

# Annual Report & Accounts

STAFFORDSHIRE PENSION FUND

# 2014/2015

➔ [www.staffspf.org.uk](http://www.staffspf.org.uk)



**Staffordshire  
Pension Fund**  
Local Government Pension Scheme



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# Chairman's Report

## It gives us great pleasure to present the Annual Report and Accounts for the financial year ending 31st March 2015 for the Staffordshire Pension Fund.

The Fund is responding well to challenging times. The introduction of the New Local Government Pension Scheme (LGPS) 2014 from 1st April 2014, represented a significant change in administration from Final Salary to a Career Average Revalued Earnings (CARE) scheme. It has been a major project to deliver the new scheme to all stakeholders. The need to make major changes to IT systems, to train staff and communicate the changes to members and employers, has certainly been a challenge for everyone.

The Fund has also been preparing itself for the introduction of changes from the Public Service Pensions Act 2013 from 1 April 2015 including;

- The new oversight role for the Pensions Regulator
- The introduction of local Pension Boards who will monitor the work of the Council in administering the LGPS
- The introduction of a National Scheme Advisory Board who will work at national level to ensure a consistent set of standards of governance, administration and investment.

We look forward to a busy period bedding in the new scheme and ensuring compliance with new statutory requirements

As the complexity of the scheme ever increases, retention and the development of Committee Members is key to ensure the good governance

of the Fund. The Fund's Member Training Plan continues to ensure that Committee Members have the opportunity to gain the appropriate skills and knowledge to assist them to take informed decisions in light of professional advice.

We are pleased to report that the Fund's investments continue to perform well, returning 13.6% over the year. 2014/15 saw the value of the Fund continue to increase; reaching its highest ever reported market value of £3.77 billion as at 31 March 2015. The Fund is well ahead of its performance targets over three and five years and over the last 10 years has returned over 8% in absolute terms each year.

The pictorial theme for our Report this year is the work of members of the Pension Fund and the facilities offered by some of the organisations who are participating employers. From Housing Associations, schools and social care to the provision of venues for leisure activities, our employers provide a wide variety of services that benefit the people of Staffordshire. This reminds us that pensions are an important part of the reward package for employees and the Pension Fund plays an important part in serving the people of Staffordshire.

Finally, on behalf of the Committee members we would like to thank the staff at the Staffordshire Pension Fund for their contribution towards delivering an excellent service throughout the year.



**Phillip E B Atkins**  
Chairman  
(Pensions Panel)



**Stephen Sweeney**  
Chairman  
(Pensions Committee)

# Fund Management

## Governance

Staffordshire County Council is legally responsible for the Fund. Managing the Fund's affairs effectively is one of our main aims. As a result of the Local Government Act 2000, the County Council introduced a new set of rules known as the 'constitution'. Under the constitution, the Pensions Committee and Pensions Panel are delegated to look after the Fund as set out below.

## Pensions Committee

The main tasks of the Pensions Committee are to;

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

## Pensions Committee council members at 31 March 2015



Margaret Astle



Phillip E B Atkins



Derek Davis OBE



Alan Dudson



Bob Fraser



Mike Lawrence



Robert Marshall



Shelagh McKiernan



Stephen Sweeney

## During the course of 2014/2015 the Pensions Committee:

- Reviewed and approved Staffordshire County Council's policies following the introduction of the new LGPS on 1 April 2014.
- Received training on new Freedom and Choice legislation effective 1 April 2015.
- Attended a presentation from the Actuary to provide context around the Fund's relative funding position, on a like for like basis, following the valuation.
- Responded to various consultations including the draft regulations for the creation of independent Pension Boards.
- Approved the Pensions Business Plan for 2015/2016 and reviewed performance in 2013/2014.

## Involving others in governance

As well as the nine members, the Pensions Committee also has co-opted members. Co-opted members represent the Pensions Consultative Forum, which is made up of representatives from all organisations that are members of the fund.

The co-opted members cannot vote at meetings and are shown below with who they represent.

- Steve Elsey (Employees)
- David Loades (Employers)
- Eric Shaw (Pensioners)

**"I paid into  
the Staffordshire Pension  
Fund all my working life.**

**I loved my job, maintaining the  
public spaces around the town.**

**Thanks to the Pension Fund, I  
now have a chance to enjoy my  
retirement."**

**Peter**  
Retired  
Council  
Employee





## Pensions Panel

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

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

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

## Pensions Panel council members at 31 March 2015



Phillip Atkins



Derek Davis OBE



Robert Marshall



Shelagh McKiernan



Stephen Sweeney

## The Pensions Panel during 2014/2015:

- Reviewed the Pension Fund performance and Portfolio of Investments for 2013/14.
- tendered for and appointed the Fund's Property Investment Manager.
- received information from investment professionals on the debate about 'active' versus 'passive' investment portfolios.
- Reviewed the funds current strategic asset allocation and stock lending activity.



More details of the responsibilities of the Pensions Committee and Pensions Panel are set out in our Governance Policy Statement which is available on our website at [www.staffspf.org.uk](http://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.

# Attendance

The table below sets out the attendance at quarterly Pensions Committee and Pensions Panel meetings in 2014/2015.

Pensions Committee member	18/07/2014	24/10/2014	12/12/2014	20/03/2015
Margaret Astle	✓	✓	✓	✓
Phillip Atkins	✓	✓	✗	✓
Derek Davis OBE	✓	✓	✓	✗
Alan Dudson	✓	✗	✓	✓
Bob Fraser	✓	✓	✓	✓
Mike Lawrence	✓	✓	✓	✓
Robert Marshall	✓	✗	✗	✓
Shelagh McKiernan	✓	✓	✗	✓
Stephen Sweeney	✗	✓	✓	✓
Steve Elsey	✓	✓	✗	✓
David Loades	✓	✓	✗	✓
Eric Shaw	n/a	✓	✗	✓

Pensions Panel member	20/05/2014	09/09/2014	02/12/2014	03/03/2015
Phillip Atkins	✓	✓	✗	✓
Derek Davis OBE	✗	✓	✓	✓
Mike Lawrence	✓	n/a	n/a	n/a
Robert Marshall	n/a	✓	✓	✓
Shelagh McKiernan	✓	✓	✓	✓
Stephen Sweeney	✗	✓	✓	✓

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

**Adam**  
Active  
Council  
Employee

**“Being a  
social worker is often a  
challenging, yet rewarding  
career.**

**Separating the emotional  
aspects of the job from the  
duties required can be a difficult  
undertaking, but I find the  
role very enjoyable. It is great  
to feel that you are making a  
difference to your  
community.”**

# The Public Services Pension Act 2013

During the last year the Staffordshire Pension Fund has been considering the requirements of The Public Service Pensions Act 2013, in particular the need to introduce a new local Pension Board to assist the Scheme Manager (Staffordshire County Council) in ensuring compliance with legislation and the Pension Regulator's requirements.

The final LGPS Regulations came into force in February 2015 and provided for the establishment of Pension Boards. During the year the Pensions Committee took part in further consultations and approved draft Terms of Reference and the Constitution for the Staffordshire Pensions Board.

The new Pension Board will not replace our current governance arrangements, but as a Fund we will be considering their impact on our local arrangements, such as our Pensions Committee and Pensions Panel.

## Administration

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

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

The Director of Law and Democracy is responsible for providing legal advice.

## Advice

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

## Training

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

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



During the year, the Pensions Committee received training on Private Equity from one of the Private Equity Managers. Ahead of interviewing the Property Investment Manager, members received training on Investing in Property and what to look for in a good manager. Members also receive training at each Panel meeting on events in the economy, their impact on investment markets and ultimately the performance of the Fund.

## Communication

➔ The Fund produces a Communications Policy that it reviews annually and is available at [www.staffspf.org.uk](http://www.staffspf.org.uk). The document was amended last year to meet the increased communication requirements of the new LGPS scheme introduced on 1 April 2014.

Full details on how the Fund communicates with its members are available on page 27.

## Risk management

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, therefore managing risk is very important to ensure the primary objective is always met.

Below and over the page are the largest risks the Fund has identified in meeting its primary objective, how they are managed and what alternative options are available.

Risk	Action	Alternative
Investment in equities	<p>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.</p> <p>This risk is managed through reliance on the funding strategy which details the positive cash flows of the Fund and the long term agreement of the main employing bodies. This then allows the Fund to take a long-term investment perspective and maintain a high exposure to equities over time for them to deliver the expected returns.</p>	Reduce the investment in equities and diversify into other asset classes, such as government bonds. There may be a potential significant cost in terms of lost returns to the Fund.
Inflation	<p>Increases in the rate of inflation increase the value of future payments the Fund has to make as they are linked to the level of inflation.</p> <p>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.</p>	Invest further in assets which match the sensitivity of the liabilities to changes in inflation (liability driven investment).

Risk	Action	Alternative
Longevity	<p>Future life expectancy is an area which is difficult to forecast accurately, but as people are living longer the cost to the Fund increases.</p> <p>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 LGPS 2014, with the linking of the scheme retirement age to state pension age.</p>	Transfer pensioner longevity risk to a third party. This would come at a significant cost.
Pension Fund investment managers underperform benchmark	The risk is partially managed by keeping a substantial share of the Fund invested passively and by ensuring that the active managers have complementary styles allied to regular monitoring.	Replace investment managers who underperform. This can be a lengthy and costly process.
Changes in the maturity profile of the Fund	<p>The Fund will mature as the ratio of pensioners and deferred pensioners to active employees grows.</p> <p>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 will result in higher contribution rates for Fund employers.</p>	Transfer the whole pension liability to a third party (a 'buyout'). This would come at a significant cost.

➔ To see more of the risks that we face and how we manage them, visit [www.staffspf.org.uk](http://www.staffspf.org.uk) to see our Funding Strategy Statement and Statement of Investment Principles.



**"In my role as a civil engineer, I aim to improve and protect the environment in which we live. I plan, design and oversee construction and maintenance of building structures and facilities, such as roads.**

**I would like to think I make a positive contribution to the county in which I work."**

**Richard**  
Active  
Council  
Employee

# Scheme management and advisors

## Advisers

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

## Actuary

Hymans Robertson LLP

## Auditors

PricewaterhouseCoopers LLP

## AVC providers

Clerical Medical  
Standard Life Assurance Ltd  
The Equitable Life Assurance Society

## Bankers

Lloyds Bank plc

## Custodian

The Northern Trust Company

## Investment managers

Aberdeen Asset Managers Limited  
Capital Dynamics Ltd  
Colliers International UK plc  
Goldman Sachs Asset Management  
Harbourvest Partners LLC  
Insight Investment

JP Morgan Asset Management  
Knightsbridge Advisors LLC  
Lazard Technology Partners LP  
Legal & General Investment Management  
Longview Partners Limited  
Morgan Stanley Investment Management Limited  
Partners Group LP  
Record Currency Management  
Russell Investments Limited  
Sarasin & Partners LLP  
Schroder Investment Management Limited  
Standard Life Investments Limited  
State Street Global Advisors Limited

## Legal adviser

John Tradewell, LLB, MBA  
Director of Democracy, Law and Transformation

## Official responsible for the Fund

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

## Performance measurement

Portfolio Evaluation Ltd

If you need more information, you can find contact names and phone numbers on page 67.



# Investment Report

## Global economic review

The 2014/15 financial year will more likely be remembered for the rise in geopolitical risk than the performance of markets. There was an escalating political crisis in Ukraine after the takeover of Crimea by Russia in March 2014 and further political risk with the rise of ISIS in the Middle East later in the year. However all markets performed positively with property and global equities returning around 18% over the year.

Early in 2014/15 various agencies lowered their forecasts for global economic growth with the World Bank cutting its forecasts to 2.8% for 2014, compared to a January projection of 3.2%. This was attributed to a colder than usual winter in North America, the political crisis in Ukraine and the US Federal Reserve's decision to phase out its financial stimulus programme. The US bond buying programme or quantitative easing (QE) had injected more than \$2 trillion into financial markets since 2008, helping to keep borrowing costs down, but its imminent end was forecast to have a larger than anticipated impact especially on emerging economies such as China and Brazil.

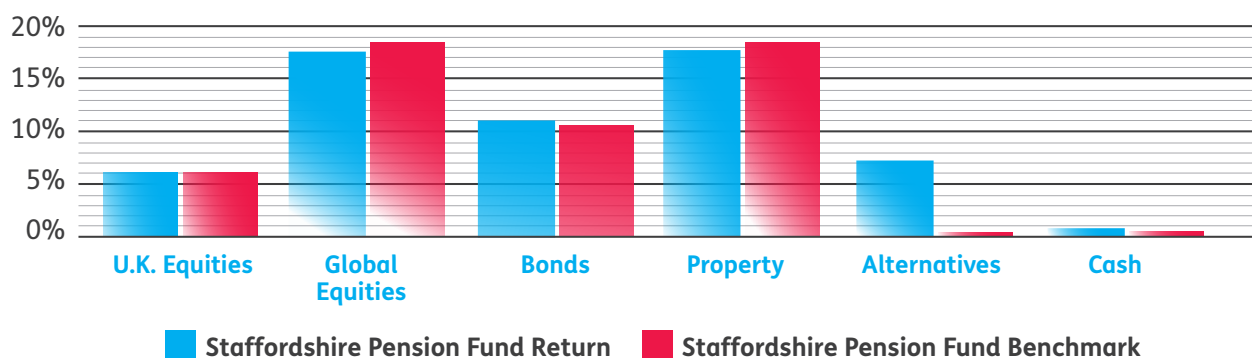
Despite the lowering of forecasts, most markets performed robustly in the first quarter of 2014/15; the US economy retained momentum and continued to grow strongly indicating the end of the stimulus programme had already been factored in. Global equity indices rose almost 5% in the quarter with strong performances in Emerging markets and in the Oil and Gas sector.

There was a downturn in global equity markets in late July and early August, mainly due to geopolitical tensions. The gains in Oil and Gas were reversed making it the worst performing sector over the second quarter. In particular the outlook for Europe remained gloomy and the European Central Bank (ECB) extended their policy of warding off deflation by cutting interest rates and edging towards the introduction of QE. The strong UK economy also showed some loss of momentum in growth based on manufacturing survey evidence and weakening of sterling in the run up to the Scottish referendum. With CPI inflation remaining below the 2% target, any notion of an interest rise in the UK for 2014 was removed.

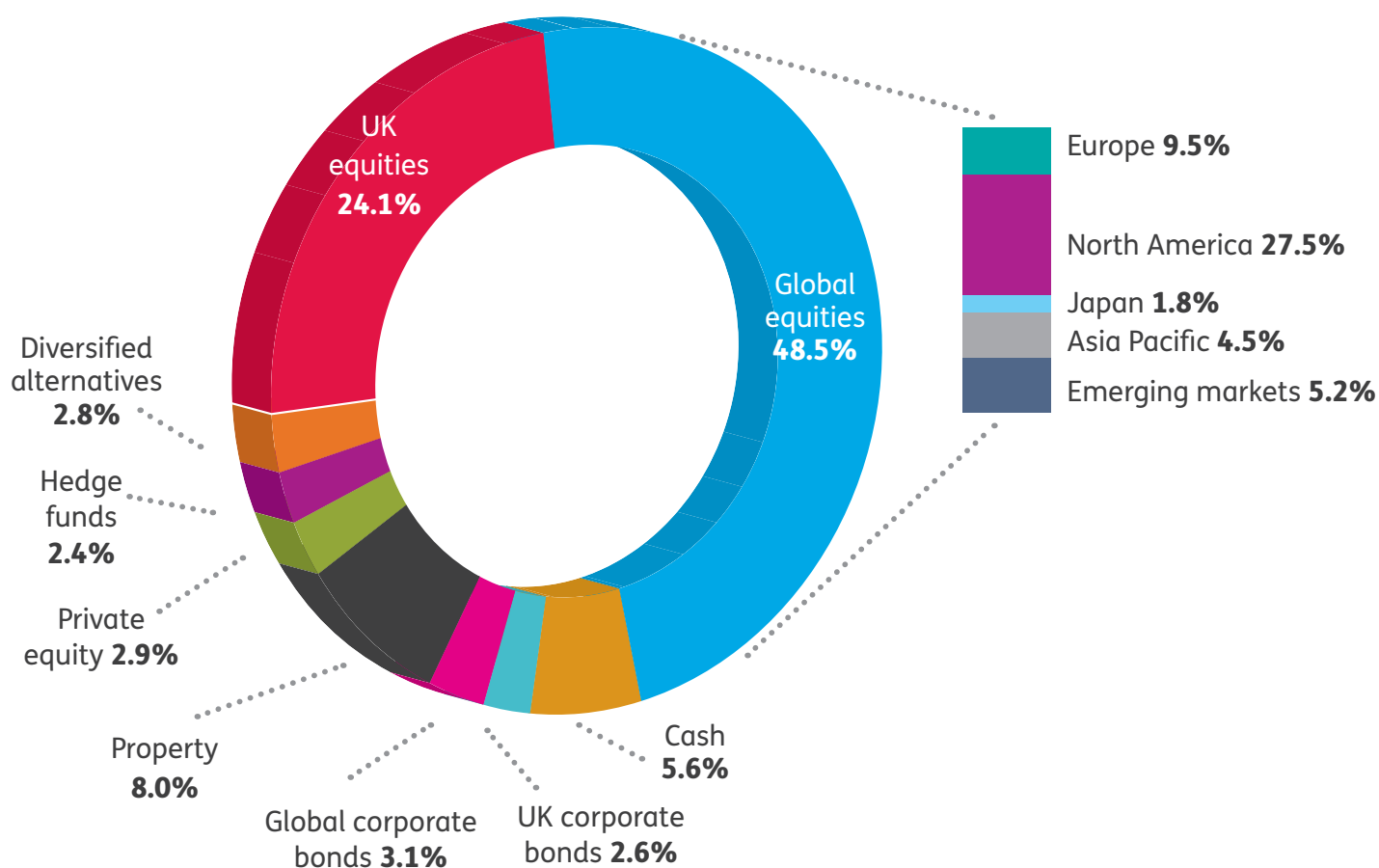
The third quarter saw oil prices plunge to levels not seen since 2009, in the face of weaker demand and increased supply from OPEC. Brent crude dipped well below \$60 per barrel compared to a high of over \$115 in June. For most countries it meant consumers had more to spend; conversely it was bad news for oil exporters especially Russia, already impeded by international sanctions. The global uncertainty ensured the US dollar strengthened against other currencies and government bonds performed strongly in the UK, the US, and in Germany.

The final quarter of 2014/15 witnessed global equity indices pushing to new all time highs - performance in the Eurozone was particularly strong reflecting confidence in the ECB's announcement in January of a €1 trillion asset buying programme. Inflation in the Eurozone had turned negative in December for the first time in five years but fears of a prolonged period of deflation - where consumers and businesses hold off purchases in the expectation of further price falls causing further retraction in economic growth - were allayed by the positive news of the QE programme.

## Major asset class returns for year ended 31 March 2015

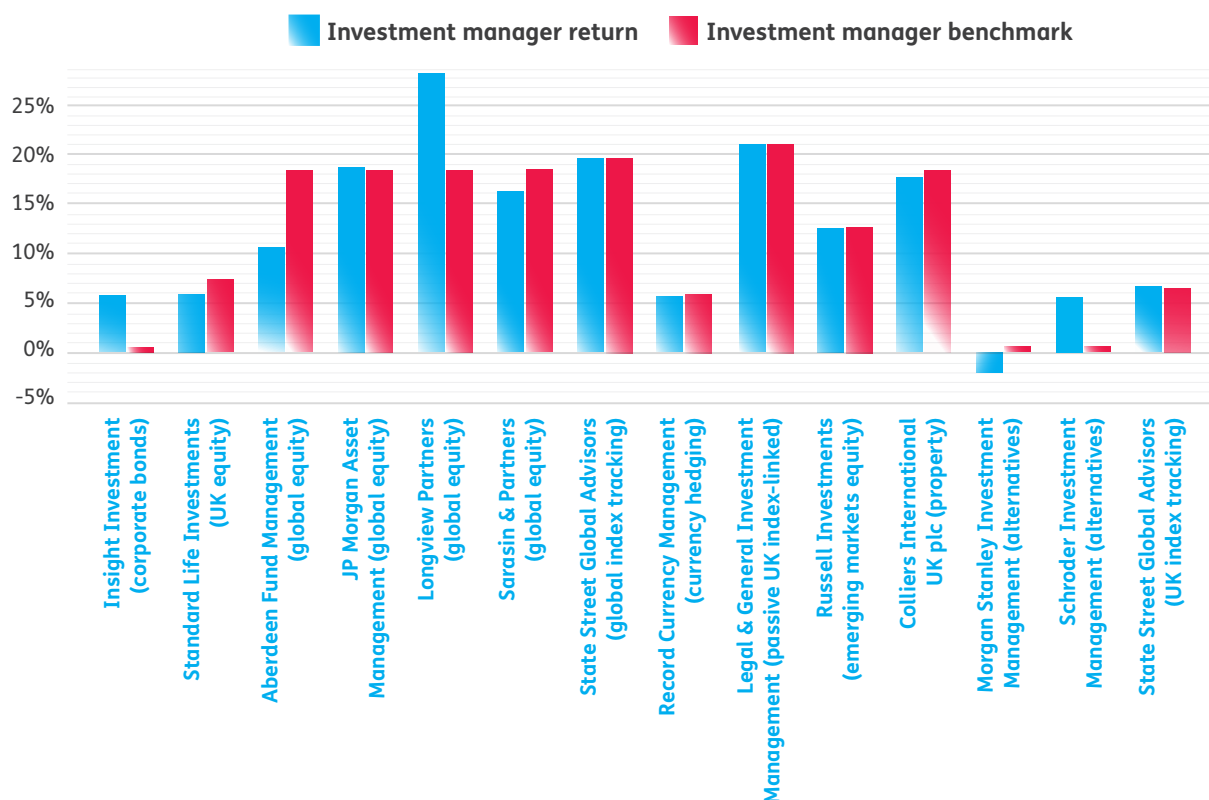


## Percentage breakdown of investment type at 31 March 2015





## Investment manager returns for year ended 31 March 2015



## Equities

Equities had a steady year in 2014/2015, with the Fund's equity portfolio returning 15.2% against a benchmark of 15.8%, within this UK equities returned 6.2% and global equities 17.8% (see graph on page 13).

Global equities performed well during the year, with North American and Japanese equities doing particularly strongly with returns of 25.1% and 27.1% respectively. Emerging markets (16.3%) and Asia Pacific (10.6%) also had healthy returns with European equities (excluding the UK) lagging behind but still with positive returns of 7.7%.

## Top Ten Equity Holdings

Name of company	Market value at 31 March 2015
Roche Holdings	£16,635,870
Vodafone Group	£16,393,471
United Technologies Corp	£14,192,608
CVS Health Corp	£14,047,545
Oracle Corp	£13,716,730
Lloyds Bank Group	£13,175,081
Novartis	£12,583,299
Citigroup	£11,232,366
Hartford financial Services	£10,772,122
HSBC	£10,691,347

## Bonds

During the year the Fund continued its strategy of not holding conventional UK Government bonds. Their valuations remained at a premium due to the UK's safe haven status away from the Eurozone troubles.

The Fund had previously reinvested in Corporate Bonds on a 'buy and hold' strategy where limited trading took place and bonds would be held to maturity; this strategy continued during 2014/2015. Corporate bonds returned 5.7% during the year, against a benchmark of 0.5%.

The Fund also holds an investment in index-linked Gilts and no changes were made to this portfolio during the year. Index-linked Gilts returned 21.1% in 2014/2015.

During 2014/2015 the Fund's overall bond holding returned 11.1%, exceeding the benchmark return of 10.4%.

## Property

In the UK property market, commercial property continued to perform well with the office sector leading the way in both capital and rental growth.

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

The Fund's total property investment return for 2014/2015 was 17.7% versus a benchmark of 18.3%.

## Largest direct property holdings

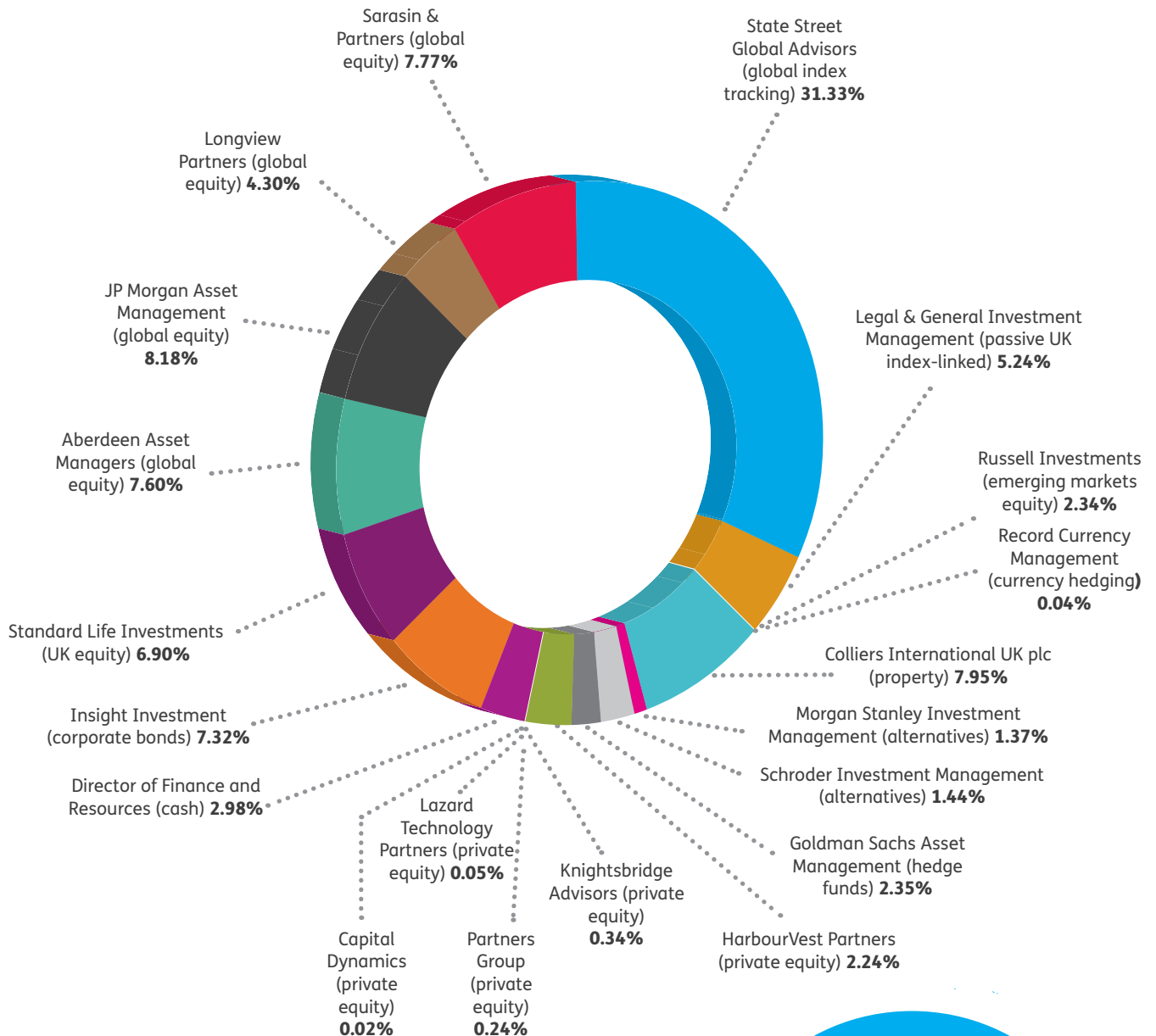
Location	Market value on 31 March 2015
Upper Woburn Place, London WC1	£26,250,000
Burwood House, London SW1	£21,950,000
Stukeley Street, London WC2	£17,800,000
Bridge Street, Dover	£17,500,000
Killingbeck Retail Park, Leeds	£15,400,000

## Alternative investments

Hedge Funds are a series of complex investments which require a high degree of manager expertise. The Fund invests in Hedge Funds for diversification as they give a return uncorrelated to equities, which make up a high proportion of the Funds investment.

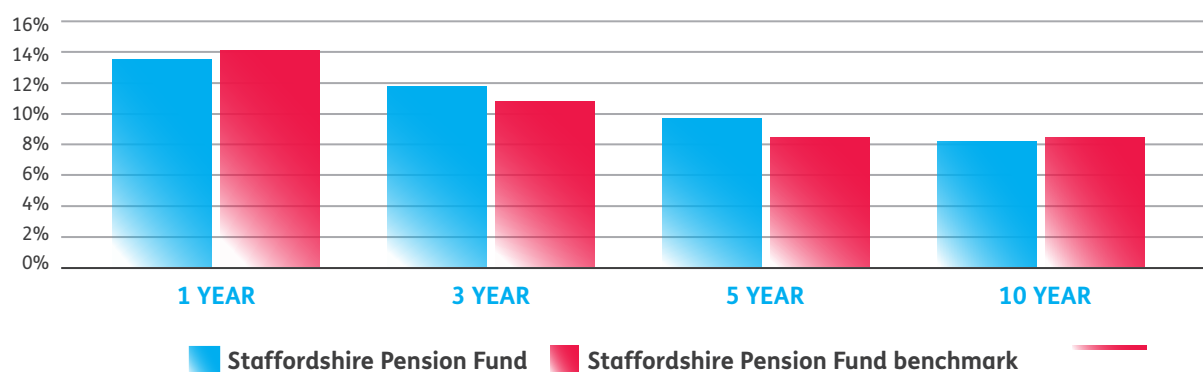
The market for alternative assets is diverse and depending on asset class and manager selection investors can be rewarded with varying returns. The Fund's investment in alternative assets returned 7.4% in 2014/2015, well in excess of the cash benchmark (see graph on page 13). This consisted of the Funds diversified alternative investment funds returning 3.6%, hedge funds 8.3% and private equity 12.2%.

## How much of the investments each manager looks after (by market value on 31 March 2015)



The Leisure, Tourism and Culture arm of Staffordshire Moorlands District Council, supports the work of Staffordshire Wildlife Trust on promoting the facilities on offer for everyone to enjoy the Roaches.

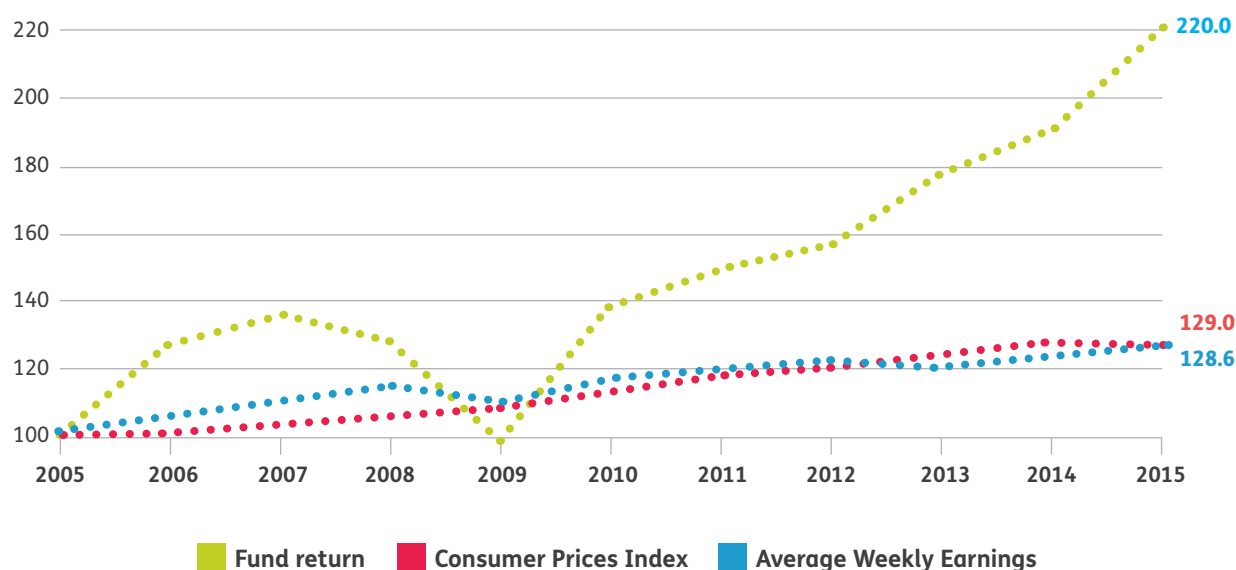
## Pension Fund investment returns



For the year ending 31 March 2015 the Fund's total investments earned a return of 13.6%. This was slightly behind the Fund's benchmark of 14.0% and increased the Fund value to £3,768.7m. This underperformance was mainly due to underperformance in some equity portfolios and being underweight in the highest returning asset class i.e. Property.

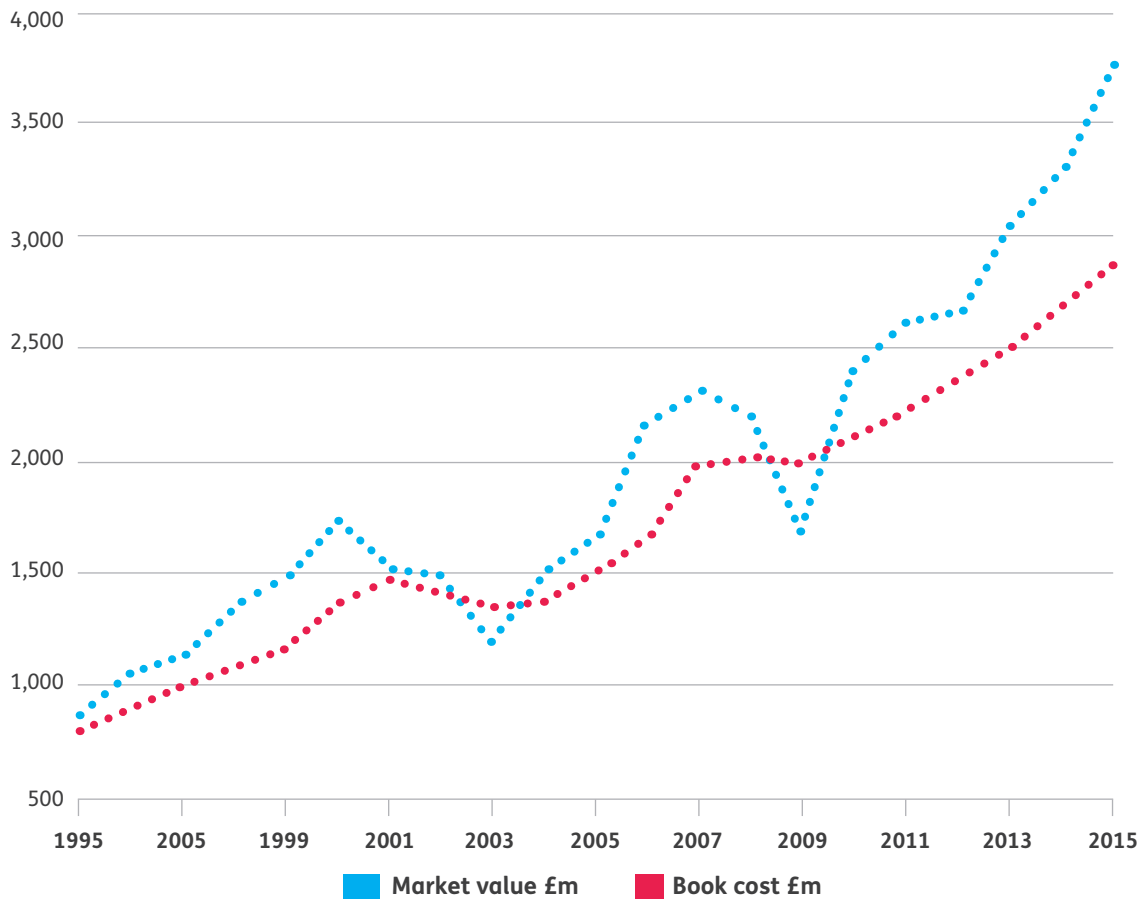
The graph above shows how the fund has outperformed its own benchmark over the 3 and 5 year periods and only marginally underperformed against the benchmark in the 1 and 10 year periods. The underperformance in the 10 year period was down to poorly performing investment managers who have since had their contracts terminated.

## 10 year investment performance versus inflation and earnings



The graph on page 17 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 2005 and revalued at 31 March every year thereafter.

It can clearly be seen from the graph on page 17 that the Fund has performed well and significantly outperformed the other two measures over the past decade, bar the dip in 2009 attributed to the financial crisis during that year.



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

**“As an education technician working in a college, I support design and technology teachers, by preparing equipment and materials and helping in practical lessons. I like working with young people, and always wanted a career in education**

**It is great to think that I can contribute to the future of the young people of Staffordshire.”**

**Jenny**  
Active  
College  
Employee



# Corporate Governance and Socially Responsible Investment Report 2014/2015

The Pensions Committee recognises its role as one of promoting best practice in corporate governance which is considered to be consistent with seeking long term returns. As a result, the Fund requires its UK equity managers to comply with the Financial Reporting Council's (FRC) UK Stewardship Code and requires other investment managers to follow it as far as possible.

The Pensions Committee's policy on Socially Responsible Investment is to endorse the United Nations Principles of Responsible Investing (UNPRI) and seek to encourage its active equity managers to sign up to the principles to incorporate environmental, social and governance issues into their investment process. Currently all of the funds active equity managers are signed up to the UNPRI.

Details of the Fund's individual investment manager corporate governance and socially responsible investment policies, as well as details on the UK Stewardship Code and the UNPRI are available on the Staffordshire Pension Fund website [www.staffspf.org.uk](http://www.staffspf.org.uk)

## Local Authority Pension Fund Forum

To further enhance the commitment to matters of corporate governance and socially responsible investment the fund is a member of the Local Authority Pension Fund Forum (LAPFF). LAPFF is a voluntary association of 65 LGPS funds with total assets under management of around £165bn. Formed in 1990 the forum seeks to protect its member's investments by promoting the highest standards of corporate governance and corporate social responsibility from the organisations they are invested in.

You can find more out about LAPFF at their website [www.lapfforum.org](http://www.lapfforum.org)

## Annual voting summary

The Pensions Panel receives quarterly updates from managers on details of votes cast on corporate resolutions for holdings in their relevant portfolios. Below is a summary of their activity in 2014/2015. To see the managers quarterly voting summaries in full please contact the Treasury and Pension Fund team at: [treasury.pensionfund@staffordshire.gov.uk](mailto:treasury.pensionfund@staffordshire.gov.uk) or 01785 276330.

	Total resolutions	Vote with management	Votes against management	Abstain	Not voted
<b>JP Morgan</b>	36,854	32,779	3,602	473	0
<b>Standard Life</b>	1,741	1,671	32	38	0
<b>Aberdeen</b>	725	584	51	13	77
<b>Sarasin</b>	956	677	151	10	118
<b>Longview</b>	464	431	33	0	0
<b>State Street</b>	11,098	10,277	801	14	6

## Issues during 2014/2015

- The Local Government Association (on behalf of the LGPS Shadow Scheme Advisory Board) instructed Mr Nigel Giffin QC to review the matter of fiduciary duty. The local authority as the administering authority has a fiduciary duty to invest in the best financial interests of the Fund; to exclude investments on the grounds of wider considerations could be considered a breach of fiduciary duty. However Mr Nigel Giffin QC concluded that the precise choice of investment may be influenced by wider social, ethical or environmental considerations as long as it doesn't risk material financial detriment to the fund.

The Law Commission published its own report on 'Fiduciary Duties of Investment Intermediaries' in July where it also concluded that Environmental, Social and Governance (ESG) factors may be considered if they are 'financially material' to an investment's long term performance. Non-financial factors may be addressed in an investment strategy provided that they appropriately reflect the views of members and are not significantly detrimental to member's financial interests.

The Pensions Panel received a presentation on the Law Commission's report and the Panel concluded they would maintain the current practice of endorsing UNPRI principles by incorporating ESG via investment managers who have signed up to UNPRI, and through positive engagement via membership of LAPFF.

Stafford Castle is looked after by Stafford Borough Council who encourages the site to be used for various events through out the year. One such event are the open air Shakespeare productions which are staged in the summer.



# Administration Report

## Fund Administration

Staffordshire County Council has a statutory obligation to administer a Pension Fund for eligible employees of all Local Authorities within the County boundary and also the employees of certain other scheduled and admitted bodies. The Fund does not cover teachers, police or fire-fighters who have their own schemes.

Both employees and employers make contributions into the Scheme. Employee contributions are tiered, based on the pay they actually receive and range between 5.5% and 7.5% with an average contribution rate for the Scheme of about 6.5%.

The Employers contribution rate is assessed every three years as part of the actuarial valuation process. The next valuation will take place in 2016.

The Administration Team has maintained its Customer Service Excellence (C.S.E) standard in the last twelve months. C.S.E tests in great depth those areas that research has indicated are a priority for customers, with particular focus on delivery, timeliness, information, professionalism and staff attitude. There is also emphasis placed on developing customer insight, understanding the user's experience and robust measurement of service satisfaction.

## New Scheme

In April 2014, we saw a considerable change to the Local Government Pension Scheme, with the introduction of a career average scheme, fundamentally different to the final salary scheme we previously had. This change has made the Scheme more difficult to administer and new processes have had to be put in place within the team.

In order to ease this transition the administration team has been proactive by communicating with members to ensure that they understand the changes to their pension benefits. We have also worked to ensure employers understand their responsibilities to provide timely and accurate information and more importantly the consequences of not doing so. We are however, aware that this is work in progress and therefore we will continue to support them going forward.



**Chasewater Innovation Centre is an environmentally friendly visitor and conferencing centre, that is both innovative in its design and construction, promoting the use of timber as a sustainable building material and a source of renewable energy.**

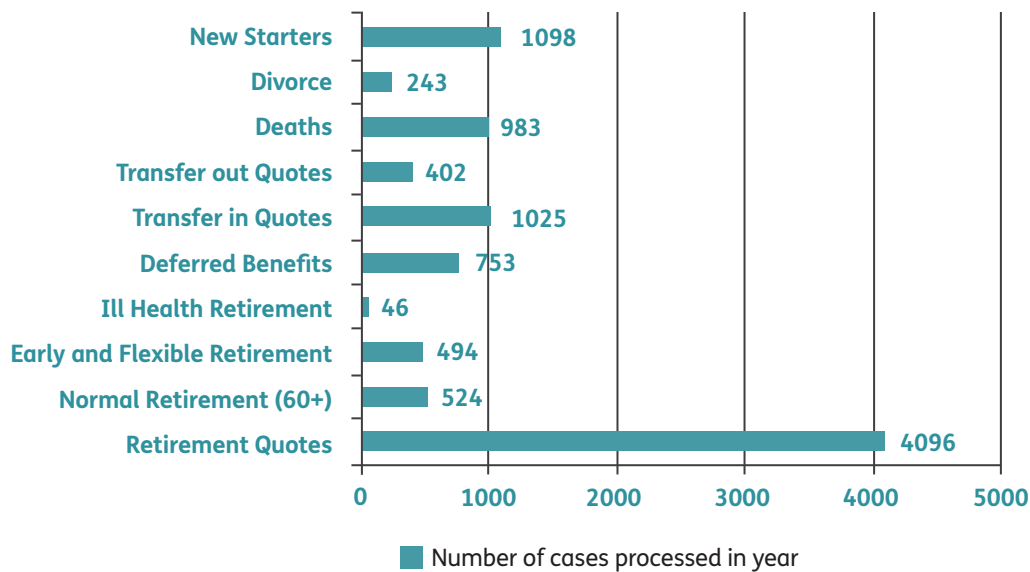
## Key Performance Indicators

The administration team monitor the time taken to complete procedures. The team use a number of key performance standards to measure its work.

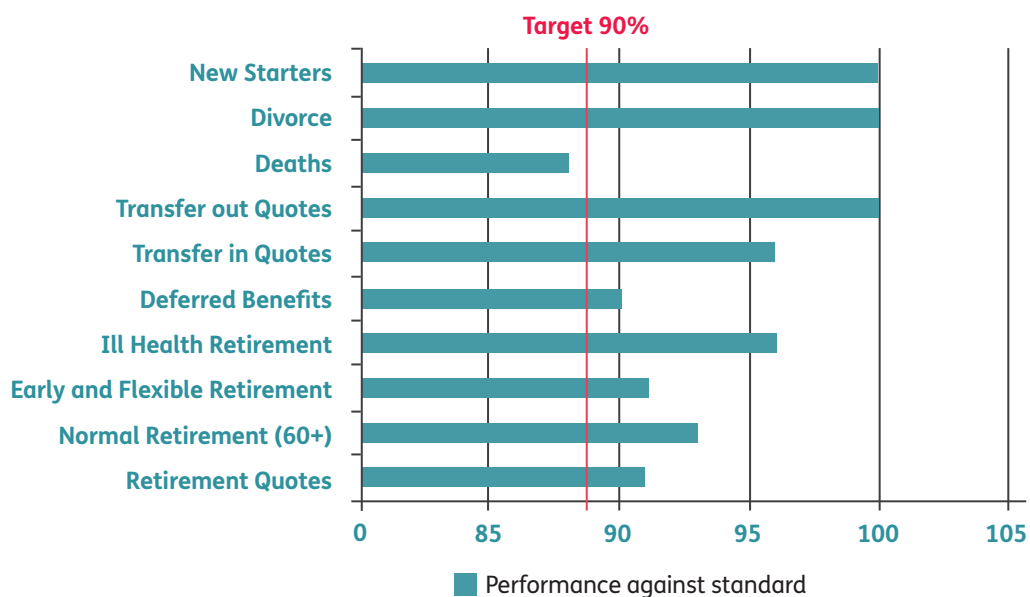
Our key procedures are reported to the Pension Committee on an annual basis

A summary of achievement in each area is shown in the table below.

### Analysis of workload 2014/15



### Performance against standard 2014/15

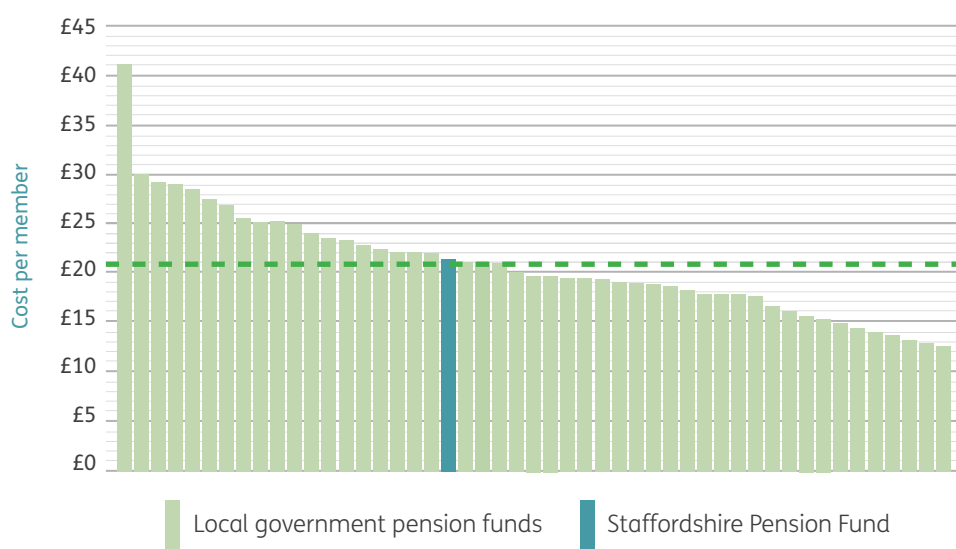


## Benchmarking

The Fund continues to participate in the Chartered Institute of Public Finance and Accountancy (CIPFA) annual benchmarking survey.

The results of the unit cost comparison for the most recent survey are in the graph below. The graph illustrates the cost per member of providing a service to our members. The Staffordshire Fund has a cost per member of £21.26 for administering the LGPS.

We also use this data to target areas for improvement within our annual service plan and understand the pressures that the Staffordshire Fund faces.



## Key Staffing and Membership Numbers

### Staffing

The administration team is made up of the following members.

Staff Role	Number
Pension Manager	1
Deputy Pension Managers	2
Senior Pensions Team Leaders	4
Pensions Team Leaders	3
Senior Pensions Officers	6
Senior Pensions Administrators	3
Pension Administrators	10
Communication Officers	3
Pension Assistants	3
Support Staff	3
Pension Payroll Staff	4



## Membership

Membership of the Pension Fund continues to grow. The table shows the number of members and how they have changed over the last five years.

	31 March 2011	31 March 2012	31 March 2013	31 March 2014	31 March 2015
Active pensionable employees	36,218	34,846	35,008	36,119	36,991
Pensioners and Dependents	24,201	25,821	26,637	28,260	28,713
Deferred pensioners (people who no longer pay into the scheme)	29,922	31,535	33,857	36,604	38,079
Total membership	90,341	92,202	95,502	100,983	103,783

The profile of our current membership is illustrated in the table provided below:

Age group	Active	Deferred Beneficiaries	Retired	Spouse/Dependent
0-15	0	0	0	61
15-19	452	97	0	102
20-24	1479	839	0	33
25-29	2299	2529	0	1
30-34	3050	3333	0	2
35-39	3752	3879	6	6
40-44	5327	5544	30	19
45-49	6689	7013	66	56
50-54	6330	7242	153	122
55-59	4688	5425	1372	177
60-64	2281	2028	5062	255
65-69	519	111	7676	398
70-74	125	39	4841	449
75-79	0	0	2818	559
80-84	0	0	1693	608
85-89	0	0	897	472
90+	0	0	437	342
<b>Total</b>	<b>36991</b>	<b>38079</b>	<b>25051</b>	<b>3662</b>

## Definition of Membership Type

**Active members** are employees currently contributing to the Local Government Pension Scheme and include some employees who have more than one contract of employment, each contract being treated separately for administration purposes.

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

**Retired members** are in receipt of a pension.

**Spouse / Dependent** members in receipt of a pension in respect of a former member.

## The Team

During the last twelve months the Pensions Administration System was upgraded on a number of occasions to ensure calculations were made in line with the changing Regulations.

Training was undertaken by the team before implementation to ensure everyone was able to understand the changes.

Members of the Pension's team attended a number of 1 day practitioner's workshops which covered aspects of the New Scheme as well as our continued programme of in-house training.

We have one member of the team who successfully completed her CIPP Foundation degree in Pensions Administration and Management and another member of the team who is in her final year.

## Complaints

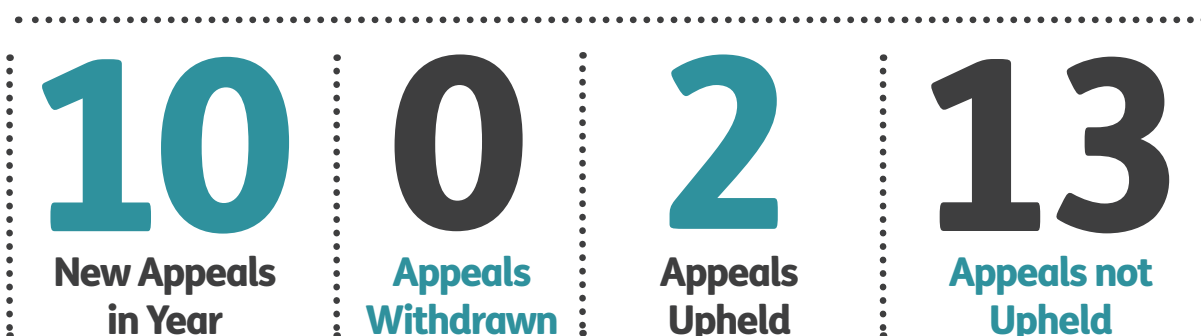
The administration team monitor any complaints received on a regular basis. We aim to respond promptly, once they have been thoroughly investigated to learn from them in order to improve our service.

The complaints are monitored in two different ways:

- Complaints about our service.
- Under the LGPS members can use a two stage Internal Dispute Resolution Procedure (IDRP) to settle any disagreement or complaint that they have about decisions made under scheme rules.

In the last 12 months we have received 6 complaints about our service

The table below illustrates how many people followed the IDRP route with regard to a complaint about the scheme rules.



## Customer Satisfaction

The Local Government Pension Scheme is continually changing and this means our administration team needs to continually evolve to meet the needs of both members and employers.

Some of the comments we have received over the last twelve months are provided below:

Extremely clear and informative briefing excellently presented, thank you.

– Employer

Many thanks. Your service is, as usual, excellent.

– Member

I would just like to say how much I have appreciated the service pensions have provided over the years.

– Retired Member

Thank you again, for the InContact magazine, the photograph on the cover is a delight and all the information found within it is much appreciated.

– Retired Member

I would like to compliment you and your department on the speed of the reply and level of customer service shown.

– Member

I just want to thank you for your help and sensitivity throughout our communications. You have been very helpful and understanding and I wanted to thank you for dealing with this the way you have, I appreciate it greatly.

– Member

A really excellent response and the illustration explaining the purchase of added years service is very useful for my review of frozen pensions in 2016.

– Member

Better late than never but I have been meaning to send this e-mail for sometime. I would just like to thank your team for being so helpful during my application for early retirement. Everyone was so helpful and supportive during quite a stressful period.

– Member

Very well presented at right pitch/level. Good quality handouts, very supportive culture and extremely helpful presentation and very supportive for SBM's. Very clear legislation requirements covered i.e. year end returns etc. which will have an effect on Academy conversion responsibilities.

– Employer

What a good session. Feel very supported by what was said and by the individual staff. So much to know but great to know support/guidance is available. Thank you

– Employer

# Communications

The Communications Team produces Scheme and Fund specific information for members and employers. The Pension team manages contact with members mainly through the helpline, newsletters and annual benefit statements. Meetings are also run for employers and the Fund Website, which is a valuable communication tool, is regularly updated.

We have a Communication Policy Statement which sets out the following:

- How we communicate with our Stakeholders.
- The format, frequency and method of communications.
- How we promote the Scheme to prospective members and employers.

## Surveys

We seek the views of employers and employees to help us to deliver a service that suits their needs.

## Services to Members

The main services we provide are summarised below:

- We maintain a website that provides information on the Scheme and the Fund.
- We run a Helpline that allows members to request leaflets and information, change certain personal and bank details, and track progress of payments and transfers.
- We welcome personal callers and were visited by many members last year. An appointment is not necessary.
- We provide a range of presentations that cover topics including induction, transferring between employers, midlife and pre retirement planning and leaving before retirement.
- We provide annual benefit statements for our active and deferred members.
- We work with the Local Government Association to provide a range of booklets that help members to understand the Scheme rules. These are available on our website or on request from our Helpline.
- We publish our Annual Report and accounts on our website.
- We provide newsletters to keep members informed of changes to the Scheme.
- We adopt the principles of plain English in our documents.

Over recent years we have worked on a collaborative basis with neighbouring Funds on much of our communication material, this has led to an increased sharing of knowledge and cost savings for all of the Funds concerned.



## Services to Employers

The main services we provide are summarised below:

- We have an Employers Area on our website that provides information on the process and forms for completion.
- We hold regular meetings and training sessions, which have included a presentation from the Scheme actuary and the Local Government Employers Association.
- We have a dedicated Communication Officer who specifically deals with employer liaison, preparing newsletters and Infolets.

## Services to other Stakeholders

The Fund communicates with a diverse group of other different customers and stakeholders. These include:

- Information to prospective Employers to ensure they understand the LGPS Regulations, their implications and the role of a Scheme Employer.
- Relative information to the Pension Committee and Panel.
- The Fund's management team meets with and has regular dialogue with its advisers (such as actuarial and investment advisors) to secure information and advice over a wide range of issues relating to the Fund.
- Staffordshire Pension Fund responds to consultations and draft legislation and representatives from the team sit on decision making groups at the Local Government Employers Association.
- The Fund is represented at the Shrewsbury Pension Officers Group (SPOG) which meets quarterly to discuss all aspects of the LGPS. Knowledge sharing and collaborative working are key features of this groups discussions.

## Going Forward

Staffordshire Pension Fund recognises the importance of obtaining assurance over the effective collection of data and operation of the pension and new payroll software we have introduced.

The Public Service Pensions Act 2013 will bring significant changes and challenges for the Pension Team in terms of scheme benefits and delivery risks in meeting service standard expectations

We will, however, remain committed and focussed in our efforts to ensure that members understand and appreciate the value of the Scheme, which forms a significant part of the pay reward package provided by their employer.



## Organisations which were employers of the Fund during 2014/2015 and contributed to the scheme

Employer Name	Employee Contributions	Employer Contributions
Audley Parish Council	£882.91	£2,580.82
Alrewas Parish Council	£823.95	£2,699.30
Biddulph Town Council	£5,614.53	£13,549.41
Brereton and Ravenhill Parish Council	£2,052.38	£6,773.61
Brewood & Coven Parish Council	£1,671.99	£5,551.97
Bridgtown Parish Council	£100.07	£345.44
Burntwood Town Council	£5,820.90	£14,772.61
Cannock Chase DC-Councillors	£1,423.95	£4,105.29
Cannock Chase District Council	£679,914.37	£4,562,446.20**
Cheadle Town Council	£2,501.99	£7,600.78
Cheddleton Parish Council	£1,453.19	£4,247.77
Cheslyn Hay Parish Council	£1,098.57	£3,348.60
Codsall Parish Council	£1,797.56	£5,436.71
Draycott in the Clay Parish Council	£301.62	£1,041.90
East Staffordshire Borough Council	£486,834.80	£1,503,655.56
East Staffs BC - Councillors	£3,037.92	£7,696.20
Eccleshall Parish Council	£1,514.92	£4,428.32
Essington Parish Council	£1,398.66	£4,088.49
Fradley and Streethay Parish Council	£41.27	£142.58
Gnosall Parish Council	£1,461.24	£4,841.54
Great Wyrley Parish Council	£2,406.24	£7,372.26
Heath Hayes & Wimblebury Parish Council	£1,282.10	£3,439.08
Hednesford Town Council	£610.98	£2,110.59
Horninglow and Eaton Parish Council	£736.08	£2,151.60
Kidsgrove Town Council	£1,342.00	£3,922.82
Kinver Parish Council	£3,024.08	£9,471.77
Lapley, Stretton & Wheaton Aston PC	£1,257.66	£4,119.85
Leek Town Council	£1,896.77	£5,544.37
Lichfield City Council	£17,140.37	£50,030.27
Lichfield DC - Councillors	£923.67	£3,017.17
Lichfield District Council	£497,218.90	£1,469,772.35
Newcastle Under Lyme Borough Council	£715,439.67	£5,124,554.70**
Norton Cane Parish Council	£656.60	£2,589.21
Penkridge Parish Council	£6,840.45	£20,914.33
Perton Parish Council	£6,343.05	£19,518.87
Rugeley Town Council	£3,230.50	£10,805.17
Shenstone Council	£1,655.55	£4,839.30
South Staffordshire Council	£309,913.99	£1,474,697.57**
South Staffs DC - Councillors	£275.04	£819.96
Stafford Borough Council	£506,832.77	£2,610,166.03**
Staffordshire County Council	£12,244,133.78	£52,946,424.30**
Staffordshire Moorlands District Council	£319,146.60	£1,667,443.20**
Staffs and Shrops Valuation Tribunal	£2,657.42	£13,639.09
Stoke and Staffs Combined Fire Authority	£283,631.68	£783,339.61
Stoke City Council	£6,994,428.24	£20,501,819.16
Stone Town Council	£5,665.84	£17,514.05
Tamworth BC - Councillors	£1,442.99	£3,968.14

Employer Name	Employee Contributions	Employer Contributions
Tamworth Borough Council	£539,341.35	£2,505,288.43**
The Office of the Chief Constable Staffordshire	£2,223,230.58	£8,003,226.32**
The Office of the Police and Crime Commissioner Staffordshire	£56,614.64	£104,889.31
Uttoxeter Town Council	£6,322.21	£19,783.77
Wombourne Parish Council	£3,144.06	£9,225.90
Burton on Trent Technical College	£219,994.75	£628,999.84
Keele University	£12,885.52	£90,459.72
Newcastle Under Lyme College	£305,998.90	£678,299.91
Sixth form College - Stoke on Trent	£61,914.88	£159,047.60
South Staffordshire College	£301,111.88	£985,712.47
Stafford College	£165,777.44	£459,856.00
Staffordshire University	£1,437,163.73	£4,154,142.94
Stoke on Trent College	£377,518.17	£977,880.82
Academy Enterprise Trust - Anglesey	£38,338.17	£129,568.70
Academy Enterprise Trust - Belgrave	£41,029.74	£130,770.63
Academy Enterprise Trust - Rawlett	£40,632.54	£129,105.99
All Saints - Our Lady's	£13,327.26	£44,858.39
All Saints - St Augustines	£13,361.49	£47,455.66
All Saints - St Gregory's	£28,586.86	£92,039.48
All Saints - St Maria Goretti	£15,711.06	£54,204.47
All Saints - St Thomas Moore	£45,089.84	£147,995.70
Alleyne's High School	£29,960.31	£94,295.86
Belgrave Academy	£32,024.39	£110,428.88
Blackfriars Academy	£39,914.69	£127,686.38
Bursley Academy	£12,639.03	£40,386.12
Carmountside Academy	£12,381.47	£41,327.93
Castle Primary	£495.07	£1,673.75
Chesterton Sports College	£31,258.88	£100,297.92
Choices Housing Association	£917.74	£3,532.44
Churchfield Primary	£16,223.27	£53,453.21
Co-operative Academy	£58,960.84	£182,104.74
Creative Education Academies - Alfgar (Rugeley)	£2,763.53	£9,292.68
Creative Education Academies - Fair Oak	£32,580.24	£107,447.86
Creative Education Academies - Hagley Park	£37,331.82	£120,922.44
Creative Education Academies - Harpfield	£10,345.82	£34,563.51
Creative Education Academies - Thistley Hough Academy	£36,702.75	£116,906.02
Creative Education Academies - Three Peaks Academy	£7,276.79	£24,456.62
De Ferrers	£93,960.45	£281,883.29
Discovery Academy	£71,981.40	£226,009.03
Excel Academy	£31,237.99	£101,535.21
Featherstone Academy	£8,233.05	£28,053.69
Flaxhill Community Jnr School (MPAT)	£12,725.71	£39,949.36
Glascote Heath Academy	£8,636.33	£28,706.41
Glebe Primary School	£18,403.33	£59,356.75
Havergal Primary Academy	£5,466.33	£18,200.66
Haywood Engineering Academy	£57,862.23	£178,400.56
Heath Hayes Primary School (reach2)	£7,610.52	£26,430.49
JCB Academy	£49,158.84	£154,651.17
John Taylor Academy	£61,395.92	£195,432.69
John Wheeldon Academy	£10,242.07	£35,040.36
King Fisher Academy	£4,258.73	£14,566.52
Kinver High School & Sixth Form	£2,523.51	£8,169.45
Landau Forte Greenacres	£20,589.78	£69,011.16

Employer Name	Employee Contributions	Employer Contributions
Landau Forte QUEMS	£46,832.82	£146,241.23
Landau Forte Woodhouse Academy/Post 16	£85,616.71	£269,120.72
Larkhill Community Infants & Nursery School (MPAT)	£5,440.29	£18,154.71
Lichfield Diocese/Woodard Academy	£46,182.71	£146,425.68
Madeley High School	£26,952.27	£86,968.72
Maple Court Primary	£22,760.58	£78,654.54
Mellors - Newcastle	£10,740.04	£41,768.97
Moorgate Primary Academy	£12,962.39	£42,621.85
Mosley Academy	£3,474.54	£11,947.34
Newman - Our Lady & St Benedict Catholic	£6,320.12	£22,481.70
Newman - Our Lady Of Grace	£5,471.50	£18,749.01
Newman - St George & St Martins Catholic	£12,659.72	£43,359.43
Newman - St John Evangelist Catholic Primary School	£10,621.71	£35,211.40
Newman - St Joseph Catholic Primary School	£11,941.16	£41,463.86
Newman - St Margaret Ward	£54,438.59	£169,241.15
Newman - St Marys Catholic Primary School	£12,601.73	£42,067.45
Newman - St Peters Primary School	£16,638.25	£56,365.83
Newman - St Wilfreds Catholic Primary School	£20,339.88	£68,272.22
Newstead Primary Academy	£18,002.64	£59,814.58
Norton Canes Community Primary School (reach2)	£18,609.95	£62,240.16
Norton Le Moors Primary Academy	£9,615.37	£32,372.07
Ormiston - Sir Stanley Matthews	£59,983.46	£187,200.51
Ounsdale High School	£3,857.13	£12,457.86
Pye Green Academy	£9,199.43	£30,101.28
Rowley Park Primary Academy	£10,238.98	£33,180.21
Sandon Primary Academy	£17,662.73	£59,122.64
Scientia Academy (reach2)	£4,915.11	£16,291.21
Silverdale Primary (United Learning)	£12,690.28	£42,551.61
Springhill (reach2)	£12,545.82	£41,833.83
St Edwards CE Academy	£25,359.71	£80,380.33
St Giles and St Georges Academy	£8,915.16	£27,523.34
St John Fisher Catholic College	£43,986.66	£142,432.05
St Johns Primary Academy	£2,273.25	£7,516.34
St Mary's Catholic Primary School	£25,681.54	£86,174.44
St Matthews Primary	£4,883.21	£15,954.54
St Nathaniels Academy	£30,621.62	£101,675.97
St Teresa's Catholic Primary	£17,556.10	£51,523.42
St Thomas Aquinas Catholic Primary School	£12,941.13	£44,193.13
St. Joseph's College Edmund Rice Academy Trust	£48,151.72	£153,001.66
Staffordshire University Academy	£40,710.45	£128,271.12
Swinfen & Packington	£83.16	£287.28
The Academy Transformation Trust - Star Academy	£13,320.85	£44,870.44
The Biddulph Academy	£41,964.37	£138,301.25
The Cannock Chase Academy	£56,805.77	£183,438.43
The Chadsmead Academy	£14,089.98	£48,615.80
The Cheadle Academy	£28,275.29	£88,898.81
The Christchurch Academy	£16,831.69	£55,192.37
The College Academies Trust Ltd Studio School	£20,443.69	£61,182.04
The Coppice Academy	£9,458.56	£31,227.59
The Crescent Academy	£33,039.57	£110,625.28
The Eaton Park Academy	£39,380.53	£129,390.38
The Erasmus Darwin Academy	£43,005.76	£130,808.93
The Ormiston Horizon Academy	£56,438.11	£176,070.42

Employer Name	Employee Contributions	Employer Contributions
The Painsley Catholic College	£48,815.86	£152,319.02
The Painsley Catholic College - Faber	£4,712.32	£16,012.20
The Painsley Catholic College - St Filumenas	£9,507.58	£31,379.91
The Painsley Catholic College - St Giles	£9,939.64	£33,477.38
The Painsley Catholic College - St Josephs	£9,627.63	£32,226.50
The Painsley Catholic College - St Marys	£11,348.43	£38,567.21
The Painsley Catholic College - St Thomas	£9,949.22	£33,631.60
The Rural Enterprise Academy	£3,537.55	£11,204.86
The Sutherland Academy	£29,386.44	£93,996.52
The Violet Lane Academy	£22,209.42	£67,777.87
University Of Chester Academy (Kids Grove)	£32,611.58	£103,676.93
University Of Chester Academy(Maryhill Primary)	£11,081.73	£36,961.70
Walton Hall Academy	£23,829.12	£78,532.59
Weston Road Academy	£31,730.79	£100,057.40
Wilnecote High School (Academy)	£51,011.63	£152,763.87
Woodhouse Academy	£12,118.19	£40,412.49
Amey Services Ltd	£146,205.97	£470,045.87
Aspens Services Ltd	£1,813.29	£7,516.92
Aspire Housing	£479,528.92	£1,774,138.77
Bromford Housing	£117,322.65	£592,423.31
Central Borders Housing Group	£200,919.57	£940,248.49
COMMUNITY COUNCIL OF STAFFORDSHIRE	£9,638.95	£29,792.89
Entrust	£1,567,501.46	£4,417,428.71
Evolve Young People	£17,578.80	£52,245.63
JDM Accord	£11,900.15	£118,935.91
Keir Group	£539,775.04	£1,644,354.69
KGB New Castle College	£4,255.39	£4,579.94
Landscape Group Ltd	£2,114.52	£7,292.16
Lichfield Garrick Theatre Ltd	£7,919.86	£24,915.88
Liverpool Personal Services Society	£4,218.91	£14,098.08
Lovell's Partnership	£3,167.53	£11,817.61
Make Some Noise	£2,349.36	£6,771.60
Mears Ltd	£16,064.78	£51,205.36
Mencap	£969.18	£2,922.39
Midland Heart Ltd	£12,351.82	£51,189.14
Moorlands Housing	£100,747.43	£438,692.18
North Gate (Lichfield)	£1,126.59	£3,612.78
North Gate (Moorlands)	£9,117.70	£25,837.34
North Staffs Combined Health Care	£11,669.47	£29,879.92
North Staffs Combined Healthcare Trust	£28,539.73	£72,720.67
Northgate IS Ltd	£1,734.51	£4,483.02
R M Education	£12,136.99	£33,951.09
Sandy Tots	£5,221.07	£19,758.16
Service Master	£37.35	£184.35
South Staffordshire Housing Association	£28,252.84	£81,568.64
South Staffs and Shrops Health Care	£68,415.81	£203,011.05
Stafford and Rural Homes	£256,751.89	£752,843.62
Staffs & Stoke Partnership Trust	£1,039,235.38	£3,293,626.75
Taylor Shaw (Alleynes)	£42.89	£14,120.10
Tiny Toez	£13,837.66	£52,381.47
Trent and Dove Housing	£162,121.79	£750,409.12
Wates	£1,808.01	£15,510.55
Wigan Leisure and Culture Trust	£60,432.90	£238,443.15
Willmott Dixon	£14,948.62	£170,885.45
	£36,409,763.41	£136,511,021.07

\*\* Pre-payment of deficit lump sum for triannual valuation period included in this years contributions

# Financial statements

**1 April 2014 to 31 March 2015**

## Pension Fund account

Staffordshire Pension Fund account for the year ended 31 March 2015

Contributions and benefits	Notes	2013/2014 £ 000	2014/2015 £ 000
Contributions receivable	4	149,178	174,058
Transfers in	5	9,172	7,773
		<b>158,350</b>	<b>181,831</b>
Benefits payable	6	(142,964)	(149,319)
Leavers	7	(6,458)	(10,126)
		<b>(149,422)</b>	<b>(159,445)</b>
<b>Net additions from dealings with fund members</b>		<b>8,928</b>	<b>22,386</b>
<b>Management expenses</b>			
Administrative expenses	8	(2,199)	(2,541)
Investment management expenses*	9	(11,171)	(13,141)
Oversight and governance costs	10	(759)	(635)
<b>Net management expenses</b>		<b>(14,129)</b>	<b>(16,317)</b>
<b>Returns on investments</b>			
Investment income	11	59,168	54,635
Change in the market value of investments	12	187,884	414,651
<b>Net returns on investments</b>		<b>247,052</b>	<b>469,286</b>
Net increase in the fund during the year		241,851	475,355
Opening net assets of the fund		3,051,503	3,293,354
<b>Closing net assets of the fund</b>		<b>3,293,354</b>	<b>3,768,709</b>

\* From 2014/2015 the cost of investment management for private equity is now included in the accounts under new CIPFA guidance (£1.6m in 2014/2015). The 2013/2014 figure does not include the equivalent cost (£1.8m in 2013/2014).

# Net assets statement

## Net assets statement at 31 March 2015

	Notes	2013/2014 £ 000	2014/2015 £ 000
<b>Investment assets</b>			
Fixed interest securities	12/12a	239,381	214,811
Equities	12/12a	1,241,458	1,264,192
Pooled investment vehicles	12/12a	1,124,979	1,463,675
Property	12/12a	243,546	298,057
Cash deposits	12/12a	146,842	208,237
Other investment balances	12	275,690	315,823
Derivatives	13	32,835	43,027
		<b>3,304,731</b>	<b>3,807,822</b>
<b>Investment liabilities</b>			
Derivatives	13	(22,474)	(43,825)
		<b>3,282,257</b>	<b>3,763,997</b>
Current assets	14	<b>18,105</b>	<b>14,386</b>
Current liabilities	15	<b>(7,008)</b>	<b>(9,674)</b>
<b>Net assets of the fund at 31 March</b>		<b>3,293,354</b>	<b>3,768,709</b>

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.

The notes on pages 40 to 63 also form part of the pension fund financial statements.



# Actuarial statement

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013, and Chapter 6 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK 2014/15.

## Description of funding policy

The funding policy is set out in the administering authority's Funding Strategy Statement (FSS), dated 18 March 2014. 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 (NB 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.
- 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 below the theoretical rate required to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still a better than 60% chance that the Fund will return to full funding over 20 years.

## Funding position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2013. Estimates were also carried out as at 31 March 2014 and 31 March 2015.

Date	31 March 2013	31 March 2014	31 March 2015
Liabilities – ongoing basis	£m	£m	£m
Assets	3,070	3,251	3,804
Liabilities	4,279	4,227	5,378
(Deficit)	(1,209)	(976)	(1,574)
Funding level	71.8%	76.9%	70.7%

Individual employers' contributions for the period 1 April 2014 to 31 March 2017 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 valuation report dated 31 March 2014.

### 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 2013 valuation were as follows:

Financial assumptions	31 March 2013		31 March 2014		31 March 2015	
	% p.a. Nominal	% p.a. Real	% p.a. Nominal	% p.a. Real	% p.a. Nominal	% p.a. Real
Discount rate	4.6%	2.1%	5.1%	2.4%	3.8%	1.4%
Pay increases	4.3%	1.8%	4.5%	1.8%	4.2%	1.8%
Price inflation/Pension increases	2.5%	-	2.7%	-	2.4%	-

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 2010 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	24.3 years
Future Pensioners*	24.3 years	26.6 years

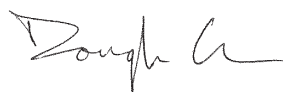
\*Future pensioners are assumed to be aged 45 as at the last formal valuation.

Copies of the 2013 valuation report and Funding Strategy Statement are available on request from Staffordshire County Council, administering authority to the Fund.

## Experience over the period since April 2013

Experience has been worse than expected since the last formal valuation (excluding the effect of any membership movements). Real bond yields have fallen dramatically and the effect of this has been only partially offset by the effect of strong asset returns, meaning that funding levels are likely to have worsened and deficits increased over this period.

The next actuarial valuation will be carried out as at 31 March 2016. The Funding Strategy Statement will also be reviewed at that time.



**Douglas Green FFA**

Fellow of the Institute and Faculty of Actuaries

For and on behalf of Hymans Robertson LLP

14 May 2015

# Pension Fund Accounts Reporting Requirement

## Introduction

CIPFA's Code of Practice on Local Authority Accounting 2014/15 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.

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 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;
- 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 Pension Fund's funding assumptions.

I have been instructed by the Administering Authority to provide the necessary information for the Staffordshire Pension Fund, which is in the remainder of this note.

## Balance Sheet

Year Ended	31 March 2014 £m	31 March 2015 £m
Present Value of Promised Retirement Benefits	5,054	6,130

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2013. I estimate this liability at 31 March 2015 comprises £3,135m in respect of employee members, £1,038m in respect of deferred pensioners and £1,957m in respect of pensioners. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, I am satisfied the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. I have not made any allowance for unfunded benefits.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the accounts of the Pension Fund. 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 as required by the Code of Practice. These are given below. I estimate that the impact of the change of assumptions to 31 March 2015 is to increase the actuarial present value by £867m.

## Financial assumptions

My recommended financial assumptions are summarised below:

Year Ended	31 March 2014 % p.a.	31 March 2015 % p.a.
Inflation / Pension Increase Rate	2.8%	2.4%
Salary Increase Rate	4.6%	4.3%
Discount Rate	4.3%	3.2%

## Longevity assumption

As discussed in the accompanying report, the life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the CMI\_2010 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	24.3 years
Future Pensioners*	24.3 years	26.6 years

\*Future pensioners are assumed to be aged 45 as at the last formal valuation.

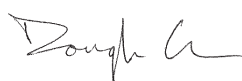
Please note that the assumptions are identical to those used for the previous IAS26 disclosure for the Fund.

## 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.

## Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2015 for IAS19 purposes' dated 17 April 2015. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.



Prepared by:-

**Douglas Green FFA**

14 May 2015

For and on behalf of Hymans Robertson LLP

# Notes to the accounts

## 1. Basis of preparation

We have prepared the financial statements in accordance with the requirements of the Local Government Pension Scheme Regulations 2013 (as amended), the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 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 2014/2015 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 Statement of Investment Principles and the Funding Strategy Statement at [www.staffspf.org.uk](http://www.staffspf.org.uk)

## 2. Accounting policies

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

### Investments

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

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

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

UK directly held property investments are stated at their value on the open-market based on an annual independent valuation by Jones Lang Lasalle, as at 31 March 2015. The valuation has been made in accordance with the RICS Valuation - Professional Standards, January 2014, published by the Royal Institute of Chartered Surveyors (RICS).

The private-equity, hedge-fund and alternatives 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.

Transaction costs are included in the cost of purchases and sales proceeds and include fees, commissions, stamp duty and other fees (see note 12).



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.

## 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.

## Investment 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. Performance related fees were £1.8m in 2014/2015 (£2.1m in 2013/2014).

## Administrative expenses and oversight and governance costs

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 the 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.

## Financial instruments

The fair value of financial instruments is defined as the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction.

The financial instruments of the pension 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 2014/2015

The market value and percentage of total assets held by each of the investment managers at the end of the financial year is shown below. No major changes were made to the fund's investment management structure during 2014/2015.

External fund manager	31 March 2014		31 March 2015	
	£ 000		£ 000	
Insight Investment (corporate bonds)	258,960	8%	274,385	7%
Standard Life Investments (UK equity)	345,953	10%	258,790	7%
Aberdeen Fund Management (global equity)	256,832	8%	284,839	8%
JP Morgan Asset Management (global equity)	260,316	8%	306,802	8%
Longview Partners (global equity)	157,258	5%	161,234	4%
Sarasin & Partners (global equity)	248,311	8%	291,331	8%
State Street Global Advisors (global index tracking)	894,330	27%	1,174,957	32%
Legal & General Investment Management (passive UK index-linked)	162,079	5%	196,578	5%
Russell Investments (emerging markets equity)	61,776	2%	87,748	2%
Record Currency Management (currency hedging)	13,602	0%	1,512	0%
Colliers International UK plc (property)	243,800	7%	298,170	8%
Morgan Stanley Investment Management (alternatives funds)	52,402	2%	51,196	1%
Schroder Investment Management (alternatives funds)	51,134	2%	54,017	2%
Goldman Sachs Asset Management (hedge funds)	61,313	2%	88,038	2%
HarbourVest Partners (private equity)	80,899	3%	92,358	3%
Knightsbridge Advisors (private equity)	11,662	0%	14,308	0%
Partners Group (private equity)	9,595	0%	9,063	0%
Lazard Technology Partners (private equity)	1,656	0%	2,146	0%
Capital Dynamics (private equity)	844	0%	759	0%
Director of Finance and Resources (centrally held)	103,350	3%	111,827	3%
	<b>3,276,072</b>	<b>100%</b>	<b>3,760,058</b>	<b>100%</b>

## 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 2014	31 March 2015
	£ 000	£ 000
Equities - UK	25,617	14,846
Equities - Global	42,255	61,740
Fixed interest - UK	5,470	907
Fixed interest - Global	7,643	0
	<b>80,985</b>	<b>77,493</b>

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 2015 the fund held £84.3 million (£86.4 million at 31 March 2014) of collateral in the form of government obligations (such as Gilts) and equities.

Income received from stock-lending activities was £0.23 million for the year ending 31 March 2015 (£0.24 million for year ending 31 March 2014). This is included within the investment income figure shown on the pension fund account.

## 4. Contributions receivable

	2013/2014 £ 000	2014/2015 £ 000
<b>Employers</b>		
Normal	104,246	108,566
Actuarial strain	7,833	6,424
Additional	1,520	23,629
<b>Scheme members</b>		
Normal	35,579	35,439
<i>The additional contributions in 2013/2014 were made to the fund by Staffordshire County Council on behalf of Staffordshire and Stoke on Trent NHS Partnership Trust.</i>		
<i>The additional contributions in 2014/2015 was the proportion of the prepayment of employer deficit funding made by eight employing bodies which related to future years.</i>		
<b>Total</b>	<b>149,178</b>	<b>174,058</b>

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

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

Staffordshire County Council	54,436	64,357
Scheduled bodies	73,182	88,811
Admitted bodies	21,560	20,890
<b>Total</b>	<b>149,178</b>	<b>174,058</b>

## 5. Transfers in

	2013/2014 £ 000	2014/2015 £ 000
<b>Individual transfers in from other schemes</b>	<b>9,172</b>	<b>7,773</b>

## 6. Benefits payable

	2013/2014 £ 000	2014/2015 £ 000
Pensions	113,090	119,596
Commutations and lump-sum retirement benefits	26,178	26,344
Lump-sum death benefits	3,696	3,379
<b>Total</b>	<b>142,964</b>	<b>149,319</b>

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

Staffordshire County Council	62,923	64,136
Scheduled bodies	71,397	75,836
Admitted bodies	8,644	9,347
<b>Total</b>	<b>142,964</b>	<b>149,319</b>

## 7. Payments to and on account of leavers

	2013/2014 £ 000	2014/2015 £ 000
Individual transfers to other schemes	6,448	6,444
Group transfers to other schemes	0	3,466
Payments for members joining / (leaving) state scheme	1	38
Refunds to members leaving service	9	178
<b>Total</b>	<b>6,458</b>	<b>10,126</b>

## 8. Administrative expenses

	2013/2014 £ 000	2014/2015 £ 000
Administration costs	1,937	1,973
IT costs	126	157
Other expenses	136	411
<b>Total</b>	<b>2,199</b>	<b>2,541</b>



## 9. Investment management expenses

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

	2013/2014 £ 000	2014/2015 £ 000
Management fees	9,573	11,672
Custody	178	206
Other investment management expenses	1,420	1,263
<b>Total</b>	<b>11,171</b>	<b>13,141</b>

## 10. Oversight and governance costs

	2013/2014 £ 000	2014/2015 £ 000
External audit fee	25	28
Actuarial services	394	103
Performance measurement	100	83
Other governance costs	240	421
<b>Total</b>	<b>759</b>	<b>635</b>

## 11. Investment income

	2013/2014 £ 000	2014/2015 £ 000
Fixed interest securities	9,879	9,872
Dividends from equities	34,755	28,129
Income from index-linked securities	0	0
Income from pooled investment vehicles	833	2,016
Rents from property	13,474	14,079
Interest on cash deposits	449	695
Stock lending	240	234
Other	212	129
	<b>59,842</b>	<b>55,154</b>
Withholding tax we cannot recover	(674)	(519)
<b>Total</b>	<b>59,168</b>	<b>54,635</b>

## 12. Investment reconciliation

	Value at 1 April 2014	Purchases at cost	Sales proceeds	Change in market value	Value at 31 March 2015
	£ 000	£ 000	£ 000	£ 000	£ 000
Fixed interest securities	239,381	0	(28,443)	3,873	214,811
Equities	1,241,458	830,189	(946,756)	139,301	1,264,192
Pooled investment vehicles	1,124,979	208,416	(74,005)	204,285	1,463,675
Derivatives	10,361	4,565,986	(4,577,814)	669	(798)
Property	243,546	27,315	(2,902)	30,098	298,057
Other	269,505	35,568	(25,465)	32,276	311,884
	<b>3,129,230</b>	<b>5,667,474</b>	<b>(5,655,385)</b>	<b>410,502</b>	<b>3,551,821</b>
External cash deposits (centrally held)	103,339				106,589
Investment manager and central cash	43,503			4,149	101,648
	<b>3,276,072</b>			<b>414,651</b>	<b>3,760,058</b>
Outstanding dividend entitlements and recoverable withholding tax	8,437				8,125
Amount receivable for sales of investments	6,815				5,622
Amounts payable for purchases of investments	(9,067)				(9,808)
<b>Total</b>	<b>3,282,257</b>				<b>3,763,997</b>

Transaction costs are included in the cost of purchases and sales proceeds and include fees, commissions, stamp duty and other fees. The fund was charged transaction costs of £2.9 million in 2014/2015 (£2.6 million in 2013/2014). As well as the transaction costs shown, the fund was also charged indirectly through the bid-offer spread (the difference between bid prices and offer prices) on investments and within pooled investment vehicles.

The fund holds the following pooled investments that exceed 5% of the total value of net assets at 31 March 2015 (also at 31 March 2014):

- State Street Global Advisors, Passive UK Equity - £327.9m (8.7%) (£311.7m (9.5%) at 31 March 2014);
- State Street Global Advisors, Passive All World Equity - £847.1m (22.6%) (£582.6m (17.7%) at 31 March 2014).

As at 31 March 2015 the fund was committed to the following:

- £67.1m of private equity investments (£55.0m at 31 March 2014);
- The sale of a UK directly held property investment for £7.6m (£12.2m of investments at 31 March 2014)

The fund had no commitments to UK pooled property funds at 31 March 2015 (nil at 31 March 2014)

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

## 12a. Analysis of investments

	31 March 2014 £ 000		31 March 2015 £ 000	
<b>Fixed interest securities</b>				
UK corporate quoted	106,204	3%	97,002	3%
Global corporate quoted	133,177	4%	117,809	3%
	<b>239,381</b>	<b>7%</b>	<b>214,811</b>	<b>6%</b>
<b>Equities</b>				
UK quoted	453,537	14%	374,523	10%
Global quoted	787,921	25%	889,669	24%
	<b>1,241,458</b>	<b>39%</b>	<b>1,264,192</b>	<b>34%</b>
<b>Pooled investment vehicles</b>				
UK	367,946	11%	332,257	9%
UK index-linked	162,079	5%	196,578	5%
Global	594,954	19%	934,840	25%
	<b>1,124,979</b>	<b>35%</b>	<b>1,463,675</b>	<b>39%</b>
<b>Derivatives (see note 13)</b>				
Forward foreign currency	10,210	0%	(926)	0%
Futures	151	0%	128	0%
	<b>10,361</b>	<b>0%</b>	<b>(798)</b>	<b>0%</b>
<b>Property</b>				
UK directly held property	207,605	6%	256,125	7%
UK pooled property funds	35,941	1%	41,932	1%
	<b>243,546</b>	<b>7%</b>	<b>298,057</b>	<b>8%</b>
<b>Other</b>				
Alternatives funds	103,536	3%	105,212	3%
Hedge funds	61,313	2%	88,038	2%
Private equity	104,656	3%	118,634	3%
	<b>269,505</b>	<b>8%</b>	<b>311,884</b>	<b>8%</b>
<b>Cash</b>				
External deposits	103,339	3%	106,589	3%
Investment manager and central (Sterling £)	37,102	1%	93,240	2%
Investment manager and central (non Sterling £)	6,401	0%	8,408	0%
	<b>146,842</b>	<b>4%</b>	<b>208,237</b>	<b>5%</b>
<b>Total</b>	<b>3,276,072</b>	<b>100%</b>	<b>3,760,058</b>	<b>100%</b>

## 13. Derivative contracts

### Forward foreign currency contracts

To reduce the volatility associated with fluctuating currency rates the fund holds forward foreign currency contracts. The open contracts at 31 March are analysed in Sterling (£) against other major currencies below.

	31 March 2014	31 March 2014	31 March 2015	31 March 2015
	Assets	Liabilities	Assets	Liabilities
	£ 000	£ 000	£ 000	£ 000
Canadian Dollar	4,775	(2,378)	1,026	(936)
Swiss Franc	42	(449)	1,041	(1,787)
Euro	1,396	(1,739)	9,882	(7,042)
Japanese Yen	11,287	(7,502)	391	(611)
United States Dollar	15,179	(10,402)	30,377	(33,265)
Other	2	(1)	0	(2)
	<b>32,681</b>	<b>(22,471)</b>	<b>42,717</b>	<b>(43,643)</b>

### Futures contracts

Futures contracts were used for efficient portfolio management within the Insight Investment corporate bond portfolio. All were traded on a stock exchange and are listed below at 31 March.

	nominal value £ 000	31 March 2014 Assets £ 000	31 March 2014 Liabilities £ 000	31 March 2015 Assets £ 000	31 March 2015 Liabilities £ 000
Euro Bund Future (Euro €) - June 2014	5,196	0	(3)	0	0
Long Gilt Future (Sterling £) - June 2014	13,933	87	0	0	0
US 10 year Note (US \$) - June 2014	7,620	45	0	0	0
US 5 year Note (US \$) - June 2014	4,743	22	0	0	0
Euro Bund Future (Euro €) - June 2015	4,789	0	0	0	(62)
Long Gilt Future (Sterling £) - June 2015	15,387	0	0	310	0
US 10 year Note (US \$) - June 2015	7,252	0	0	0	(93)
US 5 year Note (US \$) - June 2015	4,174	0	0	0	(27)
		<b>154</b>	<b>(3)</b>	<b>310</b>	<b>(182)</b>

## 14. Current assets

	2013/2014 £ 000	2014/2015 £ 000
<b>Contributions due</b>		
Employers	12,970	9,077
Members	1,980	1,005
Cash balances	1,224	1,461
HM Revenue & Customs	11	11
Payments made in advance	0	0
Other	1,920	2,832
<b>Total</b>	<b>18,105</b>	<b>14,386</b>

An analysis of current assets by type of body is given below.

	2013/2014 £ 000	2014/2015 £ 000
Central government bodies	7,418	6,479
Other local authorities	8,055	4,721
NHS bodies	423	381
Public corporations and trading funds	451	463
Other entities and individuals	1,758	2,342
<b>Total</b>	<b>18,105</b>	<b>14,386</b>

## 15. Current liabilities

	2013/2014 £ 000	2014/2015 £ 000
Investment management expenses	(2,529)	(2,027)
Income received in advance	(1,081)	(2,221)
Benefits payable	(2,765)	(3,513)
Other	(633)	(1,913)
<b>Total</b>	<b>(7,008)</b>	<b>(9,674)</b>

An analysis of current liabilities by type of body is given below.

	2013/2014 £ 000	2014/2015 £ 000
Central government bodies	0	(73)
Other local authorities	(6)	(1)
NHS bodies	(3)	0
Public corporations and trading funds	0	0
Other entities and individuals	(6,999)	(9,600)
<b>Total</b>	<b>(7,008)</b>	<b>(9,674)</b>

## 16. Directly held property net asset account

The fund had investments in property of £298.1m at 31 March 2015 (£243.5m at 31 March 2014), of which £256.1m was in directly held property (£207.6m at 31 March 2014). The account below reconciles the movement in the fund's investments in directly held property.

	2013/2014 £ 000	2014/2015 £ 000
Balance at start of year	206,910	207,605
Purchases at cost	15,991	26,947
Sale proceeds	(37,693)	(801)
Change in market value	22,397	22,374
<b>Balance at 31 March</b>	<b>207,605</b>	<b>256,125</b>



## 17. Directly held property fund account

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

	2013/2014 £ 000	2014/2015 £ 000
Rental income	13,474	14,079
Direct operating expenses	(1,403)	(1,225)
<b>Net income</b>	<b>12,071</b>	<b>12,854</b>

## 18. Additional voluntary contributions

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

The contributions are not included within the fund accounts, in line with regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The table below shows the activity for each AVC provider in the year.

	Clerical Medical £ 000	Equitable Life £ 000	Standard Life £ 000
<b>Opening value</b>	<b>1,122</b>	<b>724</b>	<b>1,938</b>
Income	85	1	153
Expenditure	(200)	(71)	(203)
Change in market value	146	21	163
<b>Closing value</b>	<b>1,153</b>	<b>675</b>	<b>2,051</b>

## 19. Related-party disclosure

Staffordshire Pension Fund is administered by Staffordshire County Council. The county council incurs expenditure in relation to the administration of the fund and is subsequently reimbursed by the pension fund.

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.

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.

At 31 March 2015 three members of the Pensions Committee and the Pensions Panel remained members of the scheme as they were members prior to 31 March 2014.

## 20. 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. These payments commenced in 2011/2012 and the current assets figure at note 14 (Employers) includes the £6.024 million due at 31 March 2015.

## 21. Deferred liability

A cash transfer was made to the fund in 2011/2012 by the Environment Agency of £0.188m. The transfer was in respect of Pre-1974 Water Company Pensions increase recharges and represents income received in advance. £0.013m has been transferred to the revenue account in 2014/2015 and £0.013m will be released per year until 2025/2026. The current liabilities figure at note 15 (Income received in advance) includes the remaining £0.138m to be released at 31 March 2015.

## 22. Events after the balance sheet date

There have been no significant events since 31 March 2015 that require any adjustment to these accounts.

## 23. Critical judgements in applying accounting policies

### Unquoted private equity investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward looking estimates and judgements involving many factors. The value of unquoted private equity investments at 31 March 2015 was £118.6m (£104.7m at 31 March 2014).

### 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.

## 24. 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 2015 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 £118.6m. There is a risk that this investment may be under or overstated in the accounts.
Hedge funds	Hedge funds are valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the funds directors or independent administrators judge necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total value of hedge funds in the financial statements is £88.1m. There is a risk that this investment may be under or overstated in the accounts.
Alternatives Funds	The fund invests in two diversified alternatives funds which 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 the fund's investments in alternatives funds in the financial statements is £105.2m. There is a risk that this investment may be under or overstated in the accounts.

## 25. Classification of financial instruments

The net assets of the fund disclosed in the net assets statement and under note 12 are made up of the following categories of financial instruments. No financial instruments were reclassified during 2014/2015.

The analysis below and in subsequent notes on financial instruments does not include the pension funds directly held property. This is treated under a different accounting standard (IAS 40 Investment Property) and is disclosed under note 16 - Directly held property net asset account and note 17 - Directly held property fund account.

### 31 March 2015

	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Total
	£ 000	£ 000	£ 000	£ 000
<b>Financial assets</b>				
Fixed interest securities	214,811	0	0	214,811
Equities	1,264,192	0	0	1,264,192
Pooled investment vehicles	1,463,675	0	0	1,463,675
UK pooled property funds	41,932	0	0	41,932
Hedge funds	88,038	0	0	88,038
Private equity	118,634	0	0	118,634
Alternatives funds	105,212	0	0	105,212
Derivatives - futures	128	0	0	128
Cash	0	209,698	0	209,698
Other investment balances	13,747	0	0	13,747
Current assets	0	12,925	0	12,925
	<b>3,310,369</b>	<b>222,623</b>	<b>0</b>	<b>3,532,992</b>
<b>Financial liabilities</b>				
Derivatives - forward foreign currency	(926)	0	0	(926)
Current liabilities	0	0	(9,674)	(9,674)
Other investment balances	(9,808)	0	0	(9,808)
	<b>(10,734)</b>	<b>0</b>	<b>(9,674)</b>	<b>(20,408)</b>
	<b>3,299,635</b>	<b>222,623</b>	<b>(9,674)</b>	<b>3,512,584</b>

The previous years data is given on page 57

31 March 2014

	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Total
	£ 000	£ 000	£ 000	£ 000
<b>Financial assets</b>				
Fixed interest securities	239,381	0	0	239,381
Equities	1,241,458	0	0	1,241,458
Pooled investment vehicles	1,124,979	0	0	1,124,979
UK pooled property funds	35,941	0	0	35,941
Hedge funds	61,313	0	0	61,313
Private equity	104,656	0	0	104,656
Alternatives funds	103,536	0	0	103,536
Derivatives	10,361	0	0	10,361
Cash	0	148,066	0	148,066
Other investment balances	15,252	0	0	15,252
Current assets	0	16,881	0	16,881
	<b>2,936,877</b>	<b>164,947</b>	<b>0</b>	<b>3,101,824</b>
<b>Financial liabilities</b>				
	0	0	(7,008)	(7,008)
	(9,067)	0	0	(9,067)
	<b>(9,067)</b>	<b>0</b>	<b>(7,008)</b>	<b>(16,075)</b>
	<b>2,927,810</b>	<b>164,947</b>	<b>(7,008)</b>	<b>3,085,749</b>

## 26. Net gains and losses on financial instruments

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

	2013/2014 £ 000	2014/2015 £ 000
<b>Financial assets</b>		
Designated as fair value through profit and loss	164,078	388,128
Loans and receivables	1,409	4,149
	<b>165,487</b>	<b>392,277</b>

## 27. Fair value of financial instruments

The following table summarises the carrying values of the financial instruments by class against their fair values.

	Monday, 31 March 2014		Tuesday, 31 March 2015	
	Carrying value £ 000	Fair value £ 000	Carrying value £ 000	Fair value £ 000
<b>Financial assets</b>				
Fair value through profit and loss	2,936,877	2,936,877	3,310,369	3,310,369
Loans and receivables	164,947	164,947	222,623	222,623
<b>Financial Liabilities</b>				
Fair value through profit and loss	(9,067)	(9,067)	(10,734)	(10,734)
Financial liabilities measured at amortised cost	(7,008)	(7,008)	(9,674)	(9,674)
	<b>3,085,749</b>	<b>3,085,749</b>	<b>3,512,584</b>	<b>3,512,584</b>



## 28. Valuation of financial instruments carried at fair value

The Fund is required to classify its financial instruments into three levels of a fair value hierarchy 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. Examples of financial instruments classified as level 1 are quoted equities and fixed interest securities.

**Level 2** - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). An example of a level 2 financial instrument is a pooled property fund as they are not traded in a market that is considered to be active and valuation techniques used to determine fair value use inputs based significantly on observable market data.

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

The following table provides an analysis of the financial assets and liabilities of the Fund by the three levels based on the level at which the fair value is observable.

### 31 March 2015

	Level 1 £ 000	Level 2 £ 000	Level 3 £ 000	Total £ 000
<b>Financial assets</b>				
Designated as fair value through profit and loss	2,956,553	41,932	311,884	3,310,369
Loans and receivables	222,623	0	0	222,623
<b>Financial liabilities</b>				
Designated as fair value through profit and loss	(10,734)	0	0	(10,734)
Financial liabilities at amortised cost	(9,674)	0	0	(9,674)
	<b>3,158,768</b>	<b>41,932</b>	<b>311,884</b>	<b>3,512,584</b>

The previous years data is given below.

### 31 March 2014

	Level 1 £ 000	Level 2 £ 000	Level 3 £ 000	Total £ 000
<b>Financial assets</b>				
Designated as fair value through profit and loss	2,621,221	46,151	269,505	2,936,877
Loans and receivables	164,947	0	0	164,947
<b>Financial liabilities</b>				
Designated as fair value through profit and loss	(9,067)	0	0	(9,067)
Financial liabilities at amortised cost	(7,008)	0	0	(7,008)
	<b>2,770,093</b>	<b>46,151</b>	<b>269,505</b>	<b>3,085,749</b>

## 29. Nature and extent of risks arising from financial instruments

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

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

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

### Market risk

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

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

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 2014/2015 financial year. The potential market movements figures also allow for interest rate and currency rate fluctuations.

Asset type	Potential market movements
UK equity	+/- 17%
Global equity	+/- 22%
Private equity	+/- 29%
UK fixed interest bonds	+/- 13%
UK Index-linked bonds	+/- 9%
Corporate bonds	+/- 12%
Cash	+/- 1%
UK pooled property funds	+/- 15%
Alternatives	+/- 10%

This movement in the market prices would increase or decrease the net assets at 31 March 2015 to the amounts shown below.

Asset type	31 March 2015 £ 000	Percentage change %	Value on increase £ 000	Value on decrease £ 000
UK corporate bonds	97,002	12%	108,642	85,362
Global corporate bonds	117,809	12%	131,946	103,672
UK equities	374,523	17%	438,192	310,854
Global equities	889,669	22%	1,085,396	693,942
UK pooled investments	332,257	17%	388,741	275,773
UK index-linked pooled investments	196,578	9%	214,270	178,886
Overseas pooled investments	934,840	22%	1,140,505	729,175
Forward foreign currency	(926)	0%	(926)	(926)
Futures	128	0%	128	128
UK pooled property funds	41,932	15%	48,222	35,642
Hedge funds	88,038	10%	96,842	79,234
Private equity	118,634	29%	153,038	84,230
Alternatives funds	105,212	10%	115,733	94,691
Cash	208,237	1%	210,319	206,155
Outstanding dividend entitlements and recoverable withholding tax	8,125	0%	8,125	8,125
Amount receivable for sales of investments	5,622	0%	5,622	5,622
Amounts payable for purchases of investments (9,808)		0%	(9,808)	(9,808)
Current assets	14,386	0%	14,386	14,386
Current liabilities	(9,674)	0%	(9,674)	(9,674)
	<b>3,512,584</b>		<b>4,139,699</b>	<b>2,885,469</b>

## 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 fixed interest and index-linked securities. The amount of income the fund generates from its cash holdings would also be affected.

## Foreign currency risk

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

A high proportion of the fund's equity portfolio is held in global stock markets. To reduce the volatility associated with fluctuating currencies, the fund employed Record Currency Management to manage a dynamic currency hedging mandate. Whilst the reduction in volatility was acknowledged the programme was deemed to have added insufficient additional value for the fee. Due to this the mandate was terminated in July 2014 and the programme fully wound down by May 2015.

## 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.

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

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

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

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

In 2014/2015 investments were made with:

- Staffordshire County Council's banker, Lloyds Bank (lower of £30m or 15% of cash up to 50% of total cash held).
- "AAA" rated Sterling (£) Money Market funds with same day access (lower of 0.50% of MMF size or 10% of cash per MMF up to 50% of total cash held).

Banks and Building Societies that met the funds credit criteria (lower of £30m or 15% of cash up to 50% of total cash held).

At 31 March 2015, £107.6m was held in this way (£103.3m at 31 March 2014).

## 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 to meet short term commitments.

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 alternatives funds currently make up a smaller proportion of the fund's assets.

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

## Statement of Director of Finance and Resources Responsibilities

In preparing this Pension Fund report, the Director of Finance and Resources has;

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code of Practice on Local Authority Accounting
- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

## Director of Finance and Resources certificate

I certify that the Pension Fund report presents fairly the financial position of the Pension Fund as at 31 March 2015 and its income and expenditure for the year ended 31 March 2015.

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

# Independent auditors' statement to the Members of the Staffordshire County Council (the Authority) on the Pension Fund financial statements

## Statement on the financial statements

### Our opinion

In our opinion the financial statements, defined below:

- are consistent with the pension fund accounts included within the Statement of Accounts of Staffordshire County Council for the year ended 31 March 2015; and
- have been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This opinion is to be read in the context of what we say in the remainder of this report.

### What we have examined

The pension fund financial statements, which are prepared by Staffordshire County Council comprise:

- the Net Assets Statement as at 31 March 2015;
- the Fund Account for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in their preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

## Responsibilities for the financial statements and our examination

### Our responsibilities and those of the Responsible Finance and Resources Officers

As explained more fully in the Statement of Director of Finance and Resources Responsibilities set out on page 63 of the audited Statement of Accounts the Director of Finance and Resources is responsible for the preparation of the financial statements in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15. Our responsibility is to express an opinion on the consistency of the financial statements within



the pension fund annual report with the pension fund accounts in the Statement of Accounts of Staffordshire County Council. Our report on the pension fund accounts describes the basis of our opinion on those pension fund accounts.

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 financial statements. The other information consists of: The Chair's and Directors' Statements, the Statutory Information, the Management Reports, the Statistical Information and Risk Management and the Appendices.

This report, including the opinions, has been prepared for and only for the Authority's members as a body in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies – Local Government, published by the Audit Commission in March 2010. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other matter

We have not considered the effects of any events between the date on which we signed our report on the Statement of Accounts, 30 September, and the date of this statement.



Richard Bacon (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cornwall Court  
19 Cornwall Street  
Birmingham  
B3 2DT

21 October 2015

- (a) The maintenance and integrity of the Staffordshire County Council website is the responsibility of the senior officers; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Statement of Accounts since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of the Statement of Accounts may differ from legislation in other jurisdictions.



# 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.

## 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.

## 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 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.

## Socially responsible investment

Investments which take into consideration social and environmental 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.

## Contact us

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

### Investment and Fund management

Melanie Stokes – Treasury and Pension Fund Manager

**Phone:** 01785 276330

**E-mail:** [treasury.pensionfund@staffordshire.gov.uk](mailto:treasury.pensionfund@staffordshire.gov.uk)

### Benefits, Contributions and Pensions Payroll

Janet Caiazzo – Pensions Manager

**Phone:** 01785 276441 or for Payroll

01785 278222 (option 2)

**E-mail:** [pensions.enquiries@staffordshire.gov.uk](mailto:pensions.enquiries@staffordshire.gov.uk)

#### Or, you can write to us at:

Treasury and Pension Fund  
Staffordshire County Council  
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You can also visit our website at

[www.staffspf.org.uk](http://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.

#### Dating back

to the late 1800s, Beacon Park is set in more than 70 acres of beautiful formal gardens and open space.

Beacon Park, Minster Pool and Walk, and the Garden of Remembrance underwent extensive renovation in 2010 and 2011, thanks to a multi-million pound grant from the Heritage Lottery Fund and Big Lottery Fund.

The project, led by Lichfield District Council and Lichfield City Council, helped to restore many of the historic features, as well as develop new facilities.

From beautiful walks and fascinating wildlife, to a play area and an 18-hole par-3 golf course, Beacon Park offers something for everyone.



**At the  
heart of  
your  
county**

Pension Scheme registration number: 10011745

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**Staffordshire  
Pension Fund**  
Local Government Pension Scheme