Suffolk Pension Fund
Investment Strategy Statement
2025

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The Suffolk Pension Fund has prepared this Investment Strategy Statement in line with the Local Government Pension Scheme (Management and Investment of Funds) Regulation 2016, with reference to the Ministry of Housing, Communities and Local Government (MHCLG) guidance on 'Preparing and Maintaining an Investment Strategy Statement' and after taking appropriate professional advice.

This statement is subject to review at least every three years and from time to time on any material change in investment policy, financial markets, circumstances in the Fund or in government legislation.

Fund Objective

Funding Strategy Statement

The Funding Strategy provides a prudent probability of success for the Fund to be in a fully funded position during the next 20 years.
Its purpose is:

- Take a prudent long-term view to secure the regulatory requirement for long term solvency, with sufficient funds to pay benefits to members and their dependents
- Use a balanced investment strategy to minimise long term cash contributions from employers and meet the regulatory requirement for long term cost efficiency
- Where appropriate, ensure stable employer contribution rates
- Reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- Use reasonable measures to reduce the risk of an employer defaulting on its pension obligations

The funding objective that has been adopted for the Suffolk Pension Fund is to ensure that the assets of the Pension Fund, when taken in conjunction with future contributions and expected asset returns, are sufficient to ensure that all future pension and retirement benefits will be fully covered by the Fund's assets when they fall due.

Investment Strategy

This investment strategy sets out the goals and guidelines to make informed investment decisions that meet the funding objectives set out in the Funding Strategy Statement.

The Suffolk Pension Fund is forecasting a negative cash flow position, as pensioner numbers and benefits increase, whilst employer contributions reduce as a result of improved funding levels. Taking this into account, the Fund targets a growth-based strategy alongside a steady income stream, with the aim of maximising asset performance in the long term within agreed risk levels, whilst also ensuring there is income available to manage the cashflow position.

There are significant levels of diversification between different asset classes to reduce overall portfolio risk through combining the performance of each asset class. This helps reduce the volatility effects of the financial markets, whilst maintaining the Fund's relatively low risk approach.

The Committee views having the appropriate investment strategy in place as a key driver to manage risk and return and has approved an allocation that invests in a range of asset classes (including but not restricted to equities, bonds, infrastructure, debt, private equity, timber and property) to provide the Fund with diversification benefits and the opportunity to capture some illiquidity premium from being a long-term investor.

The Committee considers that equities are the liquid asset expected to generate superior long-term returns. The Committee favours active management where there are opportunities to add value, increasing the overall expected return (after fees) without significantly increasing the overall level of volatility. Passive management is utilised as a cost-efficient way of accessing equities to achieve market returns whilst maintaining liquidity.

The Committee believes the use of alternative assets can reduce overall volatility in the delivery of asset returns without leading to a significant reduction in overall expected return, whilst improving its risk-return characteristics through diversification.

The Committee takes a long-term approach to investing, reviewing the performance of its investment managers over a minimum period of three years. By taking a longer-term view, the Committee expects to receive enhanced risk adjusted returns and lower transaction costs by reducing asset turnover.

The Committee does not consider short term opportunities as a way of consistently delivering year on year performance (and these are delegated to managers). It believes that the effective management of financial risks of its investment assets results in positive performance over the long term.

Responsible Investment Beliefs

The Pension Fund Committee is aware of the need to generate a sufficient level of return whilst managing potential investment risks and therefore has developed a clear set of fundamental investment beliefs covering both investment and environmental, social and governance (ESG) considerations which provides a clear framework for all investment decisions.

The Committee's main objective is to deliver an investment return consistent with funding plans that does not compromise future generation's ability to meet their own needs.

In addition, the Committee identifies climate change, pollution and company stewardship as the priorities for responsible investments and ESG.

The Pension Fund Committee has agreed to set a net zero target for 2050 or earlier. The Path to Net Zero sets out the strategy and a high-level action plan, including timelines, interim targets and how this target can be achieved. This also includes monitoring to enable the Fund to report progress annually.

Key Responsible Investment Beliefs

- Responsible Investment considerations are important across all time horizons, but especially in the medium and long term. This is true not just in terms of protecting and enhancing long term investment return, but also increasingly in terms of the interests of stakeholders.
- Responsible investment considerations are important irrespective of asset class.
- Responsible management of responsible investment issues is considered a reputationally important issue.
- The consideration of ESG factors is to be incorporated into the portfolio construction process of all investments made by the Fund's investment managers.
- ESG factors are relevant in the context of benchmarking, risk analysis and investment opportunity identification.
- Climate risk and the issues which contribute to it are of significant concern to all stakeholders and as a result it is the prominent area of concern.
- The Fund advocates the use of engagement over divestment as the means to promote its Responsible Investment beliefs however, selling an asset remains an option when it comes to unaddressed ESG concerns.
- The Fund recognises the value in engaging collaboratively to leverage greater influence together with other investors who share the Fund's priorities through joint initiatives and organisations.
- The exercise of ownership rights through voting.

These principal responsible investment beliefs and priorities will be achieved through the implementation of the following:

I) Investment Strategy

The Committee recognises Environmental, Social and Governance (ESG) issues can impact on the Fund's investment returns and is committed to responsible investing so as to develop a sustainable investment approach to protect future Fund performance.

The Committee believes that having a responsible investment policy should lead to better financial outcomes for the Fund as businesses with more sustainable practices should outperform over the long term and lead to better outcomes for society.

The Fund should consider securities that deliver a positive social or environment outcome only when there is evidence of the positive impact on risk and return and avoid exposure to securities where environmental or social aspects will be financially detrimental to the Fund.

II) Investment Managers

The Fund's investment managers are required to embed the consideration of Environmental, Social and Governance (ESG) factors into their investment process and decision making and to report on how these are implemented. ESG factors will evolve and the Fund's investment managers should seek to take a long-term view which evaluates the direction of travel of the invested companies.

The Committee does not restrict the investment managers' choice of investments by reference to social, environmental or ethical criteria except where restrictions have been put in place by Government. All investments that are made for the Fund comply with the legal and regulatory requirements that apply to the LGPS.

The Fund's investment managers are required to invest in line with the Fund's investment beliefs and to demonstrate how these beliefs are met.

ESG factors should be incorporated into the investments managers standard reporting and will cover the Committee's responsible investing priorities.

The Asset Pool should provide leadership on the ESG principles for the investments within the pool and to develop the reporting on the key principles with the investment managers.

III) Stewardship and Governance

The Committee believes that engagement and voting are influential and promotes good practice in the corporate governance and management of the companies that they invest in and can be effective in changing behaviour and improving the Fund's performance as well as having a positive impact on the environment and society and is more effective than disinvesting from the company.

The Fund where possible will participate in collaborative initiatives to strengthen the Fund's engagement outcomes.

Asset Allocation

The Fund has a 71.5% allocation to 'growth' assets (equities and alternatives) in order to meet the long-term funding assumptions, set out in the 2025 actuarial valuation and funding strategy statement.

The Fund's investments are allocated across a range of asset classes. The largest allocation is to equities which also accounts for the majority of the investment risk taken by the Fund.

Over the long term, equities are expected to outperform other liquid asset classes, particularly bonds. Allocation to asset classes other than equities and bonds, allows the Fund to gain exposure to other forms of returns which can also reduce the overall volatility of portfolios. These assets are expected to generate returns broadly similar to equities over the long term and so allocation to these can maintain the expected return and assist in the management of volatility.

The 28.5% allocation to bonds and cash is designed to be a diversifier of equity risk whilst generating a yield, reducing overall levels of funding volatility and help manage the cashflow.

Investment Allocation

The Committee has translated its objectives into an asset allocation plan and investment management structure for the Fund. The Fund's target is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities.

The Government has placed a 5% restriction on the investments of the Suffolk Pension Fund into entities connected with Suffolk County Council. The Pension Fund currently has no investments in entities connected to Suffolk County Council.

Asset Class	Investment Manager	Target Allocation	Maximum Limit	Strategy
UK Equities	Blackrock	5.0	10.0	Growth asset, generating returns through capital gains and dividend income through exposure to UK and global companies. Diversification of exposure to global markets utilising active and passive investment strategies and a range of investment managers. Supports the Fund's climate objectives.
Global Equities	Baillie Gifford Longview Newton Columbia Threadneedle	16.5	25.0	
Global Equities Index Tracking ESG Tilt	UBS	19.0	30.0	
Fixed Income	M&G Janus Henderson Fidelity	26.0	35.0	Diversification from and lower risk than equities reducing volatility and improving risk adjusted returns.
Property	CBRE	12.0	15.0	Generates inflation linked returns through income and capital appreciation with investment in global and UK property markets. Diversification to equities and bonds.
Infrastructure	JP Morgan KKR Partners Group	10.0	15.0	Diversification from equities and bonds and reduces volatility and resilience during times of market stress. Enhances portfolio return without increasing risk. Generates capital growth with illiquidity premium returns. Supports the Fund's climate objectives.
Illiquid Debt	Partners Group M&G Arcmont Golub	5.0	8.0	
Private Equity	Pantheon	4.0	8.0	
Timberlands	JP Morgan Stafford Capital	2.0	4.0	
Cash	Northern Trust	0.5	5.0	Provides immediate liquidity to meet cashflow needs.

The Committee monitors the investment allocation relative to the agreed asset allocation benchmark and the maximum investment limits. Rebalancing the assets is carried out with due consideration of market conditions, commitment cash flow requirements and other relevant factors. In addition to on-going monitoring, the investment allocation is formally reviewed annually with specific consideration given to the investment strategy in the light of information arising from each triennial actuarial valuation.

Currency hedging
The Fund hedges a proportion of its overseas currency exposure to reduce risk but there is no overarching currency hedge in place. The level of hedging is kept under review by the Pension Fund Committee.

The Committee allows Investment Managers discretion to utilise currency hedging for risk management purposes within their mandates.

Local Investment
The Fund is committed to supporting sustainable economic growth and social value within Suffolk in accordance with the Government's Fit for the Future requirements for LGPS pooling and local investment.

Local investment is defined as capital deployed within Suffolk, neighbouring strategic authorities and in the wider LGPS Central Pool regions.

The Fund aims to allocate up to 5% of its assets to investments that generate both appropriate financial returns and tangible local benefits, including housing, infrastructure, clean energy, sustainable investments and enterprise development.

Local investments will be allocated and managed by the LGPS Central Asset Pool. LGPS Central will collaborate with Strategic Authorities and Administering Authorities to source local investment opportunities, subject to minimum investment criteria, with investment due diligence conducted by LGPS Central and other external managers or advisors.

The Fund will report annually on its local investment activities, including the proportion of assets allocated, sectors supported, and the social and economic outcomes achieved.

Pooling arrangements
Suffolk is a member of the ACCESS pool (alongside Cambridgeshire, East Sussex, Essex, Hampshire, Hertfordshire, Isle of Wight, Kent, Norfolk, Northamptonshire, and West Sussex). All eleven funds are committed to collaboratively working together to meet the government's criteria for pooling.

The ACCESS Funds have set out how they meet the pooling criteria, the pool's structure, governance arrangements and services to be shared in the submission made to the Government in July 2016, which is available on ACCESS's website www.accesspool.org. The Suffolk Pension Fund has pooled its passive mandates and its active global equities mandate within the LGPS ACCESS Pool and 90% of all investments are pooled.

Waystone are responsible for the creation of investment sub-funds and the appointment of investment managers to those sub-funds. Waystone ensures that the investment managers are properly authorised to manage the assets of the Fund.

The Committee currently determines the investment allocations and restrictions for each investment manager, and monitors these for consistency with the Fund's overall investment strategy. The Chief Financial Officer may vary these restrictions, after consultation with the Pension Fund Committee.

The Committee, after seeking appropriate investment advice, has set specific benchmarks with each manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles and a mix of asset types across a range of geographies in order to provide diversification of returns.

From 1 April 2026 the Committee will remain responsible for the overall investment strategy and the monitoring of performance, but decisions about the implementation of that strategy will transfer to LGPS Central, as part of Government's Fit for the Future LGPS Pooling reforms. The Fund has signed a Memorandum of Understanding to underpin the partnership and is committed to working with both LGPS Central and its partner Funds to become a shareholder in the company.

Investment advice
When considering investment decisions, the Committee takes professional advice from an investment consultant and an independent investment adviser. The Committee has set strategic objectives for the investment consultant that comply with the Competition and Markets Authority stipulations. Performance against these objectives are monitored on a regular basis.

From 1 April 2026 the Committee is expected to take its principal advice from LGPS Central.

Risk Management

The Fund is exposed to a number of risks which pose a threat to the Fund meeting its objectives. These risks are set out and monitored as part of a formal risk register which is available on the Suffolk Pension Fund website (www.suffolkpensionfund.org). The principal risks affecting the Fund are:

a) **Funding risks:**

- Financial mismatch
  - The risk that Fund assets fail to grow in line with the developing cost of meeting Fund liabilities.
  - The risk that unexpected inflation increases the pension and benefit payments and the Fund assets do not grow fast enough to meet the increased cost.
- Changing demographics
  - The risk that longevity improves, and other demographic factors change increasing the cost of Fund benefits.
- Systemic risk
  - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial ‘contagion’, resulting in an increase in the cost of meeting Fund liabilities.

b) **Asset risks:**

- Concentration
  - The risk that significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- Illiquidity
  - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.
- Manager underperformance
  - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

c) **Other risks:**

- ESG risk
  - The risk that investments with poor corporate, environmental, social and governance policies will impact performance and investment returns including the risk posed by climate change.
- Transition risk
  - The risk of incurring unexpected costs in relation to the transition of assets among managers.
- Custody risk
  - The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- Credit default
  - The possibility of default of a counterparty in meeting its obligations.
- Cashflow Risk
  - The risk of having to sell assets at an inopportune time to meet cashflow requirements.

Mitigations:

The approach the Committee adopts to managing these risks is via a combination of:

- The appointment of professional advisers to assist the Committee in managing risk;
- Regular review and monitoring of the performance of the Pension Fund’s investments;
- Specific limits on individual investments;
- Ensuring the expected return from the investment strategy is consistent with the assumptions made by the Actuary in valuing the Fund;
- Monitoring the estimated funding level throughout the triennial valuation cycle.

- Assessments of the levels of risk taken by the Fund;
- Diversification of asset classes and managers;
- Professional advice is sought for significant transitions with consideration to the appointment of specialist transition managers.

Expected return on investments
Over the long term, the overall level of investment return is expected to exceed the rate of return assumed by the Actuary in valuing the Fund and setting funding requirements.

Realisation of investments
The majority of assets held within the Fund may be realised quickly if required. The Committee monitors both the level of liquid assets and the liquidity requirements of the Fund.

Stock Lending

The Pension Fund Committee has considered its approach to stock lending, after taking advice from its investment adviser.

The Suffolk Pension Fund participates in stock lending though the sub-funds held in the LGPS ACCESS Pool. All sub-funds are set up to enable securities lending to take place, this is operated by Northern Trust as depository for Waystone. ACCESS only accepts noncash collateral, and this is at the typical market rate of 102% for sterling-based assets or 105% for overseas equities to allow for FX exposure.

In addition, the managers of pooled funds may undertake stock lending on behalf of unitholders in the fund. Where a pooled fund engages in this activity, the extent to which it does is disclosed by the manager. The Committee has no direct control over stock lending in pooled funds nevertheless, it is comfortable that the extent and nature of this activity is appropriate to the circumstances of the Fund.

Exercise of Voting Rights
The LGPS ACCESS Pool have voting guidelines for inclusion by Waystone in their Investment Management Agreements which have been agreed by the Joint Committee. These guidelines set out those matters of importance to the participating ACCESS Pension Funds and promote good corporate governance and management in the companies that the investment managers invest in. In circumstances where investment managers do not adopt the positions set out in these guidelines, they are required to provide a robust explanation of the position adopted.

ACCESS also expects that investment managers will be signatories to and comply with the Financial Reporting Council's Stewardship Code (the Code) and United Nations Principles of Responsible Investment (UNPRI).

Engagement
The Suffolk Pension Fund is a member of the Local Authorities Pension Fund Forum (LAPFF), to enable it to act collectively with other local authorities on corporate governance issues. The Forum currently has 87 member funds and 7 LGPS Asset Pools (including ACCESS) with assets of more than £350 billion.

The Fund expects its investment managers to be engaged in social, environmental and ethical considerations insofar as these matters are regarded as impacting on the current and future valuations of individual investments. The Fund believes taking account of such consideration's forms part of the investment managers' normal fiduciary duty.

As such, the Fund has a commitment to ensure that companies in which it invests adopts a responsible attitude towards the environment and has high ethical standards. Generally, such companies are expected to behave in a socially responsible manner by taking account of the interests of all stakeholders, which includes how the company will adapt to the effects of climate change.

The Fund seeks to achieve this objective by raising issues with companies in which it invests, to raise standards in a way that is consistent with long term shareholder value. Again, the Fund primarily uses its membership of LAPFF to achieve this.