

Staffordshire Pension Fund

*Investing
Globally*

**Annual
Report &
Accounts**
2015/2016

www.staffspf.org.uk 



**Staffordshire
Pension Fund**
Local Government Pension Scheme

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Welcome to the 2015-16 Annual Report

Chairman's Report

We consider being entrusted with looking after more than 105,000 people's retirement benefits on behalf of approximately 200 plus employers, an important job and we are always mindful of how to deliver value.

The 2015/16 Financial year has been a busy year for the Fund, with preparation for our next Actuarial Valuation along with the continued bedding in of our Career Average Revalued Earnings (CARE) scheme, which was introduced back in April 2014.

This year also saw the creation of a Local Pension Board. New governance regulations meant that the Fund was required to set up a Board, to assist in securing compliance with legislation relating to the governance and administration of the Pension Scheme and requirements imposed by the Pensions Regulator.

Wider changes in the pensions industry also continue to impact upon us. The newly-introduced ability to access pension savings more flexibly from April 2015, including the ability to withdraw a cash lump-sum, has led to a rise in queries from members. The Fund has been required to remind members that the Local Government Pension Scheme (LGPS) is an excellent means of providing for an income in retirement, and one that is not easy to match.

We are pleased to report the Fund still generated a positive 0.2% return over the year despite weakness in the global economy; global equities returned a negative -4.2% in the same period. The value of the Fund was £3.75 billion as at 31 March 2016, only marginally lower than the year before. However the Fund remains well ahead of its performance targets over three and five years, and over the last ten years has returned nearly 6% in absolute terms each year.

The government is keen on Funds working in partnership. The very nature of these partnership approaches should give more certainty to members and employers about the way the Fund

is managed and, over the long term, provide a more efficient and cheaper way of investing the funds held.

We are already well underway with solutions that will improve investment returns through collaboration, and we look forward to working with Government and our partners.

Staffordshire Pension Fund is now one of eight Local Government Pension Funds, all based in the Midlands, who announced in December 2015, their intention to create an investment pool (known as LGPS Central). This will initially see the creation of a multi asset investment pool of £35 billion in size, meeting the scale sought by the Government.

Our Report this year focuses on our investments around the world and we hope you will find it of interest.

As ever the year ahead is filled with many challenges as well as opportunities. We have a solid team in place and we are confident we will deal with them both.



**Philip E B
Atkins OBE**
Chairman
(Pensions Panel)



Stephen Sweeney
Chairman
(Pensions Committee)

Governance

Staffordshire County Council is legally responsible for the Fund. Managing the Fund's affairs effectively is one of our main aims. Under the County Council's constitution, the Pensions Committee and Pensions Panel are delegated to look after the Fund. As a result of the Public Service Pensions Act 2013, a new Local Pension Board was also set up to aid effective governance. Details of the three bodies are 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 LGPS
- decide how to use its discretionary powers
- approve the annual report and accounts
- monitor the overall administration of the LGPS

Pensions Committee council members at 31 March 2016

Margaret Astle



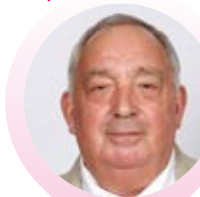
Philip E B Atkins OBE



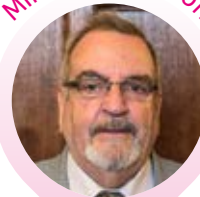
Derek Davis OBE



Alan Dudson



Mike Worthington



Mike Lawrence



Robert Marshall



Shelagh McKiernan



Stephen Sweeney



During the course of 2015/2016 the Pensions Committee:

- Formally approved the 2014/2015 Pension Fund Annual Report and Accounts.
- Received training on the 2016 tri-annual valuation for the LGPS from the Actuary.
- Reviewed the Government's consultation paper on LGPS pooling and approved Staffordshire Pension Fund's formation of an asset pool alongside other LGPS colleagues.
- Approved changes to the Constitution of the Staffordshire Local Pension Board including increasing the membership of the Board.

Involving others in governance

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

The co-opted members cannot vote at meetings and representatives for 2015/16 are shown below with whom they represent.

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



Investing in
the United
Kingdom



London, United Kingdom



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 2016

Philip E B Atkins OBE



Derek Davis OBE



Robert Marshall



Shelagh McKiernan



Stephen Sweeney



The Pensions Panel during 2015/2016:

- Reviewed the Pension Fund performance and Portfolio of Investments for 2014/15.
- Approved the 2016/17 Annual Investment Strategy for managing the Pension Fund's cash.
- Received training on alternative credit ahead of making investments in private debt funds.

Local Pension Board

The main purpose and role of the Board are to:

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

Local Pension Board members at 31 March 2016

Employer representatives:

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

Scheme Member representatives:

- Susan Lees - Union Representative
- Tim Legge - Retired Scheme Member
- Ian Jenkinson – Retired Scheme Member (Chair)

Local Pension Board during 2015/2016:

- Discussed the Pension Board's Terms of Reference
- Reviewed Pensions Committee and Pensions Panel meetings held during the year.
- Considered the development of a Work Plan including training needs for members of the Board.

This is the first year the Pension Board have produced their own Annual Report. The full Report which covers the last financial year since its introduction is available by following the attached link:



Staffordshire Local Pension Board Annual Report

The Executive Summary from the Report is provided below:

“The opinion of the Board is that they currently have no concerns about the Staffordshire Pension Fund or its administration but there are many, significant, changes being discussed by Government, pension advisers, the Regulator and others that will need to be carefully assessed during the coming year.”

Ian Jenkinson – Chair of the Staffordshire Pension Board

Ian Jenkinson



More details of the responsibilities of the Pensions Committee, the Pensions Panel and the Pension Board are set out in our Governance Policy Statement which is available on our website at [Staffordshire Pension Fund Governance Policy](#). 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

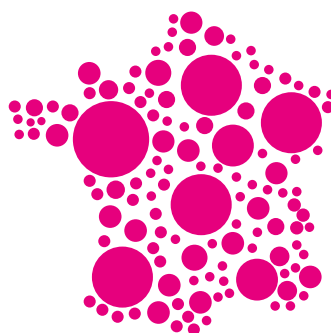
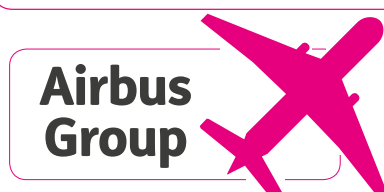
The table below sets out the attendance at the quarterly meetings in 2015/2016.

Pensions Committee member	19/06/2015	23/10/2015	18/12/2015	18/03/2016
Margaret Astle	✓	✗	✓	✓
Philip Atkins OBE	✗	✓	✓	✓
Derek Davis OBE	✓	✓	✗	✗
Alan Dudson	✓	✗	✗	✓
Mike Worthington	✓	✓	✗	✓
Mike Lawrence	✓	✗	✗	✓
Robert Marshall	✓	✓	✓	✓
Shelagh McKiernan	✓	✓	✓	✓
Stephen Sweeney	✓	✓	✓	✓
Steve Elsey	✗	✓	✓	✓
David Loades	✓	✓	✗	✓
Eric Shaw	✓	✓	✓	n/a

Pensions Panel member	09/06/2015	08/09/2015	01/12/2015	09/03/2016
Philip Atkins OBE	✗	✓	✗	✓
Derek Davis OBE	✗	✓	✓	✓
Robert Marshall	✓	✓	✓	✓
Shelagh McKiernan	✓	✓	✓	✓
Stephen Sweeney	✓	✓	✓	✓

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

Pension Board member	23/10/2015	13/11/2015	18/12/2015	18/03/2016
Gordon Alcott	✓	✓	✓	✓
Christina Washington	✓	✗	✓	✓
Corrina Bradley	✓	✓	✓	✓
Susan Lees	✓	✓	✗	✗
Tim Legge	✓	✓	✓	✓
Ian Jenkinson	✓	✓	✓	✓



Administration and Investments

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

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

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

Advice

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

Training

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

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

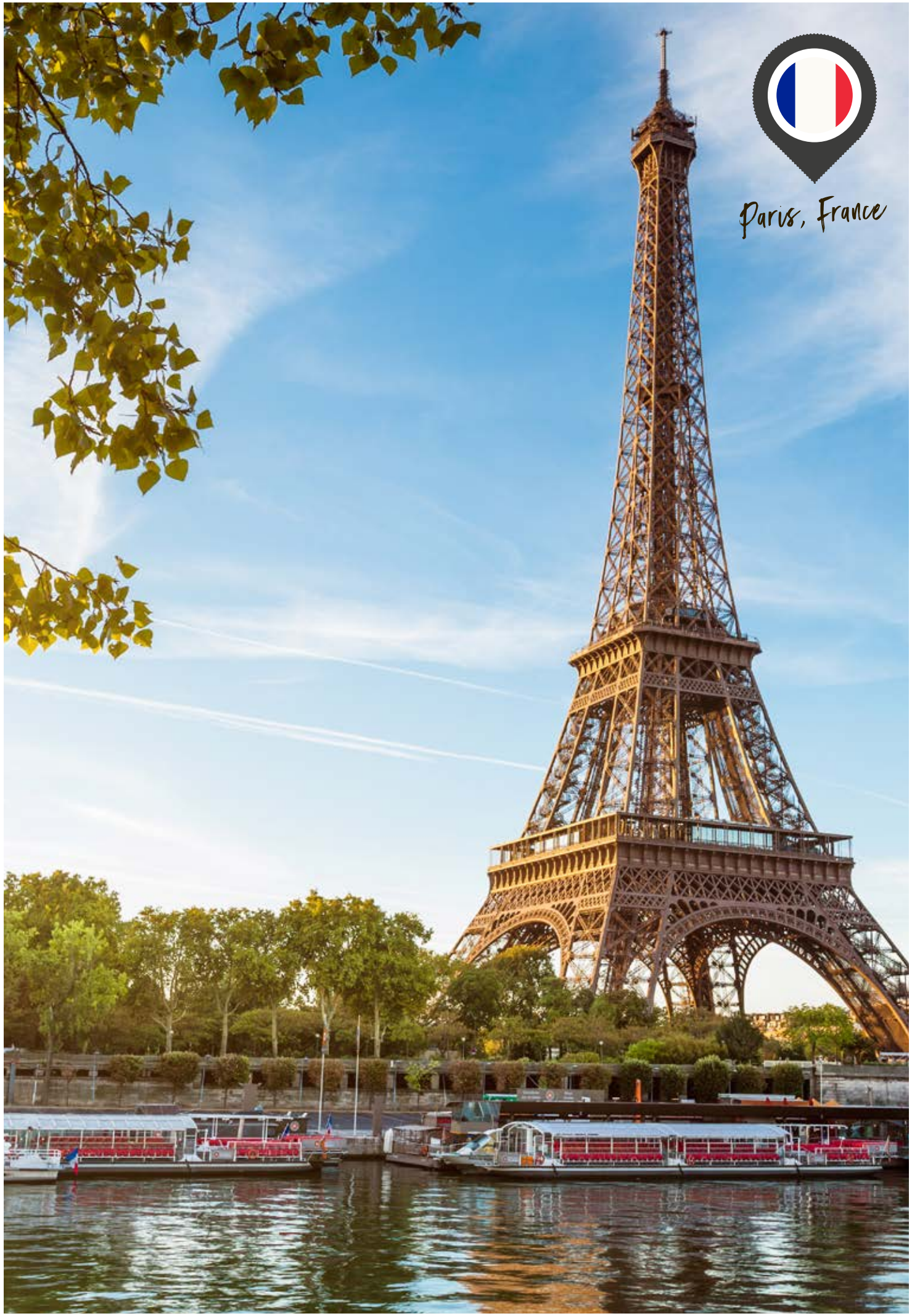
During the year, the Pensions Committee received training on Investment Performance and Risk Management from the Fund Actuary and the Pensions Panel received training on alternative credit and LGPS pooling.

Communication



The Fund produces a Communications Policy that it reviews annually and is available at **Staffordshire Pension Fund Communications Policy**. The document was amended during the year to meet the increased communication requirements of the new LGPS introduced on 1 April 2014.

Full details on how the Fund communicates with its members are available on page 40.



Paris, France

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

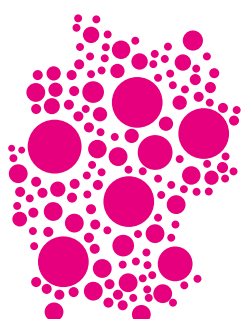
Risk	Action	Alternative
Investment in equities	<p>A large proportion of the Fund is invested in equities which are expected to provide better returns than government bonds over the long term. The risk with this strategy is that equity values fall significantly in the short term and they fail to outperform 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.
Interest rates	<p>Changes in interest rates will affect the level of the Fund’s liabilities and the value of the Fund’s investment in bonds.</p> <p>Little can be done in relation to the change in liabilities; this is a fundamental part of having a Pension Fund. To mitigate the risk of capital loss on bonds from interest rate changes, the Fund’s strategic asset allocation allows scope to adjust the bond exposure.</p>	Invest in assets which match the sensitivity of the liabilities to changes in interest rates (liability driven investment).
Inflation	<p>Future payments the Fund has to make to pensioners are linked to inflation. Therefore increases in the rate of inflation will increase the value of payments to pensioners.</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 [Staffordshire Pension Fund Funding Strategy Statement](#) to see our Funding Strategy Statement and visit [Staffordshire Pension Fund Statement of Investment Principles](#) to see our Statement of Investment Principles.

Investing
in Germany



CONTINENTAL



Frensenius
Medical Care



SAP



Scheme management and advisors

Advisers

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

Actuary

Hymans Robertson LLP

Auditors

Ernst & Young LLP

AVC providers

Clerical Medical
Standard Life Assurance Ltd
The Equitable Life Assurance Society

Bankers

Lloyds Bank plc

Custodian

The Northern Trust Company

Investment managers

Aberdeen Asset Managers Limited
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 Strategy, Governance and Change

Official responsible for the Fund

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

Performance measurement

Portfolio Evaluation Ltd

If you need more information, you can find contact names and phone numbers on page 79.

Global economic review



Investment Report

The 2015/16 financial year was another disappointing year for global growth. The International Monetary Fund indicated world GDP growth rates were 3.1% in 2015 compared to 3.4% in 2014, continuing the underperformance of the global economy after the 2008/09 financial crisis. The muted performance came even as central banks continued to pump in liquidity, oil prices plunged again and inflation was moderate.

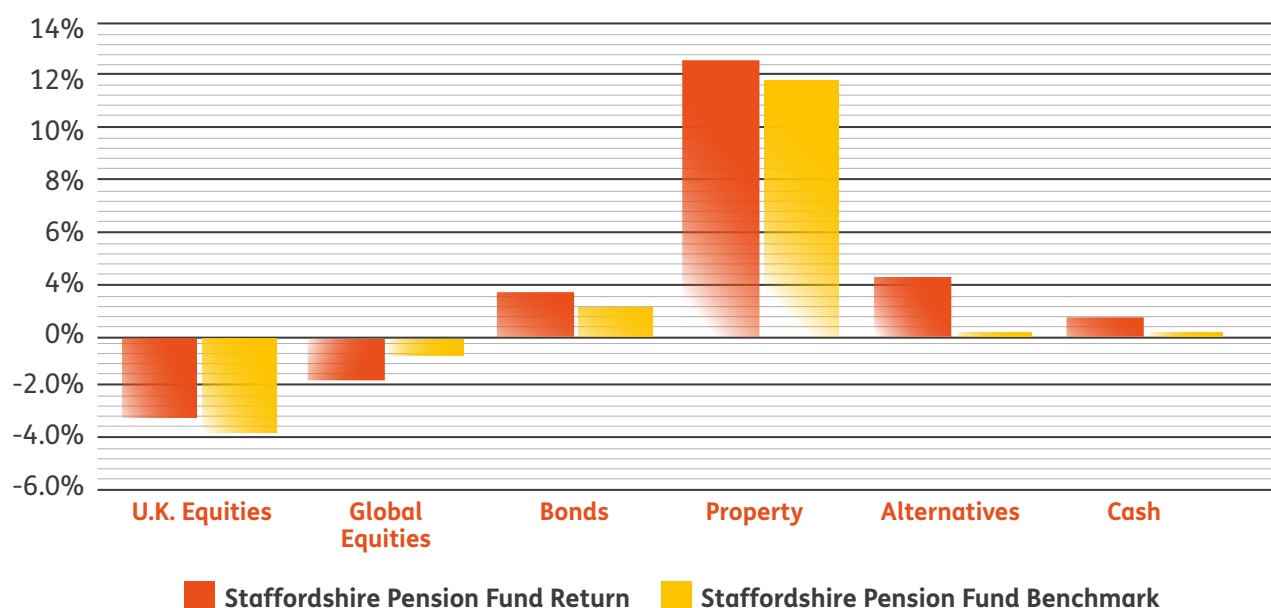
The first quarter of 2015/16 saw the MSCI World Index fall -0.7%, reflecting the subdued nature of global equity markets. Although Chinese performance was strong, rising over 6%, it masked considerable volatility during the quarter. In Europe, the Greek crisis dominated financial news as negotiations on a new bailout initially failed but a deal was eventually struck after a hastily organised referendum rejected the initial terms. Meanwhile UK inflation entered negative territory, the first time the UK had fallen into deflation for half a century. And with strong economic data coming from the US, investors tried to identify when the Federal Reserve might raise interest rates with many anticipating a possible hike in 2015.

In the second quarter global equities recorded their worst quarterly performance for four years; mainly due to fears that China, as the world's second-largest economy, could be headed for a major slowdown in growth. In August the surprise decision to devalue the Yuan by Chinese authorities led many to speculate the situation was worse than feared; this caused a further stock market sell-off as the Shanghai Composite index shed 38% of its value in little over one month. This led to the US Federal Reserve not raising interest rates in September after an increase had been widely anticipated at the start of the quarter. Meanwhile EU growth remained sluggish but the UK economy appeared solid in comparison.

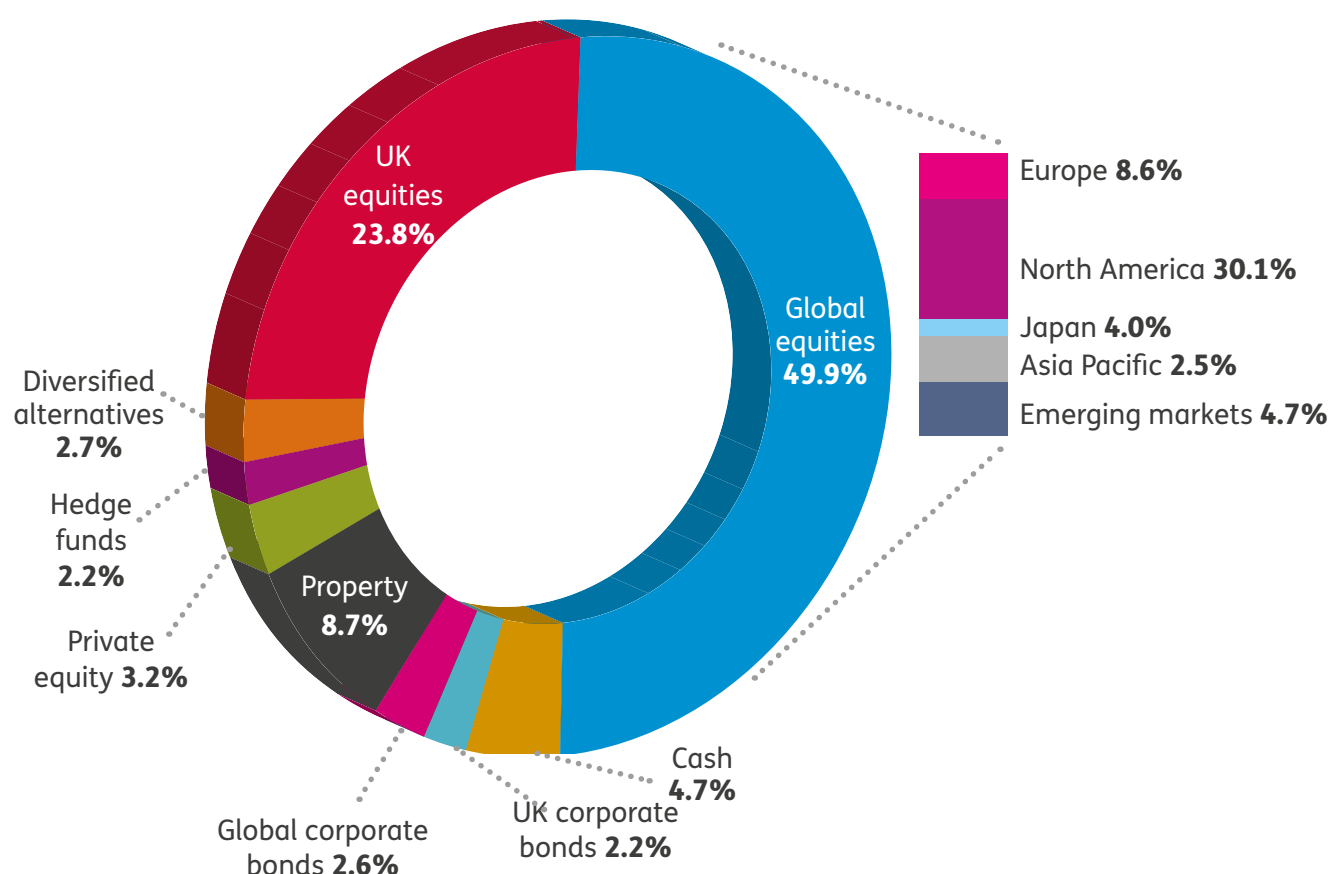
The third quarter of the financial year saw a rebound from weakness in the previous quarter; the MSCI All Countries World Index rose +5.8% in Q3 having fallen -7.7% in Q2. Although Japan was the best performing market, the US also outperformed global markets and finally raised interest rates in December to 0.5%, the first time in nearly a decade. UK equities had a positive period although European equities suffered in December after EU stimulus measures failed to meet investor expectations. China continued to show signs of an economic slowdown which had an adverse impact on global commodity prices; in particular oil continued to see its price fall.

The final quarter of 2015/16 was marked by significant volatility in equity markets due to concerns over global growth. Although the US was the best performing developed market, the Federal Reserve scaled back its forecast interest rate rises from four to two, citing the fragile global recovery as a key reason. Uncertainty over China's policy response to address economic growth persisted and the Bank of England had warned the UK's upcoming vote to leave the EU could hamper UK and global growth. Concerns over growth were also cited as Japan cut interest rates and the EU announced further rate cuts and stimulus packages.

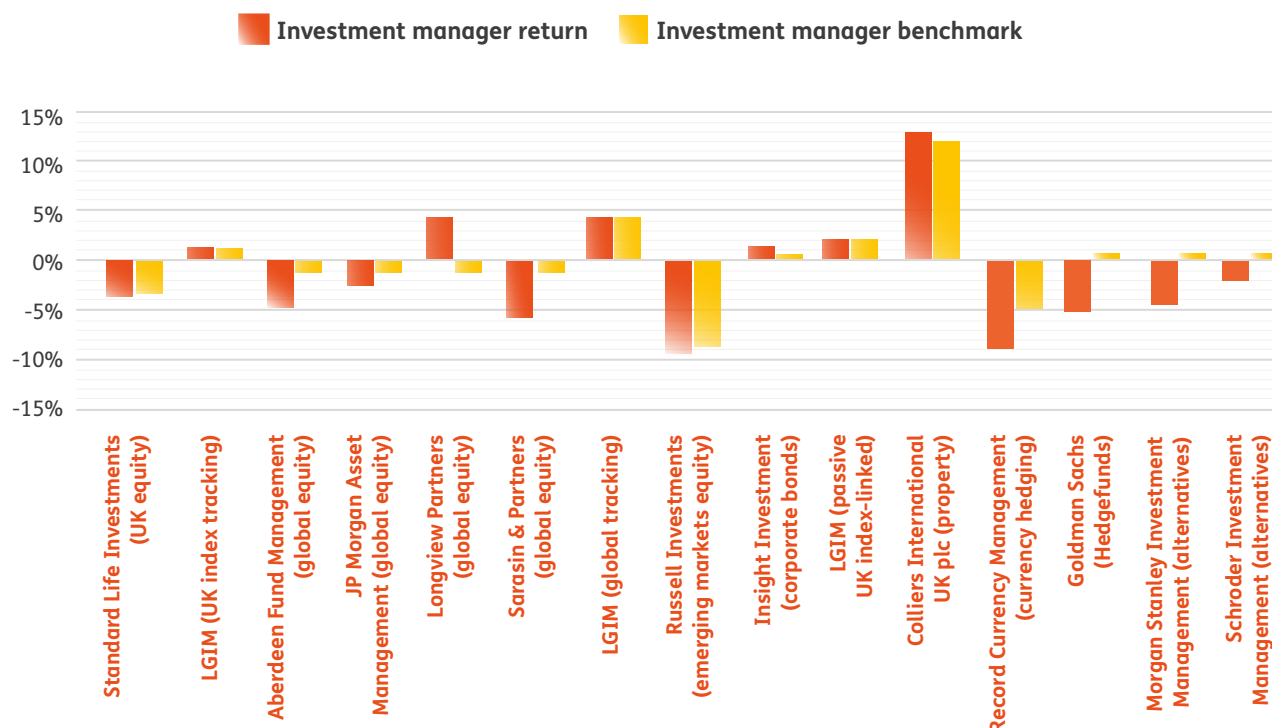
Major asset class returns for year ended 31 March 2016



Percentage breakdown of investment type at 31 March 2016



Investment manager returns for year ended 31 March 2016



Equities

Equities generated negative returns during 2015/2016, with the Fund's equity portfolio returning -2.1% against a benchmark of -1.5%; within this UK equities returned -3.4% and global equities -1.8% (see graph on page 16). Returns would have been even lower as global equities had lower returns on a local currency basis; however the Fund benefited from sterling weakness.

Global equities underperformed during the year, with Japanese and European (excluding the UK) markets performing particularly weakly with returns of -12.2% and -11.7% respectively. Emerging markets (-7.3%) and the Asia Pacific region (-8.1%) did not fare much better with only North America (0.4%) making it into positive territory.

Top Ten Equity Holdings

Name of company	Market value at 31 March 2016
Vodafone	£21,100,474
Roche	£15,659,104
Oracle	£13,431,733
Lloyds Bank	£12,675,487
Hartford	£12,058,098
Alphabet	£11,863,847
Fresenius	£11,662,849
British American Tobacco	£11,410,200
Pfizer	£11,333,852
TJX	£10,846,785

Bonds

During the year the Fund continued to hold corporate bonds as sovereign debt continued to be priced at a premium, especially gilts,

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 2015/2016. Corporate bonds returned 1.3% during the year, against a benchmark of 0.6%.

The Fund also holds an investment of index-linked Gilts and no changes were made to this portfolio during the year. Index-linked Gilts returned 1.9% in 2015/2016, against a benchmark of 1.9%.

During 2015/2016 the Fund's overall bond holding returned 1.7%, exceeding the benchmark return of 1.3%.

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 two properties outside of London, taking advantage of potential market strength in other areas of the country. The Fund also sold its holdings in two property trusts.

The Fund's total property investment return for 2015/2016 was 12.7% against a benchmark of 11.7%. This was the highest returning asset class in the Fund.

Largest direct property holdings

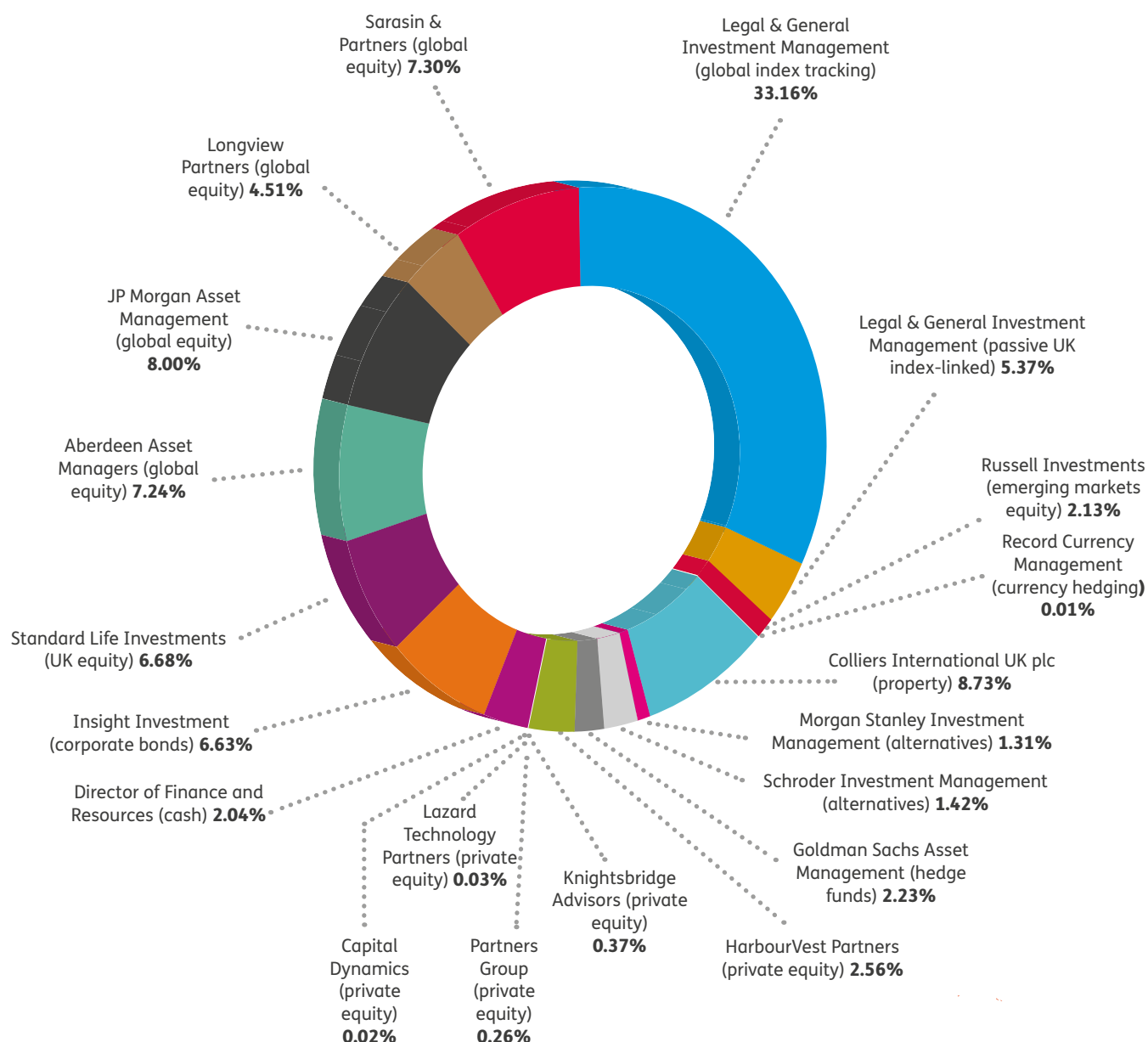
Location	Market value on 31 March 2016
Upper Woburn Place, London WC1 (Office)	£29,300,000
Burwood House, London SW1 (Office)	£24,300,000
Stukeley Street, London WC2 (Office)	£19,900,000
Bridge Street, Dover (Retail)	£16,100,000
Killingbeck Retail Park, Leeds (Retail)	£14,650,000

Alternative investments

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

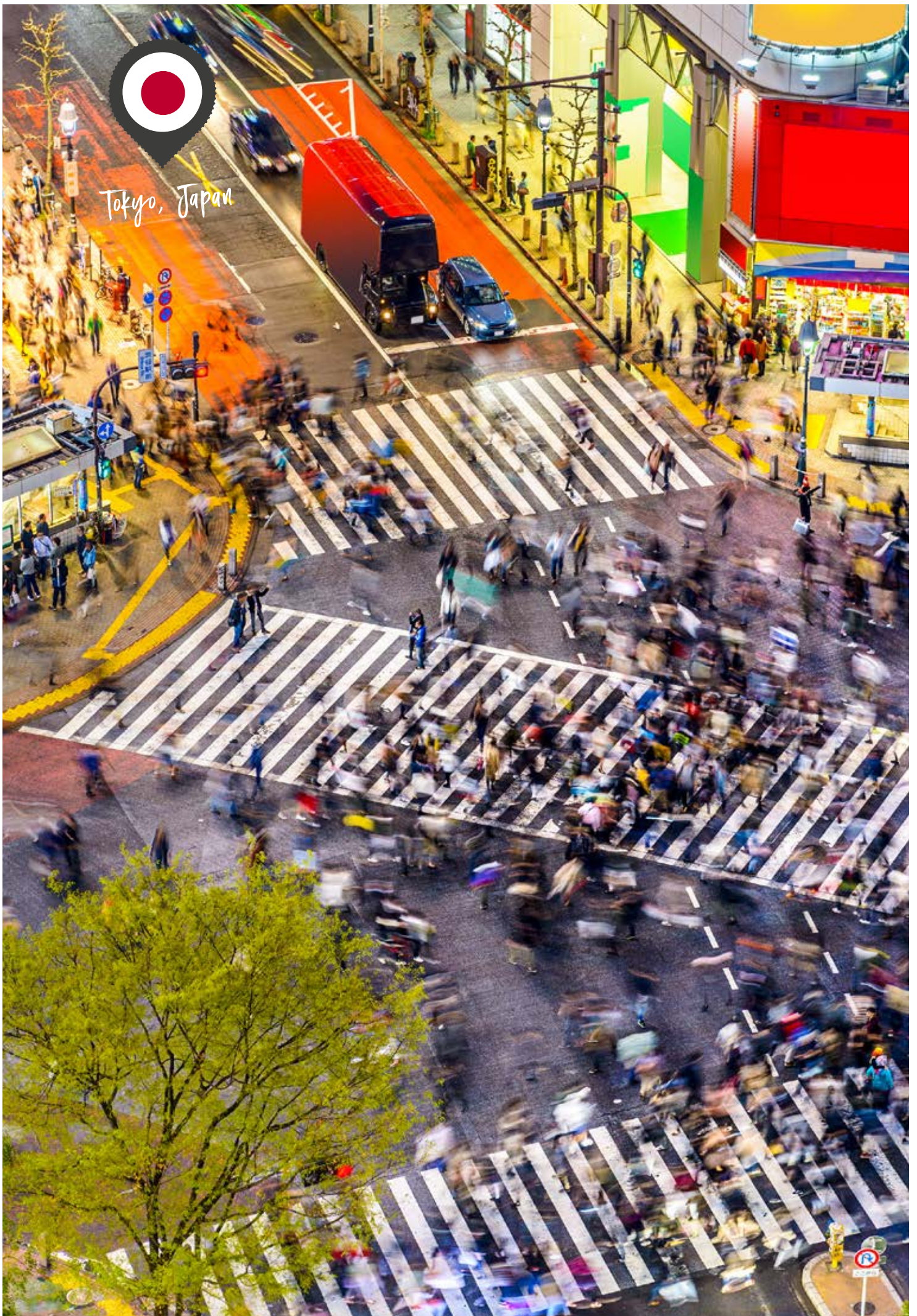
The market for alternative assets is diverse and depending on asset class and manager selection investors can be rewarded with varying returns. The Fund's investment in alternative assets returned 4.5% in 2015/2016, well in excess of the cash benchmark (see graph on page 16). Within this asset class, private equity performed very highly with returns of 19.0%, although diversified alternative funds returned -3.2% and hedge funds -5.3%.

How much of the investments each manager looks after (by market value on 31 March 2016)

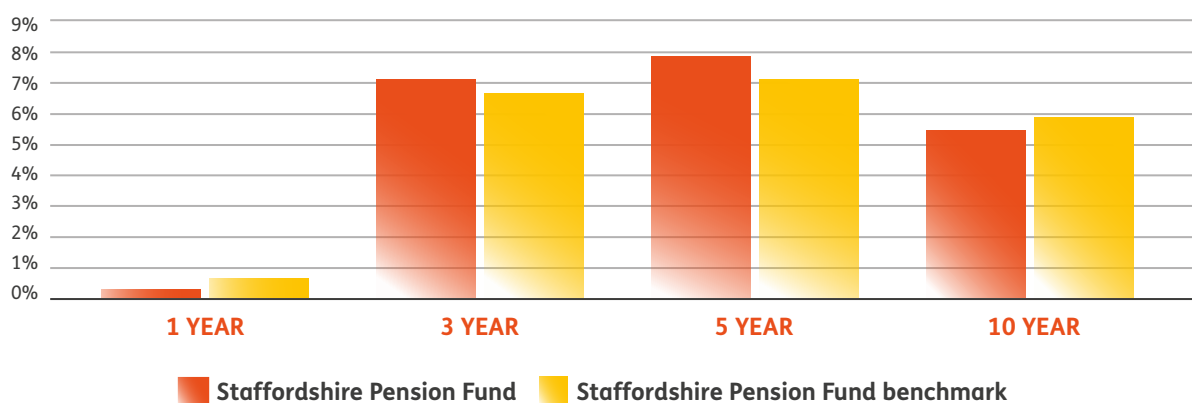




Tokyo, Japan



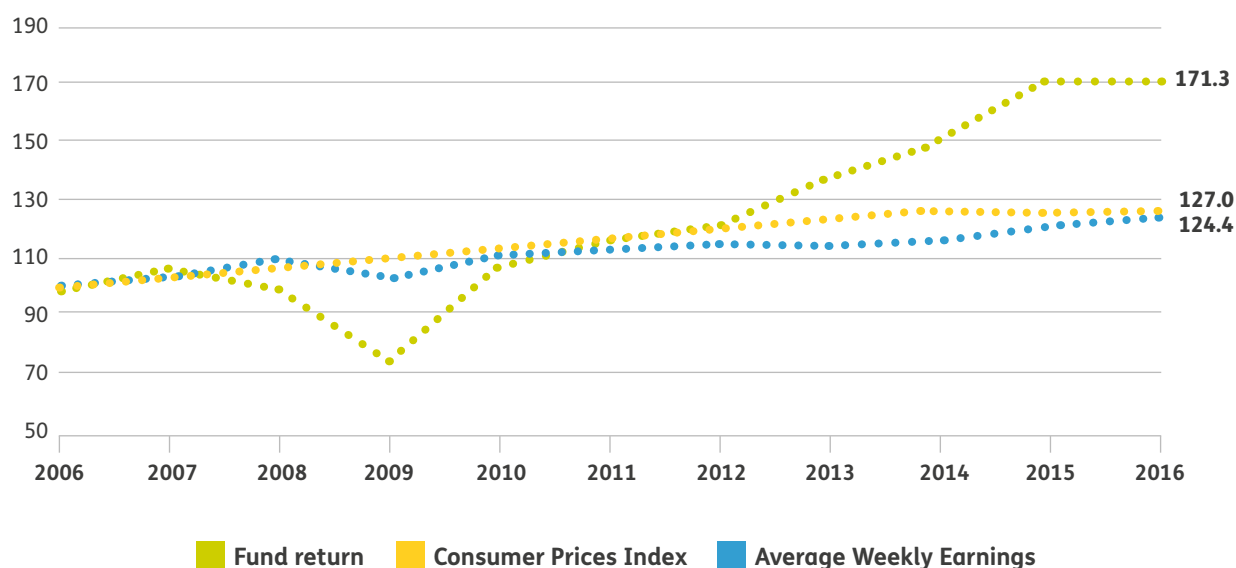
Pension Fund investment returns



For the year ending 31 March 2016 the Fund's total investments earned a return of 0.2%. This was slightly behind the Fund's benchmark of 0.4%. This underperformance was mainly due to underperformance in some equity portfolios and being underweight in the highest returning asset class, Property.

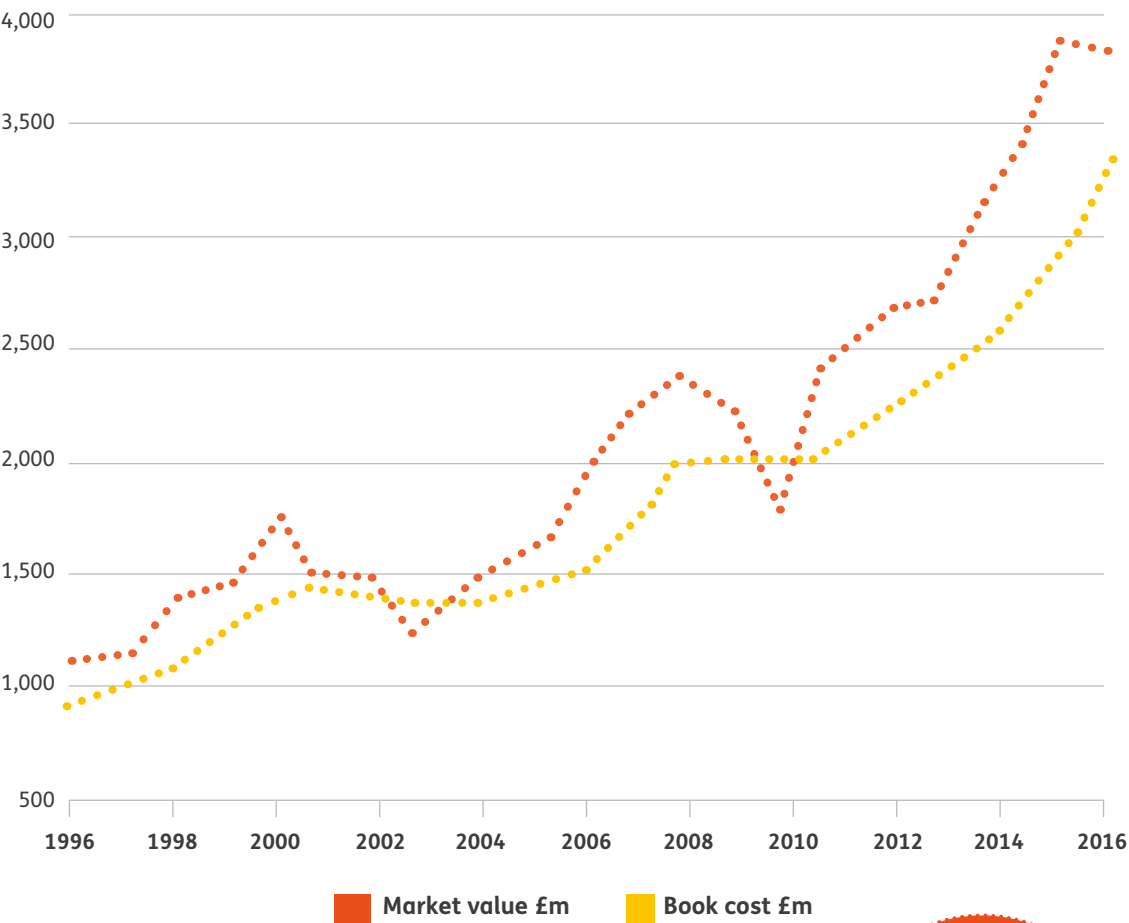
The graph above shows how the Fund has outperformed its own benchmark over the 3 and 5 year periods and only marginally underperformed against the benchmark in the 1 and 10 year periods. The underperformance in the 10 year period was down to poorly performing investment managers who have since had their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

10 year investment performance versus inflation and earnings



The graph on page 21 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 2006 and revalued at 31 March every year thereafter.

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



The graph above shows the market value of the Fund over the past 20 years versus 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, although there has been a slight dip this year.



Corporate Governance and Socially Responsible Investment Report 2015/2016

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 Fund's 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 at [Staffordshire Pension Fund Corporate Governance and Responsible Investment](#)

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 70 LGPS funds with total assets under management of over £170bn. Formed in 1990 the Forum seeks to protect its members' 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.lapffforum.org

Annual voting summary

The Pensions Panel receives quarterly updates from equity managers on details of votes cast on corporate resolutions for holdings in their relevant portfolios. Below is a summary of their activity in 2015/2016. To see the manager's quarterly voting summaries in full please contact the Treasury and Pension Fund team at treasury.pensionfund@staffordshire.gov.uk or 01785 276330.

	Total resolutions	Vote with management	Votes against management	Abstain	Not voted
JP Morgan	35,837	32,136	3,484	191	26
Standard Life	1,480	1,460	7	13	0
Aberdeen	680	564	48	5	63
Sarasin	907	660	154	16	77
Longview	505	465	40	0	0
State Street/Legal and General	13,140	12,152	984	4	0

Issues during 2015/2016

- A number of campaign groups have targeted the LGPS in a divestment campaign against investing in fossil fuel companies. As a member of LAPFF the Fund is able to address and mitigate some of the risks of investing in fossil fuel companies. Through its membership of the Aiming for A investor collaboration and its own long term engagement with fossil fuel companies, LAPFF has successfully advocated a special shareholder resolution on climate change known as 'Strategic resolution for 2035 and beyond'. After positive engagement with the coalition and in an unprecedented move, the boards of Shell and BP recommended voting in favour of the resolution, leading to investors voting in favour by 99% and 98% respectively.
- In 2014 LAPFF had engaged with nine aerospace and defence companies, including ST Engineering, about the sale and production of cluster munitions. This year LAPFF received a letter from ST Engineering stating that the company is 'no longer in the business of designing, producing and selling anti-personnel mines and cluster munitions or any related components.' The company specifically referred to LAPFF's influence on them in reaching this decision, showing the benefits of the Forum's positive engagement approach.
- On the back of a LAPFF voting alert in September 2015, LAPFF has written to Sports Direct to follow up concerns about the company's use of zero hour contracts. Since then public pressure on the company on the issue has been building with the Chair of Parliament's Public Accounts Committee calling for an investigation into the company in December 2015.





*Sydney Opera House,
Australia*





Administration

Staffordshire Pension Fund is part of the Local Government Pension Scheme. It is administered by Staffordshire County Council for the purpose of providing pensions and other benefits for pensionable employees of the County Council, Stoke-on-Trent City Council, the district councils in Staffordshire as well as a range of other scheduled and admitted bodies within the county area. The Pension Fund is a contributory defined benefit pension scheme which up until 1 April 2015 was contracted out of the State Second Pension. Teachers, police officers and firefighters are not included as they all have other national pension schemes.

The Fund is governed by the Public Service Pensions Act 2013 and is administered in accordance with the following legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)

Membership

Membership of the Local Government Pension Scheme is voluntary and employees are free to choose whether to join or remain in the Scheme or to make their own arrangements for pension provision. Employing Bodies include Scheduled Bodies which are Local Authorities and similar bodies whose staff are automatically entitled to be members of the Fund and Admitted Bodies which participate in the Fund by virtue of an admission agreement made between the Authority and the relevant body. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following a specific business transfer to the private sector.

The Local Government Pension Scheme is classed as a qualifying pension scheme under Automatic Enrolment and current regulations dictate that employees should already be automatically enrolled into the Scheme providing that they are eligible to join. This is currently those aged 16 and over but under 75 as long as they have a contract for 3 months or more.

The introduction of the automatic enrolment legislation has increased the number of employees entering the Scheme, even though a proportion of them opted to leave soon after being admitted.

Membership Statistics

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.

Membership of the Pension Fund continues to grow. The table gives a profile of membership over the last five years.

	31 March 2012	31 March 2013	31 March 2014	31 March 2015	31 March 2016
Active pensionable employees	34,846	35,008	36,119	36,991	36,785
Pensioners and Dependents	25,821	26,637	28,260	28,713	38,446
Deferred pensioners (people who no longer pay into the scheme)	31,535	33,857	36,604	38,079	30,051
Total membership	92,202	95,502	100,983	103,783	105,282

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

Age group	Active	Deferred	Retired	Spouse/Dependent
0-15	0	0	0	70
15-19	547	51	0	85
20-24	1,521	709	0	35
25-29	2,395	2,372	0	0
30-34	3,056	3,313	0	2
35-39	3,838	3,912	4	8
40-44	5,008	5,251	21	19
45-49	6,487	7,213	58	59
50-54	6,402	7,613	148	113
55-59	4,693	5,848	1,430	175
60-64	2,258	2,002	5,374	262
65-69	464	111	8,080	388
70-74	115	47	5,221	459
75-79	0	0	2,894	540
80-84	0	0	1,793	609
85-89	0	0	955	440
90+	0	0	454	349
Total	36785	38446	26432	3619

Total membership **105282**

List of participating Employers

Employer Name	2015/16	
	Employee Contributions	Employer Contributions
Staffordshire County Council	£12,429,544	£35,603,081
Staffordshire Moorlands District Council	£321,845	£765,436
Newcastle Under Lyme Borough Council	£725,787	£1,859,957
Stoke-on-Trent City Council	£7,114,314	£22,118,222
Stafford Borough Council	£513,627	£1,316,009
East Staffordshire Borough Council	£511,356	£1,772,780
South Staffordshire District Council	£321,945	£756,652
Cannock Chase District Council	£677,389	£1,819,508
Lichfield District Council	£494,857	£1,558,747
Tamworth Borough Council	£528,642	£1,308,855
Staffordshire And Shropshire Valuation Tribunal	£1,798	£9,092
Cheadle Town Council	£2,713	£8,343
Burntwood Town Council	£7,034	£19,769
Great Wyrley Parish Council	£2,439	£7,519
Leek Town Council	£1,923	£5,653
Uttoxeter Town Council	£7,244	£22,336
Lichfield City Council (Former Charter Trustees)	£17,329	£51,526
Penkridge Parish Council	£6,646	£20,576
Wombourne Parish Council	£3,173	£9,338
Stone Town Council	£5,774	£18,069
Norton Canes Parish Council	£797	£4,018
Brereton And Ravenhill Parish Council	£2,182	£7,232
Alrewas Parish Council	£846	£2,794
Fradley and Streethay Parish Council	£584	£2,125
Heath Hayes & Wimblebury Parish Council	£1,099	£3,582
Swinfen & Packington	£110	£387
Bridgtown Parish Council	£101	£353
Cheslyn Hay Parish Council	£2,650	£7,900
Codsall Parish Council	£2,099	£6,398
Kinver Parish Council	£3,381	£10,737
Brewood & Coven Parish Council	£2,221	£7,622
Lapley, Stretton & Wheaton Aston Parish Council	£1,380	£4,057
Perton Parish Council	£6,842	£21,213
Shenstone Parish Council	£2,159	£5,948
Hednesford Town Council	£619	£2,164
Essington Parish Council	£1,420	£4,204
Kidsgrove Town Council	£1,120	£3,285
Eccleshall Parish Council	£1,469	£4,335
Cheddleton Parish Council	£1,473	£4,359
Audley Rural Parish Council	£894	£2,614
Biddulph Town Council	£5,715	£13,960
Horninglow And Eton Parish Council	£736	£2,064
Colwich Parish Council	£881	£2,712
Draycott In The Clay Parish Council	£314	£1,100
Gnosall Parish Council	£1,602	£4,823
Office of the Police and Crime Commissioner for Staffordshire		-£14,268

Employer Name	2015/16	
	Employee Contributions	Employer Contributions
Rugeley Town Council	£3,450	£11,199
Stoke And Staffs Combined Fire Authority	£299,501	£889,353
East Staffordshire Borough Council Councillors	£586	£1,484
South Staffordshire District Council Councillors	£46	£137
Cannock Chase District Council Councillors	£437	£1,259
Lichfield District Council-Councillors	£97	£333
The Office Of The Police And Crime Commissioner Staffordshire	£59,993	£110,841
The Office Of The Chief Constable Staffordshire	£2,407,175	£5,725,127
Tatenhill Parish Council	£143	£519
The Cannock Chase Academy	£55,016	£177,936
Weston Road Academy	£29,379	£91,086
The Eaton Park Academy	£42,506	£135,806
Bursley Academy Trust - Bursley Academy	£14,890	£55,667
St. Joseph's College Edmund Rice Academy Trust	£47,498	£153,500
The Rural Enterprise Academy	£4,428	£14,416
The Sutherland Academy	£32,370	£104,137
Haywood Engineering Academy	£73,804	£231,332
Mosley Academy	£3,534	£12,280
Wilnecote High School (Academy)	£41,889	£132,763
St Edwards CE Academy	£25,597	£81,192
Co-operative Academy	£62,985	£197,201
John Taylor Multi Academy Trust John Taylor High School	£58,769	£188,609
De Ferrers Academy	£99,944	£301,673
Belgrave and St Bartholomew Academy	£37,481	£128,372
JCB Academy	£59,437	£190,537
Violet Way Academy	£24,240	£75,440
The Erasmus Darwin Academy	£41,449	£128,922
The Christchurch Academy	£17,059	£54,688
The Chadsmead Academy	£17,606	£68,138
The Crescent Academy	£36,521	£122,905
The Cheadle Academy	£25,298	£79,050
Staffordshire University Academy	£40,035	£123,135
The Biddulph Academy	£38,921	£127,151
Lichfield Diocese/Woodard Academy	£47,886	£153,289
Carmountside Primary School	£15,188	£51,552
Alleyes Academy	£28,651	£91,609
Madeley Academy	£29,429	£96,428
Glebe Primary School	£19,393	£63,588
Sandon Primary Academy	£22,073	£74,404
Woodhouse Academy	£17,333	£56,399
St Giles And St Georges Academy	£18,195	£57,614
The Bursley Academy Trust Manifold Primary Academy	£1,710	£6,802
The Bursley Academy Trust Hollinsclough Primary Academy	£1,083	£4,030
The College Academies Trust Ltd Studio School	£19,158	£60,081
The College Academies Trust Discovery Academy	£73,847	£230,649
The College Academies Trust Maple Court Primary Academy	£23,798	£82,780
The College Academies Trust The Excel Academy	£32,284	£106,498
Academies Enterprise Trust Anglesey	£41,256	£141,500
Academies Enterprise Trust Rawlet	£39,595	£126,709

Employer Name	2015/16	
	Employee Contributions	Employer Contributions
Academies Enterprise Trust Belgrave High	£37,862	£118,965
Painsley Catholic College	£53,765	£168,634
Painsley Catholic College St Filumenas	£9,968	£33,381
Painsley Catholic College St Giles Cheadle	£10,676	£36,274
Painsley Catholic College St Josephs Uttoxeter	£10,101	£34,446
Painsley Catholic College St Marys Leek	£12,227	£42,478
Painsley Catholic College St Thomas Kidsgrove	£10,977	£37,633
Painsley Catholic College Faber Cotton	£5,144	£17,823
West Stafford MAT Houghton Primary St Giles	£5,143	£18,051
West Stafford MAT St Lawrence Primary Gnosall	£19,744	£70,421
West Stafford MAT Woodseaves Primary	£5,069	£17,840
Invictus Trust Kinverhigh School	£24,356	£78,513
Invictus Trust Ounsdale High School	£31,244	£96,363
Future Generation Trust St Johns Primary Academy	£25,913	£82,885
Congleton MAT Castle Primary Mow Cop	£4,440	£12,966
Manor Hall A T Loxley Hall	£35,303	£117,906
Manor Hall A T Cicely Houghton	£28,013	£91,041
The Small Schools MAT Howard Primary Academy	£2,783	£9,467
The Small Schools MAT St Mary'S Primary Academy Colton	£1,876	£6,546
The Small Schools Trust Richard Crosse Primary Academy	£6,635	£22,428
The Moorlands Primary Federation Dilhorne Endowed (A) Primary	£1,622	£5,387
The Moorlands Primary Federation St Werburghs Ce (A) Primary	£4,929	£17,350
The Moorlands Primary Federation Valley Primary School	£1,735	£6,253
South Newcastle Trust Newcastle Academy	£11,924	£41,204
South Newcastle Trust Clayton Hall Academy	£18,515	£62,027
Mid Trent Academy Trust St Andrews CE Primary	£938	£3,417
Mid Trent Academy Trust Colwhich CE Primary	£1,293	£4,682
Mid Trent Academy Trust St Peters CE Primary	£1,013	£3,662
Holy Trinity MAC - St Anne'S Catholic Primary	£757	£2,648
Holy Trinity MAC - St Austin'S Catholic Primary	£780	£2,723
Holy Trinity MAC - St Dominic'S Catholic Primary	£862	£3,139
Holy Trinity MAC - St John'S Catholic Primary	£467	£1,699
Holy Trinity MAC - St Mary'S Catholic Primary	£764	£2,699
Holy Trinity MAC - St Patrick'S Catholic Primary	£906	£3,175
Holy Trinity MAC - Blessed Mother Teresa'S Catholic Primary	£920	£3,254
Holy Trinity MAC - Blessed William Howard Catholic High School	£2,435	£8,223
The Academy Transformation Trust Star Academy	£14,245	£48,409
The Academy Transformation Trust Sun Academy	£9,652	£33,683
The Creative Education Academy Trust Hagley Park	£38,712	£126,280
The Creative Education Academy Trust Fair Oak	£26,219	£89,961
The Creative Education Academy Trust Alfgar	£2,110	£7,188
The Creative Education Academy Trust Harpfield	£11,107	£37,993
The Creative Academy Trust Thistleyhough	£34,502	£106,394
The Creative Academy Trust Three Peaks Primary Academy	£21,343	£68,607
Landau Forte Academy Trust Woodhouse	£78,467	£243,601

Employer Name	2015/16	
	Employee Contributions	Employer Contributions
Landau Forte Academy Trust Quems	£48,025	£152,783
Landau Forte Academy Greenacres Primary	£21,801	£73,632
Reach2 Staffordshire Scientia Academy	£8,033	£26,708
Reach2 Springhill Primary Academy	£13,601	£45,531
Reach2 Norton Canes Primary Academy	£15,823	£53,687
Reach2 Heath Hayes Primary Academy	£7,606	£26,493
Reach2 Silkmore Academy	£13,253	£45,286
Reach2 Five Spires Academy	£1,139	£3,661
Reach2 Veritas Primary School	£5,429	£18,940
Ormiston Sir Stanley Matthews Academy (Blurton)	£65,352	£206,623
The Ormiston Horizon Academy (James Brindley)	£56,889	£179,521
University Of Chester Academy Trust (Mary Hill High)	£33,082	£107,766
University Of Chester Academy Trust Mary Hill Primary)	£12,720	£39,367
Christ The King St John Fisher Catholic College	£48,266	£158,441
Christ The King St Mary's Catholic Primary School	£25,724	£87,211
Christ The King St Teresa's Catholic Primary	£17,674	£52,527
Christ The King St Thomas Aquinas Catholic Primary School	£13,904	£48,059
Newman Catholic Collegiate St Margaret Ward Academy	£61,052	£195,279
Newman Catholic Collegiate St Peter's Primary School	£17,145	£59,874
Newman Catholic Collegiate Our Lady and St Benedicts Catholic School	£7,642	£27,035
Newman Catholic Collegiate St George and St Martin Catholic School	£14,183	£48,323
Neman Catholic Collegiate St Joseph's Catholic Primary School	£11,783	£40,339
Newman Catholic Collegiate St Mary's Catholic School	£14,650	£50,308
Newman Catholic Collegiate St Wilfred's Catholic Primary	£19,963	£68,066
Newman Catholic Collegiate St. John the Evangelist Catholic Primary School	£13,646	£46,356
Newman Catholic Collegiate Our Lady of Grace (English Martyrs)	£5,398	£18,542
All Saints Catholic Collegiate St Thomas More Catholic College	£50,892	£169,523
All Saints Catholic Collegiate Our Lady's	£15,441	£52,808
All Saints Catholic Collegiate St Augustines Academy	£16,425	£56,454
All Saints Catholic Collegiate St Gregory's Catholic College Aacdemy	£31,335	£101,925
All Saints Catholic Collegiate St Maria Goretti Academy	£15,864	£55,072
Inspirational Learning Academy Trust (Newstead)	£21,044	£70,459
Inspirational Lat Norton Le Moors Primary Academy	£12,667	£41,110
Inspirational Lat Whitfield Valley Primary Academy	£23,513	£83,931
St Chads Academy Trust St Mathews Primary Academy	£5,383	£17,983
St Chads Academy Trust Havergal Primary Academy	£7,074	£22,888
Chesterton Academy Trust Chesterton Community Sports College	£34,037	£110,087
Chesterton Academy Trust Churchfields Primary Academy	£15,802	£52,757
Mercia Primary Academy Trust Larkhall Infants Academy	£7,402	£25,012
Mercia Primary Academy Trust Flaxhill Junior Academy	£14,074	£42,719
United learning Trust Silverdale Primary Academy	£11,352	£37,266
John Taylor Multi Academy Trust Kingsmead Academy	£30,206	£103,993
St Barts Multi Academy Trust St Nathaniel Academy	£30,515	£103,621
Glascote Heath Academy	£15,830	£51,394
Staffordshire University Multi Academy Trust Moorgate Primary Academy	£16,863	£55,226
Staffordshire Multi Academy Trust John Wheeldon Academy	£18,114	£59,011
Victoria Acadmey Trust Rowley Park Primary Academy	£16,185	£51,152
Education Central Multi Academy Trust Featherstone Academy	£15,985	£52,284
Education Central Multi Academy Trust Pye Green Academy	£19,005	£60,839
The Shaw Trust Black Friars Academy	£82,933	£260,518

Employer Name	2015/16	
	Employee Contributions	Employer Contributions
The Shaw Trust The Coppice Academy	£22,565	£73,954
The Shaw Trust Walton Hall Academy	£48,423	£154,617
The Shaw Trust Wolstanton High School	£27,969	£94,608
The Shaw Trust Saxon Hill Academy	£31,131	£106,185
Kingfisher Academy (Belvedere Jnr)	£8,801	£31,371
South Staffordshire College	£306,710	£1,028,317
Staffordshire University	£1,311,473	£3,995,370
Sixth Form College - Stoke On Trent	£59,813	£153,743
Newcastle Under Lyme College	£318,556	£694,789
Stoke On Trent College	£334,189	£890,744
Stafford College	£156,035	£447,135
Burton And South Derbyshire College	£207,741	£639,181
Keele University	£11,892	£105,625
South Staffs + Shropshire Nhs Foundation Trust	£61,331	£173,643
North Staffs Combined Health Care	£20,648	£46,339
Make Some Noise West Midlands Ltd	£2,349	£6,848
Entrust	£989,774	£2,429,110
Staffordshire And Stoke On Trent Partnership Trust	£820,718	£2,452,256
Community Council Of Staffordshire	£6,764	£24,444
Lichfield Garrick Theatre Ltd	£6,075	£20,195
North Staffs Comb Health Care	£5,473	£12,837
Tiny Toez Ltd	£11,880	£43,489
Sandy Tots Ltd		£606
South Staffordshire Housing Assn.	£27,001	£75,972
Homezone Housing Ltd (Lichfield)	£108,137	£638,325
Moorlands Housing	£123,090	£554,516
Aspire Housing Ltd (Newcastle)	£404,259	£1,530,090
Stafford And Rural Homes Ltd	£255,762	£788,196
Trent And Dove Housing Assn.	£143,530	£688,720
Housing Plus Group Ltd	£207,942	£950,235
Mears Ltd	£13,603	£44,521
R M Education	£10,846	£29,282
Mencap	£869	£2,971
Liverpool Personal Services Society	£1,231	£5,697
Evolve Young People	£18,433	£52,493
Northgate I.S Uk Ltd	£3,627	£9,353
Landscape Group Ltd	£1,336	£4,974
J D M Accord Ltd		£2,258
Amey Services Ltd	£289,725	£845,023
Midland Heart Ltd	£10,660	£42,303
Kgb Cleaning Ltd	£4,055	£3,800
Northgate I.S U.K Ltd	£7,718	£21,315
Northgate I.S U.K Ltd	£1,145	£3,521
Taylor Shaw Ltd (Alleyes)		£15,675
Wigan Leisure And Culture Trust	£55,260	£207,757
Inspace Partnerships	£15,043	£173,219
Lovells	£2,059	£7,613
Wates Group Ltd	£1,848	£8,213
Choices Housing Association Ltd	£1,480	£5,344
Mellors Newcastle	£8,268	£28,892
Mellors Biddulph High School	£2,144	£9,652

Employer Name	2015/16	
	Employee Contributions	Employer Contributions
Mellors Burton Schools	£13,526	£51,862
Mellors Holy Trinity Primary	£204	£848
Abm Catering Ltd Birches Head	£3,354	£12,512
Accord Housing Association	£115,463	£410,886
Silvertree Cleaning Support Ltd Watermill School	£969	£3,876
Catering Academy Ltd Ucat	£2,507	£9,853
Keir Group Plc	£522,444	£1,543,297
Kier Facilities Services Ltd (Longton Fire Station)	£268	£1,073
Kier Facilities Services Ltd (Police)	£8,550	£27,801
Elite Cleaning And Environmental Services Ltd Gt Wyrley	£2,369	£8,485
Elite Cleaning And Environmental Services Ltd Chase Terrace T C	£2,163	£7,749
Elite Cleaning And Environmental Services Ltd Norton Canes	£1,627	£5,756
Servicemaster Langdale Primary	£205	£854
Servicemaster Seabridge Primary	£31	£129
Servicemaster Mill Hill Primary	£435	£1,804
Servicemaster Oaklands Nursery	£248	£1,033
Servicemaster St Saviours		£20
Servicemaster The College Academies Trust	£1,966	£8,938
Enviroserve St Dominics County Primary	£39	£163
Enviroserve Christchurch Ce Primary School	£291	£1,212
Aspens Services Ltd Cat Excel Academy	£409	£1,578
Aspens Services Ltd De Ferrers	£1,317	£4,982
Aspens Services Ltd Great Wyrley High	£824	£3,176
Aspens Services Ltd Chancel Primary	£130	£543
Chartwells - Glebe	£955	£3,821
Chartwells - Nether Stowe	£2,978	£12,360
Chartwells - Kingsmead	£3,527	£14,435
Chartwells - St Johns	£352	£1,408
Chartwells - Moorgate Academy	£1,727	£7,281
Chartwells - St Matthews Academy	£195	£781
Chartwells - St Josephs	£752	£3,164
Chartwells - St Benedicts	£294	£1,228
Compass Contract Services (UK) Ltd	£406,870	£1,313,513
	£37,187,753	£109,798,381



New York,
United States of America



Contributions

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund and range from 5.5% to 12.5% of pensionable pay. Employee contributions are matched by employers' contributions which are determined by the Fund's Actuary, based on the triennial actuarial funding valuations at a level necessary to assure that the Fund is able to meet 100% of its existing and prospective liabilities. The next valuation will take place in 2016.

The Pension Regulator and Governance

From April 2015 the Pension Regulator (TPR) has been given oversight of the Local Government Pension Scheme with the role of monitoring standards, data quality and promoting best practice in relation to disclosure of information to members.

The Public Service Pensions Act 2013 and the new Local Government Pension Scheme Governance Regulations, introduced further changes for the Scheme with took effect from April 2015. They introduced:

- local pension boards to assist each Administering Authority with ensuring compliance and the effective governance and administration of the Fund
- the establishment of a national Scheme Advisory Board to advise the Secretary of State, Administering Authorities and local pension boards
- an employer cost capping regime

These changes required a major investment in time, to set up the necessary structures and arrangements. The regulations recognise differing local arrangements for the management of Local Government Pension Scheme funds.

The Staffordshire Local Pension Board is not a decision making body, but assists the Administering Authority to help ensure compliance with its statutory responsibilities.



The Administration Team

The administration team is accountable to the Pensions Committee, participating employers and Scheme members. The team is committed to providing a quality service to meet the needs of the Fund's stakeholders.

The team structure currently comprises the following:

Staff Role	Number
Pension Manager	1
Deputy Pension Managers	2
Senior Pensions Team Leaders	4
Pensions Team Leaders	3
Senior Pensions Officers	8
Senior Pensions Administrators	3
Pension Administrators	10
Communication Officers	3
Pension Assistants	2
Support Staff	3
Pension Payroll Staff	4



The administration team has maintained its Customer Service Excellence (CSE) rating and at its last assessment in August 2015 was given a compliance plus rating.

The Pension Fund has a training plan that sets out how staff, like members of the Pensions Committee and Board, acquire and maintain an appropriate level of expertise, knowledge and skills. We had one member of the team who successfully completed her CIPP Foundation degree in Pensions Administration and Management and was awarded Student of the Year.

Pension Administration Strategy

The Fund's formal Pension Administration Strategy which sets out the Fund's policy for administering the Fund, the standard of service to be delivered and the role of the employer was launched in draft format during the year and following a number of minor amendments and a short period of consultation will be published later in 2016.

Working Collaboratively Nationally and Regional basis

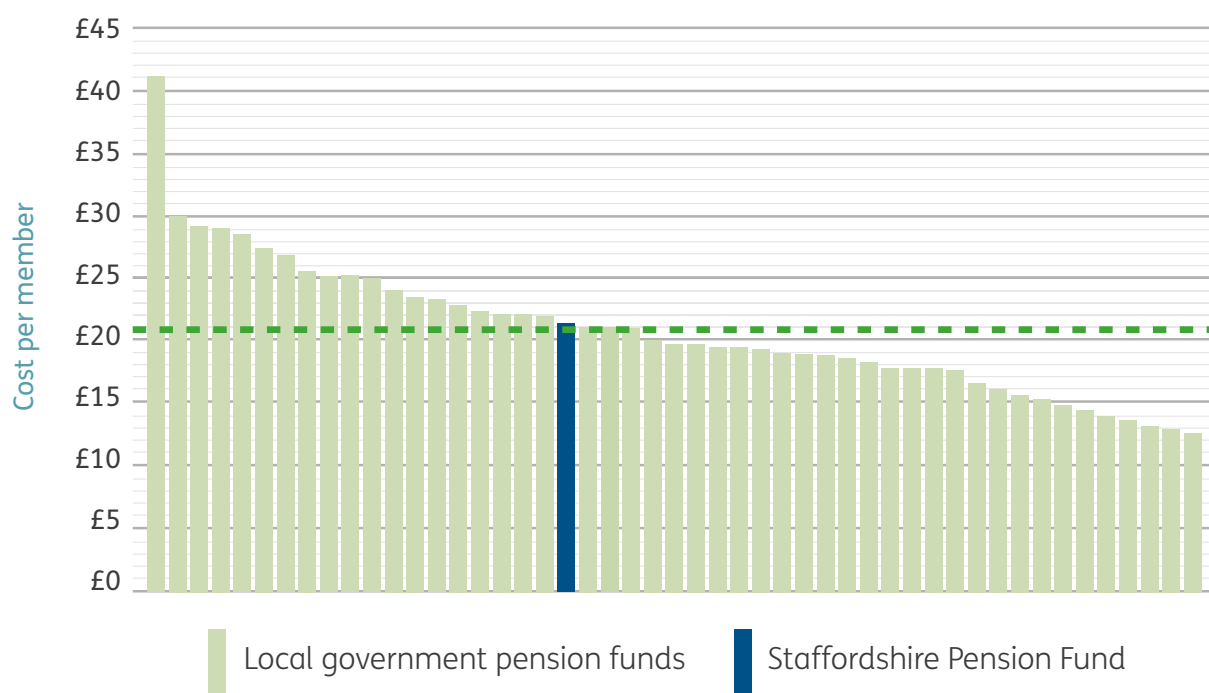
The Staffordshire Pension Fund participates in the Local Government Association's National Pension Communication Group as well as working on improving communications at a regional level with neighboring Authorities. The Fund also contributes to the Shrewsbury Pension Officers Group, where technical issues are discussed.

All these groups provide the opportunity to share best practice and develop new ways of working.

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 £22 for administering the Scheme.



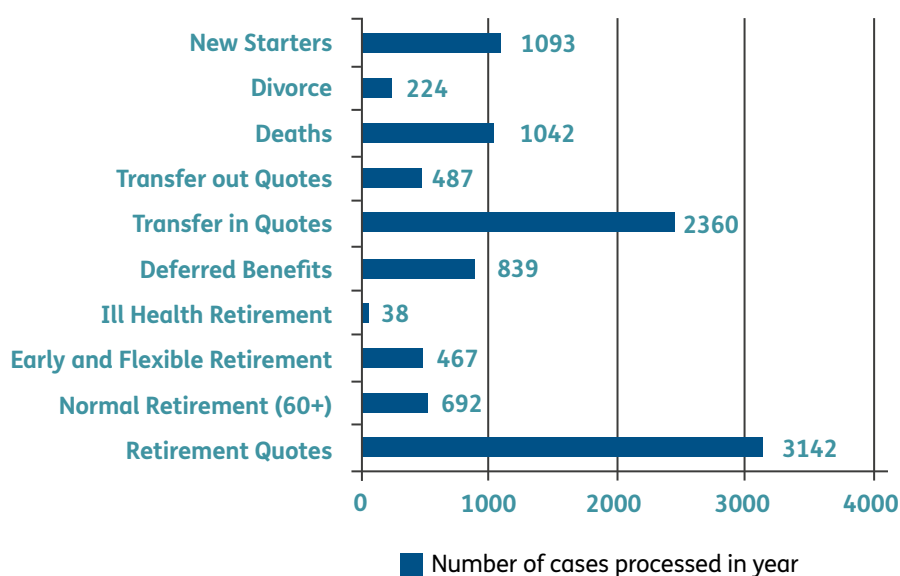
Performance Standards

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

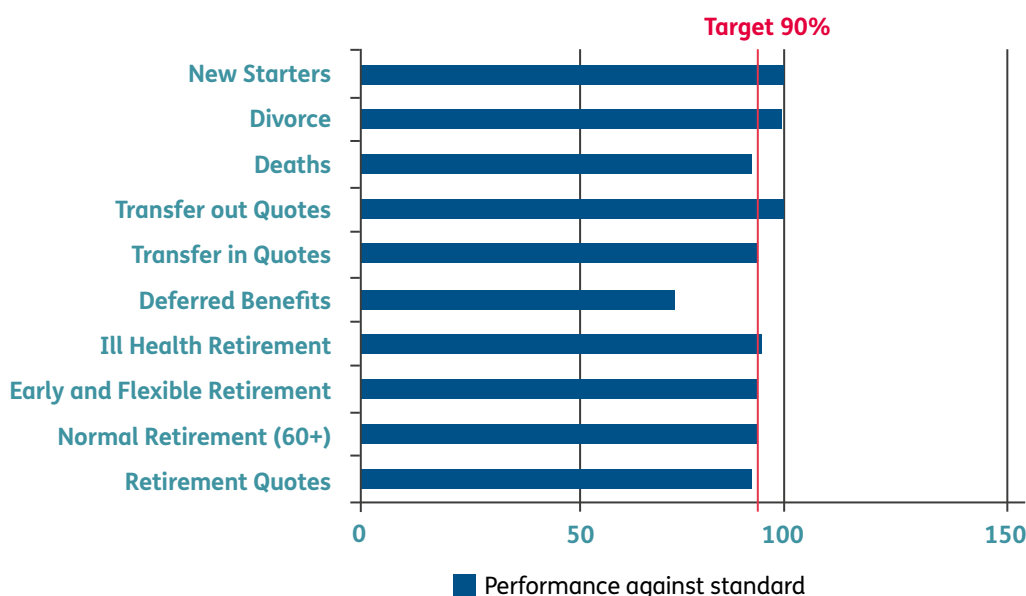
Our key procedures are reported to the Pension Committee on an annual basis.

A summary of achievements in each area is shown in the tables below:

Analysis of workload 2015/16



Performance against standard 2015/16



Internal Dispute Resolution Procedure

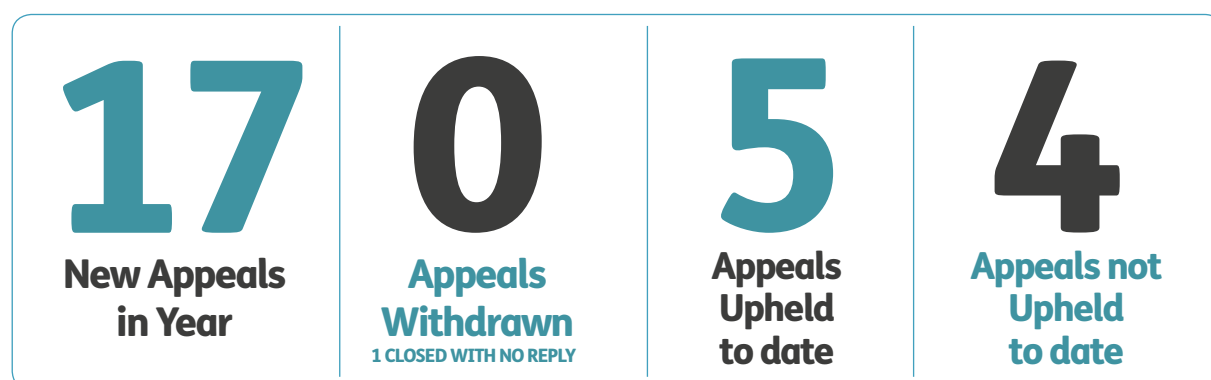
Apart from normal complaints to Pension Services which are monitored and dealt with on a regular basis, the Local Government Pension Scheme has its own process of dealing with complaints about decisions made under the Scheme rules.

Under the terms of the Local Government Pension Scheme, appeals from members are dealt with under the Internal Dispute Resolution Procedure (IDRP) which applies to members of the Scheme whose position may be affected by decisions taken by their employer, former employer or the Administering Authority.

The IDRP is a formal procedure for individuals to appeal about their treatment under the LGPS Regulations. The arrangements in place allow for a two stage appeal process. Responsibility for determinations under the first stage of the procedure can rest with the employing authority or Administering Authority depending on the reason for appeal.

Responsibility for determinations under the second stage of the procedure rests solely with the Administering Authority and the nominated officers.

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



Data Security, Quality and use of Technology

Staffordshire Pension Fund collects, records and maintains personal data on members, former members and pensioners.

The following arrangements are in place to safeguard this data:

- All staff are regularly made aware of the corporate policies in respect of Confidentiality and Data Protection
- New staff as part of their induction, take an online test to verify their understanding of current policies
- Administration data is stored electronically and paper documents securely destroyed
- Where person-identifiable data is transferred in any form off-site this is done by secure means.

The Staffordshire Pension Fund actively encourages employers to keep accurate good quality data and provide it on request in a timely manner.

During the last 12 months the Staffordshire Pension Fund has worked to improve efficiency through the use of technology, in particular making the relevant updates to the Aquila/ Heywoods Pensions Administration system. We have also introduced a new Pensioner Payroll System, which has been implemented successfully.

Communications

Good communication is important in ensuring both employers and members are kept fully informed of the the benefits available and any changes to the Regulations.

We work to ensure that our communications are clear, relevant, accurate, accessible and timely.

The Fund has a published Communications Policy which can be found on our website. Our Policy illustrates:

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

During the year, all **active** members received a newsletter to their home address, updating them on current issues as well as a benefit statement.

We have maintained the Funds website, run a helpline and welcomed personal callers to our offices in Staffordshire Place. The Fund has run numerous presentations that have been provided on request and we have updated our communication material to ensure it reflects current legislation.



Would you be interested in standing as the pensioner representative on the Pension Committee?

Following the announcement that Eric Shaw will be standing down from his role as the Pensioner Representative on our Committee we are looking for expressions of interest to fill the vacant post.

As a statutory pension scheme the Local Government Pension Scheme (LGPS) does not have trustees as such. Decisions are required to be made by each Administering Authority, which in the case of the Staffordshire Pension Fund is Staffordshire County Council. The decision making process is carried out via the Pensions Committee and Pensions Panel. The elected Members who sit on the Pension Committee act on behalf of the beneficiaries of the LGPS and, in this way, have a similar role to trustees in protecting the benefits of the LGPS members.

As well as the elected 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 but do make a valuable contribution in their representation.

One member is from a trade union and represents employees, two are from other employers, and one represents pensioners. It is this post that has become vacant.

Meetings are held on a quarterly basis, which you would be expected to attend in order to represent the views of our retired members. Quite often queries are forwarded to the Pensioner Representative from retired members that would require addressing, these are normally directed to the Pensioner Representative by the Pension Team.

During the year training sessions are also run for Committee members, which you would be expected to attend.

This is a very rewarding and interesting role and if you feel you would like to discuss the post further, please feel free to contact Martin Griffiths, our Pension Communication Officer, or write into us with details of why you feel you could successfully represent the interests of the Staffordshire Pension Fund's retired members.

The closing date for registering your interest is 31 May 2016.

Please contact
martin.griffiths@staffordshire.gov.uk
(01785) 276070



Changing your bank?

Please let us know if your bank details change, as your bank or building society may not tell us!

Unfortunately we can't take a change in bank details over the phone as we like to get your signature when you tell us. You will need to write in, our contact details are on the back page of this newsletter. Please remember to sign your notification.

We usually run our pensions payroll around the middle of the month, so tell us about any changes in good time or it may be too late to be actioned until the following month. If you don't inform us in time and the payment is returned, future pension payments will be suspended.



When is my pension paid?

Your Staffordshire Pension is paid into your chosen bank or building society at the end of each month. This will appear as a credit in your account from SPF or SCCP.

Your pension payment dates for the next 12 months are shown on the right:

MONTH	PAY DATE
APRIL 2016	29.04.16
MAY 2016	31.05.16
JUNE 2016	30.06.16
JULY 2016	29.07.16
AUGUST 2016	31.08.16
SEPTEMBER 2016	30.09.16
OCTOBER 2016	31.10.16
NOVEMBER 2016	30.11.16
DECEMBER 2016	16.12.16
JANUARY 2017	31.01.17
FEBRUARY 2017	28.02.17
MARCH 2017	31.03.17

Data Matching

Staffordshire County Council is required by law to protect the public funds it administers. It may share information provided to it with other bodies responsible for auditing, or administering public funds, or where undertaking a public function, in order to prevent and detect fraud.

The Cabinet Office is responsible for carrying out data matching exercises.

Data matching involves comparing computer records held by one body against other computer records held by the same or another body to see how far they match. This is usually personal information, including contact details. Computerised data matching allows potentially fraudulent claims and payments to be identified. Where a match is found it may indicate that there is an inconsistency which requires further investigation. No assumption can be made as to whether there is fraud, error or other explanation until an investigation is carried out.

We participate in the Cabinet Office's National Fraud Initiative: a data matching exercise to assist in the prevention and detection of fraud. Such an exercise will commence this autumn and continue during the spring of 2017. We are required to provide particular sets of data to the Minister for the Cabinet Office for matching for each exercise, as detailed here <https://www.gov.uk/Government/collections/national-fraud-initiative>

The use of data by the Cabinet Office in a data matching exercise is carried out with statutory authority under its powers in Part 6 of the Local Audit and Accountability Act 2014. It does not require the consent of the individuals concerned under the Data Protection Act 1998.

Data matching by the Cabinet Office is subject to a Code of Practice. This may be found at <https://www.gov.uk/government/publications/code-of-data-matching-practice-for-national-fraud-initiative>

View further information on the Cabinet Office's legal powers and the reasons why it matches particular information (<https://www.gov.uk/government/publications/fair-processing-national-fraud-initiative-fair-processing-level-3-full-text>).

For further information on data matching at this authority contact Steven Parsons, Internal Audit Section on Stafford (01785) 276405 or by e-mail at steve.parsons@staffordshire.gov.uk



Our **deferred** members have also received their benefit statements and a newsletter to their home addresses. By issuing them in this way we are able to ensure that we still have their correct contact details.

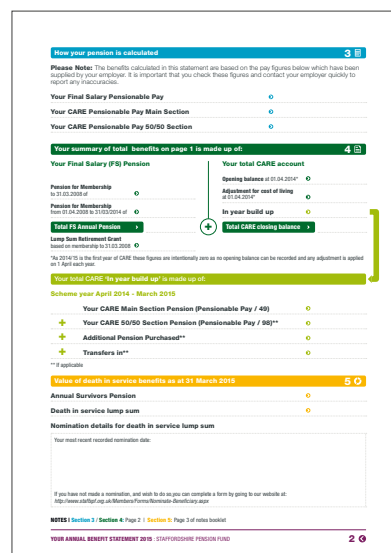
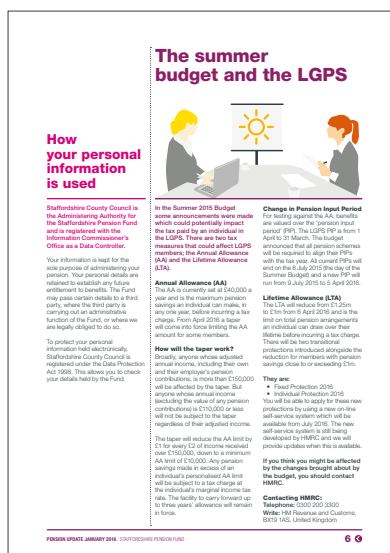
Pensioners now have their own dedicated helpline and each year receive a copy of their own newsletter, covering issues that are of concern to them.

The use of technology can reduce operational costs and as the Occupational Pension Scheme (Disclosure of Information) Regulations 2013 allow member information to be distributed electronically we aim to look at ways in which this can be done successfully over the next couple of years. One way of doing this will be to promote the 'My Pension' Online service run via our administration software.

We are also intending to significantly improve our current website which serves the membership and employers. Our hope is that this will also reduce the reliance on paper communication. Any member wishing to continue to receive communication material in the traditional format, however will be able to elect to do so.

We have continued to hold regular meetings and training sessions for our employers as well as issuing regular newsletters to inform them of changes to processes and legislation.

Our Communication Policy also covers the work we do with other Stakeholders, such as the Pensions Committee, Panel, Board as well as Government Departments and national organisations such as the Local Government Association.



Compliments

It is always great to receive positive feedback from our Stakeholders for the work that is carried out by the administration team and here are some of the compliments we have received in the last twelve months:

"I have to commend the County Council Pension Service for the way they have attended to my affairs in regard to the whole process. Matthew has been diligent and prompt in his communications which have advised me on the process and also fully explained issues as they have arisen."

In a society where those in public service are quick to be criticised where things go awry and seldom commended adequately for the majority of excellent work that they do, I wanted to write to convey my appreciation."

Retired Scheme member

"I am writing to thank everybody who has been involved in sorting out my Staffs Pension. From my initial enquiries and request for a quote earlier last year to my actual application and implementing payment this year. Everyone I spoke to or contacted by email during that time could not have been more helpful."

Retired Scheme Member

"We really appreciate your help and thank you again for your considerate approach. Your help in effectively closing this chapter of our lives has kept our memories of Staffordshire County Council happy ones. Thank you"

Dependant of former Retired Scheme Member

"Thank you for today's training session. It was extremely useful and informative."

Fund Employer

"Just a note to thank you for all your help with the LGPS documentation over the years. It's been greatly appreciated. I retire (early!!!) at the end of this month so best wishes for the future."

Active Scheme Member

"I would like to say that I have found the process with yourselves a joy as all response has been positive and immediate by you and your associates."

Active Scheme Member



Toronto, Canada



Financial statements

1 April 2015 to 31 March 2016

Pension Fund account

Staffordshire Pension Fund account for the
year ended 31 March 2016

Contributions and benefits	Notes	2014/2015 £ 000	2015/2016 £ 000
Contributions receivable	4	174,058	152,732
Transfers in	5	7,773	8,479
		181,831	161,211
Benefits payable	6	(149,319)	(156,857)
Leavers	7	(10,126)	(7,722)
		(159,445)	(164,579)
Net additions from dealings with Fund members		22,386	(3,368)
Management expenses	8	(16,317)	(16,730)
Returns on investments			
Investment income	9	54,635	56,501
Change in the market value of investments	10	414,651	(53,185)
Net returns on investments		469,286	3,316
Net increase in the Fund during the year		475,355	(16,782)
Opening net assets of the Fund		3,293,354	3,768,709
Closing net assets of the Fund		3,768,709	3,751,927

Net assets statement

Net assets statement at 31 March 2016

	Notes	2014/2015 £ 000	2015/2016 £ 000
Investment assets			
Fixed interest securities	10/10a	214,811	177,489
Equities	10/10a	1,264,192	1,229,468
Pooled investment vehicles	10/10a	1,463,675	1,522,626
Property	10/10a	298,057	325,921
Cash deposits	10/10a	208,237	173,627
Other investment balances	10a	325,631	317,219
Derivatives	10a	43,027	578
		3,817,630	3,746,928
Investment liabilities			
Derivatives	10a	(43,825)	(732)
Other investment balances		(9,808)	(1,908)
		3,763,997	3,744,288
Net Investment assets			
Current assets	12	14,386	19,356
Current liabilities	13	(9,674)	(11,717)
		3,768,709	3,751,927
Net assets of the Fund at 31 March			

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 51 to 74 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. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of funding policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated 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; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised 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 demonstrates 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 each 31 March since then.

Date	31 March 2013	31 March 2014	31 March 2015	31 March 2016
Liabilities – ongoing basis	£m	£m	£m	£m
Assets	3,070	3,251	3,804	3,783
Liabilities	4,279	4,227	5,378	5,617
(Deficit)	(1,209)	(976)	(1,574)	(1,834)
Funding level	71.8%	76.9%	70.7%	67.3%

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 each 31 March funding update were as follows:

Financial assumptions	31 March 2013		31 March 2014		31 March 2015		31 March 2016	
	% p.a. Nominal	% p.a. Real	% 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%	3.8%	1.4%
Pay increases	4.3%	1.8%	4.5%	1.8%	4.2%	1.8%	4.2%	1.8%
Price inflation/ Pension increases	2.5%	-	2.7%	-	2.4%	-	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

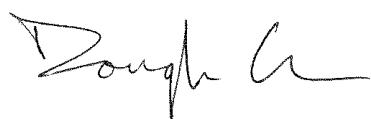
*Future pensioners are assumed to be aged 45 as at the last formal valuation.

All other demographic assumptions and membership data are the same as at the previous formal valuation as at 31 March 2013. Copies of the 2013 valuation report and Funding Strategy Statement are available on request from Staffordshire County Council, the 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 placing a higher value on liabilities. The effect of this has been only partially offset by the effect of strong asset returns. Funding levels are therefore likely to have worsened and deficits increased over the 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
16 May 2016

Hymans Robertson LLP
20 Waterloo Street
Glasgow
G2 6DB

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2015/16 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; or
- by reference to this information in an accompanying actuarial report.

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

Present value of Promised Retirement Benefits

Year Ended	31 March 2016 £m	31 March 2015 £m
Active members	3,053	3,135
Deferred pensioners	915	1,038
Pensioners	1,768	1,957
Total	5,736	6,130

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2013. 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 suitable for IAS19 purposes as required by the Code of Practice. They are given below. I estimate that the impact of the change of assumptions to 31 March 2016 is to decrease the actuarial present value by £596m.

Financial assumptions

My recommended financial assumptions are summarised below:

Year Ended	31 March 2016 % p.a.	31 March 2015 % p.a.
Inflation / Pension Increase Rate	2.2%	2.4%
Salary Increase Rate	4.2%	4.3%
Discount Rate	3.5%	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 a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Average future life expectancies at age 65 (years)	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 at the most recent formal valuation as at 31 March 2013.

Please note that the assumptions are identical to last year's IAS26 disclosure for the Fund.

Commutation assumption

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

Sensitivity Analysis

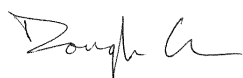
CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Change in assumptions for the year ended 31 March 2016	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% decrease in discount rate	11%	643
1 year increase in member life expectancy	3%	172
0.5% increase in salary increase rate	4%	229
0.5% increase in pensions increase rate	7%	400

Professional notes

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

Prepared by:-



Douglas Green FFA

For and on behalf of Hymans Robertson LLP
16 May 2016

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 2015/2016 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

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 2016. 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.

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.

Management expenses

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

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

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

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

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

Taxation

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

Benefits payable

Under 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 the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The financial instruments of the 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 2015/2016

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. Major changes made to the Fund's investment management structure during 2015/2016 included the termination of the contract with Record Currency Management and the transition of passive investment management from State Street Global Advisors to Legal and General Investment Management.

External fund manager	31 March 2015		31 March 2016	
	£ 000		£ 000	
Insight Investment (corporate bonds)	274,385	7%	247,634	7%
Standard Life Investments (UK equity)	258,790	7%	250,023	7%
Aberdeen Fund Management (global equity)	284,839	8%	270,358	7%
JP Morgan Asset Management (global equity)	306,802	8%	298,679	8%
Longview Partners (global equity)	161,234	4%	168,378	5%
Sarasin & Partners (global equity)	291,331	8%	272,690	7%
State Street Global Advisors (global index tracking)	1,174,957	32%	0	0%
Legal & General Investment Management (global index tracking)	0	0%	1,238,653	33%
Legal & General Investment Management (passive UK index-linked)	196,578	5%	200,485	5%
Russell Investments (emerging markets equity)	87,748	2%	79,430	2%
Record Currency Management (currency hedging)	1,512	0%	218	0%
Colliers International UK plc (property)	298,170	8%	326,172	9%
Morgan Stanley Investment Management (alternatives funds)	51,196	1%	48,839	1%
Schroder Investment Management (alternatives funds)	54,017	2%	53,207	2%
Goldman Sachs Asset Management (hedge funds)	88,038	2%	83,290	2%
HarbourVest Partners (private equity)	92,358	3%	95,674	3%
Knightsbridge Advisors (private equity)	14,308	0%	13,779	0%
Partners Group (private equity)	9,063	0%	9,557	0%
Lazard Technology Partners (private equity)	2,146	0%	1,008	0%
Capital Dynamics (private equity)	759	0%	628	0%
Director of Finance and Resources (central cash)	111,827	3%	76,257	2%
	3,760,058	100%	3,734,959	100%

Stock Lending

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

	31 March 2015	31 March 2016
	£ 000	£ 000
Equities - UK	14,846	26,139
Equities - Global	61,740	63,686
Fixed interest - UK	907	2,496
Fixed interest - Global	0	4,340
	77,493	96,661

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 2016 the Fund held £103.5 million (£84.3 million at 31 March 2015) of collateral in the form of government obligations (such as Gilts) and equities.

Income received from stock-lending activities was £0.26 million for the year ending 31 March 2016 (£0.23 million for year ending 31 March 2015). This is included within the investment income figure shown on the Pension Fund account.

4. Contributions receivable

	2014/2015 £ 000	2015/2016 £ 000
Employers		
Normal	108,566	109,868
Actuarial strain	6,424	5,651
Additional	23,629	0
Scheme members		
Normal	35,439	37,213
Total	174,058	152,732

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.

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	64,357	50,517
Scheduled bodies	88,811	79,774
Admitted bodies	20,890	22,441
Total	174,058	152,732

5. Transfers in

	2014/2015 £ 000	2015/2016 £ 000
Individual transfers in from other schemes	7,773	4,117
Group transfers in from other schemes	0	4,362
Total	7,773	8,479

The group transfers in during 2015/2016 relate to a transfer of employees from the West Midlands Pension Fund.

6. Benefits payable

	2014/2015 £ 000	2015/2016 £ 000
Pensions	119,596	124,837
Commutations and lump-sum retirement benefits	26,344	28,762
Lump-sum death benefits	3,379	3,258
Total	149,319	156,857

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

Staffordshire County Council	64,136	63,977
Scheduled bodies	75,836	80,176
Admitted bodies	9,347	12,704
Total	149,319	156,857

7. Payments to and on account of leavers

	2014/2015 £ 000	2015/2016 £ 000
Individual transfers to other schemes	6,444	6,121
Group transfers to other schemes	3,466	1,207
Payments for members joining / (leaving) State Scheme	38	3
Refunds to members leaving service	178	391
Total	10,126	7,722

8. Management expenses

	2014/2015 £ 000	2015/2016 £ 000
Administration expenses	2,541	2,346
Investment management expenses (see Note 8a)	13,141	13,677
Oversight and governance costs	635	707
Total	16,317	16,730

Included within Administration expenses are the Fund's external audit costs of £0.03m for 2015/16 (£0.03m for 2014/15)

8a. Investment management expenses

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

	2014/2015 £ 000	2015/2016 £ 000
Transaction costs	0	1,197
Management fees	11,169	10,027
Performance related fees	1,766	2,297
Custody fees	206	156
Total	13,141	13,677

To comply with guidance provided by CIPFA's Accounting for Local Government Pension Scheme Costs, the breakdown of Investment management expenses for 2015/2016 include the following changes:

- Investment management transaction costs are now disclosed as part of the above breakdown of expenses. The 2014/15 entry above shows a nil amount as transaction costs of £1.8m had previously been included as part of purchase costs and sale proceeds and disclosed as part of Note 10.
- Performance related fees for 2015/16 have been added to the above breakdown of expenses. Previously they had been disclosed as part of the accounting policies for investment management expenses.
- Other Investment management expenses are now included as part of Management fees and not disclosed separately in this Note.

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.

9. Investment income

	2014/2015 £ 000	2015/2016 £ 000
Fixed interest securities	9,872	8,801
Dividends from equities	28,129	30,034
Income from pooled investment vehicles	2,016	1,316
Rents from property	14,079	15,342
Interest on cash deposits	695	923
Stock lending	234	258
Other	129	200
	55,154	56,874
Withholding tax we cannot recover	(519)	(373)
Total	54,635	56,501

10. Investment reconciliation

	Value at 1 April 2015	Purchases at cost	Sales proceeds	Change in market value	Value at 31 March 2016
	£ 000	£ 000	£ 000	£ 000	£ 000
Fixed interest securities	214,811	0	(32,633)	(4,689)	177,489
Equities	1,264,192	455,434	(420,631)	(69,527)	1,229,468
Pooled investment vehicles	1,463,675	1,228,376	(1,163,476)	(5,949)	1,522,626
Derivatives	(798)	2,658,001	(2,654,831)	(2,526)	(154)
Property	298,057	25,133	(16,370)	19,101	325,921
Other	311,884	21,085	(31,357)	4,370	305,982
	3,551,821	4,388,029	(4,319,298)	(59,220)	3,561,332
External cash deposits (central cash)	106,589				73,007
Investment manager cash	101,648			6,035	100,620
	3,760,058			(53,185)	3,734,959
Outstanding dividend entitlements and recoverable withholding tax	8,125				8,194
Amount receivable for sales of investments	5,622				3,043
Amounts payable for purchases of investments	(9,808)				(1,908)
Net Investment assets	3,763,997				3,744,288

The Fund holds the following pooled investments that exceed 5% of the total value of net assets at 31 March 2016 (also at 31 March 2015):

- LGIM, Passive UK Equity - £339.3m or 9.1% (£327.9m or 8.7% held with SSGA);
- LGIM, Passive All World Equity - £899.4m or 24.1% (£847.1m or 22.6% held with SSGA).

As at 31 March 2016 (also at 31 March 2015) the Fund was committed to the following:

- £115.3m of private equity investments (£67.1m);
- The sale of a UK directly held property investment for £7.1m (£7.6m);
- The purchase of a UK directly held property investment for £0.4m (nil commitment);
- The sale of a UK pooled property fund for £16.4m (nil commitment);
- The purchase of a UK pooled property fund for £10m (nil commitment).

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

10a. Analysis of investments

	31 March 2015 £ 000		31 March 2016 £ 000	
Investments Assets				
Fixed interest securities				
UK corporate quoted	97,002	3%	80,169	2%
Global corporate quoted	117,809	3%	97,320	3%
	214,811	6%	177,489	5%
Equities				
UK quoted	374,523	10%	346,232	9%
Global quoted	889,669	23%	883,236	24%
	1,264,192	33%	1,229,468	33%
Pooled investment vehicles				
UK	332,257	9%	343,360	9%
UK index-linked	196,578	5%	200,485	5%
Global	934,840	25%	978,781	26%
	1,463,675	39%	1,522,626	40%
Derivatives (see note 11)				
Forward foreign currency	42,717	1%	441	0%
Futures	310	0%	137	0%
	43,027	1%	578	0%
Property				
UK directly held property	256,125	7%	284,535	8%
UK pooled property funds	41,932	1%	41,386	1%
	298,057	8%	325,921	9%
Other				
Alternatives funds	105,212	3%	102,046	3%
Hedge funds	88,038	2%	83,290	2%
Private equity	118,634	3%	120,646	3%
	311,884	8%	305,982	8%
Cash				
External deposits	106,589	3%	73,007	2%
Investment manager cash (Sterling £)	93,240	2%	94,490	3%
Investment manager cash (non Sterling £)	8,408	0%	6,130	0%
	208,237	5%	173,627	5%
Total	3,803,883	100%	3,735,691	100%

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10a. Analysis of investments continued

	31 March 2015 £ 000	31 March 2016 £ 000
Outstanding dividend entitlements and recoverable withholding tax	8,125	8,194
Amount receivable for sales of investments	5,622	3,043
Total Investment assets	3,817,630	3,746,928
Investment liabilities		
Derivatives (see note 11)		
Forward foreign currency	(43,643)	(709)
Futures	(182)	(23)
	(43,825)	(732)
Amounts payable for purchases of investments	(9,808)	(1,908)
Total Investment liabilities	(53,633)	(2,640)
Net Investment assets	3,763,997	3,744,288

All companies operating unit trusts or managed funds are registered in the United Kingdom.

11. Derivative contracts

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

Forward foreign currency contracts

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

The value of open contracts is much lower in 2016 as the Fund terminated its currency hedging programme with Record Currency Management in May 2015. The contract had a 12 month settlement period which expired in May 2016.

	31 March 2015	31 March 2015	31 March 2016	31 March 2016
	Assets	Liabilities	Assets	Liabilities
	£ 000	£ 000	£ 000	£ 000
Canadian Dollar	1,026	(936)	0	0
Swiss Franc	1,041	(1,787)	18	(24)
Euro	9,882	(7,042)	111	(355)
Japanese Yen	391	(611)	297	(301)
United States Dollar	30,377	(33,265)	15	(29)
Other	0	(2)	0	0
	42,717	(43,643)	441	(709)

Futures contracts

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

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

	nominal value £ 000	31 March 2015 Assets £ 000	31 March 2015 Liabilities £ 000	31 March 2016 Assets £ 000	31 March 2016 Liabilities £ 000
Euro Bund Future (Euro €) - June 2015	4,789	0	(62)	0	0
Long Gilt Future (Sterling £) - June 2015	15,387	310	0	0	0
US 10 year Note (US \$) - June 2015	7,252	0	(93)	0	0
US 5 year Note (US \$) - June 2015	4,174	0	(27)	0	0
Euro Bund Future (Euro €) - June 2016	4,691	0	0	0	(23)
Long Gilt Future (Sterling £) - June 2016	16,145	0	0	99	0
US 10 year Note (US \$) - June 2016	7,246	0	0	34	0
US 5 year Note (US \$) - June 2016	3,784	0	0	4	
		310	(182)	137	(23)

12. Current assets

	2014/2015 £ 000	2015/2016 £ 000
Contributions due		
Employers	9,077	12,096
Members	1,005	1,889
Cash balances	1,461	4,190
HM Revenue & Customs	11	11
Other	2,832	1,170
Total	14,386	19,356

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

	2014/2015 £ 000	2015/2016 £ 000
Central government bodies	6,479	6,825
Other local authorities	4,721	7,361
NHS bodies	381	25
Public corporations and trading funds	463	433
Other entities and individuals	2,342	4,712
Total	14,386	19,356

13. Current liabilities

	2014/2015 £ 000	2015/2016 £ 000
Investment management expenses	(2,027)	(4,108)
Income received in advance	(2,221)	(1,844)
Benefits payable	(3,513)	(3,370)
Other	(1,913)	(2,395)
Total	(9,674)	(11,717)

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

	2014/2015 £ 000	2015/2016 £ 000
Central government bodies	(73)	0
Other local authorities	(1)	0
NHS bodies	0	0
Public corporations and trading funds	0	0
Other entities and individuals	(9,600)	(11,717)
Total	(9,674)	(11,717)

14. Directly held property net asset account

The Fund had investments in property of £325.9m at 31 March 2016 (£298.1m at 31 March 2015), of which £284.5m was in directly held property (£256.1m at 31 March 2015). The account below reconciles the movement in the Fund's investments in directly held property.

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

Transaction costs for directly held property in 2015/2016 were £1.2 million (£1.2 million in 2014/2015).

	2014/2015 £ 000	2015/2016 £ 000
Balance at start of year	207,605	256,125
Purchases at cost	26,947	25,133
Sale proceeds	(801)	(8,595)
Change in market value	22,374	11,872
Balance at 31 March	256,125	284,535

15. Directly held property fund account

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

	2014/2015 £ 000	2015/2016 £ 000
Rental income	14,079	15,342
Direct operating expenses	(1,225)	(1,022)
Net income	12,854	14,320

16. Additional voluntary contributions

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

The contributions are not included within the Fund accounts, in line with regulation 4(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
Opening value	1,153	675	2,051
Income	71	0	152
Expenditure	(271)	(109)	(366)
Change in market value	24	6	(32)
Closing value	977	572	1,805

17. Related-party disclosure

Staffordshire Pension Fund is administered by Staffordshire County Council. During the reporting period the County Council incurred costs of £2.3m (£2.2m in 2014/15) in relation to the administration of the Pension Fund. The County Council was subsequently reimbursed by the Fund for these expenses.

The Pension Fund holds a proportion of its assets in cash to meet short term commitments. This cash is managed by the Staffordshire County Council Treasury and Pension Fund team in line with the Fund's Annual Investment Strategy, which sets out the permitted counterparties and limits. At 31 March 2016 the Fund held £76.5m in cash (£107.6m at 31 March 2015).

New regulations stopped Staffordshire County Councillors from joining the LGPS 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 2016 three members of the Pensions Committee and the Pensions Panel remained members of the Scheme as they were members prior to 31 March 2014.

18. Deferred debtor

A transfer was made from the Fund to the Civil Service Pension Scheme on 1 April 2005 in respect of magistrates courts. As at 31 March 2011 agreement had been reached that the Fund was due a payment that represented the shortfall between the assets held and the liabilities retained within the Fund. The shortfall of £8.512 million, including an allowance for the delay in receipt of 3.765%, meant ten payments were due to the fund of £1.004m. These payments commenced in 2011/2012 and the current assets figure at note 12 (Employers) includes the £5.02m due at 31 March 2016.

19. Deferred liability

A cash transfer was made to the Fund in 2011/2012 by the Environment Agency of £0.188m. The transfer was in respect of Pre-1974 Water Company Pensions increase recharges and represents income received in advance. £0.013m has been transferred to the revenue account in 2015/2016 and £0.013m will be released per year until 2025/2026. The current liabilities figure at note 13 (Income received in advance) includes the remaining £0.125m to be released at 31 March 2016.

20. Events after the balance sheet date

On 23rd June 2016 the UK voted to leave the European Union ('Brexit'). As a response to this event, in August 2016 the Bank of England lowered base rate to 0.25% and increased its Quantitative Easing programme by a further £60bn to £435bn.

The effect of the Bank of England's action was to lower market interest rates, including those on UK Government gilts. As gilts are the basis on which the Fund's liabilities are valued, in the long-term the effect of the 'Brexit' vote may be to increase the Fund's deficit and increase employer contributions. This is uncertain though and there is likely to be continuing uncertainty around the impact of the vote for a number of years.

For the purposes of these financial statements, the UK vote to leave the European Union is considered a non-adjusting event. There have been no other events occurring after the reporting date that would have a material impact on these financial statements.

21. 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 2016 was £120.6m (£118.6m at 31 March 2015).

Pension Fund liability

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

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

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

The items in the Net assets statement at 31 March 2016 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 manager's 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 £120.6m. 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 £83.3m. 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 £102.0m. There is a risk that this investment may be under or overstated in the accounts.

23. Classification of financial instruments

The net assets of the Fund disclosed in the Net assets statement and in note 12 are made up of the following categories of financial instruments. No financial instruments were reclassified during 2015/2016.

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 in note 14 - Directly held property net asset account and note 15 - Directly held property fund account.

31 March 2016	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Total
	£ 000	£ 000	£ 000	£ 000
Financial assets				
Fixed interest securities	177,489	0	0	177,489
Equities	1,229,468	0	0	1,229,468
Pooled investment vehicles	1,522,626	0	0	1,522,626
UK pooled property funds	41,386	0	0	41,386
Hedge funds	83,290	0	0	83,290
Private equity	120,646	0	0	120,646
Alternatives funds	102,046	0	0	102,046
Derivatives - forward foreign currency	441	0	0	441
Derivatives - futures	137	0	0	137
Cash	0	177,817	0	177,817
Other investment balances	11,237	0	0	11,237
Current assets	0	15,166	0	15,166
	3,288,766	192,983	0	3,481,749
Financial liabilities				
Derivatives - forward foreign currency	(709)	0	0	(709)
Derivatives - futures	(23)	0	0	(23)
Current liabilities	0	0	(11,717)	(11,717)
Other investment balances	(1,908)	0	0	(1,908)
	(2,640)	0	(11,717)	(14,357)
	3,286,126	192,983	(11,717)	3,467,392

The previous years data is given below

31 March 2015

	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Total
	£ 000	£ 000	£ 000	£ 000
Financial assets				
Fixed interest securities	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	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
	3,310,369	222,623	0	3,532,992
Financial liabilities				
Current liabilities	(926)	0	0	(926)
Other investment balances	0	0	(9,674)	(9,674)
	(9,808)	0	0	(9,808)
	(10,734)	0	(9,674)	(20,408)
	3,299,635	222,623	(9,674)	3,512,584

24. Net gains and losses on financial instruments

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

	2014/2015 £ 000	2015/2016 £ 000
Financial assets		
Designated as fair value through profit and loss	388,128	(76,018)
Loans and receivables	4,149	6,035
	392,277	(69,983)

25. 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 investment vehicle as they are not traded in a market that is considered to be active and where the asset value can be determined by observed values for the underlying assets.

Level 3 - Inputs for assets or liabilities that are not based on observable market data (unobservable inputs). Such instruments would include private equity and hedge 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 2016

	Level 1 £ 000	Level 2 £ 000	Level 3 £ 000	Total £ 000
Financial assets				
Designated as fair value through profit and loss	1,418,330	1,523,068	347,368	3,288,766
Loans and receivables	192,983	0	0	192,983
Financial liabilities				
Designated as fair value through profit and loss	(1,931)	(709)	0	(2,640)
Financial liabilities at amortised cost	(11,717)	0	0	(11,717)
	1,597,665	1,522,359	347,368	3,467,392

The previous years data is given below.

31 March 2015

	Level 1 £ 000	Level 2 £ 000	Level 3 £ 000	Total £ 000
Financial assets				
Designated as fair value through profit and loss	1,492,878	1,463,675	353,816	3,310,369
Loans and receivables	222,623	0	0	222,623
Financial liabilities				
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)
	1,695,093	1,463,675	353,816	3,512,584

26. Nature and extent of risks arising from financial instruments

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

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

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

Market risk

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

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

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 2016/2017 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	+/- 20%
Private equity	+/- 29%
UK fixed interest bonds	+/- 13%
UK Index-linked bonds	+/- 10%
Corporate bonds	+/- 12%
Cash	+/- 1%
UK pooled property funds	+/- 15%
Alternatives	+/- 11%

This movement in the market prices would increase or decrease the net assets at 31 March 2016 to the amounts shown below.

Asset type	31 March 2016 £ 000	Percentage change %	Value on increase £ 000	Value on decrease £ 000
UK corporate bonds	80,169	12%	89,789	70,549
Global corporate bonds	97,320	12%	108,998	85,642
UK equities	346,232	17%	405,091	287,373
Global equities	883,236	20%	1,059,883	706,589
UK pooled investments	343,360	17%	401,731	284,989
UK index-linked pooled investments	200,485	10%	220,534	180,437
Overseas pooled investments	978,781	20%	1,174,537	783,025
Forward foreign currency	(268)	0%	(268)	(268)
Futures	114	0%	114	114
UK pooled property funds	41,386	15%	47,594	35,178
Hedge funds	83,290	11%	92,452	74,128
Private equity	120,646	29%	155,633	85,659
Alternatives funds	102,046	11%	113,271	90,821
Cash	173,627	1%	175,363	171,891
Outstanding dividend entitlements and recoverable withholding tax	8,194	0%	8,194	8,194
Amount receivable for sales of investments	3,043	0%	3,043	3,043
Amounts payable for purchases of investments (1,908)		0%	(1,908)	(1,908)
Current assets	19,356	0%	19,356	19,356
Current liabilities	(11,717)	0%	(11,717)	(11,717)
	3,467,392		4,061,690	2,873,095

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. Any short term volatility associated with fluctuating currencies are balanced by the long term nature of investments in equity markets.

Credit risk

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

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 2015/2016 investments were made with:

Staffordshire County Council's banker, Lloyds Bank (maximum £5m).

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

At 31 March 2016, £76.5m was held in this way (£107.6m at 31 March 2015).

Liquidity risk

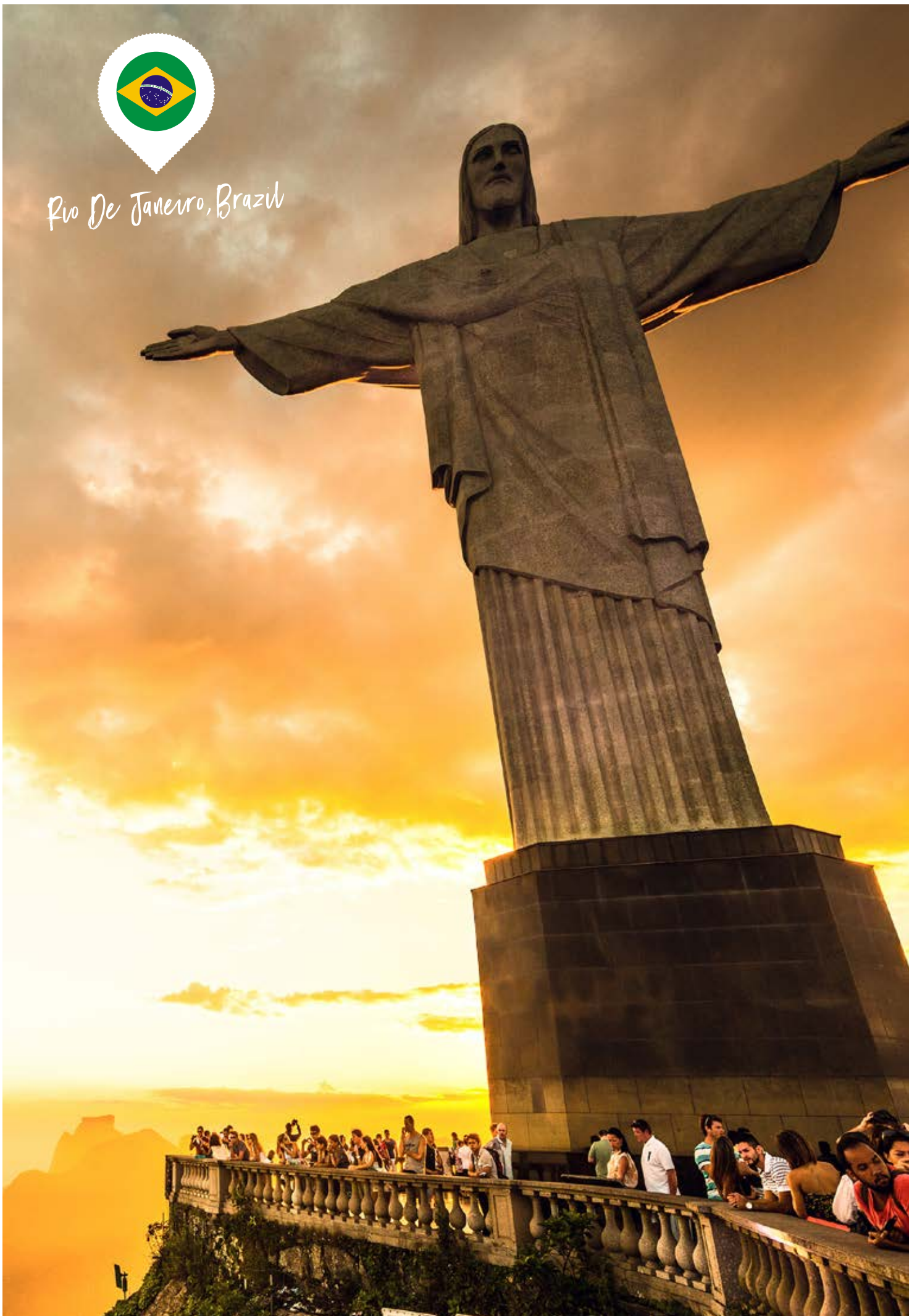
Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. To manage this risk the Fund holds an allocation of its assets in cash to meet short term commitments.

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.



Rio De Janeiro, Brazil



Independent auditors statement to the members of Staffordshire County Council on the pension Fund financial statements

We have examined the pension fund financial statements for the year ended 31 March 2016, which comprise the:

- Fund Account;
- Net Assets Statement; and
- related notes 1 to 26.

This report is made solely to the members of Staffordshire County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and the auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities as set out in the audited statement of accounts for Staffordshire County Council, the Chief Financial Officer is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of Staffordshire County Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

We conducted our work in accordance with guidance issued by the National Audit Office. Our report on the administering authority's full annual statement of accounts describes the basis of our opinions on those financial statements.

Opinion

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of Staffordshire County Council for the year ended 31 March 2016 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

We have not considered the effects of any events between the date we signed our report on the full annual statement of accounts 29 September 2016 and the date of this statement.



Richard Page (senior statutory auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Bristol

21 October 2016

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.

Local Pension Board

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

Pensions Committee

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

Pensions Panel

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

Pooled investment vehicles

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

Private 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.

How to contact us

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

Investment and Fund management

Melanie Stokes – Strategic Investment Manager

Phone: 01785 276330

E-mail: treasury.pensionfund@staffordshire.gov.uk

Benefits, Contributions and Pensions Payroll

Janet Caiazzo – Pensions Manager

Phone: 01785 276441 or for Payroll

01785 278222 (option 2)

E-mail: pensions.enquiries@staffordshire.gov.uk

Or, you can write to us at:

Staffordshire Pension Fund
Staffordshire County Council
2 Staffordshire Place
Tipping Street
Stafford ST16 2LP.

You can also visit our website at

www.staffspf.org.uk

If you can read this but know someone who can't, please contact us on 01785 276441 so we can provide this information in a more suitable format.



Staffordshire Pension Fund

Investing Globally

Pension Scheme registration number: 10011745

Designed by BeSmart Design Limited
www.besmartdesign.co.uk tel. 01902 797970



**Staffordshire
Pension Fund**
Local Government Pension Scheme