INTRODUCTION

This report sets out the **background to the West Sussex LGPS**, the **changes to the Scheme** which will be effective from 1 April 2014, the details of the **Fund's performance** and its **income/expenditure** for the year and its **assets** as at 31 March 2014.

The report sets out in some detail the mandates which the **equity and bond, property and private equity** managers have been awarded and their short and longer term performance. It also considers how the Fund responds to its **corporate governance** responsibilities.

Every three years the Fund is required to undertake a **full actuarial valuation** of its assets and liabilities. The most recent valuation was undertaken at 31 March 2013 and the outcome of this review has been set out in this annual report.

The Fund is required to maintain certain policy documents, which are published in full on the Fund's website. However this report summarises the Pensions Panel's **key priorities for the period 1 April 2013 to 31 March 2014**, including the **attendance and training** undertaken by Pension Panel Members, and the tasks that it has set for the next financial year.

Finally the report includes comments from the Fund's **internal auditors** on the management, governance and administration arrangements which are in place.

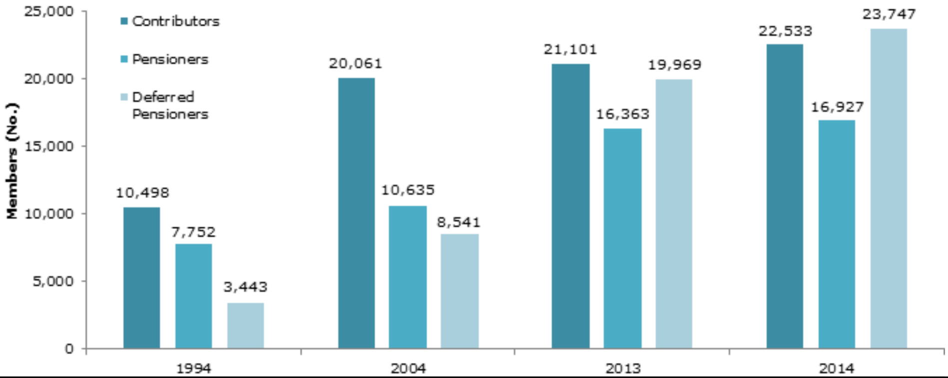
PUBLICATIONS

The latest policy documents can be downloaded from the Fund's website and can be made available on request.

- **Business Plan**: This reviews the Fund's objectives during the year and sets out the future direction. The Pensions Panel review and revise the business plan annually.
- **Communications Strategy Statement:** This sets out the policy concerning communications with members, representatives of members, prospective members and employing authorities.
- **Funding Strategy Statement**: This document identifies how employers' pension liabilities are best met going forward (whilst maintaining as near as possible constant employer contribution rates) and sets out how the Fund will take a prudent long term view of funding those liabilities. This statement sets out how the West Sussex Fund has balanced the conflicting aims of affordability of contributions, transparency of processes, stability of employers' contributions, and prudence in the funding basis.
- **Governance Policy & Governance Compliance Statement:** These two statements detail the Fund's governance and stewardship arrangements and report the extent of compliance against a set of best practice governance principles laid down in statutory guidance.
- **Myners Compliance Statement**: In response to the Department for Communities and Local Government (DCLG) adoption of Myners six best practice principles (effective decision making, clear objectives, risk and liabilities, performance assessment, responsible ownership and transparency and reporting), the authority has set out the extent to which the Fund complies with these objectives.
- **Statement of Investment Principles**: The Council has a duty to ensure that scheme funds not immediately required to pay pension benefits are suitably invested and to take proper advice in the execution of this function. It has delegated the decision-making responsibility to the Pensions Panel. This policy outlines how investment decisions are made, the types of investment held, fees paid, risk and corporate governance.

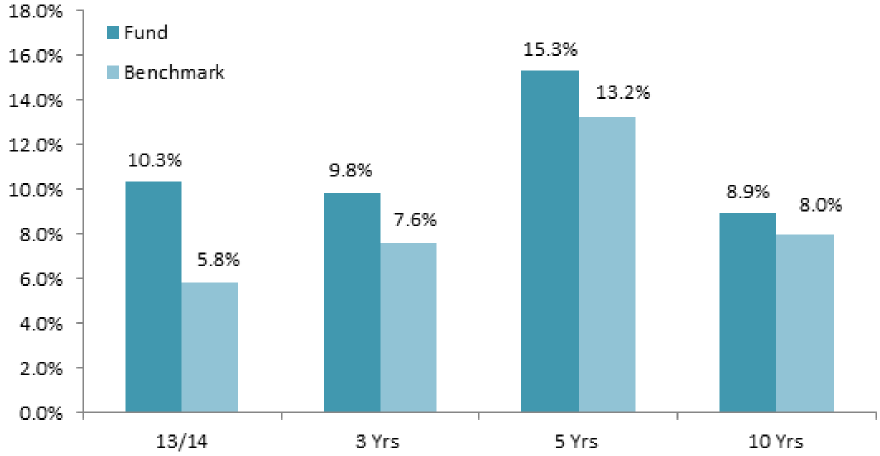
A 5 point summary

1 **Membership:** Membership of the LGPS is open to all local government employees and employees of certain specified employers (such as Colleges, Academies, and those who are providing a service transferred from a local authority). Police officers, teachers and fire-fighters have their own statutory arrangement. Membership comprises contributors (those who are still working and paying money into the Fund), pensioners (former employees, their widows and children, receiving pension benefits) and deferred pensioners (former employees who have deferred pension rights to be paid at some time in the future). This change to the mix in membership is illustrated below:



2 **Pensions Panel:** The Pensions Panel is responsible for the management of the Pension Fund and is supported by the independent adviser and the Director of Finance and Assurance. The Panel comply with best practice covering governance, knowledge and skills, effective decision making, investment objectives, performance assessment and transparency. The Fund is an active shareholder and the Pensions Panel has directed the fund managers to consider, amongst other factors, the effects of social, environmental and ethical issues when investing. During the year, the Fund had votes placed at 100% of domestic (UK) meetings at which they were entitled to vote and 92% of foreign meetings.

3 **Investments:** The Pension Fund invests in equities, fixed income, property, private equity and cash. At 31 March 2014 the total portfolio was valued at £2,617m, an increase of £249m compared to 31 March 2013. The Fund's performance is analysed relative to a customised benchmark which shows the 'index' or 'market' return. During 2013/14, the Fund performance was 10.3%, outperforming the benchmark by over 4.0%. The long term performance is shown below:



4 **Funding:** The Fund's liabilities are valued every three years and compared to the assets held. The outcome of this exercise sets employer contribution rates. Employee contribution rates are set by central government. The most recent valuation was completed as at 31 March 2013 and showed the Fund to be 86.4% funded. This means that there was a shortfall of 13.6%, equivalent to £371m. The Funding Strategy Statement explains how the administering authority intends to meet these liabilities over the longer term.

5 **Changes to the LGPS:** A new scheme was introduced on 1 April 2014. Key features of the new Scheme include moving from a final salary to a Career Average Revalued Earnings (CARE) Scheme, new accrual rate of 1/49th, changing the normal Scheme pension age to reflect each member's State Pension age and revising the employee contributions.

Section 1: Background

Pensions Panel

1. The Pensions Panel was established in 1974 to oversee the Pension Fund's investment programme on behalf of the administering authority and other employing authorities that pay contributions to the Fund. The Pensions Panel comprises seven County Councillors and three non-voting representatives, one from the district councils, one from the other major employers and one from the staff side, nominated by Unison. The Panel is supported by an independent Investment Adviser and the Director of Finance and Assurance and his staff in the execution of its responsibilities. During the year, the Panel members were as follows:

Chairman	Mr. M. Brown
Member of the County Council	Dr. J. Walsh
	Mr. S. Waight (to 08/13)
	Mr. N. Peters
	Ms. D. Urquhart
	Mr. P. Metcalfe
	Mr. B. Smith
	Mr. P. Lamb
District Council Member	Mr. G. Marples
Scheduled Bodies Member	Mrs. K. Bourne
Employee Representatives	Mr. D. Sartin
Investment Adviser	Miss. C. Burton
Officers	Mr. R. Hornby
	Mr. S. Harrison
	Mr. P. Audu (to 01/14)
	Mrs. R. Wood (from 01/14)
	Mrs. V. Hampshire
	Mrs. L. Davies

2. An attendance register is attached at Appendix 2. A list of current Panel members can be found on the Fund's website.

3. The Council has adopted the key recommendations of CIPFA's Knowledge and Skills code of practice and recognises that effective financial management and decision making can only be achieved where those involved have the requisite knowledge and skills. In addition to the Local Government Employers trustee training, which is offered to all Panel members, training sessions are arranged following Panel meetings covering specific investment or governance issues, as set down in CIPFA's framework and key issues at the time. All training undertaken and planned is reported annually in the Training Register (Appendix 2).

4. Meetings are attended by investment managers and actuary as required.

Managers	Mr. J. Davies & Mr. I. Barnes (UBS Global Asset Management)
	Mrs S Swindells, Mrs. L Dewar & Mr. J Mowat (Baillie Gifford & Co.)
	Mr. P. Balfour (Cushman & Wakefield)
	Mr. R. Barr & Mr. R. Wright (Pantheon Ventures)
	Mr. S. Naef, Mr. E. Kass & Mr. G. Waller (Partners Group)
Actuary	Mr. B. Chalmers, Mr. S. Law & Mr. P Potts.(Hymans Robertson)

Fund Membership

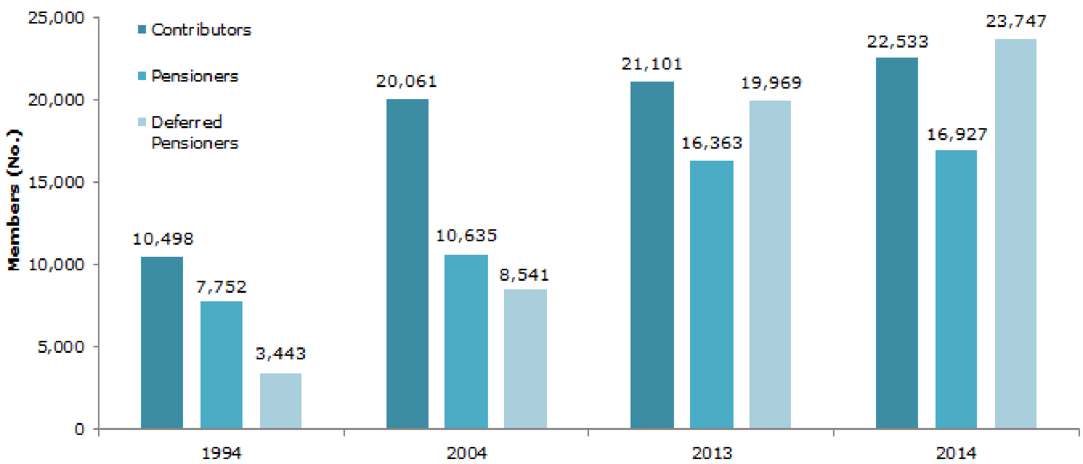
5. Membership of the LGPS is automatic to all County Council employees and employees of certain specified employers (such as colleges, academies, and those who are providing a service transferred from a local authority). The Fund's website details all participating employers.

6. There are four main membership groups:

- **County Council employees (54% of active members):** Membership is automatic to all employees who have contracts of employment for more than three months. Employees can, of course, opt not to join the Scheme.
- **District employees (14% of active members):** West Sussex County Council administers the Pension Fund on behalf of the district councils. As with County Council employees, membership is automatic for all employees who have contracts of employment for more than three months. This figure includes 21 councillors.
- **Scheduled bodies (26% of active members):** Regulations allow employees of certain specified bodies to join the Scheme (including non-uniformed personnel of the Police and Crime Commissioner and employees of colleges, academies, town and parish councils)
- **Admitted bodies (6% of active members):** Private sector bodies may also be admitted to benefit staff employed in the provision of services transferred from a local authority, subject to meeting the conditions of the regulations. In addition, the County Council is empowered to admit certain other quasi-governmental organisations to the Fund. Such bodies' liabilities have to be underwritten by a local authority.

Police officers, teachers and fire-fighters have their own unfunded statutory arrangements.

7. Membership comprises contributors (those who are still working and paying money into the Fund), pensioners (former employees, their widows and children, receiving pension benefits) and deferred pensioners (former employees who have deferred pension rights to be paid at some time in the future). The bar chart below illustrates the change to the mix of membership comparing year end membership data at 31 March 1994, 2004, 2013 and 2014.



Excludes 275 leavers who have still to decide what to do with their benefits.

Since March 2013, the number of contributors has increased by 6.8% whilst the number of pensioners and deferred pensioners has risen by 3.4% and 18.9% respectively. This is due to the introduction of auto enrolment and restructuring activity.

Since 1994, total membership has increased by over 190%. The ratio of contributors to pensioners (deferred and active) has changed from 48:52 in favour of contributors in 2003 to 35:65 in 2014, illustrating the maturing nature of the membership. Over the decade, the number of contributors has increased by 12% whilst the number of pensioners in receipt of benefits has increased by 60%.

Over the same period, deferred pensioners have increased by nearly 180%. This is due to the change in Regulations allowing leavers a deferred benefit entitlement once they had been in the LGPS for more than 3 months and no refunds are payable beyond this point. Previously the deferred entitlement only applied once a member had been in the LGPS for two years or more. The vesting period has changed back to 2 years from 1st April 2014 for new entrants.

Additional Voluntary Contribution (AVC) Scheme

8. All local government Pension Funds have an AVC arrangement in which employees can invest money deducted directly from pay. This is arranged through an AVC provider, often an insurance company or building society. These schemes provide members with a flexible and tax-efficient way of topping up their retirement benefits. The County Council's current provider is Standard Life, although some members retain paid up plans with Equitable Life, the previous provider. Details of AVCs and the valuation of the schemes can be found in the Accounting Report at Appendix 1.

9. The 1995 Pensions Act imposes a duty of care on the Council in relation to the establishment and monitoring of AVC arrangements. The Council is committed to good governance and ensures that the services and general conduct and financial viability of the provider are kept under review.

10. The last review was carried out in early 2014 by an independent consultant. Having assessed both Equitable Life and Standard Life as AVC providers of the West Sussex Pension Fund the advisors were satisfied that the Authority's existing AVC arrangements remain suitable for on-going pension provision.

Tax Position of the Fund

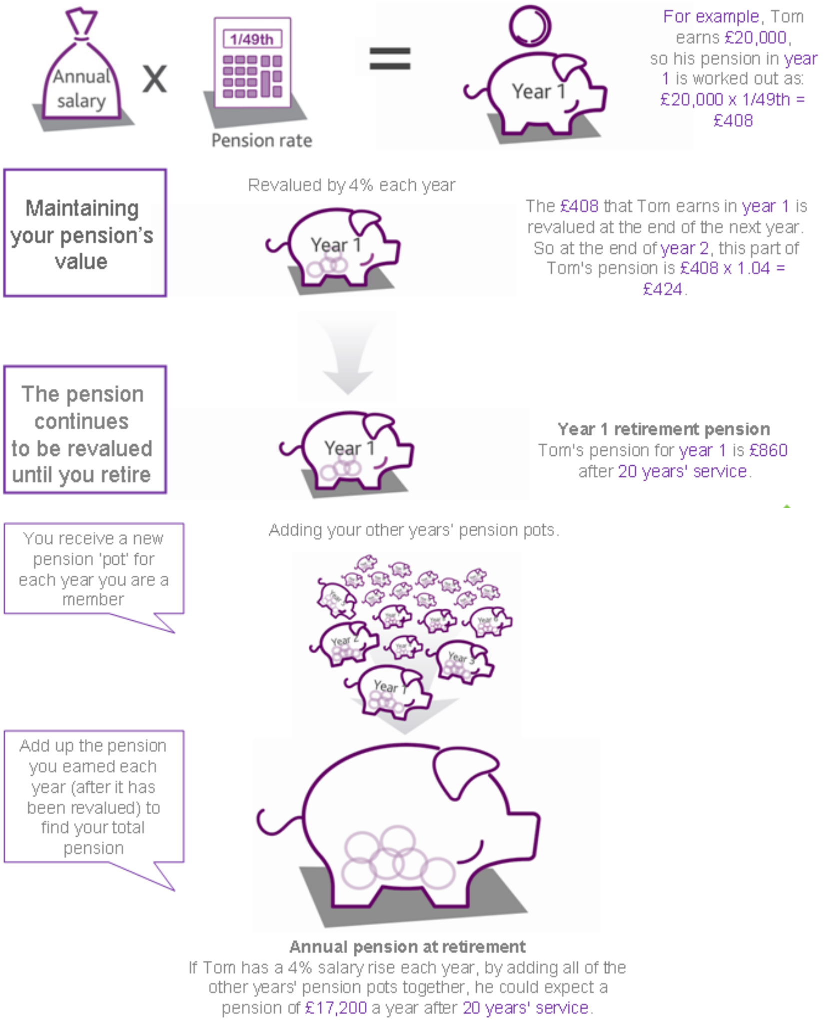
11. Under Part II of the Finance Act 1970, the fund is exempt from UK income tax and no capital gains tax is chargeable. However, in the July 1997 Budget, tax credits paid to pension funds were abolished with immediate effect. In 1997, the estimated effect of this was to add 3.5% of payroll to employer contribution rates by reducing income by around £7m a year for the total fund.

12. In the Budget in March 1990, the Chancellor exempted pension funds from tax on dealings in futures and options. Previously investment in many of these instruments was classed as trading, and if a fund was trading, the whole of it would be taxable.

Changes to the LGPS (LGPS 2014)

13. A new scheme was introduced on 1 April 2014. The key features of the new scheme are:

- **Career Average Revalued Earnings (CARE) Scheme** using CPI as the revaluation factor (the current 2008 Scheme is a final salary Scheme). CARE Scheme is a Defined Benefit Scheme like the current Scheme. The below example provided by the Fund's actuary, Hymans Robertson, illustrates how CARE works.



- **Accrual rate to be 1/49th:** (the rate for the current Scheme is 1/60th). A 1/49th means that for each year of membership you will receive 2.04% of your salary. A 1/60th means that for each year of membership you will receive 1.67% of your salary.
- **There would be no normal Scheme pension age;** instead each member's Normal Pension Age (NPA) would be their State Pension Age (the current Scheme has an NPA of 65).
- **Member contributions to the Scheme will change** with the rate determined on actual pay (the current Scheme determines part-time contribution rates on full time equivalent pay). While there would be no change to average member contributions, the lowest paid would pay the same or less and the highest paid would pay higher contributions on a more progressive scale after tax relief.

- **Flexibility on contribution:** There is a new 50/50 option allowing members, including those who have already or are considering opting out of the Scheme, to pay half contributions for half the pension benefit, whilst still retaining the full value of other benefits such as death in service.
- **Death-in-Service Lump Sum:** This would be 3 x pension, instead of 4 x pension.
- **Definition of Pensionable Pay**: Actual pensionable pay would include non-contractual overtime and additional hours for part-time staff. This is excluded in the current Scheme.

Section 3: Investment & Fund Performance

14. The Pension Fund invests contributions and investment income which is not required to pay benefits in stocks and shares, property and private equity.

Fund Structure

15. The Fund's customised benchmark became operational on 1 January 2003, but has been amended since to take account of actuarial advice. A customised benchmark shows the long term asset allocation of the portfolio between the major categories of investment assets, such as equities, bonds and property and is a risk decision relative to the liabilities, rather than an expected return decision. An investment strategy of lowest risk, but not necessarily the most cost effective in the long term, would be 100% investment in index linked government bonds. However, the fund's benchmark includes a significant holding in equities in the pursuit of long-term higher returns than from index-linked bonds recognising the relatively immature liabilities of the fund and the secure nature of most employers' covenants. The Pensions Panel is committed to ongoing review of our asset allocations and achieving an appropriate balance between risk and reward.

16. In July 2013 the Pensions Panel amended the benchmark for UBS. The customised benchmark at Fund level is summarised below:

	Weighting	Benchmark	
Equities			Two external fund managers have been appointed to manage the core global balanced portfolios on an active, discretionary basis. Both managers have complimentary styles: Baillie Gifford is a growth manager whilst UBS has a value bias.
Global	59.6%	MSCI AC World	
UK	5.9%	FTSE All Share	
Bonds			
Consolidated	10.5%	iBoxx GBP Overall	
Gilts	4.5%	FTSE Actuaries Gov All Stocks Gilt	
Corporate	3.7%	Market iBoxx £ Non-Gilts	
Other			
TAA	0.8%	Citigroup GBP 1m EUR Deposit	
Private Equity	5.0%	FTSE World	The Fund has a small holding in private equity because of its potential for good long term returns. The allocation will be reduced overtime following a decision by the Pensions Panel in 2013 to not make any further commitments.
Property	10.0%	Quarterly version of IPD Monthly	The portfolio comprises direct and indirect holdings and is diversified by geography and property type.

17. The Fund has no allocation to cash, although the fund managers can hold up to 10% in cash with reference to the benchmark ranges. Working balances are held and managed by the Council. Please see the Statement of Investment Principles on the Fund's website for further information.

18. The customised benchmark is based on a long-term asset allocation. However, in the short-term, the fund managers can aim to add value through tactical decisions, for example having more UK equities in the portfolio than the customised benchmark during a period when the UK market is expected to perform well, or holding more bonds than the benchmark, which are viewed as being 'safer' when equities are expected to be volatile. The table below summarises the total portfolio at 31 March 2014.

	Market Value £000	% of portfolio by value	Benchmark
Equities			
UK	312,851	12.0	5.9
Overseas	1,432,368	55.0	59.6
Bonds			
Total	407,208	15.6	18.7
Property			
Direct	164,225	6.3	10.0
Indirect	45,967	1.8	
Other			
Private equity	158,358	6.1	5.0
Cash at WSCC	19,893	0.8	0.0
Cash with fund managers	43,046	1.6	0.0
TAA	19,897	0.8	0.8
	2,603,813	100.0	100.0

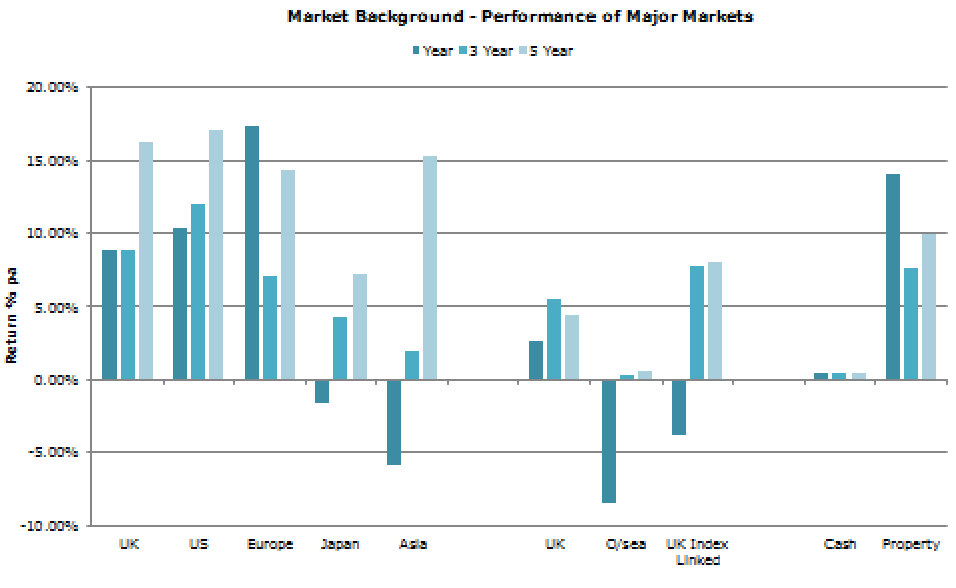
i. Market value is shown at bid price.
ii. The above figures do not include the following investment assets and liabilities or current assets and liabilities which in total amount to £13.4m:

	£000
Investment assets	
Investment income	7,764
Amounts receivable for sales	10,038
Current Assets	
Contributions due	3,925
Other debtors	3,305
Taxation	1,229
Total assets	26,261
Investment liabilities	
Property rent receipts in advance	(1,115)
Amounts payable for purchases	(9,128)
Current liabilities	
Taxation	(1)
Other current liabilities	(2,652)
Total liabilities	**(12,896)**
Net	**13,365**

iii. In-house managed funds and unit trusts have been included in the applicable sector allocations.
iv. Private equity valuations are included on an estimated basis. Please see the Fund's annual accounts appended to this report for further details about the valuation of the private equity portfolio.
v. The CARS product is a method of allocating portfolio assets to take advantage of short-term market pricing anomalies or strong market sectors. Please refer to the glossary at the end of this report for further information.

Economic and market background

19. The chart below illustrates the performance of the major markets during the year which sets the background against which the fund managers have performed. RPI over the year was 2.5%. CPI over the year was 1.6%.

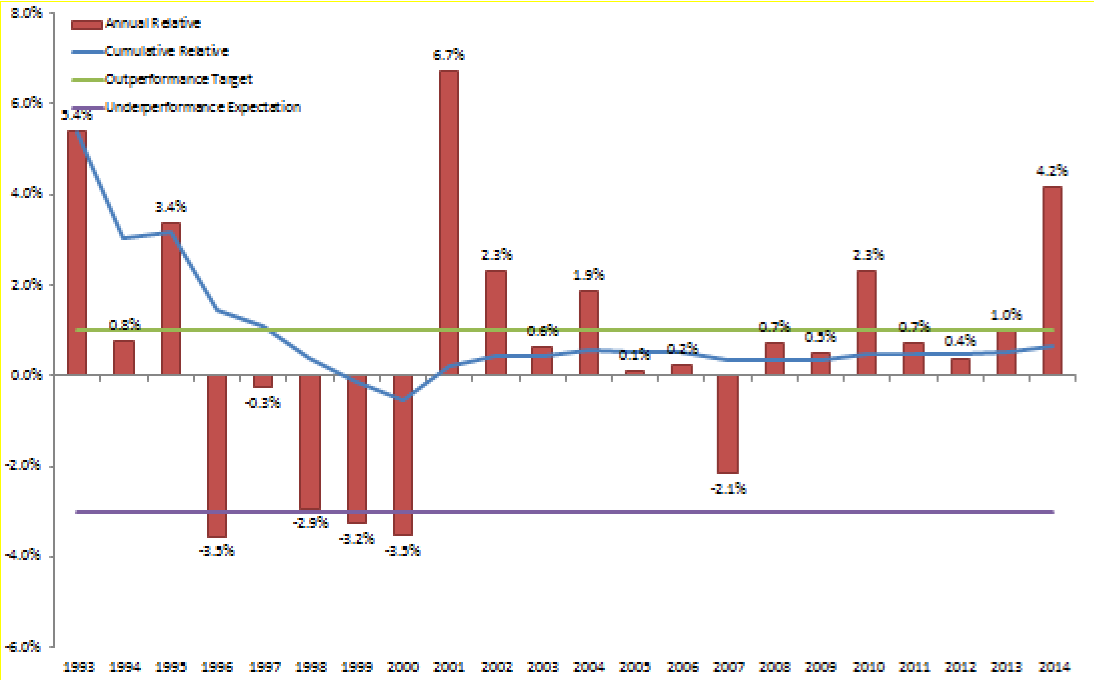


Fund performance

20. The West Sussex portfolio is actively managed. This means that the fund managers aim to out-perform the market over the long term by superior asset allocation, market timing or stock selection (or a combination of these).

21. During the year to 31 March 2014, the Fund, achieved a return of 10.3%. It out-performed the customised benchmark by 4.2%.

22. The following chart plots the annual and annualised Fund and benchmark performance since 1992. 1992/93 is shown as the start point as one of the Fund managers (UBS) was first appointed in 1992.



23. The table below further analyses Fund performance relative to other Local Authorities. The percentile rank indicates that percentage of funds in the WM Universe with a return equal to or greater than the return shown. The top ranking is 1 (maximum) and the bottom ranking 100. This enables individual local authority funds to compare their rankings across years as a slightly different number of funds participate in the survey each year.

	12 months	**3 years (pa)**	**5 years (pa)**	**10 years (pa)**	**20 years (pa)**
Fund	10.3%	9.8%	15.3%	8.9%	7.9%
Benchmark	5.8%	7.6%	13.2%	8.0%	7.4%
Relative Return	*4.3%*	*2.1%*	*1.8%*	*0.9%*	*0.5%*
Local Authority Average	6.4%	7.5%	12.7%	7.8%	7.7%
Percentile Position	5	7	6	8	5

% Return per annum rounded to nearest 0.1%.
The Fund's customised benchmark became operational in January 2003. Prior to this, the Fund's performance was measured against the local authority average.

24. The performance by asset class is discussed in more detail in the following sections.

Section 4: Multi-asset balanced fund managers

Mandate

25. Two external fund managers, UBS Global Asset Management (UBS) and Baillie Gifford, have been appointed to manage the core global balanced portfolios on an active, discretionary basis.

- For the UBS mandate, the objective changed during the year from outperforming the benchmark by 1% pa over a rolling three year period gross of fees to outperforming the benchmark by 2% pa over a rolling three year period net of fees. In both cases the expectation is that performance will not fall more than 3% below the benchmark, in any one year. The new benchmark was effective from 1 July 2013.
- Baillie Gifford's performance target is to outperform the benchmark by 2% pa over a rolling five year period net of base fees.

26. The two managers have very different styles: Baillie Gifford is classified as a 'growth' manager whilst UBS have a value bias. The investment 'style' is the philosophy behind the way in which a manager manages the fund.

- A growth manager is a money manager who seeks to buy stocks that typically sell at relatively high price to earnings ratios due to high earnings growth, with the expectation of continued high or higher earnings growth.
- A value manager is a fund manager who aims to select stocks that he believes to have potential not reflected in the current share price and have a relatively low price to earnings ratio.

Investment background

27. During the 12 months to 31 March, most major investment markets delivered strong returns. This was partly due to increasing investor confidence, partly to improving economic and corporate fundamentals, and partly in response to the continuation of the exceptionally loose monetary policy that remained a feature in many developed countries for much of the period.

28. In the US, signs that the economic recovery was gathering momentum proved to be particularly beneficial to the performance of equity markets. In December, the Federal Reserve unveiled plans to reduce its bond buying programme and subsequently announced plans to further trim the levels of support. There was also increased optimism over prospects for the UK, where economic data suggested that the worst of the slowdown had passed, and prompted talk of a possible interest rate rise.

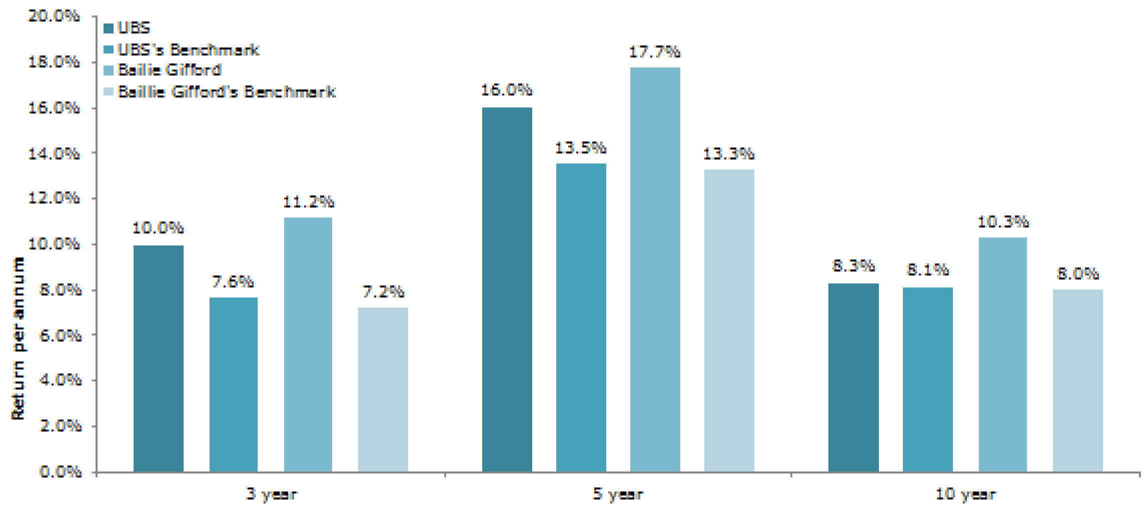
29. Meanwhile, the Japanese government continued to try to address longstanding economic problems in their country, and this had a generally positive impact on the domestic stock market. The more upbeat mood extended to the Eurozone, where even the states hit hardest by the financial crisis showed tentative signs of improvement.

30. Bonds had mixed fortunes over the year. UK government bonds ended 2% lower, while overseas government bonds declined 8%, measured in local currency. The extra yield on corporate bonds proved attractive to investors seeking to improve their returns in a low interest rate environment and corporate bonds registered a 2% return in the year.

Fund Manager Performance

31. Both managers outperformed the benchmark during the year - Baillie Gifford outperformed its customised benchmark by 5.3% (with a return of 10.4%). UBS outperformed by 5.1% (with a return of 10.8%).[1] The majority of outperformance was attributable to fund managers' stock selection decisions (98%), although asset allocation helped a little.

32. The chart below summarises performance for both mandates over the longer-term.



Portfolio

33. The assets managed by Baillie Gifford and UBS at the beginning and end of the year is shown in the following table, together with the benchmark and comparative figures for the average local authority Fund in the WM Universe.

	31.03.13	31.03.14				
	Total	UBS	Baillie Gifford	Total	B'mark	Local authority average
Equities						
UK	22.6%	33.2%	25.3%	29.1%	6.9%	29.1%
Overseas	57.4%	55.3%	72.2%	64.7%	70.1%	47.1%
Bonds						
Total	16.7%	7.4%	-	3.4%	22.0%	20.1%
Other						
Cash	1.0%	2.1%	1.8%	1.9%	0.0%-	3.7%
TAA	2.2%	2.0%	-	0.9%	0.9%-	-
Total £'000	2,000,342	1,023,351	1,192,019	2,215,370		

Market value is shown at Bid price.

[1] Information relates to relative performance which is the degree by which the portfolio has out or underperformed the benchmark over the period.

34. The top ten companies (by value) held in the portfolio at 31 March 2014 are listed in the following table.

Holding	Value £000	% of total Fund
Naspers	38,109	1.9
Google	37,102	1.9
Prudential	30,520	1.5
Nestle	26,247	1.3
Samsung	25,675	1.3
Royal Caribbean	24,419	1.2
BP	24,356	1.2
Roche	21,738	1.1
Taiwan Semiconductor	19,894	1.0
TD Ameritrade	19,609	1.0

35. Within the balanced portfolios, £351.2m is held in the managers' internal pooled funds (£216.3m by Baillie Gifford and £134.9m by UBS). Pooled funds aggregate investors' money and invest in a portfolio of assets such as equities, bonds and property. The type of securities held is governed by the Fund's own investment objective. Under the LGPS Regulations there is a limit of 25% for investment in pooled funds run by one firm. There is, however, discretion to go to 35% if there is good reason, Pensions Panel approval and a note to this effect in the Statement of Investment Principles. This will be carefully monitored.

36. Purchases and sales transacted during the year are summarised below.

	Net purchases & sales £000	Profit/loss £000
Equities		
UK	-132,333	34,856
Overseas	134,703	151,236
Bonds	34,519	-3,536
Other		
Tactical Asset Allocation	-19,485	-6,972
Total		
	17,404	175,584

Figures exclude accrued income but include corporate actions.
Net purchase and sale figures based on book cost of purchases and proceeds of sales including broker commission, third party charges and taxes.

Custodian

37. The Fund uses Northern Trust for global custody services.

38. As global custodian, Northern Trust arrange for the safekeeping of the Fund's assets (excluding property, private equity, pooled investments and some cash), settlement of transactions effected by fund managers, timely collection of income and other administrative actions.

39. Amaces, an independent custodian monitoring firm, reviewed the service provided by Northern Trust quarterly, on behalf of the Fund. Overall, there are no issues of concern to the Fund.

Transaction costs

40. The Myners best practice principles require that the Panel should have a full understanding of the transaction related costs they incur and should seek to include the achievement of value for money and efficiency in its objectives and all aspects of its operations. To this end, since 2003 the Fund has commissioned a trading cost analysis which shows commissions, fees and market impact costs incurred over the year.

41. During the year, April 1, 2013 to March 31, 2014, Elkins McSherry monitored £1.29 billion in global equities in twenty-seven countries. The overall trading cost (commission, fees and market impact) was +11.7 basis points (BP) or £1,514,702, which is 20.1 basis points lower than the Elkins/McSherry Universe, representing a 'saving' of approximately £2,600,694.

42. In sterling terms, the Fund made a cost ‘saving’ of £8.9m against the Universe, through efficient trading, over the eleven years that the Elkins/McSherry report has been produced.

Section 5: Property

Mandate

43. The property portfolio, comprising of direct and indirect holdings is managed by Cushman & Wakefield Investors until 31 March 2014. From 1 April 2014 the portfolio has been managed by Aberdeen Asset Management.

44. The aim of the County Council is to secure good properties with above average growth prospects at advantageous prices, investing where possible towards the bottom end of the cycle. The policy is to spread risk within the portfolio by having it balanced geographically and between uses. The manager should seek to outperform the Investment Properties Databank Index by 1% pa over 3 years with the aspiration that performance should not be more than 3% below the benchmark in any one year.

Investment and performance background

45. The UK property market ended the year with sentiment exceptionally high. The majority of performance for the property universe came in the second half of the year. Office, led by central London and inner South East locations, was the best performing sector followed by industrial. Retail and other property both underperformed relative to the universe. Competition for assets intensified during the period, spreading into more secondary stock and regional markets. The sharp fall in the unemployment rate in the second half of the year, alongside some other positive economic news provided renewed confidence in the occupier markets. Surveys of investor sentiment suggest the impetus is unlikely to want in the foreseeable future, with demand particularly strong for industrial property and offices, where pricing has moved significantly

46. During the year, the portfolio return was 15.1% representing 2.2% relative outperformance against the benchmark (12.6%). The table below summarises performance for the property mandate over the longer-term.

Rate of Return %	3 years pa	5 years pa	10 years pa
Portfolio	6.7	8.1	6.0
Benchmark	6.6	9.3	5.5
Relative Return	*0.1*	*-1.0*	*0.5*

Portfolio

47. Independent valuation of the direct property holdings was carried out by Knight Frank. The portfolio valuation at 31 March 2013 and 31 March 2014 are summarised below. Pooled holdings are valued by independent surveyors to the respective funds.

	2013 £000	2014 £000
Offices	56,810	43,900
High street retail	48,525	66,350
Retail warehouse	10,095	11,375
Industrial	31,750	42,600
Indirect [i]	37,117	45,967
	184,297	210,192

Direct investment in wholly residential property is prohibited. However, the current exposure to residential property is via indirect vehicles. The Unite fund relates to student accommodation and Quercus Healthcare Property Unit Trust, care homes for the elderly. Investors can buy and sell units in these pooled funds.

48. The strategic target allocation to property is 10% of the total Fund. At 31 March 2014, property accounted for 8.0% of total assets within the Fund.

49. During the year the Fund sold five direct properties as well as holdings in two indirect property funds. Total property sales during the year amounted to £23.3m. In the same period the Fund acquired three direct properties and holdings in two indirect funds. Total property purchases during the year amounted to £37.3m.

50. The top five investment properties (by value) at 31 March 2014 are listed in the following table.

Property	**Value £000**	**% of total Fund**
London, New Chapter House	19,150	0.7%
Crowborough, Waitrose	16,550	0.6%
Exeter, High Street	13,300	0.5%
St Ives, Tesco	12,500	0.5%
March, Sainsbury's	12,000	0.5%

51. The Fund receives rental income from direct holdings and distributions from indirect investments. Income over the year is summarised below:

	2012/13 £000	**2013/14 £000**
Net rental income	8,447	8,347
Distributions from indirect funds	1,413	1,431
	9,860	9,778

Section 6: Private equity

Mandate

52. Private equity is finance provided over the medium to long term and management expertise in return for a share of equity in unquoted companies. The attractions of private equity are good long term returns driven by imperfect markets, motivated management and long-term commitment.

53. In May 2001, the Panel agreed that the most appropriate vehicle for the Fund to invest in private equity was through a 'fund of funds' manager. Pantheon Ventures was appointed by the Panel in October 2001 and their mandate was extended in 2007 following a full procurement exercise, during which Partners Group was also appointed.

54. The fund has a target allocation of 5% to private equity. However due to the nature of how the private equity market works the presumption is that the fund will never have an investment of more than half of what it has agreed to invest ('committed') due to cash being distributed back before the total commitment has been invested. This means that 10% of the total fund value must be committed. However following a review by the Pensions Panel during 2012/13, it was decided to make no further commitments to private equity. The decision is not a reflection on the managers' performance.

55. The Fund's commitment schedule is shown below.

Tranche	Firm	Year	Commitment (original) £000
1	Pantheon	2001	41,528
2	Pantheon	2004	40,109
3	Pantheon	2007	49,125
3	Partners	2007	49,027
4	Pantheon	2011	16,983
4	Partners	2011	23,284
			220,055

Commitment (original) refers to original commitment in fund currency converted to sterling at prevailing exchange rate on date of commitment.

56. The Manager's objective is to outperform the notional benchmark by 5% per annum net of fees over rolling five-year periods. The notional benchmark is the FTSE World Equity Index weighted by the initial portfolio cash flows in sterling.

Investment background

57. Like all asset classes, private equity was impacted by the global financial crisis in 2008 and has faced some hurdles over the past five years with regards to fundraising, new regulations, and broader economic uncertainty. However, over the year, fundraising picked up and at the same time the pace of distributions increased significantly as managers took advantage of the broader markets to exit (large scale) businesses that may have been on their books for some time

Fund manager performance

58. Emphasis should not be placed on short term performance of private equities, the investment horizon is much longer and it makes more sense to analyse over at least a 5 to 7 year period and it is only over the longer term the universe will become a good proxy to measure against.

59. The return on the portfolio was 2.1% over the year, compared to a benchmark return of 7.6%. However, over last ten years, the private equity portfolios outperformed the benchmark by 0.8% pa (9.5% versus 8.5% per annum).

Portfolio

60. Over the year under review, £12.2m was invested in private equity and £23.6m was repaid to the fund (comprising, return of capital, income and realised gain). Although the Fund has exposure to the private equity market through two managers, the portfolios themselves are diversified by geography (USA, Europe and Asia), investment stage (the portfolio has exposure to private equity pre-2004 to date and is therefore diversified across market cycles.) and strategy (the portfolio includes exposure to venture, buy-out, secondary and direct funds which have different risk, return and cashflows). The Fund's portfolio at 31 March 2014 is summarised below:

	Book Cost £000	Value £000
Pantheon (Phase I)	16,752	56,239
Pantheon (Phase II)	32,890	47,047
Partners Group	46,354	55,071

Section 7: Corporate governance

61. Corporate Governance considers issues relating to the way in which a company ensures that it is attaching maximum importance to the interest of its shareholders and how shareholders can influence management.

Responsible ownership

62. The Pensions Panel is mindful of its legal duty to obtain the best possible financial return on Pension Fund investments, within an appropriate risk profile. However, good practice in terms of social, environmental and ethical issues is likely to have a favourable effect on companies' financial performance.

63. The Pensions Panel has directed the fund managers, in acting in the best financial interests of the scheme, to consider, amongst other factors, the effects of social, environmental and ethical issues on the performance of a company when considering the acquisition, retention or realisation of investments for the scheme. In the execution of this, the Pensions Panel has adopted the fund managers' standard socially responsible investment policies. These policies are discussed with managers from time to time. UBS and Baillie Gifford report quarterly to the Pensions Panel on corporate governance to ensure that this aspect of engagement is integrated with the managers' investment process.

64. The Fund's Investment Managers have adopted the Institutional Shareholder Committee's (ISC's) Code of Responsibilities of Institutional Investors which aims to enhance the quality of the dialogue of institutional investors with companies to help improve long-term returns to shareholders, reduce the risk of catastrophic outcomes due to bad strategic decisions, and help with the efficient exercise of governance responsibilities.

65. The United Nations Environment Programme Finance Initiative (UNEP FI) has published Principles of Responsible Investment (UNPRI) and has encouraged asset owners and asset managers to sign up and commit to the principles and regularly assess themselves against a comply or explain framework, The Fund's Investment Managers have signed up to these Principles.

66. Details of the Investment Managers governance principles can be linked to from the Fund's website where you can also find details of Baillie Gifford's company engagement.

Voting rights

67. The Pensions Panel wishes to remain an active shareholder and exercise its voting rights to promote and support good corporate governance principles. In practice, managers have delegated authority to exercise the Fund's voting rights according to agreed guidelines. Fund managers report quarterly to the Pensions Panel on voting activity.

68. During the year, the Fund manager on behalf of the Fund had votes placed at 100% of domestic meetings at which they were entitled to vote and 92% of foreign meetings.

Section 8: Revenue accounts

69. The Fund is financed by contributions from employers and employees and investment income. The surplus of contributions and investment income over benefits paid is reinvested.

70. The revenue accounts of the Fund are summarised below and shown in detail at Appendix 1.

INCOME	**2012/2013 £000**	**2013/14 £000**	**Change**	**Note**
Contributions from employers				
Normal	78,097	83,003	6.3%	i.
Additional	-	1,500	-	ii.
Contributions from employees	23,377	23,707	1.4%	iii.
Investment income	43,420	48,357	11.4%	iv.
Transfers from employers for contributors joining the Fund	4,835	4,051	-16.2%	v.
	149,729	**160,618**		
EXPENDITURE	**2012/13 £000**	**2013/14 £000**		**Note**
Pensions	72,995	76,327	4.6%	vi.
Commutation of pensions and lump sum benefits (including death benefits)	12,398	14,784	19.2%	vii.
Transfers to employers for contributors leaving the Fund and refunds of contributions	5,174	8,063	55.8%	v.
Administrative expenses	1,176	1,799	53.0%	viii.
Management expenses	6,992	7,611	8.9%	ix.
Income available for investment	50,994	52,034	2.0%	
	149,729	**160,618**		

i. Normal contributions (including augmentation payments and deficit contributions set by the actuary) from employers have risen by 6.3% year on year reflecting an increase in employer contribution rates and an increase in active members. If employer lump sums (deficit payments) are excluded from the figure, the increase is 3.6%. Contribution rates by employer are shown on the Fund's website.

ii. An additional lump sum contribution was received during the year from Horsham District Council.

iii. Contributions from employees (including additional voluntary contributions) have increased slightly reflecting a increase in active membership.

iv. Investment income is analysed on the following page.

	2012/13 £000	2013/14 £000
Equities	30,695	34,283
Bonds	2,726	2,584
Managed funds	5	821
Private equity	386	1,349
Cash	101	116
Rent & property distributions	9,860	10,504
Class action	0	0
Tax	-353	-574
	43,420	49,083

Total income from investments was £49.1m during the year compared to £43.4m in 2012/13, an increase of 13%.

Distributions from private equity investments amounted to £1.3m in 2013/14 representing a 249% increase on £386k earned in the previous year, as a result of increased distributions during the year.

Overall income from cash rose by almost 15% reflecting this higher average balances held during the year.

Income from rent and property distributions increased by around 6.5% between 2012/13 and 2013/14, due to transactional activity replacing small units with larger, high rent, assets and due to lettings of vacant units.

Net withholding tax increased by nearly 63%, from £353k in 2012/13 to £574k in 2013/14 following the reorganisation of the UBS portfolio into more segregated assets. Both portfolios now have direct exposure to markets where there is no reciprocal arrangement for UK pension funds to reclaim withholding tax on investment.

v. Net transfer values are a function of employees joining and leaving the Fund. The net outflow of £4.0m in 2013/14 compares with a net outflow of £0.3m in 2012/13.

vi. Pensions paid increased by £3.3m or 4.6% during the year. LGPS pension payments are increased each April in line with the rise in CPI over the 12 months to the previous September. The pensions increase for 2013 was set at 2.2% with effect from 8 April 2013. In addition the number of pensioners increased by 3.4% over the period. The pensions increase for 2014 has been set at 2.7% and will be applied from 7 April 2014.

vii. Although the number of lump sum payments decreased, the increase (19.2%) in commutation of pensions and lump sum benefits (including death benefits) is due to an increase in the average value of the lump sum payment. The largest payment and sum of the top five payments also increased when the two years are compared below.

	2012/13	2013/14
Average Payment	£9,417	£12,227
Number of Payments	1,099	1,062
Largest Payment	£148,052	£251,874
Sum of top 5 amounts	£626,861	£798,040

viii. Administrative and management expenses are shown below.

	2012/13 £000	2013/14 £000	Change %
Administering authority expenses	937	1,055	12.6%
External audit fees	24	26	8.3%
Actuary fees	106	363	242.5%
Bank charges	3	4	33.3%
Subscriptions and training	16	12	-25.0%
Legal fees	80	53	-33.8%
Other admin expenses	10	286	2,760%
Total administrative expenses	1,176	1,799	53.0%
Fund management fees	6,236	6,585	5.6%
Property management fees	562	777	38.3%
Custody fees	121	176	45.5%
Performance monitoring service	73	73	-
Total management expenses	6,992	7,611	

The increase in administering authority expenses is due to maternity cover.

The increase in actuary fees is due to 2013 being a valuation year.

Other expenses includes property transaction costs.

Property management fees increased as a result of increased transaction activity. A fee is chargeable on assets under management and per transaction.

Custody fees increased as a result of the UBS transition and the fact that the portfolio is now managed on a more segregated and global basis.

Performance monitoring services include fees paid to State Street Investment Analytics who measure the Fund's quarterly performance, Elkins McSherry who provide transaction cost analysis on an annual basis, Amaces, who provide custodian monitoring services to the Fund, fees paid for the independent valuation of the property portfolio by Knight Frank and a charge for analysis provided by the Investment Property Databank.

Section 9: Actuarial valuation

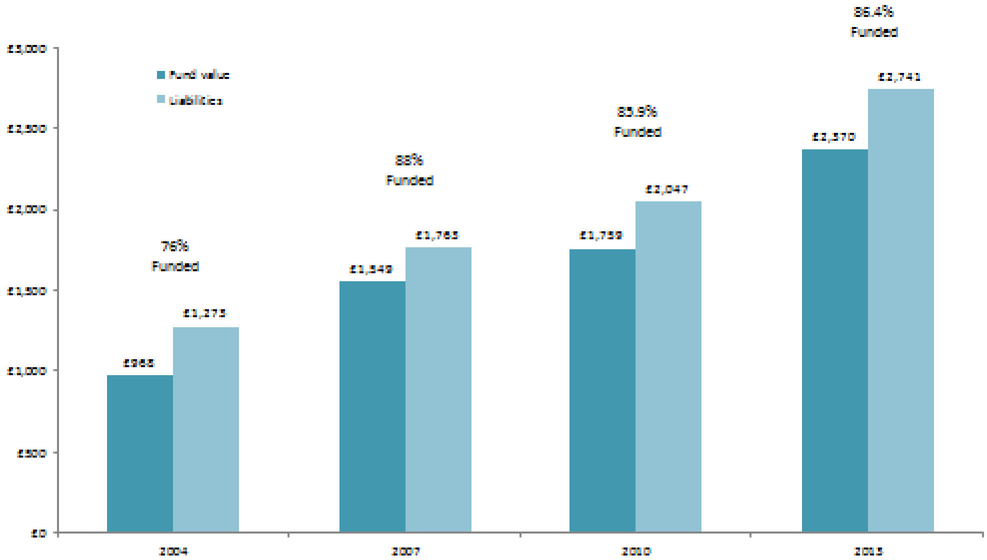
Fund valuation

71. The revenue accounts do not take account of pension and other benefits payable by the Fund in the future. An Actuarial valuation is a valuation carried out by an actuary on a regular basis, in particular, to test future funding or current solvency of the value of the Pension Fund's assets against its liabilities. In the case of the LGPS the Actuary values the Fund's assets and liabilities every three years. Interim valuations are undertaken from time to time to take account of significant factors affecting assumptions made at the time of the last triennial valuation.

72. The underlying principle of the Fund is to ensure that employer contribution rates are set at a level to attain 100% funding, as certified by the Fund's actuary, whilst keeping the employer contribution rate as stable as possible. The purpose of the valuation exercise is to ensure that sums are put aside on a regular and managed basis to meet liabilities in the future.

73. From an employee perspective, members' benefits are currently guaranteed by statute and therefore not directly related to the Fund's assets. In this respect the employer is responsible for making contributions to meet any shortfall.

74. The Fund completed a formal valuation exercise during the year, which was based on figures as at 31 March 2013 and set the employer contribution rates from 1 April 2014 to 31 March 2017. The full valuation report can be downloaded from the Fund's website and is discussed in some detail in the Funding Strategy Statement. The results are illustrated below with the 2004, 2007 and 2010 results noted as a comparator.



The Fund's liabilities are essentially the benefits promised to fund members (past and current contributors) and to members' dependent on their death.

75. The funding position has improved:

- **Assets:** Although the Fund is not 100% funded on the Actuary's assumptions, the Fund met its performance objectives over the period, and the funding position improved as a result by £211m.
- **Liabilities: When calculating the Fund's liabilities the Actuary will** typically try to forecast **when** benefits will come into payment and what form these will

take (demographic assumptions) and try to anticipate the **size** of these benefits (financial assumptions).A big driver in these calculations is the estimate how much all these benefits will cost the Fund in today's money and this is based on government gilt yields. Gilt yields have fallen by 1.5% over the three year periods since the last valuation, pushing up the cost of liabilities and having a significant impact on the total funding level.

- **Active membership profile:** The Fund membership is gradually maturing, meaning that the burden on contributing members of meeting the cost of the Fund's liabilities is becoming progressively greater. However, membership experience, such as actual pay awards versus expected pay awards have served to decrease the deficit at this valuation by around £59m.

76. It is important to note that significant valuation shortfalls are rarely funded in one go. The Council's strategy is to phase in its own contribution rate increases over three years, with the view of recovering the deficit over 20 years. The Council produces a Funding Strategy Statement which explains how it intends to meet those liabilities over the longer term. This is available on the Fund's website.

77. The common contribution rate for employers is 25.9% (Future Service Rate 20.5% plus Past Service Adjustment 5.4%) (2010: 20.9%). Average employee contributions were assumed to be 6.3% (2010: 6.6%).

78. Underlying funding levels and contributions due from employers vary significantly.

Section 10: Business Plan

79. Under the Myners Investment Principles, the Panel is required to have a business plan setting out the future direction of the Fund and regularly evaluate progress. This could cover IT and all other key business activities.

80. The key objectives for 2014/15 are listed below. Further information including the Fund's priorities, can be found in the Fund's business plan.

Governance

- Act with integrity and be accountable to stakeholders for decisions, ensuring that they are robust, and well based.
- Ensure Governance and management of the Fund is undertaken by people who have the appropriate knowledge and expertise.
- Understand and monitor risk and compliance.
- Continually measure and monitor success against objectives.
- Pursue socially responsible practices in keeping with the need to deliver investment returns.

Investments

- Maximise returns from investments within reasonable risk parameters and with setting appropriate asset allocations with clear objectives with fund managers.
- Reviewing performance on a regular basis.
- Ensure VFM is achieved with Fund resources including investment managers and their returns.

Funding

- To progress towards assets equal to 100% of liabilities within timeframes in the Funding Strategy Statement and to apply employer contribution requirements recognising the need for maintaining consistent, predictable and non-volatile movement in contributions

Administration

- Ensure the Fund is protected, on a risk assessed basis, from any exposure to non-payment from employers
- Ensure the Annual Report and Accounts is available to statutory deadlines
- Deliver a high quality administration service to all stakeholders.
- Ensure the correct amount of benefits are paid to, and income received from, the right people at the right time

Communication

- Communicate clearly with employees, employers and other interested parties and ensure communications are simple and relevant
- Communications ensure all current and potential scheme members are made aware of the benefits of belonging to the scheme
- Ensure the Panel is well briefed on all topical areas impacting on their responsibilities

81. In addition the Pensions Panel has a programme of regular procurement exercises for the provision of services to the Fund, as set out below:

Mandate	Appointee	Key Dates
Transition Manager	Shortlist to be determined	Start TBC Expiry TBC Review 2014
Fund Adviser	Caroline Burton	Start 20 July 1999 Expiry No formal expiry date Review 2015
Stock Market (Growth)	Baillie Gifford	Start 5 February 2007 Expiry 31 December 2010 *Ext. 31 December 2014* Review 2014
Performance Monitoring Services	The WM Company	Start 6 April 2004 Expiry No formal expiry date Review 2015
External Valuer (Property)	TBC	Start 2014 Expiry 2017 Review N/A
Independent Custody Monitoring	Amaces	Start 04 July 2012 Expiry 2016 Review Annual
Property	Aberdeen Asset Management	Start 1 April 2014 Expiry 31 March 2018 Review 2017
Actuarial Services	Hymans Robertson	Start February 2013 Expiry February 2019 Review 2016
Stock Market (Value)	UBS	Start 01 May 2013 Expiry 31 December 2023 Review 2017
Global Custodian	Northern Trust	Start 1 April 2010 Expiry 31 December 2016 Review N/A
Private Equity Fund of Funds	Pantheon Ventures Partners Group	Start 1 October 2007 Expiry 30 September 2014 Review 2014

Section 11: Internal Audit

82. The County Council's internal audit team have undertaken four audits for the Pension Fund as part of their 2013/14 audit plan. This is in addition to the external audit which takes place annually.

Pension – Admitted Bodies (June 2013)

83. The audit work looked at whether pension contributions were correctly deducted from employees pay by the Admitted Body, that the correct employee and employer contributions are received, that appropriate reconciliations of contributions and payment transactions are undertaken and that pension payments are made at the correct rate only to legitimate beneficiaries.

84. Internal Audit considered that satisfactory assurance could be placed on the effectiveness of the overall control environment but recommended that:

- Scanned records are reviewed to ensure the document scanning process is clean. This has been completed.
- The file transfer from payroll to Hartlink should be in place to ensure that Hartlink is complete and up to date. This has been completed.
- The annual increase in members basic pension is reflected in Hartlink. This has not been applied.
- Records and documentation is kept securely and available to review. This has been completed.
- The interface between Hartlink and SAP payroll is fully tested and implemented. This is an ongoing task.
- Policies and processes are updated to include new processes introduced with Hartlink. This has been completed.

Internal Investments (August 2013)

85. The audit work looked at whether cashflow monitoring ang reconciliations were complete, internal investments are maximised, investments are identifiable to the pension fund and investment decisions are authorised.

86. Internal Audit considered that substantial assurance could be placed on the effectiveness of the overall control environment. There were no recommendations.

External Investments (August 2013)

87. Internal audit reviewed the ISAE 3402 as part of their audit plan for the year. The ISAE 3402 provide assurance to user organisation that internal controls over financial reporting are in place.

88. Internal Audit considered that satisfactory assurance could be placed on the effectiveness of the overall control environment. There were no recommendations.

Pensions Administration (January 2014)

89. The audit work looked at whether pension deductions are taken correctly from new employees, new pension payments are made at the correct rate and only to legitimate beneficiaries, transfers out are accurately calculated, deceased pension payments are identified and terminated promptly and pension overpayments are identified and recorded promptly.

90. Internal Audit considered that limited assurance could be placed on the effectiveness of the overall control environment.

91. A number of recommendations were made around authorisation processes, retention of documents, verification of documents, reconciliations and scanning.

92. Internal audit have advised that the pension service has undertaken a self-assessment and concluded that all recommendations have been implemented. An independent follow-up exercise by Internal Audit is scheduled to take place during summer 2014 to verify the status of each recommendation.

Appendix 1 - The Local Government Pension Fund Scheme Pension Fund Account

Attached

Appendix 2: Attendance and training register

Knowledge and Skills Framework

As an administering authority of the Local Government Pension Scheme, West Sussex County Council recognises the importance of ensuring that all staff and members charged with the financial management and decision making with regard to the Pension Scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them. It therefore seeks to appoint individuals who are both capable and experienced and it will provide/arrange training for staff and members of the pension decision-making bodies to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. All training undertaken and planned is reported annually in the training register.

Our training plan sets out how we intend the necessary pension finance knowledge and skills to be acquired, developed and maintained. The plan reflects the recommended knowledge and skills level requirements set out in the CIPFA *Pensions Finance Knowledge and Skills Frameworks.*

The Pensions Panel has designated Chief Finance Officer - to be responsible for ensuring that policies and strategies are implemented.

Attendance

	Jun-13	Jul-13	Nov-13	Jan-14
Administering Authority				
Mr. Michael Brown (Chairman)	✓	✓	✓	✓
Mr. N. Peters *	✓	✓	✓	✓
Mr. P Lamb	✓	✓	✓	✓
Mr. P Metcalf	✓	✓	✓	
Mr. B Smith *	✓	✓		✓
Dr. J. Walsh		✓	✓	
Mrs D. Urquhart	✓	✓		✓
Scheduled Bodies				
Mr.S. Waight/Mrs. K. Bourne**		✓		
Mr. G. Marples	✓	✓	✓	✓
Employee Representative				
Mr. D. Sartin	✓	✓	✓	
IN ATTENDANCE				
Fund Adviser				
Ms. C. Burton	✓	✓	✓	✓
Fund Managers				
UBS	✓		✓	
Baillie Gifford		✓		✓
Cusham and Wakefield		✓		
Actuary (Hymans Robertson)	✓	✓	✓	✓

Officers				
Mr. R. Hornby (Director of Finance & Assurance)	✓		✓	✓
Mr. S. Harrison (Chief Technical Officer)	✓	✓	✓	✓
Mr. P. Audu (Interim Pension Fund Investment Strategist)	✓	✓	✓	✓
Mrs. V. Hampshire (Principal Accountant)		✓	✓	✓
Mrs. L. Davies (Principal Accountant)	✓	✓		✓
Mrs. Tara Atkins (Client Pensions Officer)		✓	✓	

* Observers at June meeting

** Sussex Police and Crime Commissioner

Appendix 3: Regulations

Administration regulations

The Local Government Pension Scheme (LGPS) Regulations, as amended, require the County Council to maintain a Pension Fund for all eligible employees (excluding teachers, police officers and fire-fighters) of both the County Council and other specified bodies e.g. District Councils, Sussex Police and Crime Commissioner (non-uniformed police staff), Colleges, Town and Parish Councils.

The Regulations govern the establishment and administration of the Fund, covering such areas as admission, benefits receivable, actuarial valuation, contributions payable by employees and discretions available.

A 'new look' LGPS was introduced from April 1 2008. As a general principle, benefit accrued to 31 March 2008 will continue to be calculated in accordance with the Scheme rules at that date. Details of the 'new look' Scheme can be found on the Fund's website.

In June 2007, the LGPS Regulations were amended to require formally the publication of Pension Fund annual reports and prescribing their content in legislation. The first of these new look reports covered the 2007/08 reporting period and required the report to be published on or before December 1, 2008, and annually thereafter.

The authority must publish the Pension Fund Annual Report on or before 1st December following the year end. In preparing and publishing the Pension Fund Annual Report, the authority must have regard to guidance given by the Secretary of State.

The report should contain:

A	A report about the management and financial performance during the year of each of the Pension Funds maintained by the authority	✓
B	A report explaining the authority's investment policy for each of those Funds and reviewing the performance during the year of the investments of each Fund	✓
C	A report of the arrangements made during the year for the administration of each of those Funds	✓
D	For each of those Funds, a statement by the actuary who carried out the most recent valuation of the assets and liabilities of the Fund in accordance with regulation 36 (actuarial valuations and certificates) of the level of funding disclosed by the valuation	✓
E	The current version of the statement under regulation 31 (governance compliance statement)	✓
F	For each of those Funds, the fund account and net asset statement with supporting notes and disclosures prepared in accordance with proper practices.	✓
G	An annual report dealing with • the extent to which the authority and the employing authority in relation to which it is the administering authority have achieved any levels of performance set out in the pension administration strategy in accordance with regulation 65(2)(b) • such other matters arising from its pension administration strategy as it considers appropriate	N/A (see below*)
H	The current version of the statement referred to in regulation 35 (funding strategy statement)	✓
I	The current version of the statement under regulation 9A of the Local Government Pension Scheme (Management and Investment of Funds) regulation 1998 (statement of investment principles)	✓

J	The current version of the statement under regulation 67 (statement of policy concerning communications with members and employing authorities) and	✓
K	Any other material which the authority consider appropriate	✓

* Preparation of a Pension administration strategy document is a discretionary requirement.

Investment regulations

93. The Local Government Pension Scheme (Management and Investment of Funds) regulations 2009 came into force on 1 January 2010 and replace the Local Government Pension Scheme (Management and Investment of Funds) regulations 1998. During 2009/10, the Council put in place a separate bank account, in time for the 1 April 2011 deadline stipulated by the regulations. The regulations also stipulate specific ranges for certain investments, which fund managers must comply with. Further details can be found in the Fund's Statement of Investment Principles which can be found on the Fund's website