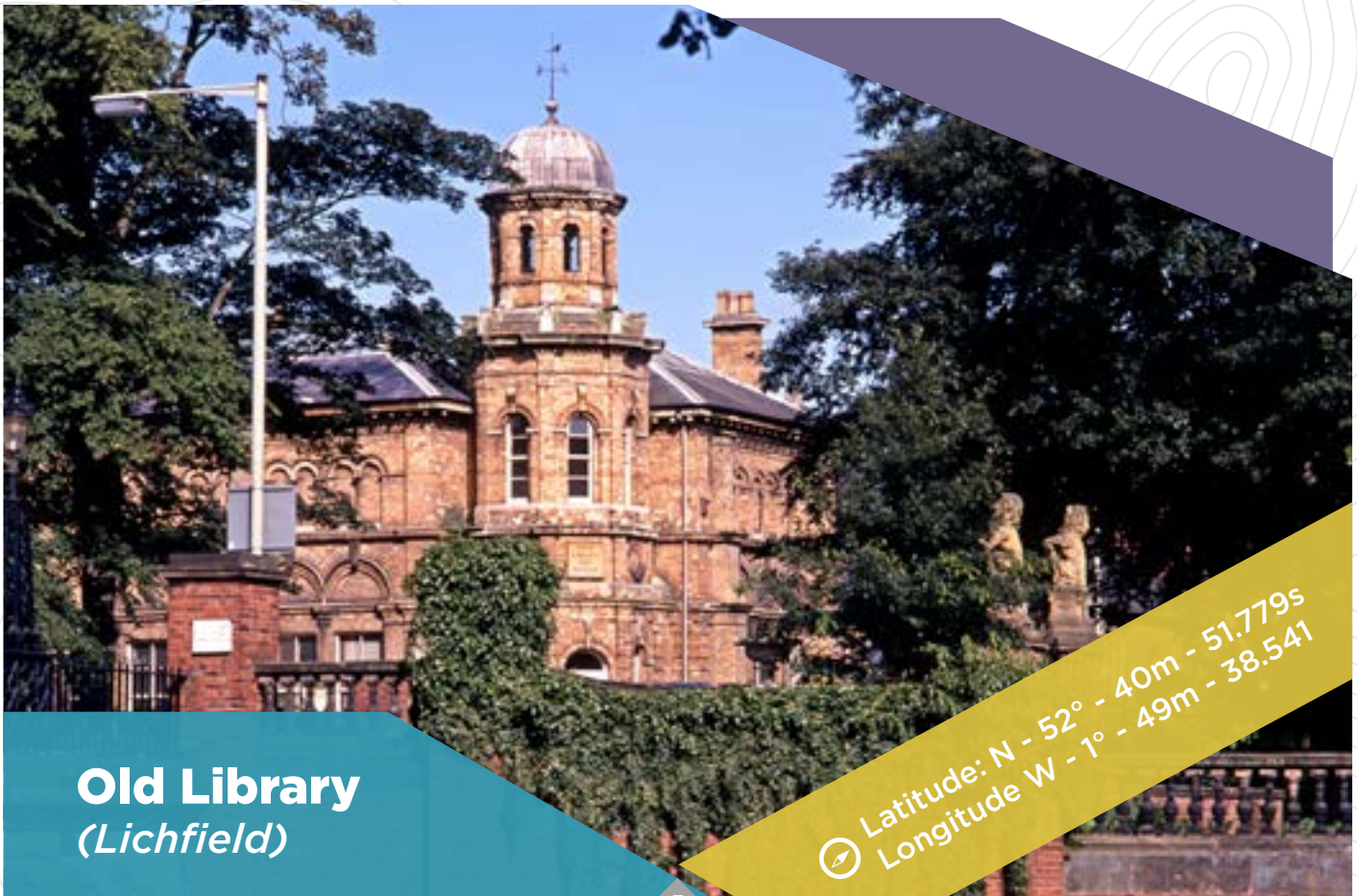
Sue Insull (Trade Unions)

Geoff Locke (Other Scheduled Employers)

Peter Noskiw (Education Sector)

Kevin Upton (Admitted Bodies)

Vacant (Pensioner Representative)



Old Library
(Lichfield)

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Longitude W - 1° - 49m - 38.541

Pensions Panel

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

- decide the appropriate structure of the Funds investments 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 on a day to day basis, in line with the decisions of the Pensions Panel.

Pensions Panel Council members at 31 March 2018



*Philip Atkins,
OBE (Chair)*



Derek Davis, OBE



Colin Greatorex



Mike Sutherland



*Stephen
Sweeney*

Advisor members:

*Carolyn Dobson
(Independent
advisor)*

*Graeme Johnston
(Hymans Robertson)*

*David Thomas
(Independent
advisor)*

The Pensions Panel during 2017/2018:

- reviewed and monitored the Pension Fund performance and quarterly Portfolio of Investments
- approved the 2018/2019 Annual Investment Strategy for managing the Pension Fund's cash
- received presentations from various investment managers
- received updates on the pooling of LGPS investments
- approved new investments in Private Equity and Private Debt funds

Local Pensions Board

The main purpose and role of the Local Pensions 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 2018

Employer representatives:

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

Scheme Member representatives:

Ian Jenkinson- Retired Scheme Member (Chair)
 Tim Legge- Retired Scheme Member
 Kate Salter - Trade Union Official

The Local Pensions Board during 2017/2018:

- reviewed Pensions Committee and Pensions Panel meetings held during the year
- considered the governance of the Risk Register which included members attending the Risk Committee Working Group
- received a presentation on the new General Data Protection Regulation (GDPR) from the Director of Finance and Resources.
- produced their own Annual Report. The full report which covers the last financial year is available by following the attached link:



[Pension Board Online](#)

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 LGPS Central arrangements."

Ian Jenkinson – Chair of the Staffordshire Pensions 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. 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.



The Roaches



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Meeting Attendance

The table below sets out the attendance at the various quarterly meetings in 2017/2018.

Pensions Committee Member	16/06/2017	20/10/2017	08/12/2017	16/03/2018
Ben Adams	✓	✓	✓	✗
Philip Atkins, OBE	✗	✗	✓	✓
Derek Davis, OBE	✗	✓	✓	✓
Ann Edgeller	✓	✓	✓	✓
Colin Greatorex	✓	✓	✓	✓
Mike Sutherland	✓	✓	✓	✓
Stephen Sweeney	✓	✓	✓	✓
Martin Tittley	✗	✓	✗	✗
Bob Spencer	N/A	N/A	N/A	N/A
<i>Co-opted members</i>				
Nigel Caine	N/A	N/A	✗	✗
Sue Insull	✓	✓	✗	✗
Geoff Locke	✗	✓	✓	✓
Peter Noskiw	✗	✓	✗	✗
Kevin Upton	N/A	✓	✓	✓

Pensions Panel Member	06/06/2017	05/09/2017	05/12/2017	06/03/2018
Philip Atkins, OBE	✓	✗	✓	✓
Derek Davis, OBE	✓	✓	✗	✓
Mike Sutherland	✓	✓	✓	✓
Stephen Sweeney	✓	✓	✓	✓
Colin Greatorex	N/A	N/A	N/A	N/A
<i>Advisors</i>				
Carolyn Dobson	✗	✓	✓	✓
Graeme Johnston	✓	✗	✓	✓
David Thomas	✓	✓	✓	✓

Pensions Board Member	07/07/2017	20/10/2017	08/12/2017	16/03/2018
Gordon Alcott	✓	✓	✓	✓
Corrina Bradley	✗	✓	✗	✓
Christina Washington	✓	✗	✓	✓
Ian Jenkinson	✓	✓	✓	✓
Tim Legge	✗	✓	✓	✓
Kate Salter	N/A	N/A	N/A	N/A

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

Administration and Investments

The Director of Finance and Resources, the Head of Treasury and Pensions and their 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 Funds investment managers are collected and examined.

Together they 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.



Andrew Burns
(Director of Finance and Resources)



Melanie Stokes
(Head of Treasury & Pensions)

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 advisors. 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 and Pensions Board received training covering most of these areas. This included training on the roles and responsibilities of Committee and Board members (Legislative and governance) and on the LGPS Investment Framework (Investment performance and risk management).

Communication

The Fund produces a Communications Policy that it reviews annually and is available at www.staffspf.org.uk

Full details on how the Fund communicates with its members are available on page 33.

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 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 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 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, the 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, Pensions 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

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

Actuary

Hymans Robertson LLP

Auditors

Ernst & Young LLP

AVC providers

Clerical Medical/Scottish Widows
Standard Life Assurance Ltd
The Equitable Life Assurance Society

Bankers

Lloyds Bank plc

Custodian

The Northern Trust Company

Investment managers

Aberdeen Standard Investments
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 (LGIM)

Longview Partners Limited
Partners Group LP

Russell Investments Limited

Legal adviser

John Tradewell, LLB, MBA
Director of Strategy, Governance and Change
LGPS Central Limited

Official responsible for the Fund

Andrew Burns BSc (Hons), FCPFA, 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 81.**

Investment Report

Global economic review

During the 2017/18 financial year, there was an upsurge in growth in the global economy. The pick-up in growth was largely broad based, led by the US with further upside surprises in Asia and Europe. The notable exception was the UK where growth was suppressed due to Brexit concerns.

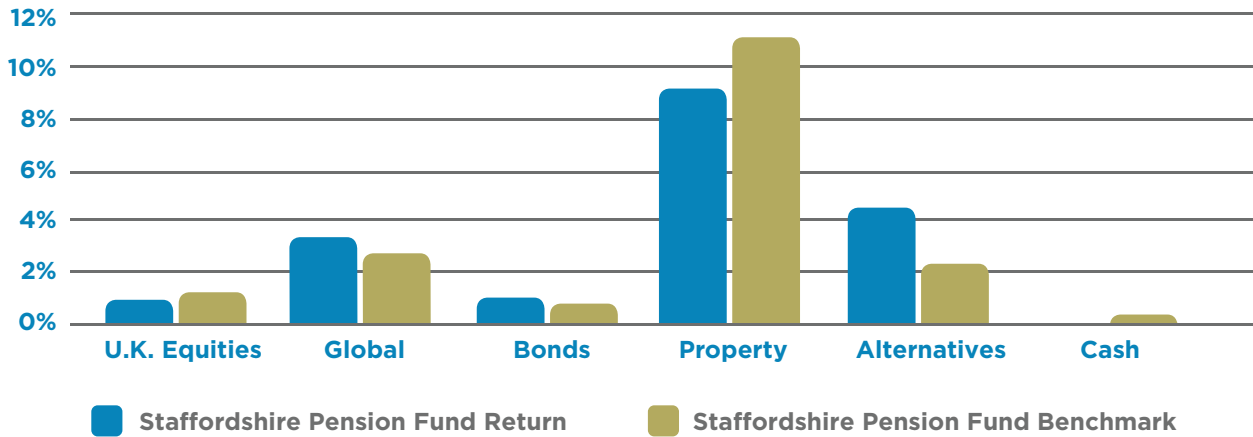
During the first quarter of 2017/18 the MSCI World Index increased by 4%. In the US, record highs were achieved by Wall Street, despite the Federal Reserve increasing interest rates to 1.25% in June and with the unpredictability of President Trump's governance. In the UK, the Conservatives held a snap election in June, hoping an increase in their majority would make Brexit negotiations in Parliament easier. However the Labour party increased their parliamentary seats instead, as the election resulted in a hung parliament. Despite some volatility in the markets, the FTSE continued to perform well overall. Meanwhile increased growth in Europe led to the European Central Bank indicating they were considering raising interest rates going forward.

In the second quarter global equities posted further strong gains. US equities continued to record new highs, unhindered from uncertainty in rising tensions with North Korea and the devastation caused by hurricanes Harvey and Irma. On the back of healthier economic figures, both the Federal Bank and the European Central Bank looked to reduce their respective quantitative easing programmes; the prospects for a tightening of monetary policy caused both the dollar and euro to rise during this period. Buoyed by global growth, UK inflation reached 2.9% in August causing the Bank of England to communicate a rise in Bank Rate was likely; sterling strengthened against the dollar in September.

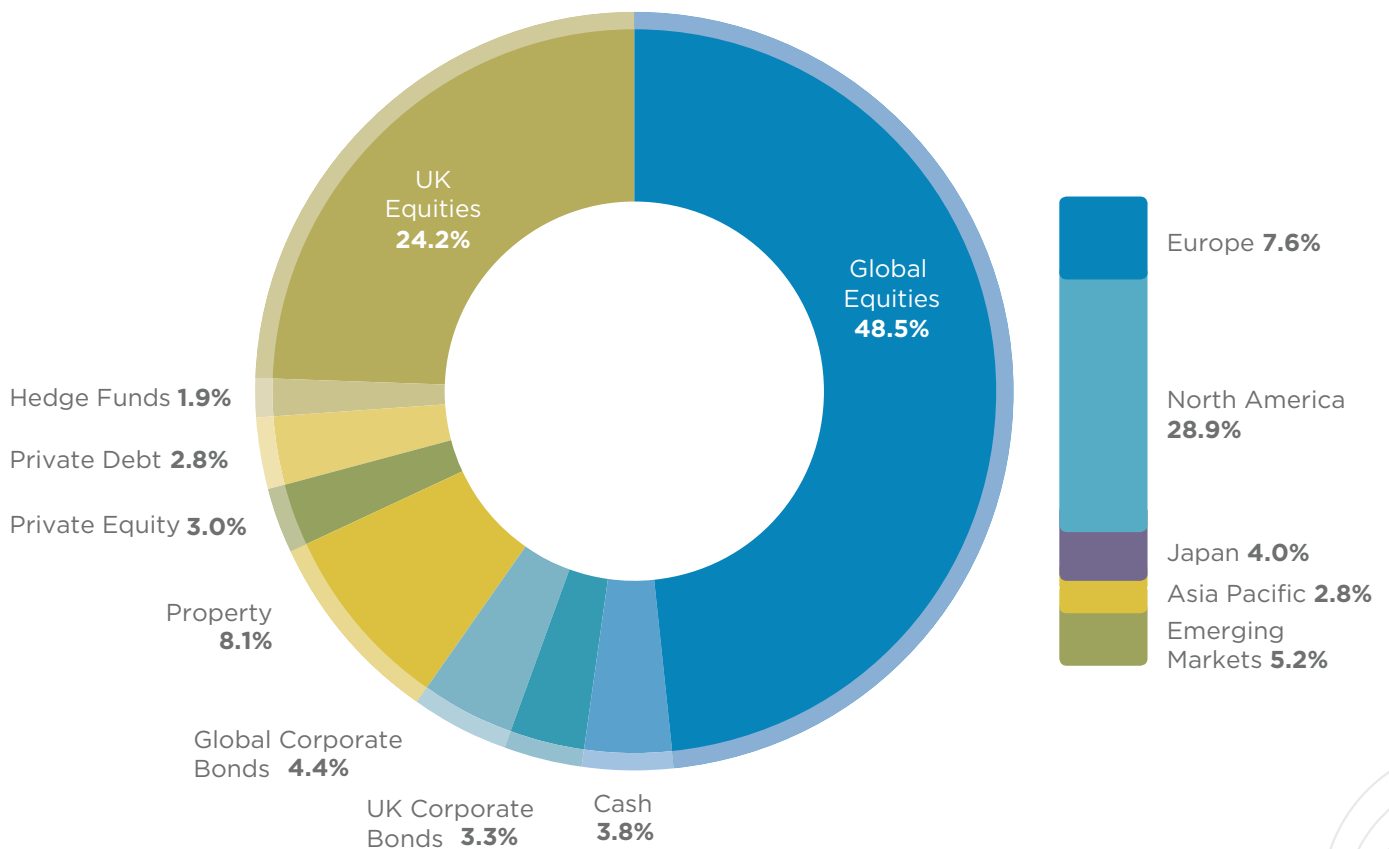
The third quarter of the financial year saw global equity markets end on a strong note as many indices reached all-time highs. Global markets rallied after the US government approved the tax reform bill which is expected to stimulate growth. In the UK, the FTSE 100 ended the year at its highest ever level, whilst Brexit negotiations progressed to the future of trade arrangements. In November, the Bank of England raised interest rates for the first time since 2007, as inflation breached its upper target. In Europe, data indicated the Eurozone economies were continuing to recover although there was some political uncertainty as coalition government talks broke down in Germany and a regional election in Catalonia failed to resolve their independence issue.

Global equities started strongly in the final quarter of 2017/18 but then suffered increased volatility with concerns over the effects of higher interest rates in the US and escalating tensions over US-China trade sanctions. UK equities performed poorly as sterling strengthened, supported by expectations that the Bank of England could increase Bank Rate faster than previously anticipated. Further progress was made with Brexit negotiations with initial agreement on the transition period after the UK formally leaves the EU in March 2019. Eurozone equities suffered in line with the concerns over global growth and were further impacted by the uncertainty following the lack of a clear winner in the Italian general election.

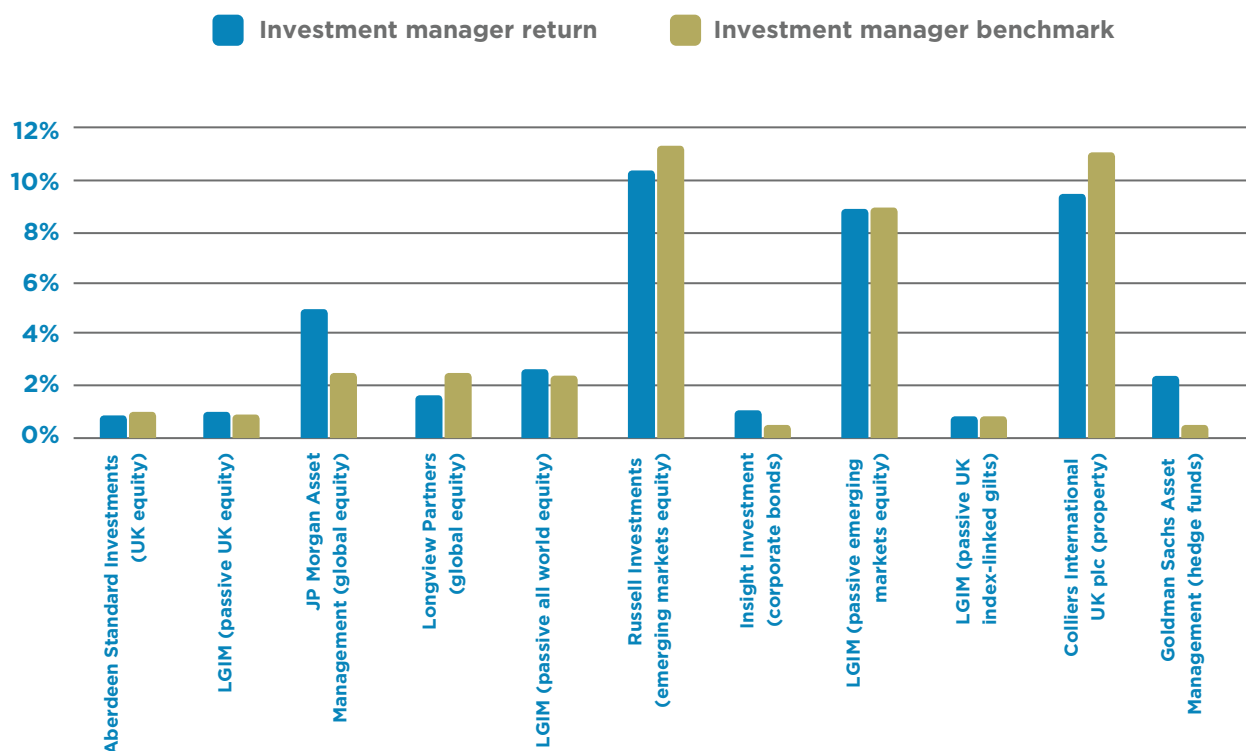
Major asset class returns for year ended 31 March 2018



Percentage breakdown by investment type at 31 March 2018



Investment manager returns for the year ended 31 March 2018



Equities

Equity assets generated steady returns during 2017/18, with the Funds equity portfolio returning 2.9% against a benchmark of 2.4%; within this global equities returned 3.4% and UK equities 1.0% (see graph on page 15). Although the Fund's equity assets performed better against the benchmark, they did not generate the highest returns for the Fund, mainly because of the significant declines in equity markets in the final quarter of 2017/18.

Global equities performed better than UK equities during the year, with stable returns across all markets. The Emerging markets performed the best with returns of 10.6%, followed by Japan (7.5%), Europe (ex UK) (3.9%) and Asia Pacific (2.6%). North America returned 1.8% and UK 1.0%.

Top Ten Equity Holdings

Company	Market value at 31 March 2018
Prudential plc	£13,545,518
Rio Tinto Group	£12,686,887
Shire Plc	£12,202,077
Pfizer Inc.	£11,135,201
HCA Healthcare	£11,049,825
Vodafone Group	£10,776,942
Apple Inc.	£10,723,901
Lloyds Banking Group	£9,519,719
WW Grainger Inc.	£9,381,834
FIS Global Inc.	£8,546,727



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Bonds

During 2017/18 the Fund's overall bond holding returned 1.0%, exceeding the benchmark return of 0.7%.

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 bonds would be held to maturity with limited trading taking place. In June 2016 the Pensions Panel agreed to change to an 'evergreen' policy where cash from maturing bonds is reinvested back into bonds, helping to limit the build-up of a cash surplus in the Fund. Corporate bonds returned 1.0% during the year, an improvement against a benchmark of 0.4%.

The Fund also holds an investment of index-linked Gilts with £75m added to the portfolio during the year. As these are passively held they returned the same as the benchmark.

Property

The Fund's total property investment return for 2017/18 was 9.5%, the highest returning asset class for the Fund, though lower than the benchmark of 11.3%.

All property sectors in the UK produced positive returns with the industrial sector providing the highest returns at 21.6%. At 31 March 2018, the property portfolio had a 19.5% weighting in the Industrial sector.

During the year, the Fund did not make any purchases or sales in its direct property portfolio. However it did add to its indirect property investments by committing £10m to a new fund, the Hearthstone Residential Fund.

Largest direct property holdings

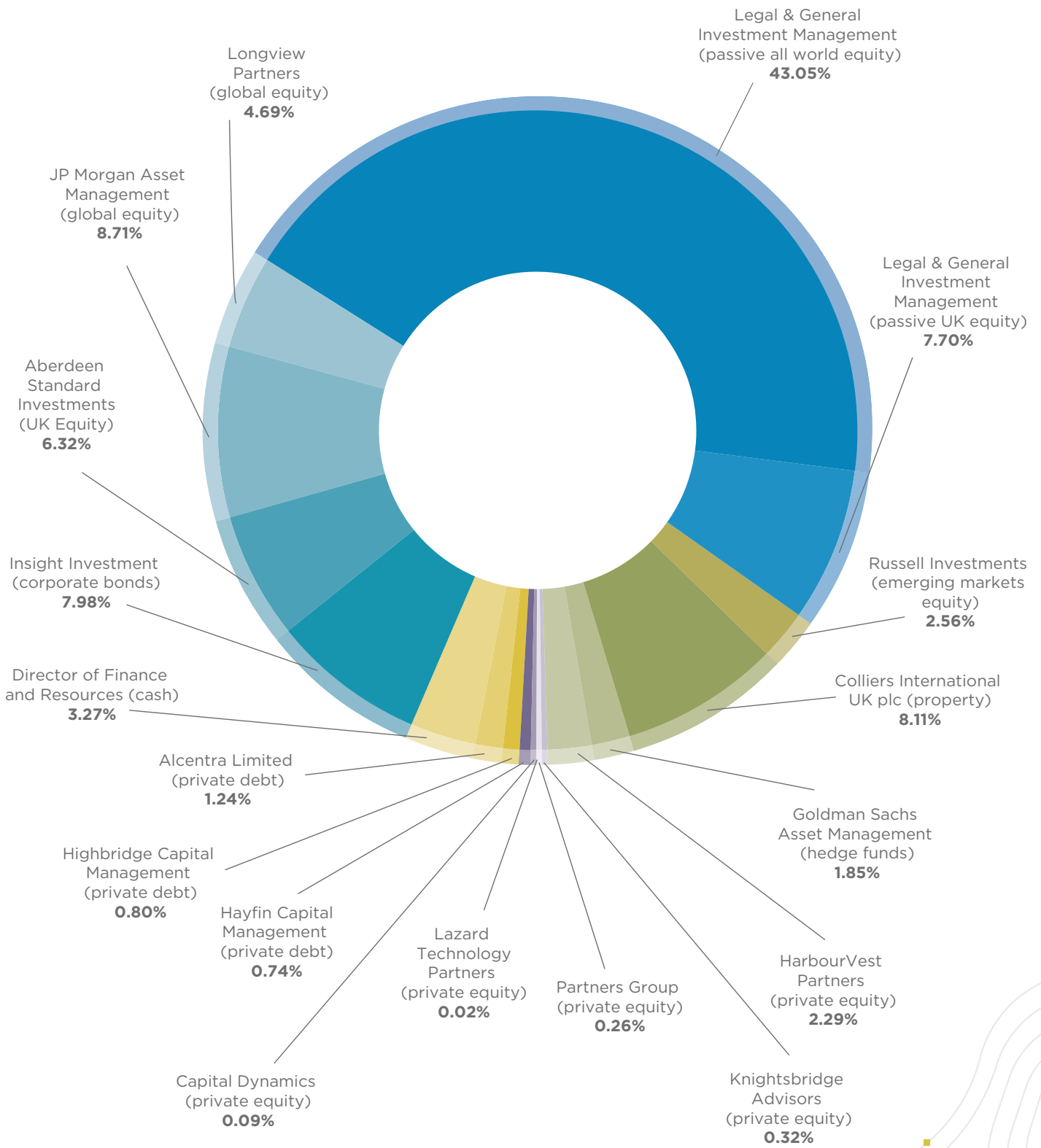
Company	Market value at 31 March 2018
Upper Woburn Place, London, WC1	£30,600,000
Stukeley Street, London, WC2	£22,800,000
Burwood House, London, SW1	£22,650,000
Old Jewry, London, EC2	£20,200,000
Drum Industrial Estate, Chester-Le-Street, DH2	£19,600,000
Grosvenor Street, Edinburgh, EH12	£19,000,000

Alternative investments

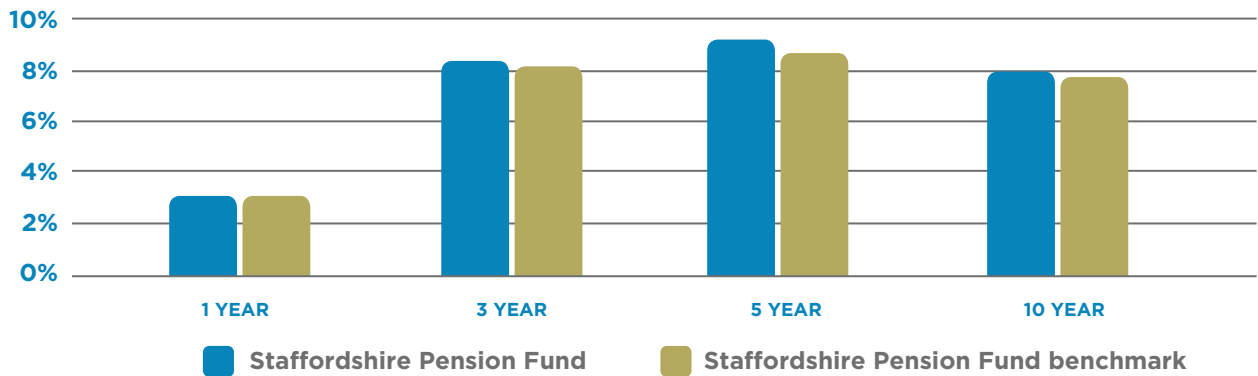
The Fund invests in Alternatives investments for diversification as they potentially provide a return uncorrelated to equities, which make up a high proportion of the Fund's investments.

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 4.6% in 2017/18, well in excess of a benchmark of 2.1% (see graph on page 15). Within this asset class, Private Equity performed well with returns of 9.6%, driven in part by the low value of sterling. Hedge Funds returned 2.3%, 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 at 31 March 2018)

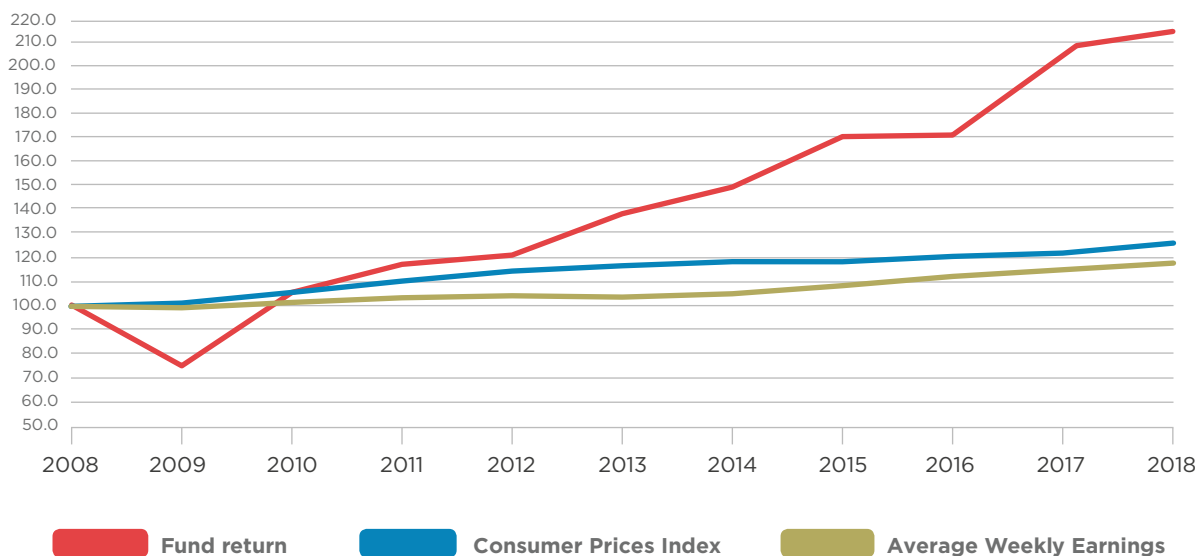


Pension Fund investment returns



For the year ending 31 March 2018, the Fund's total investments earned a return of 3.1%. This outperformed the Fund's benchmark by 0.1% and increased the Fund value to £4,775m. All primary asset classes had significant positive returns for the year. The above graph shows how the Fund has outperformed its own benchmark over the 1, 3, 5 and 10 year periods.

10 year investment performance versus inflation and earnings

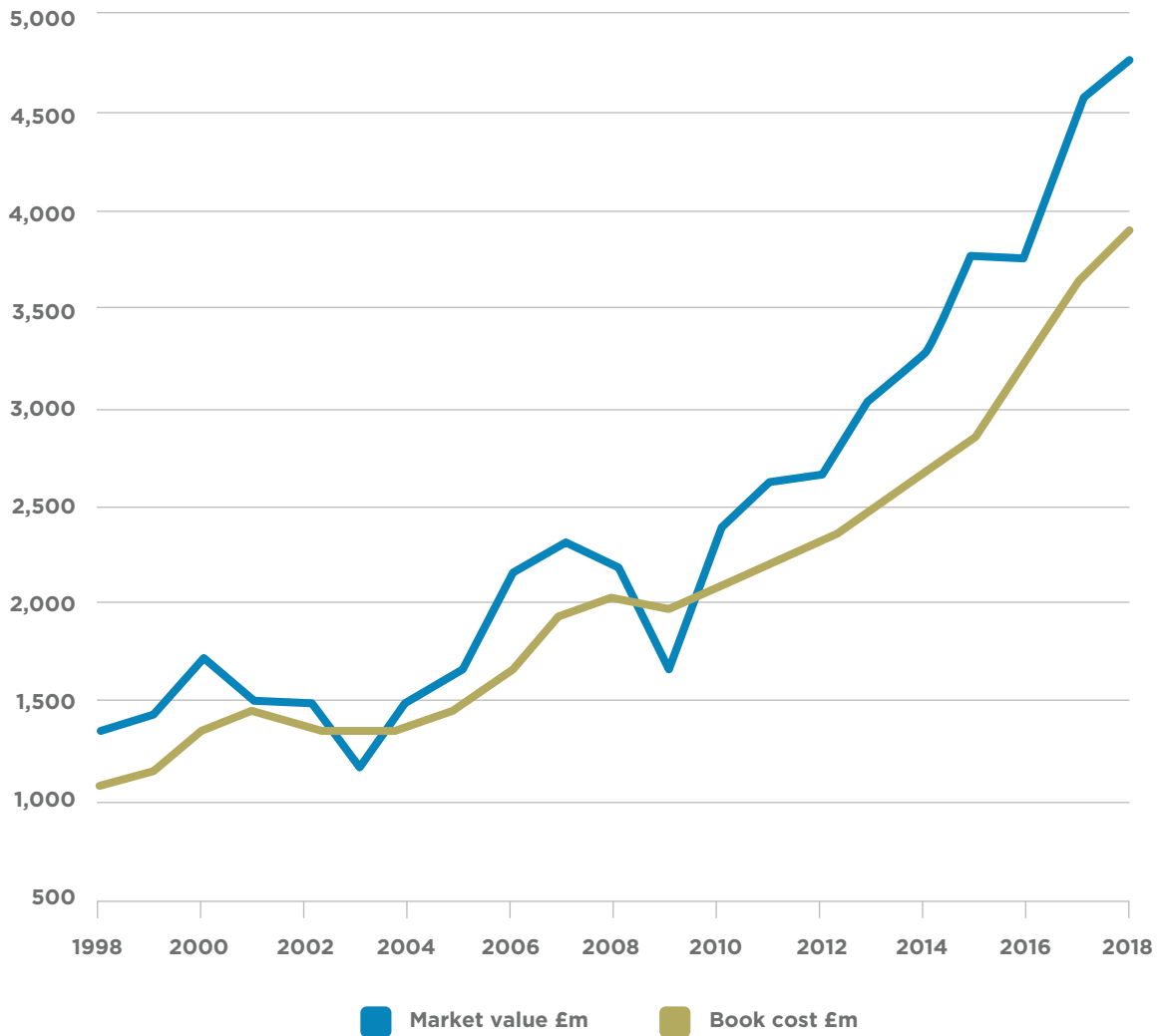


The graph above compares the Fund return over the past 10 years against inflation, in the form of the Consumer Prices Index, and Average Weekly Earnings. The value of all three measures was indexed to 100 at 31 March 2008 and revalued at 31 March every year thereafter.

It can be clearly 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.

Market Value versus book cost

The graph below shows the market value of the Fund over the past 20 years against its book cost (what we paid for the assets). The graph shows the effect of the 2008/09 financial crisis on the market value of the Fund and the strong performance since.



Responsible Investment report 2017/2018

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 Funds 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). 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's ISS was revised to better reflect RI arrangements for asset pooling and approved at Pensions Committee in March 2018. The ISS is available on the Pension Fund website www.staffspf.org.uk.

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's website www.staffspf.org.uk.

Currently all of the Fund's equity managers are signatories of 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.

Local Authority Pension Fund Forum

To further enhance the commitment to matters of responsible investment the Fund is a member of the Local Authority Pension Fund Forum (LAPFF). LAPFF is a voluntary association of 77 LGPS funds with total assets under management of over £230bn. 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.

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

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

- LAPFF raised cybersecurity at the SSE AGM, asking for greater detail on how SSE and its customers would be protected from system failures and attacks on their network. The Chairman of SSE confirmed they would need to tighten up in this area and were now classifying cybersecurity as a separate risk in the in risk register with a higher level of priority.
- In November 2017, LAPFF issued its Climate Change Investment Policy Framework to help member funds in their approach to the risks and opportunities from the impact of climate change. The framework also provides practical guidance for considering climate risk in investment strategy for funds.

- On human rights, LAPFF enquired about BHP Billiton's operational risks in joint ventures, specifically in relation to the Samarco mine in Brazil, where a dam collapsed killing 19 people. The Chairman of BHP responded by stating more resources had been added to deal with such projects and that they would now be complying with the International Council on Mining and Metals (ICMM). In addition, senior leadership were open in discussing how joint ventures were structured and governed.

Annual voting summary

The Pensions Panel receives quarterly updates from investment managers on details of votes cast on corporate resolutions for holdings in their relevant portfolios. Below is a summary of their activity in 2017/2018. 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	3,321	2,995	303	21	2
Standard Life	1,715	1,662	53	0	0
Longview	527	490	37	0	0
Legal & General	46,446	40,380	5,993	73	0



Kinver Edge Rock Houses



Latitude: N - 52° - 26m - 59.508s
Longitude W - 2° - 14m - 31.555s

Trentham Monkey Forest



Latitude: N - 52° - 57m - 8.444s
Longitude W - 2° - 12m - 10.914s



Fund Administration

Overview of the Staffordshire Pension Fund

Staffordshire Pension Fund is part of the Local Government Pension Scheme. It is administered by Staffordshire County Council for the purpose of providing pensions and other benefits for current members, deferred members, pensioners and dependents of the County Council, Stoke-on-Trent City Council, the district councils in Staffordshire as well as a range of other Scheduled and Admitted bodies within the county area. Teachers, Police Officers and Firefighters are not included as they all have other national pension schemes.

The Fund is governed by the Public Services Pensions Act and is administered in accordance with the following legislation:

- 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

Responsibility for the administration of the Fund has been delegated to the Treasury and Pension Fund Section which is part of the Finance and Resources Directorate of the County Council. The Pensions team uses the nationally recognised Aquila Heywood's "Altair" pension software, to provide all aspects of pensions administration including pensioner payroll, member and employer self-serve.

There are 50 full time equivalent staff involved in the administration of the scheme, split in to three main teams:

- **Administration** - responsible for all casework, managing member enquiries and paying pensioners
- **Technical** - responsible for communications, systems, employer maintenance and training together with other projects.
- **Investment** - responsible for the oversight of the fund's investment portfolio, it's accounting records and the production of annual accounts.

Employer Activity

Over the last 12 months the Fund has experienced an increase in our employer base, as local authorities, academies and schools continue to outsource services together with a number of Local Authority schools choosing to convert to Academy status.

In addition there has also been an increase in the number of third party HR and payroll providers, which has created further training and communication needs. Some larger employers within the Fund are also currently undertaking significant structural changes, which have required additional resources from within the section to support.

Pension Data Requirements

The Pensions Regulator has a growing interest in the quality of the data held by Pension Funds and this is one of the reasons we are striving to ensure that we receive accurate and prompt data returns from all our employers.

Employers are required to submit data to the Staffordshire Pension Fund on a regular basis. Employers submit members data through various sources e.g. spreadsheets, interfacing, paper forms etc. We recognise the significant resource required by the Pensions Team and Employers to ensure member records are accurate and up to date. The Pensions Regulator also requires pension schemes to obtain data at member level on a monthly basis which will considerably increase the processing requirements outlined above.

As a consequence, the Fund has been working with its software partner to install a system called 'i-Connect'. This system reduces the cost and risks associated with the processing of pension data.

With i-Connect, data is taken directly from the Employer's payroll system, automatically identifying new starters, leavers, opt-outs and generating an extract for submission to the Fund. This greater efficiency enables both the Fund and Employers to improve the accuracy of member data plus the processing of the administration casework.

In the last 12 months, 7 Employers now provides monthly member updates through i-Connect. In addition a number of larger employers are also expected to 'go live' with the new software in the coming months.

Fund Membership Trends

The table below sets out the relevant metrics that demonstrate how the overall membership in the Staffordshire Pension Fund has increased. The increased membership results in increased demands both in terms of individual member casework and wider reporting and monitoring requirements.

Active Members are employees who currently contribute to the LGPS and include some employees who have more than one contract of employment, each being treated separately for administration purposes.

Retired Members are in receipt of a pension, including spouses and dependents in receipt of a pension in respect of a former member.

Deferred Members are former active members who have elected to retain their rights in the Scheme until they become payable.

	March 2014	March 2015	March 2016	March 2017	March 2018
Actives	36,119	36,991	36,785	34,963	33,776
Retired	28,260	28,713	30,051	31,713	33,156
Deferreds	36,604	38,079	38,446	39,362	40,552
Total	100,983	103,783	105,282	106,038	107,484

Analysis of Membership as at 31 March 2018

The following table provides a breakdown of the Fund membership of active members, deferred members and pensioners at 31 March 2018.

Age Group	Active	Deferred	Retired	Spouse/Dependant
0-14	0	0	0	74
15-19	381	6	0	83
20-24	1,215	532	0	47
25-29	2,111	1,878	2	2
30-34	2,835	3,520	2	1
35-39	3,493	4,172	1	4
40-44	4,193	5,092	10	19
45-49	5,690	7,233	47	47
50-54	6,065	8,411	123	97
55-59	4,678	7,063	1,205	213
60-64	2,529	2,493	5,902	267
65-69	451	95	8,128	368
70-74	135	57	6,709	579
75-79	0	0	3,616	542
80-84	0	0	2,018	637
85-89	0	0	1,049	496
90+	0	0	501	367
Totals	33,776	40,552	29,313	3,843

Total membership 107,484

Additional Voluntary Contributions (AVC's)

The Fund commissioned a third party advisor (Aon Hewitt) to undertake a review of the existing AVC provision provided by Clerical Medical , Standard Life and Equitable Life. Equitable Life is closed to new members.

Aon Hewitts' findings confirmed that the existing provision was fit for purpose, but made recommendations relating to performance monitoring, member communications and funding options.

As a result officers held discussions with both Clerical Medical and Standard Life to implement the recommendations including the switch of all Funds held in Clerical Medical to Scottish Widows. Both Clerical Medical and Scottish Widows are owned by Lloyds Banking Group. The Scottish Widows product is more aligned to the LGPS and is an established brand with a well-resourced customer service strategy.

The switch between Clerical Medical and Scottish Widows was completed in 2017/18 on the existing terms under the current Clerical Medical funds, so members rights were protected.

Guaranteed Minimum Pension (GMP) reconciliation

The GMP data reconciliation exercise, which all public service pension schemes including the LGPS are undertaking, is to be completed by December 2018. The purpose of this exercise is to ensure that records held by the Fund and by HMRC, in relation to periods of contracting out employment, are correct.

This is a significant exercise which involves liaising with HMRC, validating data and identifying overpayments / underpayments. Significant progress has been made in the last year to meet the deadline of December 2018.

Reporting breaches

With effect from 1 April 2015, the Fund has been required to comply with the Pension Regulators Code of Practice no 14; Governance and Administration of Public Service Pension Schemes. The Code applies to all scheme managers, employers and members of pension boards.

The Code requires Funds to introduce a Breaches Policy, to maintain a Breaches Log and to report any material breaches to the Pensions Regulator. The Breaches Log is updated by Officers and recommendations for whether the individual breaches are reported can be made to the Pensions Committee. The full Breaches Log is also presented to the Pensions Board annually.

To assist both the Fund and employers, who each have responsibilities under the Code, the Fund introduced an Administration Strategy. The Strategy clearly sets out the responsibilities of both parties. **Administration Strategy**

Member Self-Service

The Fund offers a self-service facility for active and deferred scheme members to view their pension record and perform individual benefit calculations securely via the Fund's website. During the last year we have promoted this service and will continue to do so through further targeted communication. New members joining the scheme are now issued with member self -service activation details with their joining information pack.

Collaborative Working

The Fund keeps abreast of administration best practice by participating in collaborative groups such as the Local Government Association's Communication Group and attending the regional Pensions Officer Group.

Representatives from the Fund also sit on a Regional Communications Working Group with other LGPS Funds who meet regularly to discuss communications issues within the LGPS and to share resources for joint communication projects.

We also hold a seat on the National Communication Working Group for the LGPS, at which we help produce documentation and assistance to other Funds with the Local Government Association.

Website

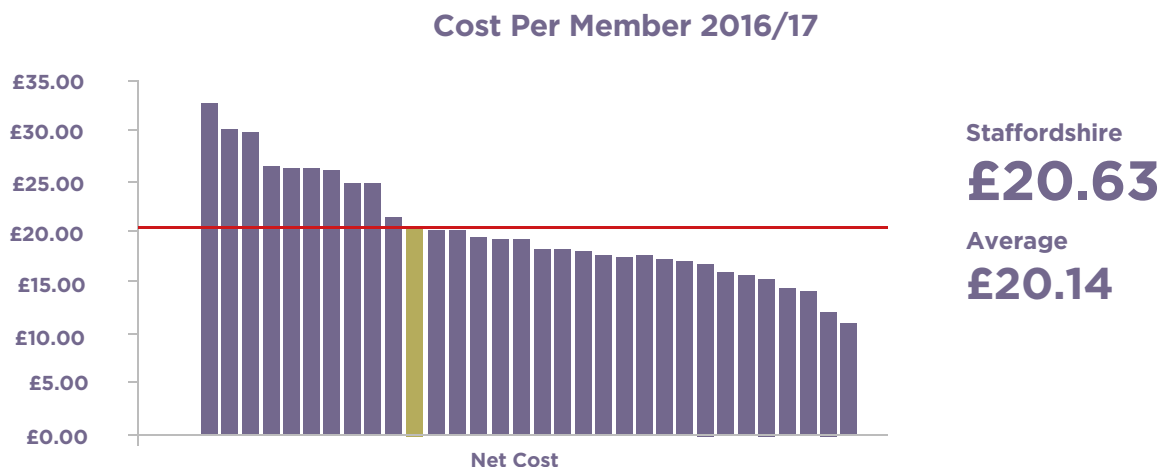
The Fund's website is the primary source for Scheme information for both Scheme members and employers. The information held on the website is regularly reviewed to provide important updates and links to other information provided by Government organisations about the LGPS.

Chartered Institute of Public Finance and Accountancy (CIPFA)

Staffordshire Pension Fund participates in the CIPFA Benchmarking Club. Data is submitted annually and the Fund is measured against several other Administering Authorities.

Annual data is supplied on cost measures, workload measures, staff related measures and Industry Standard Performance Indicators. Data supplied includes the number of entrants to the scheme, early leavers, retirements and deaths; details of how calculations are processed and staffing experience such as salary and pensions experience.

The most recent figures we hold for cost per scheme member for administering the Staffordshire Pension Fund is £20.63. (2016/17) compared to the national average of £20.14. The graph below illustrates that the service continues to be cost effective and remains in line with the Government's key indicator, as reported in the national benchmark return.



Performance

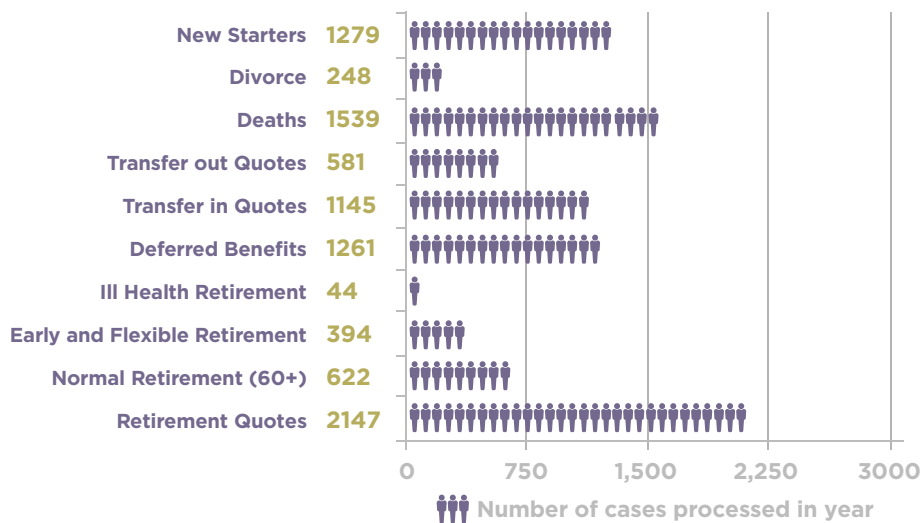
As part of our commitment to continued service improvements we operate a system of performance monitoring.

The Pensions administration system monitors the key procedures that are performed by the administration team. Each procedure is measured against its target and monitored on a monthly basis.

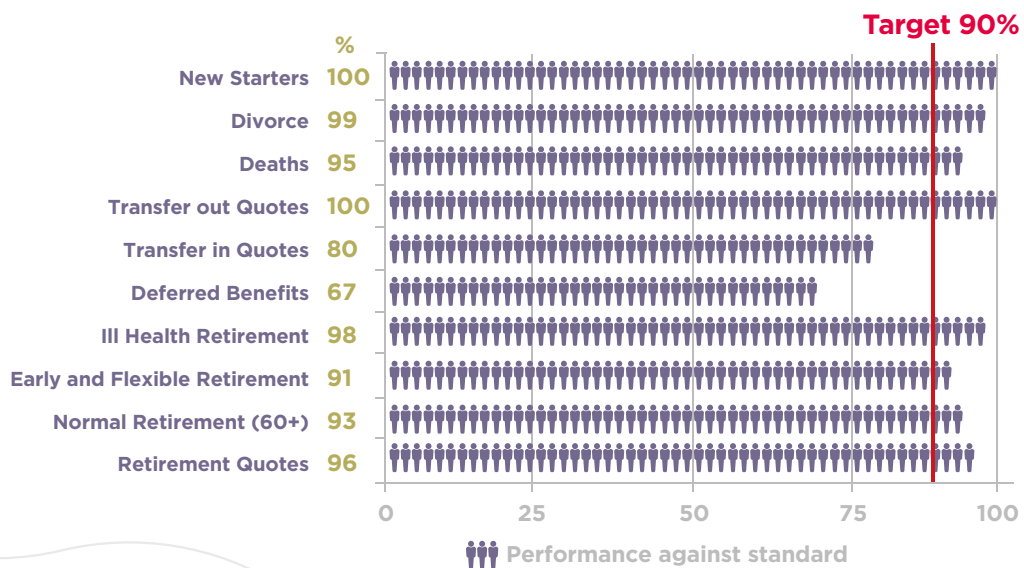
The Pensions Committee also receives regular reports on the administration of the Fund, ensuring that best practice standards are met and to justify to all stakeholders, including members and employers, that the Fund is being run in an efficient and effective way

The following table highlights the performance of the administration unit against the key procedure targets .

Analysis of Workload 2017/18



Performance against standard 2017/18



Staff Training and Development

The Fund provides a comprehensive range of training programmes including:

- In House Training
- Local Government Employers Association Training
- Chartered Institute of Public Finance and Accountancy (CIPFA) Pension Network events
- Pensions Managers Conference
- Subject specific training from the Fund's professional advisers

Employer Training

The Fund holds an Annual Training Day for its Employers each year, as well as an Annual General Meeting, pension workshops and a pension induction course for Schools converting to Academies.

All Employers have access to a password protected dedicated area of the Fund's website, which contains factsheets and technical guides. We also issue regular Employer Bulletins, keeping employees up to date with the latest pensions developments.

General Data Protection Regulation (GDPR)

May 2018 saw the introduction of the GDPR which replaces the Data Protection Act and gives individuals more rights about how their personal data is managed and used. GDPR applies to all personal data and information that can be used to identify a living individual either directly or indirectly.

Under GDPR the Fund is a Data Controller and over the last 12 months we have reviewed our processes, policies, documents and data sharing agreements to ensure the Fund complies with the new GDPR requirements.

Fund's Privacy Notice – for Members and Beneficiaries

The Fund's Privacy Notice sets out:

- what data we hold
- how we obtain data
- how we use data and organisations that we may share data with
- how long we keep data
- individual's rights.



This can be found at: ***General Data Protection Regulation.***

Fund's Data Protection Policy

The Policy sets out the Fund's responsibility under GDPR, providing assurances to members that their data is managed in compliance with the statutory obligation placed upon the Fund.

The Policy also details:

- categories of individuals and data
- compliance with the 6 principles of GDPR
- lawfulness of processing conditions
- individual's rights.

Internal Dispute Procedure

There are times when Scheme members, Employers and the Fund may find themselves in disagreement about a pensions issue. The first approach in these situations is for those involved to talk to each other to reach a resolution. However should this not be possible, the Fund has established an Internal Dispute Resolution Procedure (IDRP).

The IDRP is a two stage process. When the Fund or an Employer makes a decision about a beneficiary's benefit under the LGPS rules, if for any reason a member, pensioner, deferred pensioner or potential beneficiary is not satisfied with a decision, they can apply to the Employer or the Fund to have their complaint reviewed under a stage 1 IDRP.

If the beneficiary is dissatisfied with the stage 1 decision, they may move to stage 2 of the IDRP within 6 months of the stage 1 decision.

If after the stage 2 decision the member or beneficiary is still dissatisfied, they can contact The Pensions Advisory Service (TPAS) and ask for their assistance. Where the complaint or dispute cannot be resolved after the intervention of TPAS, the member or beneficiary has three years in which to apply to the Pensions Ombudsman for a decision.

Such cases are few and far between. The table below is a summary of the IDRP cases the Fund has received directly, or has been made aware of, that went to an Employer.

	Cases Submitted	Dismissed	Upheld	Ongoing
Stage 1	7	3	1	3
Stage 2	9	5	2	2

Communication

The Staffordshire Pension Fund is committed to delivering a consistently high level of performance and customer service. Excellent communication is core to this commitment.

We try to ensure that all our communication meets the following criteria:

- Provide clear, relevant, accurate and accessible and timely information.
- Carefully listen, consider and respond to communications we receive.
- Use plain English where possible and avoid unnecessary jargon.
- Use the communication method that best suits the audience and the information being passed on.



The Fund's Communications Policy Statement outlines its policy with regard to:

- information to members, representatives and Employers.
- the format, frequency and method of distributing such information.
- the promotion of the Scheme to prospective members and their employing authorities



The policy can be found at: *Communication policy*

List of participating Employers at 31 March 2018

Employer Name	Employee Contributions	Employer Contributions
The Cannock Chase Academy	£45,533.27	£183,928.21
Weston Road Academy	£29,137.83	£95,046.38
The Eaton Park Academy	£42,457.84	£154,120.94
The Praxis Trust - Bursley Academy	£12,240.98	£49,012.54
The Praxis Trust - Manifold Primary School	£2,897.40	£12,792.78
The Praxis - Hollinsclough Primary School	£1,456.44	£6,112.66
St. Joseph's College Edmund Rice Academy	£51,775.82	£193,486.89
The Rural Enterprise Academy	£6,536.52	£21,969.52
Alpha Academies Trust LTD Studio School	£24,877.05	£78,228.59
Alpha Academies Trust - The Discovery Academy	£78,483.45	£279,194.28
Alpha Academies Trust - Maple Court Primary	£25,085.91	£98,485.38
Alpha Academies Trust - The Excel Academy	£37,160.10	£139,571.01
Academy Enterprise Trust - Anglesey	£41,417.99	£157,995.41
Academy Enterprise Trust - Rawlet	£37,853.00	£139,891.67
Academy Enterprise Trust - Belgrave High	£30,835.92	£110,373.76
The Painsley Catholic College	£65,370.15	£236,219.49
The Painsley Catholic College - St Filumenas	£10,109.41	£39,056.44
The Painsley Catholic College - St Giles	£11,456.65	£44,632.43
The Painsley Catholic College - St Josephs	£12,182.98	£46,963.45
The Painsley Catholic College - St Mary's	£11,135.57	£43,656.70
The Painsley Catholic College - St Thomas	£12,263.53	£48,306.99
The Painsley Catholic College - Faber	£4,278.95	£16,466.06
The Sutherland Academy	£29,497.36	£107,954.17
West Stafford Multi Academy Trust - Haughton St Giles	£5,135.64	£21,366.43
West Stafford Multi Academy Trust - St Lawrence	£20,759.20	£80,984.46
West Stafford Multi Academy Trust - Woodseaves	£4,372.87	£16,337.81
Invictus Trust - Kinver High School	£18,431.42	£71,900.59
Invictus Trust - Ounsdale High School	£28,169.72	£106,562.21
Future Generation Trust - St Johns Primary	£31,530.14	£121,022.23
Future Generation Trust - Gentleshaw Primary	£5,702.66	£21,952.59
Congleton Multi Academy Trust - Castle Primary	£5,375.26	£21,264.51
Manor Hall Academy Trust - Loxley Hall Academy	£56,631.80	£198,193.05
Manor Hall Academy Trust - Cicely Haughton Academy	£38,143.37	£132,842.00
Manor Hall Academy Trust - The Meadows Special School	£37,247.92	£141,160.50
Manor Hall Academy Trust - Springfield Community Special School	£24,788.24	£92,904.42
Manor Hall Academy Trust - Merryfields School	£34,259.36	£125,853.49
The Small Schools Multi Academy Trust - Howard Primary Academy	£2,604.28	£10,855.93
The Small Schools Multi Academy Trust - St Mary's Primary Academy Colton	£3,982.83	£15,584.71
The Small Schools Multi Academy Trust - Richard Crosse Primary Academy	£10,320.16	£40,095.15
Moorlands Primary Federation - Dilhorne	£3,304.51	£12,223.71
Moorlands Primary Federation - St Werbergh's	£9,926.76	£37,805.30
Moorlands Primary Federation - Valley Primary	£3,466.92	£13,676.97
Moorlands Primary Federation - Great Wood School	£1,392.23	£5,494.37
Moorlands Primary Federation - Bishop Rawle	£4,391.07	£16,756.23
United Endeavour Trust - Newcastle Academy	£22,170.94	£81,183.95
United Endeavour Trust - Clayton Hall Academy	£45,547.88	£162,720.64

Employer Name	Employee Contributions	Employer Contributions
United Endeavor Trust - Sir Thomas Boughy High	£15,510.17	£58,580.12
Mid Trent Academy Trust - St Andrews CE Primary	£5,916.72	£23,679.74
Mid Trent Academy Trust - Colwich CE Primary	£8,590.28	£33,279.76
Mid Trent Academy Trust - St Peters CE Primary	£6,155.34	£24,526.86
Endeavor Academy Trust - Cherry Trees	£7,720.57	£30,258.17
Endeavor Academy Trust - Wightwick Hall School	£13,441.18	£50,217.07
Holy Trinity MAC - St.Anne's Catholic Primary	£9,183.58	£35,795.75
Holy Trinity MAC - St.Austin's Catholic Primary	£9,889.76	£37,955.64
Holy Trinity MAC - St.Dominic's Catholic Primary	£9,346.83	£36,451.78
Holy Trinity MAC - St.John's Catholic Primary	£4,885.27	£19,663.11
Holy Trinity MAC - St. Mary's Catholic Primary	£8,426.50	£32,210.11
Holy Trinity MAC - St. Patricks Catholic Primary	£9,994.19	£38,177.74
Holy Trinity MAC - Blessed Mother Teresa's Catholic Primary	£10,076.69	£38,888.64
Holy Trinity MAC - Blessed William Howard Catholic High School	£29,250.89	£104,849.76
Talentum - Westwood College	£32,433.10	£117,200.76
Talentum - Leek High School	£18,555.28	£69,248.29
Talentum - Churnet View	£26,792.54	£99,015.45
Central Co-operative Learning Trust - Grange Infants	£1,135.64	£4,208.15
South East Stafford MAT - Barnfields Primary School	£18,069.76	£68,852.16
South East Stafford MAT - Leasowes Infant and Junior	£17,722.10	£69,313.41
The Arthur Terry Learning Partnership - Scotch Orchard Primary School	£698.68	£2,661.76
Creative Learning Partnership - Hempstall's Primary School	£37,536.51	£141,730.88
Creative Learning Partnership - Parkside	£24,104.86	£91,551.59
Creative Learning Partnership - Thursfield Primary School	£16,790.30	£62,798.02
St Marys CofE Primary School	£2,817.67	£10,792.55
Walton MAT - Walton High School	£46,453.59	£167,727.22
Sir Graham Balfour MAT - Sir Graham Balfour	£35,672.62	£134,272.91
The Lighthouse Trust - Newford Primary Academy	£33,620.62	£130,180.33
Community Academies Trust - Wilnecote	£41,502.37	£152,960.39
Community Academies Trust - The Chadsmead Academy	£19,789.61	£77,268.76
Codsall MAT - Codsall Middle School	£24,408.36	£92,392.14
Codsall MAT - St. Nicholas CE(VC) First School, Codsall	£20,047.11	£77,309.14
Codsall MAT - Birches First School	£3,069.16	£11,882.68
Societas MAT - Ellison Primary School	£22,261.10	£81,836.11
Societas MAT - Goldenhill Primary Academy	£11,594.46	£45,571.41
Societas MAT - Summerbank Primary	£16,927.27	£65,643.13
Societas MAT - Gladstone Primary	£22,331.55	£86,352.47
Societas MAT - Ash Green Primary Academy	£8,516.69	£33,414.78
The Learning Village Academy Trust - Greenways Primary	£13,265.30	£52,056.60
The Learning Village Academy Trust - Milton Primary Academy	£12,358.90	£47,955.77
St Bartholomew's CE MAT - St Benedict Biscop CE Primary	£8,965.63	£34,515.76
Stephen Sutton MAT - Chase Terrace Tec College	£41,833.87	£155,199.41
Uttoxetter Learning Trust MAT	£77,653.29	£297,626.17
Queen Elizabeth Grammar School MAT - Waterhouses Primary	£9,401.63	£35,996.70
Stoke On Trent Sixth Form College	£35,536.82	£113,140.36
Esprit Multi Academy Trust - Grove Junior	£12,564.22	£49,282.00
Esprit Multi Academy Trust - Hamilton Infants	£8,544.15	£34,380.06
Esprit Multi Academy Trust - Northwood Broom	£15,737.57	£60,231.59
City Learning Trust - Haywood Engineering College	£75,778.44	£267,010.50

Employer Name	Employee Contributions	Employer Contributions
City Learning Trust - Smallthorne Primary Academy	£16,219.34	£63,146.75
City Learning Trust - Mill Hill Primary	£26,599.93	£97,509.82
City Learning Trust -Trentham Academy	£25,540.07	£96,877.87
The Mosely Academy	£5,958.91	£22,683.34
St Edwards	£26,979.16	£98,405.88
The Academy Transformation Trust - Star Academy	£14,871.80	£58,172.66
The Academy Transformation Trust - Sun Academy	£13,096.74	£50,243.90
Creative Education Academies - Harpfield	£12,013.20	£49,937.10
Creative Education Academies - Thistley Hough Academy	£29,688.47	£108,802.38
Creative Education Academies - Three Peaks Academy	£18,107.76	£70,076.50
Creative Education Academies - The Hart School	£59,396.86	£216,576.32
Landau Forte Acadmey Trust - Woodhouse Academy/Post 16	£76,069.30	£269,309.27
Landau Forte Academy Trust - QUEMS	£47,311.30	£175,393.95
Landau Forte Academy Trust - Greenacres	£23,847.20	£88,907.64
REACH2 - Scientia Academy	£14,259.05	£41,242.59
REACH2 - Springhill	£13,320.62	£50,218.21
REACH2 - Norton Canes Community Primary School	£16,679.34	£64,673.04
REACH2 - Heath Hayes Primary School	£10,868.13	£42,005.99
REACH2 - Silkmore Academy	£19,887.01	£78,661.28
REACH2 - Five Spires Academy	£6,257.19	£22,813.08
REACH2 - Veritas Academy	£15,150.93	£43,743.87
Ormiston - Sir Stanley Matthews Academy	£89,896.28	£317,307.03
Ormiston - The Ormiston Horizon Academy	£60,160.47	£209,554.38
Ormiston - Packmoor	£30,516.78	£117,084.13
Ormiston - Meridian Academy	£29,955.25	£112,603.94
University Of Chester Academy Trust - Uttoxeter	£31,832.95	£118,355.25
University Of Chester Academy Trust - Maryhill Primary	£11,300.39	£40,516.86
Christ The King Catholic Collegiate - St John Fisher Catholic College	£50,910.29	£186,604.68
Christ The King Catholic Collegiate - St Mary's Catholic Primary School	£23,533.29	£90,892.24
Christ The King Catholic Collegiate - St Teresa's Catholic Primary	£16,554.07	£65,400.09
Christ The King Catholic Collegiate - St Thomas Aquinas Catholic Primary School	£15,493.63	£61,050.38
Christ The King Catholic Collegiate - St Wulstan's Catholic Primary	£25,922.78	£104,237.19
Newman Catholic Collegiate - St. Margaret Ward	£65,165.58	£234,372.12
Newman Catholic Collegiate - St. Peters Primary School	£13,991.00	£55,358.17
Newman Catholic Collegiate - Our Lady & St. Benedict Catholic	£10,932.90	£39,744.77
Newman Catholic Collegiate - St. George & St. Martin's Catholic	£15,826.87	£61,596.48
Newman Catholic Collegiate - St. Joseph Catholic Primary School	£12,041.58	£47,751.59
Newman Catholic Collegiate - St. Mary's Catholic Primary School	£15,969.01	£63,226.23
Newman Catholic Collegiate - St. Wilfrid's Catholic Primary School	£19,203.94	£74,877.45
Newman Catholic Collegiate - St. John Evangelist Catholic Primary School	£14,213.51	£55,357.53
Newman Catholic Collegiate - Our Lady of Grace	£7,603.47	£28,345.36
All Saints Catholic Collegiate - St. Thomas Moore Academy	£50,871.55	£188,213.50
All Saints Catholic Collegiate - Our Lady's Academy	£16,397.46	£64,390.53
All Saints Catholic Collegiate - St. Augustine's Academy	£16,396.82	£63,797.55
All Saints Catholic Collegiate - St. Gregory's Academy	£33,814.14	£126,337.60
All Saints Catholic Collegiate - St. Maria Goretti Academy	£18,403.54	£71,612.25
Inspirational Learning Academies Trust - Newstead Primary	£23,807.52	£85,431.74

Employer Name	Employee Contributions	Employer Contributions
Inspirational Learning Academies Trust - Norton Le Moors Primary Academy	£15,458.86	£53,679.37
Inspirational Learning Academies Trust - Whitfield Valley Primary Academy	£22,613.15	£87,625.54
St Chads Academy Trust - St Matthews Primary	£6,694.36	£25,612.68
St Chads Academy Trust - Havergal Primary Academy	£7,722.82	£29,898.18
St Chads Academy Trust - St. Peter's CE(VC) Primary School, Stonnal	£8,280.24	£31,953.02
St Chads Academy Trust - Bishop Lonsdale CofE Primary	£11,511.19	£44,148.22
St Chads Academy Trust - St Johns Primary	£17,297.78	£64,845.69
St Chads Academy Trust - St James CofE Primary	£6,500.70	£26,041.74
St Chads Academy Trust - Churchfields Primary	£13,725.52	£54,752.92
St Chads Academy Trust - Stoke Minster Primary	£2,181.44	£8,510.91
Collective Vision Trust - Chesterton Community Sports College	£40,458.76	£147,892.72
Collective Vision Trust - Churchfield Primary	£15,418.44	£59,680.24
Collective Vision Trust - Chesterton Primary School	£16,967.62	£59,137.34
Collective Vision Trust - Crackley Bank Primary School	£15,850.78	£61,054.68
Mercia Primary Academy Trust - Lark Hall Academy	£9,109.60	£32,984.66
Mercia Primary Academy Trust - Flax Hill Academy	£15,727.26	£54,442.59
United Learning Trust - Silverdale Primary Academy	£12,249.03	£46,488.52
Co-operative Academy	£63,880.10	£228,826.81
John Taylor Multi Academy Trust - John Taylor Academy	£63,088.73	£227,293.95
John Taylor Multi Academy Trust - Kingsmead School Academy	£47,497.07	£178,313.80
John Taylor Multi Academy Trust - Thomas Russell Infants	£7,410.69	£30,252.80
John Taylor Multi Academy Trust - Yoxall St Peters	£9,314.54	£36,391.61
John Taylor Multi Academy Trust - Rykneld Primary School	£8,568.95	£34,843.11
De Ferrers Academy	£105,908.90	£386,721.85
De Ferrers Academy - Lansdowne	£18,954.79	£72,625.29
De Ferrers Academy - Horninglow	£17,200.33	£66,423.35
De Ferrers Academy - Eton Park	£19,516.53	£74,872.30
Belgrave Academy (not part of the St Barts MAT)	£42,410.19	£157,968.07
St Barts MAT - St Nathaniels Academy	£34,736.93	£134,734.39
St Barts MAT - Knutton, St Mary's CE(VC) Primary School	£15,456.92	£59,683.41
St Barts MAT - Park Hall	£26,654.65	£104,112.16
St Barts MAT - Meir Heath Primary	£12,338.99	£48,917.58
St Barts MAT - St Saviours CE Academy	£8,685.15	£33,148.38
St Barts MAT - Kingsland CE Academy	£17,538.10	£66,596.46
St Barts MAT - Weston Junior Academy	£5,880.52	£23,380.01
St Barts MAT - Weston Infant Academy	£10,189.96	£38,744.30
JCB Academy	£60,721.16	£178,733.93
Fierte MAT - The Violet Way Academy	£22,696.97	£79,924.47
Fierte MAT - Glascote Heath Academy	£17,563.68	£69,103.23
Fierte MAT - Anker Moor Primary School	£7,667.79	£29,091.02
Fierte MAT - Dosthill Primary Academy	£6,952.36	£25,899.35
The Erasmus Darwin Academy	£52,240.40	£186,485.07
The Key Educational Trust - The Christchurch Academy	£20,024.18	£72,550.13
The Key Educational Trust - Oulton CE	£1,730.62	£9,774.06
The Key Educational Trust - Christ Church First School	£9,320.39	£31,967.25
The Crescent Academy	£49,486.69	£192,256.81
The Cheadle Academy	£22,811.97	£80,757.21
Staffordshire University MAT - Staffordshire University Academy	£57,743.12	£194,099.41

Employer Name	Employee Contributions	Employer Contributions
Staffordshire University MAT - Moorgate Primary Academy	£15,898.02	£59,585.60
Staffordshire University MAT - John Wheeldon Academy	£16,291.59	£63,895.03
Staffordshire University MAT - Perton Sandown First School	£15,780.43	£61,855.26
Staffordshire University MAT - Boney Hay Primary	£9,830.92	£38,395.03
Staffordshire University MAT - Littleton Green Community Primary	£18,743.35	£75,031.64
Staffordshire University MAT - St Edwards First	£11,032.17	£43,844.30
Staffordshire University MAT - Tynsel Parkes First	£6,887.09	£27,619.36
The Biddulph Academy	£43,855.52	£163,484.79
Lichfield Diocese/Woodard Academy	£49,724.99	£181,734.13
Victoria Academy Trust - Rowley Park Primary Academy	£18,537.54	£69,072.82
Education Central Multi Academy Trust - Featherstone Academy	£15,088.13	£59,271.62
Education Central Multi Academy Trust - Pye Green Academy	£19,112.97	£73,581.64
The Shaw Trust - Blackfriars Academy	£87,688.20	£330,769.29
The Shaw Trust - The Coppice Academy	£22,701.01	£86,701.26
The Shaw Trust - Walton Hall Academy	£48,343.92	£179,669.41
The Shaw Trust - Wolstanton High School (The Shaw Trust)	£40,137.58	£146,765.32
The Shaw Trust - Saxon Hill Academy	£56,737.27	£220,210.35
The Shaw Trust - Madeley High School	£26,900.86	£99,586.44
The Shaw Trust - Seabridge Primary	£23,680.54	£93,823.08
The Shaw Trust - Meadows Primary	£2,081.66	£8,553.60
Burton and South Derbyshire Education Trust - King Fisher Academy	£9,840.65	£37,697.59
Central Co-operative Learning Trust - John of Rolleston Primary School	£7,119.43	£27,701.12
Central Co-operative Learning Trust - William Shrewsbury Primary School	£16,695.49	£63,843.61
Central Co-operative Learning Trust - Outwoods Primary School	£13,140.43	£49,515.79
Carmountside Academy	£18,437.76	£70,486.44
Alleyne's High School	£26,362.92	£93,915.37
Glebe Primary School	£22,601.38	£83,862.83
Sandon Primary Academy	£20,543.84	£77,998.88
Woodhouse Academy	£18,405.11	£71,028.57
St Giles and St George Academy	£22,194.53	£81,787.47
South Staffordshire College	£323,596.82	£1,206,636.84
Newcastle and Stafford Colleges Group	£443,064.44	£1,369,069.34
Staffordshire University	£1,360,572.50	£5,023,049.55
Sixth form College - Stoke on Trent	£24,540.63	£78,024.29
Stoke on Trent College	£280,846.12	£1,026,369.18
Burton on Trent Technical College	£200,739.83	£740,034.75
Keele University	£10,011.60	£183,595.28
The Office of the Police and Crime Commissioner Staffordshire	£65,315.26	£125,354.12
The Office of the Chief Constable Staffordshire	£2,444,143.50	£7,437,561.36
Tattenhill Parish Council	£311.54	£1,257.32
Tutbury Parish Council	£1,955.28	£3,036.10
Silverdale Parish Council	£417.46	£1,684.76
Bilbrook Parish Council	£521.76	£2,105.76
Forsbrook Parish Council	£871.20	£3,334.30
SCC Schools (Capita/Entrust)	£2,139,982.31	£8,356,500.79
SCC Schools (Stoke City Council)	£1,167,392.63	£5,980,610.05
SCC Schools (Dudley MBC)	£26,899.34	£94,083.62
Alrewas Parish Council	£827.40	£3,166.92

Employer Name	Employee Contributions	Employer Contributions
Fradley and Streethay Parish Council	£908.52	£3,477.44
Heath Hayes & Wimblebury Parish Council	£1,105.56	£4,231.68
Swinfen & Packington	£111.60	£450.24
Bridgtown Parish Council	£122.88	£495.82
Cheslyn Hay Parish Council	£4,768.56	£16,242.40
Unitas	£132,295.68	£356,758.50
Staffordshire County Council	£5,904,512.71	£48,222,723.76
Staffordshire Moorlands District Council	£317,732.64	£2,670,308.99
Newcastle Under Lyme Borough Council	£710,037.04	£6,462,591.83
Stoke City Council	£7,066,928.46	£42,237,705.33
Stafford Borough Council	£482,358.45	£4,098,699.29
East Staffordshire Borough Council	£475,763.22	£4,187,571.71
South Staffordshire Council	£342,453.41	£2,400,961.13
Cannock Chase District Council	£632,406.34	£6,720,258.67
Lichfield District Council	£510,250.09	£3,551,501.62
Tamworth Borough Council	£541,516.26	£3,860,985.20
Cheadle Town Council	£3,141.41	£11,170.28
Burntwood Town Council	£7,526.58	£24,244.60
Great Wyrley Parish Council	£2,461.15	£9,497.85
Leek Town Council	£2,102.23	£7,150.04
Uttoxeter Town Council	£7,735.71	£26,883.37
Anglesey Parish Council	£452.84	£1,827.81
Lichfield City Council	£17,491.93	£60,619.04
Penkridge Parish Council	£7,112.00	£25,321.90
Wombourne Parish Council	£1,849.43	£6,630.47
Stone Town Council	£5,921.92	£21,415.67
Norton Cane Parish Council	£856.08	£3,206.28
Brereton and Ravenhill Parish Council	£1,906.84	£6,766.78
Codsall Parish Council	£2,195.35	£7,749.61
Kinver Parish Council	£4,184.47	£15,478.54
Brewood & Coven Parish Council	£3,643.43	£13,719.02
Lapley, Stretton & Wheaton Aston PC	£1,050.35	£3,957.16
Perton Parish Council	£6,554.34	£23,657.07
Shenstone Council	£944.75	£2,486.52
Hednesford Town Council	£2,936.05	£10,737.96
Essington Parish Council	£1,446.36	£4,939.68
Kidsgrove Town Council	£2,519.40	£8,644.43
Eccleshall Parish Council	£790.15	£3,113.15
Cheddleton Parish Council	£1,588.77	£5,426.34
Audley Parish Council	£928.36	£3,553.32
Biddulph Town Council	£4,644.43	£15,905.22
Horninglow and Eaton Parish Council	£669.00	£2,770.19
Colwich Parish Council	£2,967.78	£11,857.31
Draycott in the Clay Parish Council	£338.28	£1,365.72
Abbots Bromley Parish Council	£328.56	£1,320.39
Gnosall Parish Council	£1,943.04	£6,636.24
Branston Parish Council	£911.56	£3,474.69
Rugeley Town Council	£5,257.78	£18,692.37
Stoke and Staffs Combined Fire Authority	£323,456.77	£1,763,585.70

Employer Name	Employee Contributions	Employer Contributions
Chartwells	£361,456.16	£1,181,566.10
Mellors - Newcastle	£5,861.04	£19,743.57
Mellors - Biddulph	£542.54	£2,061.59
Mellors - Burton	£7,071.33	£25,777.22
Mellors - Holy Trinity Primary	£171.90	£715.82
Mellors - Thomas Russell Jr	£1,051.49	£4,378.14
Mellors - Thomas Russell Infants	£1,536.79	£6,761.84
Mellors - Shobnall Primary	£512.75	£1,929.92
Accord Housing Association	£99,348.09	£358,979.29
Silvertree Cleaning	£962.29	£3,751.04
Catering Academy Ltd UCAT	£2,624.57	£10,570.67
ABM Catering Ltd - Kingfisher	£630.87	£2,626.62
Kier Facilities Services Limited	£1,124.99	£4,629.72
Kier - OPCC	£15,169.81	£64,570.16
Elite - Chase Terrace	£1,015.52	£2,172.82
Elite - Norton Canes	£282.56	£952.85
Service Master - Mill Hill	£28.70	£114.80
Service Master - Oaklands Nursery	£203.40	£846.60
Service Master - The College Academies Trust	£2,008.49	£9,128.67
Enviroserve - St.Dominic's CPS	£60.91	£258.28
Aspens Services - Excel Academy	£1,807.19	£7,009.39
Aspens Services - Great Wyrley	£3,765.18	£14,507.85
Aspens Services - Cannock Chase High	£605.61	£2,521.46
Aspens Services Ltd - The Shaw Academy Trust	£1,692.84	£7,047.64
Aspens - Westwood College	£2,668.80	£11,154.26
Aspens - Leek High	£1,639.37	£6,639.38
Aspens - Churnet View	£1,524.58	£6,222.43
Aspens - St.Edwards Academy	£1,177.86	£4,904.16
Aspens - The Hart School	£1,670.94	£6,912.31
Aspens - Blythe Bridge	£1,210.62	£5,983.93
Aspens - Madeley High School	£933.87	£3,605.27
Aspens - Horton Lodge Special School	£779.35	£2,933.20
Chartwells - Glebe Primary School	£1,027.90	£3,942.49
Chartwells - Nether Stowe School	£1,417.06	£5,900.95
Chartwells - Kingsmead School	£1,904.55	£8,869.91
Chartwells - St.John's Primary School	£66.40	£265.65
Chartwells - Moorgate Primary Academy	£1,279.48	£5,427.41
Chartwells - St.Matthews Academy	£285.79	£1,143.44
Boeing	£125,659.28	£411,844.24
Biffa	£21,714.83	£80,718.88
Freedom Leisure - Stafford Borough Council	£34,622.00	£146,934.32
Freedom Leisure - Lichfield	£8,127.00	£37,266.61
Superclean Services Wothorpe Ltd	£406.96	£1,694.49
Cleantec Services Ltd - AET	£826.75	£3,788.08
Taylor Shaw - Birches Head	£1,949.24	£7,439.68
Busy Bee Catering Services - CET	£3,117.26	£12,682.84
St Thomas More Catholic Academy	£7,340.74	£32,566.17
Wates Housing Repairs	£9,562.27	£36,153.13
Brilliant Hygiene Services Ltd John Bamford School	£175.18	£659.25

Employer Name	Employee Contributions	Employer Contributions
Alliance in Partnership Ltd Norton Canes	£778.41	£2,929.58
Alliance In Partneship Ltd - Hugo Meynell	£173.55	£653.16
Alliance In Partneship Ltd - Langdale	£335.67	£1,263.31
Alliance In Partneship Ltd - Sir John Offley	£170.09	£640.17
Alliance in Partnership Ltd - St.Giles	£100.60	£460.91
Alliance in Partnership Ltd - Seabridge	£242.59	£1,111.48
ServiceMaster Mercia - Rocklands	£31.17	£117.30
ServiceMaster Mercia - Charnwood	£295.08	£1,111.08
ServiceMaster Mercia - Woodlands	£725.13	£2,728.14
RM Education Ltd - Thistley Hough	£680.00	£1,893.51
RM Education Ltd - Ormiston Horizon	£680.00	£1,893.51
RM Education Ltd - St.Peter's	£603.34	£1,680.14
RM Education Ltd - Sir Stanley Matthews	£270.44	£753.06
Fidelis - Two Rivers	£729.64	£2,746.11
South Staffs and Shrops Health Care	£24,022.02	£81,021.01
North Staffs Combined Healthcare Trust	£13,347.71	£49,901.92
Make Some Noise	£2,497.61	£8,300.71
Entrust	£645,912.14	£1,689,947.65
Staffs & Stoke Partnership Trust	£547,719.99	£1,711,353.31
Community Council of Staffordshire	£5,377.57	£20,132.35
Lichfield Garrick Academy	£1,290.93	£5,004.49
North Staffs Combined Health Care	£4,089.68	£26,014.87
Tiny Toez	£7,608.85	£30,840.37
South Staffordshire Housing Association	£29,076.64	£84,574.65
Bromford Housing	£87,142.83	£886,023.50
Moorlands Housing	£12,805.42	£201,120.07
Aspire Housing	£299,845.86	£1,278,602.19
Stafford and Rural Homes	£219,049.50	£561,838.26
Trent and Dove Housing		£234,027.94
Central Borders Housing Group	£254,240.74	£918,537.55
R M Education	£4,462.36	£12,425.96
Liverpool Personal Services Society	£363.09	£1,154.59
Northgate IS Ltd	£3,866.05	£15,940.19
Landscape Group Ltd	£1,094.76	£3,775.21
Amey Services Ltd	£264,784.69	£812,738.46
Midland Heart Ltd	£8,156.02	£34,196.53
Keir Group	£408,010.61	£1,252,995.65
KGB New Castle College	£3,207.34	-£5,825.11
North Gate (Moorlands)	£6,240.15	£26,278.86
North Gate (Lichfield)	£1,168.19	£4,652.52
Taylor Shaw (Alleynes)		£2,400.00
Wigan Leisure and Culture Trust	£46,084.30	£178,363.69
Lovell's Partnership	£428.16	£7,026.64
Wates	£1,418.04	£6,693.90
Aspens Services Ltd	£838.48	£3,364.12
Service Master - St.Giles & St.Georges	£755.94	£3,392.28
Choices Housing Association	£1,456.77	£5,610.47
	£34,739,709.03	£190,051,192.83

Financial Statements

1 April 2017 to 31 March 2018

Pension Fund account

Staffordshire Pension Fund account for the year ended 31 March 2018

Contributions and benefits	Notes	2016/2017	2017/2018
		£ 000	£ 000
Contributions receivable	4	155,621	232,391
Transfers in	5	11,193	12,531
		166,814	244,922
Benefits payable	6	(165,244)	(171,205)
Leavers	7	(12,024)	(15,294)
		(177,268)	(186,499)
Net additions/(withdrawals) from dealings with Fund members		(10,454)	58,423
Management expenses	8	(16,425)	(16,750)
Returns on investments			
Investment income	9	64,127	68,899
Change in the market value of investments	10	801,338	76,688
Net returns on investments		865,465	145,587
Net increase in the Fund during the year		838,586	187,260
Opening net assets of the Fund		3,751,927	4,590,513
Closing net assets of the Fund at 31 March		4,590,513	4,777,773

Net assets statement

Net assets statement at 31 March 2018

	Notes	2016/2017 £ 000	2017/2018 £ 000
Investment assets			
Bonds	10/10a	324,582	367,682
Equities	10/10a	890,756	920,657
Pooled investment vehicles	10/10a	2,497,325	2,544,465
Property	10/10a	370,601	386,143
Cash deposits	10/10a	185,190	180,491
Other investment balances	10a	321,783	386,320
Derivatives	10a	1,446	2,449
		4,591,683	4,788,207
Investment liabilities			
Derivatives	10a	(266)	(880)
Other investment balances	10a	(8,327)	(12,480)
		4,583,090	4,774,847
Net Investment assets			
Long term assets	12	3,012	2,008
Current assets	12	11,893	12,265
Long term liabilities	13	(100)	(88)
Current liabilities	13	(7,382)	(11,259)
		4,590,513	4,777,773

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 44.

The notes on pages 48 to 77 also form part of the Pension Fund financial statements.

Actuarial statement

Staffordshire Pension Fund (“the Fund”) Actuarial Statement for 2017/18

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 demonstrate 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 its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

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

Method

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

Assumptions

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

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

Financial assumptions	31 March 2016
Discount rate	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 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 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 to the Fund or on the Fund's website at www.staffspf.org.uk.

Experience over the period since 31 March 2016

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities and there have been strong asset returns, particularly during 2016/17. Both events are of broadly similar magnitude with regards to the impact on the funding position.



Douglas Green FFA

For and on behalf of Hymans Robertson LLP
13 April 2018
Hymans Robertson LLP
20 Waterloo Street, Glasgow, G2 6DB

Pension Fund accounts reporting requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2017/18 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 2018	31 March 2017
Active members (£m)	3,102	2,875
Deferred members (£m)	1,418	1,427
Pensioners (£m)	2,261	2,351
Total (£m)	6,781	6,653

The promised retirement benefits at 31 March 2018 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. 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 2018 and 31 March 2017. I estimate that the impact of the change in financial assumptions to 31 March 2018 is to decrease the actuarial present value by £138m. There is no impact from any change in the demographic and longevity assumptions because they are identical to the previous period.

Financial assumptions

Year ended (% p.a.)	31 March 2018	31 March 2017
Pension Increase Rate	2.4%	2.4%
Salary Increase Rate	2.8%	2.8%
Discount Rate	2.7%	2.6%

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 not 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 2018	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	8%	565
0.5% p.a. increase in the Salary Increase Rate	2%	113
0.5% p.a. decrease in the Real Discount Rate	11%	720

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 2018 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.



Douglas Green FFA 13 April 2018
For and on behalf of Hymans Robertson LLP

Notes to the accounts

1. Basis of preparation

The scheme is governed by 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 2017/2018 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.



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 bonds 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 2018. The valuation has been made in accordance with the Royal Institution of Chartered Surveyors' (RICS) Valuation – Global Standards 2017 incorporating the IVSC International Valuation Standards issued June 2017 and effective from 1 July 2017 (the “RICS Red Book”).

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 2017/2018

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

External fund manager	31 March 2017		31 March 2018	
	£ 000	%	£ 000	%
Insight Investment (corporate bonds)	332,616	7%	380,162	8%
Aberdeen Standard Investments (UK equity)	299,696	7%	301,184	6%
JP Morgan Asset Management (global equity)	397,750	9%	414,932	9%
Longview Partners (global equity)	218,263	5%	223,208	5%
Legal & General Investment Management (passive all world equity)	2,137,459	47%	2,050,129	43%
Legal & General Investment Management (passive UK index-linked gilts)	244,634	5%	367,007	8%
Russell Investments (emerging markets equity)	110,563	2%	122,175	3%
Colliers International UK plc (property)	371,098	8%	386,291	8%
HarbourVest Partners (private equity)	116,166	3%	109,160	2%
Knightsbridge Advisors (private equity)	16,271	0%	15,418	0%
Partners Group (private equity)	10,730	0%	12,148	0%
Lazard Technology Partners (private equity)	1,144	0%	779	0%
Capital Dynamics (private equity)	1,769	0%	4,140	0%
Hayfin Capital Management (private debt)	19,850	0%	35,211	1%
Highbridge Capital Management (private debt)	19,531	0%	38,145	1%
Alcentra Limited (private debt)	35,188	2%	61,119	1%
Goldman Sachs Asset Management (hedge funds)	86,455	2%	88,147	2%
Director of Finance and Resources (central cash)	157,555	3%	155,919	3%
	4,576,738	100%	4,765,274	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 2017	31 March 2018
	£ 000	£ 000
Equities - UK	57,606	49,366
Equities - Global	26,600	61,938
Fixed interest - UK	2,089	1,089
Fixed interest - Global	6,622	2,200
	92,917	114,593

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 2018 the Fund held £121.5 million (£99.5 million at 31 March 2017) of collateral in the form of government obligations (such as Gilts) and equities.

Income received from stock-lending activities was £0.2 million for the year ending 31 March 2018 (£0.4 million for year ending 31 March 2017). This is included within the investment income figure shown on the Pension Fund account.

4. Contributions receivable

	2016/2017	2017/2018
	£ 000	£ 000
Employers		
Normal	112,945	107,501
Actuarial strain	6,137	5,613
Deficit recovery contributions	0	84,099
Scheme members		
Normal	36,539	35,178
Total	155,621	232,391

The deficit recovery contributions in 2017/2018 relate to the prepayment of employer deficit funding made by eleven employing bodies in respect of 2017/2018 and future years, as agreed by the actuary.

The 31 March 2016 valuation does not include a common contribution rate for the whole Fund, as it is deemed inappropriate due to the change in regulatory regime and guidance on contribution rates.

Contributions receivable can be analysed by type of member body as follows:

	2016/2017	2017/2018
	£ 000	£ 000
Staffordshire County Council	44,116	75,897
Scheduled bodies	90,036	138,852
Admitted bodies	21,469	17,642
Total	155,621	232,391

5. Transfers in

	2016/2017	2017/2018
	£ 000	£ 000
Individual transfers in from other schemes	11,193	12,531
Group transfers in from other schemes	0	0
Total	11,193	12,531

6. Benefits payable

	2016/2017 £ 000	2017/2018 £ 000
Pensions	128,843	134,249
Commutations and lump-sum retirement benefits	31,885	33,284
Lump-sum death benefits	4,516	3,672
Total	165,244	171,205

Benefits payable can be analysed by type of member body as follows:

	2016/2017 £ 000	2017/2018 £ 000
Staffordshire County Council	68,552	68,945
Scheduled bodies	81,984	86,575
Admitted bodies	14,708	15,685
Total	165,244	171,205

7. Payments to and on account of leavers

	2016/2017 £ 000	2017/2018 £ 000
Individual transfers to other schemes	11,082	14,799
Group transfers to other schemes	570	0
Payments for members joining / (leaving) state scheme	(67)	(36)
Refunds to members leaving service	439	531
Total	12,024	15,294

8. Management expenses

	2016/2017 £ 000	2017/2018 £ 000
Administration expenses	2,161	2,383
Investment management expenses (see note 8a)	13,322	13,355
Oversight and governance costs	942	1,012
Total	16,425	16,750

Included within administration expenses are the Fund's external audit costs of £0.03m for 2017/18 (£0.03m for 2016/2017).

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:

	2016/2017	2017/2018
	£ 000	£ 000
Transaction costs	1,570	1,113
Management fees	10,644	11,736
Performance related fees	926	370
Custody fees	182	136
Total	13,322	13,355

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

9. Investment income

	2016/2017	2017/2018
	£ 000	£ 000
Bonds	10,221	15,013
Dividends from equities	29,755	23,905
Income from pooled investment vehicles	1,450	1,980
Rents from property	18,518	20,209
Interest on cash deposits	853	837
Stock lending	378	158
Other	3,174	7,119
	64,349	69,221
Withholding tax we cannot recover	(222)	(322)
Total	64,127	68,899

10. Investment reconciliation

	Value at 1 April 2017	Purchases at cost	Sales proceeds	Change in market value	Value at 31 March 2018
	£ 000	£ 000	£ 000	£ 000	£ 000
Bonds	324,582	113,740	(48,275)	(22,365)	367,682
Equities	890,756	530,222	(502,849)	2,528	920,657
Pooled investment vehicles	2,497,325	120,000	(142,000)	69,140	2,544,465
Derivatives	1,180	2,035,618	(2,045,808)	10,579	1,569
Property	370,601	3,277	0	12,265	386,143
Other	307,104	92,443	(35,144)	(136)	364,267
	4,391,548	2,895,300	(2,774,076)	72,011	4,584,783
External cash deposits (central cash)	151,500				148,685
Investment manager cash	33,690			4,677	31,806
	4,576,738			76,688	4,765,274
Outstanding dividend entitlements and recoverable withholding tax	9,061				10,207
Amount receivable for sales of investments	5,618				11,846
Amounts payable for purchases of investments	(8,327)				(12,480)
Net Investment assets	4,583,090				4,774,847

The Fund holds the following pooled investments that exceed 5% of the total value of net assets at 31 March 2018 (also at 31 March 2017):

- LGIM, passive UK equity - £332.6m or 7.0% (£328.1m or 7.1%)
- LGIM, passive all world equity - £992.9m or 20.8% (£1,105.7m or 24.1%)
- LGIM, passive all world equity - £642.5m or 13.5% (£628.2m or 13.7%)
- LGIM, passive index-linked gilts - £367.0m or 7.7% (£244.6m or 5.3%)

As at 31 March 2018 (also at 31 March 2017) the Fund was committed to the following contractual commitments:

- £127.8m of private equity investments (£128.5m)
- Investment in a UK pooled property fund of £7.4m (£10m)
- £161.8m of private debt investments (£139.6m)

A further analysis of the market value of investments at 31 March is provided below.

10a. Analysis of investments

Investment assets	31 March 2017		31 March 2018	
	£ 000		£ 000	
Bonds				
UK corporate quoted	108,350	2%	159,169	3%
Global corporate quoted	216,232	5%	208,513	5%
	324,582	7%	367,682	8%
Equities				
UK quoted	341,079	7%	340,955	7%
UK unquoted	0	0%	1,315	0%
Global quoted	549,677	12%	578,387	12%
	890,756	19%	920,657	19%
Pooled investment vehicles				
UK	450,450	10%	445,951	9%
UK index-linked	244,634	5%	367,007	8%
Global	1,802,241	40%	1,731,507	36%
	2,497,325	55%	2,544,465	53%
All companies operating unit trusts or managed funds are registered in the United Kingdom.				
Derivatives (see note 11)				
Forward foreign currency	160	0%	1,015	0%
Futures	1,286	0%	1,434	0%
	1,446	0%	2,449	0%
Property				
UK directly held property	340,675	7%	352,715	7%
UK pooled property funds	29,926	1%	33,428	1%
	370,601	8%	386,143	8%
Other				
Private equity	146,080	3%	141,645	3%
Private debt	74,569	2%	134,475	3%
Hedge funds	86,455	2%	88,147	2%
	307,104	7%	364,267	8%
Cash				
External deposits	151,500	4%	148,685	4%
Investment manager cash (Sterling £)	19,867	0%	14,292	0%
Investment manager cash (non Sterling £)	13,823	0%	17,514	0%
	185,190	4%	180,491	4%
	4,577,004	100%	4,766,154	100%
Outstanding dividend entitlements and recoverable withholding tax	9,061		10,207	
Amount receivable for sales of investments	5,618		11,846	
Total Investment assets	4,591,683		4,788,207	

10a. Analysis of investments (continued)

	31 March 2017	31 March 2018
	£ 000	£ 000
Total Investment assets (from previous page)	4,591,683	4,788,207
Investment liabilities		
Derivatives (see note 11)		
Forward foreign currency	(55)	(33)
Futures	(211)	(847)
	(266)	(880)
Amounts payable for purchases of investments	(8,327)	(12,480)
Total Investment liabilities	(8,593)	(13,360)
Net Investment assets	4,583,090	4,774,847



**Castle Garden
Band Stand**
(Tamworth)

Latitude: N - 52° - 37m - 57.437s
Longitude E - 1° - 41m - 48.42s

11. Derivative 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 are 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 2017		31 March 2018	
	Assets £ 000	Liabilities £ 000	Assets £ 000	Liabilities £ 000
Swiss Franc	0	0	0	(19)
Euro	0	(50)	357	0
Hong Kong Dollar	0	0	0	(4)
United States Dollar	160	(5)	658	0
Swedish Krona	0	0	0	(3)
Turkish Lira	0	0	0	(7)
	160	(55)	1015	(33)

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.

	31 March 2017			31 March 2018	
	Nominal Value £ 000	Assets £ 000	Liabilities £ 000	Assets £ 000	Liabilities £ 000
Euro Bund Future (Euro €) - June 2017	15,768	0	(2)	0	0
Long Gilt Future (Sterling £) - June 2017	75,007	1,286	0	0	0
US 10 year Note (US \$) - June 2017	69,401	0	(192)	0	0
US 5 year Note (US \$) - June 2017	13,024	0	(17)	0	0
Euro Bund Future (Euro €) - June 2018	15,872	0	0	0	(229)
Long Gilt Future (Sterling £) - June 2018	73,363	0	0	1,434	0
US 10 year Note (US \$) - June 2018	59,853	0	0	0	(542)
US 5 year Note (US \$) - June 2018	16,182	0	0	0	(76)
		1,286	(211)	1,434	(847)

12. Long term/current assets

	2016/2017 £ 000	2017/2018 £ 000
Long term assets		
Contributions due – employers (see note 18)	3,012	2,008
Current assets		
Contributions due - employers	6,780	8,030
Contributions due - members	1,883	2,100
Cash balances	2,742	0
HM Revenue & Customs	11	11
Other	477	2,124
	11,893	12,265
Total	14,905	14,273

An analysis of assets above by type of body is provided below:

	2016/2017 £ 000	2017/2018 £ 000
Central government bodies	5,970	6,334
Other local authorities	5,068	5,128
NHS bodies	281	214
Public corporations and trading funds	492	561
Other entities and individuals	3,094	2,036
Total	14,905	14,273

13. Long term/current liabilities

	2016/2017	2017/2018
	£ 000	£ 000
Long term liabilities		
Income received in advance (see note 19)	(100)	(88)
Current liabilities		
Cash overdrawn	0	(2,789)
Investment management expenses	(1,030)	(1,086)
Income received in advance	(556)	(2,166)
Benefits payable	(4,055)	(4,365)
Other	(1,741)	(853)
	(7,382)	(11,259)
Total	(7,482)	(11,347)

An analysis of liabilities above by type of body is provided below:

	2016/2017	2017/2018
	£ 000	£ 000
Central government bodies	0	0
Other local authorities	0	(453)
NHS bodies	0	0
Public corporations and trading funds	0	0
Other entities and individuals	(7,482)	(10,894)
Total	(7,482)	(11,347)

14. Directly held property net asset account

The Fund had investments in property of £386.1m at 31 March 2018 (£370.6m at 31 March 2017), of which £352.7m was in directly held property (£340.7m at 31 March 2017). 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 2017/2018 were £0.1m (£3.9m in 2016/2017).

	2016/2017	2017/2018
	£ 000	£ 000
Balance at start of year	284,535	340,675
Purchases at cost	66,672	679
Sale proceeds	(10,164)	0
Change in market value	(368)	11,361
Balance at 31 March	340,675	352,715

15. Directly held property fund account

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

	2016/2017 £ 000	2017/2018 £ 000
Rental income	18,518	20,209
Direct operating expenses	(1,180)	(1,406)
Net gain	17,338	18,803

16. Additional voluntary contributions

As well as joining the Fund, scheme members can pay into an additional voluntary contributions (AVC) scheme run by external 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 £m	Scottish Widows £m	Equitable Life £m	Standard Life £m
Opening value	956	3	554	2,135
Income	4	955	0	206
Expenditure	(963)	(203)	(59)	(379)
Change in market value	3	44	7	37
Closing value	0	799	502	1,999

17. Related-party disclosure

Staffordshire Pension Fund is administered by Staffordshire County Council. During the reporting period the County Council incurred costs of £2.1m (£2.2m in 2016/2017) 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 2018 the Fund held £146m in cash (£154m at 31 March 2017).

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 none of the members of the Pensions Committee and the Pensions Panel remained members of the scheme.

LGPS Central Ltd has been established to manage investment assets on behalf of nine Local Government Pension Scheme (LGPS) funds across the Midlands. It is jointly owned in equal shares by the eight administering authorities participating in the Pool.

No services were provided by LGPS Central Ltd during 2017/2018 as operation only commenced on 3 April 2018.

£1.3m has been invested in share capital and £0.7m in a loan to LGPS Central Ltd during the year for regulatory capital purposes. These are the balances at year end.

£0.4m has been spent by Staffordshire Pension Fund on setting up LGPS Central Ltd during the year. These costs were borne by West Midlands Pension Fund and then recharged equally to the eight administering authorities. A total of £0.5m is due to be refunded to Staffordshire Pension Fund by LGPS Central during 2018/2019 reflecting the cost of setting up the enterprise to the end of March 2018.

17a. Key management personnel

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

	2016/2017 £ 000	2017/2018 £ 000
Short Term Benefits	85	72
Post-employment Benefits	105	98
	190	170

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. At 31 March 2018, the remaining balance was £2.008m as per the long term assets in note 12.

19. Deferred liability

A cash transfer of £0.188m was made to the Fund in 2011/2012 by the Environment Agency. 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 2017/2018 and £0.013m will be released per year until 2025/2026. At 31 March 2018 the remaining balance was £0.088m as per the long term liabilities in note 13.

20. Events after the balance sheet date

On 31 May 2018 the Director of Finance and Resources authorised the Statement of Accounts to be issued. When preparing the accounts we have considered events between the date we produced the balance sheet and 31 May 2018. No events have occurred which require disclosure in the 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.

Private Equity

The private equity market valuations at 31 March 2018 were not available at the time of the preparation of the financial statements, therefore, adjusted 31 December 2017 market valuations have been included. The market values at 31 December 2017 were adjusted for capital calls and capital distributions for the period from 1 January 2018 to 31 March 2018 and the applicable change in exchange rate for the same period.

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 2018 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 £141.6m. 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 £134.5m. 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 £88.2m. 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 £386.1m. 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 notes 10 and 12 are made up of the following categories of financial instruments. No financial instruments were reclassified during 2017/2018.

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 2018	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Total
	£ 000	£ 000	£ 000	£ 000
Financial assets				
Bonds	367,682	0	0	367,682
Equities	920,657	0	0	920,657
Pooled investment vehicles	2,544,465	0	0	2,544,465
UK pooled property funds	33,428	0	0	33,428
Cash	0	177,702	0	177,702
Other investment balances	364,267	22,053	0	386,320
Derivatives	2,449	0	0	2,449
Long term assets	0	2,008	0	2,008
Current assets	0	12,265	0	12,265
	4,232,948	214,028	0	4,446,976
Financial liabilities				
Derivatives	(880)	0	0	(880)
Other investment balances	0	0	(12,480)	(12,480)
Long term liabilities	0	0	(88)	(88)
Current liabilities	0	0	(8,470)	(8,470)
	(880)	0	(21,038)	(21,918)
	4,232,068	214,028	(21,038)	4,425,058

23. Classification of financial instruments (continued)

The previous years data is provided below:

31 March 2017	Designated as fair value through profit and loss £ 000	Loans and receivables £ 000	Financial liabilities at amortised cost £ 000	Total £ 000
Financial assets				
Bonds	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

24. Net gains on financial instruments

The gains recognised in the accounts in relation to financial instruments are made up as follows:

	2016/2017 £ 000	2017/2018 £ 000
Financial assets		
Designated as fair value through profit and loss	795,638	60,650
Loans and receivables	6,068	4,677
	801,706	65,327

25. Fair value - basis of valuation

The basis of the valuation of each asset class of investment is set out below. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date. The new procedure for private equity market valuations has been disclosed in note 21, there have been no other changes in the valuation techniques used during the year.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments (equities and bonds)	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Bonds 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 Funds 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

Table continued on following page

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 (See note 21)
Forward foreign currency contracts	Level 2	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 bonds.

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 2018	Level 1 £ 000	Level 2 £ 000	Level 3 £ 000	Total £ 000
Financial assets				
Designated as fair value through profit and loss	1,288,458	2,545,480	399,010	4,232,948
Non-financial assets at fair value through profit and loss (See note 14)	0	0	352,715	352,715
Financial liabilities				
Designated as fair value through profit and loss	(847)	(33)	0	(880)
	1,287,611	2,545,447	751,725	4,584,783

The previous years data is provided below:

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
Designated as fair value through profit and loss	(211)	(55)	0	(266)
	1,216,413	2,497,430	677,705	4,391,548

25b. Reconciliation of fair value measurements within level 3

	Market Value 1 April 2017 £ 000	Purchases during the year and derivative payments £ 000	Sales during the year and derivative receipts £ 000	Unrealised gains / (Losses) £ 000	Realised gains / (Losses) £ 000	Market Value 31 March 2018 £ 000
UK equities unquoted	0	1,315	0	0	0	1,315
Private equity	146,080	24,550	(33,925)	(14,110)	19,050	141,645
Private debt	74,569	67,893	(1,219)	(8,085)	1,317	134,475
Hedge funds	86,455	0	0	1,692	0	88,147
Pooled property funds	29,926	2,598	0	904	0	33,428
Freehold and leasehold properties	340,675	679	0	12,063	(702)	352,715
	677,705	97,035	(35,144)	(7,536)	19,665	751,725

The previous years data is provided below:

	Market Value 1 April 2016 £ 000	Purchases during the year and derivative payments £ 000	Sales during the year and derivative receipts £ 000	Unrealised gains / (Losses) £ 000	Realised gains / (Losses) £ 000	Market Value 31 March 2017 £ 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
Pooled property funds	41,386	1,056	(16,508)	(1,220)	5,212	29,926
Freehold and leasehold properties	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 Fund holds in different ways.

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 2018/2019 financial year. The potential market movement 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%

This movement in the market prices would increase or decrease the net assets at 31 March 2018 to the amounts shown overleaf.

Asset type	31 March 2018 £ 000	Percentage change (+/-) %	Value on increase £ 000	Value on decrease £ 000
UK corporate bonds	159,169	7%	170,311	148,027
Global corporate bonds	208,513	7%	223,109	193,917
UK equities	340,955	18%	402,327	279,583
UK equities unquoted	1,315	18%	1,552	1,078
Global equities	578,387	22%	705,632	451,142
UK pooled investments	445,951	18%	526,222	365,680
UK index-linked pooled investments	367,007	9%	400,038	333,976
Overseas pooled investments	1,731,507	22%	2,112,439	1,350,575
UK pooled property funds	33,428	14%	38,108	28,748
Private equity	141,645	27%	179,889	103,401
Private debt	134,475	7%	143,888	125,062
Hedge funds	88,147	13%	99,606	76,688
Cash	180,491	1%	182,296	178,686
Derivatives	1,569	0%	1,569	1,569
Outstanding dividend entitlements and recoverable withholding tax	10,207	0%	10,207	10,207
Amount receivable for sales of investments	11,846	0%	11,846	11,846
Amounts payable for purchases of investments	(12,480)	0%	(12,480)	(12,480)
Long term assets	2,008		2,008	2,008
Current assets	12,265	0%	12,265	12,265
Long term liabilities	(88)		(88)	(88)
Current liabilities	(11,259)	0%	(11,259)	(11,259)
	4,425,058		5,199,485	3,650,631

Interest rate risk

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 bonds. The amount of income the Fund generates from its cash holdings would also be affected.

The Fund's direct exposure to interest rate movements as at 31 March 2018 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate risk - sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. Medium to long-term average rates are expected to move less than 100 basis points from one year to the next and experience suggests that such movements are likely.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates:

Asset type	31 March 2018 £ 000	Percentage change (+/-) %	Value on increase £ 000	Value on decrease £ 000
Cash and cash equivalents	148,685	0%	148,685	148,685
Cash balances	(2,789)	0%	(2,789)	(2,789)
Bonds	367,682	1%	371,359	364,005
	513,578		517,255	509,901

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.

Foreign currency risk - sensitivity analysis

Following consultation with the Fund investment advisors, the council considers the likely volatility associated with foreign exchange movements to be 10%.

On the assumption that all other variables, in particular interest rates, remain constant, a 10% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Asset type	31 March 2018 £ 000	Percentage change (+/-) %	Value on increase £ 000	Value on decrease £ 000
Global corporate bonds	208,513	10%	229,364	187,662
Global equities	578,387	10%	636,226	520,548
Overseas pooled investments	1,731,507	10%	1,904,658	1,558,356
Private equity	141,645	10%	155,810	127,481
Private debt	134,475	10%	147,923	121,028
Hedge funds	88,147	10%	96,962	79,332
	2,882,674		3,170,943	2,594,407

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 the stock lending programme, operated by the Fund's custodian, 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.

Cash Summary	Rating	31 March 2017 £ 000	31 March 2018 £ 000
Bank current account			
Lloyds Bank	A+	2,742	(2,789)
Loan			
LGPS Central Limited	N/A	0	685
Money market funds			
Deutsche Managed Sterling Platinum	AAA	20,000	18,000
Federated (PR) Short-Term GBP Prime Fund Class 3	AAA	17,000	15,000
Goldman Sachs Sterling Liquid Reserve Institutional Inc	AAA	10,000	5,000
Standard Life Investments Short Duration	AAA	24,500	20,000
JPMorgan Sterling Liquidity Capital	AAA	10,000	7,000
Morgan Stanley Sterling Liquidity Inst	AAA	15,000	3,000
Royal London Cash Plus Fund	AAA	25,000	20,000
Local Authority Loans			
Conwy County Borough Council	N/A	5,000	0
Fife Council	N/A	5,000	0
London Borough of Hackney	N/A	10,000	0
Surrey County Council	N/A	10,000	0
Birmingham City Council	N/A	0	20,000
Eastleigh Borough Council	N/A	0	10,000
Rhondda Cynon Taff County Borough Council	N/A	0	5,000
Slough Borough Council	N/A	0	5,000
Telford and Wrekin Borough Council	N/A	0	10,000
Thurrock Borough Council	N/A	0	10,000
		154,242	145,896

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

27. Accounting Standards issued but not yet adopted

At the balance sheet date new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom.

IFRS 9 Financial Instruments, which introduces extensive changes to the classification and measurement of financial assets, and a new "expected credit loss" model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables to amortised cost. There are not expected to be any changes in the measurement of financial assets and the Fund does not at this stage anticipate any adjustments for impairments.

Church of the Holy Cross (*Ilam*)

📍 Latitude: N - 53° - 3m - 12.154s
Longitude E - 1° - 48m - 12.616s



Independent Auditor's Statement

To the Members of Staffordshire County Council on the Pension Fund Financial Statements

Opinion

We have examined the pension fund financial statements for the year ended 31 March 2018, which comprise the Fund Account, the Net Assets Statement and the related notes.

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 2018 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

We have not considered the effects of any events between the date we signed our report on the full annual statement of accounts on 31 July 2018 and the date of this statement.

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 2017-18.

We also read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists only the Chairman's Report, Reports on Fund Governance, the Investment Report and report on Fund Administration.

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 opinions on those financial statements.

Suresh Patel

Suresh Patel (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
London
13 September 2018

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 Pensions 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 Governance

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Benefits, Contributions and Pensions Payroll

John Wiggins and Simon Jackson - Pensions Managers
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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.
