ANNUAL REPORT AND ACCOUNTS

2022-2023

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Welcome from Chair of Pension Committee

Welcome to the East Sussex Pension Fund Annual Report for 2022/23

As Chair of the East Sussex Pension Fund (the Fund) Pension Committee, I have the pleasure in introducing the Fund's Annual Report and Accounts for 2022/23. The accounts focus on the financial activity in the year to 31 March 2023. This has been a turbulent year in terms of global markets, but the Fund has been robust and provided a strong service to our members and employers. The Fund has a strong focus on ensuring effective governance and embedding best practice and new ways of working and has started work on robotics to automate some of its systems.

This year has seen significant volatility in the global economy; there have been substantial impacts to returns from the Russian invasion in Ukraine; some high-profile bank failures; and globally rising inflation rates and interest rate rises have all created a challenging year. Despite this, the Fund is diverse, very well-funded and has defensive elements to its investment strategy. The Fund's strategy and risk management processes help us to make sure we can keep paying our members pensions now and into the future. The Fund carried out its triennial valuation during the year to assess the solvency level and reset employer contributions with the aim to provide a sustainable and affordable scheme. The Fund had £4,579m of assets on 31 March 2023 to meet the accrued benefits, with a funding position of 123% (as at 31 March 2022) comparing assets to liabilities, putting it in a very strong position. When interest rates rose dramatically in September, we built in flexibility to the investment strategy to react to opportunities in UK index linked gilts. The investment return for the year to 31 March 2023 was -2.5%, which was an underperformance of the benchmark by 1.4%, following an incredibly difficult and volatile investment period. The sustainable active public equity mandates struggled relative to their benchmarks over the 12 months as they are focused on growth and had no exposure to fossil fuels which returned well in the year. Our investments in private equity, which had performed very strongly over the majority of 2022 saw a fall in underlying asset valuations, following a fall in public market equivalents earlier in the year. Despite the difficulties in the financial year the Fund has outperformed the benchmark over longer term with good returns in both the 3 and 5 year periods.

The rising cost of living has made it a difficult year for many people, including our scheme members and scheme employees, and the Fund has focused on educating and communicating the benefits of the LGPS during this year, to help members understand the importance of continuing to build their pension for their long-term financial health and understanding the additional benefits of ongoing membership. The membership of the Fund at 31 March 2023 was 84,028 people (24,691 active, 24,124 pensioners and 35,213 deferred) and 140 scheme employers.

As a global long-term investor, the Pensions Committee recognise that climate change presents significant long-term risks to the value and security of pension scheme investments, and capital markets more broadly, and climate opportunities and responsible investment are a significant factor driving returns. The Fund has continued its journey of responsible investment, and more specifically with its focus on climate change risk. We have a detailed Statement of Responsible Investment Principles which sets out the Fund's beliefs on responsible investment and environmental, social and governance risks and how it manages those risks and commitments through investment decision making and implementation. The Fund invests in a range of sustainable funds including two active impact managers who focus on companies which generate positive social or environmental impacts while generating a financial return; a resource efficient mandate that invests in companies with reduced carbon emissions, reduced water usage and better waste management; and two further equity investment portfolios that are Paris aligned. In the year the Committee also approved an investment into a sustainable multi asset credit fund which will be invested in 2023. As a Fund, we are keen advocates for active stewardship and report on engagement activity quarterly, evidencing voting and engagement, covering both our own and our managers activities. In addition, the Fund was successful in obtaining FRC Stewardship Code signatory status in the year, meeting the industry's strictest requirements.

The Fund has continued to be an active member of the ACCESS (A Collaboration of Central, Eastern and Southern Shires) investment pool, together with 10 partner LGPS Funds. By the end of 2022/23 over £24bn was invested on the ACCESS authorised contractual scheme (ACS) platform, with substantial growth in the range and depth of sub-funds. A further £9.9bn is managed via the ACCESS procured and managed passive equity manager. In total, 59% of ACCESS Fund assets have been pooled. In 2022/23 the pool saw the appointment of CBRE for two property mandates: UK Core Property and Global Real Estate. As a Fund we are working with the pool members to invest more through the pool and to implement further illiquid asset classes and develop the governance and responsible investment arrangements within the pool.

The Pension Committee and Pension Board have worked tirelessly to transform the East Sussex Pension Fund landscape. I would like to take this opportunity to express my thanks for all the support and input provided by Committee and Board members and officers. I look forward to continuing to work with members and officers in the new financial year as the Fund seeks to meet the challenges of an ever-changing national and global environment. In presenting the Annual Report, I hope you find it helpful in understanding the Fund.

Councillor Gerard Fox

Chairman of the East Sussex Pension Fund Pension Committee

Welcome from Chair of Pension Board

As the Independent Chair of the Fund's Pension Board, I am happy to highlight some of the key areas of focus of the Board over the 2022/23 financial year.

This year has seen changes to the makeup of the Pension Board, with one of our Employer Representatives, standing down and a number of terms will come to an end in 2023/24. Aside from the work done to prepare for the changing make-up of the Pension Board, Board members have also been involved in a range of projects and workstreams. Communication with Fund members is a key subject of interest for the Board and it has been working with Officers for a number of years to drive improvements. This year, it has supported Officers with the development of a member booklet which was sent to all members home addresses, which contains an abridged version of the end of year report and accounts and other important areas to highlight, helping scheme members better understand the work of the Fund and how it is securing the assets needed to pay their benefits. The Board was delighted to hear this work has received considerable positive feedback from the scheme members and Trade Unions.

The Board has also been active in the sphere of Pension Administration, crucial to ensure scheme members receive the benefits they are entitled to at the right time. Administration of the Fund has been a core topic for the Board for several years and the Board has agreed challenging targets with Officers to consistently drive for improvements. This year the Board has specifically worked with Officers to benchmark the service delivery targets and are pleased with the consistent positive results that have been achieved against very challenging deadlines.

Whilst the Pension Board is primarily involved in the governance and administration of the Fund, it is also aware of the wider landscape which surrounds the Fund. Noting, amongst other things the impacts of inflation on both the Fund and members' cost of living. The Board has taken a keen interest in triennial valuation which looked at the solvency of the Fund and sets contribution rates for the scheme employers actively feeding into the assumptions used and impact of decisions on scheme employers. In addition, the Board have continued to have oversight of the decision-making process of the Pension Committee.

Looking Forward

The year ahead will still a substantial change in the membership of the Pension Board and the need for new Board members to undertake appropriate training so they can provide a positive impact as soon as possible. Training of Board members, both new and existing, will therefore be a key theme over the next 12 months.

A second key area for the Pension Board in the year ahead will be to improve how it gains sight of the decision-making process of the Pension Committee and understand the impact of investment decisions on the affordability and solvency of the Fund. Whilst the Board does not have concerns about how the Committee reaches its decisions, it does have a statutory duty to assist the Pension Committee in its capacity as the delegated Scheme Manager. The Board is therefore exploring ways in which it can do this more effectively as part of its drive for continuous improvement.

Looking forward, the Board is also anticipating several changes to be made to the Fund's administrative processes as new legislation is expected to take effect in relation to the "McCloud remedy", which seeks to undo the age discrimination caused by the Government's approach to changing the Local Government Pension Scheme from a Final Salary to Career Average Revalued Earnings Scheme. Board members have been working closely with Officers to help prepare for the legislative changes and anticipate becoming even more involved in the coming months.

Ray Martin

Chair of Local Pension Board

Introduction to the LGPS

Local Government Pension Scheme

The LGPS is a statutory scheme, established by an Act of Parliament, the Superannuation Act 1972 and since April 2014 the Public Service Pensions Act 2013. The Local Government Pension Scheme Regulations 2013 came into force on 1 April 2014. Membership of the LGPS is open to all employees of local authorities except teachers, fire fighters and police, who have their own separate schemes. It is also open to employees of other employers specified within the legislation.

The LGPS is a registered public service pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 meaning that members receive tax relief on contributions. The Scheme complies with the relevant provisions of the Pension Schemes Act 1993, the Pensions Act 1995, and the Pensions Act 2004.

The LGPS is one of the largest pension schemes in the UK. It is a defined benefit pension scheme, meaning members' pensions are based on their salary and how long they pay into the Scheme. LGPS pensions are not affected by how well investments perform, instead the LGPS provides a secure and guaranteed income every year when members stop working.

The LGPS is administered locally by 86 local pension funds in England and Wales. East Sussex County Council (ESCC) has a statutory responsibility as "Administering Authority" to administer and manage the East Sussex Pension Fund (the Fund) on behalf of all the participating employers in East Sussex, and in turn the past and present contributing members, and their dependents. All duties in administering and managing the Pension Fund have been delegated to the East Sussex Pension Committee supported by the East Sussex Pension Board.

The Fund is required to:

- collect employer and employee contributions, investment income and other amounts due as stipulated in LGPS Regulations
- pay the relevant entitlements as stipulated in LGPS Regulations
- invest surplus monies in accordance with the LGPS Regulations
- ensure that cash is available to meet liabilities as and when they fall due
- take measures as set out in the regulations to safeguard the Fund against the consequences of employer default
- carry out a triennial valuation process in consultation with the fund actuary
- prepare and maintain a Funding Strategy Statement and Investment Strategy Statement
- monitor all aspects of the Fund's performance and funding
- take environmental, governance and social factors into account within its investment strategy

- effectively manage any potential conflicts of interest

The Fund must operate a Local Pension Board. The Pension Board helps the Fund comply with the LGPS rules, overriding pensions legislation and guidance from the Pensions Regulator. The Pension Board is made up of equal numbers of employer and member representatives.

Every three years the Fund manages a valuation of pension assets and liabilities, carried out by an independent actuary. This valuation calculates how much scheme employers should pay into the Scheme to ensure the Fund has enough money to pay the benefits, by setting employer contribution rates for each employer for the following three-year period. The most recent actuarial valuation was carried out as at 31 March 2022. The funding level for the Fund at the 2022 valuation was 123%.

lgps | Local Government Pension Scheme

Scheme Management and Advisers

Responsibility for the East Sussex Pension Fund is delegated to the County Council's Pension Committee members with support from the East Sussex Pension Board. The Pension Board comprises representatives from the Fund's employers and members with an Independent Chairman. The Pension Committee receives advice from the County Council's Chief Finance Officer, Actuary, Investment Consultants, and an independent Investment Advisor.

Name of Fund support	Company/individuals
Pension Committee Members - East Sussex County Councillors	Gerard Fox (Chairman) – Conservative Ian Hollidge – Conservative Paul Redstone – Conservative David Tutt – Liberal Democrats Georgia Taylor (from June 2022) – Green Party Julia Hilton (to June 2022) – Green Party
Pension Board Members - pensionboard@eastsussex.gov.uk	Ray Martin – **Independent Chairman** Councillor Tom Druitt – Brighton & Hove City Council – **Employer representative** Councillor Toby Illingworth - Districts & Borough Councils – **Employer representative** Stephen Osborn - Educational Bodies - **Employer representative** Niki Palermo – GMB – **Member Representative** Lynda Walker – Unison – **Member Representative** Neil Simpson – Pensioner – **Member Representative**
Scheme administrator	East Sussex County Council - Pensions@eastsussex.gov.uk
Bankers to the Fund	NatWest Bank
Auditor	Grant Thornton UK LLP - London
Pension Fund officers - esccpensionsmanager@eastsussex.gov.uk	**Treasurer / S151 officer**: Ian Gutsell **Head of Pensions**: Sian Kunert **Head of Pensions Administration**: Paul Punter **Investments and accounting**: Russell Wood **Governance and compliance**: Mike Burton **Employer engagement**: Tim Hillman
Actuary	Barnet Waddingham - 163 West George Street, Glasgow, G2 2JJ
Legal Advisors	Appointed from National LGPS Framework for Legal Services
Investment Consultant	ISIO, 110 George Street, New Town, Edinburgh, EH2 4LH

Name of Fund support	Company/individuals
Independent Adviser	William Bourne
Asset Pool	ACCESS Pool
Asset Pool Operator	Link Funds Solution
Investment Managers	Adams Street Partners, Atlas, Baillie Gifford*, Harvourvest, IFM Investors, Longview Partners*, M&G**, Newton*, Pantheon, Ruffer*, Schroders, Storebrand, UBS, Wellington, WHEB
Custodian	Northern Trust
AVC Provider	Prudential

* Appointed through the ACCESS Pool operator. ** Bond mandates appointed through ACCESS other mandates directly appointed.

Bodies to which the fund is member, subscriber or signatory

Pensions and Lifetime Savings Association (PLSA)
Local Authorities Pension Fund Forum (LAPFF)
CIPFA Pensions Network
Club Vita
Local Government Association (LGA)
Local Government Pension Scheme National Framework:

- Passive Investments,
- Legal Services,
- Actuarial Benefits and, Governance
- Investment Management Consultancy Services
- Stewardship Advisory Services
- Pensions Administration Software

Principles for Responsible Investing (PRI)
Institutional Investors Group on Climate Change (IIGCC)
Pensions for Purpose
Financial Reporting Council (FRC) Stewardship Code 2020
Scheme Advisory Board (SAB)

Governance

Pension Committee

East Sussex County Council (Administering Authority / Scheme Manager) operates a Pension Committee for the purposes of facilitating the administration of the East Sussex Pension Fund, i.e., the Local Government Pension Scheme that it administers. Members of the Pension Committee owe an independent fiduciary duty to the beneficiaries of the Pension Fund. The Pension Committee Members are therefore expected to carry out appropriate levels of training to ensure they have the requisite knowledge and understanding to properly perform their role.

Pension Board

The Scheme Manager is required to establish and maintain a Pension Board, for the purposes of assisting with its duties. The Pension Board is constituted under the provisions of the Local Government Pension Scheme (Governance) Regulations 2015 and the Public Service Pensions Act 2013. Members of the Pension Board should also receive the requisite training and development to enable them to properly perform their compliance role, as required by legislation.

ACCESS Pool Joint Committee

The ACCESS Pool operates a Joint Committee which has been set up through an Inter Authority Agreement (IAA) which was formalised and executed by each Individual Authority between May and June 2017 and came into effect on the 31 July 2017 at the first formal Joint Committee meeting. The role of the ACCESS Joint Committee, which has one representative from each participating Fund, is to:

- Ensure pool delivers value for money;
- Appointment and termination of the Operator;
- Ensures pool meets needs of individual funds e.g. sub-funds the operator must provide to support individual fund strategies;
- Set pool level policies e.g. sharing of costs;
- Monitor Operator performance against KPIs; and
- Monitor investment performance

Since 2022, two representatives from underlying Pension Boards from the 11 LGPS Funds attend Joint Committee meetings as observers in rotation. This is to increase transparency.

Committee membership and attendance

During the year ended 31 March 2023 there were 4 meetings of the Pension Committee, 2 meetings of the Pension Board along with the annual Employers' Forum.

Member attendance at committee meetings during 2022/23

2022/23 - Pension Committee Members

East Sussex County Councillors	Nos. of meetings attended
Councillor Gerard Fox (Chairman)	3/4
Councillor Penny di Cara[1]	1/1
Councillor Ian Hollidge	4/4
Councillor Paul Redstone	4/4
Councillor Georgia Taylor[2]	3/4
Councillor David Tutt	4/4

2022/23 - Pension Board Members

Board Members	Nos. of meetings attended
Councillor Tom Druitt - Brighton & Hove City Council	2/2
Councillor Toby Illingworth – Districts & Borough Councils	1/2
Stephen Osborn - Educational Bodies	2/2
Niki Palermo - Employee Representative - Active & Deferred	0/2
Neil Simpson - Pensioners	2/2
Lynda Walker - Employee Representative - Active & Deferred	0/2

2022/23 - Member attendance at ACCESS Pool joint committee meetings

2020/21 Joint Committee Members	Nos. of meetings attended
Councillor Gerard Fox	1/3
Councillor Paul Redstone[3]	2/2

[1] Acted as a substitute for Cllr. Fox

[2] Attended virtually as an observer to the unattended meeting

[3] Acted as a substitute for Cllr. Fox

The Knowledge and Skills Framework

The Fund's objectives relating to knowledge and understanding are to:

- Ensure the Fund is appropriately managed and those individuals responsible for its management and administration have the appropriate knowledge and expertise;
- Ensures that there is the appropriate level of internal challenge and scrutiny on decisions and performance of the Fund;
- Ensure the effective governance and administration of the Fund; and
- Ensure decisions taken are robust and based on regulatory requirements or guidance of the Pensions Regulator, the Scheme Advisory Board (SAB) and the Secretary of State for Levelling Up, Housing and Communities.

CIPFA/Solace Knowledge and Skills Framework – Pension Fund Committees

Although there is currently no legal requirement for knowledge and understanding for members of the Pension Committee, it is the Fund's opinion that members of the Pension Committee should have no less a degree of knowledge and skills than those required in legislation by the Local Pension Board. The SAB's 'good governance' project signals a much stronger requirement on Pension Committee members knowledge and understanding.

The CIPFA framework, that was introduced in 2010, covers six areas of knowledge identified as the core requirements:

- Pensions legislative and governance context;
- Pensions accounting and auditing standards;
- Financial services procurement and relationship development;
- Investment performance and risk management;
- Financial markets and products knowledge; and
- Actuarial methods, standards and practice.

Under each of the above headings the Framework sets out the knowledge required by those individuals responsible for Fund's management and decision making.

CIPFA Technical Knowledge and Skills Framework – Local Pension Boards

CIPFA extended the Knowledge and Skills Framework in 2015 to specifically include Pension Board members, albeit there is an overlap with the original Framework.

The 2015 Framework identifies the following areas as being key to the understanding of local pension board members:

- Pensions Legislation;
- Public Sector Pensions Governance;
- Pensions Administration;
- Pensions Accounting and Auditing Standards;
- Pensions Services Procurement and Relationship Management;
- Investment Performance and Risk Management;
- Financial markets and product knowledge; and
- Actuarial methods, standards and practices.

Links to The Scheme Advisory Board's Good Governance project

In February 2019 the Scheme Advisory Board commissioned Hymans Robertson to consider options for enhancing LGPS governance arrangements to ensure that the Scheme is ready for the challenges ahead and at the same time retains local democratic accountability. Following extensive consultation and engagement with the LGPS community, the SAB has published 3 reports. The most recent report, published in February 2021, includes recommendations on the following areas:

- Conflicts of Interest – Funds will be expected to produce and publish a policy covering actual, potential, and perceived conflicts of interest;
- Representation – Funds will produce and publish a policy on the representation of members and employers, explaining how voting rights work;
- Knowledge and Understanding – Highlighting that key individual should have the knowledge and understanding to fulfil their functions, including the s.151 Officer;
- Service delivery – This covers publishing details of decision makers' roles and responsibilities, publishing an administration strategy, reporting on performance, and including the Committee in business planning, and;
- Compliance and Improvement – Undergoing a biannual Independent Governance review.

The findings of the Good Governance Review have yet to be formally adopted in statutory form, however, the Administering Authority recognises the principles behind the recommendations and seeks to embed them into the culture of the East Sussex Pension Fund.

The Pensions Regulator's E-learning toolkit

The Pensions Regulator has developed an online toolkit to help those running public service schemes understand the governance and administration requirements set out in its Code of Practice 14 - Governance and administration of public service pension schemes.

The toolkit covers seven short modules, which are: Conflicts of Interests; Managing Risk and Internal Controls; Maintaining Accurate Member Data; Maintaining Member Contributions; Providing Information to Members and Others; Resolving Internal Disputes; Reporting Breaches of the Law.

The modules of the Regulator's toolkit are by their very nature generic, having to cater for all public service pension schemes. While they give a minimum appreciation of the knowledge and understanding requirements set out in the Code of Practice, they do not cater for the specific requirements of the individual public service schemes.

As a result, the Regulator's toolkit does not cover knowledge and skills requirements in areas such as Scheme regulations, the Fund's specific policies and the more general pensions legislation. The Trustee Toolkit, a separate aid produced by the Pensions Regulator, includes a module on scams.

Whilst the Trustee Toolkit is designed for Trustees of private occupational pension schemes, some aspects of it have value for those connected to public service pension schemes. An example of a module which is relevant to the Fund is the one focused on transfer-out legislation and scams, which Pension Board and Pension Committee members have been asked to take along with appropriate officers.

The Pension Committee under the constitution of East Sussex County Council, has the responsibility "To make arrangements for the investment, administration and management of the Pension Fund".

Members of the Committee must, therefore, have an understanding of all aspects of running the Fund and how to exercise their delegated powers effectively.

Members of the Pension Committee require an understanding of:

- Their responsibilities as delegated under the constitution of East Sussex County Council as the administering authority for the Fund;
- The requirements relating to pension fund investments;
- The management and administration of the Fund;
- Controlling and monitoring the funding level; and
- Effective governance and decision making in relation to the management and administration of the Fund.

There also exists a specific requirement under MiFID II, that those making investment decisions, must be able to demonstrate that they have the capacity to be treated as professional investors.

Expectations on Pension Committee Members

The role of Pension Committee member is an important one and there are certain expectations on those undertaking the role. These include:

- A commitment to attend and participate in training events and to adhere to the principles of the Training Strategy;

- The ability to use acquired knowledge to participate in meetings and to ask questions constructively of the information provided by officers, advisers, and others;
- Judge the information provided in a fair and open-minded way that avoids pre-determining outcomes; and
- Operate within the terms of reference for the Pension Committee and the elected member code of conduct.

Local Pension Board

Under the constitution, the Local Pension Board is required to provide assistance to East Sussex County Council as the LGPS Scheme Manager in securing compliance with:

- LGPS Regulations and any other legislation relating to the governance and administration of the LGPS;
- Requirements imposed in relation to the LGPS by The Pensions Regulator;
- The agreed investment strategy; and
- Any other matters as the LGPS regulations may specify.

The role of the Local Pension Board is to provide assistance to the administering authority to ensure that the Fund is well run and complies with its legal responsibilities and best practice. The Local Pension Board does not replace the administering authority or make decisions which are the responsibility of the administering authority.

Local Pension Board members must be conversant with:

- The relevant LGPS Regulations and any other regulations governing the LGPS;
- Guidance issued by The Pensions Regulator and other competent authorities, relevant to the LGPS;
- Any policy or strategy documents as regards the management and administration of the Fund; and
- The law relating to pensions and such other matters as may be prescribed.

Report of the Pension Board

Report to	**Pension Committee**
Date of meeting	**15 June 2023**
By	**Local Pension Board**
Title	**Report of Pension Board to Pension Committee**
Purpose	**Report to Pension Committee, to understand the work completed by the Pension Board**

RECOMMENDATIONS: The Pension Committee is recommended to:

1) **Note the report covering the work completed in year by the Pension Board.**

1. Background

1.1 This document outlines the actions taken by the Local Pension Board of the East Sussex Pension Fund (ESPF). It also details the training undertaken in the past 12 months to enable individual Pension Board members to develop and maintain the required level of knowledge and understanding to enable them to fulfil their function of supporting the Administering Authority, which is also known as the Scheme Manager.

1.2 This document will allow the Pension Committee to build a more detailed understanding of the work being done by the Pension Board to improve the operation of ESPF.

2. Membership and attendance

2.1 The membership of the Local Pension Board over the past year has been:

Scheme Employer Representatives

- Stephen Osborn - Deputy Director of Finance, University of Brighton (until January 2023)
- Cllr. Tom Druitt - Brighton & Hove City Council
- Cllr. Toby Illingworth - East Sussex District and Borough Councils

Scheme Member Representatives

- Lynda Walker – UNISON
- Niki Palermo – GMB
- Neil Simpson – Pensioners' representative

Independent Chair

- Ray Martin

2.2 Stephen Osborn stepped down from his role at the University of Brighton in January 2023 and, as such, also stepped down from his role on the Pension Board. Since then, Officers, with the oversight of the Pension Board, have sought to obtain nominations from Scheme Employers to fill the vacant position. Only one employer, University of Brighton, put forward a nomination to fill the vacancy. The Independent Chair of the Board and the Pension Manager for Governance and Compliance met with the nominated officer and following consideration of their knowledge and skills made a recommendation to the Governance Committee to appoint to the vacancy, which was approved on 18 April 2023 for a four year term.

2.4 Attendance at meetings has deteriorated since the last report to the Committee. One meeting, in February 2023, was not quorate and was not attended by either of the in-post employer representatives. A second meeting, in September 2022, was cancelled as it coincided with the death of HM Queen Elizabeth II and an alternative date could not be found before the Pension Committee meeting.

Name	27 May 2022	9 September 2022 (meeting cancelled[4])	15 November 2022	8 February 2022 (not quorate)
Stephen Osborn	Y		Y	
Cllr. Tom Druitt	Y		Y	N
Cllr. Toby Illingworth	Y		N	N
Lynda Walker	N		N	Y
Niki Palermo	N		N	N
Neil Simpson	Y		Y	Y
Ray Martin	Y		Y	Y

3. Work of the Pensions Board

3.1 Meetings are scheduled to be held shortly (no less than 2 weeks) before each Pension Committee meeting, where all papers relating to administration, governance, policy, audit and communications are first considered by the Board prior to final versions being presented at Committee for approval. This allows the Board to feed in on matters of governance and represent the views of members and employers in the documents that are then taken for approval.

3.2 Members of the Pension Board participate in, the Communications Working Group, the Administration Working Group and the McCloud Working Group. By participating in the working groups members of the Pension Board are able to use their knowledge and experience to support officers of the Fund during the development of new policies and procedures. This year the Pension Board members have assisted with the preparation of Annual Benefit Statements to make them more useful for members whilst still including all the information legally required, assisted with the drafting of surveys designed to help the Fund improve the service it offers and the creation of the Employer Toolkit, which is used to provide training to Employers that participate in the Fund.

3.3 The Pension Board considers its work programme at each meeting taking into account the regular items it sees and what is planned for upcoming Pension Committee meetings and are able to request areas of focus to be added to the Board work plan.

4. Actions

4.1 Since the last Pension Board report in June 2022, members of the Pension Board have supported Officers and the Pension Committee by engaging with an employer which has been causing ongoing, significant challenges for the smooth operation of the Fund.

[4] This meeting was cancelled following the death of HM Queen Elizabeth II the previous day

4.2 Pension Board members have attended as observers, a meeting of the ACCESS Investment Pool, the vehicle used by the Fund to meet its obligations regarding the manner in which it places its assets for investment purposes. Whilst not involved with investment matters, the Pension Board members were able to provide insight into the governance around ACCESS and suggest ways it could be improved.

4.3 Members of the Pension Board have supported Officers with the defining of Administering Authority Discretions to ensure that a clear list is published and both Employers and Fund Members know what to expect. In addition, the Board members have made suggestions to the revision of numerous policies of the Fund including the revised Pension Administration Strategy to ensure the documents are clear on responsibilities of officers and other stakeholders.

4.4 Outside of the formal Board meetings, Pension Board members have provided input to Officers. For example, they commented on initial drafts of the debt spreading policy to help ensure it was in a position for the Pension Committee to approve ahead of it going out for consultation.

5. Training

5.1 In the past year the Pension Board, along with members of the Pension Committee, have been offered a range of training opportunities. Additionally details of reading material and relevant podcasts have been provided on a monthly basis.

5.2 Since the last report, Pension Board members have attended training events covering:

5.2.1 LGPS Pooling

5.2.2 An industry update on issues facing Pension Boards

5.2.3 TPR's new Code of Practice

5.2.4 Pension Fund accounts

5.2.5 The wider pensions landscape

5.2.6 The LGA's LGPS Fundamentals event

6. Structure of the Pension Board

6.1 The Pension Board is expecting to see a number of changes to its membership over the next quarter, this will bring with it an increased emphasis on training to ensure all Pension Board members have the knowledge and understanding they need to fulfil their duties. There will also be an increased emphasis on the need to attend meetings following the Board only meeting twice in quorate meetings during the past year.

Ray Martin

Chair of ESPF Local Pension Board

Scheme Administration

Service Delivery

During 2022/23, East Sussex County Council as Administering Authority for the East Sussex Pension Fund undertook the day-to-day pensions administration via its in-house pensions team.

The Pensions Administration team were responsible for:

- administering the LGPS on behalf of the ESPF scheme employers in accordance with relevant legislation and Pension Committee decisions
- calculation of actual pensions and lump sums for retiring members of the LGPS and provision of retirement estimates
- maintenance of the Pensions Administration database and provision of annual benefit statements for active and deferred members
- creation of new starters records, including transfers in where appropriate
- administration and calculations relating to leavers
- payment of pensions, increases thereon and other entitlements

Communication with members is, where possible, via the Member Self Service cloud-based website (My Pensions Portal). This includes Annual Benefit Statements, member newsletters, beneficiary nominations, updating personal details and carry out benefit calculations.

Employers have been either using or introduced to the i-Connect cloud-based portal through which they can upload their monthly payroll salary and contribution data directly into the Pensions Administration database. Employers' newsletters were also provided.

The Fund website www.eastsussexpensionfund.org provides scheme members and employers access to up-to-date information on both the LGPS and the Fund.

Administration of the Fund is a standing agenda item at the quarterly Pension Board and Committee meetings to ensure the service is managed and governed well. Key Performance Indicators, staffing and projects are reviewed and discussed at each meeting.

Internal Dispute Resolution Procedure

The LGPS is required by statute to make arrangements for the formal resolution of any disagreements on matters in relation to the Scheme that may arise between the administrators of the Scheme and the active, deferred and pensioner members or their beneficiaries or representatives.

Where complaints cannot be resolved informally, there is access to a two-stage dispute resolution procedure. The first stage of this process is for the complainant to ask the Adjudicator appointed by the Fund to consider the matter under dispute. If the complainant is not satisfied with the response they can ask for a further review of the decision, along with any new evidence they might provide. The person responsible for reviewing stage two complaints is the ESCC Assistant Chief Executive. Ultimately the complainant has the right to refer their complaint to The Pension Ombudsman and seek assistance from the Money and Pensions Service. The following table summarises the number of disputes made through the Fund's Internal Dispute Resolution Procedure at each stage of appeal:

Dispute category – First stage	Number in 2022/23
First Stage	5
Upheld	3
Declined	0
Ongoing	2

Dispute category – Second Stage	Number in 2022/23
Second Stage	3
Upheld	0
Declined	3
Ongoing	0

This table reflects the position for the 2022/23 financial year and is not the current position. Not all complaints resolved in this timeframe were raised in the same financial year and the numbers quoted include complaints raised in 2021/22 but were not resolved in the same financial year.

Key administration performance indicators

Performance Indicator	Impact	Measure	Target %	Achieved by Fund %
Death notification acknowledged, recorded and documentation sent	Medium	Within 2 days	95%	100%
Award dependent benefits (Death Grants)	High	Within 5 days	95%	100%
Retirement notification acknowledged, recorded and documentation sent	Medium	Within 7 days	95%	96.6%
Payment of lump sum made	High	Within 5 days	95%	99.7%
Calculation of spouses' benefits	Medium	Within 5 days	90%	100%
Transfers In - Quote (Values)	Low	Within 10 days (Aggregation 15 d)	90%	90.6%
Transfers In - Payments	Low	Within 5 days (Aggregation 25 d)	90%	99.3%
Transfers Out - Quote	Low	Within 10 days (Aggregation 15 d)	90%	93.8%
Transfers Out - Payments	Low	Within 10 days (Aggregation 25 d)	90%	88.4%*
Employer estimates provided	Medium	Within 15 days	95%	100%
Employee projections provided	Low	Within 15 days	95%	99.5%
Refunds (inc frozen refunds wef Aug 22)	Low	Within 10 days	95%	91.3%
Deferred benefit notifications	Low	Within 15 days	95%	96.9%

*Following the tightening of pensions legislation to avoid pension scams, significant new checks had to be built into the transfer payment process during the year.

Number of complaints

Scheme year	Number
2020/21	18
2021/22	47
2022/23	46

It should be noted that there has been a fundamental shift in the definition of what is a complaint since the Pensions Administration service has been brought back in-house in April 2021. Now the team record any inkling of a complaint or where there is a possible maladministration with a financial consequence for the Fund.

Financial indicators of administrative efficiency

The table below shows management expenses by members. The benchmark used is the average fund costs from the local government pension scheme funds account return (SF3).

Investment management expenses	ESPF Unit costs per member 2021/22	ESPF Unit costs per member 2022/23	Benchmark unit costs 2021/22
Excluded	**£33.8**	**£41.2**	**£41.2**
Included	**£328.2**	**£366.0**	**£326.3**

Key staffing indicators

During 2022/23, staffing numbers within the Pensions Administration area increased from 17.5 to 26 FTE. The team was carrying 3 vacancies.

This provides the Fund with a staff to fund member ratio of 1:3,232.

With average reportable KPI cases per member of staff ratio of 1:425

Membership

During 2022/23 the number of "Active" contributing members within the Pension Fund increased by 0.72% from 24,514 to 24,691. In summary, the number of members contributing to the Scheme is:

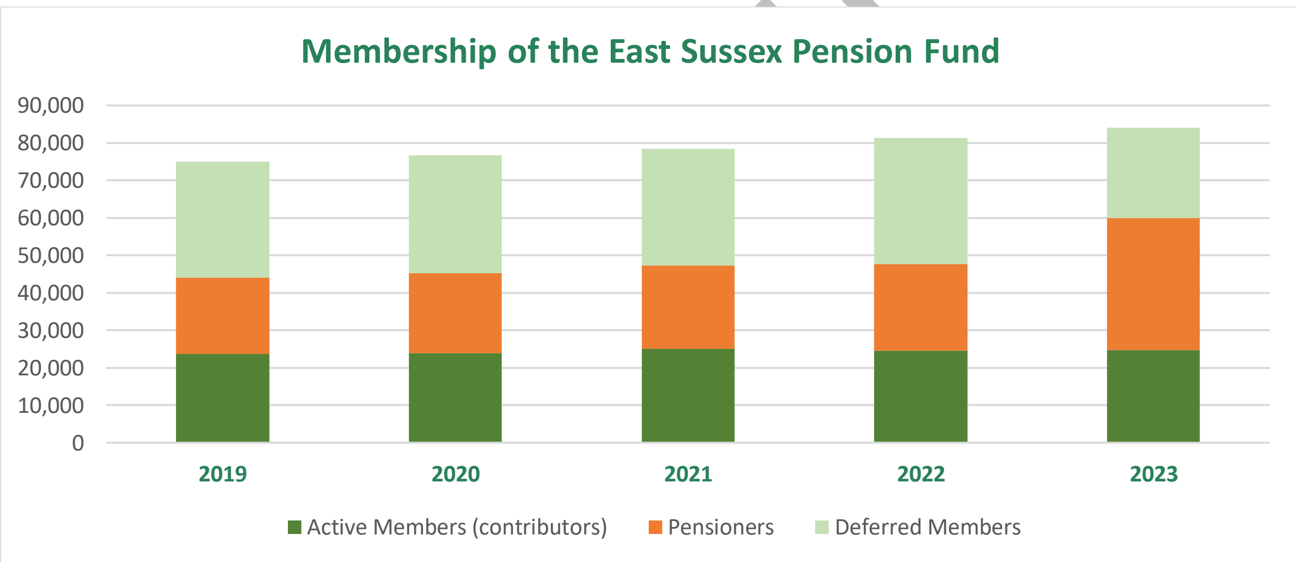
	Number of members 2021/22	Number of members 2022/23
East Sussex County Council	**8,059**	**8,123**
Brighton & Hove City Council	**7,682**	**7,412**
Academies	**3,622**	**3,738**
Colleges	**2,657**	**2,740**
Other	**2,494**	**2,678**
Total	**24,514**	**24,691**

The number of pensioners in receipt of payments from the Fund increased from 23,131 to 24,124 (or 4.29%).

The following table and bar chart provide a summary of contributing members, pensioners in payment and deferred pensioners over the last five years:

	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
Active Members (contributors)	23,646	23,835	25,002	24,514	**24,691**
Pensioners (inc dependents)	20,403	21,335	22,230	23,131	**24,124**
Deferred Members	30,916	31,622	31,234	33,646	**35,213**
Total	74,965	76,792	78,466	81,291	**84,028**

Under the Local Government Pension Scheme (LGPS) (Administration) Regulations 2013, the East Sussex County Council administers the Pension Fund for approximately 84,000 individuals employed by 140 different organisations. Underpinning everything we do is a commitment to putting our members first, demonstrating adherence to good practices in all areas of our business and controlling costs to ensure we provide outstanding value for money.



New pensioners by pensioner type

Pensioner type	Number
Normal Retirements	**413**
Redundancies	**26**
Ill Health	**33**
Employee's Choice of Early Pension	**994**
Total New Pensioners	**1,466**

2022 Annual Benefit Statement

The ABS statutory deadline was 31 August 22 and the results of statements issued for eligible members were as follows:

Member category	2021	2022
Actives	96.31%	**96.70%***
Deferred	99.69%	**99.79%**

* Figure excluded BHCC, for whom no ABS were produced before the deadline.

The Pension Board and Committee meetings both determined there was a reportable breach and Brighton & Hove City Council be reported to the Pensions Regulator. Over 95% of the BHCC active members were later provided with an ABS.

Actuarial report

East Sussex County Council Pension Fund

Actuary's statement as at 31 March 2023

Barnett Waddingham LLP

24 May 2023

Introduction

The last full triennial valuation of the East Sussex Pension Fund (the Fund) was carried out as at 31 March 2022 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 31 March 2023.

Asset value and funding level

The results for the Fund at 31 March 2022 were as follows:

- The smoothed value of the Fund's assets for funding purposes as at 31 March 2022 was £4.62bn.
- The Fund had a funding level of 123% i.e. the value of assets for funding purposes was 123% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a surplus of £858m.

Contribution rates

The employer contribution rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

- the annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due;
- plus an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

The primary rate of contribution on a whole Fund level was 20.2% of payroll p.a. The primary rate as defined by Regulation 62(5) is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2023.

In addition, each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer.
Details of each employer's contribution rate are contained in the Rates and Adjustments Certificate in the triennial valuation report.

Assumptions

The key assumptions used to value the liabilities at 31 March 2022 are summarised below:

The key assumptions used to value the liabilities at 31 March 2022 are summarised below	Assumptions used for the 2019 valuation
Financial assumptions	
Market date	**31 March 2022**
CPI inflation	**2.9% p.a.**
Long-term salary increases	**3.9% p.a.**
Discount rate	**4.6% p.a.**
Demographic assumptions	
Post-retirement mortality	
Base tables	**Based on Club Vita analysis**
Projection model	**CMI 2021**
Long-term rate of improvement	**1.25% p.a.**
Smoothing parameter	**7.0**
Initial addition to improvements	**0.5% p.a.**
2020/21 weighting parameter	**5%**

Full details of the demographic and other assumptions adopted as well as details of the derivation of the financial assumptions used can be found in the 2022 valuation report.

Updated position since the 2022 valuation

Assets

Returns over the year to 31 March 2023 have been lower than expected. As at 31 March 2023, in market value terms, the Fund assets were less than they were projected to be at the previous valuation.

Liabilities

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As at 31 March 2023, the real discount rate is estimated to be higher than at the 2022 valuation due to a reduction in the long term rate of inflation.

The value of liabilities will have increased due to the accrual of new benefits net of benefits paid and interest on the liabilities.

The 2023 pension increase order is 10.1%. The increase in liabilities associated with this has however been more than offset by the reduction in the long-term inflation assumption. This short-term high inflation and longer-term lower inflation is broadly consistent with what was assumed at the 2022 formal valuation.

Overall position

On balance, we estimate that the funding position has reduced when compared on a consistent basis to 31 March 2022.

The change in the real discount rate since 31 March 2022 will place a lower value on the cost of future accrual which results in a lower primary contribution rate. The impact on secondary contributions will vary by employer.

However, the next formal valuation will be carried out as at 31 March 2025 with new contribution rates set from 1 April 2026. As part of the 2025 valuation, the Fund and us as the Fund Actuary will work together in setting the assumptions for the valuation.

Barry McKay FFA

Partner, Barnett Waddingham LLP

Employers

The East Sussex Pension Fund was established in 1974 to cover the future pension entitlement of all eligible employees of the County Council and former District Councils. The Fund excludes provision for teachers, police officers and fire fighters, for whom separate arrangements exist. A number of other bodies also participate in the Scheme. These include Parish and Town Councils, Further Education Colleges, Academy Schools, Police and Fire Authorities (non-uniformed staff only) and Admitted Bodies. Admitted Bodies are those which are able to apply for membership of the Scheme under the Regulations. If the Pension Fund Committee agrees to the application, an Admission Agreement is drawn up admitting the body into the Scheme.

Note 29 to the accounts provide a list of all organisations currently contributing to the Fund. It includes their contribution rates, expressed as a percentage of employees' pensionable pay, and additional annual payments for those participating bodies which would otherwise have a shortfall in contributions by the end of the recovery period.

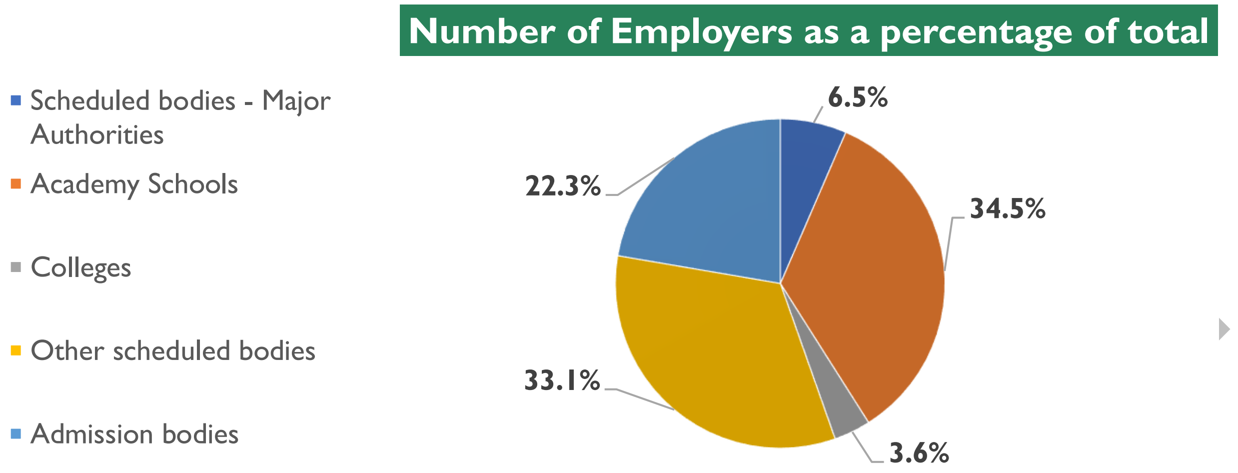
Below is a summary of the number of employers in the fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some deferred members and pensioners).

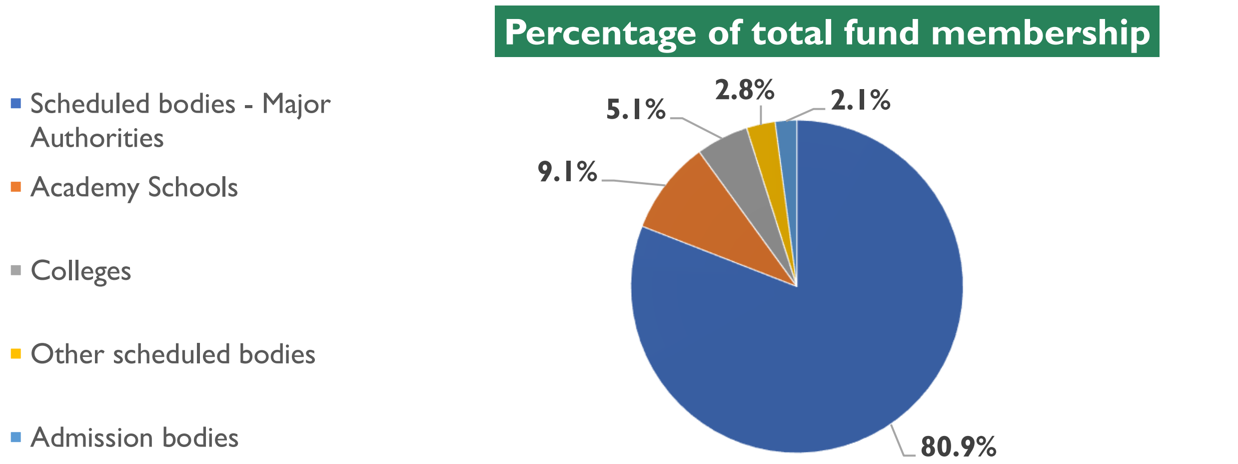
	Active	Ceased	Total
Scheduled body	108	24	132
Admitted body	32	41	72
Total	**140**	**65**	**204**

Employer statistics by Employer type

Employer Type	Number of Employers as a percentage of total	Percentage of total fund membership	Number of Employers in Group
Scheduled Bodies – Major Authorities	6.5%	80.9%	9
Academy Schools	34.5%	9.1%	49
Colleges	3.6%	5.1%	5
Other Scheduled Bodies	33.1%	2.8%	46
Admission Bodies	22.3%	2.1%	31

Note - all percentages have been rounded to the nearest one decimal place





The Local Government Pension Scheme Regulation 59(1) of the (Administration) Regulations 2013 covers the requirement for an administering authority to prepare a written statement of policies as it considers appropriate in the form of a Pensions Administration Strategy. The East Sussex Pension Fund Pensions Administration Strategy is kept under review and revised to reflect changes to LGPS regulations and Fund policies.

The Pensions Administration Strategy document sets out a framework by way of outlining the policies and performance standards to be achieved when providing a cost-effective inclusive and high-quality pensions administration service.

In particular it sets out:

- The roles and responsibilities of both the Fund and the employers within the Fund;
- The level of service the Fund and employers will provide to each other; and
- The performance measures used to evaluate the level of service.

This strategy will be reviewed in line with each valuation cycle. All scheme employers will be consulted before any changes are made to this document. The latest version of the Pensions administration strategy will always be available on the Fund website.

Employers are able to contact the Pension Fund directly depending on the type of request. The Employer Engagement Team will deal with employers directly on day-to-day questions and queries. The Pensions Administration team will deal with any employee requests that come via the employer. The employers have been informed of direct contact details for all requests and questions to the Fund.

The Local Government Pension Scheme (LGPS) regulations require employers who participate in the LGPS to draw up and publish a discretions policy and to keep it under review. Discretions are powers that enable employers to choose how to apply the scheme in respect of certain provisions. All new employer admissions to the Scheme will complete a discretions policy on joining and discretion policies will be reviewed every 3 years in line with each valuation cycle.

All new admissions to the LGPS will be provided with a guide to outsourcing and admissions. This guide will provide information to all outsourcing employers and new potential admissions to the Fund and will lay out the necessary process that will need to be adhered to before admissions can be undertaken. All new admissions will be sent the relevant legal agreements and documentation that will require signing before proceeding.

Any employer with a potential TUPE or outsourcing must contact the employer engagement team where support and advice will be provided on the necessary steps that will need to be undertaken. Relevant information, timings and paperwork will need to be completed before any TUPE/outsourcing can commence. Employers will be provided a direct contact throughout the whole project to answer questions and provide support.

A reminder is sent to all employers annually to provide details of the employer's responsibilities and obligations to the Fund. The Pensions Administration Strategy also provides details for employers of their responsibilities.

Employers have a number of responsibilities that they must meet as part of the Fund. The table below provides details on some key monthly/annual deadlines that must be met.

Employer deadlines

Employer Responsibility	Deadline
Complete and submit LGPS31 forms (contribution forms)	18th day of the month following that to which the payment relates
Payment of correct contributions	19th day of the month following that to which the payment relates
Provide end of year data requirements	By 30th April following the year end (unless already onboarded to i-Connect)

If the above deadlines are not met, then warnings are issued. If an employer breaches the above deadlines on more than one occasion in a 12-month period, then administration charges can be levied. Employer contribution amounts are provided to all employers at the Employer's Forum following the valuation. A reminder of the new rates is also annually sent to employers in March in preparation for the new rates to be applicable from the April contribution payment.

Risk management

Risk management is the process of identifying risks, evaluating their likelihood and potential impact, and determining the most effective methods of controlling or responding to them. The Fund has an active risk management programme in place, which is subject to periodic review. The Fund's approach is to manage risk rather than eliminate it entirely.

Identification of risk

All officers, together with members of the Pension Board, Pension Committee, and advisers, have a role to play in the identification of risks to the Fund. The Fund has a policy in place detailing what is expected of these stakeholders and how risks should be raised to ensure they are given appropriate consideration.

Those risks that are materially likely and/or impactful on the running of the Fund are included in the risk register. This document tracks:

- The risks;
- How likely they are;
- How much of an impact the risk would have on crystallisation;
- Mitigations in place; and
- The effect of the mitigations on the risk.

The risk register is discussed at each Pension Board and Committee meeting and has been updated in the past year to make it clearer and easier for key information to be identified.

Reviewing risks

Risks to the Fund are reviewed each quarter in advance of the Pension Board and Committee meetings. This gives officers the opportunity to ensure that the rating of each risk and the list of mitigations in place is updated and accurate.

During the Pension Board and Committee meetings, members of those bodies are encouraged to discuss and suggest changes, as well as to raise any other matters they would like to be considered on the risk register. In the past year changes have been made to risk register to reflect both the evolving nature of the already identified risks as risks have both become more likely to occur and seen mitigations actions reduce the risk.

Key risks

At the end of financial year 2022/2023 the 5 most significant risks facing the Fund were: -

- Cyber security;
- Investment pooling;
- Employer data;
- Statutory member returns;
- Employer data; and
- Committee and Board membership.

Cyber security is a significant risk to the Fund. It became of even greater significance towards the end of the Financial Year with the rise of cyber risk generally following events in Ukraine. The Fund works closely with officers in the East Sussex County Council's Information Technology and Development Team to ensure it is taking appropriate steps to have both cyber defences and cyber resilience in place.

Multiple levels of cyber defence are in place and data is stored securely with regular back-ups taking place. A risk assessment is also carried out on any new contract which incorporates the use of software to ensure that the cyber protections in place are sufficiently robust.

Investment pooling is the joint highest rated risk for the Fund as at March 2023. The East Sussex Pension Fund is part of the ACCESS Investment Pool, which was undergoing a number of changes around the end of the Financial Year and the complexity of implementing pooled investments within illiquid markets could lead to delays in pooling these assets. These changes meant Officers have been working closely with representatives of the Pool in order to ensure it is able to fulfil the investment needs of the Fund and allow it to ensure that sufficient investment growth is achieved to pay members' pensions as they fall due. In addition, the Fund was awaiting further guidance on the expectations of Government with an anticipated consultation on increased pooling arrangements.

Employer data is the other joint highest risk to the Fund at March 2023. For the Fund to provide an effective service to its members it relies on being provided with good quality data in a timely manner. For one of the Employers this has proven to be particularly difficult in the past year, leading to the risk being re-categorised.

The Fund has an Employer Engagement Team which works closely with the organisations that participate in the Fund. This helps employers to understand their responsibilities and to cleanse the data they provide to the Fund. In order to ease the flow of data, employers are being onboarded to a new system which allows for the provision of member data on a monthly basis with built in tolerances to help identify potential errors.

Statutory member returns are risks connected to the employer data risk. The Fund has to provide certain information to members each year, for example an Annual Benefit Statement has to be sent to active and deferred members by 31 August each year and a Pensions Saving Statement by 6 October. Where employers send the information the Fund needs to calculate members entitlements late, or the data is not correct, this restricts the Fund's ability to issue the statements on time.

To mitigate the risk, the Fund has plans for how it will run the various projects needed to produce the statutory returns and requests data, where needed, in sufficient time to allow it to be processed. In some cases, where an employer has had particularly difficult providing information, Fund officers have provided dedicated time to provide support in overcoming their internal challenges.

Committee and Pension Board membership has been highlighted as a key risk at the end of the Financial Year. The Pension Board plays an important role in providing guidance and expertise to the Pension Committee, overseeing the governance and administration polices being put in place. Membership of the Pension Board was undergoing a number of changes at the end of the financial year with several people likely to be stepping down in May 2023.

This risk was increased during the course of the year to recognise the increased risk of Pension Board meetings not being quorate if vacancies could not be filled in a timely manner. Additionally, it was recognised that there would be a reduction in the Board's collective knowledge and understanding which would require additional training support to rectify.

Investment risk

Along with other key risks, investment risks are included on the Fund's risk register. Investment risk is not treated as a single risk, but multiple risks and are of significant importance.

The Fund has identified 9[5] risks which relate to investments and assets of the Fund. Of these, 4 risks are specifically around the risks of investment, these are:

- Poor investment returns;
- Changes to international trade affecting liquidity of assets;
- Investment pooling; and
- Inflation.

Each of these risks is listed individually on the risk register with its own scoring and mitigations. This is alongside risks relating to climate change, ESG, regulatory change in the investment landscape, liquidity and fraud.

Mitigations for the 4 risks identified include:

- Ensuring appropriate training is made available to officers and Pension Committee Members;
- Obtaining support from an advisor who is independent of the Investment Consultant;
- Engaging closely with the ACCESS Pool to ensure the Fund's interests are protected;
- Diversification of assets; and
- A capacity to rebalance portfolios between the annual formal review of the investment strategy.

[5] One of these risks, that of fraud, which is listed on the risk register as a governance risk but also applies to investments and assets

Reviewing our processes

The Fund is committed to ensuring it has appropriate controls in place. As such, the Fund commissions an external audit of its practices to help identify any areas where improvements can be made. Additionally, the Fund commissions a wide range of internal audits, some of which cover risk management. This year the Fund commissioned 100 days of internal audit, although not all will just focus on risk management. Following the outcome of the various reports, this figure will reduce to 75 days for the forthcoming year as sufficient assurance has been obtained for the Administering Authority to agree the new figure.

An external audit is undertaken each year and the Fund currently uses Grant Thornton as its Auditor.

Financial performance

Analytical Review

The following tables provide a brief review of the major movements in the Fund Account and the Net Assets Statement for the financial year. More detail is provided in the Investment Policy and Performance report from page 40.

	2021/22 £000	2022/23 £000
Fund Account		
Net (Contributions)/withdrawals	2,920	(10,298)
Management Expenses	26,671	30,756
Return on Investments	(473,223)	88,660
Net Increase in Fund	**(443,632)**	**109,118**

	2021/22 £000	2022/23 £000
Net Asset Statement		
Bonds	134,975	93,755
Equities	237,482	235,630
Pooled Funds	4,214,677	4,175,947
Cash	90,216	54,418
Other	(388)	55
Total Investment Assets	**4,676,962**	**4,559,805**
Non-Investment Assets	10,705	18,744
Net assets of the fund available to fund benefits at the year end.	**4,687,667**	**4,578,549**

Analysis of pension contributions

The table below shows the number of primary pension contributions received late in the financial year 2022/23.

Month	Payments Due	Payments Received Late
April	136	6
May	136	5
June	137	4
July	137	2
August	137	1
September	136	3
October	138	1
November	138	0
December	138	0
January	139	1
February	140	1
March	140	1

No interest was charged on any of the late payments.

Forecasts

The following tables show the forecasts and outturn for the Fund Account and the Net Asset Statement.

Fund Account	2021/22	2021/22	2022/23	2022/23	2023/24
	Forecast	**Actual**	**Forecast**	**Actual**	**Forecast**
	£000	**£000**	**£000**	**£000**	**£000**
Contributions	(120.000)	(142,419)	(153,000)	(156,992)	(161,929)
Payments	135,000	145,339	149,911	146,694	166,328
Administration expenses	2,644	2,216	3,117	3,145	3,696
Oversight and governance costs	813	526	706	318	689
Investment expenses:					
Management Fees	3,698	23,929	3,318	27,293	28,352
Net investment income	(39,900)	(40,547)	(41,800)	(73,602)	(76,300)
Change in market value	(153,200)	(432,676)	(179,000)	162,262	(177,000)
Net increase in the Fund	**(170,945)**	**(443,632)**	**(218,756)**	**109,118**	**(216,064)**

Contributions and payments are based on amounts provided by the actuary used the strategy of the Fund; the administration and investment management expenses are based on current budgets; and the net investment income and change in market value are based on the long-term forecast returns for each asset class.

Net Asset Statement	2021/22	2021/22	2022/23	2022/23	2023/24
	Forecast	Actual	Forecast	Actual	Forecast
Equities	1,958,100	2,035,119	2,126,700	2,024,692	2,115,800
Bond	577,000	571,506	576,600	510,571	515,200
Property	326,900	390,179	399,200	328,542	336,100
Alternatives	439,900	554,116	590,100	821,790	875,200
Cash	40,600	90,216	88,200	54,418	45,600
Other	1,041,000	1,035,826	1,075,200	819,791	848,500
Total Investment Assets	**4,383,500**	**4,676,962**	**4,856,000**	**4,559,804**	**4,736,700**

The forecasts for total investment assets are based on the underlying assets within the pooled funds multiplied by the historic long-term returns for each asset class used. Net contributions, less administration and investment management expenses and oversight and governance costs, are added to the Cash figure to reflect new money into the Fund. The forecasts do not take into account potential additions or disposals of investments within these asset classes during the period as potential changes are not known with any degree of certainty.

Management Expenses - Forecast

	2021/22	2021/22	2022/23	2022/23	2023/24
	Forecast	**Actual**	**Forecast**	**Actual**	**Forecast**
	£000	**£000**	**£000**	**£000**	**£000**
Pension Fund Staff Costs					
ESCC Recharge	1,768	1,236	1,905	1,482	2,023
Staff costs total	**1,768**	**1,236**	**1,905**	**1,482**	**2,023**
Administration Costs					
ESCC Support Services	486	392	493	219	475
Supplies and Services	689	830	931	1,093	1,179
Administration total	**1,175**	**1,222**	**1,424**	**1,312**	**1,654**
Oversight and governance costs					
ESCC Support Services	37	37	37	37	37
Supplies and Services	837	575	767	639	652
Third Party Payments	100	57	80	69	81
Other Income	(100)	(38)	(80)	(76)	(81)
Oversight and governance total	**874**	**631**	**804**	**669**	**689**
Investment Management (excluding manager fees)					
Custodian	75	139	136	101	97
Investment Management Total	**75**	**139**	**136**	**101**	**97**
Monitored Management Expenses Total	**3,892**	**3,228**	**4,269**	**3,564**	**4,463**
Investment Management Not Monitored*					
Management Fees	3,313	23,145	2,872	27,192	28,352
Investment Management not monitored Total	**3,313**	**23,145**	**2,872**	**27,192**	**28,352**
Management Expenses Total	**7,205**	**26,373**	**7,141**	**30,756**	**32,815**

* The decision was taken that investment management fees would no longer be monitored through the budget monitoring process in 2023/24. This was due to large fluctuations in manager fees due to market movements would obscure the smaller fluctuations on lines where management were able to influence the spend. This also obscured the value within the accounts as this did not include the fees which are deducted at the individual portfolio level rather than being paid directly by the Pension Fund. This change was brought in to provide better accountability and oversight of the cost associated with running the Fund.

Pension overpayments

When an overpayment of pension benefits has been identified the recovery of this debt needs to be pursued. The detail of the debt is collated, and an invoice is raised to the relevant party for payment. The Fund follows the East Sussex County Councils procedure for recovering income which has escalation points set if the debt remains unpaid with the final stage this is passed on to the East Sussex legal team to pursue.

The table below shows the pension overpayments and recoveries for the past 5 years:

Year	Value	Overpaid Pensioners	Recoveries	Write Off	Outstanding
2022/23	Number	69	51	13	5
	Value £000	50	30	18	2
2021/22	Number	42	26	13	3
	Value £000	32	22	7	3
2020/21	Number	19	4	0	15
	Value £000	9	1	0	8
2019/20	Number	10	8	0	2
	Value £000	6	4	0	2
2018/19	Number	30	21	1	8
	Value £000	70	59	6	5

Mortality screening of the active pensioners was introduced for each month in 2020, however, as part of the Orbis dissolution the Pension Fund were required to reprocure the mortality screening service, which meant mortality screening was not completed between April 2021 and June 2022. Therefore, the number of overpaid pensions has increased over the past two years, but this should reduce going forward.

Investment policy and performance

The Fund's strategic asset allocation was revised following decisions taken at the July 2021 Committee meeting, with a number of changes agreed. Some of these changes have been reflected in the strategic benchmark over the 2022/2023 financial year, although not all have yet been fully implemented.

The agreed strategic changes involve a reduction in target allocation for index-linked gilts (from 3% to 0%), absolute return (from 20% to 17%) and corporate bonds (from 3.5% to 0%). The Fund agreed to reallocate the proceeds to a new allocation to inflation-linked property (4%), private credit (target increasing from 3% to 5%) and absolute return credit (target increasing from 7% to 10.5%). It was agreed to maintain the overall allocation to equity unchanged at 40% but to restructure the underlying holdings.

The fund increased its allocation to infrastructure (to 11% from 8%). To achieve this, the Fund committed £230m of capital to the IFM Global Infrastructure Fund, with strong ESG integration in IFM's approach through a focus on improving assets' ESG credentials being a key factor in the decision. Further consideration will be given to the remainder of the strategic changes which have not been implemented yet over the coming year. This includes the new allocation to inflation-linked property and the increased allocation to private credit.

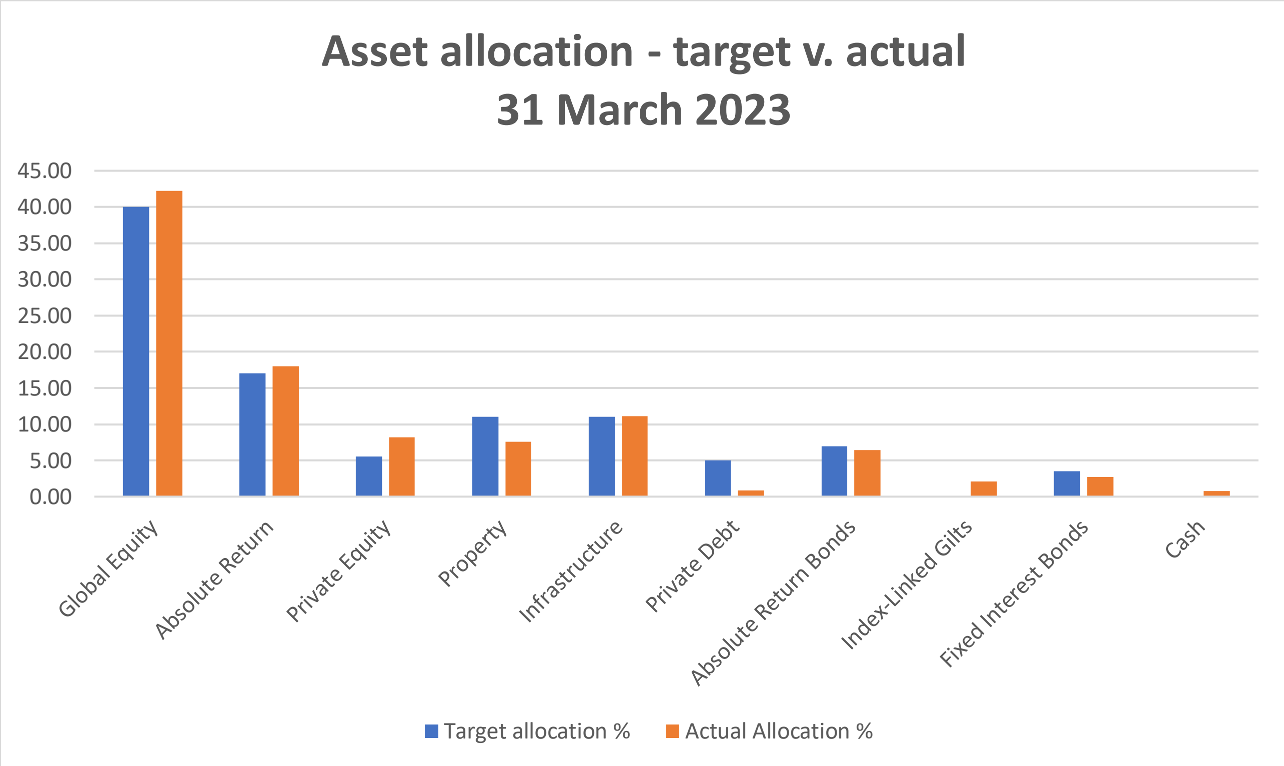
In June 2022 the Fund took the decision to make an additional allocation to absolute return credit (target increasing from 7% to 10.5%) via an allocation to the BlueBay Total Return Diversified Credit Fund. This decision was reached primarily due to the complimentary fit of the BlueBay mandate with the Fund's existing absolute return credit exposure held with M&G. It is expected the allocation will be implemented via the ACCESS pool in the coming months.

The Committee demonstrate their consideration of Environmental, Social, and Governance (ESG) and climate related issues through the abovementioned changes. Similarly, the Fund's fossil fuel extraction exposure is estimated on a quarterly basis, with this estimated as 0.6% of total Fund assets as at 31 March 2023.

Asset Allocation

The Fund's asset allocation maintains a significant allocation to equities, which are expected to be a core driver of returns over the long term, but typically the most volatile. However, the equity portfolio is diversified across regions and styles to target a balanced exposure. The increase to the Fund's infrastructure allocation, and newly agreed mandate with IFM, provides additional diversification to the overall portfolio, as well as contractual type returns, which are expected to provide a more certain and stable return profile going forwards. Infrastructure is also expected to provide an inflation-linked source of income, which will be further increased if the inflation-linked property mandate is ratified when considered and then implemented. The Fund maintains a significant allocation to property, providing further diversification from traditional investment markets such as equities and bonds.

Credit mandates such as corporate bonds, index-linked gilts and absolute return credit also provide diversification, due to differing return drivers than equities, while also offering source of liquidity. The absolute return mandates combine a number of asset classes in order to provide a smoother path of returns, offering the manager flexibility to alter allocations to benefit from varying market conditions.



Investment Managers

The Fund employs a number of investment managers across the various mandates, with differing approaches or styles, as well as sectoral and geographic focus, and benchmarks. This is in order to ensure sufficient diversification, limiting downside risk during periods of market volatility. The Fund's investment manager structure is broadly as follows:

- The Fund's equity mandate is split across a number of managers, having previously been largely allocated to UBS. The equity allocation is now weighted in favour of active management strategies, reflecting the Committee's preference for active management and an ESG focus, with the equity holdings broadly split 60/40 in terms of active and passive. The active sleeve is split across global equity mandates with Longview and Baillie Gifford, as well as impact equity strategies managed by Wellington and WHEB. The passive, or systematic, sleeve is split between two ESG systematic/smart beta strategies, one with Storebrand, and the other with Osmosis (implemented by UBS).
- Absolute return mandates are held with Newton and Ruffer and allow managers to flexibly alter allocations to a variety of underlying asset classes based on specific market conditions.
- The Fund's property mandate is held with Schroders, with a 'fund of funds' approach adopted, adding an additional layer of diversification to the mandate. As noted above the Fund may seek to add additional property exposure via another mandate(s) in the near future.

- Corporate bonds, absolute return credit and commercial real estate debt mandates are managed by M&G, while the Fund's passive index-linked gilts mandate is held with UBS. As noted above, during 2022, the Fund agreed the decision at add an additional credit mandate managed by BlueBay with the expectation this will be implemented on the ACCESS pool in the coming months.
- The Fund's infrastructure holdings are split between M&G, UBS, Pantheon (all unlisted) and ATLAS (listed) and most recently IFM (unlisted), who adopt varying styles and focus areas.
- Private equity mandates are split between Adams Street and HarbourVest.

The Fund has the following objectives for its investment managers:

- Each (active) manager delivers on its objective, net of fees.
- Each mandate adds a layer of diversification and offers different qualities to the Fund, through varying approaches and focus areas (geographic and sectoral).
- Consider all financial and non-financial risks and considerations including Environmental, Social and Governance (ESG) factors (including but not limited to climate change).

Ultimately the Fund seeks to deliver an appropriate level of return, relative to the risk taken.

Custodian

A specialist provider of Custodian Services, Northern Trust, is employed by the East Sussex Pension Fund.

The responsibilities of the Custodian are:

- Collection of investment income.
- Arranging for the custody of the scheme's assets in compliance with the custody agreement.
- Providing quarterly valuations of the scheme's assets, details of all transactions and investment accounting.
- Responsibility for cash management and investing the daily cash balances in a "Triple A" rated cash pool.
- Providing monthly performance calculations of the Fund and individual investments.

Investment Allocations pooled and un-pooled

Mandate	Q1 2022 (£m)	Actual (%)	Target (%)	Q1 2023 (£m)	Actual (%)	Target (%)
Pooled Investments						
Link ACS Funds						
ACCESS - Global Equity (Longview)	525.6	11.2%	10.0%	555.7	12.2%	10.0%
ACCESS - Global Alpha (Ballie Gifford)	197.4	4.2%	5.0%	187.3	4.1%	5.0%
ACCESS - Absolute Return (Ruffer)	537.8	11.5%	10.0%	478.9	10.5%	10.0%
ACCESS - Real Return (Newton)	498.4	10.7%	10.0%	340.9	7.5%	7.0%
ACCESS - Sterling Corporate Bond (M&G)	148.9	3.2%	3.5%	123.6	2.7%	3.5%
ACCESS - Alpha Opportunities (M&G)	287.7	6.2%	7.0%	293.2	6.4%	7.0%
Total Link ACS Funds	**2,195.8**	**47.0%**	**45.5%**	**1,979.6**	**43.4%**	**42.5%**
ACCESS Passive Manager						
UBS - 5yr ILG	135.0	2.9%	3.0%	93.7	2.1%	0.0%
UBS - Osmosis Resource Efficient Core Equity (ex-FF)	238.2	5.1%	5.0%	236.8	5.2%	5.0%
Total Access Passive Manager	**373.2**	**8.0%**	**8.0%**	**330.5**	**7.3%**	**5.0%**
Total Pooled Investments	**2,569.0**	**55.0%**	**53.5%**	**2,310.1**	**50.7%**	**47.5%**
Non-Pooled Investments						
Equities (passive):						
Storebrand - Global ESG Plus	510.3	10.8%	10.0%	501.2	10.9%	10.0%
Equities (active):						
Wellington - Global Impact	237.5	5.1%	5.0%	221.8	4.9%	5.0%
WHEB- Sustainability	230.1	4.9%	5.0%	221.8	4.9%	5.0%
Total Equities	**977.9**	**20.8%**	**20.0%**	**944.8**	**20.7%**	**20.0%**
Other Investments:						
Schroder - Property	402.2	8.6%	10.0%	345.7	7.6%	11.0%
IFM - Infrastructure	-	-	-	234.1	5.1%	5.0%
M&G - Infrastructure	42.4	0.9%	2.0%	53.0	1.2%	1.0%
Pantheon - Infrastructure	62.4	1.3%	2.0%	81.2	1.8%	2.0%
UBS - Infrastructure	35.8	0.8%	2.0%	36.3	0.8%	1.0%
Atlas - Infrastructure	96.0	2.1%	2.0%	100.9	2.2%	2.0%
Adams Street - Private Equity	206.0	4.4%	2.8%	195.7	4.3%	2.8%
HarbourVest - Private Equity	167.7	3.6%	2.7%	179.5	3.9%	2.7%
M&G Real Estate Debt VI	39.7	0.8%	3.0%	43.0	0.9%	5.0%
Cash account	77.9	1.7%	0.0%	35.5	0.8%	0.0%
Total Other Investments	**1,130.1**	**24.2%**	**26.5%**	**1,304.9**	**28.6%**	**32.5%**
Total Non-Pooled Investments	**2,108.0**	**45.0%**	**46.5%**	**2,249.7**	**49.3%**	**52.5%**
Total	**4,677.0**	**100.0%**	**100.0%**	**4,559.8**	**100.0%**	**100.0%**

An analysis of fund assets, by geography, as at the reporting date of 31 March 2023

	UK £m	Non-UK £m	Global £m	Total £m
Equities	10	226	1,789	**2,025**
Bonds	511	-	-	**511**
Property (direct holdings)	-	-	-	**-**
Alternatives	372	-	779	**1,151**
Cash and cash equivalents	14	41	-	**55**
Other	-	-	819	**819**
Total	**907**	**267**	**3,387**	**4,561**

An analysis of investment income accrued during the reporting period 2022/23

	UK £000	Non-UK £000	Global £000	Total £000
Equities	376	4,618	19,583	24,577
Bonds	8,904	-	-	8,904
Property (direct holdings)	-	-	-	-
Alternatives	12,474	-	7,060	19,534
Cash and cash equivalents	881	907	-	1,788
Other	-	-	18,865	18,865
Total	**22,635**	**5,525**	**45,508**	**73,668**

In the above tables:

'Alternatives' are taken to mean holdings in private equity, hedge funds, pooled property funds, infrastructure funds and derivatives.

'Other' denotes assets not falling into any other category, such as investments in vehicles where the underlying investments may comprise of assets of more than one type.

'Global' holdings are those that include an element of both overseas and UK listed assets.

Investments in pooled funds have been allocated to categories based on the nature and domicile of the underlying assets.

Investment Performance - Actual and benchmark performance for each of the Fund's mandates is provided in the table below, over 12 months 3 years and 5 years[1]. Results are considered by the Pension Committee on a quarterly basis and the Fund members on an annual basis as part of this report.

Mandate	1 year fund	1 year benchmark	Relative*	3 year fund (p.a)	3 year benchmark (p.a)	Relative*	5 year fund (p.a)	5 year benchmark (p.a)	Relative*
Pooled Investments									
ACCESS - Global Equity (Longview)	5.72%	-0.99%	6.72%	17.97%	16.51%	1.46%	10.40%	10.33%	0.07%
ACCESS - Global Alpha (Ballie Gifford)	-5.13%	-1.43%	-3.70%	-11.65%	0.97%	-12.62%	-	-	-
ACCESS - Absolute Return (Ruffer)	0.24%	5.23%	-4.99%	9.75%	3.60%	6.14%	6.63%	3.35%	3.29%
ACCESS - Real Return (Newton)	-3.54%	5.23%	-8.77%	5.04%	3.60%	1.43%	3.74%	3.31%	0.42%
ACCESS - Sterling Corporate Bond (M&G)	-16.94%	-16.82%	-0.12%	-5.01%	-5.66%	0.65%	-1.48%	-2.13%	0.66%
ACCESS - Alpha Opportunities (M&G)	1.91%	5.73%	-3.82%	6.85%	4.10%	2.75%	3.03%	3.81%	-0.78%
UBS - 5yr ILG	-30.54%	-30.44%	-0.10%	-9.26%	-9.22%	-0.05%	-4.16%	-4.13%	-0.03%
UBS - Osmosis Resource Efficient Core Equity (ex-FF)	-0.48%	-0.99%	0.51%	3.62%	3.99%	-0.36%	-	-	-
Non-Pooled Investments									
Storebrand - Global ESG Plus	-1.80%	-0.99%	-0.81%	6.71%	8.34%	-1.62%	-	-	-
Wellington - Global Impact	-6.75%	-1.43%	-5.32%	1.21%	6.43%	-5.22%	-	-	-
WHEB- Sustainability	-3.59%	-0.99%	-2.60%	0.57%	8.07%	-7.50%	-	-	-
Schroder - Property	-11.51%	-14.49%	2.98%	3.11%	2.56%	0.55%	2.61%	2.50%	0.11%
IFM - Infrastructure	1.78%	1.88%	-0.10%	-	-	-	-	-	-
M&G - Infrastructure	11.63%	12.07%	-0.44%	9.72%	7.89%	1.83%	8.84%	6.38%	2.46%
Pantheon - Infrastructure	22.64%	12.07%	10.56%	13.91%	7.89%	6.02%	10.80%	6.16%	4.63%
UBS - Infrastructure	14.41%	12.07%	2.34%	-0.41%	7.89%	-8.30%	2.99%	5.81%	-2.82%
Atlas - Infrastructure	5.18%	-1.19%	6.36%	10.84%	8.25%	2.60%	-	-	-
Adams Street - Private Equity	-8.48%	0.15%	-8.62%	24.85%	17.06%	7.79%	21.16%	11.06%	10.10%
HarbourVest - Private Equity	1.94%	0.15%	1.80%	24.75%	17.06%	7.69%	21.83%	11.06%	10.78%
M&G Real Estate Debt VI	-1.31%	6.74%	-8.05%	1.95%	5.11%	-3.16%	1.70%	5.06%	-3.36%
Cash account	1.98%	2.40%	-0.42%	-2.37%	0.84%	-3.22%	-0.88%	0.75%	-1.63%
Total	-2.50%	-1.06%	-1.45%	9.58%	9.19%	0.39%	6.21%	5.65%	0.56%

*Relative performance is calculated on a geometric basis as opposed to the simpler arithmetic method the geometric method makes it possible to directly compare long-term relative performance with shorter-term relative performance.

1 Since inception figures used where full data for a period is not available.

Responsible Investment

Responsible Investment (RI) is an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and to generate sustainable, long-term returns (according to Principles for Responsible Investment). Stewardship is the responsible allocation and management of capital across the institutional investment community to create sustainable value for beneficiaries, the economy and society.

Task Force on Climate-related Financial Disclosures (TCFD)

The Financial Stability Board created TCFD to improve and increase reporting of climate-related financial information in 2015. The Fund committed to reporting under TCFD in its Statement of Responsible Investment, this RI report follows the principles and reporting requirements of TCFD.

TCFD is structured around four thematic areas of Governance, Strategy, Risk Management and metrics and targets.

The Fund support the TFCD recommendations to provide a framework to communicate the steps the Fund is taking to manage climate related risks. Below the Fund try to report against these core elements to report against these disclosure requirements. Where the Fund has gaps in reportable data, this is highlighted in the sections, with a plan on how this will be progressed in future years reporting.

The Department for Levelling Up, Housing and Communities (DLUCH) ran a Local Government Pension Scheme (England and Wales): Governance and reporting of climate change risks. The purpose of this consultation was to seeks views on proposals to require Local Government Pension Scheme (LGPS) administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). The consultation ran from 1 September 2022 to 11:45pm on 24 November 2022. This has provided some insight into the direction of travel that DLUHC is expecting LGPS Funds to responded to the TCFD reporting. We are currently awaiting the outcome of the consultation to plan to comply with this in full.

Governance

The East Sussex Pension Fund is part of the Local Government Pension Scheme (LGPS). The purpose of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, on a defined benefits basis. East Sussex County Council (ESCC) is the administering authority for the Fund. Under the Council's Constitution the Pension Committee has delegated authority to exercise the powers in respect of the management of the Fund. The Fund is neither owned nor controlled by ESCC, Fund assets are earmarked for pension payments and ringfenced from 'Council Money'. There are around 140 employers and more than 84,000 members, whose pension payments are funded by through employer and member contributions and investment returns. The Pension Committee (the Committee), comprising elected councillors, is responsible for Fund oversight and policy setting.

The Committee are responsible for agreeing the Investment Strategy Statement, climate change strategies, the responsible investment of the Fund, and report on these activities.
The Pension Committee receive assistance in performing these functions via:

- Pension Board – help with effective governance and ensuring compliance with the regulatory requirements.
- Chief Finance Officer – Scheme administration, including governance and investment implementation.
- Head of Pensions – ensuring Committee decisions are implemented.
- Investment Consultants – provide expert investment advice in line with regulatory requirement for proper advice. This is an FCA regulated firm.
- Independent Advisor – provides challenge to the Investment recommendations and supports the Committee in understanding of Investment activities.
- Fund Actuary – to provide information to the Fund on its solvency position and how climate change and other investment risks can impact the liabilities of the Fund.
- ESG Data advisers – to provide an analysis of carbon footprint of the liquid portfolio holdings and extent of energy transition plans within underlying holdings.

The Committee has focused a substantial amount of time to develop its understanding and response to the ESG impacts that it is facing. This work has driven the Fund into codifying its beliefs in this area. The Fund believe that RI supports the purpose of the LGPS, and that climate risk does pose a material financial risk to the Fund. Responsible investment is therefore a substantial factor driving returns alongside other investment considerations.

As RI and climate risk is a driving factor in the value of the Fund's assets and long-term return expectations in line with the Fund's Investment Strategy Statement and Funding Strategy Statement to keep the Fund in surplus, the Committee set out a Statement of Responsible Investment Principles (SRIP) which is published within the Fund's Investment Strategy Statement (ISS) and is available on the Fund website https://www.eastsussexpensionfund.org/forms-and-publications/

The SRIP explains the Fund's approach to the oversight and monitoring of the Fund's investment activities from a Responsible Investment (RI) and Stewardship perspective.

The Principles that are set out in detail within the SRIP are:

Principle 1	We will incorporate ESG issues into investment analysis and decision-making processes.
Principle 2	We will be active owners and incorporate ESG issues into our ownership policies and practices.
Principle 3	We will seek appropriate disclosure on ESG issues by the entities in which we invest.
Principle 4	We will promote acceptance and implementation of the principles within the investment industry.
Principle 5	We will work together to enhance our effectiveness in implementing the principles.
Principle 6	We will each report on our activities and progress towards implementing the principles.

ESG factors and climate risk are taken into account by the Investment Implementation Working group to ensure all investment decisions have ESG and climate risk embedded at the outset, rather than a secondary consideration. The Committee believes that well managed companies provide long-term value creation and that the Fund's beneficiaries will benefit from strong investment returns and improve the Fund's overall funding position, which keeps the pensions scheme affordable in terms of employer contribution rates. Performance of all investment are monitored and reported quarterly.

Investment Managers are expected to report on performance, engagement and voting activity quarterly to the Fund and its advisers. The Fund then consider

- How managers have integrated ESG in their investment activities
- How managers have exercised the Fund's voting rights and to explain where there is deviation from voting guidelines or voting alerts from the LAPFF.
- What engagement activities have been completed in the quarter.

The Fund carry out meetings with investment managers in addition to the ongoing review and engagement that the investment consultant carried out for the fund to ensure the managers are complying with the requirements on them set by the Fund and ability of the manager to invest in the best interest of the Fund beneficiaries. During direct manager meetings with the Fund discussions take place on voting and engagement, rational of specific holdings to understand physical and transition risk as well as transparency of the Fund's exposure to carbon emissions and other ESG data sets.

The Fund report the stewardship activity of the investment managers and that of the Fund in a quarterly ESG report and an annual stewardship report and is a signatory to the FRC Stewardship Code in 2022, a copy of the report can be seen on the Fuds website at https://www.eastsussexpensionfund.org/media/gvynzxjj/stewardship-report-east-sussex-pension-fund.pdf. In addition, the Fund publish an implementation statement within its annual report to show how its approved RI beliefs have been embedded within the Fund's investment activities.

All of the Fund's investment managers are assessed in relation to ESG issues through an ESG and climate impact assessment report on an annual basis by the Fund's investment consultant with an action plan set out for each manager which will be updated annually as part of the review.

The Fund invests through investment managers who carry out detailed research on the prospects for individual companies and industries and have access to company management. On selection of an investment manager the Fund ensure the manager is aligned with the same stewardship beliefs as the Fund with a detailed set of evaluation criteria for ESG and Stewardship.

The Committee review and discuss its risk register quarterly where climate risk is a separately identified risk in addition to ESG risk, with mitigations through the Fund's climate strategy.

Knowledge and skills of officers and the Committee are integral to the governance and effective oversight of climate risk within the Fund. Training opportunities are provided to Committee Members and Fund officers to ensure decision makers and those that implement and monitor investment activity understand how their stewardship responsibilities can be implemented, understanding risks and responsibilities. Training for the Fund is laid out in the Fund's training strategy which is reviewed every two years. The Fund has a training and investment strategy review day embedded into the annual meeting plan in addition to Committee meetings. New Committee members are given an induction programme to help develop knowledge understanding of all their responsibilities and training links and details are provided at least monthly by the Fund's designated training officer. Training is picked up at all Pension Committee and Pension Board meetings through the work plan and a report on training is covered twice a year.

A priority for the Fund is to ensure investments can withstand climate risks, including both transition and physical climate risks, and to invest for the future with confidence. As a result of this the Fund has conducted four years of carbon foot printing and the last three years included integrated energy transition plans into a key metric. In addition, the Fund reviews the exposure to specific Fossil Fuel companies engaging with the investment managers where these positions are held to understand the engagement activities with those companies and the rational for positioning those companies in the portfolio. Whilst acknowledging that Fossil Fuel companies have intense carbon emissions, the Fund believe they have a part to play in the energy transition pathway; also recognising that emissions can be intense in other sectors, and climate change risks effects all sectors and geographical regions. To ensure that the Fund's managers are considering this monitoring of engagement activities and voting is done throughout the year. On top of this the Fund has partnered with other groups to push engagement on these topics with individual companies via its collaboration partners. The Fund plan on carrying out climate scenario analysis of various warming scenarios in the future to further understand the climate risks of the investment strategy.

The Fund is guided by the legal principle of fiduciary duty in creation and implementation of the investment strategy and has stated that it recognises climate risk as a material financial risk to the Fund. Guidance on our fiduciary responsibilities is provided by the Scheme Advisory Board, which took legal advice on this matter (http://lgpsboard.org/images/PDF/Publications/QCOpinionApril2014).

A holistic whole portfolio approach to overall climate risks has been taken by the Fund which is backed up by set of ESG beliefs and robust Statement of Responsible Investment Principles. As well as mitigating risks through the changes to the investment strategy the Fund has also identified that there are also many investment opportunities to be found from new technology and solutions to climate change. In addition, the Fund recognises companies that effectively manage resources including Carbon, Water and Waste and have strong ESG approaches are often well managed high performing companies.

Strategy

The Fund has recognised that Climate risk is a financial risk to the Fund, both through its investments and impacts to liabilities and funding position. The investment risks identified to date around the climate impacts on the Fund have been around the structure of the Fund's investments, namely the use of passive investments and the transition from a fossil fuel based global economy to a carbon free economy. The Fund made significant changes in the structure of its investment strategy through 2021 and 2022, to remove any unconscious exposure to climate risk inherent within its large traditional market capital based passive equity investments.

The Fund's strategic analysis of its climate risk also identified that the Fund could benefit from increasing its exposure to sustainable investments designed to benefit from or contribute to the transition from a fossil fuel economy to a carbon free economy.

This work helps to solidify the Fund's belief that ESG opportunities may be found in impact funds investing in companies whose profits are derived from providing solutions to some of the World's more serious environmental, sustainability, demographic, and social challenges e.g., cleaner products and processes, renewable energy, health, nutrition, sustainable agriculture, shelter, clean water, and sanitation etc. Where successful, such companies would be expected to exhibit above average long-term growth characteristics.

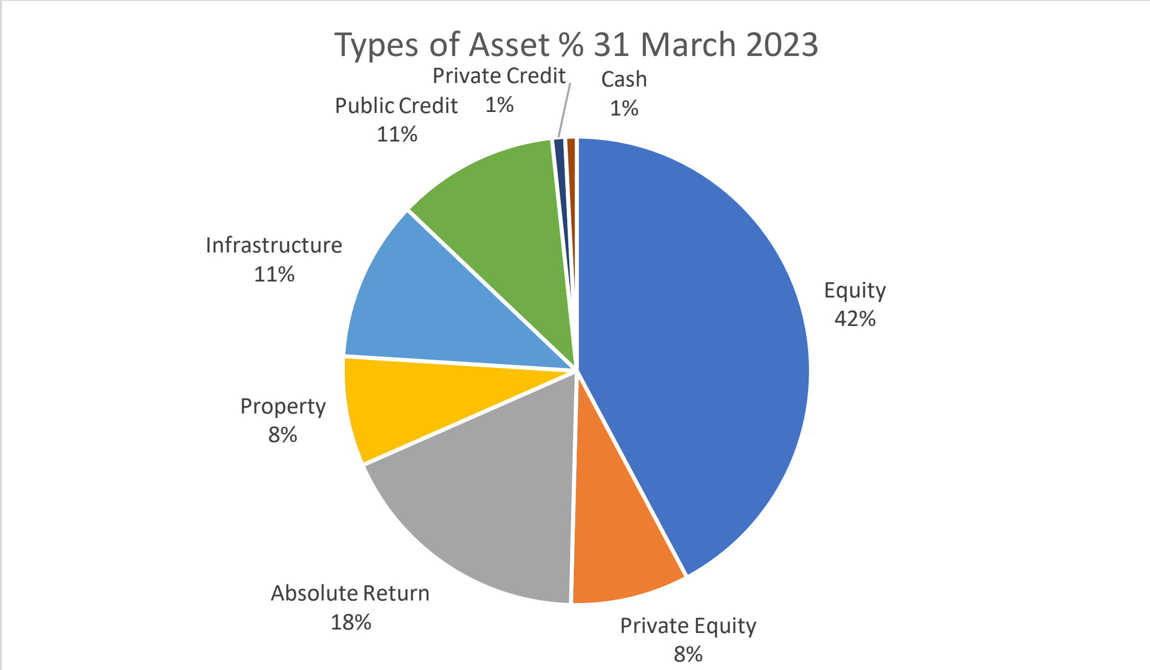
The Fund does not directly invest in any specific company; instead, it invests through a combination of holdings in passive index funds and in pooled funds through active investment managers who take considered choices over the underlying companies it invests in with a looking at the financial resilience and return possibilities as well as the ESG credentials of a company.

Climate risk

The Fund's investment strategy crosses a wide range of types of investment each of which will have different climate risks. Climate risk to the fund is through both physical risk and transition risk.

Type of risk	Description
Physical Risk	More frequent or severe weather events – flooding, storms, droughts, wildfires, chronic heatwaves, sea level rise
Transition Risk	Changes to less polluting greener economy – loss of asset value in hard to abate industries or as a result of policy constraints on activities of a business, increased costs of business supply chains, loss of access to materials, regulatory tax penalties

The Fund's investment strategy showing the types of assets is shown in the chart below.



Climate risk can impact on all these asset types. For example, in the property allocation there may be physical risk with buildings in areas that may have an increased chance of flooding with extreme rainfall or sea level rises; or transition risks through the cost of retrofitting buildings with heat pumps or hydrogen boilers to replace gas heating systems. Or for example, a port within an Infrastructure portfolio would be affected by atmospheric and marine hazards leading to operational shutdowns and subsequent financial losses. A global equities portfolio for example could include shares in an agricultural company, a technology company or even an energy provider. Each company would face different climate risks; either to their physical geographical location, to supply chain costs and failures or regulatory or policy risk imposing penalties or restrictions to operations.

As a result of the wide-reaching climate risks, the Fund takes a holistic view of its investments rather than focusing on a single company sector and focuses on the quality and ability of the investment manager teams who carry out the detailed research for selection of the underlying companies in the portfolio. To do this the Fund undergo due diligence on the selection of a manager; meet and communicate with managers throughout the year to discuss company holdings, decisions, performance, and team structures; carry out annual carbon foot printing which also considers companies energy transition plans; carry out an annual ESG assessment of all investment managers within the portfolio. The 2022 triennial valuation has taken into account climate risk in order to understand the potential risks to the liabilities of the Fund.

The Fund has not yet carried out detailed climate scenario analysis of the investment portfolio.

The Committee were clear in the inevitability that the transition from a fossil fuel to a carbon free economy will to occur and that traditional market capitalisation indexes are designed to succeed if the old fossil fuel economy persists. The need to be able to access and provide capital to those companies that were looking to benefit to and from the transition was regarded as a priority for the Fund.

To address these risks and opportunities the Fund restructured its equity positions in 2021 by removing traditional passive equity investments. Within listed equities, by the end of 2021/22 the Fund had no exposure to fossil fuels and a significantly lower carbon footprint that than mainstream investment indexes. The listed equity allocation which was 40% of the Strategic Asset Allocation, making up a large portion of investments. Instead, the Fund's investment strategy was to invest 10% into a Paris aligned smart beta, 5% in a resource efficient index fund which excluded fossil fuels, invest 10% into active impact and sustainability managers investing in energy transition solutions and green revenues. Of the remaining 15%, 10% is invested in the Fund's global equity manager who has a low carbon footprint due to no investment in energy and materials companies and 5% in a global Paris aligned active equity mandate.

The Fund consider engagement with companies to align their businesses to aspects such as corporate governance standards, ensure best practice in labour force polices or alignment with the Paris agreement on climate related emissions. A list of the Fund's collaborative engagement partners is listed further below, and the Fund publishes reports on engagements and voting each quarter on its website.

Climate opportunities

The Fund has a belief that there are also climate opportunities available to invest in which will benefit and drive the energy transition. For example, companies which improve resource efficiency in relation to energy usage, water and waste management can lead to cost savings and competitive advantages and result in better run business. Where companies are making investment into innovation in technology not only will this assist with the energy transition it will provide further transmissible benefits, such as with the development of electric vehicles will also improve air quality in towns and cities. The advances in LED technology not only reduces the energy for lighting but also don't contain harmful metals such as lead or mercury and the manufacturing process is a lot cleaner than with other bulbs. Other opportunities can include investment in renewable energy sources such as solar, wind, biofuels as to meet global reduction targets energy generation source needs to move to clean energy sources and away from burning of fossil fuels.

The Fund has taken substantial measures to better align itself with the challenges of climate change and the energy transition and is considered one of the leaders in this space in its actions. These actions include investing 25% of the equity funds, or £508m, in Impact Managers who select companies whose core products or services achieve a positive impact on the environment or socially, or those companies that provide solutions to sustainability challenges. In addition, the Fund removed traditional passive index equity exposure (where there is unconscious exposure to a company) moving half of this to a fossil-free smart beta equity strategy that aims for long-term alignment with the Paris Agreement goals and exhibits lower carbon risk with climate solutions and higher ESG scores than the world index. The other half has invested into a resource efficient index that focuses on companies that more effectively manage carbon, water and waste while excluding fossil fuel companies.

Future actions

The Fund is looking to further develop its understanding of climate risk and opportunity within the portfolio and is committed to developing Climate Scenario stress tests to layer up our understanding of climate risk and allow us to assess our investment strategy against these. Whilst bearing in mind that scenario testing also depends on the quality of the underlying data, and this is still evolving.

The Fund has made an investment into a multi-asset credit sustainable mandate this will look to achieve a total return from investments in higher yielding fixed income asset classes through active security selection, asset allocation and capital preservation techniques, combined with environmental, social and governance (ESG) criteria. The product will exclude issuers who are exposure to a range of activities including controversial weapons, thermal coal and fossil fuels. Developing the fund's private credit investments strategy and how to incorporate sustainable investment into this asset class.

The Fund will be reviewing its investment strategy statement and statement on responsible investment principles. This will ensure that the Fund is keeping these up to date with best practice and improving practices.

The Fund will be producing a report on the efficacy of engagement with or divestment from fossil fuel investments.

Maintain stewardship code signatory status by producing a 2023 stewardship report. Provide the PRI the with the information required in their return to identify and improve weaknesses in our practices and policies and ensure we are considering where we diverge from others with our activities.

The Fund will continue to use engagement as our primary tool to our climate strategy, via membership of PRI, LAPFF, a seat on IIGCC Corporate Programme Advisory Group. The Fund also encourages all its managers to be members of these organisations. The Fund utilise the Transition Pathway Initiative data and third party ESG reports to focus the engagement with managers. Along with this there will be an annual review of the ESG credentials of our managers to strengthen the understanding of their processes and ensuring these align with the Fund.

Risk management

Risk management is the process of identifying risks, evaluating their likelihood and potential impact, and determining the most effective methods of controlling or responding to them. The Fund's general approach is to manage risk rather than eliminate it entirely.

The Fund has a detailed Risk Management process in place which is documented in the Fund's Risk Management Policy. A Risk Register is reported to Pension Committee and Pension Board quarterly for review and consideration, identifying the risk and the mitigations in place.

As part of the risk register the Pension Fund have specifically recognised Climate risk and details the risk and mitigations in place to manage this in the quarterly report. The identified aspects of climate risk are outlined below including mitigations in place. Once climate scenario modelling has been completed by the Fund the risks will be updated with any additional findings.

Possible trigger of climate risk on the Fund

- Uncertainty in energy transition impacts and timing
- Risk of stranded assets where invested in fossil fuel companies
- Lack of reliable carbon measurement data for investment pooled funds and or underlying holdings of those pooled funds.
- Risk of natural disasters on underlying investments
- Risk of changes in oil prices leading to underperformance from low exposure to the sector

- Increased capital costs of underlying investment companies to transition to greener energy solutions or lower carbon emitting supply chain models and production methods
- Fines or penalties incurred by underlying holdings by company or sector
- Increased global temperature and or erratic climate events causing devastation to underlying holdings
- Social consequence on members welfare and longevity within the fund
- Breach of law in taking political action over fiduciary duties

Possible consequences of climate risk on the Fund

- Unconscious exposure to high carbon emitters
- Reputation issues around how the Fund is progressing the move to a decarbonised global economy.
- Volatile investment returns
- Reputational risk where Climate risks, reporting, mitigations and strategies are not aligned with member views or poorly communicated
- Loss of income to the Fund from missed opportunities in oil price rally to accommodate the infrastructure to enable to the world to comply with the energy transition
- Loss of market value
- Major ecological disaster in the UK could lead to increased mortality quicker than anticipated within the funding models impacting on cash outflows and increased workloads for lump sum payments.
- Possible increase to ill health retirement cases leading to a change in cash flows and possible enhancements beyond those anticipated
- Loss of investment returns / underperformance from absence of Fossil fuel companies in equity mandates in oil price raise

Mitigations the Fund has put in place to try to reduce impact of the climate risk

- Statement of Responsible Investment Principles (SIRP) outlines investment beliefs including Climate Risk. The Fund take the SRIP into account for implementation of decisions and monitoring of investment managers, carbon emissions and climate risk to the Fund
- Investment Working Group and ESG working group consolidated into a single group to ensure ESG is in the heart of all investment decisions
- Restructuring of the equity portfolio removed structural exposure to fossil fuel companies to avoid high risk companies from a climate perspective
- The Fund are able to exploit opportunities from the low energy transition by investing in climate impact funds and resource efficient companies
- The Fund has trimmed unconscious exposure to companies with high Carbon emission, poor energy transition plans and or fossil fuel companies, through removal of traditional index funds
- Member of Institutional Investors group on climate change (IIGCC), the Fund also expects its managers to be IIGCC members
- The Fund carries out annual carbon foot printing to better understand the carbon exposure and energy transition plans within the portfolio. Additionally, the Fund carries out ESG impact assessment of all investment managers which includes a climate score.
- Signatory to UN PRI with first planned submission in 2023 (as no 2022 submission window)
- Commitment to report TCFD's with a first attempt published in the 2021 Annual Report
- The Fund has planned for climate scenario modelling which will help better understand this risk and allow further consider approaches in tackling these risks
- Where exposed to fossil fuels, the Fund uses its vote to drive engagement and improved practices. A number of Fund managers are Climate 100+ engagement partners, leading on this work with top emitting companies, while all managers are IIGCC members for collaborate weighting of AUM to

influence action. Managers have escalation plans for when engagement is not effective which includes disinvesting from the high carbon or fossil fuel company.
- Focus on Climate change through training to committee and officers
- Focus on Climate Change in decision making and strategy changes
- Immaterial impact to the Fund value from direct exposure to fossil fuel companies in the instance of carbon taxes, valuation falls or stranded assets due to the underweight, very low exposure to this sector and no structural allocation of these companies.

Metrics and targets

Liquid Asset Classes included in Carbon Footprinting

The Fund has used a third-party provider Minerva to undertake comparative analysis of the Fund's equity and absolute return managers carbon foot printing (carbon footprint is the measure of the volume of carbon dioxide (CO_2 eq.) emitted by issuers) and Paris Alignment of the investee companies.

This foot printing covers almost 70% of assets under management at an investment manager level within the Fund's total asset value as at 31st March 2023. All of the Fund's listed equities were in scope for this exercise, but certain assets (fixed interest, derivatives and cash balances) were not, due to a lack of reportable GHG emissions data associated with them. From a starting 1,621 individual investments worth £2,354.4 million held in 9 different investment portfolios, 1,591 investments worth £2,322.6m were actually assessed using company GHG emissions data collected by Minerva.

For the purpose of the analysis performed by Minerva this takes into consideration Scope 1, 2 and 3 emissions where these are defined as:

Scope 1 covers direct GHG emissions from sources that are owned or controlled by the issuer.

Scope 2 covers indirect GHG emissions caused by the organisation's consumption of electricity, heat, cooling or steam purchased or brought into its reporting boundary.

Scope 3 covers other indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions. The table below details the high-level scores that the Fund's managers achieved.

Listed Global Equity – 42.2% of Fund Assets

The Fund have six listed equity managers, four active and two index based making up 42.2% of the portfolio as at 31 March 2023. All six portfolios are included in the metrics information within the Minerva's carbon footprinting report and all mandates exclude fossil fuel companies. All managers have strong engagement and stewardship approaches and are members of the PRI, IIGCC and are Stewardship code signatories.

Absolute/Real Return – 18.0% of Fund Assets

The Fund have two Absolute / Real Return managers, which make up 18.0% of the portfolio as at 31 March 2023. These madates are unrestricted as to what the menagers can invest as they provide a defensive response for the Fund's portfolio in the time of market volitility and uncertainty. These manadates are in place to reserve capital. Both managers have strong engagment and stewardship approaches and are both members of the Net Zero Asset Managers Initiative and climate action 100+ as engagement leads.

Listed Infrastructure – 2.2% of Fund Assets

The Fund has one listed infrastructure manager, Atlas, which is covered by the carbon footprinting analysis making up 2.2% of Fund assets. The manager is a member of IIGCC, NetZero Asset Managers Initiative, PRI and a Stewardship code signatory.

Carbon Footprinting Exercise 2022/23

The Fund has used a third-party provider, Minerva Analytics, to undertake analysis of the Fund's carbon footprint (i.e., the measure of the Fund's 'share' of the volume of Green House Gas equivalent (GHGe) emissions generated by the Fund's investee companies) as at 31st March 2023.

The outputs from this exercise are slightly different from the results reported in the Fund's Annual Report and Accounts last year, for two reasons:

1) The Department for Levelling Up, Housing and Communities (DLUHC) – who are responsible for the oversight of the LGPS – went out to consultation in 2022 on possible future carbon footprinting reporting requirements for LGPS Funds.

The carbon footprinting analysis has been structured to follow the potential reporting requirements set out by DLUHC in the consultation document (on the expectation that the requirements are likely to become law in due course). The key reporting requirements are based around 4 Metrics:

Metric 1: Absolute Emissions Metric - Report Scope 1, 2 and 3 greenhouse gas (GHG) emissions;

Metric 2: Emissions Intensity Metric - Report the Carbon Footprint of assets as far as possible

Metric 3: Data Quality Metric - Report the proportion of the value of assets for which total reported emissions were Verified, Reported, Estimated or Unavailable

Metric 4: Paris Alignment Metric - Report the percentage of the value of their assets for which there is a public Net Zero commitment by 2050 or sooner.

2) Minerva's approach to calculating carbon footprints is slightly different from the previous provider's approach.

Minerva's approach to carbon footprinting does not generate data where none is reported – it uses data disclosed by the Fund's investee companies. Where a company has not disclosed any GHG emissions data, this is data in itself, since non-disclosing companies should be encouraged to make disclosures.

GHG Emissions

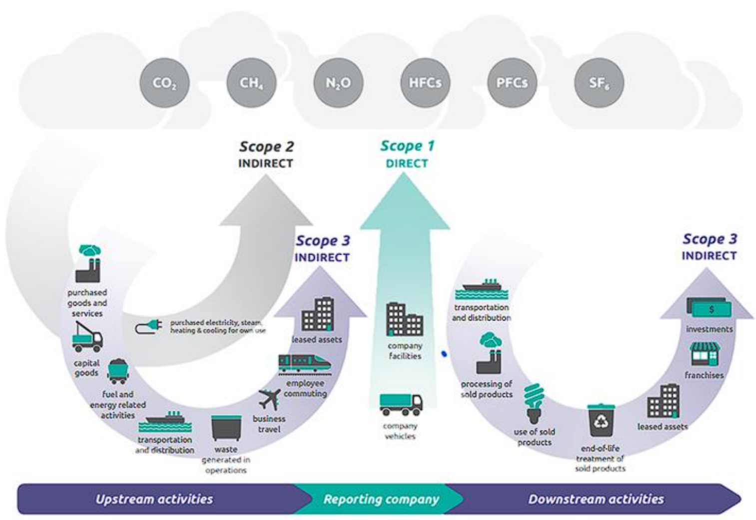
In a change from the previous year, Minerva sought to provide the Fund with any 'Scope 3' GHG disclosure information available, in addition to Scope 1 and Scope 2 – and also note any emissions offsetting measures disclosed by the Fund's investee companies. The different types of disclosures are defined as follows:

Categorization	Description
Scope 1	GHG emissions from owned or controlled sources
Scope 2 (Location-based)	Emissions based on the emissions intensity of the local grid area where the electricity usage occurs
Scope 2 (Market-based)	Emissions based on the electricity that organizations have chosen to purchase

Categorization	Description
Scope 2 (Unspecified)	Any Scope 2 emissions that have not been explicitly stated as being either Market-based or Location-based
Emissions Offsets	Reflects emissions offsets that the company has disclosed
Scope 3	All indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions

More information on the components included in each Scope is set out in the graphic below:

GHG Emissions - Scope 1, 2 and 3



Scope 1	▪ Fuel combustion ▪ Company vehicles ▪ Company facilities ▪ Fugitive emissions (emissions from unintentional or intentional release of GHGs to the atmosphere)
Scope 2	▪ Purchased electricity, heat and steam
Scope 3	▪ Purchased goods and services ▪ Business travel ▪ Employee commuting ▪ Waste disposal ▪ Use of sold products ▪ Transportation and distribution (up- and downstream) ▪ Investments ▪ Leased assets and franchises

Source: Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard

Carbon Footprinting Analysis Results - Summary

The high level results of the carbon footprinting exercise are shown below:

Metric	Analysis Results	Comments
1. Absolute Emissions	Scope 1 & 2 = 1,708 Million tonnes CO_2e	This is the combined absolute emissions of the Fund's investee companies that disclosed either Scope 1 emissions, Scope 2 emissions or both, taking account of any disclosed Emissions Offsetting.
	Scope 1, 2 & 3 = 17,026 Million tonnes CO_2e	This is the combined absolute emissions of the Fund's investee companies that disclosed Scope 1, Scope 2 and Scope 3 emissions, taking account of any disclosed Emissions Offsetting.
2.Emissions Intensity	72,027 Tonnes of CO_2 e	The Fund's share of Scope 1 & 2 GHG emissions from its investee companies equates to 72,027 tonnes of CO2 equivalent.
3. Data Quality	48% Verified 26% Reported 4% Estimated 22% Unavailable	For this exercise, we sought to capture available GHG disclosures for the Fund's investee companies. Importantly, we also noted instances where there were no Scope 1, 2 or 3 disclosures – since this 'lack of data' is valuable data in itself, as it can be used to identify prioritised targets for stewardship activity such as voting and engagement.
4. Paris Alignment	22% Excellent 25% Good 11% Moderate 15% Poor 27% No Disclosure	47% of the Fund's investee companies have: - made an 'Excellent' public net zero commitment by 2050 or sooner relating to all scope 1, 2 & 3 emissions, covering all company activities - made a 'Good' public net zero commitment by 2050 or sooner relating to all scope 1, 2 & 3 emissions, but only covering some company activities / relating to all scope 1 & 2 emissions only (covering either all or some company activities) However, 42% of the Fund's investee companies have either Poor Net Zero plans or have not made any disclosure regarding their intentions.

The key takeaways are that:

1) Where disclosures were made, the Fund's investee companies emitted 1,708 Million tCO_2e

2) The Fund's share of the GHG emissions made by its investee companies is just over 72,000 tonnes of CO2 equivalents;

3) Almost 50% of the Fund's investee companies had their GHG emissions disclosures externally verified; and

4) 47% of the Fund's investee companies have publicly disclosed a decarbonization plan that is aligned with the Paris Agreement (achieving Net Zero by 2050 or sooner)

Metric 1: Absolute Emissions

The following table shows the absolute emissions for the Fund and for each investment manager mandate included in the scope of work:

Disclosed GHG Emissions (Millions of Tonnes of Carbon Dioxide Equivalent – tCO_2e)

Manager	Fund	Value £m @ 31/03/23	Scope 1	Scope 2 Location-based	Scope 2 Market-based	Scope 2 (Unspecified)	Emissions Offsets	Total Scope 1 + 2 - Offsets	Scope 3	Total Scope 1 + 2 + 3 - Offsets
All	Total Fund	**£2,322.6**	**1,115.5**	**242.4**	**180.4**	**179.6**	**(10.5)**	**1,707.5**	**15,318.4**	**17,025.8**
Atlas	Infrastructure Fund	£98.2	77.8	12.8	15.2	3.1	-	108.9	251.1	360.0
Baillie Gifford	GAPA Fund	£181.2	78.7	27.6	22.6	13.2	(2.7)	139.5	1,287.3	1,426.8
Longview	Global Equity Fund	£541.2	3.0	16.6	4.4	1.5	(1.6)	24.0	55.3	79.4
Newton	Real Return Fund	£136.1	183.1	20.6	34.7	24.4	(1.5)	261.3	2,314.0	2,575.3
Osmosis	Resource Efficient Core Equity (ex-Fossil Fuels) Fund	£235.0	551.1	165.6	100.0	121.4	(4.1)	934.0	8,435.0	9,369.0
Ruffer	Absolute Return Fund	£66.4	287.6	42.0	45.8	20.8	(5.9)	390.4	2,648.9	3,039.3
Storebrand	Global ESG Plus Fund	£613.2	313.2	169.0	99.9	81.1	(4.4)	658.8	8,167.0	8,825.8
Wellington	Global Impact Fund	£235.9	7.1	5.5	2.9	2.4	-	17.8	611.4	629.2
Wheb	Sustainability Fund	£213.5	24.2	3.0	23.7	2.4	-	53.2	742.5	795.7

The figures shown above reflect the actual disclosures made by the Fund's investee companies that Minerva were able to identify and collect. The table reflects the actual GHG emissions disclosure position as far as they could determine, and the total amount of GHG emissions is clearly connected to the size of the portfolio, in terms of the number of companies held. This explains why the figures for, say, Osmosis are larger than the figures for Wheb – since the Osmosis portfolio holds 549 individual assets, versus the 40 assets in the Wheb portfolio.

Metric 2: Emissions Intensity

The following table shows the carbon footprint of the Fund as at 31/03/23:

Manager	Fund	Current Carbon Footprint Scope 1 & 2 tCO_2e	Previous Carbon Footprint Scope 1 & 2 tCO_2e	% Change	Current Carbon Footprint Scope 1, 2 & 3 tCO_2e	Previous Carbon Footprint Scope 1, 2 & 3 tCO_2e	% Change
All	Total Fund	72,027	78,062	**-8%**	814,405	794,490	**+3%**
Atlas	Infrastructure Fund	11,141	9,047	**+23%**	36,757	39,872	**-8%**
Baillie Gifford	GAPA Fund	4,203	4,066	**+3%**	68,103	78,144	**-13%**
Longview	Global Equity Fund	2,243	2,884	**-22%**	8,015	20,406	**-61%**
Newton	Real Return Fund	8,514	8,532	**-**	81,376	91,148	**-11**
Osmosis	Resource Efficient Core Equity (ex-Fossil Fuels) Fund	5,313	5,468	**-3%**	72,519	59,245	**+25**
Ruffer	Absolute Return Fund	13,153	14,247	**-8%**	57,747	53,163	**+9**
Storebrand	Global ESG Plus Fund	16,739	23,130	**-28%**	265,211	225,903	**+17**
Wellington	Global Impact Fund	4,966	4,817	**-3%**	94,902	92,346	**+1**
Wheb	Sustainability Fund	5,749	5,849	**-2%**	127,887	131,791	**-3**

The Fund's current carbon footprint - i.e., its 'share' of the emissions made by its investee companies - equates to c. 72,027 tonnes of CO_2e emissions. Again, the figures shown are clearly connected to the size of the individual portfolio, and also the size of investment held in each investee company.

The 'previous' calculations in this exercise simply use the disclosed GHG emissions for each existing investee company from the previous year. They do not reflect the actual investments held by the Fund at 31/03/22, since Minerva had not undertaken this exercise before, and the previous carbon footprinting reporting undertaken by Moody's did not display the results in this manner. This information is merely shown to allow for a very high level indication of the state of disclosures made by companies between previous and current years

The decrease of 8% from the 'previous' year's Scope 1 & 2 carbon footprint could be attributed to a number of things including:

- Companies actually reducing their GHG emissions between the years;
- Changes in the total market value of individual companies; and
- Exchange rate effects in currency conversions.

As a result, caution should be exercised against drawing too many conclusions from the data as presented.

Metric 3: Data Quality

The following table shows Minerva's assessment of the quality of the GHG emissions disclosures made by the Fund's investee companies:

Manger	Fund	Verified	Reported	Estimated	Unavailable
All	**Total Fund**	**48.3%**	**26.2%**	**4.2%**	**21.3%**
Atlas	Infrastructure Fund	0.6%	0.3%	0.1%	0.3%
Baillie Gifford	GAPA Fund	2.3%	1.3%	0.4%	1.6%
Longview	Global Equity Fund	0.9%	0.6%	0.1%	0.3%
Newton	Real Return Fund	2.5%	0.9%	0.1%	0.4%
Osmosis	Resource Efficient Core Equity (ex-Fossil Fuels) Fund	19.0%	8.2%	1.5%	5.8%
Ruffer	Absolute Return Fund	1.4%	0.2%	0.0%	0.3%
Storebrand	Global ESG Plus Fund	22.3%	12.3%	1.7%	8.4%
Wellington	Global Impact Fund	1.6%	0.9%	0.1%	1.3%
Wheb	Sustainability Fund	1.1%	0.5%	0.0%	0.9%

In undertaking this assessment, Minerva used the following criteria, which are taken from the DLUHC consultation on climate change risk reporting:

Categorization	Description
Verified	Reported GHG emissions calculated in line with the GHG Protocol and verified by a third-party

Categorization	Description
Reported	Reported GHG emissions calculated in line with the GHG Protocol without verification by a third-party
Estimated	Reported GHG emissions where the company has explicitly stated that they are 'estimated'
Unavailable	Used when the company has not disclosed any GHG emissions on any basis

The results show that almost 50% of the Fund's investee companies are disclosing GHG emissions that have been verified by a third party in line with the GHG Protocol. This is an encouraging result for the first time that this metric has been measured, since all investee companies need to disclose their GHG emissions on an annual basis to allow investors such as the Fund to monitor the absolute levels of emission, and also track progress in reducing emissions towards achieving Net Zero. However, we also recognize that our investment managers need to engage with the 25% of our investee companies that either use 'estimated' data or do not disclose any GHG emissions.

Metric 4: Paris Alignment

The following table shows Minerva's assessment of publicly disclosed 'Net Zero' commitments made by the Fund's investee companies:

Manger	Fund	Excellent	Good	Moderate	Poor	No Disclosure
All	**Total Fund**	**22.0%**	**25.5%**	**11.3%**	**14.8%**	**26.4%**
Atlas	Infrastructure Fund	0.3%	0.4%	0.3%	0.1%	0.3%
Baillie Gifford	GAPA Fund	0.9%	0.9%	0.5%	0.8%	2.4%
Longview	Global Equity Fund	0.8%	0.4%	0.3%	0.3%	0.3%
Newton	Real Return Fund	1.0%	1.4%	0.4%	0.4%	0.6%
Osmosis	Resource Efficient Core Equity (ex-Fossil Fuels) Fund	8.6%	9.4%	3.3%	5.5%	7.7%
Ruffer	Absolute Return Fund	0.5%	0.9%	0.0%	0.1%	0.3%
Storebrand	Global ESG Plus Fund	10.8%	11.9%	5.2%	6.4%	10.4%
Wellington	Global Impact Fund	0.6%	0.9%	0.3%	0.6%	1.4%
Wheb	Sustainability Fund	0.3%	0.7%	0.1%	0.4%	1.1%

In undertaking this assessment, Minerva used their own assessment criteria as shown in the following table:

Categorization	Description
Excellent	Issuer has made a public Net Zero commitment by 2050 or sooner relating to all scope 1, 2 & 3 emissions, covering all company activities
Good	Issuer has made a public Net Zero commitment by 2050 or sooner relating to: all scope 1, 2 & 3 emissions, but only covering some company activities; or all scope 1 & 2 emissions only (all company activities); or all scope 1 & 2 emissions only (some company activities)
Moderate	Issuer has made a public Net Zero commitment by 2050 or sooner relating to carbon (CO_2) emissions only (any extent of company activities)
Poor	Issuer has made some public disclosure relating to its efforts towards Net Zero but specifics are unclear/'coming soon'/don't otherwise meet criteria of options above
No Disclosure	Issuer has made no disclosure or reference to achieving Net Zero by 2050 or sooner

The findings are again encouraging, in that almost 50% of the Fund's investee companies have been assessed as either 'Excellent' or 'Good' – which means that they have disclosed their plans to achieve Net Zero by 2050 or sooner, covering at least Scope 1 and 2 emissions on some of their company activities. However, there is again a material number of companies that have either 'Poor' or no disclosed decarbonisation plans, and so we would expect our investment managers to engage with the companies on this metric to close the disclosure gap.

Asset coverage and estimation

The Fund's annual carbon footprinting analysis was carried out by Moody's for the previous three years. Whilst Minerva's approach is aligned with the indicated climate risk reporting expectations of the DLUHC (and so is different from Moody's in terms of key outputs), the level of asset coverage in the exercise has remained broadly the same. Whilst the holdings assessed are lower that the Fund's total list of investments, Minerva were also unable to identify carbon data for some of the Fund's investments – specifically for fixed interest, Government bonds, derivatives, pooled funds and cash balances. The coverage is much higher in equity mandates compared to Fixed Income mandates.

GHG Data Used in Analysis

The carbon data used by Minerva in its analysis has been collected by analysts from the public disclosures of the Fund's investee companies. This can include Annual Reports and Accounts, Corporate Sustainability Reports, ESG Databooks, company websites and other public sources. Where the analyst has been unable to locate any GHG emissions information, they simply note this fact. As a result, Minerva's analysis is different from the previous provider in that it treats 'no data' as a data point in itself. This approach should be aligned with the Fund's investment managers, who should be engaging with investee companies to close any disclosure gaps.

The Fund does recognise that carbon footprinting does need to be considered with some caveats in that there are many variables involved in monitoring and assessing carbon emissions of underlying investments portfolios, it can be measured differently by different suppliers, and that the Metrics set out in the DLUHC consultation have not been confirmed as being required. In addition, carbon footprinting is often reliant on information publicly available provided by the underlying company themselves. Over time as carbon emission data and monitoring improves it may be the position of the Fund looks worse, and as a result understanding of the approach taken and acceptance of variable quality of data disclosed by investee companies is important when assessing the Fund's portfolio.

Carbon footprint reports take no consideration of engagement activity of investment managers. All of the Fund's listed managers are Institutional Investor Group for Climate Change (IIGCC) members and some of the managers have engaged intensively with high carbon emitting companies as part of Climate Action 100+. The Fund believes alongside many of its managers that it is an essential stewardship activity to influence companies through voting and engagement to drive the energy transition forward.

Opportunities and Positive Factors

The carbon footprinting analysis also captured how much each mandate has invested in 'green' investments – determined as equity investments held in the Alternative Energy industry as well identifying negative impact factors such as exposure to fossil fuels and coal.

The Fund had 50 investments in the Alternative Energy industry at the end of March 2023, with a total value of £62.3 million. It is likely that the Fund had more investments in 'green' investments in the fixed interest assets that could not be included in the analysis due to lack of relevant carbon emissions data.

The Fund also had a number of investments where the Scope 1 & 2 carbon emissions were much lower than the sector average. Some examples are shown below:

Manager	Fund	Company	£m invested	Industry	Ave. Industry Scope 1 & 2 GHG Emissions	Company Scope 1 & 2 GHG Emissions
Ruffer	Absolute Return Fund	Agnico-Eagle Mines	£1,766.6	Basic Materials	8,495,554	1,065,681
Newton	Real Return Fund	Universal Music Group	£2,350.3	Consumer Discretionary	1,404,519	16,137
Wheb	Sustainability Fund	HelloFresh SE	£3,948.1	Consumer Staples	1,057,567	86,277
Storebrand	Global ESG Plus Fund	Vestas Wind Systems	£880.9	Energy	6,554,044	100,000
Wellington	Global Impact Fund	Globe Life Inc	£6,973.1	Financials	89,831	14,913
Baillie Gifford	GAPA Fund	Genmab	£1,553.8	Health Care	361,194	448
Atlas	Infrastructure Fund	Getlink SE	£3,416.1	Industrials	916,684	44,487
Osmosis	Resource Efficient Core Equity Fund	Prologis Inc	£0.4	Real Estate	293,319	3,898
Newton	Real Return Fund	Amadeus IT Group	£0.7	Technology	983,221	1,692
Wellington	Global Impact Fund	Telefonica Brasil SA	£3,507.8	Telecommunications	3,144,172	96,953
Wheb	Sustainability Fund	Xylem Inc	£5,337.3	Utilities	4,211,081	95,226

As time passes, we expect to see the industry average Scope 1 and 2 GHG emissions come down as more and more of the Fund's investments implement their decarbonisation plans to achieve Net Zero by 2050.

Liquid Asset Classes excluded in Carbon Footprinting

Fixed Income – 11.2% of Fund Assets

The Fund have three public fixed income portfolios two managed by M&G and invested through the ACCESS LGPS pool and one passive index linked gilts mandate managed by UBS as an ACCESS pool aligned investment.

The Fixed Income mandates were not included in the Carbon Footprinting for March 2023 as Minerva were only able to match approximately a third of the investments in these funds back to parent issuers who also had listed equities, and so were likely to have disclosed publicly any information relating to their GHG emissions. Given this low level of matching, they were not included in the analysis. The manager is a member of IIGCC and Climate Action 100+.

M&G use MSCI as their main third-party data provider for greenhouse gas emissions data. MSCI collect data once per year from most recent corporate sources, including: Annual Reports, Corporate Social Responsibility Reports and websites. In addition, MSCI's ESG Research uses the carbon emissions data reported through CDP (formerly the Carbon Disclosure Project) or government databases (when reported data is not available through direct corporate disclosure). As with any mass data collection, there are methodology limitations. The weighted average carbon intensity is the carbon footprint metric used in fixed income mandates to measure carbon emissions. To calculate the carbon emissions of the Fund, M&G have used the MSCI weighted average carbon intensity (portfolio weight x (carbon emissions/$million sales), rather than just simply the carbon emissions. This is because when weighting regular carbon emissions, MSCI calculates it based on an ownership principle (i.e., it assumes the holding is equity, using equity market capitalisation as the denominator). Fixed income investors are lenders to companies, not owners of companies. M&G are therefore better able to obtain the carbon footprint of a fixed income mandate by looking at the Fund's weighted average carbon intensity, measured by C02 emissions (in tons) per $ million sales, which doesn't apply the ownership principle used by MSCI. The metric is reported to the Fund on a quarterly basis so that investors may monitor the long- term trend of carbon emissions within their bond portfolios. For benchmarked portfolios, M&G will provide the metric for both the portfolio and benchmark.

For non-benchmarked portfolios, M&G provide the metric for the portfolio and, where appropriate, a comparable market index.

The M&G Alpha Opportunities Fund weighted average carbon intensity is 118.14 (carbon coverage 75.67%). This compared to the benchmark 50% Barclays Global Agg IG and 50% Barclays Global Agg HY which is 273.22 (carbon coverage 88.90%)

The M&G LF ACCESS Sterling corporate bod Fund has a weighted average carbon intensity of 123.33. This compared to the benchmark 50% - iBoxx Sterling Non-Gilts Index 50% - iBoxx Sterling Over 15 Year Non-Gilts Index which is 102.17.

The passive index linked gilts mandate comprising 2.1% of the Fund this is not covered by the carbon footprinting analysis. As these are United Kingdom government bonds there is not currently an agreed way to consider the carbon footprint of these investments.

Illiquid Asset Classes

Outside of the Minerva's carbon footprinting the Fund have tried to obtain information directly from the investment managers as to their cabon emissions and footprint. Illiquid assets constitute 26.4% of the Fund's portfolio. The following information has been obtained by asset class. The Fund will engage with managers over the next year to aim for increased exposure and more detailled metrics for futrure reporting.

Private Equity – 8.2% of Fund Assets

The Fund have two private equity managers, which make up 8.2% of the portfolio as at 31 March 2023. Neither of these managers have published any metrics under TCFD however both are members of the Initiative Climat International (iCI) which is a General Partner led initiative to collaborate on risk analysis tools to aid private equity action on climate change. Members of iCI commit to recognising the risks and opportunities that climate change presents to their investments, contribute to the Paris Agreement's objectives, and actively engage with portfolio companies to reduce their greenhouse gas emissions. Members work collaboratively across a variety of working groups to implement their commitments.

In addition to this, one of the private equity funds, currently weighted at 4.1% of the portfolio (Harbourvest) has aligned its climate strategy with TCFD. As part of the Metrics and Targets commitment, they have partnered with a carbon accounting platform to produce fund-level reporting on greenhouse gas emissions data, using proxy data based on industry average. As part of their commitment to continue to improve data quality within reporting, the manager has joined the ESG Data Convergence Initiative (EDCI), hosted by ILPA, which seeks to standardize ESG metrics and provide a means of comparative reporting and benchmarking on ESG for private markets.

One of the Fund's Private Equity funds, which is currently 4.3% of the portfolio value has been able to provide a Weighted Average Carbon Intensity (WACI) of your portfolio as an Emissions Intensity metric as at 31/03/2023.

Company Scope 1 + Scope 2 (tCO2e/USDmn)	89.11
Company Direct + First Tier (tCO2e/USDmn)	124.24

1. Scope 1 & 2, suitable for benchmarking against the MSCI ACWI which was 151.7 as of 30 June 2021, while the MSCI ACWI ESG leaders index was 93.4.
2. Direct and First Tier Indirect (which includes some elements of Scope 3), suitable for benchmarking against the S&P Global LargeMidCap which was 213.84 as of 30 July 2021
3. This data is calculated based on estimation factors (in tCO2e/mUSD revenue) at the The Global Industry Classification Standard (GICS) Sub-industry level, provided by S&P Global Trucost.

Property – 7.6% of Fund Assets

Schroders PLC are a founding member of the Net Zero Asset Managers initiative (NZAM), an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C; and to supporting investing aligned with net zero emissions by 2050 or sooner. The Global Alliance for Buildings and Construction and UN Environment Programme 2022 global status report for buildings and construction report highlighted that the buildings contribute approximately 37 % of global carbon emissions. Schroders is a signatory to the UK's Better Buildings Partnership which requires members to publish a net zero carbon pathway for their portfolio including direct and indirect investments, together with a delivery plan. The Commitment covers new and existing buildings, Scope 1, 2 and 3 emissions and both operational and embodied carbon, making it one of the most ambitious climate commitments for property owners. In addition, the signatories are committed to disclose energy performance of portfolios and climate resilience strategies.

Emissions have been reported on 55% of the portfolio. The carbon emissions have been calculated by multiplying the percentage ownership by client in each of the underlying fund investments by the respective fund's carbon emission output in tonnes as reported by each Fund Manager under management. The output of each fund is summed to create an emissions total. Where we do not have 100% data coverage in any one fund, we have extrapolated the data up to 100% coverage by assuming those assets with missing data produce the same emissions as the average of all assets where data has been reported. These emissions have been extrapolated to provide an estimated emissions of the portfolio with coverage of 88.3%.

The emissions data in the table below is provided to the Investment Manager by third parties and has not been audited.

	Coverage of portfolio	Scope 1&2 emissions (carbon tonnes)	Scope 3 emissions (carbon tonnes)	Total Emissions (scope 1,2 &3)	Carbon tonnes per £m
Emissions Reported	54.6%	714	1,799	2,512	13.7
Emissions Estimated	88.3%	995	2,508	3,504	11.8

Infrastructure – 8.9% of Fund Assets

The Fund have four Infrastructure managers which comprise 9.0% of Fund assets at 31 March 2023. One of the infrastructure managers (IFM) comprising 5.1% of the portfolio have reported the following:

	Total scope 1 emissions [ktCO2e]	Total scope 2 emissions [ktCO2e]	Portfolio net attributable emissions [ktCO2e]
Total Portfolio	19546	2295	3461

Another manager (UBS) which comprises 0.8% of the portfolio has provided the following table:

2022	Scope 1 emissions (carbon tonnes)	Scope 2 emissions (carbon tonnes)	Scope 3 emissions (carbon tonnes)	Total Emissions (scope 1,2 &3)
Emissions Reported for Fund 1	2035453	92909	302349	2430711
Emissions Reported for Fund 3	298	5252	235372*	240922

**Note: The large total Scope 3 emission for fund 3) is an estimated value only and includes majority coming from the emission due to manure purchasing and upstream transportation.*

A third manager (M&G Infracapital) comprising 1.2% of the portfolio has provided the following table:

2022	Scope 1 emissions (carbon tonnes)	Scope 2 emissions (carbon tonnes)	Scope 3 emissions (carbon tonnes)	Total Emissions (scope 1,2 &3)
Emissions Reported	15	31	214	260

The last manager (Pantheon) comprising 1.9% of the portfolio has confirmed there is no carbon emission data currently available for our investment with them, however are currently working on emissions reporting.

Private Credit – 0.9% of Fund Assets

The Fund have one Private Credit manager which comprises 0.8% of Fund assets at 31 March 2023. There is no carbon emission data currently available for this investment.

RI implementation Statement for 2022/23

Below we show how the Fund has implemented the RI policies it set itself in the ISS.

Commitment	Progress	Further Action
To continue to measure and report on carbon-equivalent emissions throughout the equity portfolios	The Fund has undertaken an analysis of the Equity and Fixed Income investments with a third-party provider for the fourth year bringing in a new provider to give information that will be more aligned to the anticipated LGPS Carbon reporting requirements.	Develop further understanding of the different metrics. Review the Carbon-equivalent emission provider market. Work with Investment managers of other asset classes to improve asset class coverage.
To continue our work with IIGCC and Climate Action 100+	The Fund has been an active participant in the IIGCC corporate program with the Chair of the Pension Committee sitting on the IIGCC Corporate Programme Advisory Group. The Fund attends training items and research webinars provided by IIGCC.	The Fund is looking for more options within IIGCC to support further development and implementation of IIGCC research into the Fund's strategy.
To continue to research and support the deployment of new impact capital into projects set to benefit from the transition to a low carbon economy	75% of the Fund's equity mandates have been invested into specific climate conscious investments. With 10% of the Fund's total portfolio with active managers into impact managers, 5% actively managed in Paris Aligned portfolio, 10% into climate risk passive product and 5% into a resource efficiency weighted index. The Fund has committed a further 3.5% of assets into a sustainable multi asset credit	The Fund will continue to assess the alignment of the remaining equity position to ensure it is invested in a compatible way to our RI policies. The Fund will review the characteristics of the equity investments to ensure these mandates are investing inline with the investment rationale of the Fund. The Fund will continue evaluating the fixed income options to ensure that where we are able to identify

Commitment	Progress	Further Action
	fund when it becomes available on the ACCESS pool platform.	sustainable investment practices. Working with ACCESS to develop a suitable passive like equity offering and promote suitable solutions within the Pool.
To assess the carbon intensity of all assets (using estimates if necessary) by the end-2022 reporting cycle, supported by external managers and GPs	The Fund has to date only considered the carbon intensity of the liquid holdings, around 70% of the Fund assets, through a third-party foot printing provider. The Fund receives Carbon foot printing information from its property manager and part of its Private Equity portfolio. The Fund is working with managers and other advisors in how to calculate this for the remainder of the alternative space.	The Fund is liaising with its external managers of the harder to measure assets and request that all managers' report in line with TCFD reporting requirements. Awaiting the outcome of the government's consultation on the TCFD reporting for the LGPS and looking to report in line with this. Working with other LGPS Funds, ACCESS, Fund managers, custodian and other third parties to provide more information and determine how they will be getting the required information.
Using data from the Transition Pathway Initiative (TPI), to engage alongside our collaborative partners to encourage companies to adopt business models and strategies that are in line with the aims of the Paris agreements.	The Carbon reporting provided by Moody's which also highlights companies which they consider to be high emitters and have poor quality transition plans. The Fund will request explanations from managers regarding these companies along with running them through the TPI to understand their view.	The Fund continues to work on improving its information on its underlying holdings with the aim to get quarterly information to further analyse on different criteria including TPI analysis.

Commitment	Progress	Further Action
	The Fund also reviews companies that are classified by the Investment manager as a Fossil Fuel company and will run these through the TPI data this analysis is used by the fund during meetings with the Fund managers.	
Implement processes that adhere to Taskforce for Climate-related Financial Disclosures (TCFD) recommendations on mandatory reporting and governance requirements related to climate risk as they are expected to apply to the LGPS.	The Fund is incorporating as much of aspects of the TCFD guidance for private pensions schemes into its Annual Report. This is building on the report provided last year, allowing the Fund to identify and enhance the report year on year and provide readers with better understanding of emissions and climate strategy. Along with this the Fund has received 3 years of ESG assessments of its investment Managers from its conducted by its investment consultant. We continue to engage with our investment managers over their own reporting and are encouraging them to report in line with TCFD where they are not already doing. We undertake carbon foot printing of the Fund. We have been producing a quarterly engagement report detailing the work the Fund has been undertaking. The Fund responded to the consultation on the TCFD reporting in the LGPS and is a	The Fund will be responding to the consultation on the TCFD reporting in the LGPS and is a supporter of this being implemented. The Fund will look to implement the guidance once this is published and continue to develop its reporting. Work with Third parties to develop and implement enhancements to its current reporting. The Fund will investigate how climate scenario analysis can help define its climate strategy and how this can be implemented.

Commitment	Progress	Further Action
	supporter of this being implemented.	
To report annually in accordance with TCFD recommendations.	The Fund provide a TCFD section within its Annual Report covering all elements where sufficient data is held and identifying areas which are not yet complete. There is currently no guidance for LGPS Funds on TCFD reporting.	We are awaiting the response to the consultation from DLUHC on TCFD reporting and when the regulations are set out and there is clarity on the final requirements, the Fund will implement a fully compliant report within the guidelines set out for the LGPS.
Signatory to the United Nations Principles for Responsible Investment (PRI)	The Fund has signed up to the PRI but has not yet been required to provide information to the PRI for assessment.	During Q3 2023 the Fund will prepare and submit the necessary information to maintain our signatory status to the PRI. We anticipate receiving our first assessment report in Q4 2023 and look forward to improving our responsible investment activities based on the findings.
Encourage the Fund's investment managers to provide transparency by reporting relevant and accessible ESG-related information. This includes their commitments to and alignment with the UK Stewardship Code 2020, the TCFD, the PRI and GRESB, where appropriate.	The Fund have been requesting quarterly information from the managers on engagement and voting and have been publishing a quarterly report detailing our monitoring of the managers. Alongside this the Fund also provide information on the managers engagements and commitments such as to which organisations they are signatories. The Fund receive an impact assessment of the Fund managers from its Investment Consultant annually to ensure that they are stewards our	We will be maintaining the engagement and voting information capture and are working to improve the information that is published as part of our engagement report. Look to improve communication with stakeholders of the Fund. The Fund continues to monitor the investments managers through carbon foot printing and ESG reviews by our investment consultant. The Fund is committed to working with ACCESS to improve the RI function within

Commitment	Progress	Further Action
	assets in line with their policies and our expectations. As part of our engagement with managers is to request that they consider signing up to UK Stewardship Code 2020, IIGCC, TCFD, the PRI and GRESB. ACCESS has been doing a lot of work within the RI space and has revised it guidelines we continue to work with ACCESS to develop the report framework around the RI guidelines.	the pool and provide better reporting. Ensuring that the Fund's managers sign up to relevant commitments with TCFD and UK stewardship code 2020 being priorities.
Working collaboratively to increase the reach, efficiency, and effectiveness of RI. We work with a host of like-minded partner funds, service providers and related organisations striving to attain best practice in the industry and to improve industry standards.	ACCESS has set up a RI working group to build upon the RI guidelines of which we are an active member. The Fund was a founding sponsor for the current active National LGPS Framework Stewardship framework. We have been engaged with IIGCC and have signed up to some of the initiatives coming from this collaboration. The Fund is an active participant in the LAPFF Executive Committee.	We shall be looking to continue to explore opportunities with ACCESS to improve the RI opportunities. Increase the involvement in collaborative RI initiatives and look to be signatories to shareholder resolutions where appropriate.
Report annually in accordance with the UK Stewardship Code requirements, and we are committed to adhering with the requirements of the new UK Stewardship Code 2020.	The Fund submitted its first Stewardship Report to the FRC in October 2022 and was accepted as a signatory.	Work to improve the submission to the FRC in 2023 to maintain signatory status and improve our processes based on the outcomes of the previous report.

Collaboration

There are limits to the influence that we achieve as a single investor and the resources we can reasonably commit. We recognise that progress can be best achieved on ESG issues through collaboration with other investors and organisations. We are an active member and supporter of several Global and Industry ESG Initiatives

PRI Principles for Responsible Investment https://www.unpri.org/

Principles for Responsible Investment (PRI). We have been a signatory to the PRI since 2020 and are working on our first submission on how we implement the six Principles of Responsible Investment into our everyday work to be good stewards of capital, which is due to be submitted in 2023. PRI is an important partner, providing excellent guidance on responsible investment and we work closely with them on the future direction of the organisation

IIGCC Institutional Investors Group on Climate Change https://www.iigcc.org

Institutional Investors Group on Climate Change (IIGCC) has the collective weight of over €51 trillion from over 350 members and is leading the way on a global stage for investors to help realise a low carbon future. IIGCC helps shape sustainable finance policy and regulation for key sectors of the economy and supports members in adopting active ownership and better integrated climate risks and opportunities into investment processes. The Fund's Pension Committee Chair is currently a representative on the IIGCC Corporate Programme Advisory Group. The corporate programme focuses on supporting investors to engage with companies to align portfolios with the goal of net zero by 2050. In addition to the Fund's own membership of IIGCC, the Fund asks its managers to also be members providing a double lock on engagement.

Local Authority Pension Fund Forum LAPFF | The leading voice for local authority pension funds across the UK (lapfforum.org)

As a member of LAPFF the Fund works together with the majority of LGPS funds and pools across the UK, through the forum, to promote high corporate governance standards to protect the long-term value of local authority pensions. With member fund assets exceeding £350bn, the forum engages with companies and regulators to deliver reforms advancing corporate responsibility and responsible investment. In October 2021 the Fund's Head of Pensions was appointed to the executive committee as an LAPFF Officer Member.

PENSIONS FOR PURPOSE Home | Pensions For Purpose

Pensions For Purpose is a bridge between asset managers, pension funds and advisers, to encourage the flow of capital towards impact investment. Pensions For Purpose provide high quality expertise and training to Funds on ESG issues. The Fund joined as an affiliate member in September 2021.

FRC [Home | Financial reporting council]

The Financial reporting council sets UK Accounting, Audit and Actuarial standards. The fund has committed to report under the FRC's Stewardship code, pledging to manage capital in a way that creates long term value and leads to sustainable benefits for the economy, the environment and society. The Fund's statement of commitment is to be sent for consideration in 2022.

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES [Home | Task Force on Climate-Related Financial Disclosures]

The TCFD was set up to develop recommendations on the types of information that companies should disclose to support its stakeholders in appropriately assessing and pricing risks related to climate change. The fund has committed to report under the TCFD initiative.

Independent adviser's report

East Sussex Pension Fund - Independent Advisor's Report 2023

The Fund receives formal advice on investment matters from its actuarial and investment consultants. My role as an Independent Advisor is to act as a separate source of advice and expertise to Officers and Committee members. Our collective objective is, of course, to invest the Fund's assets to pay members' pensions in full and on time. In writing this report, I can also provide stakeholders with some independent assurance that the Fund is being appropriately and properly managed.

My report last year focused on investments rather than administration or governance. I said that the change from nearly 30 years of falling bond yields and low inflation to one more in line with longer term norms would result in much change. Events in Ukraine have exacerbated the dislocations originally caused by COVID lockdowns. Globalisation may not be in reverse, but it has certainly stalled.

I start my report with investments again this year, as this is where most uncertainty lies. Global inflation seems to have peaked at about 10%, (the highest since the early 1980s), in late 2022. It is slow to come down despite significant monetary tightening around the world. The U.S. interest rate is now 5% compared to 0.25% eighteen months ago, and the Bank of England has followed suit.

The consequences of this monetary policy tightening have been a steep rise in bond yields almost everywhere. This abrupt change in the cost of money has led to substantial market disruption. In the United Kingdom leveraged Liability Driven Investment (LDI) strategies favoured by many United Kingdom private sector pension schemes ran into collateral problems, forcing them to make distressed asset sales in September 2022. In the United States a series of banks, most notably Silicon Valley Bank, failed. In Europe Credit Suisse was taken over by UBS after running into liquidity problems.

Central banks have therefore adopted a two-pronged policy. At the same time as raising interest rates to target inflation they are also reverting to a policy of expanding their balance sheets to provide more liquidity. As a consequence the recession that was confidently predicted by many for 2023 has been delayed and may possibly have been avoided.

Against this difficult background, the Fund's diversified approach to investing its assets has provided some protection. The Fund was not exposed to LDI strategies and only had a small exposure to government bonds. Whilst some of its equity mandates including some of the more actively invested climate change mandates have suffered as valuations compressed, the exposure to diversified growth funds has allowed the Fund to receive some benefit from higher energy prices.

The Fund therefore finds itself in a relatively strong position with a funding level at the March 2022 valuation of around 123%. This has been sufficient to allow a modest rebate to some better funded employers. However, it would be wrong to be complacent about the future for two reasons. One is the return of inflation, which directly impacts the Fund by increasing the cost of pension payments. The second is the uncertainty of future investment returns in a world where geo-political stresses continue to mount.

The Fund is also gradually turning cash negative as the number of active members declines and pension payments exceed contributions. This is normal for all pension funds at some point in their lifetimes and forces them to place more reliance on investment income to cover the shortfall.

The Fund is obliged by the LGPS regulations to implement assets through one of eight investment pools where it is possible. It is a member of the ACCESS pool and approximately 50.7% of assets are invested through ACCESS sub-funds. The Government will be looking for an acceleration in the rate of asset transition to pools in the future. However, ACCESS does not provide vehicles for all asset classes, most notably private assets and specialised climate transition strategies. Until it does, in order to maintain its chosen strategic asset allocation, the Fund will continue to invest directly with managers.

Government bonds are in principle a natural investment for any pension fund, providing both secure return and income flow. Inflation-linked bonds additionally provide a full and uncapped hedge against higher inflation and its effect on pension payments. Since the global financial crisis, the very low yields have made government bonds unattractive to the extent of being uninvestable, which is why the Fund has historically held a low allocation to them.

In the light of the sharp rise in bond yields in 2022 this has clearly been to the Fund's advantage, but in the new environment it is likely that bonds will resume their normal place in the investment universe as a match against future liabilities and in the case of index linked bonds a hedge against inflation.

Administration is as important a function as investment management is in ensuring that pensions are paid in full and on time. Here the pressures on the Fund's team continue to increase. Behind this lie a range of different causes. The Government is dealing with the implications of historic court cases, forcing them to rectify unfairnesses which in some cases go back nearly ten years. At the same time there is the challenge of preparing for the Pensions Dashboard, which is expected to go live for the LGPS in 2025. There is also a national shortage of experienced pension administrators, which the Fund is not immune from. The Fund's data depends on employers keeping good data records, and there can be serious consequences if this does not happen.

My final duty in this report is to provide some assurance as to the overall arrangements for the Fund. It is clearly in a good place in terms of funding. I can assure readers that the Fund's internal governance processes and structures are of a good standard. Although investment returns may decrease, it is important to remember that the Fund has a long horizon, and market fluctuations are inevitable. In common with many LGPS funds, the largest risk probably lies in the burdens placed on the administration function at a time when, despite every effort, staff recruitment remains a challenge.

William Bourne

Independent Advisor

2nd May 2023

Asset Pools

Background

ACCESS (A Collaboration of Central, Eastern and Southern Shires) has its origins in 2016 when 11 Local Government Pension Scheme (LGPS) Authorities agreed to begin working collectively to address the requirements of the Government's agenda for pooling LGPS investments.

ACCESS is made up of 11 Local Government Pension Schemes (LGPS) Administering Authorities:

1. Isle of Wight
2. Hampshire
3. West Sussex
4. East Sussex
5. Kent
6. Hertfordshire
7. Essex
8. West Northamptonshire
9. Cambridgeshire
10. Suffolk
11. Norfolk

Collectively the pool has assets of £58.7 billion (of which 59% £34.4bn has been pooled which represents 85% of all listed assets) serving 3,459 employers with over 1.2 million members including 340,000 pensioners.

The ACCESS Administering Authorities are committed to working together to optimise benefits and efficiencies on behalf of their individual and collective stakeholders, operating with a clear set of objectives and principles that drives the decision-making process.
The following strategic objectives are in place:

1. Enable participating authorities to execute their fiduciary responsibilities to the Local Government Pension Scheme (LGPS) stakeholders, including scheme members and employers, as economically as possible.
2. Provide a range of asset types necessary to enable those participating authorities to execute their locally decided investment strategies as far as possible.
3. Enable participating authorities to achieve the benefits of pooling investments, preserve the best aspects of what is currently done locally, and create the desired level of local decision-making and control.

In order to achieve these objectives, the Councils have established a set of governing principles implicit within these is the democratic accountability and fiduciary duty of the Councils as Administering Authorities. The governing principles are summarised below:

- Collaboration
- Objective evidence-based decisions
- Professionalism
- No unnecessary complexity
- Value for money
- Risk management
- Equitable voice in governance
- Equitable cost sharing
- Evolution and innovation

Governance

Strategic oversight and scrutiny responsibilities remain with the Administering Authorities as does all decision making on their individual Fund's asset allocation and the timing of transfers of assets from each Fund into the arrangements developed by the ACCESS Pool.

The Joint Committee (JC) has been appointed by the eleven Administering Authorities under s102 of the Local Government Act 1972, to exercise specific functions in relation to the pooling of LGPS assets. The JC's functions include the specification, procurement, recommendation of appointment of pool Operators (for active asset management) and pool-aligned asset providers (for passive asset management), to the Administering Authorities. The Joint Committee also reviews ongoing performance.

The Section 151 Officers of ACCESS Authorities provide advice to the Joint Committee in response to its decisions to ensure appropriate resourcing and support is available to implement the decisions and to run the ACCESS Pool.

The Joint Committee is further supported by the Officer Working Group (OWG) and the ACCESS Support Unit (ASU).

The Officer Working Group consists of officers with specialist LGPS skills, identified by each of the Administering Authorities whose role is to provide a central resource for advice, assistance, guidance and support for the Joint Committee.

The ACCESS Support Unit (ASU) provides the day-to-day support for running the ACCESS Pool an overview of the work by the ACCESS Support Unit.

In 2018, the ACCESS Joint Committee agreed that a unit be established to provide day to day support for the work required to run the Pool, and that Essex County Council act as Host Authority. The ACCESS Support Unit (ASU) facilitates the Joint Committee (JC) and officer groups and has responsibility for programme management, client relationships, contract management/supplier relationships, administration and technical support services.

A business plan is developed and submitted for consideration by the JC ahead of the start of each year, prior to being recommended to each of the ACCESS Authorities.

The business plan includes milestones across listed assets (both active and passive), non-listed assets and governance. The JC also determines an annual budget to support the activities within the business plan.

The ASU has responsibility to manage this development and implementation of the business plan, within budget, whilst assessing and managing the risks for the pool. A central feature of ACCESS is the engagement of each of the eleven Authorities, and therefore the support and facilitation of stakeholder groups is key to the work of the ASU. The governance structure of the Pool ensures that dialogue with, and input from, Local Government Pension Scheme (LGPS) subject matter experts from each Authority, is gathered through the Officer Working Group (OWG) and various subgroups.

In turn, this enables the s151 Officer Group to form the recommendations that are ultimately considered by the JC. It has long been recognised that considerable expertise exists within the LGPS officer community. The full time ASU staff are therefore supplemented by part-time Technical Leads whose work for ACCESS is part of the Pool's costs.

The governance structure of ACCESS is shown below:

The Operator

Appointed in 2018 Link Fund Solutions Ltd (Link) provide the pooled operator service, overseeing an Authorised Contractual scheme for the sole use of ACCESS Authorities. Link are responsible for establishing and operating an authorised contractual scheme along with the creation of a range of investment sub-funds for active listed assets and the appointment of the investment managers to those sub-funds. This is designed to enable Administering Authorities to execute their asset allocation strategies.

Pool Aligned Assets: UBS

Appointed following a joint procurement in 2017, UBS act as the ACCESS Authorities' investment manager for passive assets.

Progress

The development of the ACCESS Pool ACS offering continues with one new sub-fund launched during the year in November 2022, which attracted £800 million funding from ACCESS Authorities that had not previously invested in the strategy.

In January 2022 MJ Hudson were appointed as implementation adviser for the establishment of pool vehicles for illiquid assets, after a competitive call off utilising the National LGPS Frameworks. During the 2022/23 financial year MJ Hudson have been developing a real estate offering to ACCESS members to meet with their strategic asset allocation to this asset class. With the expectation of funding this to start to take place in 2023/24.

The Responsible Investment guidelines for which the pool was partnered by Minerva Analytics have been formally published. The next step in creating a reporting framework was started and a procurement to find a suitable partner to help develop these is under way.

In addition to its Annual Report, ACCESS also produced a Progress Update report to provide an insight to the Pool, key activities and future plans. These are all published on the pool's website (www.accesspool.org).

The Joint Committee has welcomed representatives of the partner authorities Local Pension Boards to observe the Joint Committee meetings. Two members from each Board were able to attend a meeting at least once a year.

Pooled Assets

As at 31 March 2023, ACCESS has pooled the following assets:

Asset Class	£ billion
Global Equity Funds	**15.6**
UK Equity Funds	**2.6**
Fixed Income	**4.9**
Diversified Growth	**1.3**
Passive investments	**9.9**
Total Pooled Investments	**34.4**
Pooled Assets % of Total Listed Assets	85%
Pooled Assets % of Total Assets	59%

The passive investment funds are held on a pool governance basis under one investment manager as these assets are held in life fund policies, which cannot be held within an authorised contractual scheme.

The performance of the ACCESS ACS sub-funds by asset class since inception is shown below:

Asset class	Number of underlying manager	Assets under management £ Billion	Average assets per manager £ Billion	Performance Inception to 31/3/23 %	Benchmark Inception to 31/3/23 %	Relative Inception to 31/3/23 %
Global Equity Funds	**8**	**15.6**	**2.0**	**13.0**	**9.7**	**3.3**
UK Equity Funds	**4**	**2.6**	**0.7**	**6.0**	**6.1**	**(0.1)**
Fixed Income	**5**	**4.9**	**1.0**	**0.6**	**0.2**	**0.4**

Asset class	Number of underlying manager	Assets under management £ Billion	Average assets per manager £ Billion	Performance Inception to 31/3/23 %	Benchmark Inception to 31/3/23 %	Relative Inception to 31/3/23 %
Diversified Growth	3	1.3	0.4	4.7	5.4	(0.7)

Business Plan

The activities within last year's 2022/23 Business Plan, are shown below. The ongoing nature of a number of areas result in milestones spanning different years.

- Review of the corporate governance manual.
- Revisions and sign off by the councils of the Inter-Authority Agreement.
- ACCESS Responsible Investment guidelines agreed by the Joint Committee and recommended to Councils.
- Agree the requirements for the UK Property and Global Property mandates.
    - Procurement for implementation adviser carried out by MJ Hudson in collaboration with the Hampshire procurement officer.
    - UK Property and Global Property awarded to CBRE.
- Procurement for an independent third party to review the effectiveness of the ACCESS Pool operations.

The Business Plan for **2023/24** was agreed by the Joint Committee in December 2022 and covers:

- Independent third-party business review and implementation of any outcomes.
- Launch of emerging market sub-funds.
- Continuance of the implementation of the alternative investment programme.
- Investment of indirect UK and global property mandates with CBRE.
- Responsible Investment Phase II procurement.
- Governance: the continued application of appropriate forms of governance throughout ACCESS including the commencement of both responsible investment reporting support for the Pool, and the second contract for communications support.
- Scheduled evaluation: preparation for, and the commencement of, the re-procurement of operator services in the penultimate year of the Operator contract.

Financial Management Expected v Actual Costs and Savings

A budget for ongoing operational costs is set by the Joint Committee and is financed equally by each of the eleven Authorities. 2022/23 saw an underspend primarily due to lower than anticipated costs of external advice combined with an underspend in the technical lead recharge costs.

The table below summarises the financial position for 2022/23 along with the cumulative position since the commencement of ACCESS activity in early 2016.

	2016-2023		2022-2023	
	Actual In Year £'000	**Budget In Year £'000**	**Actual Cumulative to date £'000**	**Budget Cumulative to date £'000**
Set Up Costs	-	-	1,824	1,400
Transition Costs	-	2,100	3,338	6,907
Ongoing Operational Costs	1,175	1,366	5,292	7.695
Operator & Depository Costs	4,979	4,787	17,128	20,938
Total Costs	**6,154**	**8,253**	**27,582**	**36,940**
Pool Fee Savings	**(28,645)**	**(17,800)**	**(98,945)**	**(65,550)**
Net (Savings Realised)/Costs	**(22,491)**	**(9,547)**	**(71,363)**	**(26,510)**

2022/23 saw an underspend primarily due to lower than anticipated costs of procurement and technical professional costs.

Operator and depositary fees are payable by each Authority in relation to assets invested within the Authorised Contractual Scheme established by Link Fund Solutions as pool operator.

The 2022/23 fee savings have been calculated using the Chartered Institute of Public Finance and Accountancy (CIPFA) price variance methodology and based on the average asset values over the year. This approach highlights the combined level of investment fee savings, across all ACCESS Authorities stemming from reduced charges.

In summary, since inception ACCESS has demonstrated excellent value for money, maintaining expenditure broadly in line with the DLUHC submission whilst delivering an enhanced level of savings ahead of the timeline contained in the original proposal.

Investment management costs split between pooled and non-pooled assets

	ACCESS Pool*	ACCESS Pool*	Non-ACCESS Pool	Non-ACCESS Pool	Total
	Direct £000	Indirect £000	Direct £000	Indirect £000	£000
Management Fee	345	9,575	1,694	9,773	**21,387**
Performance Fee	-	-	-	3,269	**3,269**
Transaction Costs	-	792	165	404	**1,361**
Custody	-	-	101	-	**101**
Other Costs	-	-	1,175	-	**1,175**
Total	**345**	**10,367**	**3,135**	**13,446**	**27,293**

* This includes pool aligned assets such as the jointly procured passive manager for ACCESS authorities.

Environmental, Social and Governance (ESG) and Responsible Investment (RI)

The ACCESS Authorities believe in making long term sustainable investments whilst integrating environmental and social risk considerations, promoting good governance and stewardship.

Whilst the participating authorities have an overriding fiduciary and public law duty to act in the best long-term interests of their LGPS stakeholders to achieve the best possible financial returns, with an appropriate level of risk they also recognise the importance of committing to responsible investment alongside financial factors in the investment decision making process.

Responsible Investment Guidelines:

Following the completion of a review led by Minerva Analytics, ACCESS has now published an updated Responsible Investment Guidelines. These have been developed around five pillars: governance, process, implementation, stewardship and monitoring/reporting.

The key high-level points of the Guidelines are:

- The Councils remain sovereign (particularly in relation to setting investment strategy). However, the opportunity exists for ACCESS to help coordinate RI approaches;
- All Councils agree that RI issues have the potential to impact investment returns over the short, medium and long-term;
- RI issues and concerns should be addressed primarily at the point of investment, whether that is in relation to an individual stock, or an entire portfolio;
- A number of RI priorities have been identified for the coming year, mostly associated with establishing a 'benchmark' of where the Councils' assets and asset managers sit in terms of RI concerns;
- Active stewardship remains the preferred approach when it comes to investments – with engagement over divestment being the Councils' combined approach;
- ACCESS, through the ASU and Link (the ACS Operator), will seek to ensure appropriately structured RI reporting is provided by the asset managers, so that each Council can meet its own RI reporting and communication objectives.

The Guidelines have been published in both summarised and full forms and can be found on the ACCESS website https://www.accesspool.org.

Voting:

The ACCESS pool has a set of voting guidelines which seeks to protect and enhance the value of its shareholdings by promoting good practice in the corporate governance and management of those companies.

The guidelines set out the principles of good corporate governance and the means by which ACCESS will seek its influence on companies. The voting activity is reported to the Joint Committee on a quarterly basis.

During the year ACCESS voted at 2,801 meeting on 34,727 resolutions.

On a quarterly basis the votes can be summarised as below:

Quarter	Number of Meetings	Votes cast For	Votes cast Against	Votes cast Other	Total Votes Cast
June 2022	1,920	24,301	3,664	605	24,301
September 2022	350	3,870	368	51	4,289
December 2022	250	2,204	297	72	2,573
March 2023	281	3,180	391	65	3,564

Engagement:

Link Fund Solutions arranges regular sessions with the Investment Managers to present to the authorities Pension Fund officers to demonstrate how they implement environmental, social and governance into their investment strategy and decision-making process.

These also give the investment manager the opportunity to discuss the engagement activities they have undertaken, what constructive dialogue was had and how they have used their influence to encourage the adoption of best practice.

East Sussex Pension Fund - Accounts 2022/23

Fund account, net assets statement and notes

Introduction

The Local Government Pension Scheme (LGPS) is a statutory pension scheme, whose rules are governed by Parliament in accordance with the Public Services Pensions Act 2013. The rules of the scheme are provided in the Local Government Pension Scheme Regulations and provide the statutory basis within which the Scheme can operate.

Although a national pension scheme, mainly set up for the benefit of local government employees, the LGPS is administered locally. The LGPS is open to all non teaching employees of the County, District and Borough Councils and Unitary Authorities in East Sussex, as well as Further Education Colleges, Academies, Town and Parish Councils and a small number of charitable organisations who have applied to be treated as "admission bodies". In addition, the LGPS allows employees of private contractors to participate in the Scheme where they are providing a service or assets in connection with the functions of a scheme employer, in accordance with the specific requirements of the LGPS Regulations. The scheme is not open to teachers or fire fighters, as these groups of employees have separate pension schemes.

Currently within the East Sussex Pension Fund there are 140 participating employers. A full list of participating employers is given at note 29.

Administering Authority Responsibilities

East Sussex County Council has a statutory responsibility to administer and manage the East Sussex Pension Fund (the Fund) on behalf of all the participating employers of the Fund in East Sussex, and in turn the past and present contributing members, and their dependents.

The Fund receives contributions from both employees and employers, as well as income from its investments, these elements then meet the cost of paying benefits of the pension scheme. As part of its responsibilities as the administering authority the County Council is responsible for setting the funding and investment strategies and reviewing the performance of the Fund's external investment managers and advisers. The administration and management of the Pension Fund has been delegated to the East Sussex Pension Committee supported by the East Sussex Pension Board.

The Fund has the day to day functions of managing the governance of the Fund and administration functions under its sovereign control. The main services provided by the Fund include governance and compliance, investment, accounting, maintenance of scheme members' records, calculation and payment of pension benefits, transfers of pension rights, calculation of annual pension increases and the provision of information and communications to scheme members, scheme employers and other stakeholders.

The Fund increased its governance arrangements following a good governance review resulting in a change to terms of reference, delegations, policies and team structure with all decision-making residing with the Pension Committee. The Fund ensures that all the participating employers within the Fund are aware of their own responsibilities through its administration strategy, as well as any changes to the provisions of the Scheme that may be introduced though an employer engagement team, communications and an annual employer forum.

A major responsibility of the administering authority is to undertake a valuation of the Pension Fund's assets and liabilities (triennial valuation). The main purpose of this exercise is to assess the size of the Fund's current and future liabilities against the size of assets, and then set the employer contribution to the Fund for each participating employer for the following three-year period. The most recent actuarial valuation of the Fund was carried out at 31 March 2022 and the next triennial valuation will be on the 31 March 2025 with new contribution rates set then.

Asset Pools

The East Sussex Pension Fund has joined with 10 other Local Government Pension Schemes (LGPS) Administering Authorities to form the ACCESS (A Collaboration of Central, Eastern and Southern Shires) Pool. The other members of the ACCESS Pool are:

1. Cambridgeshire	2. Kent	3. Hampshire
4. West Sussex	5. Norfolk	6. Essex
7. Northamptonshire	8. Hertfordshire	9. Suffolk
10. Isle of Wight		

At the 31 March 2022 collectively, the pool has assets of £61.4 billion (of which 57% has been pooled) serving approximately 3,500 employers with over 1.1 million members including 310,000 pensioners.

The ACCESS Pool is not a legal entity in itself but is governed by the Inter Authority Agreement signed by each Administering Authority established in 2017. The Inter Authority Agreement sets out the terms of reference and constitution of ACCESS.

The formal decision-making body within the ACCESS Pool is the ACCESS Joint Committee. The Joint Committee has been appointed by the 11 Administering Authorities under s102 of the Local Government Act 1972, with delegated authority from the Full Council of each Administering Authority to exercise specific functions in relation to the Pooling of Pension Fund assets.

The Joint Committee is responsible for ongoing contract management and budget management for the Pool and is supported by the Section 151 Officers Group, Officer Working Group and the ACCESS Support Unit. More information on the ACCESS pool can be found on their website https://www.accesspool.org/.

Fund account, net assets statement and notes

Fund Account

2021/22 £000	2021/22 £000		Notes	2022/23 £000	2022/23 £000
		Dealings with members, employers and others directly involved in the fund			
		Contributions	7		
(99,617)		From Employers		(108,941)	
(34,556)		From Members		(37,980)	
	(134,173)				(146,921)
	(8,246)	Transfers in from other pension funds	8		(10,071)
	(142,419)				**(156,992)**
	134,595	Benefits	9		140,411
	10,744	Payments to and on account of leavers	10		6,283
	145,339				**146,694**
	2,920	**Net (additions)/withdrawals from dealings with members**			**(10,298)**
	26,671	Management expenses	11		30,756
	29,591	**Net (additions)/withdrawals including fund management expenses**			**20,458**
		Returns on investments			
	(40,549)	Investment income	12		(73,668)
	2	Taxes on income	13a		66
	(432,676)	Profit and losses on disposal of investments and changes in the value of investments	14a		162,262
	(473,223)	**Net return on investments**			**88,660**
	(443,632)	**Net (increase)/decrease in net assets available for benefits during the year**			**109,118**
	(4,244,035)	**Opening net assets of the scheme**			**(4,687,667)**
	(4,687,667)	**Closing net assets of the scheme**			**(4,578,549)**

Net Assets Statement for the year ended 31 March 2023

31 March 2022 £000		Notes	31 March 2023 £000
4,587,145	Investment assets	14	4,505,386
774	Other Investment balances	21	1,062
(1,173)	Investment liabilities	22	(1,061)
90,216	Cash deposits	14	**54,418**
4,676,962	**Total net investments**		**4,559,805**
15,391	Current assets	21	23,305
(4,686)	Current liabilities	22	(4,561)
4,687,667	**Net assets of the fund available to fund benefits at the year end.**		**4,578,549**

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 20.

Treasurers Certificate

I certify that the accounts of the East Sussex Pension Fund provide a true and fair view of the Pension Fund at 31 March 2023 and of the movements for the year then ended.

Ian Gutsell

Chief Finance Officer (Section 151 Officer)

Business Services Department

Date to be confirmed

Notes to the East Sussex Pension Fund Accounts for the year ended 31 March 2023

1: Description of Fund

The East Sussex Pension Fund ("the Fund") is part of the Local Government Pension Scheme and is administered by East Sussex County Council ("the Scheme Manager"). The County Council is the reporting entity for this pension fund.

The following description of the Fund is a summary only. For more detail, references should be made to the East Sussex Pension Fund Annual Report 2022/23 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and The Local Government Pension Scheme (LGPS) Regulations.

General

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

a) The Local Government Pension Scheme Regulations 2013 (as amended)

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

c) The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The Fund is a contributory defined benefit pension scheme administered by East Sussex County Council to provide pensions and other benefits for pensionable employees of East Sussex County Council, Brighton and Hove City Council, the district and borough councils in East Sussex County and a range of other scheduled and admitted bodies within the county area.

The Fund is also empowered to admit the employees of certain other bodies, town and parish councils, educational establishments, contractors providing services transferred from scheduled bodies and community interest bodies. The Fund does not provide pensions for teachers, for whom separate arrangements exist. Uniformed police and fire staff are also subject to separate pension arrangements.

The Council has delegated its pension functions to the East Sussex Pension Committee. Responsibility for the administration and financial management of the Fund has been delegated to the Chief Finance Officer along with the Head of Pensions.

The Scheme Manager is also required to establish and maintain a Pension Board, for the purposes of assisting with the administration and ongoing compliance of the Fund. The role of the Board is to assist the East Sussex Pension Fund in complying with all the legislative requirements making sure the scheme is being effectively and efficiently governed and managed.

Independent investment managers have been appointed to manage the investments of the Fund. The Fund also invests in liquid investments such as equities and bonds as well as illiquid investments such as private equity, infrastructure, and private debt. The Committee oversees the management of these investments and the Fund and its advisers meet regularly with the investment managers to monitor their performance against agreed benchmarks. The Pension Committee take proper advise from specialist advisers when making investment decisions.

Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Employees are auto enrolled into the scheme every three years and on appointment.

Organisations participating in the East Sussex Pension Fund include:

a) Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund

b) Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable, and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 140 employer organisations within East Sussex Pension Fund including the County Council itself, and 84,028 members as detailed below:

East Sussex Pension Fund	31 March 2022	31 March 2023
Number of employers with active members	**134**	**140**
Number of employees		
County Council	8,059	8,123
Other employers	16,455	16,568
Total	**24,514**	**24,691**
Number of pensioners		
County Council	10,125	10,505
Other employers	13,006	13,619
Total	**23,131**	**24,124**
Deferred pensioners		
County Council	14,223	14,460
Other employers	19,423	20,753
Total	**33,646**	**35,213**
Total number of members in pension scheme	**81,291**	**84,028**

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2023. Employee contributions are matched by employers' contributions, which are set, based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022. Currently, employer contribution rates range from 0% to 49.2% of pensionable pay.

Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme (CARE), whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Prices Index.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details, please refer to the East Sussex Pension Fund Website.

2: Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2022/23 financial year and its position at year-end as at, 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 which is based upon International Financial Reporting Standards (IFRS) as amended for UK public sector. The accounts have been prepared on a going concern basis.

Accounting standards issued but not yet adopted - Under the Code of Practice on Local Authority

Accounting standards issued but not yet adopted - Under the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Fund is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued on or before 1 January 2020 but not yet adopted by the Code.

The standards introduced by the 2023/24 Code where disclosures are required in the 2022/23 financial statements are:

a) IFRS 16 Leases (but only for those local authorities that have decided to voluntarily implement IFRS 16 in the 2023/24 year).

b) Where an authority adopted IFRS 16 in 2022/23 but chose to defer implementation of IFRS 16 to PFI/PPP arrangements until 2023/24 information on that more specific accounting change will be required in its 2022/23 statements of accounts.

c) Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.

d) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.

e) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.

f) Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

Note that a) will only be applicable to local authorities that intend to voluntarily implement IFRS 16 in 2023/24, and item b) will only be applicable to local authorities that have voluntarily implemented IFRS 16 in 2022/23 but chose to defer implementation for PFI/PPP arrangements until 2023/24. It is likely that though they lead to improved reporting that items c) and d) will not have a significant impact on the amounts anticipated to be reported in the financial statements. Item e) will only be applicable to local authorities with group accounts and it is likely that there will be limited application of item f).

There were no amendments for 2022/23 for the accounts of the Pension Fund.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The code gives administering authorities the option to disclose this information in the net asset statement, in the notes to the accounts or appending an actuarial report prepared for this purpose. The Pension Fund has opted to disclose this information in Note 20.

The Pension Fund publishes a number of statutory documents, including an Investment Strategy Statement, a Funding Strategy Statement, Governance and Compliance Policy Statement and Communications Strategy Statement. Copies can be obtained by contacting the Council's Pensions team or alternatively are available from https://www.eastsussexpensionfund.org/

The Fund invest a large portion of its investment assets through the ACCESS (A Collaboration of Central, Eastern and Southern Shires) LGPS Pool. There is no specific accounting policy for the Pool. The ACCESS Pool is not a legal entity in itself but is governed by an Inter Authority Agreement signed by each Administering Authority.

The formal decision-making body within the ACCESS Pool is the ACCESS Joint Committee, which has let the management of the asset pool to Link Fund Solutions Ltd, appointed to provide a pooled operator service and is FCA regulated. There is no direct investment in the third party, only a contractual arrangement to provide services, so there is no investment balance to carry forward in the net asset statement.

3. Summary of significant accounting policies

Fund account – revenue recognition

1. **Contribution income**

Normal contributions are accounted for on an accruals basis as follows:

Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes, which rise according to pensionable pay.

Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant employing body.

Additional employers' contributions in respect early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

Ill-health insurance policy some employers have opted into an ill-health insurance policy administered by the Fund on their behalf. Contributions calculated by the actuary include an allowance for ill-health claims this allowance is used to pay for the policy and a reduction in contributions based on the premium and membership of the employer is made. Within the policy a profit sharing mechanism has been included which is based on the claims made an assessment will be taken if any profit share will be appropriate and an accrual made on the likely share of the profits the employers are entitled to.

2. **Transfers to and from other schemes**

Transfers in and out relate to members who have either joined or left the Fund.

Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (Note 8).

Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

3. **Investment income**

a) Interest income

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

b) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

c) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

d) Movement in the net market value of investments

Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account – expense items

4. **Benefits payable**

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

5. **Taxation**

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

6. **Management expenses**

The Fund discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016), as shown below. All items of expenditure are charged to the fund on an accruals basis as follows:

a) Administrative expenses

All staff costs relating to the pensions administration team are charged direct to the Fund. Council recharges for management, accommodation and other overhead costs are also accounted for as administrative expenses of the Fund.

b) Oversight and governance costs

All costs associated with governance and oversight are separately identified, apportioned to this activity and charged as expenses to the Fund

c) Investment management expenses

Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note 11A and grossed up to increase the change in value of investments.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

Where an investment manager's fee has not been received by the balance sheet date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2022/23, £0.7m of fees is based on such estimates (2021/22: £1.2m).

Net assets statement

7. Financial assets

All investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset.

Any amounts due or payable in respect of trades entered into but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 14a. Any gains or losses on investment sales arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

8. Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

9. Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

10. Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

11. Financial liabilities

A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. The fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the Change in Value of Investments.

Other financial liabilities classed as amortised costs are carried at amortised cost i.e., the amount carried in the net asset statement are the outstanding principal repayable plus accrued interest. Any interest charged is accounted for on an accruals basis.

12. **Actuarial present value of promised retirement benefits**

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 20).

13. **Additional voluntary contributions**

East Sussex Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. The Fund has appointed Prudential as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 23).

14. **Contingent assets and contingent liabilities**

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the notes.

4. 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. Unquoted private equities are valued by the investment managers using International Private Equity and Venture Capital Valuation Guidelines 2015. The value of unquoted private equities at 31 March 2023 was £375 million (£374 million at 31 March 2022).

Pension fund liability

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 19. This estimate is subject to significant variances based on changes to the underlying assumptions.

Use of Financial Instruments

The Fund uses financial instruments to manage its exposure to specific risks arising from its investments. In applying the accounting policies set out within the notes that accompany the financial statements the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the financial statements are based around determining a fair value for the alternative investments shown in the Net Asset Statement. It is important to recognise valuations for these types of investments are highly subjective in nature. They are inherently based on forward-looking estimates and judgements that involve many factors.

Ill Health Profit Share

The Ill health profit share is based upon the claims that the Fund has successfully made against the policy. The Fund considers that all the claims that have been made but not yet agreed by the insurer are to be successful when determining the profit share calculation.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions are made to take into account historical experience, current trends and other relevant factors. However, actual outcomes could be different from the assumptions and estimates made. The items in the net asset statement for which there is a significant risk of material adjustment the following year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 20)	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. As a result of Coronavirus pandemic there is an increase in the uncertainty around the mortality provisions within the Fund, however it is too early to assess this figure at the current time so has not been included in our calculations. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	**The effects on the net pension liability of changes in individual assumptions can be measured. For instance, for the 2022 Valuation the actuary advised that:** 1. A 0.1% decrease in the discount rate assumption would result in a increase in the pension liability by approximately **£63.0m (2%).** 2. A 0.1% increase in CPI Inflation would increase the value of liabilities by approximately **£58.0 million (2%).**

Item	Uncertainties	Effect if actual results differ from assumptions
		3. A 0.25% Increase in mortality rates would result in an increase in the pension liability by approximately **£29.0m (1%).** 4. A 0.5% Increase in Salary Assumption would result in an increase in the pension liability by approximately **£36.0m (1%)**
Private equity	Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2015). 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 **£375.1 million**. There is a risk that this investment may be under or overstated in the accounts depending on use of estimates applied in the valuation models by the fund managers. The sensitivity of this figure is discussed further in Note 16 and Note 18.
Infrastructure	Infrastructure investments are valued at fair value in accordance with industry guidelines, based on the Fund manager valuations as at the end of the reporting period. These investments are not publicly, listed and as such there is a degree of estimation involved in the valuation.	The total infrastructure investments in the financial statements are **£404.6 million**. There is a risk that this investment may be under or overstated in the accounts depending on use of estimates applied in the valuation models by the investment managers. The sensitivity of this figure is discussed further in Note 16 and Note 18.
Private Debt	Private debt investments are valued at fair value in accordance with industry guidelines, based on the Fund manager valuations as at the end of the reporting period. These investments are not publicly, listed and as such there is a degree of estimation involved in the valuation.	The total private debt investments in the financial statements are **£43.0m**. There is a risk that this investment may be under or overstated in the accounts depending on use of estimates applied in the valuation models by the investment managers. The sensitivity of this figure is discussed further in Note 16 and Note 18.
Climate Risk	Climate risk is the potential for adverse consequences for human or ecological systems, recognising the diversity of values and objectives associated with such systems. In the context of climate change, risks can arise from potential impacts of climate change as well as human responses to climate change. The outcomes of these risks is unknown and as such there is a degree of estimation involved in the valuation of companies.	The total net investment assets of the Fund are **£4,560.0 million.** There is a risk that the investments may be over or understated in the accounts depending on the assumptions around policy responses to climate change in the valuation of investments. The sensitivity of the investments to valuations changes are discussed further in Note 16 and Note 18.

6. Events after the balance sheet date

There have been no events after the balance sheet date of 31 March 2023, and up to the date when these accounts were authorised that require any adjustments to these accounts.

7. Contributions Receivable

	2021/22 £000	2022/23 £000
By category		
Employee's contributions	34,553	37,980
Employer's contributions		
Normal contributions	83,884	96,231
Deficit recovery contributions	14,936	12,290
Augmentation contributions	800	420
Total	**134,173**	**146,921**
By authority		
Scheduled bodies	85,174	94,278
Admitted bodies	4,166	3,864
Administrative Authority	44,833	48,779
Total	**134,173**	**146,921**

8. Transfers in from other pension funds

	2021/22 £000	2022/23 £000
Group transfers	-	-
Individual transfers	8,246	10,071
Total	**8,246**	**10,071**

9. Benefits payable

	2021/22 £000	2022/23 £000
By category		
Pensions	111,786	118,076
Commutation and lump sum retirement benefits	19,179	19,491
Lump sum death benefits	3,630	2,844
Total	**134,595**	**140,411**
By authority		
Scheduled bodies	79,660	83,518
Admitted bodies	3,977	4,309
Administrative Authority	50,958	52,584
Total	**134,595**	**140,411**

10. Payments to and on account of leavers

	2021/22 £0	2022/23 £0
Refunds to members leaving service	326	**342**
Group transfers	2,700	**(1,595)**
Individual transfers	7,718	**7,536**
Total	**10,744**	**6,283**

The group transfer are members from East Sussex Fire transferring to the Surrey Pension Fund.

The estimated cost given from the actuary has reduced to £1.1m this year (£2.7m estimated in 21/22).

At 31 of March 2023 the payment for the group transfer has not taken place.

11. Management expenses

	2021/22 £000	2022/23 £000
Administrative costs	2,216	3,145
Investment management expenses	23,929	27,293
Oversight and governance costs	526	318
Total	**26,671**	**30,756**

11a) Investment management expenses – 2022/23

	Total £000	Management Fees £000	Performance Related Fees £000	Transaction costs* £000
Bonds	**7**	7	-	-
Equities	**350**	350	-	-
Pooled investments				
Fixed Income	**2,452**	2,424	-	28
Equity	**7,373**	6,687	-	686
Diversified growth funds	**5,903**	5,275	-	628
Pooled property investments	**1,455**	1,437	-	18
Private equity / infrastructure	**9,652**	6,383	3,269	-
	27,192	**22,563**	**3,269**	**1,360**
Custody	**101**			
Total	**27,293**			

*In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

2021/22	Total £000	Management Fees £000	Performance Related Fees £000	Transaction costs* £000
Bonds	**10**	10	-	-
Equities	**392**	81	-	311
Pooled investments				
Fixed Income	**2,219**	2,158	-	61
Equity	**7,124**	6,652	-	472
Diversified growth funds	**6,072**	5,561	-	511
Pooled property investments	**1,601**	1,508	-	93
Private equity / infrastructure	**6,372**	4,787	1,585	-
	23,790	**20,757**	**1,585**	**1,448**
Custody	**139**			
Total	**23,929**			

*In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are grossed up.

During the year, the Pension Fund incurred management fees which were deducted at source for 2022/23 of £4.2m (£4.0m in 2021/22) on its private equity investments, fees of £5.5m (£2.4m in 2021/22) on its infrastructure investments, fees of £10.7m (£9.1m in 2021/22) on investments in the ACCESS Pool and fees of £3.6m (£4.6m in 2021/22) on other mandates. These fees are deducted at the individual portfolio level rather than being paid directly by the Pension Fund.

12. Investment income

	2021/22 £000	2022/23 £000
Income from equities	985	4,994
Private equity/Infrastructure income	2,161	7,059
Pooled property investments	11,971	12,476
Pooled investments - unit trusts and other managed funds	24,752	47,352
Interest on cash deposits	680	1,787
Total	**40,549**	**73,668**

13. Other fund account disclosures

13a) Taxes on income

	2021/22 £000	**2022/23** £000
Withholding tax – equities	(2)	(66)
Total	**(2)**	**(66)**

13b) External audit costs

	2021/22 £000	2022/23 £000
Payable in respect of external audit for 2020/21	8	-
Payable in respect of external audit for 2021/22	35	12
Payable in respect of external audit for 2022/23	-	47
Payable in respect of other services	5	10
Grant	(10)	(10)
Total	**38**	**59**

14. Investments

	2021/22 £000	2022/23 £000
Investment assets		
Bonds	134,975	93,755
Equities	237,482	235,630
Pooled Investments		
Fixed Income	476,264	459,852
Equity	1,797,637	1,789,063
Diversified growth funds	1,036,214	819,737
Pooled property investments	390,179	328,542
Private equity/infrastructure	514,383	778,754
Derivative contracts:		
Futures	11	53
	4,587,145	**4,505,386**
Cash deposits with Custodian	90,216	54,418
Other Investment balances (Note 21)	774	1,062
Total investment assets	**4,678,135**	**4,560,866**
Investment Liabilities (Note 22)	(1,170)	(1,061)
Derivative contracts:		
Futures	(3)	-
Total Investment Liabilities	**(1,173)**	**(1,061)**
Net investment assets	**4,676,962**	**4,559,805**

14a) Reconciliation of movements in investments and derivatives

	Market value 1 April 2022 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Market value 31 March 2023 £000
Bonds	**134,975**	-	-	(41,220)	**93,755**
Equities	**237,482**	65,356	(61,086)	(6,122)	**235,630**
Pooled investments	**3,310,115**	60,289	(223,622)	(78,130)	**3,068,652**
Pooled property investments	**390,179**	16,648	(21,597)	(56,688)	**328,542**
Private equity/infrastructure	**514,383**	326,052	(77,324)	15,643	**778,754**
	4,587,134	**468,345**	**(383,629)**	**(166,517)**	**4,505,333**
Derivative contracts					
■ Futures	**8**	1,860	(1,785)	(30)	**53**
■ Forward currency contracts	**-**	-	-	-	**-**
	4,587,142	**470,205**	**(385,414)**	**(166,547)**	**4,505,386**
Other investment balances:					
■ Cash deposits	90,216			4,286	**54,418**
■ Other Investment Balances	774				**1,062**
■ Investment Liabilities	(1,170)				**(1,061)**
Net investment assets	**4,676,962**			**(162,262)**	**4,559,805**

	Market value 1 April 2021 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Market value 31 March 2022 £000
Bonds	128,765	-	-	6,210	134,975
Equities	-	346,994	(272,967)	163,455	237,482
Pooled investments	3,353,128	155,487	(223,349)	24,849	3,310,115
Pooled property investments	319,533	34,405	(23,111)	59,352	390,179
Private equity/infrastructure	372,564	71,813	(107,111)	177,117	514,383
	4,173,990	**608,699**	**(626,538)**	**430,983**	**4,587,134**
Derivative contracts					
■ Futures	-	16	(23)	15	8
■ Forward currency contracts		726	(132)	(594)	-
	4,173,990	**609,441**	**(626,693)**	**430,404**	**4,587,142**
Other investment balances:					
■ Cash deposits	56,736			2,272	90,216
■ Other Investment Balances	357				774
■ Investment Liabilities	(775)				(1,170)
Net investment assets	**4,230,308**			**432,676**	**4,676,962**

14b) Investments analysed by fund manager

	Market value 31 March 2022 £000	Market value 31 March 2022 %	Market value 31 March 2023 £000	Market value 31 March 2023 %
Investments in the ACCESS Pool				
ACCESS - Alpha Opportunities (M&G)	287,673	6.2%	293,179	6.4%
ACCESS - Absolute Return (Ruffer)	537,861	11.5%	478,853	10.5%
ACCESS - Corporate Debt (M&G)	148,858	3.2%	123,637	2.7%
ACCESS - Global Alpha (Baillie Gifford)	197,397	4.2%	187,271	4.1%
ACCESS - Global Equity (Longview)	525,660	11.2%	555,749	12.2%
ACCESS - Real Return (Newton)	498,354	10.7%	340,884	7.5%
ACCESS - UBS Passive	134,974	2.9%	93,752	2.1%
ACCESS - UBS Osmosis	238,150	5.1%	236,761	5.2%
	2,568,927	**55.0%**	**2,310,086**	**50.7%**
Investments held directly by the Fund				
Adams St Partners	206,010	4.4%	195,685	4.3%
Atlas Infrastructure	95,964	2.1%	100,931	2.2%
East Sussex Pension Fund Cash	77,869	1.7%	35,526	0.8%
Harbourvest Strategies	167,729	3.6%	179,466	3.9%
M&G Real Estate Debt	39,733	0.8%	43,036	0.9%
Pantheon	62,374	1.3%	81,166	1.8%
Prudential Infracapital	42,449	0.9%	52,959	1.2%
Schroders Property	402,175	8.6%	345,720	7.6%
Storebrand Smart Beta & ESG	510,338	10.8%	501,170	10.9%
UBS Infrastructure Fund	35,821	0.8%	36,335	0.8%
Wellington Active Impact Equity	237,481	5.1%	221,782	4.9%
Wheb Active Impact Equity	230,092	4.9%	221,839	4.9%
IFM Global Infrastructure	-	-	234,104	5.1%
	2,108,035	**45.0%**	**2,249,719**	**49.3%**
	4,676,962	**100.0%**	**4,559,805**	**100.0%**

* Schroders mandate is to oversee the East Sussex Pension Fund's investments in a range of underlying property funds this is not a single investment into a Schroders property fund.

The following investments represent more than 5% of the investment assets of the scheme -

Security	Market Value 31 March 2022 £000	% of total fund	Market value 31 March 2023 £000	% of total fund
ACCESS - Global Equity (Longview)	525,660	11.2%	555,749	12.2%
Storebrand Smart Beta & ESG Fund	510,338	10.9%	501,170	11.0%
ACCESS - Absolute Return (Ruffer)	537,861	11.5%	478,853	10.5%
ACCESS - Real Return (Newton)	498,354	10.7%	340,884	7.5%
ACCESS - Alpha Opportunities (M&G)	287,673	6.2%	293,179	6.4%
IFM Global Infrastructure	287,673	6.2%	234,104	5.1%
Wellington Active Impact Equity Fund	237,481	5.1%	221,782	4.9%

14c) Stock lending

The East Sussex Pension Fund has not operated a direct stock lending programme since 13 October 2008 but stock lending may occur in some of our pooled vehicles the fund is in invested in.

15. Analysis of derivatives

Objectives and policies for holding derivatives

Derivatives can be used to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives maybe used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the various investment managers.

1. Futures

The Fund's objective is to decrease risk in the portfolio by entering into futures positions to match assets that are already held in the portfolio without disturbing the underlying assets.

Type	Expires	Economic Exposure £000	Market Value 31 March 2022 £000	Economic Exposure £000	Market Value 31 March 2023 £000
Assets					
UK Equity Futures	Less than one year	150	4	153	2
Overseas Equity Futures	Less than one year	516	7	875	51
Total assets			**11**		**53**
Liabilities					
Overseas Equity Futures	Less than one year	129	(3)	-	-
Total liabilities			**(3)**		**0**
Net futures			**8**		**53**

Draft unaudited

2. Forward foreign currency

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the Fund's quoted equity portfolio is in overseas stock markets. The Fund can participate in forward currency contracts in order to reduce the volatility associated with fluctuating currency rates.

No forward foreign currency investments were held at the 31 March 23 (Nil 31 March 22)

3. Options

The Fund wants to benefit from the potentially greater returns available from investing in equities but wishes to minimise the risk of loss of value through adverse equity price movements. The Fund buys equity option contracts that protect it from falls in value in the main markets in which the scheme invests.

No options investments were held at the 31 March 23 (Nil 31 March 22)

16. Fair value – basis of valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques, which represent the highest and best price available at the reporting date

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market-quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not Required	Not Required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not Required	Not Required
Futures and options in UK bonds	Level 1	Published exchange prices at the year-end	Not Required	Not Required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not Required	Not Required
Unquoted bonds	Level 2	Average of broker prices	Evaluated price feeds	Not Required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not Required

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Overseas bond options	Level 2	Option pricing model	Annualised volatility of counterparty credit risk	Not Required
Pooled investments – Equity and bonds Funds	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	The valuation is undertaken by the investment manager or responsible entity and advised as a unit or security price. Observable inputs are used. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.	Not Required
Pooled investments – Property Funds	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published Investments in unlisted property funds are valued at the net asset value (NAV). The underlying real estate assets values have been derived by independent valuers on a fair value basis and generally in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards.	The significant inputs and assumptions are developed by the respective fund manager.	Valuations could be affected by the frequency of the independent valuations between the funds.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Unquoted equity – Private Equity / Infrastructure	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	Observable inputs are subject to judgment by the respective manager but are applied in accordance with the appropriate industry guidelines. Valuations are audited as at 31 December, and the valuations as at 31 March reflect cash flow transactions since 31 December.	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequential potential impact on the closing value of investments held at 31 March 2023 and 31 March 2022.

Asset Type	Assessed valuation range (+/-)	Values at 31 March 2023 £000	Value on increase £000	Value on decrease £000
Pooled Investment (1)	9%	43,035	46,908	39,162
Pooled property investments (2)	13%	328,541	371,251	285,831
Private Equity/Infrastructure (3)	24%	778,754	962,540	594,968
Total		**1,150,330**	**1,380,699**	**919,961**

Asset Type	Assessed valuation range (+/-)	Values at 31 March 2022 £000	Value on increase £000	Value on decrease £000
Pooled Investment (1)	9%	39,733	43,309	36,157
Pooled property investments (2)	13%	390,179	440,902	339,456
Private Equity/Infrastructure (3)	25%	514,383	643,493	385,273
Total		**944,295**	**1,127,704**	**760,886**

1. All movements in the assessed valuation range derive from changes in the net asset value of the underlying real estate debt assets, the range in the potential movement of 9% is caused by how this value is measured.

2. All movements in the assessed valuation range derive from changes in the net asset value of the underlying real estate assets, the range in the potential movement of 13% is caused by how this value is measured.

3. All movements in the assessed valuation range derive from changes in the underlying profitability of component companies, the range in the potential movement of 24% is caused by how this profitability is measured.

16a) Fair value hierarchy

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2023

	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With Significant unobservable inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss	236,747	3,119,370	1,150,330	**4,506,447**
Non-financial assets at fair value through profit and loss	-	-	-	**-**
Financial liabilities at fair value through profit and loss	(53)	(1,008)	-	**(1,061)**
Net investment assets	**236,694**	**3,118,362**	**1,150,330**	**4,505,386**

Values at 31 March 2022

	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With Significant unobservable inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss	238,267	3,405,357	944,295	**4,587,919**
Non-financial assets at fair value through profit and loss	-	-	-	**-**
Financial liabilities at fair value through profit and loss	(11)	(1,162)	-	**(1,173)**
Net investment assets	**238,256**	**3,404,195**	**944,295**	**4,586,746**

16b) Transfers between levels 1 and 2

During 2022/23 the fund has transferred no financial assets between levels 1 and 2.

16c) Reconciliation of fair value measurements within level 3

Period 2022/23 (values in £000)

	Market value 1 April 2022	Transfers into Level 3	Transfers out of Level 3	Purchases during the year	Sales during the year	Unrealised gains/(losses)	Realised gains/(losses)	Market value 31 March 2023
Pooled investments	39,733	-	-	11,899	(7,258)	(1,339)	-	43,035
Pooled property investments	390,179	-	-	16,648	(21,597)	(61,429)	4,740	328,541
Private Equity/Infrastructure	514,383	-	-	326,052	(77,325)	(18,049)	33,693	778,754
Total	**944,295**	**-**	**-**	**354,599**	**(106,180)**	**(80,817)**	**38,433**	**1,150,330**

*Reconciliation to Change in market value during the year in Note 14a

Level	Unrealised gains/(losses)	Realised gains/(losses)	Change in market value during the year
1 and 2	(156,344)	36,463	(119,881)
3	(80,817)	38,433	(42,384)
Total	**(237,161)**	**74,896**	**(162,265)**

Period 2021/22 (values in £000)

	Market value 1 April 2021	Transfers into Level 3	Transfers out of Level 3	Purchases during the year	Sales during the year	Unrealised gains/(losses)	Realised gains/(losses)	Market value 31 March 2022
Pooled investments	42,416	-	-	6,150	(11,175)	2,342	-	39,733
Pooled property investments	319,533	-	-	34,405	(23,093)	58,566	768	390,179
Private Equity/Infrastructure	372,564	-	-	71,813	(100,760)	114,336	56,430	514,383
Total	**734,513**	**-**	**-**	**112,368**	**(135,028)**	**175,244**	**57,198**	**944,295**

*Reconciliation to Change in market value during the year in Note 14a

Level	Unrealised gains/(losses)	Realised gains/(losses)	Change in market value during the year
1 and 2	(8,876)	209,110	200,234
3	175,244	57,198	232,442
Total	**166,368**	**266,308**	**432,676**

17. Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (including cash) by category and net assets statement heading. No financial assets were reclassified during the accounting period.

31 March 2022				31 March 2023		
Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000		Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000
			Financial Assets			
134,975	-	-	Bonds	93,755	-	-
237,482	-	-	Equities	235,630	-	-
3,310,115	-	-	Pooled investments	3,068,652	-	-
390,179	-	-	Pooled property investments	328,542	-	-
514,383	-	-	Private equity/infrastructure	778,754	-	-
11	-	-	Derivative contracts	53	-	-
-	90,216	-	Cash	-	54,418	-
-	2,178	-	Cash held by ESCC*	-	9,332	-
774	-	-	Other investment balances	1,062	-	-
-	13,213	-	Debtors *	-	13,973	-
4,587,919	**105,607**	-	**Total Financial Assets**	**4,506,448**	**77,723**	-
			Financial liabilities			
(3)	-	-	Derivative contracts	-	-	-
(1,170)	-	-	Other investment balances	(1,061)	-	-
-	-	-	Cash held by ESCC	-	-	-
-	-	(4,686)	Creditors	-	-	(4,561)
(1,173)	-	**(4,686)**	**Total Financial Liabilities**	**(1,061)**	-	**(4,561)**
4,586,746	**105,607**	**(4,686)**	**Total Financial Instruments**	**4,505,387**	**77,723**	**(4,561)**

*Reconciliation to Current Assets Note 21

	2021/22 £000	2022/23 £000
Cash held by ESCC	2,178	9,332
Debtors	13,213	13,973
Current Assets	15,391	23,305

17a) Net gains and losses on financial instruments

	31 March 2022 £000	31 March 2023 £000
Financial assets		
Fair value through profit and loss	430,660	(166,553)
Amortised cost – realised gains on derecognition of assets	-	-
Amortised cost – unrealised gains	2,024	4,274
Financial liabilities		
Fair value through profit and loss	(8)	17
Amortised cost – realised gains on derecognition of assets	-	-
Amortised cost – unrealised gains	-	-
Total	**432,676**	**(162,262)**

18. Nature and extent of risks arising from financial instruments

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e., promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the forecast cash flows. The Pension Committee also recognises climate change risk as a financial risk to the investments of the Fund. The Fund manages these investment risks as part of its overall risk management program.

Responsibility for the Fund's risk management strategy rests with the Pension Committee. Risk management policies are established to identify and analyse the risks faced by the Fund's pensions operations. Policies are reviewed regularly to reflect changes in activity and in the market conditions.

Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:

1. the exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels

2. specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses form shares sold short is unlimited.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the fund to ensure it is within limits specified in the Fund's investment strategy.

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the 2022/23 reporting period:

Asset Type	Potential Market Movements (+/-)
Index Linked	12.0%
Other Bonds	8.1%
UK Equities	20.5%
Global Equities	21.0%
Absolute Return	12.5%
Pooled Property Investments	13.0%
Private Equity	26.0%
Infrastructure Funds	15.0%

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisors' most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows.

Asset Type	Values at 31 March 2023 £000	Value on increase £000	Value on decrease £000
Index Linked	93,755	105,006	82,504
Other Bonds	459,852	497,071	422,633
UK Equities	9,639	11,615	7,663
Global Equities	2,015,054	2,438,215	1,591,893
Absolute Return	819,737	922,204	717,270
Pooled Property Investments	328,542	371,252	285,832
Private Equity	608,293	766,449	450,137
Infrastructure Funds	170,461	196,030	144,892
Net Derivative Assets*	53	(333)	439
Total assets available to pay benefits	**4,505,386**	**5,307,509**	**3,703,263**

*Movement on net derivative assets is based on the underlying economic exposure of the derivative instrument.

Asset Type	Values at 31 March 2022 £000	Value on increase £000	Value on decrease £000
Index Linked	134,975	150,497	119,453
Other Bonds	476,264	510,397	442,131
UK Equities	9,738	11,686	7,790
Global Equities	2,025,381	2,450,711	1,600,051
Absolute Return	1,036,214	1,165,741	906,687
Pooled Property Investments	390,179	440,902	339,456
Private Equity	373,740	485,862	261,618
Infrastructure Funds	140,643	157,520	123,766
Net Derivative Assets	8	260	(244)
Total assets available to pay benefits	**4,587,142**	**5,373,576**	**3,800,708**

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Fund and its investment advisors in accordance with the risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest rate movements as of 31 March 2023 and 31 March 2022 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate risk sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 100-basis point (bps) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. The Fund's investment adviser has advised that this is consistent with an annual one standard deviation move in interest rates, where interest rates are determined by the prices of fixed interest UK government bonds.

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

Asset type	Carrying amount as at 31 March 2023 £000	Impact of 1% increase £000	Impact of 1% decrease £000
Cash and cash equivalents	54,418	54,418	54,418
Cash balances	9,332	9,332	9,332
Fixed interest securities	459,852	464,451	455,253
Index linked securities	93,755	93,755	93,755
Total change in assets available	**617,357**	**621,956**	**612,758**

Asset type	Carrying amount as at 31 March 2022 £000	Impact of 1% increase £000	Impact of 1% decrease £000
Cash and cash equivalents	90,216	90,216	90,216
Cash balances	2,178	2,178	2,178
Fixed interest securities	476,264	481,027	471,501
Index linked securities	134,975	134,975	134,975
Total change in assets available	**703,633**	**708,396**	**698,870**

Income Source	Interest receivable 2022/23 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash deposits/cash and cash equivalents	1,787	2,425	1,149
Fixed interest securities	16,702	16,702	16,702
Index linked securities	-	938	(938)
Total change in assets available	**18,489**	**20,065**	**16,913**

Income Source	Interest receivable 2021/22 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash deposits/cash and cash equivalents	680	1,604	(244)
Fixed interest securities	7,325	7,325	7,325
Index linked securities	-	1,350	(1,350)

Income Source	Interest receivable 2021/22 £000	Value on 1% increase £000	Value on 1% decrease £000
Total change in assets available	**8,005**	**10,279**	**5,731**

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash/cash equivalent balances but they will affect the interest income received on those balances.

Currency risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in pound sterling. Following analysis of historical data in consultation with the Fund investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movements not more than 10%. A 10% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure - asset type	Values at 31 March 2023 £000	Potential Market movement £000	Value on increase £000	Value on decrease £000
Overseas quoted securities	225,992	22,147	248,139	203,845
Overseas unit trusts	3,387,552	331,980	3,719,532	3,055,572
Total change in assets available	**3,613,544**	**354,127**	**3,967,671**	**3,259,417**

Currency exposure - asset type	Values at 31 March 2022 £000	Potential Market movement £000	Value on increase £000	Value on decrease £000
Overseas quoted securities	227,744	22,091	249,835	205,653
Overseas unit trusts	3,348,234	324,779	3,673,013	3,023,455
Total change in assets available	**3,575,978**	**346,870**	**3,922,848**	**3,229,108**

Climate Change risk

Current asset pricing may not take into account the emerging climate risk to the underlying holdings, markets may be over or underestimating the value of the assets and could lead to future price volatility. Climate change will affect economic growth and there is uncertainty in the economic outlook due to climate change which could lead to lower returns on equities or risk to future discounted cash flows. High carbon emitters are more exposed to risks from climate change particularly from a transition risk perspective. The Fund mitigates this climate change market risk through diversification and the selection of securities and other financial instruments is monitored by the Fund to ensure it is within limits specified in the Fund's investment strategy. In addition, the Fund is underweighted in high carbon emitting stocks such as fossil fuel companies and carries out carbon foot printing of the Fund's investments and asset managers and the Fund through its collaborative partners engage with corporate management of the underling holdings to ensure companies are responsibly managing their climate change risks. The Fund's Taskforce for Climate Related Financial Disclosure (TCFD) report is included in the Annual Report.

Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence, the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high-quality counterparties, brokers and financial institutions minimise credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipts that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

The Fund believes it has managed its exposure to credit risk and has had no experience of default or uncollectable deposits in recent years.

Summary	Asset value as at 31 March 2022 £000	Asset value as at 31 March 2023 £000
Overseas Treasury bills	11,556	17,087
NT custody cash accounts	78,660	37,332
Total overseas assets	**90,216**	**54,419**

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that there are adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs; and also cash to meet investment commitments.

The Fund has immediate access to its cash holdings and has access to an overdraft facility for short-term cash needs. This facility is only used to meet timing differences on pension payments. As these borrowings are of a limited short-term nature, the Fund's exposure to liquidity risk is considered negligible.

All financial liabilities at 31 March 2023 are due within one year.

Refinancing risk

The key risk is that the Fund will be bound to replenish a significant proportion of its pension Fund financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

19. Funding arrangements

Introduction

The last full triennial valuation of the Fund was carried out as at 31 March 2022 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 31 March 2023.

Asset value and funding level

The results for the Fund at 31 March 2022 were as follows:

- The market value of the Fund's assets as at 31 March 2022 was £4.69bn.

- The Fund had a funding level of 123% i.e., the value of assets for valuation purposes was 123% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a surplus of £858m.

Contribution rates

The employer contributions rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

- the annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these falls due.

- plus, an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

The primary rate of contribution on a whole Fund level was 20.2% of payroll p.a. The primary rate as defined by Regulation 62(5) is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2023.

In addition, each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer.

Details of each employer's contribution rate are contained in the Rates and Adjustments Certificate in the triennial valuation report.

Assumptions

The key assumptions used to value the liabilities at 31 March 2022 are summarised below:

Assumptions	Assumptions used for the 2022 valuation
Financial assumptions	
Market date	31 March 2022
CPI inflation	2.9% p.a.
Long-term salary increases	3.9% p.a.
Discount rate	4.6% p.a.
Demographic assumptions	
Post-retirement mortality	
Base tables	Based on Club Vita analysis
Projection model	CMI 2021
Long-term rate of improvement	1.25% p.a.
Smoothing parameter	7.0
Initial addition to improvements	
Males	0.5% p.a.
Females	0.5% p.a.
2020/21 weighting parameter	5%

Full details of the demographic and other assumptions adopted as well as details of the derivation of the financial assumptions used can be found in the 2022 valuation report.

Updated position since the 2022 valuation

Assets

Returns over the year to 31 March 2023 have been lower than expected. As at 31 March 2023, in market value terms, the Fund assets were less than they were projected to be at the previous valuation.

Liabilities

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As at 31 March 2023, the real discount rate is estimated to be higher than at the 2022 valuation due to a reduction in the long term rate of inflation.

The value of liabilities will have increased due to the accrual of new benefits net of benefits paid and interest on the liabilities.

The 2023 pension increase order is 10.1%. The increase in liabilities associated with this has however been more than offset by the reduction in the long-term inflation assumption. This short-term high inflation and longer term lower inflation is broadly consistent with what was assumed at the 2022 formal valuation.

Overall position

On balance, we estimate that the funding position has reduced when compared on a consistent basis to 31 March 2022.

The change in the real discount rate since 31 March 2022 will place a lower value on the cost of future accrual which results in a lower primary contribution rate. The impact on secondary contributions will vary by employer.
However, the next formal valuation will be carried out as at 31 March 2025 with new contribution rates set from 1 April 2026. As part of the 2025 valuation, the Fund and us as the Fund Actuary will work together in setting the assumptions for the valuation.

Dr Barry McKay FFA
Partner, Barnett Waddingham LLP

20. Actuarial present value of promised retirement benefits

Introduction

Barnett Waddingham, the Fund Actuary, have been instructed by East Sussex County Council, the administering authority to the East Sussex County Council Pension Fund (the Fund), to undertake pension expense calculations in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to members of the Fund as at 31 March 2023. The Fund Actuary have taken account of current LGPS Regulations, as amended, as at the date of this report.

This report is addressed to the administering authority and its advisers; in particular, this report is likely to be of relevance to the Fund's auditor.

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings. Full details of the benefits being valued are as set out in the Regulations and summarised on the LGPS website (www.lgpsregs.org/) and the Fund's membership booklet (www.lgpsmember.org/).

This report is prepared in accordance with our understanding of IAS26 and complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100). In calculating the disclosed numbers we have adopted methods and assumptions that are consistent with IAS19.

This report should be read in conjunction with the post accounting date briefing note for disclosures as at 31 March 2023.

This report supersedes previous versions of this report and has been updated to reflect the use of the results of the revised March 2022 accounting report as a starting position, and the use of an updated salary increase assumption.

Rosin McGuire FFA

Barnett Waddingham

Data used
We have used the following items of data which we received from the administering authority:

Results of the latest funding valuation - 31 March 2022

Results of the previous IAS26 report - 31 March 2022

Fund asset statement as at - 31 March 2023

Fund income and expenditure items to- 31 March 2023

Details of any new unreduced early retirement payments out - 20 March 2023

The data has been checked for reasonableness and we are happy that the data is sufficient for the purposes of our advice.

Although some of these data items have been estimated, we do not believe that they are likely to have a material effect on the results of this report.

We are not aware of any material changes or events since we received the data.

Fund membership statistics

The table below summarises the membership data at 31 March 2022

Member data summary

	Number	Salaries/Pensions £000	Average age
Actives	24,672	500,451	47
Deferred pensioners	39,993	48,986	51
Pensioners	23,182	116,050	72

Payroll
The total pensionable payroll for the employers in the Fund is set out below and is based on information provided to us by the administering authority. Estimated payroll of the year to 31 March 2023 £539,979,000

Unfunded benefits
We have excluded any unfunded benefits as these are liabilities of employers rather than the Fund.

Early retirements
We have requested data on any early retirements in respect of the Fund from the administering authority for the year ending 31 March 2023. We have been notified of 19 new early retirements during the year which were not allowed for at the previous accounting date. The total annual pension that came into payment was £260,020

Assets
The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2023 is estimated to be - -2.75% based on the Fund asset statements and Fund.

The estimated asset allocation for the Fund is as follows (noting that due to rounding they may not total 100%):

Asset breakdown	31 Mar 2022 £000	31 Mar 2022 %	31 Mar 2023 £000	31 Mar 2023 %
Equities	3,445,580	74%	3,219,201	71%
Bonds	751,882	16%	553,606	12%
Property	390,241	8%	733,175	16%
Cash	90,420	2%	54,520	1%
Total	**4,678,123**	**100%**	**4,560,502**	**100%**

Actuarial methods and assumptions

Valuation approach

To value the Fund's liabilities at 31 March 2023, we roll forward the value of the liabilities calculated for the latest full funding valuation using financial assumptions compliant with IAS19. This will involve an update this year to be based on the fund's 2022 funding valuation.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated value of liabilities as at 31 March 2023 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2023 should not introduce any material distortions in the results provided that the actual experience of the employer and the fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

As required under the IAS19, we have used the projected unit credit method of valuation.

Experience items allowed for since the previous accounting date

2022 valuation update

The liability roll forward will be updated to be based on the fund's 2022 valuation. This update ensures the accounting results are based on the latest information available. The impact of this update will result in experience items on the liabilities and the assets, and could be a positive or negative effect. The experience item reflects how experience over the intervaluation period has differed from that assumed as part of the roll forward approach.

Further detail on the experience item can be provided on request and will incur additional fees.

Allowance for actual pension increases

Our default approach is to allow for actual pension increases up to the accounting date as confirmed by the HM Treasury Order. In addition we allow for actual inflation experience from September 2022 to the most recent known date available. Any difference between this and the pension increase previously assumed will give rise to an experience item.

The 2023 pension increase is higher than previously assumed which will result in a higher value being placed on the defined benefit obligation and a worsening in the overall position. The impact will come through as an experience item.

McCloud/Sargeant judgments

There are currently uncertainties in relation to LGPS benefits due to the McCloud and Sargeant judgments. Remedial regulations are expected in 2023 and uncertainty over the benefit changes proposed for the LGPS will remain until these have been finalised.

Impact on liabilities

The McCloud remedy may impact the value of the liabilities in respect of accrued benefits and therefore an allowance may need to be included in an employer's report.

An allowance has already been made for McCloud at a previous accounting date in our IAS26 report. No explicit adjustment will be made in our results this year. The estimated cost of McCloud will be updated as part of the 2022 valuation update and this will reflect the approach adopted at the valuation in estimating the cost of the McCloud remedy. The difference between this cost and the cost previously incorporated into the Fund's accounting liabilities will be reflected in the liability experience item and we do not expect this to be material. It should be noted that the cost of the McCloud remedy varies with member experience (for example due to salary increases), and therefore the cost calculated at each actuarial valuation will vary, however, generally we do not expect this to be material.

Settlements and curtailments

Employers accounting under the IAS19 standard

When determining any past service cost or gain or loss on settlement IAS19 requires that the net defined benefit liability is remeasured using current assumptions and the fair value of plan assets at the time of the event. Common events for LGPS employers that this may apply to include outsourcings and unreduced early retirements.

Additional calculations are required to determine the cost before and after each event, and to rebase the standard roll forward approach on updated assumptions based on each event date. The extra remeasurement does not need to be applied where the application of that remeasurement is immaterial. The assessment of materiality will be subject to each employer and auditor's discretion. We can provide additional information to help assess materiality but we cannot conclude whether an event is material or not.

Goodwin case

We do not intend to make any adjustments to accounting valuations as a result of the Goodwin case.

Guaranteed Minimum Pension (GMP) equalisation and indexation

Impact of Lloyds judgment on past transfer values

The latest news on the Lloyds Banking Group court case involved a ruling that, in cases where a member exercised their right to a transfer value out of the scheme, the trustee had the duty to make a transfer payment that reflects the member's right to equalised benefits and remains liable if an inadequate transfer payment had been paid.

It is not yet known if, or how, this will affect the LGPS. We await further guidance from CIPFA and DLUHC on this. Whilst no guidance nor data is available, our standard approach currently is to make no allowance to reflect this judgment.

GMP Indexation Consultation response

On 23 March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016.

Our assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we assume that the fund will be required to pay the entire inflationary increase. Therefore, our assumption is consistent with the consultation outcome and we do not believe we need to make any adjustments to the value placed on the liabilities as a result of the above outcome.

Demographic assumptions
Mortality assumption
The key demographic assumption is the mortality assumption and there are two main steps in setting this assumption:

- Making a current assumption of members' mortality (the base mortality); and
- Projecting these current mortality rates into the future, allowing for further potential improvements in mortality. Future members' mortality is almost impossible to predict and therefore there is a lot of judgment involved and we naturally have to refine our view on this over time.

Base table mortality
The base table mortality assumptions adopted for the Fund's latest triennial funding valuations were best estimate assumptions and we will therefore be using the same assumptions as standard for accounting. Our standard approach is to update the mortality assumption to be based on those adopted for the Fund's 2022 actuarial valuation.
Future improvements to mortality
To project future improvements in mortality, we use a model prepared by the Continuous Mortality Investigation Bureau (CMI). The CMI update their model on an annual basis, incorporating the latest mortality data in the national population.
Our standard approach is to update the improvements model to be based on that adopted for the fund's 2022 actuarial valuation.

The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)	31 Mar 2022	31 Mar 2023
Males – retiring today	21.2	21.1
Females – retiring today	23.8	24.1
Males – retiring in 20 years	22.0	22.2
Females – retiring in 20 years	25.1	25.6

Unless stated otherwise in the employer's accounting report, the other key demographic assumptions are:

Commutation
Members will exchange pension to get 50% of the maximum available cash on retirement. For every £1 of pension that members commute, they will receive a cash payment of £12 as set out in the Regulations
Normal retirement
Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age
50:50 take up
The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same

Other demographic assumptions
Unless stated otherwise in the employer's accounting report, the other key demographic assumptions are:

Financial assumptions
The key financial assumptions required for determining the defined benefit obligation for accounting are the discount rate, linked to high quality corporate bond yields, and the rate of future inflation.

We set out our standard approach to the derivation of these assumptions and sample assumptions using market conditions at 31 March 2023.

Discount rate

Under IAS19 the discount rate should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. Our standard approach to derive the appropriate discount rate is known as the Single Equivalent Discount Rate (SEDR) methodology.

We use sample cashflows for employers at each year and derive the single discount rate which results in the same liability value as that which would be determined using a full yield curve valuation (essentially each year's cashflows has a different discount rate). In carrying out this derivation we use the annualised Merrill Lynch AA rated corporate bond yield curve and assume the curve is flat beyond the 30 year point.

The sample cashflows are updated on a three-yearly basis using a full valuation of membership data. These are currently based on cashflows derived as at 31 March 2022. At 31 March 2022, using liability durations at that date, each employer is matched with a set of sample cashflows which best reflects the employer's cashflow profile and maturity. Although employers' liability duration will be remeasured at each accounting date, we assume that their cashflow profile will remain stable over the three-year period and so the sample cashflows allocated remain appropriate.

In addition, we have allowed for actual pension increases up to and including the 2023 Pension Increase Order. This is reflected in the Experience loss/(gain) on defined benefit obligation figure in the results. We have also allowed for actual CPI inflation experienced from September 2022 to March 2023.

Inflation expectations

Whilst the change in corporate bond yields is an important factor affecting the valuation of the liabilities, so too is the assumed level of future inflation as this determines the rate at which the benefits increase.

IAS19 suggests that in assessing future levels of long-term inflation we should use assumptions that would result in a best estimate of the ultimate cost of providing benefits whilst also giving consideration to the gilt market (in line with general price levels) to give us an indication of market expectation.

Pension increases in the LGPS are expected to be based on the Consumer Prices Index (CPI). As there is limited market information on CPI-linked assets, to derive our CPI assumption we first make an assumption on the Retail Prices Index (RPI) then make an adjustment.

Retail Prices Index (RPI) assumption

Similar to the SEDR approach described above we intend to adopt a Single Equivalent Inflation Rate (SEIR) approach in deriving an appropriate RPI assumption.

The SEIR adopted is such that the single assumed rate of inflation results in the same liability as that resulting from applying the BoE implied inflation curve. The BoE implied inflation curve is assumed to be flat beyond the 40 year point.

Following a recent review of the market, and in particular noting the muted market reaction to the likely alignment of RPI with CPIH (Consumer Prices Index with Housing) from 2030, our view is that gilt-implied inflation rates are currently distorted by supply and demand factors at medium and longer terms. We have therefore allowed for an Inflation Risk Premium (IRP) of 0.4% at medium and longer terms (from 9 years). This results in an overall IRP of between 0.0% p.a. and 0.25% p.a. depending on the term of the liabilities (for terms ranging from 1 year up to 30 years).

Consistent with the SEDR approach, assumptions are rounded to the nearest 0.05%

Difference between RPI and CPI

It is expected that RPI will be on average 1.0% p.a. lower than it would have otherwise been from 2030 as a result of the proposed alignment of RPI to CPIH (and CPI) from that date. We have therefore assumed that the annual increase in CPI inflation will be 1.0% p.a. lower than the market implied increases in RPI for each year prior to 2030, and will be in line with RPI inflation thereafter. This results in an assumed gap between the two inflation measures of between 0.25% p.a. and 0.80% p.a. depending on the term of the liabilities (for terms ranging from 30 years down to 5 years).

Consumer Prices Index (CPI) assumption
Using a similar approach described above to calculate the SEIR for our RPI assumption, we have calculated a single equivalent rate of CPI increase that results in the same liability value as would be calculated by applying the implied CPI curve.

Salary increases
The Fund will adopt the standard approach which is in line with the latest actuarial valuation. For more information please see the latest valuation report.

Results and disclosures

We estimate that the net asset as at 31 March 2023 is assets of £517,989

The results of our calculations for the year ended 31 March 2023 are set out below. The figures presented in this report are prepared only for the purposes of FRS102. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

Statement of financial position as at 31 March 2023

Net pension asset in the statement of financial position as at	31-Mar-21 £000	31-Mar-22 £000	31-Mar-23 £000
Present value of defined benefit obligation *	(5,609,613)	(5,669,531)	(4,042,513)
Fair value of Fund assets (bid value)	4,244,872	4,678,667	4,560,502
Net (Liability)/Assets in balance sheet	**(1,364,741)**	**(981,864)**	**517,989**

* The present value of the defined benefit obligation consists of £4,004,340,000 in respect of vested obligation and £38,173,000 in respect of non-vested obligation.

Asset and benefit obligation reconciliation for the year to 31 March 2023

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	31-Mar-22 £000	31-Mar-23 £000
Opening defined benefit obligation	**(5,609,613)**	**(5,669,531)**
Current service cost	(228,898)	(242,639)
Interest cost	(108,384)	(146,099)
Change in financial assumptions	363,842	2,392,022
Change in demographic assumptions	(46,930)	-
Experience loss/(gain) on defined benefit obligation	(142,974)	(477,886)
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	137,093	137,997
Past service costs, including curtailments	(2,491)	(1,158)
Contributions by Scheme participants	(31,176)	(35,219)
Unfunded pension payments	-	-
Closing defined benefit obligation	**(5,669,531)**	**(4,042,513)**

Reconciliation of opening & closing balances of the fair value of Fund assets	31-Mar-22 £000	31-Mar-23 £000
Opening fair value of Fund assets	**4,244,872**	**4,687,667**
Interest on assets	82,721	121,965
Return on assets less interest	367,843	(252,372)
Other actuarial gains/(losses)	-	-
Administration expenses	(2,208)	(3,424)
Contributions by employer including unfunded	100,356	109,444
Contributions by Scheme participants	31,176	35,219
Estimated benefits paid plus unfunded net of transfers in	(137,093)	(137,997)
Settlement prices received / (paid)	-	-
Closing Fair value of Fund assets	**4,687,667**	**4,560,502**

The total return on the Fund's assets for the year to 31 March 2023 is loss of £-130,407,000 (2022 £450,564,000)

Sensitivity Analysis

	Approximate % increase to liabilities	Approximate monetary amount (£m)
Present value of total obligation	4,042,513	4,042,513
Sensitivity to	+0.1%	-0.1%
Discount rate	3,977,568	4,109,165
Long term salary increase	4,046.474	4,038,578
Pension increases and deferred revaluation	4,106,385	3,980,225
Sensitivity to	+1 Year	- 1 Year
Life expectancy assumptions	4,204,035	3,887,936

The information in the above note is all from our Fund Actuary - **Barnett Waddingham.**

21. Current Assets

	31 March 2022 £000	31 March 2023 £000
Other Investment Balances		
Sales inc Currency	-	-
Investment Income Due	500	674
Recoverable Taxes	274	388
Total	**774**	**1,062**

	31 March 2022 £000	31 March 2023 £000
Current Assets		
Contributions receivable from employers and employees	11,136	11,796
Sundry Debtors	2,077	2,177
Cash	2,178	9,332
Total	**15,391**	**23,305**

22. Current liabilities

	31 March 2022 £000	31 March 2023 £000
Investment Liabilities		
Purchases including currency	-	(309)
Derivative Contracts Futures	(3)	-
Variation Margin	(8)	(53)
Managers Fees	(1,162)	(699)
Total	**(1,173)**	**(1,061)**

	31 March 2022 £000	31 March 2023 £000
Current Liabilities		
Pension Payments (inc Lump Sums)	(306)	(221)
Cash	-	-
Professional Fees	(2,798)	(2,237)
Administration Recharge	(72)	(72)
Sundry Creditors	(1,510)	(2,031)
Total	(4,686)	**(4,561)**

23. Additional voluntary contributions

	Market value 31 March 2022 £000	Market value 31 March 2023 £000
Prudential	22,647	17,232[1]

1 This does not include the terminal bonuses for the members with profits investments as these were not available from the Fund's AVC provider the comparative figure for 31 March 2022 was £17,472k.

The Pension Fund Scheme provides an Additional Voluntary Contribution (AVC) facility for scheme members. Some members of the pension scheme paid voluntary contributions and transfers in of £2.504m (£2.241m 2021/22) to Prudential to buy extra pension benefits when they retire. £3.187m was disinvested from the AVC provider in 2022/23 (£3.479m 2021/22). Contributions and benefits to scheme members are made directly between the scheme member and the AVC provider. The AVC funds are not, therefore, included in the Pension Fund Accounts.

24. Agency Services

The East Sussex Pension Fund pays discretionary awards to former employees on behalf of some employers in the Fund. The amounts paid are provided as a service and are fully reclaimed from the employer bodies. The sums are disclosed below.

	2021/22 £000	2022/23 £000
East Sussex County Council	4,638	4,618
Brighton & Hove City Council	2,105	2,056
Eastbourne Borough Council	289	281
Magistrates	192	199
Wealden District Council	170	168
Hastings Borough Council	169	165
Rother District Council	102	99
Lewes District Council	69	66
Brighton University	23	24
South-East Water	32	22
Westminster (used to be LPFA)	18	20
Mid-Sussex District Council	19	19
East Sussex Fire Authority	14	14
London Borough of Camden	7	8
London Borough of Southwark	6	7
The Eastbourne Academy	6	6
West Midlands Pension Fund	5	5

	2021/22 £000	2022/23 £000
West Sussex County Council	4	4
Torfaen Borough Council	4	4
Sussex University	3	3
Varndean College	2	2
London Borough of Ealing	2	2
East Sussex College Group	1	1
Plumpton College	1	1
Optivo	1	1
Total	**7,882**	**7,795**

25. Related party transactions

East Sussex County Council

The East Sussex Pension Fund is administered by East Sussex County Council. Consequently, there is a strong relationship between the Council and the Pension Fund.

Each member of the Pension Committee is required to declare their interests at each meeting. The Treasurer of the Pension Fund, and Members of the County Council and the Pension Committee have no material transactions with the Pension Fund.

The Council incurred costs in administering the Fund and charged £2.0m to the Fund in 2022/23 (£1.6m in 2021/22). The Council`s contribution to the Fund was £46.6m in 2022/23 (£43.0 in 2020/21). All amounts due to the Fund were paid in the year. At 31 March 2023 the Pension Fund bank account held £9.8m in cash (£3.7m at 31 March 2022). The average throughout the year was £8.2m (£6.1m in 2021/22).

Key management personnel

The Chief Finance Officer of East Sussex County Council holds the key position in the financial management of the East Sussex Pension Fund.

	31 March 2022 £000	31 March 2023 £000
Short-term benefits	26	28
Post-employment benefits	5	5
Total	**31**	**33**

26. Contingent liabilities and contractual commitments

1. Outstanding capital commitments (investments) at 31 March 2023 totaled £236.8m (31 March 2022: £304.1m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts ‘called’ by these funds are irregular in both size and timing, typically over a period of between four and six years from the date of each original commitment.

At, 31 March 2022, the unfunded commitment was £168.8m for private equity, £48.1m for infrastructure and £19.9m for private debt. The commitments are paid over the investment timeframe of the underlying partnerships. As these partnerships mature, they are due to distribute capital back to investors. Commitments are made in US Dollars or Euros and the figures presented here are based on relevant Sterling exchange rates as at 31 March 2022.

2. Exit Payments

There were no employers whose contracts were due to end by the 31 March 2023 where an exit credit may need to be paid out. If there was the Fund needs to obtain final information from the employers and then will need to commission the final cessation report from the actuaries to ascertain if an exit payment is due for these employers.

3. GMP Reconciliation Project

The Guaranteed Minimum Pension (GMP) Reconciliation project was split into number stages for Local Government Pension Schemes (LGPS). The Fund has completed the discovery and GMP reconciliation phases, which reviewed data inconsistencies, raised issues with HMRC and agreed outcomes.

GMP elements of LGPS pension where State Pension Age is prior to 6 April 2016 has not increased in respect of the period 6 April 1978 to 5 April 1988. While the Post 1988 GMP element in respect of the period 6 April 1988 to 5 April 1997 might be increased up to a maximum of 3% p.a. The Government increase the State Pension for the member fully on the Pre 1988 GMP element and for Post 1988 GMP element has only increased if CPI is above 3% p.a.

The effect of LGPS pensions not showing the correct amount of GMP for its members would mean that their pension might be increased incorrectly. This can result in underpayments and overpayments, at a member specific level. The next stage, which is GMP Rectification, will amend LGPS pensions in line with the reconciled GMP information. Rectification will also involve a significant member communication exercise to explain the changes taking place.

The GMP rectification project has been postponed this year. We are still using the same third-party specialist (Mercer) to undertake the work but due to the delay they will first need to revisit the reconciliation phase as many members impacted will have changed status in the intervening period. We have now reignited the project in May 2023 and have completed a LGPS Benefit Specification and expect to export the data in June 2023. The project is expected to be completed in 2023 but we are still not in a position to quantify any under/overpayment liabilities values as at 31 March 2023.

4. Tax charges

The Fund is currently undertaking a review of the Annual Allowance pension saving statements issued and has identified some discrepancies in tax liabilities. Where the Fund has incorrectly advised a member of a tax payment, the Fund will pay any interest payments and penalties due to HMRC. As at the balance sheet date these potential interest and penalties payments were unknown.

5. Infrastructure holding

One of the Fund's infrastructure managers has a minority holding in asset that it was in the process of selling which was expected to conclude in January 2023. The expected purchase of this asset did not take place and the manager has been looking into how it might now sell this asset. The company has encountered a more challenging operating environment than anticipated and it is expected that an additional equity capital raise. There is currently a lack of visibility on the price of the equity raise and the fact that the manager do not want to set a value which could create an adverse benchmark against which to set a price for the equity raise, the manager have decided to leave the Q1 2023 valuation flat versus Q4 2022 valuation. A price for the potential equity raise is expected to be set in Q2 2023 and will establish a new valuation point for the asset, based on this new information the manager will revisit the valuation of the asset. It is our expectation that the assets Q2 2023 valuation may need to be revised downward.

27. Contingent assets

1. Employer bonds/guarantees

There are 9 admitted body employers in the Fund that hold insurance bonds to guard against the possibility of them being unable to meet their pension obligations. 4 employers are currently negotiating new bonds due to expiry of their current bonds. These bonds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default.

In addition to these bonds, pension's obligations in respect of 18 other admitted bodies are covered by:

2 guarantees by Academies participating in the Fund.

12 guarantees by local authorities participating in the Fund.

3 Parent company guarantee.

1 deposit held by East Sussex County Council

2. Private market investments

At 31 March 2023, the Fund has invested £375.1 million in private equity funds managed by Adams Street and HarbourVest. The Fund has also invested £43 million in the M&G real estate debt fund VI and £404.6 million in the infrastructure funds managed by UBS, Pantheon and Infracapital and IFM

28. Impairment losses

During 2022/23, the fund has not recognised any impairment losses.

29. East Sussex Pension Fund – Active Participating Employers

	21/22 Payroll %	21/22 Amount £(000)	22/23 Payroll %	22/23 Amount £(000)	23/24 Payroll %	23/24 Amount £(000)
Scheduled Bodies - Major Authorities						
Brighton and Hove City Council	20.3	-	19.8	-	19.8	-
East Sussex County Council	17.6	5,568	17.6	4,966	19.7	-
East Sussex Fire and Rescue Service	17.9	137	17.9	109	18.7	-
Eastbourne Borough Council	19.4	-	18.9	-	17.9	-
Hastings Borough Council	17.6	508	17.6	476	22.1	-
Lewes District Council	23.6	-	23.1	-	22.1	-
Rother District Council	25.6	-	25.1	-	24.1	-
University of Brighton	17.7	-	17.2	-	17.2	-
Wealden District Council	17.6	538	17.6	499	21.0	-
Other Scheduled Bodies						
Arlington Parish Council	21.6	-	21.1	-	20.1	-
Battle Town Council	21.6	-	21.1	-	20.1	-
Berwick Parish Council	21.6	-	21.1	-	20.1	-
Bexhill on Sea Town Council	-	-	18.2	-	20.1	-
Buxted Parish Council	21.6	-	21.1	-	20.1	-
Camber Parish council	21.6	-	21.1	-	20.1	-
Chailey Parish Council	21.6	-	21.1	-	20.1	-
Chiddingly Parish Council	21.6	-	21.1	-	20.1	-
Conservators of Ashdown Forest	21.6	-	21.1	-	20.1	-
Crowborough Town Council	21.6	-	21.1	-	20.1	-
Danehill Parish Council	21.6	-	21.1	-	20.1	-
Ditchling Parish Council	21.6	-	21.1	-	20.1	-
East dean & Fristan Parish Council	-	-	18.2	-	20.1	-
Fletching Parish Council	21.6	-	21.1	-	20.1	-
Firle Parish Council	-	-	18.2	-	20.1	-
Forest Row Parish Council	21.6	-	21.1	-	20.1	-
Frant Parish Council	21.6	-	21.1	-	20.1	-
Hadlow Down Parish Council	21.6	-	21.1	-	20.1	-
Hailsham Town Council	21.6	-	21.1	-	20.1	-
Hartfield Parish Council	21.6	-	21.1	-	20.1	-
Heathfield & Waldron Parish Council	21.6	-	21.1	-	20.1	-
Herstmonceux Parish Council	21.6	-	21.1	-	20.1	-
Hurst Green Parish Council	21.6	-	21.1	-	20.1	-
Icklesham Parish Council	21.6	-	21.1	-	20.1	-
Isfield Parish Council	21.6	-	21.1	-	20.1	-
Kingston Parish Council	-	-	18.2	-	20.1	-
Lewes Town Council	21.6	-	21.1	-	20.1	-
Maresfield Parish Council	21.6	-	21.1	-	20.1	-
Newhaven Town Council	21.6	-	21.1	-	20.1	-
Newick Parish Council	21.6	-	21.1	-	20.1	-
Peacehaven Town Council	21.6	-	21.1	-	20.1	-
Pett Parish Council	21.6	-	21.1	-	20.1	-
Plumpton Parish Council	21.6	-	21.1	-	20.1	-
Rye Town Council	21.6	-	21.1	-	20.1	-

	21/22 Payroll %	21/22 Amount £(000)	22/23 Payroll %	22/23 Amount £(000)	23/24 Payroll %	23/24 Amount £(000)
Salehurst & Robertsbridge Parish Council	21.6	-	21.1	-	20.1	-
Seaford Town Council	21.6	-	21.1	-	20.1	-
Telscombe Town Council	21.6	-	21.1	-	20.1	-
Uckfield Town Council	21.6	-	21.1	-	20.1	-
Wartling Parish Council	21.6	-	21.1	-	20.1	-
Willingdon and Jevington Parish Council	21.6	-	21.1	-	20.1	-
Wivelsfield Parish Council	21.6	-	21.1	-	20.1	-
Academy Schools						
Annecy Catholic Primary Academy	15.0	-	14.5	-	13.4	-
Aquinas Trust	20.5	-	20.0	-	19.0	-
ARK Schools Hastings	20.1	-	19.6	-	18.9	-
Aurora Academies Trust	19.9	-	19.4	-	18.9	-
Beacon Academy	22.5	-	22.0	-	21.0	-
Beckmead Ropemakers Academy	16.3	-	16.3	-	17.3	-
Bexhill Academy	22.4	-	21.9	-	20.9	-
Bilingual Primary School	15.1	-	14.6	-	15.6	-
Breakwater Academy	16.5	-	16.0	-	19.8	-
Burfield Academy (Hailsham Primary)	19.5	-	19.0	-	19.8	-
Cavendish Academy	20.0	-	19.5	-	18.9	-
Chyngton School	-	-	21.0	-	20.4	
Diocese of Chichester Academy Trust	23.9	-	23.4	-	22.4	-
Ditchling CE Primary	-	-	21.0	-	20.4	-
Eastbourne Academy	20.7	-	20.2	-	19.2	-
Falmer (Brighton Aldridge Community Academy)	19.5	-	19.0	-	18.9	-
Flagship School	-	-	22.3	-	21.3	-
Gildredge House Free School	19.1	-	18.6	-	18.9	-
Glyne Gap Academy	20.9	-	20.4	-	19.4	-
Hailsham Academy	19.5	-	19.0	-	18.9	-
Hawkes Farm Academy	15.9	-	15.4	-	19.8	-
High Cliff Academy	19.5	-	19.0	-	19.8	-
Jarvis Brook Academy	14.0	-	13.5	-	14.5	-
King's Church of England Free School	15.7	-	15.2	-	16.2	-
Langney Primary Academy	12.9	-	12.4	-	13.4	-
Ore Village Academy	18.0	-	17.5	-	18.5	-
Mouslecoombe Primary School	-	-	27.2	-	26.2	-
Parkland Infant Academy	14.3	-	13.8	-	14.8	-
Parkland Junior Academy	13.9	-	13.4	-	14.4	-
Peacehaven Academy	12.5	-	12.0	-	13.5	-
Peacehaven Heights	-	-	25.7	-	19.8	-
Pebsham Academy	19.0	-	18.5	-	18.9	-
Phoenix Academy	19.9	-	19.4	-	19.8	-
Portslade Aldridge Community Academy	19.4	-	18.9	-	19.9	-
King's Academy Ringmer	20.3	-	19.8	-	18.9	-
Roseland Infants	-	-	24.9	-	23.9	-
SABDEN Multi Academy Trust	23.1	-	22.6	-	19.6	-
Saxon Shore Academy	22.7	-	22.7	-	21.7	-
Seaford Academy	20.6	-	20.1	-	19.1	-
Seahaven Academy	21.0	-	20.5	-	19.5	-
Shinewater Primary Academy	14.0	-	13.5	-	14.5	-

	21/22 Payroll %	21/22 Amount £(000)	22/23 Payroll %	22/23 Amount £(000)	23/24 Payroll %	23/24 Amount £(000)
Sir Henry Fermor Academy	14.3	-	13.8	-	14.8	-
Stafford Junior	-	-	25.7	-	24.7	
The South Downs Learning Trust	11.7	-	11.2	-	12.2	-
The Southfield Trust	13.9	-	13.4	-	14.4	-
Telscombe Cliffs	-	-	23.8	-	19.8	-
Torfield & Saxon Mount Academy Trust	22.1	-	21.6	-	20.6	-
University of Brighton Academies Trust	19.5	-	19.0	-	18.9	-
White House Academy	17.0	-	16.5	-	19.8	-
Colleges						
Bexhill College	21.2	-	21.2	-	21.2	-
Brighton, Hove & Sussex Sixth Form College	19.8	-	19.8	-	19.8	-
East Sussex College Group	20.7	-	20.7	-	20.7	-
Plumpton College	18.9	-	18.9	-	18.9	-
Varndean Sixth Form College	19.8	-	19.8	-	19.8	-
Admission Bodies						
BHCC - Wealden Leisure Ltd	33.0	-	33.0	-	27.7	-
Biffa Muncipal Ltd	28.8	-	28.8	-	27.8	-
Brighton and Hove CAB	0.0	-	0.0	-	0.0	-
Brighton and Hove Housing Trust	-	-	31.4	-	31.4	
Brighton Dome & Festival Limited (Music & Arts Service)	0.0	-	0.0	-	4.3	-
Brighton Dome and Fest BHCC ceased	0.0	-	0.0	-	0.0	-
Care Outlook Ltd	0.0	-	0.0	-	0.0	-
Care Quality Commission	49.2	92	49.2	92	44.8	-
Churchill St Leonards	29.7	-	29.7	-	-	-
Churchill St Pauls	34.1	-	34.1	-	33.1	-
Churchill Contract Services - St Paul's CoE Academy	0.0	-	0.0	-	33.1	-
Churchill East Sussex joined and ceased*	0.0	-	0.0	-	0.0	-
Compass (The Causeway)	-	-	34.0	-	32.0	-
De La Warr Pavilion Charitable Trust	4.8	-	4.8	-	2.9	-
East Sussex Energy, Infrastructure & Development Ltd (ESEIDL)	29.2	13	29.2	13	28.2	-
EBC – Towner	31.0	7	31.0	7	22.1	-
ESCC - NSL Ltd	3.6	-	3.6	-	0.0	-
Glendale Grounds Management Ltd	29.4	-	29.4	-	28.4	-
Grace Eyre	0.0	-	0.0	-	0.0	-
Halcrow Group Ltd	5.4	-	5.4	-	23.6	-
Idverdue*	0.0	-	0.0	-	33.1	-
Just Ask Estates Ltd	32.6	-	32.6	-	0.0	-
Nviro Ltd	35.3	-	35.3	-	-	-
Southern Housing	45.8	920	45.8	920	45.9	111
Royal Pavilion & Museums Trust	17.8	-	17.8	-	17.8	-
Sussex County Sports Partnership	17.7	-	17.2	-	17.2	-
Sussex Housing & Care	0.0	-	0.0	-	0.0	-
Sussex IFCA Insure Fisheries and Conversation Authority	-	-	18.2	-	20.1	-
Telent Technology Services Ltd	20.8	-	20.8	-	20.8	-
Vardean School BHCC*	0.0	-	0.0	-	0.0	-
Wave Leisure - Newhaven Fort	0.0	-	0.0	-	7.0	-

	21/22 Payroll %	21/22 Amount £(000)	22/23 Payroll %	22/23 Amount £(000)	23/24 Payroll %	23/24 Amount £(000)
Wave Leisure Trust Ltd	0.0	-	0.0	-	7.1	-
Wave Leisure Trust Ltd - EBC	0.0	-	22.4	-	7.1	-
WDC - Wealden Leisure Ltd	33.0	-	33.0	-	26.1	-
Wealden Leisure Ltd - Portslade Sports Centre	0.0	-	0.0	-	0.0	-
White Rock Theatres Hastings Ltd	0.0	-	0.0	-	0.0	-

30. Investment Performance

The Fund uses an independent Investment performance measurement service, provided by Pensions & Investment Research Consultants Ltd (PIRC), which measures the performance of the Fund compared with 47 other local authority pension funds. Pension Fund investment is long-term, so as well as showing the annual performance of the Fund, comparison to peers over longer periods is also detailed below.

Performance relative to the Fund's strategic benchmark

	1 year (%)	3 years (%p.a.)	5 years (%p.a.)	10 years (%p.a.)
Fund	(2.5)	9.6	6.2	7.5
Benchmark	(1.1)	9.2	5.7	6.7
Relative*	(1.4)	0.4	0.6	0.8

Investment performance relative to peer group

	1 year (%)	3 years (%p.a.)	5 years (%p.a.)	10 years (%p.a.)
Fund	(2.5)	9.6	6.2	7.5
Local Authority Average	(1.5)	9.6	6.0	7.3
Relative*	(1.0)	0.0	0.6	0.2

The Fund outperformed the (weighted) average local authority Fund over the year by 1.0% (1.8% outperformance 2021/22), ranking the East Sussex Fund in the 39th percentiles (14th 2021/22) in the local authority universe. Over three years the Fund was in line with the average (0.2% outperformance 2020/21) and was placed in the 43rd percentiles (56th 2020/21). Over five years the Fund outperformed by 0.2% (0.5% underperformance in 2020/21) and was placed in the 27th percentiles (67th 2020/21). Over ten years the fund years, the fund outperformed by 0.2% (0.1% underperformance 2020/21) and was placed in the 21st percentiles (54th 2020/21).

*Relative performance is calculated on a geometric basis as follows:

((1 + Fund Performance) / (1 + Benchmark Performance)) - 1

As opposed to the simpler arithmetic method, the geometric method makes it possible to directly compare long-term relative performance with shorter-term relative performance.

17. External auditor's report

Report to Follow

Appendix I - Pensions Administration Strategy Statement

The Local Government Pension Scheme Regulation 59(1) of the (Administration) Regulations 2013 covers the requirement for an administering authority to prepare a written statement of policies as it considers appropriate in the form of a Pensions Administration Strategy. The East Sussex Pension Fund Pensions Administration Strategy is kept under review and revised to reflect changes to LGPS regulations and Fund policies.

The Pensions Administration Strategy document sets out a framework by way of outlining the policies and performance standards to be achieved when providing a cost-effective inclusive and high-quality pensions administration service. In particular it sets out:

- The roles and responsibilities of both the Fund and the employers within the Fund.
- The level of service the Fund and employers will provide to each other
- The performance measures used to evaluate the level of service

The administration strategy statement will be reviewed in line with each valuation cycle, the last revision was approved in June 2023. All scheme employers are be consulted before any changes are made to this document.

The latest version of the administration strategy statement is available on the Fund's website

https://www.eastsussexpensionfund.org/media/utsjckd3/pensions-administration-strategy-2023.pdf

Appendix 2 - Funding strategy statement

The Funding Strategy Statement (FSS) focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. The FSS is prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013, CIPFA guidance and in collaboration with the Fund's actuary in place at the time of the last triennial valuation, Hymans Robertson LLP, after consultation with the Fund's employers and investment adviser.

The FSS sets out how the Administering Authority has balanced the conflicting aims of:

- affordability of employer contributions,
- transparency of processes,
- stability of employers' contributions, and
- prudence in the funding basis.

The FSS is a summary of the Fund's approach to funding its liabilities, and this includes reference to the Fund's other policies; it is not an exhaustive statement of policy on all issues. The FSS forms part of a framework of which includes:

- the LGPS Regulations;
- the Rates and Adjustments Certificate (confirming employer contribution rates for the next three years);
- actuarial factors for valuing individual transfers, early retirement costs and costs of buying added service; and
- the Fund's Investment Strategy Statement

The Funding Strategy Statement was updated to reflect funding principles agreed for the 2022 actuarial valuation and was approved in March 2023. The funding principles apply to employer contributions payable from 1 April 2023 to 31 March 2024.

The approach used to set asset allocations for new bodies, to calculate the bond requirements for admitted bodies and to determine any cessation debts payable by exiting employers are calculated in line with the Funding Strategy Statement. The Fund monitors the change in the funding position at a whole Fund level on a regular basis. The next review of the Funding Strategy Statement will take place over the 2025/26 year as part of the 2025 valuation exercise.

The latest version of the Funding Strategy Statement is available on the Fund's website:

https://www.eastsussexpensionfund.org/media/x4lpeopm/funding-strategy-statement-2023.pdf

East Sussex Pension Fund

Funding Strategy Statement 2023

• Contents

Introduction

This is the Funding Strategy Statement for the East Sussex Pension Fund (the Fund). It has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 as amended (the Regulations) and describes East Sussex County Council's strategy, in its capacity as administering authority, for the funding of the East Sussex Pension Fund.

The Fund's employers and the Fund Actuary, Barnett Waddingham LLP, have been consulted on the contents of this statement.

This statement should be read in conjunction with the Fund's Investment Strategy Statement (ISS) and has been prepared with regard to the guidance (*Preparing and Maintaining a funding strategy statement in the LGPS 2016 edition)* issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Purpose of the Funding Strategy Statement

The purpose of this Funding Strategy Statement (FSS) is to:

- Establish a clear and transparent fund-specific strategy that will identify how employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as nearly constant a primary contribution rate as possible, as defined in Regulation 62(6) of the Regulations;
- Ensure that the regulatory requirements to set contributions to meet the future liability to provide Scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the Fund are met; and
- Take a prudent longer-term view of funding those liabilities.

Aims and purpose of the Fund

The aims of the Fund are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to all relevant parties (such as the taxpayers, scheduled, resolution and admitted bodies), while achieving and maintaining Fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the Fund and employers, and the risk appetite of the administering authority and employers alike; and
- Seek returns on investment within reasonable risk parameters.

The purpose of the Fund is to:

- Pay pensions, lump sums and other benefits to Scheme members as provided for under the Regulations;
- Meet the costs associated in administering the Fund; and
- Receive and invest contributions, transfer values and investment income.

Funding objectives

Contributions are paid to the Fund by Scheme members and the employing bodies to provide for the benefits which will become payable to Scheme members when they fall due.

The funding objectives are to:

- Ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund;
- Ensure the solvency of the Fund;
- Set levels of employer contribution rates to target a 100% funding level over an appropriate time period and using appropriate actuarial assumptions, while taking into account the different characteristics of participating employers;
- Build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective; and
- Adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the taxpayer from an employer defaulting on its pension obligations.
- In developing the funding strategy, the administering authority should also have regard to the likely outcomes of the review carried out under Section 13(4)(c) of the Public Service Pensions Act 2013. Section 13(4)(c) requires an independent review of the actuarial valuations of the LGPS funds; this involves reporting on whether the rate of employer contributions set as part of the actuarial valuations are set at an appropriate level to ensure the solvency of the Fund and the long-term cost efficiency of the Scheme so far as relating to the pension Fund. The review also looks at compliance and consistency of the actuarial valuations.

Key parties

The key parties involved in the funding process and their responsibilities are set out below.

The administering authority

The administering authority for the Fund is East Sussex County Council. The main responsibilities of the administering authority are to:

- Operate the Fund in accordance with the LGPS Regulations;
- Collect employee and employer contributions, investment income and other amounts due to the Fund as stipulated in the Regulations;
- Invest the Fund's assets in accordance with the Fund's Investment Strategy Statement;
- Pay the benefits due to Scheme members as stipulated in the Regulations;
- Ensure that cash is available to meet liabilities as and when they fall due;
- Take measures as set out in the Regulations to safeguard the Fund against the consequences of employer default;
- Manage the actuarial valuation process in conjunction with the Fund Actuary;
- Prepare and maintain this FSS and also the ISS after consultation with other interested parties;
- Monitor all aspects of the Fund's performance;
- Effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and Scheme employer; and
- Enable the Local Pension Board to review the valuation process as they see fit.

Scheme employers

In addition to the administering authority, a number of other Scheme employers participate in the Fund.

The responsibilities of each employer that participates in the Fund, including the administering authority, are to:

- Collect employee contributions and pay these together with their own employer contributions, as certified by the Fund Actuary, to the administering authority within the statutory timescales;
- Notify the administering authority of any new Scheme members and any other membership changes promptly;
- Develop a policy on certain discretions and exercise those discretions as permitted under the Regulations;
- Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures; and
- Pay any exit payments due on ceasing participation in the Fund.

Scheme members

Active Scheme members are required to make contributions into the Fund as set by the Department for Levelling Up, Housing and Communities (DLUHC).

Fund Actuary

The Fund Actuary for the Fund is Barnett Waddingham LLP.

The main responsibilities of the Fund Actuary are to:

- Prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency after agreeing assumptions with the administering authority and having regard to the FSS and the Regulations;
- Prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill-health retirement costs, compensatory added years costs, etc;
- Provide advice and valuations on the exiting of employers from the Fund;
- Provide advice and valuations relating to new employers, including recommending the level of bonds or other forms of security required to protect the Fund against the financial effect of employer default;
- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations;
- Ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to their role in advising the Fund; and
- Advise on other actuarial matters affecting the financial position of the Fund.

Funding strategy

The factors affecting the Fund's finances are constantly changing, so it is necessary for its financial position and the contributions payable to be reviewed from time to time by means of an actuarial valuation to check that the funding objectives are being met.

The most recent actuarial valuation of the Fund was carried out as at 31 March 2022. The results of the 2022 valuation are set out in the table below:

2022 valuation results	Amounts (£)
Surplus (Deficit)	£858m
Funding level	123%

On a whole Fund level, the primary rate required to cover the employer cost of future benefit accrual is 20.2% of payroll p.a.

The individual employer contribution rates are set out in the Rates and Adjustments Certificate which forms part of the Fund's 2022 valuation report.

The actuarial valuation involves a projection of future cashflows to and from the Fund. The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund. A summary of the methods and assumptions adopted is set out in the sections below.

Funding method

The key objective in determining employers' contribution rates is to establish a funding target and then set levels of employer contribution rates to meet that target over an agreed period.

The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund.

For all employers, the method adopted is to consider separately the benefits accrued before the valuation date (past service) and benefits expected to be accrued after the valuation date (future service). These are evaluated as follows:

- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service. It makes allowance for future increases to members' pay and pensions. A funding level in excess of 100% indicates a surplus of assets over liabilities; while a funding level of less than 100% indicates a deficit; and
- The future service funding rate (also referred to as the primary rate as defined in Regulation 62(5) of the Regulations) is the level of contributions required from the individual employers which, in combination with employee contributions is expected to cover the cost of benefits accruing in future.
- The adjustment required to the primary rate to calculate an employer's total contribution rate is referred to as the secondary rate, as defined in Regulation 62(7). Further details of how the secondary rate is calculated for employers is given below in the Deficit recovery/surplus amortisation periods section.

The approach to the primary rate will depend on specific employer circumstances and in particular may depend on whether an employer is an "open" employer – one which allows new staff access to the Fund, or a "closed" employer – one which no longer permits new staff access to the Fund. The expected period of participation by an employer in the Fund may also affect the total contribution rate.

For open employers, the actuarial funding method that is adopted is known as the Projected Unit Method. The key feature of this method is that, in assessing the future service cost, the primary rate represents the cost of one year's benefit accrual only.

For closed employers, the actuarial funding method adopted is known as the Attained Age Method. The key difference between this method and the Projected Unit Method is that the Attained Age Method assesses the average cost of the benefits that will accrue over an appropriate specific period, such as the length of a contract or the remaining expected working lifetime of active members.

The approach by employer may vary to reflect an employer's specific circumstance, however, in general the closed employers in the Fund are admission bodies who have joined the Fund as part of an outsourcing contract and therefore the Attained Age Method is used in setting their contributions. All other employers (for example councils, higher education bodies and academies) are generally open employers and therefore the Projected Unit Method is used. The administering authority holds details of the open or closed status of each employer.

Valuation assumptions and funding model

In completing the actuarial valuation, it is necessary to formulate assumptions about the factors affecting the Fund's future finances such as price inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc.

The assumptions adopted at the valuation can therefore be considered as:

- The demographic (or statistical) assumptions which are essentially estimates of the likelihood or timing of benefits and contributions being paid, and
- The financial assumptions which will determine the estimates of the amount of benefits and contributions payable and their current (or present) value.

Future price inflation

The base assumption in any valuation is the future level of price inflation over a period commensurate with the duration of the liabilities, as measured by the Retail Price Index inflation (RPI). This is derived using the 20 year point on the Bank of England implied Retail Price Index (RPI) inflation curve, with consideration of the market conditions over the six months straddling the valuation date. The 20 year point on the curve is taken as 20 years is consistent with the average duration of an LGPS Fund. A deduction of 0.3% p.a. is applied to the yield at the 20 year point to reflect the shape of the yield curve. A further deduction of 0.4% p.a. is applied to reflect the view that investors are willing to pay a premium for inflation-linked products in return for protection against unexpected inflation.

Future pension increases

Pension increases are linked to changes in the level of the Consumer Price Index inflation (CPI). Inflation as measured by the CPI has historically been less than RPI principally due to different calculation methods. However, RPI is due to be aligned with CPIH (CPI but with allowance for housing costs) from 2030.

Therefore, reflecting the anticipated amendment to RPI from 2030 and therefore the relative difference between RPI and CPI, a deduction of 0.35% p.a. is made to the RPI assumption to derive the CPI assumption.

Future pay increases

As some of the benefits are linked to pay levels at retirement, it is necessary to make an assumption as to future levels of pay increases. Historically, there has been a close link between price inflation and pay increases with pay increases exceeding price inflation in the longer term. The long-term pay increase assumption adopted as at 31 March 2022 was CPI plus 1.0% p.a. which includes allowance for promotional increases.

Future investment returns/discount rate

To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values.

The discount rate that is applied to all projected liabilities reflects a prudent estimate of the rate of investment return that is expected to be earned from the Fund's long-term investment strategy by considering average market yields in the six months straddling the valuation date. The discount rate so determined may be referred to as the "ongoing" discount rate.

It may be appropriate for an alternative discount rate approach to be taken to reflect an individual employer's situation. This may be, for example, to reflect an employer targeting a cessation event or to reflect the administering authority's views on the level of risk that an employer poses to the Fund. The Fund Actuary will incorporate any such adjustments after consultation with the administering authority.

A summary of the financial assumptions adopted for the 2022 valuation is set out in the table below:

Financial assumptions as at 31 March 2022	Amounts
RPI inflation	3.2% p.a.
CPI inflation	2.9% p.a.
Pension/deferred pension increases and CARE revaluation	In line with CPI inflation
Pay increases	CPI inflation + 1.0% p.a.
Discount rate	4.6% p.a.

Asset valuation

For the purpose of the valuation, the asset value used is the market value of the accumulated fund at the valuation date, adjusted to reflect average market conditions during the six months straddling the valuation date. This is referred to as the smoothed asset value and is calculated as a consistent approach to the valuation of the liabilities.

The Fund's assets are notionally allocated to employers at an individual level by allowing for actual Fund returns achieved on the assets and cashflows paid into and out of the Fund in respect of each employer (e.g. contributions received and benefits paid).

Demographic assumptions

The demographic assumptions incorporated into the valuation are based on Fund-specific experience and national statistics, adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers.

Further details of the assumptions adopted are included in the Fund's 2022 valuation report.

McCloud/Sargeant judgements

When the Government reformed public service pension schemes in 2014 and 2015 they introduced protections for older members. In December 2018, the Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. A consultation has been run in relation to the changes proposed for the LGPS and legislation is now being drafted to bring forward these changes. We understand the updated Regulations are to be consulted on over the course of 2022 with revised Regulations effective from October 2023.

For the 2022 valuation, as required by the Department for Levelling Up, Housing & Communities, in calculating the value of members' liabilities it was assumed that:

- The current underpin (which only applies to those members within 10 years of their NPA at 31 March 2012) will be revised and will apply to all members who were active in the Scheme on or before 31 March 2012 and who join the post 1 April 2014 scheme without a disqualifying service gap;
- The period of protection will apply from 1 April 2014 to 31 March 2022 but will cease when a member leaves active service or reaches their final salary scheme normal retirement age (whichever is sooner);
- Where a member remains in active service beyond 31 March 2022 the comparison of their benefits will be based on their final salary when they leave the LGPS or when they reach their final salary scheme normal retirement age (again whichever is sooner);
- Underpin protection will apply to qualifying members who leave active membership of the LGPS with an immediate or deferred entitlement to a pension; and
- The underpin will consider when members take their benefit.

Further details of the McCloud/Sergeant judgement can be found below in the Regulatory risks section.

Based on the member data provided, and the above understanding of the proposed Regulations, the Fund Actuary has assessed the impact of the underpin protection for each active member in the Fund. Both benefits have been calculated for each member and the higher benefit valued to determine the appropriate liability for that member and relevant employer.

Guaranteed Minimum Pension (GMP) indexation and equalization

On 23 March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016. Details of the consultation outcome can be found **here**.

The 2022 valuation approach for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the government providing the remainder of the inflationary increase. For members that reach SPA after this date, the Fund will be required to pay the entire inflationary increase.

Stabilisation mechanism

The LGPS Regulations (Regulation 62 (5)(b)) specify that the actuary must have regard to the desirability of maintaining as nearly constant a primary rate as possible. However it is a key objective of the fund to maintain stability of total rates as far as possible. The Fund therefore adopts a stabilisation approach to achieve this aim.

Where an employer is categorised as an employer type in the following table, the employer's total contribution will be stabilised as shown in the table. Decreases apply if the employer has a funding level greater than 115%. Increases apply if the funding level is less than 115% and the current rate is less than the 2022 primary rate, otherwise the employer continues to pay the current rate.

Type of employer	Maximum total contribution increase over the next 3 years, effective from 1 April 2023	Maximum total contribution decrease over the next 3 years, effective from 1 April 2023
Major authorities (e.g. all councils, Police and Fire services)	1% of pay	1% of pay
Academies (including academies in the Academy Pool)	1% of pay p.a.	1% of pay p.a.

Note: the stabilisation mechanism and limits will be reviewed at the next tri-ennial valuation exercise, expected as at 31 March 2025.

Note: As the Academy Pool has been formed for the 2022 valuation and academies are currently paying different contribution rates, the academy rates will be set, using the above mechanism, and step towards the contribution rate calculated for the Pool.

Deficit recovery/surplus amortisation periods

Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, it is recognised that at any particular point in time, the value of the accumulated assets will be different to the value of accrued liabilities, depending on how the actual experience of the Fund differs to the actuarial assumptions. This theory applies at an individual employer level; each employer in the Fund has their own share of deficit or surplus attributable to their section of the Fund.

Where the valuation for an employer discloses a deficit then the level of required employer contributions includes an adjustment to fund the deficit. The deficit recovery period will depend on employer type, employer covenant and other relevant factors, but in any case, will not exceed a period of 20 years. The adjustment may be set either as a percentage of payroll or as a fixed monetary amount.

Where the valuation for an employer discloses a surplus then the level of required employer contribution may include an adjustment to amortise the surplus.

The deficit recovery period or amortisation period that is adopted for any particular employer will depend on:

- The significance of the surplus or deficit relative to that employer's liabilities;
- The covenant of the individual employer (including any security in place) and any limited period of participation in the Fund;
- The remaining contract length of an employer in the Fund (if applicable); and
- The implications in terms of stability of future levels of employers' contribution.
- In 2021, the Fund commissioned an employer covenant analysis from PwC.

For employers not covered by the Stabilisation Mechanism above, the following approach will be applied. The Administering Authority have discretion to adopt a different approach where this is more appropriate to reflect the situation specific to the employer.

Type of employer	Approach to amortise surplus/deficit	Maximum recovery period
Colleges	Where the funding level is greater than 115% on the employer's funding assumptions, the surplus in excess of 115% is amortised over the maximum recovery period. Deficit is amortised over an appropriate period up to the maximum recovery period	15 years
Community Admission Bodies	Where the funding level is greater than 115% on the employer's funding assumptions, the surplus in excess of 115% is amortised over the maximum recovery period. Deficit is amortised over an appropriate period up to the maximum recovery period	Average future working lifetime of active members
Transferee Admission Bodies	Surplus/deficit is amortised over an appropriate period up to the maximum recovery period	Remaining contract term

Pooling of individual employers

The policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances.

However, certain groups of individual employers are pooled for the purposes of determining contribution rates to recognise common characteristics or where the number of Scheme members is small.

Forming/disbanding a funding pool

Where the Fund identifies a group of employers with similar characteristics and potential merits for pooling, it is possible to form a pool for these employers. Advice should be sought from the Fund Actuary to consider the appropriateness and practicalities of forming the funding pool.

Conversely, the Fund may consider it no longer appropriate to pool a group of employers. This could be due to divergence of previously similar characteristics or an employer becoming a dominant party in the pool (such that the results of the pool are largely driven by that dominant employer). Where this scenario arises, advice should be sought from the Fund Actuary.

Funding pools should be monitored on a regular basis, at least at each actuarial valuation, in order to ensure the pooling arrangement remains appropriate.

The funding pools adopted for the Fund at the 2022 valuation are summarised in the table below:

Pool	Type of pooling	Notes
Town and Parish Councils	For contribution rate purposes	Funding level is determined for the pool and each employer level at each tri-ennial valuation
Academies including Free Schools	For funding level and contribution rate purposes	Funding level is determined for the pool at each tri-ennial valuation

The main purpose of pooling is to produce more stable employer contribution levels, although recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.

Town and Parish Councils Pool

All Town and Parish Councils (T&PCs) will pay the same contribution rate, although their individual funding position will be tracked at employer level individually.

A T&PC may defer a cessation valuation if the last member leaves the scheme, but the T&PC is intending to offer the scheme to a new employee. This will be agreed with the Fund and any deficit payments, as calculated by the Actuary, due by the T&PC must continue to be paid during the suspension period. Any suspension period will be time-limited to a maximum of three years and at the discretion of the Fund. Once the T&PC has an active member, the pooled contribution rate will be paid.

If there are no active members at the end of the suspension period or a T&PC Pool Member chooses to close scheme participation to new employees, then a cessation valuation will be carried out to determine an exit payment/credit and that employer would no longer be a Member of the T&PC Pool. This will protect the remaining Pool Members from the change of employer characteristics which apply after closure. If a T&PC becomes insolvent and is unable to meet their pension liabilities, then the Fund will, in the first instance, secure any payments required to meet these liabilities from any guarantor. If there is no guarantor, then these liabilities will fall to the T&PC pool.

The cessation valuation will be carried out in line with the Fund's policy as set out in the "Cessation valuations" section below.

The Academy Pool

Eligibility

Academies, multi-academy trusts (MAT) and free schools are all eligible to join the Academy Pool and participate in the pooling arrangement.

Joining and leaving the Academy Pool

New academies

When a school converts to academy status, the new academy (or the sponsoring multi-academy trust) becomes a Scheme employer in its own right.

Funding at start
On conversion to academy status, the new academy will be allocated assets based on the active cover of the relevant local authority at the conversion date. The assets allocated to the academy will be capped at 100% of the value of the liabilities. The active cover approach is based on the funding level of the local authority's active liabilities, after fully funding the local authority's deferred and pensioner liabilities. On conversion to academy status, the new academy will become part of the Academy Pool, unless they opt-out, and will be allocated assets based on the funding level of the Pool at the conversion date.

An existing academy or MAT can only join or leave the Pool at each tri-ennial valuation. If an academy or MAT decline to join the Pool or leave the Pool for any reason then they will not be allowed to join or re-join the Pool at future dates, unless there are exceptional circumstances and at the sole discretion of the Administering Authority. If an academy or MAT want to leave the Academy Pool they may only do so at the next tri-ennial valuation.

Contribution rate

The pooled contribution rate for the Academy Pool Members will be calculated allowing for the stabilisation mechanism set out above. The contribution rates for the period 1 April 2023 to 31 March 2026, for each Pool Member will be stepped towards the calculated pooled rate.

The contribution rate payable when a new academy or free school joins the Academy Pool will be in line with the contribution rate certified for the Academy Pool at the 2022 valuation.

If the new academy or free school elects not to join the Academy Pool, the contribution rate will be calculated based on the funding position at the start as calculated above and membership data at the date prior to conversion.

In addition, Academy Pool Members are required to make additional contributions of 0.75% p.a. of pay to meet the costs of non-ill health (redundancy, efficiency, flexible retirement etc) early retirements.

Funding

The assets and liabilities will be reassessed and updated at each tri-ennial valuation. Each Academy Pool Member will have the same funding level based on the total assets and liabilities of the Academy Pool. Assets allocated to each Academy Pool Member is therefore the product of their individual liabilities and the funding level of the Academy Pool.

Cessation of an academy

If an academy participating in the Academy Pool ceases participation in the Fund, a cessation valuation is carried out by the Fund's actuary. The valuation approach is as follows:

- The funding level of the Academy Pool is calculated at the cessation date using the Fund's ongoing assumptions updated to reflect market conditions at the cessation date.
- The value of the liabilities attributable to the ceasing academy are calculated at the cessation date using the Fund's ongoing assumptions updated to reflect market conditions at the cessation date. The assets allocated to the academy is the product of the funding level of the Academy Pool and the value of the academy's ongoing liabilities calculated at the cessation date
- The academy's liabilities are recalculated using a minimum risk basis (minimum risk liabilities) and the debt, if any, is the difference between the minimum risk liabilities and the allocated assets

Risk-sharing

There are employers that participate in the Fund with a risk-sharing arrangement in place with another employer in the Fund.

For example, there are employers participating in the Fund with pass-through provisions: under this arrangement the pass-through employer does not take on the risk of underfunding as this risk remains with the letting authority or relevant guaranteeing employer. When the pass-through employer ceases participation in the Fund, it is not responsible for making any exit payment, nor receiving any exit credit, as any deficit or surplus ultimately falls to the letting authority or relevant guaranteeing employer.

At the 2022 valuation, risk-sharing arrangements were allowed for by allocating any deficit/liabilities covered by the risk-sharing arrangement to the relevant responsible employer.

Contribution payments

Employers pay contributions on a monthly basis. Primary contributions are certified as a percentage of payroll and therefore amounts paid by employers each month will fluctuate in line with payroll each month. Secondary contributions can be certified as a percentage of payroll or as a monetary amount. Monetary amounts are typically payable in 12 equal monthly instalments throughout the relevant year.

Employers must pay contributions in line with the Rates and Adjustments Certificate, but they may be able to alter the timing of contributions payable and/or pay in additional contributions with agreement from the administering authority.

No discount will be offered in exchange for early payment of either primary or secondary contributions.

New employers joining the Fund

When a new employer joins the Fund, the Fund Actuary is required to set the contribution rates payable by the new employer and allocate a share of Fund assets to the new employer as appropriate. The most common types of new employers joining the Fund are admission bodies and new academies. These are considered in more detail below for admission bodies, with academies covered above.

Admission bodies

New admission bodies in the Fund are commonly a result of a transfer of staff from an existing employer in the Fund to another body (for example as part of a transfer of services from a council or academy to an external provider under Schedule 2 Part 3 of the Regulations). Typically these transfers will be for a limited period (the contract length), over which the new admission body employer is required to pay contributions into the Fund in respect of the transferred members.

From 1 April 2019, the default approach has been for admission bodies to join the Fund under a pass-through arrangement (although exceptions will be considered on a case-by-case basis at the Fund's discretion). Pass through arrangements allow for the pension risks to be shared between the letting employer and new contractor. Typically the majority of the pension risk is borne by the letting employer and thus the liability is retained on their balance sheet – as such the contractor would not be required to pay any deficit or receive any surplus at the end of the contract (subject to any agreed exceptions).

However, there is some flexibility within a pass-through arrangement. In particular there are two different routes that the letting employer may wish to adopt as set out under the 'Contribution rate' section below.

The Administering Authority is willing to administer either of the two options as long as the approach is documented in the Admission Agreement. The Admission Agreement should ensure that some element of risk transfers to the contractor where it relates to the contractor's decisions and where it is unfair to burden the letting employer with that risk. For example, the contractor should typically be responsible for pension costs that arise from:

- above average pay increases, including the effect in respect of service prior to contract commencement even if the letting employer takes on responsibility for the latter under (ii) above; and
- redundancy and early retirement decisions

Funding at start of contract

For pass-through and full transfer of risk arrangements, it may be appropriate for the new admission body to be allocated a share of Fund assets equal to the value of the benefits transferred, i.e. the new admission body starts off on a fully funded basis. This is calculated on the relevant funding basis and the opening position may be different when calculated on an alternative basis (e.g. on an accounting basis).

There may be special arrangements made as part of the contract such that pass-through or a full risk transfer approach is not adopted. In these cases, the initial assets allocated to the new admission body will reflect the level of risk transferred and may therefore not be on a fully funded basis or may not reflect the full value of the benefits attributable to the transferring members.

Contribution rate

The Fund's default approach will be to set up pass-through arrangements using "Option 1 - Fixed primary rate at outset" for all new contractors. Clearly as the risk ultimately resides with the employer letting the contract, it is for them to agree the appropriate route with the contractor:

Option 1 - Fixed primary rate at outset (default approach)

Under this approach, the contractor pays a fixed contribution rate throughout the contract. The contribution rate is calculated by the Fund actuary at the outset based on the membership profile of the transferring staff, to ensure full funding by the end of the contract (i.e. no surplus or deficit). For the avoidance of doubt, the rate would not change at future valuations and there is no exit payment or exit credit payable on termination of the admission agreement.

Option 2 – Pooled approach

Under this approach, the contractor's contribution rate is pooled with the letting authority and therefore the contribution rate is always equal to that which the letting authority is paying. In other words, the contractor will pay the same rate as the letting authority throughout the lifetime of the contract and it will move in line with any changes to the letting authority's rate at future valuations.

The pooled rate is the **total** contribution rate (made up of both the primary and secondary rate). Many letting authorities will currently be paying their primary rate as a percentage of payroll and their secondary rate as a monetary amount. For the purposes of the pooled rate, the secondary rate will be converted to a percentage of payroll and added to the primary rate.

Accounting

Under the Option1 pass-through arrangement, for accounting purposes, the contractor's obligation is simply to pay the agreed contribution rate. The contractor would not be expected to include any liability in respect of their LGPS pension participation on their balance sheet. Instead, the letting authority would include it in their disclosures. The contractor may report its participation in the LGPS as if it were a defined contribution scheme.

Under the Option 2 pass-through arrangement, it is less clear whether the contractor needs to include a liability on their balance sheet as they are subject to some pensions risk but they never have to meet a past service funding deficit so it could be argued that they have no accounting balance sheet obligation. In these cases, the contractor and letting authority should check with their auditors what their requirements are.

Security

To mitigate the risk to the Fund that a new admission body will not be able to meet its obligations to the Fund in the future, the new admission body may be required to put in place a bond in accordance with Schedule 2 Part 3 of the Regulations, if required by the letting authority and administering authority.

If, for any reason, it is not desirable for a new admission body to enter into a bond, the new admission body may provide an alternative form of security which is satisfactory to the administering authority.

Risk-sharing

Although pass-through is the default approach, new admission bodies and the relevant letting authority may make a commercial agreement to deal with the pensions risk differently. For example, it may be agreed that the pensions risk is shared between the letting authority and the new admission body.

The administering authority may consider risk-sharing arrangements on a case-by-case basis at the Fund's discretion. Any such arrangement should not lead to any undue risk to the other employers in the Fund.

Legal and actuarial advice in relation to risk-sharing arrangements should be sought where required.

Contribution reviews between actuarial valuations

It is anticipated for most Scheme employers that the contribution rates certified at the formal actuarial valuation will remain payable for the period of the rates and adjustments certificate. However, there may be circumstances where a review of the contribution rates payable by an employer (or a group of employers) under Regulation 64A is deemed appropriate by the administering authority.

A contribution review may be requested by an employer or be required by the administering authority. Such reviews may be triggered by significant events including but not limited to: an employer approaching exit from the Fund, significant reductions in payroll, altered employer circumstances, Government restructuring affecting the employer's business, or failure to pay contributions or arrange appropriate security as required by the Administering Authority.

The review may only take place if one of the following conditions are met:

(i) it appears likely to the administering authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;

(ii) it appears likely to the administering authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or

(iii) a Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review. A request under this condition can only be made if there has been a significant change in the liabilities arising or likely to arise and/or there has been a significant change in the ability of the Scheme employer to meet its obligations to the Fund.

Guidance on the administering authority's approach considering the appropriateness of a review and the process in which a review will be conducted is set out the Fund's separate Contribution review policy. This includes details of the process that should be followed where an employer would like to request a review.

Once a review of contribution rates has been agreed, unless the impact of amending the contribution rates is deemed immaterial by the Fund Actuary, then the results of the review will be applied with effect from the agreed review date, regardless of the direction of change in the contribution rates.

Note that where a Scheme employer seems likely to exit the Fund before the next actuarial valuation then the administering authority can exercise its powers under Regulation 64(4) to carry out a review of contributions with a view to providing that assets attributable to the Scheme employer are equivalent to the exit payment that will be due from the Scheme employer. These cases do not fall under the separate contribution review policy.

With the exception of any cases falling under Regulation 64(4), the administering authority will not accept a request for a review of contributions where the effective date is within 12 months of the next Rates and Adjustments Certificate.

The result of a review may be to require increased or decreased contributions (by reviewing the actuarial assumptions adopted and/or moving to monetary levels of deficit recovery contributions), and/or an increased level of security or guarantee.

Cessation valuations

When a Scheme employer exits the Fund and becomes an exiting employer, as required under the Regulations the Fund Actuary will be asked to carry out an actuarial valuation in order to determine the liabilities in respect of the benefits held by the exiting employer's current and former employees. The Fund Actuary is also required to determine the exit payment due from the exiting employer to the Fund or the exit credit payable from the Fund to the exiting employer.

Any deficit in the Fund in respect of the exiting employer will be due to the Fund as a single lump sum payment, unless it is agreed by the administering authority and the other parties involved that an alternative approach is permissible. For example:

- It may be agreed with the administering authority that the exit payment can be spread over some agreed period;
- the assets and liabilities relating to the employer may transfer within the Fund to another participating employer; or

- the employer's exit may be deferred subject to agreement with the administering authority, for example if it intends to offer Scheme membership to a new employee within the following three years or where a deferred debt arrangement is agreed.
- Similarly, any surplus in the Fund in respect of the exiting employer may be treated differently to a payment of an exit credit, subject to the agreement between the relevant parties and any legal documentation.

In assessing the value of the liabilities attributable to the exiting employer, the Fund Actuary may adopt differing approaches depending on the employer and the specific details surrounding the employer's cessation scenario. However, in general the following approaches will apply.

If there is no guarantor in the Fund willing to accept responsibility for the residual liabilities of the exiting employer, then those liabilities are likely to be assessed on a "minimum risk" basis leading to a higher exit payment being required from (or lower exit credit being paid to) the employer, in order to extinguish their liabilities to the Fund and to reduce the risk of these liabilities needing to be met by other participating employers in future. A minimum risk basis means the discount rate is linked to gilt yields.

If it is agreed that another employer in the Fund will accept responsibility for the residual liabilities, then the assumptions adopted will be consistent with the current ongoing funding position, but additional prudence may be included in order to take into account potential uncertainties and risk e.g. due to adverse market changes, additional liabilities arising from regulatory or legislative change and political/economic uncertainties.

Exit credit policy

The Local Government Pension Scheme (LGPS) (Amendment) Regulations 2018 were introduced in May 2018 which allow administering authorities to make an exit credit payment to exiting employers. A copy of the Fund's Exit Credit Policy is available on the Fund's website.

Managing exit payments

Where a cessation valuation reveals a deficit and an exit payment is due, the expectation is that the employer settles this debt immediately through a single cash payment. However, should it not be possible for the employer to settle this amount immediately, or where it is beneficial for both the Administering Authority and employer, providing the employer puts forward sufficient supporting evidence to the administering authority, the administering authority may agree a deferred debt agreement (DDA) with the employer under Regulation 64(7A) or a debt spreading agreement (DSA) under Regulation 64B.

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit. The secondary rate of contributions will be reviewed at each actuarial valuation until the termination of the agreement.

Under a DSA, the cessation debt is crystallised and spread over a period deemed reasonable by the administering authority having regard to the views of the Fund Actuary.

Whilst a DSA involves crystallising the cessation debt and the employer's only obligation is to settle this set amount, in a DDA the employer remains in the Fund as a Scheme employer and is exposed to the same risks (unless agreed otherwise with the administering authority) as active employers in the Fund (e.g. investment, interest rate, inflation, longevity and regulatory risks) meaning that the deficit will change over time.

Guidance on the administering authority's policy for entering into, monitoring and terminating a DDA or DSA is set out in the Fund's separate DSA and DDA policies. This includes details of when a DDA or a DSA may be permitted and the information required from the employer when putting forward a request for a DDA or DSA.

Regulatory factors

At the date of drafting this FSS, the government is currently consulting on potential changes to the Regulations, some which may affect the timing of future actuarial valuations. This is set out in the *Local government pension scheme: changes to the local valuation cycle and the management of employer risk* consultation document.

Further details of this can be found in the Regulatory risks section below.

Bulk transfers

Bulk transfers of staff into or out of the Fund can take place from other LGPS Funds or non-LGPS Funds. In either case, the Fund Actuary for both Funds will be required to negotiate the terms for the bulk transfer – specifically the terms by which the value of assets to be paid from one Fund to the other is calculated.

The agreement will be specific to the situation surrounding each bulk transfer but in general the Fund will look to receive the bulk transfer on no less than a fully funded transfer (i.e. the assets paid from the ceding Fund are sufficient to cover the value of the liabilities on the agreed basis).

A bulk transfer may be required by an issued Direction Order. This is generally in relation to an employer merger, where all the assets and liabilities attributable to the transferring employer in its original Fund are transferred to the receiving Fund.

Links with the Investment Strategy Statement (ISS)

The main link between the Funding Strategy Statement (FSS) and the ISS relates to the discount rate that underlies the funding strategy as set out in the FSS, and the expected rate of investment return which is expected to be achieved by the long-term investment strategy as set out in the ISS.

As explained above, the ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the long-term investment strategy. This ensures consistency between the funding strategy and investment strategy.

Risks and counter measures

Whilst the funding strategy attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that there are risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives.

The major risks to the funding strategy are financial, although there are other external factors including demographic risks, regulatory risks and governance risks.

Financial risks

The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors, including market returns being less than expected and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

The valuation results are most sensitive to the real discount rate (i.e. the difference between the discount rate assumption and the price inflation assumption). Broadly speaking an increase/decrease of 0.5% p.a. in the real discount rate will decrease/increase the valuation of the liabilities by 10%, and decrease/increase the required employer contribution by around 2.5% of payroll p.a.

However, the Investment and Pension Fund Committee regularly monitors the investment returns achieved by the fund managers and receives advice from the independent advisers and officers on investment strategy.

The Committee may also seek advice from the Fund Actuary on valuation related matters.

In addition, the Fund Actuary provides funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

Demographic risks

Longevity

Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity. For example, an increase of one year to life expectancy of all members in the Fund will increase the liabilities by approximately 3% - 4%.

The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review. The Fund commissions bespoke longevity analysis by Club Vita in order to assess the mortality experience of the Fund and help set an appropriate mortality assumption for funding purposes.

Non ill-health retirement costs

The liabilities of the Fund can also increase by more than anticipated as a result of the additional financial costs of early retirements and ill-health retirements. It is assumed that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire). (NB the relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014).

The administering authority monitors the incidence of early retirements and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

Employers are required to pay additional contributions ('strain') wherever an employee retires before attaining this age. The actuary's funding assumptions do not allow for early retirement except on grounds of ill-health. Certain employers, all of which are subject to the stabilisation mechanism, pay an additional 0.75% of pay per annum to meet expected non-ill health early retirement strain costs. Non stabilised employers (and stabilised employers choosing not to pay the additional 0.75% p.a. of pay) are required to pay additional contributions ('strain') whenever an employee retires before attaining retirement age.

Ill health retirement costs

The administering authority monitors ill-health retirements and employers are required to meet any additional costs arising from ill-health retirements. Some employers have an external insurance policy in place to mitigate this risk and so these employers are not required to make any additional payments relating to ill-health retirements.

Climate risk

There are a large number of interlinked systemic long term financial risks related to climate change which could potentially have a material impact on the assets and/or the liabilities of the Fund. The most obvious of these climate change risks will be the financial risks to the value of the Fund's assets, the potential increased volatility of markets and potential changes in life expectancy. It is possible that some of these factors will impact the assets and liabilities of the Fund in the same direction, although not necessarily by the same amount.

The Fund therefore has a fiduciary duty to consider climate change risk when making investment decisions and to ensure any decisions support the effective management of climate change. The Fund therefore expects their appointed investment managers to be informed about climate change risks and take investment opportunities accordingly within their processes.

As part of the 2022 valuation, the Fund Actuary provided the Fund with a climate risk analysis which assessed the potential exposure of the Fund's funding position to climate risk under different climate scenarios and considered the resilience of the Fund's funding strategy. The Fund will continue to assess this risk on a regular basis.

Maturity risk

The maturity of a Fund (or of an employer in the Fund) is an assessment of how close on average the members are to retirement (or already retired). The more mature the Fund or employer, the greater proportion of its membership that is near or in retirement. For a mature Fund or employer, the time available to generate investment returns is shorter and therefore the level of maturity needs to be considered as part of setting funding and investment strategies.

The cashflow profile of the Fund needs to be considered alongside the level of maturity: as a Fund matures, the ratio of active to pensioner members falls, meaning the ratio of contributions being paid into the Fund to the benefits being paid out of the Fund also falls. This therefore increases the risk of the Fund having to sell assets in order to meets its benefit payments.

The government has published a consultation (*Local government pension scheme: changes to the local valuation cycle and management of employer risk*) which may affect the Fund's exposure to maturity risk. More information on this can be found in the Regulatory risks section below.

Regulatory risks

The benefits provided by the Scheme and employee contribution levels are set out in Regulations determined by central government. The tax status of the invested assets is also determined by the government.

The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme.

However, the administering authority participates in any consultation process of any proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

There are a number of general risks to the Fund and the LGPS, including:

- If the LGPS was to be discontinued in its current form it is not known what would happen to members' benefits.
- The potential effects of GMP equalisation between males and females, if implemented, are not yet known.
- More generally, as a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the government.
- The State Pension Age is due to be reviewed by the government in the next few years.

At the time of preparing this FSS, specific regulatory risks of particular interest to the LGPS are in relation to the McCloud/Sargeant judgements and the timing of future funding valuations consultation. These are discussed in the sections below.

McCloud/Sargeant judgements

The Court of Appeal judgment on the McCloud and Sargeant cases, relate to age discrimination against the age-based transitional provisions put into place when the new judicial pension arrangements were introduced in 2015. The members argued that these transitional provisions were directly discriminatory on grounds of age and indirectly discriminatory on grounds of sex and race, based on the correlation between these two factors reflected in the judicial membership. The Tribunal ruled against the Government, deeming the transitional provisions as not a proportionate means of achieving a legitimate aim.

The Government subsequently applied to the Supreme Court to appeal the judgement but their application was denied on 27 June 2019. On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. A ministerial statement in response to this was published on 13 May 2021 and revised Regulations are awaited to bring a remedy into play.

At the time of drafting this FSS, Regulations and therefore confirmation of the remedy are not yet finalised and are expected in 2023.

Consultation: Local government pension scheme: changes to the local valuation cycle and management of employer risk

On 8 May 2019, the government published a consultation seeking views on policy proposals to amend the rules of the LGPS in England and Wales. The consultation covered:

- amendments to the local fund valuations from the current three year (triennial) to a four year (quadrennial) cycle;

- a number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle;
- proposals for flexibility on exit payments;
- proposals for further policy changes to exit credits; and
- proposals for changes to the employers required to offer LGPS membership.

The proposals for flexibility on exit payments and for further policy changes to exit credits have been finalised, however, are still to be finalised for the remaining three proposals. This FSS will be revisited once the outcome is known and reviewed where appropriate.

Timing of future actuarial valuations

LGPS valuations currently take place on a triennial basis which results in employer contributions being reviewed every three years. In September 2018 it was announced by the Chief Secretary to HMT, Elizabeth Truss, that the national Scheme valuation would take place on a quadrennial basis (i.e. every four years) along with the other public sector pension schemes. These results of the national Scheme valuation are used to test the cost control cap mechanism and HMT believed that all public sector scheme should have the cost cap test happen at the same time.

Changes to employers required to offer LGPS membership

At the time of drafting this FSS, under the current Regulations further education corporations, sixth form college corporations and higher education corporations in England and Wales are required to offer membership of the LGPS to their non-teaching staff.

With consideration of the nature of the LGPS and the changes in nature of the further education and higher education sectors, the government has proposed to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS. Given the significance of these types of employers in the Fund, this could impact on the level of maturity of the Fund and the cashflow profile. For example, increased risk of contribution income being insufficient to meet benefit outgo, if not in the short term then in the long term as the payroll in respect of these types of employers decreases with fewer and fewer active members participating in the Fund.

This also brings an increased risk to the Fund in relation to these employers becoming exiting employers in the Fund. Should they decide not to admit new members to the Fund, the active membership attributable to the employers will gradually reduce to zero, triggering an exit under the Regulations and a potential significant exit payment. This has the associated risk of the employer not being able to meet the exit payment and thus the exit payment falling to the other employers in the Fund.

Employer risks

Many different employers participate in the Fund. Accordingly, it is recognised that a number of employer-specific events could impact on the funding strategy including:

- Structural changes in an individual employer's membership;
- An individual employer deciding to close the Scheme to new employees; and
- An employer ceasing to exist without having fully funded their pension liabilities.

However, the administering authority monitors the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined and takes advice from the Fund Actuary when required. In particular, the Fund will commission an employer risk review from an external adviser or the Fund Actuary on a regular basis, every three years as a minimum, to help identify the employers in the Fund that might be considered as high risk. In the case of admitted bodies, the Fund has a policy of requiring some form of security from the employer, in the form of a guarantee or a bond, in case of employer default where the risk falls to the Fund. Where the risk of default falls on the liabilities of an original letting authority, the Fund provides advice to the letting authority to enable them to make a decision on whether a guarantee, some other form of security or a bond should be required.

In addition, the administering authority keeps in close touch with all individual employers participating in the Fund to ensure that, as administering authority, it has the most up to date information available on individual employer situations. It also keeps individual employers briefed on funding and related issues.

Governance risks

Accurate data is necessary to ensure that members ultimately receive their correct benefits. The administering authority is responsible for keeping data up to date and results of the actuarial valuation depend on accurate data. If incorrect data is valued then there is a risk that the contributions paid are not adequate to cover the cost of the benefits accrued.

Monitoring and review

This FSS is reviewed formally, in consultation with the key parties, at least every three years to tie in with the triennial actuarial valuation process.

The most recent valuation was carried out as at 31 March 2022, certifying the contribution rates payable by each employer in the Fund for the period from 1 April 2023 to 31 March 2026.

The timing of the next funding valuation is due to be confirmed as part of the government's *Local government pension scheme: changes to the local valuation cycle and management of employer risk* consultation which closed on 31 July 2019. At the time of drafting this FSS, it is anticipated that the next funding valuation will be due as at 31 March 2025.

The administering authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary.

Appendix 3 - Investment Strategy Statement

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities of pension funds to prepare, maintain and publish a written statement setting out the investment strategy for their Fund.

They must consult with persons they deem appropriate when drawing up their statement. Any material change in investment strategy must be included in a revised Investment Strategy Statement (ISS). The statement must cover:

- The Requirement to invest Fund money is a wide variety of investments
- The Authority's assessment of the suitability of particular investments and types of investments
- The Authority's approach to risk, including the ways in which risks are to be assess and managed
- The Authority's approach to pooling investments, including the use of collect investment vehicles and shared services
- The Authorities policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments
- The Authorities policy on the exercise of the rights (including voting rights) attaching to investments

The Committee of the East Sussex Pension Fund has an overriding statutory and fiduciary duty to ensure it has sufficient funds available to pay pensions. In light of that obligation, and in order to maximise investment return, the Fund has a diverse range of investments and does not restrict investment managers from choosing certain stocks taking into consideration that the Fund's investment strategy is regularly monitored.

Responsible Investment

Responsible Investment is a fundamental part of the Fund's overarching investment strategy as set out in its ISS as a Statement of Responsible Investment Principles. That is, to maximise returns subject to an acceptable level of risk whilst increasing certainty of cost for employers and minimising the long-term cost of the scheme. The Fund believes that consideration of Environmental, Social and Corporate Governance ("ESG") factors are fundamental to this, particularly where they are likely to impact on the overarching investment objective.

The Fund's ISS is reviewed on a continuous basis to ensure it accurately reflects the Investment Strategy of the Fund.

To view the Investment Strategy Statement in full please look at the next page.

The latest version of the Investment Strategy Statement is available on the Fund's website:

www.eastsussexpensionfund.org/media/sznjpnzl/investment-strategy-statement-2021.docx

Investment Strategy Statement

September 2021

Introduction and background

This is the Investment Strategy Statement ("ISS") of the East Sussex Pension Fund ("the Fund"), which is administered by East Sussex County Council, ("the Administering Authority"). The ISS is made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations").

The ISS has been prepared by the Pension Committee ("the Committee") having taken advice from the Fund's investment adviser, Isio. The Committee acts on the delegated authority of the Administering Authority. The ISS, which was approved by the Committee on 28 September 2021, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund's investment strategy with such persons it considers appropriate.

The Committee seeks to invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund's Funding Strategy Statement.

The suitability of particular investments and types of investments

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, on a defined benefits basis. This funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.

The Committee aims to manage the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions are agreed by the Fund employers to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary and/or inflation increases in line with the relevant LGPS scheme rules.

The Committee has translated its objectives into a suitable strategic asset allocation benchmark for the Fund. This benchmark 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 Committee discuss the appropriateness of the Fund's strategic asset allocation at least once a year.

The Fund carries out an asset liability modelling exercise in conjunction with each actuarial valuation. A number of different contribution and investment strategies are modelled and the future evolution of the Fund considered under a wide range of different scenarios. The Committee considers the chances of achieving their long-term funding target and also considers the level of downside risk in the various strategies by identifying the low funding levels which might emerge in the event of poor outcomes.

This approach helps to ensure that the investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members), together with the level of disclosed surplus or deficit (relative to the funding basis used).

In addition, the Committee monitors investment strategy on an ongoing basis, focusing on factors including, but not limited to:

- Suitability given the Fund's level of funding and liability profile
- The level of expected risk
- Outlook for asset returns

The Committee also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate from the target allocation and has implemented a rebalancing policy in Appendix A.

Investment of money in a wide variety of investments

Asset classes

The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities, fixed interest and index linked bonds, cash, property and commodities, either directly or through the ACCESS LGPS pool. The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks.

The Committee reviews the nature of Fund investments on a regular basis, with particular reference to suitability and diversification. The Committee seeks and considers written advice from a suitably qualified person in undertaking such a review, in line with the LGPS (Management and Investment of Funds) Regulations 2016. If, at any time, investment in a security or product not previously known to the Committee is proposed, appropriate advice is sought and considered to ensure its suitability and diversification and training is provided, if relevant.

The Fund's target investment strategy is set out below. The table also includes the maximum percentage of total Fund value that it will invest in these asset classes. In line with the 2016 Regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007.

Table 1: Fund allocation

Asset class	Previous target allocation % September 2020	Target allocation % July 2021	Maximum invested* %	Role within the Strategy
Global Equity	40	40	44	Growth Assets
Absolute Return	21	17	23**	Part Growth Assets, Part Protection
Private Equity	5.5	5.5	7.5	Growth Assets
Property		7	10	Income Assets
Inflation-Linked Property	10	4	5	Income Assets
Infrastructure	6	11	12	Income Assets

Asset class	Previous target allocation % September 2020	Target allocation % July 2021	Maximum invested* %	Role within the Strategy
Private Credit	3	5	5	Income Assets
Diversified Credit	8	10.5	12	Income Assets
Index-Linked Gilts	3	-	4**	Protection Assets
Corporate Bonds	3.5	-	4**	Protection Assets
Cash	0	-	2	Protection Assets
Total	100	100		

*The maximum invested figures are based on the rebalancing ranges agreed by the East Sussex Pension Committee within its rebalancing policy.

** Additional allowance to rebalancing figures whilst allocations to infrastructure, private debt and inflation linked property take place.

Managers

The Committee has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

Each investment manager has an agreed benchmarks to compare returns against, so that in aggregate, they are consistent with the overall asset allocation for the Fund. As the Fund does not invest in any segregated mandate these benchmarks are considered when assessing the appropriateness of a sub fund within the LGPS pool or on selection of a new pooled fund. The Fund's investment managers will hold a mix of underlying holdings 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.

When the Committee approves its new investment strategy, the Committee instruct officers and the Investment consultants to implement the strategic asset allocation investment decision. This can be by accessing a suitable sub fund from the ACCESS LGPS pool, where manager selection sits at pool level; or where there is no solution to implement the strategy through the LGPS pool, officers will carry out a manager selection process led by the Investment Consultant to short list the options available and assess these against the best strategic fit for the Fund. A recommendation is then laid out to the Committee as to the most suitable implementation solution to meet the approved investment strategy.

The approach to risk, including the ways in which risks are to be measured and managed

The Fund has a detailed Risk Management process in place which is documented in the Fund's Risk Management Policy. A Risk Register is reported to Pension Committee and Pension Board quarterly for review and consideration, identifying the risk and the mitigations in place.

The principal risks affecting the Fund are set out below.

Funding risks

- Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.
- 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 the Fund's liabilities.

The Fund measures and manages financial mismatch in two ways. As indicated above, the Committee has set a strategic asset allocation benchmark for the Fund, which is reviewed on at least an annual basis. This benchmark was set taking into account asset liability modelling which focused on probability of success and level of downside risk.

The results from the 2019 valuation highlighted that the Fund - utilising its current stabilisation parameters for contributions – has a good chance of being fully funded in future without adopting an over prudent approach towards its investment strategy. The Committee assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns quarterly. The Committee also assesses risk relative to liabilities by monitoring the funding position regularly.

The Committee reviews the demographic assumptions of the Fund every three years as part of its triennial valuation, to mitigate the risk that changes to longevity and other factors would have on the Fund. In addition, the Fund meet regularly with the Fund Actuary to ensure any major swings in longevity assumptions due to environmental or medical changes can be identified early.

The Committee seeks to mitigate systemic risk through a diversified portfolio; across asset classes, sectors, geographical region, investment manager styles and considers correlation of risk and return across different asset classes in construction of the investment strategy. It is not possible to make specific provision for all possible eventualities that may arise under this heading.

Asset risks

- Concentration - The risk that a 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.
- Currency risk – The risk that the currency of the Fund's assets underperforms relative to Sterling (i.e. the currency of the liabilities).

- Environmental, social and governance ("ESG") – The risk that ESG related factors reduce the Fund's ability to generate the long-term returns. The Fund believes that climate change poses material risks to the Fund but that it also presents positive investment opportunities.
- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

The Committee measure and manage asset risks as follows.

The Fund's strategic asset allocation benchmark invests in a diversified range of asset classes. The Committee has put in place rebalancing arrangements to ensure the Fund's "actual allocation" does not deviate substantially from its target. The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund's asset concentration risk. By investing across a range of assets, including liquid quoted equities and bonds, as well as property, the Committee has recognised the need for access to liquidity in the short term.

The Fund invests in a range of overseas markets which provides a diversified approach to currency markets; the Committee also assesses the Fund's currency risk during their risk analysis.

Details of the Fund's approach to managing ESG risks are set out later in this document.

The Committee has considered the risk of underperformance by any single investment manager and have attempted to reduce this risk by appointing more than one manager for various asset classes. In addition, the Fund has an allocation to passive mandates which have a lower tracking error to the market, the Fund accesses these through products that have an ESG tilt. The Committee assess the Fund's managers' performance on a regular basis, and will take steps, including potentially replacing one or more of their managers, if underperformance persists or there are other concerns with the investment management or philosophy.

Other provider risk

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Committee seeks suitable professional advice.
- 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.
- Stock Lending- The Fund will participate in any stock-lending arrangements in the future as part of the LGPS ACCESS pool. The Fund will ensure that robust controls are in place to protect the security of assets before entering into any stock lending arrangements. The manager(s) of pooled funds may undertake a certain amount of stock lending on behalf of unit-holders. Where a pooled fund engages in this activity the extent is fully disclosed by the manager (unless the assets are invested in LGPS pooled arrangements in which case this will be delegated to the Pool Operator).

The Fund monitors and manages risks in these areas through a process of regular scrutiny of its providers, and audit of the operations it conducts, or has delegated such monitoring and management of risk to the appointed investment managers or ACCESS LGPS pool as appropriate (e.g. custody risk in relation to pooled funds). The Committee has the power to replace a provider should serious concerns exist.

The approach to pooling investments, including the use of collective investment vehicles and shared services

The Fund is a participating scheme in the ACCESS Pool. The ACCESS pool was set up following the 2015 Investment reform criteria and pooling guidance published in 2015.

Assets to be invested in the Pool

The Fund's intention is to invest its assets through the ACCESS Pool as and when suitable Pool investment solutions become available. The ACCESS Pool has launched several sub-funds in which the East Sussex Pension Fund now participates and there are further launches planned for in the coming years in which East Sussex plan to be involved with.

The Fund holds investments with Longview, Ruffer, Newton and M&G through the ACCESS Authorised Contractual Scheme (ACS). In addition, the Fund has some remaining passive exposure to UBS which is also governed through the ACCESS pool.

An indicative timetable for investing through the Pool was set out in the July 2016 submission to Government. They key criteria for assessment of Pool solutions will be as follows:

1. That the Pool enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund
2. That there is a clear financial benefit to the Fund in investing in the solution offered by the Pool, should a change of provider be necessary.

At the time of preparing this statement the Fund has elected not to invest the following assets via the ACCESS Pool:

Table 2 – Assets held outside the pool

Asset class	Manager	Target % of Fund assets	Benchmark	Reason for not investing via the ACCESS Pool
Active Sustainable Equity and ESG tilted passive equity	WHEB /Wellington / Storebrand	20.0%	MSCI All Countries World	Currently, there are no funds available through the ACCESS funds platform that satisfy the Fund's Responsible Investment requirements for active sustainable equity and systematic ESG/Carbon tilted portfolio. These will be held outside the pool temporarily until the pool is able to launch RI investment options.
Private Equity	Harbourvest Partners / Adam Street Partners	5.5%	MSCI All Countries World	Existing illiquid asset programmes will run off at normal lifecycle to avoid crystallising exit costs and loss of illiquidity premium earned.
Infrastructure	M & G Infracapital / UBS Infrastructure / Pantheon	4.0%	GBP 3 Month LIBOR	Existing illiquid asset programmes will run off at normal lifecycle to avoid crystallising exit costs and loss of illiquidity premium earned.

Asset class	Manager	Target % of Fund assets	Benchmark	Reason for not investing via the ACCESS Pool
Private Debt	M & G	3.0%	GBP 3 Month LIBOR	Existing illiquid asset programmes will run off at normal lifecycle to avoid crystallising exit costs and loss of illiquidity premium earned.
Operational cash	East Sussex County Council	0.0%	N/A	East Sussex Pension Fund needs to manage its cash flow to meet statutory liabilities, including monthly pension payroll payments, therefore, a reasonable level of operational cash will be required to maintain efficient administration of schemes and would be held outside the Pool.

Any assets not currently invested in the Pool will be reviewed at least every three years to determine whether the rationale remains appropriate, and whether it continues to demonstrate value for money. The next such review will take place no later than 2022.

Structure and governance of the ACCESS Pool

East Sussex is a member of the ACCESS pool along with the following 10 other pension funds:

Cambridgeshire	Kent
Essex	Norfolk
Hampshire	West Northamptonshire
Hertfordshire	Suffolk
Isle of Wight	West Sussex

All eleven funds are committed to collaboratively working together to meet the criteria for pooling and have signed a Memorandum of Understanding to underpin their partnership. ACCESS is working to a business plan in order to create the appropriate means to pool investments.

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 http://www.accesspool.org/. The pool made further representations to the Government annually to report savings achieved by the LGPS pool.

The "ACCESS Pool" is not a legal entity. However, a Joint Committee (JC), comprising elected Pension Committee Chairmen from each Administering Authority and supported by the Officer Working Group has been established via an Inter Authority Agreement. Papers from previous and future ACCESS JC meetings papers can be found using the following link: https://democracy.kent.gov.uk/mgOutsideBodyDetails.aspx?ID=898

ACCESS has taken advice on its sub-fund design and development of investment opportunities available. The pool appointed Link Fund Solutions to establish and operate the ACS carrying out all the FCA regulated aspects of the pool on liquid assets. Link are responsible for the overall management of the ACS including the creation of investment sub funds and the appointment of Investment managers on this platform. A through due diligence process is undertaken before the Investment Managers are appointed and robust monitoring and governance is applied to the managers on an ongoing basis. The ACS manages a significant portion of participating Authorities' liquid assets.

Passive assets are considered to be Investments under Pool Governance. The value of assets held within the Pool includes passively managed assets which are held in Life Policies. The Life Policies themselves will necessarily remain an agreement between the participating Authority and the appointed external investment manager. This was acknowledged as an acceptable outcome by Government. All passive assets will therefore be held out-side the ACS and will not be managed or administered by the Pool Operator.

The exercise of rights (including voting rights) attaching to investments Voting rights

The Committee has delegated the exercise of voting rights to the investment manager(s) on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, the Fund's managers have produced written guidelines of their process and practice in this regard, which is considered as part of the appointment of an investment manager process. The managers are strongly encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies under Regulation 7(2)(f). The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and will ask Investment managers to vote in accordance with a voting alert from LAPFF or explain why they have voted differently. The Fund publish an annual report of voting activity as part of the Fund's annual report. In addition, the ACCESS pool operator has set a voting guidance policy to all managers within the ACS structure.

Stewardship

The Fund understands that stewardship aims to promote the long-term success of companies in such a way that the ultimate providers of capital also prosper. The Committee has formally agreed to adhere to the Stewardship Code as published by the Financial Reporting Council, the Fund will be producing the first submission under the 2020 Stewardship code in 2022. A copy of the Fund's statement of compliance under the 2012Stewardship code can be found on the Fund's website https://www.eastsussex.gov.uk/yourcouncil/pension-fund-policies/.

In addition to its own commitment to the Stewardship code the Fund expects its investment managers to also be signatories or comply with the Stewardship Code as published by the Financial Reporting Council. Under the 2012 code, Asset manager signatories were categorised in three tiers.

- **Tier 1** – Signatories provide a good quality and transparent description of their approach to stewardship and explanations of an alternative approach where necessary.
- **Tier 2** – Signatories meet many of the reporting expectations but report less transparently on their approach to stewardship or do not provide explanations where they depart from provisions of the Code.
- **Tier 3** – Significant reporting improvements need to be made to ensure the approach is more transparent. Signatories have not engaged with the process of improving their statements and their statements continue to be generic and provide no, or poor, explanations where they depart from provisions of the Code.

The 2020 Stewardship code is still in its infancy so the Fund, and Investment managers are only just submitting their first submissions at the time of publishing this document.

The Committee expects both the ACCESS Pool and any directly appointed fund managers to also comply with the Stewardship Code.

In addition to the Fund's views on the Stewardship Code, the Fund believes in collective engagement and is a member of the LAPFF, the UN Principles of Responsible Investment (PRI) and the Institutional Investors Group on Climate Change (IIGCC), through which it collectively exercises a voice across a number of ESG principles including climate change. The Fund expects as a minimum, all its liquid investment managers to also be signatories of IIGCC and PRI.

Investment Management Stewardship Code tier and collaborative engagement membership

Manager	PRI Signatory date	Stewardship Code 2012	IIGCC
Longview Global Equity	08/04/2010	Tier 1	Yes
M&G Absolute Return	11/01/2013	Tier 1	Yes
M&G Corporate Bonds	11/01/2013	Tier 1	Yes
UBS Europe Ex UK Equities	22/04/2009	Tier 1	Yes
UBS North America	22/04/2009	Tier 1	Yes
UBS Rest of the World	22/04/2009	Tier 1	Yes
UBS UK Equities	22/04/2009	Tier 1	Yes
Newton Absolute Return	13/02/2007	Tier 1	Yes
Ruffer Absolute Return	15/01/2016	Tier 1	Yes
Pantheon Infrastructure	05/10/2007	No	No
WHEB - Sustainability Fund	31/05/2012	Tier 1	Yes
ATLAS Global Infrastructure Equity Fund	18/03/2019	No	Yes
Wellington – Global Impact Fund	26/04/2012	Tier 1	Yes
Storebrand – Global ESG Plus Fund	27/04/2006	No	Yes
Harbourvest – Private Equity	25/11/2013	No	No
Adams Street – Private Equity	29/10/2010	No	No
Schroders – Property	29/10/2007	Tier 1	Yes
M&G Infrastructure	11/01/2013	Tier 1	Yes

Appendices

Appendix A – Rebalancing Policy

Appendix B – Statement of Responsible Investment Principles

Appendix A - Rebalancing Policy

Introduction

This is the policy outlining the parameters and process for Rebalancing of the East Sussex Pension Fund (the Fund) investment portfolio in line with the Fund's Investment Strategy Statement (ISS).

Regulatory Basis

The ISS is made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations") and prepared by the Pension Committee ("the Committee") having taken advice from the Fund's investment adviser.

The Committee seeks to invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund. This Re-Balancing policy will be used to ensure excess Fund money is invested inline with the ISS and that the investment portfolio continues to follow the Committee's strategic asset allocation.

Rebalancing

The Committee has set a strategic benchmark for the Fund that identifies three main classes of investment strategy, which the Committee considers has the appropriate risk and reward characteristics for the employers in the Fund. These high level strategic benchmarks are Growth, Income and Protection. These are then underpinned by a strategic asset allocation, for the asset classes the Fund invests in to gain diversification and manage the risk appropriately. The asset class targets are subsequently met by the appointments of individual managers who are set a portfolio to provide exposure to the asset classes in the strategic benchmark. The managers are expected to provide the market return (beta) for the asset classes in their mandates plus (for the actively managed mandates) additional returns from their active management (alpha) of the investments.

Over time the differential of relative performance between the asset classes and managers results in actual asset allocations (both at a strategic and portfolio level) which deviates from the agreed targets. Deviations from the targets result in tracking error, and a shift in the risk/return profile of the Fund which can have an impact on the Funding level as calculated by the Fund Actuary. Therefore, rebalancing is required to ensure that the appropriate risk is being taken by the Fund.

Rebalancing of asset weightings, entails portfolio transactions, so the benefit has to be weighed against the costs incurred, both in trading and indirectly in the market. Costs of rebalancing are broadly linear (selling twice as much of an asset will cost roughly twice as much). The net benefit of rebalancing is therefore the impact of tracking error less the costs of rebalancing. The exception to this is certain pooled funds where a dilution levy may be triggered if a seller is liquidating a significant holding in the Fund.

The trigger point for a rebalance should be when the benefits of the switch outweigh the costs involved.

The trigger determines when to rebalance, but not by how much. To rebalance all the way to the target allocation is not considered to be cost effective, as the costs of rebalancing all the way tend to outweigh the benefits. The Fund's policy is therefore to rebalance to midpoint from the target allocation and the trigger point in graduated steps were possible.

In normal market conditions

The key risk being run within a pension fund is the proportion invested between the growth, protection and income generating assets. Then to a lesser extent the mix of asset classes that makes up these strategic positions. The Fund's rebalancing procedures will work on the basis that if a trigger point is passed on the strategic positions, this will result in a rebalancing event to take place, following the rules set out below.

If a trigger point is reached by an asset class this will then trigger a rebalance, which may or may not be within the same strategic level looking to bring the most underweight position back in line. The rebalancing will take into consideration if this needs to be done on multiple asset classes to offer the best cost effective rebalancing is actioned.

This policy does not go into the lower level of detail in terms of which investment manager money will be moved from or provide triggers for these as this may cause too much unwanted movements that are not beneficial to the Fund.

In periods of heightened market volatility

The rebalancing policy will be temporarily suspended or slowed if market conditions enter a period of heightened market volatility or other uncertainty as this could force the Fund to sell positions that it does not want to at a price that is not of benefit to the Fund's members. That is to say that the cost benefit calculation that this policy is set on may not be valid in these situations and no rebalancing will take place until more certainty on the cost benefit can be derived.

In the situation where the market moves into an advantageous position which enables the Fund to invest outside the Investment Strategy Statement or this rebalancing policy. This would be where the Fund is able to lower the risk in the portfolio whilst maintaining the appropriate the return profile, the Chief Finance Officer will have the ability to invest 5% of the Fund outside the ISS and rebalancing policy.

Liquidity

Rebalancing decisions will be made with due consideration of the liquidity of the underlying assets. In the case of illiquid assets the total commitment will be considered as part of the rebalancing calculation as these can take several years to manifest into actual investments. The uncalled commitments will often be held in a low volatility liquid asset classes in the interim and these funding arrangements will not be subject to rebalancing. Details of liquidity arrangements of the Fund's investments is held in a separate operational document.

Rebalancing Ranges

The following ranges have been agreed by the Committee to set as points at which rebalancing should take place.

Strategic Area	Strategic target (%)	Range (%)
Growth	**62.5**	**51.5 – 73.5**
Income	**27.0**	**18.0 – 36.0**
Protection	**10.5**	**8.5 – 14.5**
Total	**100.0**	

Asset class	Liquid/Illiquid	Strategic target (%)	Range (%)
Listed Equities	Liquid	40.0	35.0 – 45.0
Private Equity	Illiquid	5.5	2.5 – 8.5
Absolute Return	Liquid	17	14.0 – 20.0
Total Growth		**62.5**	**52.5 – 72.5**

Asset class	Liquid/Illiquid	Strategic target (%)	Range (%)
Balanced Property	Illiquid	7.0	5.0 – 9.0
Inflation linked Property	illiquid	4.0	2.0 – 6.0
Infrastructure	Illiquid	11.0	8.0 – 14.0
Private Credit	Illiquid	5.0	3.0 – 7.0
Total Income		**27.0**	**18.0 – 36.0**

Asset class	Liquid/Illiquid	Strategic target (%)	Range (%)
Diversified Credit	Liquid	10.5	7.0 - 12.0
Cash	Liquid	0.0	0.0 – 2.0
Total Protection		**10.5**	**7.0 – 14.0**

Principles of Rebalancing

The following principles will determine how the rebalancing process for the Fund will operate.

- **Rebalancing would be monitored on a quarterly basis via the investment monitoring report -** Authority to rebalance will be delegated to, and implemented by, Head of Pensions in liaison with the Investment Implementation Working Group. The Officers and advisers will consider transaction costs and current market conditions ahead of implementation.

- **Quarterly rebalancing will apply only to liquid assets -** Due to the transaction costs and illiquidity associated with the other investments such as property, infrastructure, private debt and private equity rebalancing for those asset classes will be considered on an annual/ad hoc basis;

- **Each benchmark allocation would have a weighted tolerance range –** A tolerance range will be defined for growth and matching assets and each underlying mandate; these tolerance ranges will be used in determining when rebalancing will be considered**;**

- **Cash holdings to be used for rebalancing -** Where possible any net investments or disinvestments should be used to manage allocations, for example, by investing any surplus cash into the most underweight asset class.

- **Rebalancing will occur at two levels; at the growth, income and protection level, and at the mandate level –** The rebalancing process will determine if rebalancing is required between growth, income and protection assets, and separately if rebalancing is required between asset classes. However, it is more important to be willing to incur transaction costs if necessary to rebalance between bonds and equities, for example, than switching between managers with similar mandates (e.g. active and passive global equities).

- **Rebalancing transactions will aim to rebalance allocations out with their tolerance ranges to the midpoint (at least) of the tolerance range –** The mid-point of the tolerance range is the mid-point between a benchmark allocation and its upper or lower tolerance limit. Assuming an asset class with a 40% allocation and a 35%-45% tolerance range, the upper mid-point would be the halfway point between 40-45% (i.e. 42.5%). The lower mid-point would be the halfway point between 35% and 40% (i.e. 37.5%). Historical analysis suggests that this is the best way of balancing the impact of transaction costs against returns.

- **Illiquid asset rebalancing -** The allocations to illiquid assets such as private equity and infrastructure will vary with general market movements and are not easily altered, due to the illiquid nature of the asset classes. Therefore we will also consider commitments made and cashflows to drive any rebalancing being carried out in relation to the Fund's illiquid investments. Due to the nature of illiquid assets with timeliness of access to the market and long commitment call down periods, the illiquid assets will often be adrift of the strategic asset allocation while money is awaiting to be called by the investment managers, so these allocations will often be held in a low volatility liquid asset classes in the interim.

- **The long-term strategic target allocation implementation –** where a long-term strategic target allocation has been agreed but not yet fully implemented we will not look to rebalance any current asset class allocation that is in breach of the defined tolerance ranges if the breach is in the desired direction of travel of the Fund's long-term target allocation. This will avoid unnecessary transaction costs.

- **5% allowance to the Chief Finance Officer –** With advice provided by the Investment Implementation Working Group the Chief Finance Officer has the delegation to invest 5% of the Fund outside of the ISS, implementation plan and rebalancing policy. Any investment made through this delegation will be reported to the Committee at the next available opportunity. This will also trigger a review of the investment strategy of the Fund.

- Beyond this rebalancing policy and in line with the Council Constitution the Chief Finance officer has the delegated authority to take action or decide any other Pension Fund related matter on behalf of the Administering Authority in special or emergency situations, in consultation with the Chair of the Pension Committee, including but not limited to where delay in the purchase or sale of investments might be detrimental to the interests of the East Sussex Pension Fund.

Appendix B - Statement of Responsible Investment Principles

September 2021

1. Introduction

At East Sussex Pension Fund **(ESPF)**, we believe that Responsible Investment (RI) supports the purpose of the Local Government Pension Scheme **(LGPS)** – the provision of retirement income for individuals. We believe that it should reduce the risk associated with the invested assets that the Fund owns to pay pensions when they are due. Responsible investment is therefore a substantial factor driving returns alongside other investment considerations.

This Statement of Responsible Investment Principles **(SRIP)** complements ESPF's Investment Strategy Statement **(ISS)**, which is a statutory requirement codified in the Local Government Pension Scheme (Management and Investment of Funds) (England) Regulations 2016. The SRIP explains our (ESPF's) approach to the oversight and monitoring of the Fund's investment activities from a Responsible Investment **(RI)** and Stewardship perspective.

RI is an approach to investing that aims to incorporate environmental, social and governance (**ESG**) factors into investment decisions, to better manage risk and to generate sustainable, long-term returns (according to Principles for Responsible Investment). Stewardship is the responsible allocation and management of capital across the institutional investment community to create sustainable value for beneficiaries, the economy and society.

While acknowledging the potential benefits of incorporating ESG factors into the investment process, the Fund recognises that there are many different approaches, there is no universally agreed standard of ESG measurement or assessment, and some methodologies may enhance returns while others may not. There may also be inherent conflicts between the Environmental, Social and Governance factors forming the ESG framework.

As a consequence, while acknowledging the opportunities for these factors to reduce risk and highlight opportunity, careful attention is required in manager or index selection to methodologies which incorporate both qualitative, quantitative and forward-looking approaches.

ESPF believes that ESG opportunities may be found in Impact Funds investing in companies whose profits are derived from providing solutions to some of the World's more serious environmental, sustainability, demographic and social challenges e.g. cleaner products and processes, renewable energy, health, nutrition, sustainable agriculture, shelter, clean water and sanitation etc. Where successful, such companies might be expected to exhibit above average long-term growth characteristics.

RI is not the same as Ethical Investment (**EI**). EI is an investment approach determined by an investor's specific views, usually based on a set of personal values. These values can take precedence over financial considerations. ESPF should not be considered as either an "Ethical" or an "Unethical" investor, but as a responsible steward of capital. The management of ESG issues is a question of identifying and mitigating material financial risks, not a question of ethics.

At ESPF, we are guided in our roles as quasi-trustees, executive officers and investment managers by the legal principle of fiduciary duty. Guidance on our fiduciary responsibilities is provided by the Scheme Advisory Board, which took legal advice on this matter (https://lgpsab.scot/fiduciary-duty-guidance/). It advises the English Government (the Responsible Authority for the Fund) and English LGPS Funds themselves on policy issues.

The ESCC Pensions Committee (**the Committee**), comprising elected councillors, is responsible for fund oversight and policy setting. In carrying out its obligations, this group of quasi-trustees must take into consideration the views of its main stakeholders, members and employers.

The East Sussex County Council (ESCC) is the administering authority for the Fund, but the Fund is neither owned nor controlled by ESCC. Pension fund assets, which are earmarked for pension payments over the life of the fund, are ringfenced from 'Council Money'. There are around 130 employers and more than 78,000 members, whose pension payments will be funded by these and further employer and member contributions. The Fund's investment policy cannot be influenced by outside parties or by personal, political or moral beliefs. The Fund must seek to find a balance between its statutory and fiduciary obligations, and the views and interests of all of its member stakeholders.

2. Annual review

The SRIP will be subject to review by the Committee at least annually.

3. Objectives of ESPF's Statement of Responsible Investment Principles

The objectives of ESPF's RI policy are to:

1 reduce the likelihood that ESG issues and Climate Risk (**CR**) will negatively impact asset values and returns;
2 inform stakeholders on the action ESPF is taking to address and manage ESG and CR issues.

4. Responsible Investment Beliefs

The following beliefs in respect of RI underpin ESPF's RI principles and policies. ESPF believes that:

1 ESG issues and CR can present material financial risks to asset values and returns;

2 Implementation of effective RI policies can reduce risk and has potential to enhance returns;

3 Engagement with investment managers ("**IMs**") and investee companies can be effective in protecting and enhancing the long term value of investments;

4 Collaboration with other asset owners and IMs will help improve the effectiveness of engagement on ESG and CR issues;

5 Effective oversight of RI requires monitoring of ESG and CR metrics and the actions of IMs and investee companies;

6 RI is aligned with ESPF's fiduciary responsibilities in the management and oversight of ESPF's investments.

5. Responsible Investment Principles and ESPF Approach

ESPF is a signatory to the United Nations Principles for Responsible Investment (**PRI**), an organisation which supports and enables asset owners and asset managers to work collaboratively towards RI best practice. As a signatory, ESPF has committed to implement the six principles with the aspiration of contributing to the development of a more sustainable global financial system.

Principle 1

We will incorporate ESG issues into investment analysis and decision-making processes.

ESPF approach*:* The implementation of ESPF's investment strategy is delegated by the Pensions Committee to officers and external investment managers (IMs) to invest the Fund's assets.

How ESG factors are incorporated into investment analysis and decision-making processes varies according to the asset category and manager. All investments are externally managed; however, asset managers are required to have regard for the government's consultation on integrated risk management of climate change[6].

The Fund gains its exposure to equity markets by recourse to a combination of Active managers and Passive index funds. The holdings of Active Managers are by their nature transitory and subject to continual change through the manager's stock selection process. Managers of index funds replicate an index and so bake in a longer run exposure to companies and sectors over which limited due diligence is performed. The choice of passive index is therefore an important deliberation. Where possible, the Fund seeks to acquire exposure to indices that are tilted in favour of companies that benefit from greener revenues, are less carbon intensive, and are better positioned than their peers to adapt to the Energy Transition. In some markets this option is not possible.

The ESPF have the following categories of asset managers:

Active Equity managers (segregated and pooled funds): As a part of the appointment process, we ensure that Managers demonstrate that they incorporate ESG filters into their investment analysis and asset acquisition processes. We monitor the managers' performance on a quarterly basis alongside all other investment matters, and review the PRI transparency reports of external managers, where available. Managers are encouraged to join PRI, IIGCC and Climate Action 100+ as signatories, where they are not already members.

Passive Index Funds with ESG tilts: Passive indices offer a low-cost complement to Active Managers. We select Passive indices based on the index's ability to reduce exposure to climate risks and to

[6] The government consultation issued in March 2020, "Aligning Your Pension Scheme with TCFD Recommendations" which ended on 2 July 2020 includes recommendations within that consultation for asset managers to carry out climate scenario analysis in relation to portfolios which they administer on the Fund's behalf. Where the manager carries out scenario analysis, the Fund is recommended to ask for details of the scenarios as well as the output of the analysis in relation to the Fund's portfolio. Where portfolio-level analysis is not available, the Fund is recommended to ask for the results of any other analysis that the asset manager is using to identify and assess climate-related risks in relation to the portfolio, such as carbon footprint data. The Fund is also recommended to ask what the asset managers are doing differently as a result of the analysis, to mitigate the risks. Where no scenario analysis is taking place, particularly for easier-to-analyse asset classes such as equities and corporate bonds, the Fund is recommended to ask about asset managers' plans for adopting scenario analysis and encourage faster action if this is not ambitious enough.

capture opportunities for investment in companies that are forward looking, generating green revenues, and better aligned to navigating the Energy Transition

***Passive Index Funds without ESG tilts*:** the Fund can hold other forms of Passive investment to gain exposure to markets at lower cost such as Emerging Markets. These market cap indices are not adjusted to reflect ESG or responsible investment criteria.

Corporate Credit managers: during the appointment process, we assess the approach of managers to incorporating ESG issues into their investment analysis and decision-making processes. We monitor the managers' implementation of the approach on a quarterly basis alongside all other investment matters, and review the PRI transparency reports of external managers, where available. It is our ambition to appoint managers who devote greater focus in providing finance to companies or projects that are more compatible with the aims of the Paris Agreement.

Property managers: The capacity for Managers to incorporate ESG factors into the investment process alongside other key investment criteria will be required, monitored, and regularly reviewed. Managers will be encouraged to adopt PRI Transparency and GRESB reporting and to utilise CRREM assessment tools, as recommended by the IIGCC, in assessing their property portfolio alignment with the Energy Transition.

***Real Asset management (infrastructure) managers*:** during the appointment process, we assess the approach of managers to incorporating ESG issues into their investment analysis and decision-making processes. We monitor the managers' implementation of the approach on a quarterly basis alongside all other investment matters, and review PRI transparency and GRESB reports of external managers, where available.

Principle 2

We will be active owners and incorporate ESG issues into our ownership policies and practices.

ESPF approach:

Voting: The Fund's asset managers vote on resolutions at the Annual General Meetings (AGM) and Extraordinary General Meetings (EGM) of the Fund's equity holdings.

***Shareholder resolutions*:** The Fund's asset managers also file or co-file shareholder resolutions on important issues at the Fund's investee companies in the interests of agitating for better governance.

***Stock lending*:** ESPF does not participate in direct stock lending but may invest in investment funds which use stock-lending.

***Corporate engagement*:** The Fund's managers engage with our investee companies on material ESG issues. The Fund are members of the LAPFF, IIGCC, Climate Action 100+ and the UNPRI.

***Government engagement*:** we engage with government through responding to government consultations and aim to influence policy makers through the Fund's collaborative engagement groups initiatives.

***Manager monitoring*:** we actively and regularly monitor the approach of our investment managers to ESG issues, and what portfolio activity has occurred as a result of managing ESG risks. In addition, the Fund monitor its ESG impact assessment report annually and propose initiatives or actions for managers to consider as enhancements to their ESG practices.

Principle 3

We will seek appropriate disclosure on ESG issues by the entities in which we invest.

***Investee companies*:** through our investment managers we encourage the companies, whose shares the Fund owns, to report on relevant ESG metrics. These include the reporting of greenhouse gas emissions in line with the recommendations of the Taskforce for Climate-related Financial Disclosures (**TCFD**).

***Investment Managers*:** we encourage the Fund's investment managers to provide transparency by reporting relevant and accessible ESG-related information. This includes their commitments to and alignment with the UK Stewardship Code 2020, the TCFD, the PRI and GRESB, where appropriate.

Principle 4

We will promote acceptance and implementation of the Principles within the investment industry.

***Commitment to PRI*:** we are transparent about being a signatory to the PRI and about how we implement the Principles. The Committee monitors its carbon footprint and energy transition at portfolio level and asset manager level. The Committee also review asset manager voting and engagement on a quarterly basis. The quarterly reports are published on the Fund's website to demonstrate implementation of the Principles and to promote them.

***Investment Managers*:** we endorse the Principles to our managers and encourage them to become full signatories to PRI. Where this is not possible, we encourage our managers to use the six principles to guide their RI approach.

***Partnership with PRI*:** we partner with PRI to promote the universal use of the principles, and work with PRI during any consultations to improve the effectiveness of the principles and further improve RI adherence across the industry.

Principle 5
We will work together to enhance our effectiveness in implementing the Principles.

***Collective Approach*:** we are committed to working collaboratively to increase the reach, efficiency and effectiveness of RI. We work with a host of like-minded partner funds, service providers and related organisations striving to attain best practice in the industry and to improve industry standards. A list of our collaborative partners and their roles are available on our website.

Principle 6
We will each report on our activities and progress towards implementing the Principles.

***PRI Assessment*:** we provide extensive details of our investment activities annually to the PRI for its independent assessment of our approach to RI.

***PRI Reports*:** we publish our PRI transparency report annually on our website and we publish our PRI assessment results on our website and in our annual report.

TCFD: we are committed to report annually in accordance with Taskforce for Climate-related Financial Disclosures (TCFD) recommendations.

***UK Stewardship Code*:** we report annually in accordance with the UK Stewardship Code requirements, and we are committed to adhering with the requirements of the new UK Stewardship Code 2020.

6. Integrating RI into Strategy Implementation
At ESPF we are committed to acting as responsible investors and fully integrating our approach to ESG and CR into investment processes.

The Fund's approach is to invest in companies that have a high and sustainable return on investment.

The Fund does not exclude companies from its investible universe on the basis of their participation in certain industries. Rather the emphasis is on assessing the sustainability element of a company's returns.

Fully integrating ESG into the Fund's investment process means that the Committee, the legal person making the investment decision and the 'risk taker' is in possession of all the facts, it can determine how ESG impacts the investment case, including valuation and is in a position to engage with the managers of the business representing the interests of asset owners. This approach ensures that there is no gap between the assessment of ESG and the investment decision. Both are embodied in one decision by the Pension Committee. Short-termism and viewing ESG as an overlay to other assessment criterion is a sub-optimal approach.

7. Engagement with investee companies

The Fund scrutinises governance at every stage of our investment process and aims to influence governance through voting and engagement. This is an integral part of what makes a business sustainable, successful and a suitable investment target.

We will engage with their investee companies and appointed managers, either directly or via their collaborative partners. Where material risks remain following engagement activity, we retain the ability to divest, since the failure to engage destroys value in the longer term. The issue of engagement is a vital aspect of ownership.

The Fund entrusts its assets to investment managers whose duty it is to represent the Fund's interest. Representing the Fund's interests as owners through engagement increases the Fund's knowledge and understanding of the company and leads to more accurate assessment of the firm's risks and opportunities and therefore the valuation assumption. Engagement through voting can effect corporate change and improve businesses to derive a broader social benefit.

8. Energy Transition

The Fund recognises that a prolonged Energy Transition is under way. It also acknowledges that a number of energy incumbents through their size, capacity to mobilise capital and engineering expertise offer the potential to play a substantial role in that transition. It seeks to balance the economic reality that fossil fuels currently provide 80% of the world's primary energy and that energy demand will grow by up to 50% by 2050, with global commitments, as yet not fully backed by detailed policy, to decarbonise the energy system by the second half of the century. Where viable opportunities arise, the Fund will seek to increase its exposure to renewable infrastructure assets.

The Fund is aware that there are a range of possible transition scenarios, evolving physical climate related risks and potential opportunities. There are also many uncertainties. This makes portfolio construction around such scenarios very challenging. Instead, ESPF seeks to broadly align its investment approach with the objectives of IIGCC and Climate Action 100+ initiatives.

9. Climate Change & Compliance with Taskforce for Climate-related Financial Disclosures (TCFD)

ESPF recognises the importance of the Paris Agreement of the United Nations Framework Convention on Climate Change[7]. The central aim of the agreement is to strengthen the response to the global threat of climate change by:

keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius;

strengthening the ability of countries to deal with the impacts of climate change through appropriate financial flows, a new technology framework and an enhanced capacity building framework;

enhancing transparency of action and support through a more robust transparency framework.

ESPF understands that the Paris Agreement is creating change that represents both significant risks to, and opportunities for, the Fund.

As such we make the following commitments to climate monitoring and action:

To continue to measure and report on carbon-equivalent emissions throughout the equity portfolios

To continue our work with IIGCC and Climate Action 100+

To continue to research and support the deployment of new impact capital into projects set to benefit from the transition to a low carbon economy

To assess the carbon intensity of all assets (using estimates if necessary) by the end-2022 reporting cycle, supported by external managers and GPs

[7] https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement

Using data from the Transition Pathway Initiative (TPI), to engage alongside our collaborative partners to encourage companies to adopt business models and strategies that are in line with the aims of the Paris agreements.

Financial returns from current and future investments will affect ESPF's ability to fund future pension payments, and so we have committed to implement processes that adhere to TCFD recommendations on mandatory reporting and governance requirements related to climate risk as they are expected to apply to the LGPS, namely:

(i) Governance: The Pensions Committee monitors stewardship of the Fund's assets through its submission of the Stewardship Code. The first submission in line with the 2020 Stewardship Code is planned for April 2022 and thereafter annually. This includes reporting on RI issues and specific climate-related risks and opportunities. The Pensions Committee and Pension Board are committed to undertake a comprehensive CPD programme through physical, online training and/or personal reading on RI issues and climate change-related risks and opportunities. The Pensions Committee:

- affirms the Fund's commitment to integrate environmental, social and governance (ESG) considerations, such as carbon efficiency trends into its decision-making;
- delegates scrutiny and engagement with investment managers to Fund officers with advice from the Investment Working Group to ensure that they take ESG issues, including climate change and carbon risk, into account in their investment decision-making;
- affirms the Fund's policy of not divesting solely on the grounds of non-financial factors;
- notes that the Fund will monitor research on the link between ESG factors (including carbon-related factors) and financial performance to inform future investment strategy, such as stock selection criteria for quantitative strategies;
- agrees that the Fund will use its shareholdings in companies that perform poorly on carbon efficiency measures to influence engagement activity.

(ii) Strategy: We work individually and with our collaborative partners to drive for openness and transparency on climate related issues affecting our investments.

- ESPF will review annually all strategy mandates and managers against climate metrics (e.g. impact on portfolio, manager compliance, exposure to certain sectors)

- We will review the weakest mandates based on this analysis and determine what action will be taken

- We will consider options for scenario analysis in respect of the Fund's mandates

(iii) Risk Management: We subscribe to data services and analytical tools, including company and industry specific data, and scenario models, to help understand and manage the climate risk within the Fund. Ways in which this data will be used for risk management include:

- Assessment of all existing mandates against quantitative risk metrics such as Weighted Average Carbon Intensity "WACI" on a regular basis. We will work to develop risk metrics appropriate to each mandate

- For all new mandates we will consider climate-related risks and objectives explicitly

- Engagement with managers on specific issues and risks identified by the data

(iv) Monitoring, Metrics* and Targets: We use various monitoring tools with the aim of mitigating risk to Fund assets from trends towards net-zero carbon and more broadly from climate change. We will select at least one Green House Gas (GHG) emissions and one non-emissions metric against which to assess Fund assets on climate related risks and opportunities as proposed under TCFD. At least annually, we will set one target to manage climate related risk with respect to the chosen metrics and measure performance against this target. All decision making, and investment monitoring, considers climate related risk and opportunities We will develop regular reporting of ESG and CR metrics to inform decision making and help assess and monitor progress towards our RI objectives.

***Carbon Analysis**: We note that carbon-equivalent foot printing produces simple metrics that can be misinterpreted. It encourages selective divestment of the shares of high emission companies as some investors 'greenwash' their portfolios. Rather than divesting, we encourage our managers to incorporate an analysis of carbon output into their risk assessment of individual companies and their stocks. In addition, we actively engage with companies to align their business strategies with the targets of the Paris Agreement. Where analysis of carbon risk (or any other risk) points to poor financial outcomes, divestment is, of course, an option.

Appendix 4 – Communications Strategy

The Local Government Pension Scheme Regulations 2013 (Regulation 61) requires each pension fund administering authority to prepare and publish a policy statement setting out its approach to communicating with scheme members, representatives of members, prospective members, and scheme employers.

The East Sussex Pension Fund policy statement sets out our existing communication activities.

The Communications strategy in place during this financial year was approved 17 June 2022 and updated annually with a full review every 3 years.

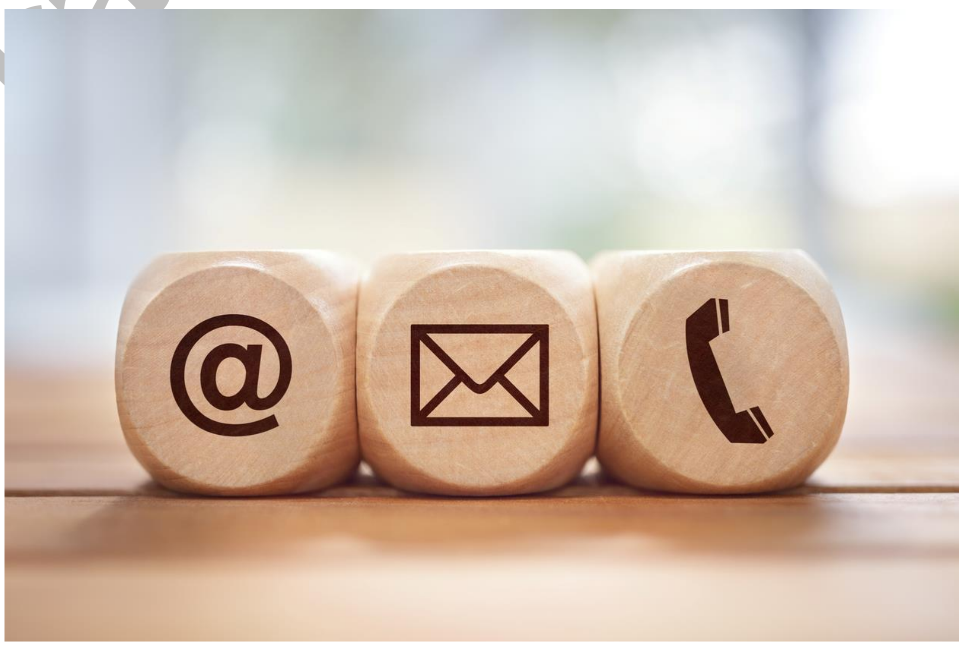
To access the Communications Strategy statement in full please view the detail on the next page.

The latest version of the communications Strategy is available on the Fund's website:

www.eastsussexpensionfund.org/media/lzrj0hat/communication-strategy-2022-east-sussex-pension-fund.pdf

East Sussex Pension Fund

Communication strategy 2022



Contents

Introduction

The Communication Strategy sets out how the East Sussex Pension Fund (the Fund) will engage, educate, and fulfil the needs of its stakeholders including members and employers. East Sussex Pension Fund are committed to developing communication which is relevant and engaging and is also clear and easy to navigate.

This statement outlines the Communication strategy for the East Sussex Pension Fund (the Fund) as per Regulation 61 of the Local Government Pension Scheme (LGPS) Regulations 2013. In consultation with Fund employers and scheme members through their representatives on the Pension Board or other feedback mechanisms for fund employers and scheme members this strategy will be reviewed annually and updated as necessary following each review.

East Sussex County Council (the administering authority) is responsible for the local administration of the Fund, which is part of the LGPS. The Fund liaises with circa 130 scheme employers to provide a valuable package of benefits to over 81,000 members.

The Fund has a large number of stakeholders but has identified the following distinct groups as its key stakeholders each with slightly different communication needs:

- Scheme members (active, deferred, pensioner and dependent members) and their representatives
- Prospective members
- Scheme employers and prospective Scheme employers
- Pension Committee and Pension Board members
- Pension Fund staff
- Pension Fund advisors and managers
- Other interested organisations including HM Revenue & Customs (HMRC), the Department of Leveling Up, Housing and Communities (DLUHC), other relevant Government Departments and the Scheme Advisory Board (SAB)
- Council Tax payers, members of the public and other cohorts not directly linked to the scheme

The main means of communication with our key stakeholders are outlined in this statement, which includes making the best use of technology where appropriate, to provide quicker and more efficient communications for the Fund's stakeholders. The fund will ensure that they provide communication methods that are accessible to all.

Communication with Scheme Members

The Fund uses a variety of methods to communicate with active, deferred and pensioner members, and differentiates between them when delivering key messages to each specific audience group. Scheme members can nominate representatives that the Fund will communicate with on their behalf, subject to the provision of an appropriate letter of authority signed by the scheme member. The Pension Board will be asked to comment on any new communication measures being considered and their views taken into consideration before this strategy is updated.

The core communication objective is that all members understand the valuable package of benefits available through the LGPS, are kept up to date with any changes in scheme benefits, can access scheme information and have an awareness of the overall investment strategy and performance of the Fund.

All members - communication methods

Contacting the fund

The Pensions Helpline is a dedicated telephone number for queries. Telephone lines are open 9am to 4pm Monday to Friday (except bank holidays). Phone number: 0300 200 1022

Email: pensions@eastsussex.gov.uk

Post: East Sussex Pension Fund, Administration Team, County Hall, St Anne's Crescent, Lewes, BN7 1UE

Newsletters – The Fund will publish newsletters via email which will direct members to the website. The newsletter will cover current pension topics linked to the LGPS and the wider pensions industry, along with important member messages. Further newsletters may be sent to members highlighting issues of importance, such as changes in scheme regulation or operation as they arise.

Active members – two newsletters a year

Deferred and Pensioner members – one newsletter a year

Website

The Fund has its own website (https://www.eastsussexpensionfund.org/) which provides extensive information and guides about the LGPS, factsheets, forms and up to date news about the Fund's activities and achievements. This should be members main source of scheme information.

There are specific sections dedicated to different types of members.

Joining the scheme

No longer paying in

Paying in

Pensioners

In addition, members have access to the LGPS website. This site is for members of the Local Government Pension Scheme (LGPS) in England and Wales and their families. The website has recently been transformed to improve the user experience. There is loads of great content including easy to use tools and calculators, useful links, hints and tips, videos and lots of information to support scheme members.

Active members - communication methods

Annual benefit statement - Statements are provided which details members current pension accrued to date and a projection to their Normal Retirement Age. These are provided to active scheme members by 31st August each year. The statements are made available online via member self-service or posted to members who have opted out of electronic communications (where addresses are known). The administration team will provide an annual update to the Pension Board to evidence that this is happening.

Member self-service Portal (My Pension)

Members have online access (once registered) to their current LGPS pension held by East Sussex Pension Fund and their entitlement at retirement. There is the function to make pension projections at any time in the future, where a member is over 55 and under the age of 75, that will include any LGPS reduction or enhancement factors. Members can also update their expression of wish nomination(s), email address, home address and communication preferences.

Prospective Members – communication methods

Employer engagement - The Fund works with scheme employers to assist them in the joining arrangements for the LGPS. The Fund will also ensure that the benefits available to prospective members are highlighted regularly to employers through mention in conversations, newsletters and the employer forum.

Deferred Members – communication methods

Annual benefit statement – Statements are provided which details members current deferred pension and a projection to their Normal Retirement Age. These are provided to deferred scheme members by 31st August each year. The statements are made available online via member self-service or posted to members who have opted out of electronic communications (where addresses are known). The ESPF administration team will provide an annual update to the Pension Board to evidence that this is happening.

Member self-service Portal – Deferred members have online access (once registered) to their current LGPS pension held by East Sussex Pension Fund and their entitlement at retirement. There are calculators available showing how much their pension would be worth if they were to take their deferred benefits into payment or if they passed away. Members can also manually update their expression of wish nomination(s), email address, home address and communication preferences.

Pensioner Members – communication methods

Member self-service Portal – Pensioners have online access (once registered) to their current LGPS pension held by East Sussex Pension Fund. They can view (not print) pay slips* and P60s and access a calculator which show how much their pension would be worth if they were to die whilst in receipt of a pension. Members can also manually update their expression of wish nomination(s),

email address, home address and communication preferences.

*Issued in March, April and May or when net pay changes by more than £5.

Pension Increase statements - Annual Pension Increase statements are sent to all pensioners informing them of the percentage rate their pension will increase by and their revised pension payment for the new financial year.

Payment Advice/P60 - Pensioners are issued with payment advice slips in March, April and May.

P60 notifications are issued annually (usually in April or May) and provide members with a breakdown of the payments they have received over the last financial year. P60s and pay slips are viewable online for those members who have registered for member self-service or issued in the post for others.

Communication with Scheme Employers
To assist scheme employers participating in the LGPS, the Fund has a range of communication materials and methods that aims to increase their understanding of pension issues and help them fulfil their responsibilities as scheme employers.

Administration Strategy – The Pension Administration strategy provides an overview of how the Fund and scheme employers will work together to achieve a high-quality service. It sets out, in detail, the obligations and responsibilities of both the Fund and the scheme employer to achieve set performance standards. This is available on the Fund's website.

This document includes Service Level Agreements (SLAs) which ensure best practice and compliance with audit requirements. The SLA sets out, in detail, the obligations and responsibilities of the scheme employer, the administering authority and the administrator, concerning all aspects of LGPS administration.

These Agreements are reviewed and updated annually taking into account changes made to the regulations and feedback from the Fund’s scheme employers. All the Fund's scheme employers are consulted on the administrative strategy following any revision to ensure they acknowledge their responsibilities.

Annual Report and Accounts - The audited accounts of the Fund are prepared as of 31 March each year and published on our website, usually in early December.

Designated employer contact -The Fund will request each scheme employer designate a named individual for Employer engagement with the appropriate delegations and provide a named payroll contact for the employer.

Employer forum – An annual forum for all scheme employers to provide information and training on administration activity, investment performance, actuarial insights and any scheme changes and current issues impacting the Fund and the LGPS. These offer a great opportunity for employers and Fund Officers to get together, to exchange news and views. Information such as presentations, questions and answers and handouts will be posted onto the employer section of the website after the event.

Employer newsletter – The Fund publishes a regular newsletter, aimed specifically at employers. It covers topical issues, technical information requiring employer attention and changes to regulations that impact on their duties and responsibilities. The newsletters are issued at least 3 times per year and are housed on our website.

Funding and investment – The Fund seek to provide and help employers understand the Funding Strategy Statement and Investment Strategy Statement including the performance of the Fund's Investment's (given its impact on employer contribution levels).

General Guidance and Assistance - The pension administration team or Employer Engagement Team can be contacted during normal office hours and are always available to answer any questions raised by Scheme employers.

HR and payroll guides – The ESPF website has several guides available including LGPS31 Employer contribution guide, HR guide, outsourcing and admission agreements guide and payroll guide to the LGPS. LGPS31 forms will also be issued to the employer’s payroll contact annually reflecting any change in rates as set out in the actuarial rates certificate.

Individual employer meetings – The Employer Engagement Team can arrange face to face or virtual meetings with employers on request.

Training – The Fund are happy to support both group and individual training sessions for employers. For example, training on how to submit end of year returns, i-connect support, the responsibilities of a new employer to the Fund and support in preparing policies such as the Discretionary Policy.

Valuation Reports – a report issued every three years setting out the estimated assets and liabilities of the Fund as a whole, as well as setting out individual employer contribution rates for a three-year period commencing one year from the valuation date.

Website - There is an employer page on the ESPF website with lots of information including the latest employer information, forms and guides, i-Connect and employer newsletters.

Communication - The Pension Committee

In accordance with the Local Government Pension Scheme Regulations, associated legislation and the Pensions Committee terms of reference, the Pension Committee is responsible for all functions and responsibilities relating to the management of the East Sussex Pension Fund, this includes making arrangements for the investment, administration and management of the Pension Fund, receiving advice as appropriate from the Pension Board. The Pension Committee also agrees Policy Statements, as required under the LGPS regulations, and decides on the admission and cessation of bodies to the Pension Fund.

The Fund works closely with the Pension Committee and the Pension Board, and the core communication objective is to ensure that all scheme members are fully informed on pensions matters including investment, funding, audit, governance, administration and risk. They have regular training to ensure they have sufficient knowledge to fulfil their duties and responsibilities.

Members and Employers can locate further information on the Pension Committee including meetings, agendas and contact details via the ESCC website.

Communication - The Pension Board

The Public Service Pensions Act 2013 requires the establishment of a Pension Board with the responsibility for "assisting the Scheme Manager" in securing compliance with all relevant pensions law, regulations and directions.

The Pension Board's role is one of providing assurance in and governance of the scheme administration and helping to ensure that the East Sussex Pension Fund complies with the code of practice issued by the Pension Regulator.

Members and Employers can locate further information on the Pension Board including meetings, agendas and contact details via the ESCC website. Board members are representatives for scheme members and employers and feed into reports and activities of the Fund to the Pension Committee to ensure the Committee make effective decisions. Board members can be contacted at PensionBoard@eastsussex.gov.uk.

Communication – Pension Fund staff

It's critical that Fund staff are kept up to date with important information on the LGPS, changes to policy and procedure within the Fund and the wider legislative and regulatory pensions industry. The Fund ensure that all staff have access to the relevant information and technical knowledge to enable them to perform their duties. This is achieved via use of email, personal development plans, performance management meetings, internal meetings, training events, a training strategy implemented through the Fund's training coordinator and access to relevant qualifications.

Communication with other Key Stakeholders

ACCESS Pool - The Fund is a member of the ACCESS pool established by a group of 11 Councils, to invest assets on a pooled basis for the LGPS Funds administered by those Councils. It is important that ACCESS understands each Fund's investment strategy so that the pooled assets are invested in accordance with the investment strategies of the underlying Funds. Communication with ACCESS will be in several ways including directly at officer level and Joint Committee. The Pension Committee will receive regular updates on the activities of ACCESS and will also be responsible for deciding the assets to be invested in ACCESS. The Pension Board will receive regular updates on the governance activities of the pool and feed through views of the members and employers they represent.

Actuary* - The Fund communicates with the Fund Actuary to discuss funding levels, employer contributions, accounting information for scheme employers and the apportionment of the assets and calculation of the liabilities of the Fund.

AVC Provider - Additional Voluntary Contributions (AVC) are held and invested separately from the LGPS. The Fund's AVC current provider is Prudential Limited. Prudential provide communications directly to the AVC members. Communication with the Fund include assurance that records are complete, accounting information, range of products available and service review discussions. Fund officers provide an annual assurance report to the Pensions Committee.

Investment Managers & advisers* – The Fund regularly liaise with Investment Managers who invest on our behalf and with the Funds Investment Consultant and independent investment Advisor who provide help and advice on the asset allocation and investment strategy of the Fund.

Local Government Association (LGA) - The LGA liaises with LGPS Funds, Scheme Advisory Board (SAB) and DLUCH to ensure that all LGPS regulations are administered correctly as per the secretary of state's instructions.

Department of Leveling Up, Communities and Housing (DLUCH) - The Fund has regular contact with DLUCH as a responsible LGPS Fund, participating and responding to consultations, as required.

Scheme Advisory Board (SAB) - The national SAB was established following the Public Services Pensions Act 2013. It provides advice to the Fund and Local Pension Boards in relation to the effective and efficient administration and management of the Scheme and their funds. The Fund therefore liaises with the SAB as appropriate.

The Pensions Regulator - The Pensions Regulator's remit has been extended to the Public Sector because of the Public Services Pensions Act 2013. The Fund liaises with the Regulator as required to ensure that it is compliant with the Pensions Regulator's Code of Practice.

Other - The Fund may also communicate with other stakeholders such as HMRC, Information Governor, National Insurance database, Tell us once service, Pensions Ombudsman, Moneyhelper, Ill health insurers.

*The Fund Actuary, Independent Adviser and Investment Adviser attend Pension Committee meetings.

Communication with council tax payers and members of the public

The primary focus of the Fund is to communicate with members and employers but are aware that council tax payers and members of the public may have a vested interest in the management of the Fund. The fund will rarely issue any proactive communication to either council tax payers or members of the public. However, where the fund are asked specific questions or has news which affects the wider community reactive commentary will be provided. Any questions should be sent to pensionfundinvestments@eastsussex.gov.uk where a response will be provided within 30 working days.

Regulatory basis for Communications Strategy

The LGPS is a statutory scheme, established by an Act of Parliament. Regulation 61 of the Local Government Pension Scheme Regulations 2013, reproduced below, provides the conditions and regulatory guidance surrounding the production and implementation of Communications Strategies:

Statements of policy concerning communications with members and Scheme employers

61. (1) An administering authority must prepare, maintain, and publish a written

statement setting out its policy concerning communications with:

(a) members;
(b) representatives of members;
(c) prospective members; and
(d) Scheme employers.

(2) The statement must set out its policy on:

(a) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers;
(b) the format, frequency and method of distributing such information or publicity; and
(c) the promotion of the Scheme to prospective members and their employers.

(3) The statement must be revised and published by the administering authority following a material change in their policy on any of the matters referred to in paragraph (2).

This strategy has been developed to include the information required by those provisions and to describe the Fund's approach in relation to meeting these requirements in the delivery of communications. Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 and other legislation includes various requirements relating to the provision of pension information (in addition to the requirements in the LGPS Regulations). The Fund aims to adhere with all such legislation and related statutory or best practice guidance. This includes the Pension Regulator's Code of Practice.

There are other regulatory requirements that the Fund adheres to, including the General Data Protection Regulations and the Freedom of Information Act.

Our Aims and Objectives

To ensure that we are communicating effectively with our key stakeholders and that we continue to enhance the service we offer, we have set the following objectives:

Members

To ensure our members understand the value of the package of benefits available through the LGPS.

To promote the benefits of the LGPS, as a valuable part of the pay and rewards package of employees who are entitled to join the Scheme.

To provide sufficient information and options so members can make informed decisions about their benefits.

To establish where gaps in member knowledge and understanding exist so we can look to develop effective training and resources to address these.

To improve the access members have to their Local Government Pension Scheme by promoting online use of our self-service facility 'My Pension'.

Employers

To support employers in fulfilling their responsibilities relating to the LGPS.

To help employers respond to LGPS issues/consultations that affect them or their employees.

Applies to all

To communicate using plain English in a clear, concise, accessible manner.

To ensure the most appropriate means of communication is used, considering the different needs of different stakeholders, including providing more accessibility through greater use of technology where appropriate.

To ensure that both members and employers have an awareness of the investment strategy and overall performance of the Investment Fund.

To regularly evaluate the effectiveness of communications with key stakeholders with a primary focus on scheme members and employers and shape future communications appropriately.

To ensure all Fund officers understand the key messages and approach in order that they can communicate with stakeholders effectively.

Measurement of our Communication Objectives

The Fund will monitor success against our communication objectives as listed here.

Objectives	Measurement
To ensure our members understand the value of the package of benefits available through the LGPS. To promote the benefits of the LGPS, as a valuable part of the pay and rewards package of employees who are entitled to join the Scheme. To provide sufficient information and options so members can make informed decisions about their benefits. To establish where gaps in member knowledge and understanding exist so we can look to develop effective training and resources to address these.	▪ Bulk email engagement ratings (% opened & click through rate). Available when email marketing software in place. ▪ Satisfaction levels achieved in annual member surveys and monthly helpdesk surveys. ▪ Responses to any specific member Communication questions in annual survey. ▪ Feedback from the Pension Board and Communications Working Group. ▪ Feedback from communications issued to members and employers received through the administration team, helpdesk or employer engagement teams. ▪ Analyse website visits and duration. ▪ Measure success of feedback from members to questions and answers available via a chatbot (chatbots are programs built to automatically engage with received messages). The Fund is looking to implement a
To improve the access members have to their Local Government Pension Scheme by promoting online use of our self-service facility 'My Pension'.	▪ Increase the total number of members registered for the self-service portal by 10% by year end 2022. ▪ Increased use of member self-service portal features by existing users. ▪ Reduction in queries to helpdesk.

Objectives	Measurement
To communicate using plain English in a clear, concise, accessible manner.	▪ Employer and member satisfaction levels analysed from surveys conducted with both groups. ▪ Monitor enquiries from stakeholders following key events and communications. ▪ Bulk email engagement ratings (% opened & click through rate). ▪ Ensure documents are verified for accessibility purposes. The fund will ensure that there is a clear version and dating process so that members and employers are always working from the latest iteration.
To ensure the most appropriate means of communication is used, considering the different needs of different stakeholders, including providing more accessibility through greater use of technology where appropriate.	▪ Increasing use of digital services for both scheme members and scheme employers. ▪ Monitor use and effectiveness of current and new forms of communication with key stakeholder groups. ▪ Responses to any specific questions in annual survey issued to scheme employers and scheme members in this area. ▪ Ensure that all forms and scheme literature is accessible to all.
To regularly evaluate the effectiveness of communications with key stakeholders with a primary focus on scheme members and employers and shape future communications appropriately.	▪ Undertaking a satisfaction survey annually. ▪ Detailed analysis of survey results is used to identify areas to improve communications in future, and trends monitored from previous years. ▪ Compliments and complaints are recorded and trends analysed. ▪ The Communications Working Group will work with the Pension Board to annually evaluate the effectiveness of communications.

Objectives	Measurement
To ensure that both members and employers have an awareness of the investment strategy and overall performance of the Investment Fund.	▪ Ensure that the investment area of the website always houses current information on investment strategy, responsible investment principles, stewardship, asset allocation and performance. ▪ Conduct training with employers on funding and investment
To ensure all Fund officers understand the key messages and approach in order that they can communicate with stakeholders effectively.	▪ Communicate key scheme changes via email and ensure regular attendance of pension and project meetings where appropriate. ▪ Ensure officers have personal development plans and regular performance management meetings. ▪ Attendance of relevant training events. ▪ Officers have access to relevant qualifications and display continual professional development. ▪ Officers ensure that all corporate training modules are completed. ▪ Conduct an annual assessment of officer's skills against CIPFA's Knowledge and Skills Framework and ensure gaps are rectified and improvement noted. • All training is logged by the Fund's training coordinator.
To ensure that both members and employers have an awareness of the investment strategy and overall performance of the Investment Fund.	▪ Ensure that the investment area of the website always houses current information on investment strategy, responsible investment principles, stewardship, asset allocation and performance. ▪ Conduct training with employers on funding and investment.

Communications Working Group

The Fund has a Communications Working Group made up of officers, Board members and union representatives that oversee communications from the fund and aim to improve the user experience of key stakeholders of the Fund. This group can advise the board and committee of possible improvements in communications including policy and delivery methods.

Measuring performance against objectives

An overview of our performance against these objectives will be officially reported within the Fund's annual report and accounts. If performance is substantially below standard (whether by a large margin for a short period of time or a small margin for a longer period) the Fund will formulate an improvement plan. This will be reported to the Pension Committee and Pension Board together with an ongoing update on achievement against the improvement plan.

Delivery of Communications

Responsibility for Fund management is delegated to the Pension Committee, taking into consideration advice from the Pension Board. The Committee will seek to monitor the implementation of this Strategy on a regular basis.

The day-to-day delivery of member communication and associated administration related communications and information governance is undertaken by the Fund's administration team, supported by other pension officers. The delivery of scheme employer support (including payroll and data) and other stakeholder related communications is jointly provided by the Administration Team and Employer Engagement Team.

The Fund has at its disposal a wide range of options for communicating with the diverse groups that it needs to serve. The method of communication will vary depending on what needs to be communicated and to whom but electronic will be the preferred option. The methods used by the Fund to communicate with all interested parties are detailed in this strategy paper.

General Communication

When considering how to communicate with our stakeholders the intended audience is considered to ensure that messages are delivered in a useful and easy to follow manner. Communication is tailored to the recipient’s needs, making sure that messages are clear, consistent and use plain English. Communications are delivered using the most appropriate method and there will be continued development of digital platforms to encourage greater online accessibility to the Fund’s services for all stakeholders.

Every communication should have a clear purpose and fit into the overall communications plan, to ensure that they are cost effective. The Fund actively seeks feedback from each of its key stakeholders to continually review, enhance and improve communication methods. The Fund also adheres to other legislative requirements, including the General Data Protection Regulations, Freedom of Information Act, and pension disclosure legislation. The Fund also aims to adhere to good practice standards such as the National Website Standards.

Branding

The Fund acknowledges that our visual identification is one of our most powerful assets. It tells people who we are and influences how they remember and relate to us. The Fund will look to improve the use of their current brand (logo, font, colour palette, dos and don'ts, use of different file types) during 2022. This will help distinguish the Fund from East Sussex County Council whilst still appearing as part of the same organisation.

Ongoing work will also take place to ensure the Fund has a distinctive identity which captures what people think about the scheme - achieved by tone, language, visuals, and style of communication. This could potentially draw on the theme of security (defined benefit) and lifestyle (how regular engagement with your pension plan shapes your quality of life in retirement).

Accessibility

The Fund is committed to ensuring that all stakeholders can access services equally and knows that some individuals may require information to be provided in specific formats. While demand for alternative formats remains low, the Fund can issue documents in braille, large print, or audio format on request.

General Data Protection Regulations (GDPR)

GDPR came into force on 25 May 2018 and requires Privacy Notices to be published by the Fund, so we are transparent on how personal data is used.

The Fund has produced and published both full and summarised Privacy Notices on their website explaining how the Pension Fund collects personal data, what that data is used for, with whom that data is shared and the rights of individuals regarding their data.

Key Risks

The key (potential) risks to the delivery of this Strategy are outlined below. The Head of Pensions along with other officers will work with the Pension Committee and Pension Board in monitoring these and other key risks and considering how to respond to them.

Staffing

- Lack or reduction of skilled resources due to difficulty retaining and recruiting staff

- Risk of loss key / senior staff resulting in lost knowledge and skills in the Pensions Team
- Staff absence due to sickness
- Failure to communicate with staff members in relation to scheme changes
- Lack of decision making due to loss of Pension Committee/Pension Board member

IT and Infrastructure

- Lack of adequate software or IT solutions – particularly in the digital communications area

Legislation and change in external markets/environment/employer

- Significant external factors, such as national change, impacting on workload
- A major change to the LGPS legislative environment
- Significant increase in the number of employing bodies causing strain on day-to-day delivery

Communication errors

- Issuing incorrect or inaccurate communications
- Failure to maintain scheme employer database leading to information not being sent to the correct person
- Lack of clear communication to scheme employers, scheme members and pensioners

Costs

All costs relating to this Strategy are met directly by the Fund (unless indicated).

Approval, Review and Consultation

This Communications Strategy was approved on 17 June 2022 by the East Sussex Pension Committee. It will be formally reviewed annually and updated by the Committee at least every three years or sooner if the communications arrangements or other matters included within it merit reconsideration (including if there are any changes to the LGPS or other relevant Regulations or Guidance need to be considered).

Further Information

If you require further information about this Communications Strategy, please contact:

Sian Kunert, Head of Pensions or Paul Linfield, Pension Communication Manager
East Sussex Pension Fund East Sussex Pension Fund

Email: sian.kunert@eastsussex.gov.uk Email: Paul.Linfield@eastsussex.gov.uk

Appendix I– documentation type, usage and review

Document	Web	Print	Active	Deferred	Pensioner	Employer	Published	Reviewed
Administration strategy incl SLAs	✓	x	✓	✓	✓	✓	3-yearly	Annually
Annual Report and Accounts	✓	x	✓	✓	✓	✓	Annually	Annually
AVC guides	✓	x	✓	x	x	✓	Always available	Ongoing
Benefit statements	✓	✓*	✓	✓	x	x	Annually	Annually
Board and Pension Committee papers	✓	x	✓	✓	✓	✓	Quarterly	Quarterly
Communication Strategy	✓	x	✓	✓	✓	✓	Every 3 years*	Annually
Employer Forum	✓	x	x	x	x	✓	Annually	Annually
Funding strategy	✓	✓	x	x	x	✓	Every 3 years	Every 3 years
Investment Strategy	✓	x	✓	✓	✓	✓	Annually	Ongoing
Literature	✓	x	✓	✓	✓	✓	Always available	Ongoing (by LGPS)
Member self-service	✓	x	✓	✓	✓	x	Always available	Ongoing
Newsletters	✓	✓*	✓	✓	x	✓	ER – 3 times per year / MBR – twice per year	Ongoing

Document	Web	Print	Active	Deferred	Pensioner	Employer	Published	Reviewed
Pay slips	✓	✓	×	×	✓	×	March, April, May	Ongoing
P60s	✓	✓	×	×	✓	×	Annually	Annually
Pension increase letter	✓	✓	×	×	✓	×	Annually	Annually
Statement of Responsible Investment principles	✓	×	✓	✓	✓	✓	Annually	Ongoing
Scheme guide	✓	×	✓	✓	✓	✓	Always available	Ongoing (by LGPS)
Surveys	✓	×	✓	×	✓	✓	Annually	Annually
Training	✓	✓	×	×	×	✓	Always available	Ongoing
Website	✓	×	✓	✓	✓	✓	Always available	Ongoing

*For members who have asked to be removed from electronic communications or on request only.

The Fund are happy to provide information above in a different format such as large print, coloured background, Braille or in a different language if required.

Appendix 2 - Communication approval schedule

Document	Head of Admin	Investment Manager	Employer Engagement Manager	Governance Manager	Comm's Manager	Head of Pensions	Comms Working Group	Pension Committee	Pension Board	Chair of Pension Committee	Section 151 Officer
Admin strategy*	✓	×	✓	✓	✓	✓	✓	Approver	×	×	×
Annual Rpt and Accts	×	✓	×	✓	✓	✓	×	Approver	×	×	✓
Benefit Statements	✓	×	✓	✓	✓	×	×	×	×	×	×
Breaches / /privacy	×	×	×	✓	✓	×	×	Approver	×	×	×
Comm's Strategy	✓	✓	✓	✓	✓	✓	✓	Approver	×	×	×
Employer Forum	✓	✓	✓	✓	✓	✓	✓	×	✓	✓	×
Funding strategy*	×	✓	×	✓	✓	✓	×	Approver	×	×	✓
Inv related comm's	×	✓	×	✓	✓	✓	✓	×	×	×	×
Investment Strategy	×	✓	×	✓	✓	✓	✓	Approver	×	×	✓
Literature / guides	✓ - based on content incl	✓ - based on content incl	✓ - based on content incl	✓ - based on content incl	✓ - based on content incl	✓ - based on content incl	×	×	×	×	×
Media enquiries	×	×	×	×	✓	✓	×	×	×	✓	Approver
Member self-service	✓	×	✓	×	✓	×	×	×	×	×	×
Newsletter	✓	X except if	✓	✓	✓	×	✓	×	×	×	×

Document	Head of Admin	Investment Manager	Employer Engagement Manager	Governance Manager	Comm's Manager	Head of Pensions	Comms Working Group	Pension Committee	Pension Board	Chair of Pension Committee	Section 151 Officer
		inv info incl									
P60 mailing	✓	x	x	x	✓	x	x	x	x	x	x
Pension increase ltr	✓	x	x	x	✓	x	x	x	x	x	x
Responsible Inv reports	x	✓	x	x	✓	✓	x	x	x	x	x
Survey	✓	X except if inv info incl	✓	✓	✓	✓	✓	x	x	x	x
Website	✓ - based on content incl	✓ - based on content incl	✓ - based on content incl	✓ - based on content incl	✓ - based on content incl	✓ - based on content incl	✓ - based on content incl	x	x	x	x

*Must go through employer consultation

Appendix 5 - Governance Policy and Compliance Statement

The Public Services Pensions Act 2013 introduced a new framework for the governance and administration of public service pension schemes. All Local Government Pension Scheme (LGPS) Funds in England and Wales are required to publish and keep under review a Governance Compliance Statement.

The Governance Compliance Statement of the East Sussex Pension Fund is comprised from the Compliance to Statutory Guidance Statement and a Governance Policy Statement.

The Governance and Compliance Statement in place during this financial year was approved 16 June 2023 and is updated annually.

To full Governance Policy and Compliance Statement can be viewed on the next page.

The latest version of the Governance and Compliance Statement is available on the Fund's website

https://www.eastsussexpensionfund.org/media/q03plfjj/governance-and-compliance-statement-june-2023.pdf

GOVERNANCE AND COMPLAINACE STATEMENT

June 2022

Contents

Governance Policy Statement

Introduction

1. This is the Governance Policy Statement of the East Sussex Pension Fund (the Fund), which is managed by East Sussex County Council, the Administrating Authority (Scheme Manager) on behalf of all the relevant employer bodies in the Fund. All Local Government Pension Scheme (LGPS) Funds in England and Wales are required to publish and keep under review a Governance Compliance Statement.
2. The Public Services Pensions Act 2013 (The Act) introduced a new framework for the governance and administration of public service pension schemes. The Act has a material impact on existing governance arrangements in the Local Government Pension Scheme (LGPS), which are enforced by changes to the LGPS regulations.
3. As a result of the Act, The Pensions Regulator introduced codes of practice covering specific areas relating to public sector pension schemes. It is noted that The Pensions Regulator intends to make changes to its Codes of Practice and the potential impact on the Fund is being monitored. It is expected that the new Code of Practice will come into force in the second half of 2022.
4. As Administering Authority, East Sussex County Council is the designated statutory body responsible for administering the East Sussex Pension Fund of behalf of the constituent Scheduled and Admitted Bodies in the relevant area. The Local Government Pension Scheme Regulations specify that, in investing the Fund's money, regard must be given to the need for diversification and for proper advice obtained at reasonable intervals.

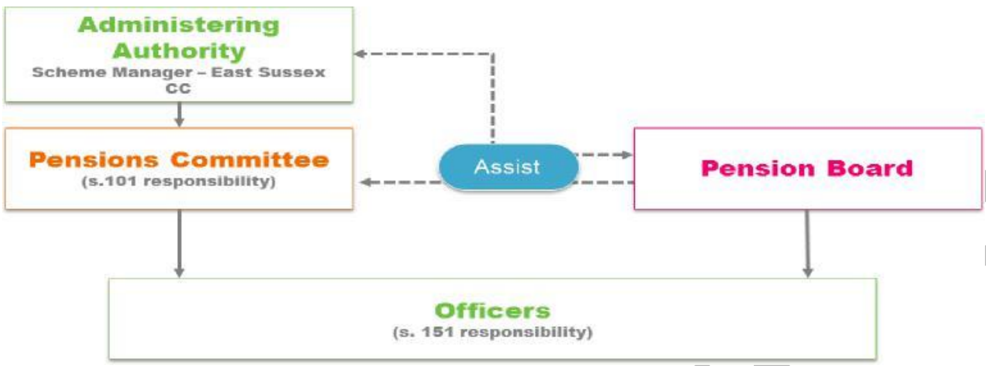
Governance of East Sussex Pension Fund

5. East Sussex County Council operates a Cabinet style decision-making structure. Under the Constitution, the Pension Committee has delegated authority to exercise the powers of the County Council in respect of all powers and duties in relation to its functions as the Scheme Manager and Administering Authority for the East Sussex Pension Fund, including the approval of the Fund admission agreements.
6. Delegations by the administering authority are published in the Council's constitution which can be accessed at

   https://www.eastsussex.gov.uk/yourcouncil/about/keydocuments/constitution/

7. The Fund governance focuses on:
   - The effectiveness of the Pension Committee, the Local Pension Board (Pension Board) and Officers to which delegated function has been passed, including areas such as decision-making processes, knowledge and competencies.
   - The establishment of policies and their implementation.
   - Clarity of areas of responsibility between officers and Pension Committee/Board members.
   - The ability of the Pension Committee/Board and Officers to communicate clearly and regularly with all stakeholders.
   - The ability of the Pension Committee/Board and Officers to ask for the appropriate information and advice and to interpret that information in their supervision and monitoring of the Scheme in all areas.
   - The management of risks and internal controls to underpin the framework.

The Overall responsibility for the governance of the Local Government Pension Scheme and for the approval of this document resides with the Pension Committee.



Responsibilities of the East Sussex Pension Committee

8. The Council's Pension Committee is established as the Fund's scheme manager and is responsible for arrangements for the investment, administration funding, communication, risk management and the overall governance process surrounding the Fund.

9. The Pension Committee is responsible for setting all Fund policies including the setting of the appropriate funding target for the East Sussex Pension Fund.

10. The Pensions Committee will exercise its functions in accordance with fiduciary duties, safeguarding the interests of the beneficiaries of the Fund.

11. Committee Members must take decisions in accordance with their public law obligations, including the obligations of reasonableness, rationality and impartiality.

12. Committee Members are required to be rigorous about conflicts of interest and potential conflicts of interest, actual or perceived, as laid out in the Conflict of Interest Policy.

13. The Committee is subject to the statutory obligation of political balance in the membership of the Committee. Whilst all Committee Members bring with them their own knowledge and experience, political views should form no part of the consideration of issues or of the decision-making process.

14. Detailed terms of reference for the Committee are included as **Appendix A.**

Responsibilities of the East Sussex Pension Board

15. To help to ensure that the East Sussex Pension Fund is managed and administered effectively and efficiently and complies with the code of practice on the governance and administration of public service pension schemes issued by The Pension Regulator (TPR).

16. To provide assistance to East Sussex County Council as the Administering Authority and the LGPS Scheme Manager in securing compliance with:

- LGPS Regulations and any other legislation relating to the governance and administration of the LGPS;
- requirements imposed in relation to the LGPS by TPR;
- ensure effective and efficient governance and administration of the LGPS; and
- any other matters as the LGPS regulations may specify.

17. The role of the Pension Board is to provide oversight of these matters and it is not a decision making body. The Board seeks assurance that due process is followed by the Fund.

18. Detailed terms of reference for the Board are included as **Appendix B**.

Operational Procedures of the Pension Committee and Pension Board.

19. The Pension Committee receives and reviews quarterly reports in relation to all its Investment Fund Managers through its Investment Consultant, Isio. The Pension Committee is also advised by an additional Independent Advisor to help balance the advice providing additional challenge and debate to decision making.
20. In addition, the Pension Committee and Pension Board is advised by the County Council's Chief Finance Officer (in their capacity as the Council's designated section 151 officer).
21. The Pension Board meet around two weeks in advance of the Pension Committee to enable the Board to consider and comment on the reports due to be considered by the Committee. This ensures the Committee takes into account the comments of scheme member and employer representatives of the Board ahead of the Committee making decisions. The Board's minutes are included as part of the Committee agenda pack and the independent chair of the Board attends the Committee meetings commenting on discussion points raised by the Board on each item.
22. The Pension Board and Pension Committee consider reports on Administration of the Fund, the Risk Register and any breaches of the law at all core meetings.
23. Both the Pension Board and Pension Committee have access to professional advice via specialist advisers, where appropriate to work being carried out.
24. Agendas and reports for both the Board and Committee are published on the ESCC website at least 5 working days in advance of the meeting.
25. All meetings are open to the public except where the Board and Committee resolve to exclude the press and public due to the consideration of information that is exempt under section 12A of the Local Government Act 1972. During the Covid pandemic, the meetings were held virtually with a webcast being made available for public viewing. Pension Committee meetings are now hybrid meetings with Councillors and some Officers meeting in person and other Officers joining remotely. These meetings are made available to the public through a webcast. Meetings will be held either in person or as hybrid meetings going forward.
26. The work plan of both Board and Committee is set out in a work programme agreed at each meeting. This helps the stakeholders understand what will be discussed at future meetings.
27. The Committee and Board receive full reports on all necessary matters as decided by the Chief Finance Officer, and matters raised by the Committee or Board for detailed reports and discussion. Provision exists for the calling of special meetings if circumstances demand.

Frequency of meetings of the East Sussex Pension Committee.

28. The Pension Committee meets at least 4 times a year with an additional meeting scheduled to discuss the investment strategy.

Frequency of meetings of the East Sussex Pension Board.

29. The Pension Board meets at least 4 times a year.

Membership of the Pension Committee

30. The County Council appoints five members to the Committee in accordance with political balance provisions. All members of the Committee have voting rights.

Membership of the Pension Board

31. In accordance with Regulation 107 of the LGPS Regulations 2014, a Pension Board must include an equal number of employer and member representatives with a minimum requirement of no less than four in total. In considering the size of the East Sussex Pension Board, the Council has taken into consideration number of factors including:

- The size of the Council's existing Pension Fund governing arrangement and decision making process.
- The number of scheme members, number and size of employers within the Fund and any collective arrangements in place for them to make decisions or provide input in relation to Fund matters.
- The direct and indirect cost of establishing and operating the Board.

32. Composition of the East Sussex Pension Board - The Pension Board consists of 7 members as follows:

- Employer representative x 3 (to represent all employers within the scheme)
- Scheme member representative x 3 (to represent all members of the scheme; active, deferred and pensioners)
- Independent Chair x 1

33. Employer representatives and scheme member representatives have voting rights. The Independent Chair does not have voting rights

34. Where possible, the employer representatives will be appointed to represent each of Brighton and Hove City Council, as the second largest scheme employer after ESCC; the five district and borough councils; and all other employers. However, in practice, all will actively represent the full range of employers in the scheme.

35. An independent chair is appointed to enhance the experience, continuity, knowledge, impartiality and performance of the Board. The chair of the Board is invited to attend Pension Committee meetings where they are able to report back on discussions and recommendations from the Board, to represent the views of the employer and member representatives into Fund decision making.

36. The term of office for Board members is 4 years. This can be extended following reselection by 2 years.

Pension Board Representatives nomination/appointment

37. The methodology for appointing employer and member representatives is not prescribed by the Regulations. It is therefore up to the Administering Authority to establish an appropriate process, which has been included within the East Sussex Pension Board terms of reference. For details see **Appendix B** to this statement.

38. Pension Board representatives are normally appointed for a term of 4 years. Appointments are made by the Governance Committee. The Governance Committee can also agree a temporary extension of up to 2 years. In the case of multiple appointments and re-appointments the Governance Committee may choose to appoint members on a mixture of full and 2 year terms to minimise the number of vacancies needing simultaneous appointments in the future.

39. Where a Pension Board Representative has their term extended this can only happen once before a fully appointment process will be run.

40. In the past year it has been necessary to appoint people to vacant positions on the Pension Board. The approach followed was to request expressions of interest for member representatives and nominations for employer representatives. In both cases the expressions of interest and nominations were only sought from the cohort whose representative would fill the vacant position. The people with an interest in joining the Pension Board were invited to meet with Officers and the Pension Board chair, with potential member representatives also being asked to provide a CV and personal statement due to the number of people interested in the vacancy. Once the meetings were concluded a recommendation was made to the Governance Committee regarding making an appointment.

Vice Chair appointment

41. Meetings of the Pension Board cannot go ahead without the Chair or Vice Chair present, so there is a risk that a meeting of the Board would not be able to proceed if the Chair is unable to attend for any reason.

42. The Pension Board agreed that in order to maintain the balance between scheme members and employer representation that a scheme member vice chair and an employer vice chair would be nominated from the existing Pension Board members, and that the role of vice chair would alternate between scheme member and employer at each meeting. There is a vacancy for the scheme member vice chair following a change in representatives in early 2022 and this post will be filled following the May 2022 meeting, which will be the first meeting following the appointment of a new member representative.

Consultation with Employing Authorities

43. All employing bodies are kept informed of current pension issues, such as proposed changes in the regulations and their implications, by quarterly newsletter. They are encouraged to get in touch if they have questions.

44. In addition to these electronic briefings, the Fund holds an annual Employers' Forum to which all scheduled and admitted bodies of the Fund are invited. This was held virtually in 2021, due to the Covid-19 pandemic, but is expected to be re-instigated as a physical event in 2022. This annual meeting covers both actuarial and investment issues and always contains a presentation from the Fund's Actuary. In 2021 Employers received information about new software being implemented by the Fund and the onboarding process, the importance of protecting members from fraud and other topics. Employers are able to raise topics of interest for this forum and ask questions of officers and advisers as required at the event.

45. An annual survey is carried out with employers to get input into the administration of the Fund.

46. Where there are proposed changes to the Administration Strategy or to the Funding Strategy Statement, employers are consulted prior to implementation of the revisions.

47. The Fund created an Employer Engagement team to specifically focus on improving the information sharing and support to scheme employers.

Consultation with Scheme Members

48. All active members receive newsletters twice a year to and Pensioner members once a year. These newsletters update on pension issues, especially on any changes affecting benefits. These updates are shared with all employers.

49. The Fund carries out an annual survey with active and pensioner members to seek their views on the administration of the Fund. In 2022 this survey will also lightly touch on investment strategy.

50. More detail on the approach to communication is covered in the separate Pension Fund Communication Statement.

Working Groups

51. The Fund has set up a number of working groups to help progress specific projects or areas of focus. The Pension Board are able to initiate working groups to focus on areas that would benefit from focus of the employer or member representatives.

52. An update is provided at each Pension Board and Pension Committee meeting to report back on the activities of each working group.

53. In 2021/22 the Fund had four working groups. A communications working group, McCloud working group, an investment implementation working group and a data improvement working group. During the year the project being overseen in relation to data improvement was found to be sufficiently advanced for the remit of the relevant working group to be expanded to the wider administration of the Fund. Going forward the data improvement working group will be called the administration working group.

54. Each working group has its own terms of reference and membership which is firstly discussed at Pension Board and approved by Pension Committee.

55. The Chair of the Pension Committee is invited to join the Investment Implementation Working Group, while membership of the group is Officers and Advisers. The Pension Board Chair is invited on occasion where it is appropriate based on the meeting agenda.

All other working groups consist of a mix of Officers, Pension Board members and Pension Committee members.

Conflicts of interest

56. A conflict of interest is a financial or other interest which is likely to prejudice a person's exercise of their duties as a member of the Pension Board or Pension Committee. It is not permitted for a Pension Board member to have an actual conflict of interest.
57. To prevent conflicts of interest members of the Pension Board, Committee and Officers are required to disclose interests. Potential conflicts are also disclosable as a standing item on the agenda for Board and Committee meetings. Interests which may lead to a potential conflict are additionally reviewed annually.
58. Where a potential conflict of interests is identified the person with the potential, or perceived, conflict is not able to take part in discussions on the topic, excluded from voting, or otherwise has the conflict managed at the discretion of the Chair or Vice Chair as appropriate.
59. The Fund reviewed its conflict of interest policy in 2021, expanding on the previous policy to include perceived conflicts of interest.

Knowledge and understanding

60. It is a requirement that members of the Pension Board have sufficient knowledge and understanding to carry out their function. Where a new member joins the Pension Board they are to develop this level of knowledge as soon as possible. Whilst the law does not stipulate a timeframe it does for a new trustee of a private occupational scheme and an inference can be drawn that the same six-month time period should apply.
61. The Scheme Advisory Board's (SAB) Good Governance Report says that Officers and Committee members should also have sufficient knowledge and understanding to carry out their functions. The Fund's Training Policy is in line with this recommendation and applies to Pension Board and Committee members as well as officers. It is linked to the CIFPA skills matrix.
62. The Fund has a Pensions Training Co-Ordinator. This Officer engages with the Chairs of both the Pension Board and Pension Committee to establish the individual needs of members, as well as liaising with Officers, to develop a detailed training plan. This plan will be in line with the published Training Policy. The amount of time spent training will also be recorded.
63. New members of the Pension Board and Committee, along with those already in role and relevant Officers, are invited to induction training. Some of this training is provided by the Fund's legal, actuarial and investment advisors.
64. The Fund carried out a training needs analysis in 2021 with Committee and Board members through a self-assessment questionnaire. The results of these training needs lead to the creation of the annual training plan for Board and Committee members and is being used to develop the content of training events which will be offered to Pension Board and Pension Committee members in 2022/23.
65. The Fund invite members of both the Board and Committee to a range of in-house and external training sessions and conferences to help develop their knowledge and skills

relevant to their roles. In addition, officers attend training sessions and conferences in compliance with the training strategy and their professional CPD requirements to stay current. Notification of forthcoming training opportunities is provided at least once per month. The Fund have a budget assigned for training to ensure this is a priority of the Fund and sufficient resources available.

Good Governance report

66. In February 2021 the SAB published an updated version of its report following its review of good governance across the LGPS. This report covers representation, conflicts of interest and knowledge and understanding. The findings of these areas are referred to in the relevant sections above. Additionally, the SAB made a number of recommendations in the areas of service delivery along with compliance and improvement.
67. The SAB recommends that all funds in the LGPS should have a Pension Administration Strategy. The Fund updated and enhanced their policy in 2020 to ensure this is more complete and accessible. This strategy was shared with employers in the Fund as part of a consultation process prior to implementation. The Pension Administration Strategy is also publicly available on the Fund's website. This policy is reviewed at least every three years.
68. The SAB has also recommended that funds in the LGPS document decision making levels. The Fund is working with an external service provider to review its constitution and clearly signpost decision making authority. This review will also allow the Fund to consider where improvements to the constitution can be made.

Audit review of service provision

69. The ESCC Audit team carries out independent appraisals of the County Council's systems under the direction of the Chief Operating Officer. The Pension Fund has commissioned 100 days of audit to review various aspects of its service provision. An annual audit plan is reviewed and approved at the start of the year with all audit findings reports being considered and discussed at each Board and Committee meeting once the reports are finalised.
70. In 2021/22 the internal audit team carried out audits on Governance; Investments and External Control assurance; Compliance with regulatory requirements; Pensions Administration; Implementation of Altair and Internal Controls of the Altair system.

LGPS Asset Pooling Governance - ACCESS Pool

71. ACCESS (A Collaboration of Central, Eastern and Southern Shires) is made up of 11 Local Government Pension Schemes (LGPS) Administering Authorities, which are committed to working together to optimise benefits and efficiencies on behalf of their individual and collective stakeholders, operating with a clear set of objectives and principles that drives the decision making process.

ACCESS Pool Governance

72. The ACCESS Pool is not a legal entity in itself but is governed by an Inter Authority Agreement signed by each Administering Authority. The Inter Authority Agreement sets out the terms of reference and constitution of ACCESS.
73. The formal decision-making body within the ACCESS Pool is the ACCESS Joint Committee. The Joint Committee has been appointed by the 11 Administering

Authorities under s102 of the Local Government Act 1972, with delegated authority from the Full Council of each Administering Authority to exercise specific functions in relation to the Pooling of Pension Fund assets.

74. The Joint Committee is responsible for ongoing contract management and budget management for the Pool and is supported by the S151 Officers, Officer Working Group and the ACCESS Support Unit. The Officer Working Group are Officers identified by the Administering Authorities whose role is to provide a central resource for advice, assistance, guidance and support for the Joint Committee.

75. The ACCESS Support Unit (ASU) provides the day-to-day support for running the ACCESS Pool and has responsibility for programme management, contract management, administration and technical support services.

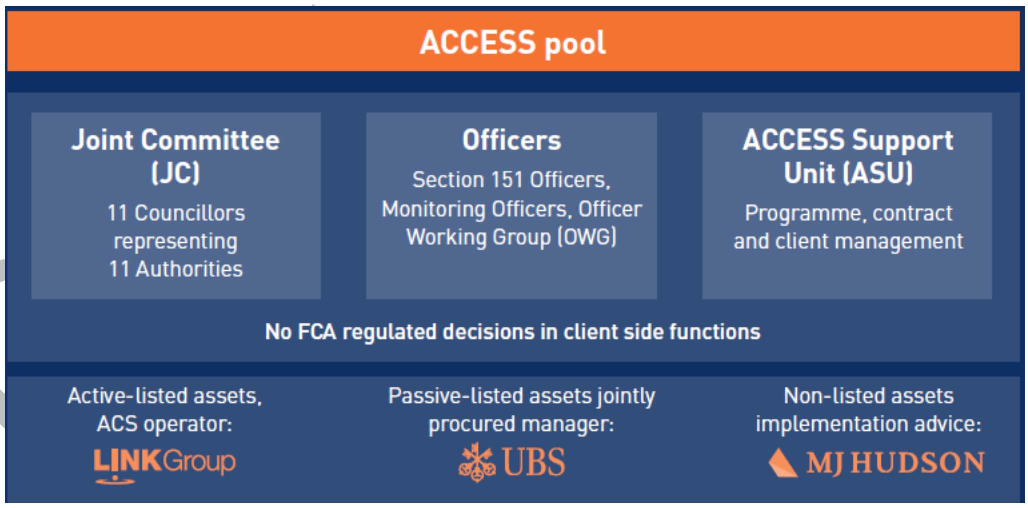
76. The Section 151 Officer of each Pension Fund provide advice to the Joint Committee and in response to decisions made by the Joint Committee ensure appropriate resourcing and support is available to implement the decisions and to run the ACCESS Pool.

77. Strategic oversight and scrutiny responsibilities remain with the Administrating Authorities as does all decision making power to their own Fund's asset allocation and the pooling of assets that each Fund holds within the arrangements developed by the ACCESS Pool.

78. During 2021/22 a Governance technical lead was appointed to review and update the Governance Manual. This piece of work is expected to complete in 2022. In addition, the Joint Committee approved a new set of criteria to bring in new sub-funds including an approval workflow for this process.

79. At its meeting on Monday 7 March 2022, the ACCESS Joint Committee agreed proposals enabling each ACCESS Authority's Local Pension Board to send two observers, on a rotational basis, to Joint Committee meetings. In practice, observers from three ACCESS Authority LPBs at a time will attend JC meetings in person, allowing each Pension Board to be represented at least once a year. The observers can be drawn from scheme member representatives, employer representatives or independent members. This arrangement will be reviewed after its first full year.

80. The diagram below sets out the overarching ACCESS structure.



ACCESS Pool Operator

81. Link Fund Solutions Ltd was appointed to provide a pooled operator service. Link is responsible for establishing and operating an authorised contractual scheme along with the creation of a range of investment sub-funds to meet the needs of the investing authorities enabling them to execute their asset allocation strategies and the appointment of the investment managers to those sub-funds. The operator role is FCA regulated.

ACCESS Implementation Adviser for illiquid assets

82. **In January 2022, t**he ACCESS Pool appointed MJ Hudson, the specialist service provider to the asset management industry, as implementation advisor for the pooling of illiquid assets, including private equity, infrastructure, private debt and real estate. As implementation advisor, MJ Hudson will provide support to the Pool in selecting individual investment opportunities and investment managers to build portfolios in a range of illiquid assets.

Review of Governance Policy Statement

83. Responsibility for this document resides with the Chief Finance Officer and will be reviewed by no less frequently than annually. This document will be reviewed if there are any material changes in the administering authority's governance policy or if there are any changes in relevant legislation or regulation.

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Delegation of Functions

The following functions are delegated by the Administering Authority:

Scheme Administration

Governance Principles: Effective committee delegation; appropriate accountability; rigorous supervision and monitoring

Including, but not exclusively or limited to, record keeping, calculation of and payment of benefits, reconciliation and investment of contributions, preparation of annual accounts, and provision of membership data for actuarial valuation purposes.

The Administering Authority has responsibility for "Scheme Administrator" functions as required by HM Revenues and Customs (HMRC) under the Finance Act 2004.

Delegated to:

Pension Committee (monitoring)

Chief Finance Officer (Pension Fund Governance and Investment implementation)

Funding

Governance Principles: Effective committee delegation; appropriate accountability; written plan policies

Including, but not exclusively or limited to, setting of the appropriate funding target for the Local Government Pension Scheme. The Chief Finance Officer shall be responsible for maintaining the Funding Strategy Statement (FSS) and business plan. The Pension Committee shall be responsible for approving the FSS and business plan.

Delegated to:

Pension Committee (policy approval)

Chief Finance Officer (maintaining FSS and policy implementation)

Investment

Governance Principles: Effective committee delegation; appropriate accountability; written plan policies

Including, but not exclusively or limited to, setting of an appropriate investment strategy or strategies, selection of investment managers, setting of performance benchmarks and regular monitoring of performance. The Pension Committee shall be responsible for agreeing the Investment Strategy Statement (ISS).

Delegated to:

Pension Committee (strategy approval, manager selection, benchmarks, monitoring)

Chief Finance Officer (Pension Fund investment implementation)

Communications

Governance Principle: Effective information flow; written plan policies

Including, but not limited to, setting of a communication strategy, issuing of benefit statements, newsletters, and annual report. The Pension Committee shall be responsible for agreeing the Communications Policy.

Delegated to:

Pension Committee (policy approval)

Chief Finance Officer (Pension Fund policy implementation)

Risk Management

Governance Principle: Effective committee delegation; appropriate accountability; written plan policies

Including the identification, evaluation and monitoring of risks inherent within the Local Government Pension Scheme. The Pension Committee shall be responsible for approving the Risk Register. The Chief Finance Officer shall be responsible for maintaining the risk register.

Delegated to:

Pension Committee (pension fund risk register approval)

Chief Finance Officer (maintaining the pension fund risk register)

Delegations by the administering authority are published in the Council's constitution which can be accessed in full at https://www.eastsussex.gov.uk/yourcouncil/about/keydocuments/constitution/

Compliance Statement

The Fund fully complies with the best practice guidelines on governance, issued by the Ministry of Housing, Communities and Local Government (MHCLG), for details see the table below.

A - Structure

a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Fully Compliant
b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Fully Compliant
c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Fully Compliant
d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Fully Compliant

B – Committee Membership and Representation

a) That all key stakeholders are afforded the opportunity to be represented. within the main or secondary committee structure. These include:- i) employing authorities (including non-scheme employers, e.g., admitted bodies); ii) scheme members (including deferred and pensioner scheme members), iii) where appropriate, independent professional observers, and iv) expert advisors (on an ad-hoc basis).	Fully Compliant

b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	Fully Compliant

C- Selection and role of lay members

a) That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Fully Compliant
b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda	Fully Compliant

D- Voting

a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Fully Compliant

E Training /Facility time/Expenses

a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Fully Compliant
b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Fully Compliant
c) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	Fully Compliant

F – Meetings (frequency/quorum)

a) That an administering authority's main committee or committees meet at least quarterly.	Fully Compliant
b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Fully Compliant
c) That an administering authority who does not include lay members in their formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	Fully Compliant

G - Access

a) That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Fully Compliant

H- Scope

a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	Fully Compliant

I - Publicity

a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Fully Compliant

Appendix A

Pension Committee terms of reference and membership

(a) Membership

(i) The East Sussex Pension Committee will be composed of five members of East Sussex County Council, determined by the Council at the Council's Annual Meeting. (N.B. When making nominations Members should have regard to the need to ensure a balance of experience and continuity).

(ii) Named substitutes are permitted for East Sussex County Council members.

Terms of Reference

The Pension Committee's will exercise on behalf of East Sussex County Council all of the powers and duties in relation to its functions as the Scheme Manager and Administering Authority for the East Sussex Pension Fund except where they have been specifically delegated to another Committee. The Pensions Committee will exercise its functions in accordance with the fiduciary duties of the Council as the administering authority of the East Sussex Pension Fund.

The Pension Committee will have the following specific roles and functions, taking account of advice from officers and the Fund's professional advisers.

(i) Ensuring the Fund is administered, managed and pension payments are made in compliance with the regulations and having regard to statutory guidance that govern the operation of the Local Government Pension Scheme from time to time, and other legislation.

(ii) (ii) Determining the Fund's aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund, including but not limited to funding, investment, administration, communication and governance.

(iii) Determining how the various administering authority discretions are operated for the Fund.

(iv) Monitoring the implementation of all Fund policies and strategies on an ongoing basis.

(v) In relation to the LGPS ACCESS Pension Fund Pool;

  a. considering pooling matters including recommendations made by the ACCESS Joint Committee;

b. determining the transition of the assets held by East Sussex Pension Fund in relation to the Pool and the funds or sub-funds operated by the Operator;
c. recommending to the Governance Committee a member of the East Sussex County Council Pension Committee to the Joint Committee as and when required, having regard to the advice of the Head of Pensions;
d. appointing an East Sussex County Council officer to working groups such as the Officer Working Group and Onboarding Sub-Group as and when required;
e. advising the representative on the Joint Committee and Officer Working Group on such matters as may be required;
f. monitoring the performance of the LGPS ACCESS Pool and its Operator and recommending actions to the ACCESS Joint Committee, Officer Working Group or ACCESS Support Unit, as appropriate;
g. receiving and considering reports from the LGPS ACCESS Joint Committee, Officer Working Group and the Operator;
h. undertaking any other decisions or matters relating to the operation or management of the LGPS ACCESS Pool as may be required, including but not limited to appointment, termination or replacement of the Operator and approval of the strategic business plan.

(vi) Making arrangements for actuarial valuations, ongoing monitoring of liabilities and undertaking any asset/liability and other relevant studies.
(vii) Making decisions relating to employers joining and leaving the Fund. This includes approving which employers are entitled to join the Fund, and any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.
(viii) Agreeing the policy for exit credits and terms on which employers may leave the Fund. Approving decisions on cessations, post cessation arrangements, guarantees and bonds.
(ix) Agreeing the terms and payment of bulk transfers into and out of the Fund.
(x) Ensuring robust risk management arrangements are in place, considering and making recommendations in relation to the internal audit strategy and internal audit report pertaining to the management of the fund and reviewing its findings.
(xi) Agreeing the Fund's annual business plan and annual and medium term budgets, and monitoring progress against them.
(xii) Selection, appointment and dismissal of the Fund's advisers and suppliers, including actuary, benefit consultants, investment consultants, global custodian, fund managers, lawyers, pension fund administrator, Additional Voluntary Contribution providers and independent professional advisors. This includes determining the services to be provided and monitoring those services, including where this relates to shared services arrangements.
(xiii) Agreeing the Fund's Knowledge and Skills Policy and monitoring compliance with the policy.
(xiv) Agreeing the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.
(xv) Considering views expressed by employing organisations and staff representatives in relation to the operation of the East Sussex Pension Fund.

(xvi) Considering the Fund's financial statements and approving an Annual Report on the activities of the Fund in line with legislation and guidance.

(xvii) Considering the Breaches Register at every quarterly Pension Fund meeting and reviewing recommendations from the Pensions Board.

Notes: 1. No matters relating to East Sussex County Council's responsibilities as an employer participating within the East Sussex Pension Fund are delegated to the Pension Committee.
Notes: 2 As a Non-Executive Committee, no matters relating to the Pension Fund's non-executive responsibilities as Scheme Manager are delegated to an Executive of East Sussex County Council.
Notes: 3 The Committee's primary contacts will be the Head of Pensions, Chief Finance Officer and its retained advisors

Training

The East Sussex Pension Fund has a dedicated Knowledge and Skills Policy which applies to all members of the Committee and which includes the expectation to attend regular training sessions in order they may maintain an appropriate level of knowledge and skills to perform their role effectively.

Appendix B

Constitution and terms of reference of the East Sussex Pension Board

Introduction

(i) The Pension Board is established by East Sussex County Council (ESCC) under the powers of Section 5 of the Public Services Pensions Act 2013 and regulation 106 of the Local Government Pension Scheme (LGPS) Regulations 2013 ("the LGPS regulations" which includes such regulations as govern the Local Government Pension Scheme from time to time). ESCC is the scheme manager (and administering authority) to the East Sussex Pension Fund (ESPF).

(ii) The East Sussex Pension Fund Board was appointed by East Sussex County Council (the Scheme Manager and Administering Authority to East Sussex Pension Fund) as its Local Pensions Board in accordance with section 5 of the Public Service Pensions Act 2013 and Part 3 of the Local Government Pension Scheme Regulations 2013. As such, Parts 4 Rules of Procedure (Council's procedural Standing Orders) sub-parts 1, 2, 3, 4, 5 and 6 of the Constitution of East Sussex County Council do not apply to this Pension Fund Board unless expressly referred to within and permitted by these Terms of Reference and Rules of Procedure. The Board will exercise all its powers and duties in accordance with legislation and these Terms of Reference and Rules of Procedure. The Board shall have the power to do anything which is considered to facilitate, or is conducive or incidental to, the discharge of its functions. Powers of the Pension Board.

(iii) The Pension Board will exercise all its powers and duties in accordance with the law and this Terms of Reference.

(iv) ESCC considers this to mean that the Pension Board is providing oversight of these matters and, accordingly, the Pension Board is not a decision-making body in relation to the management of the Fund but instead can make recommendations to assist in such management. The Fund's management powers and responsibilities which have been, and may be, delegated by ESCC to committees, sub-committees and officers of ESCC, remain solely the powers and responsibilities of those committees, subcommittees and officers including but not limited to the setting and delivery of the Fund's strategies, the allocation of the Fund's assets and the appointment of contractors, advisors and fund managers. The Pension Board operates independently of the ESPF Pension Committee.

(v) The Pension Board will ensure that in performing their role it:
   a. is done effectively and efficiently and
   b. complies with relevant legislation and
   c. is done by having due regard and in the spirit of The Pensions Regulator's Code of Practice and any other relevant statutory or non-statutory guidance.

Objectives and role of the Pension Board

(vi) The role of the Pension Board is defined by the LGPS Regulations as being to assist the Scheme Manager (ESCC as Administering Authority) to:

a. secure compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the LGPS and requirements imposed in relation to the LGPS by the Pensions Regulator
b. ensure the effective and efficient governance and administration of the LGPS. This should be interpreted as covering all aspects of governance and administration of the LGPS including funding and investments.

(vii) In doing this the Pension Board:

a. shall assist the Scheme Manager with such matters as the LGPS Regulations and guidance may specify
b. shall seek assurance that due process is followed with regard to Pension Committee and may review any decisions made by or on behalf of the Scheme Manager or action taken by the Scheme Manager
c. shall seek assurance that any identified issues raised by Pension Board members are considered
d. shall comment on and assist in identifying and managing breaches of the law in relation to ESPF matters
e. shall make representations and recommendations to the Pension Committee as appropriate and shall consider and, as required, respond to any Government / Responsible Authority or Scheme Advisory Board requests for information or data concerning the Fund
f. may also undertake other tasks, including (but not limited to):
    i. assisting the Pension Committee by reviewing aspects of the performance of the ESPF – for example by reviewing the risk management arrangements within ESPF (although the Pension Committee will remain accountable for risk management);
    ii. reviewing administration standards or performance or review efficacy of ESPF member and employer communications; o reviewing published policies to ensure they remain fit for purpose and are complete;
    iii. reviewing ESPF annual reports; o being part of any consultation process with the purpose of adding value to that process based on, for example, their representation of employers and ESPF members;
    iv. discussing strategic matters such as communications where requested by the Pension Committee.
g. will produce an annual report which is shared with the Scheme Manager. It will outline the work of the Pension Board throughout the scheme year, which will help to –
    i. inform all interested parties about the work undertaken by the Pension Board
    ii. assist the Pension Board in reviewing its effectiveness and identifying improvements in its future operations.
h. shall carry out an annual self-assessment of the effectiveness of the Pension Board, and produce a report on this which will be shared with the Pension Committee.
i. must provide a record of each meeting to the following Pension Committee meeting and may make reports and recommendations to the Pension Committee insofar as they relate to the role of the Pension Board
j. shall assist in considering whether the East Sussex Pension Fund is being managed in accordance with the LGPS and other relevant legislation, including consideration of cases that have been referred to the Pension Regulator and/or the Pension Ombudsman; recommending changes to processes, training and/or guidance where necessary

k. shall monitor administrative processes and support continuous improvements
l. will ensure the scheme administrator supports employers to communicate the benefits of the LGPS to scheme members and potential new members.

Membership

(viii) The Pension Board shall consist of:

a. 3 employer representatives - employer representatives that can offer the breadth of employer representation for the ESPF.
b. 3 scheme member representatives – member representatives nominated to ensure a broad representation of scheme membership (active, deferred, and pensioners) to include:
    1. two will be nominated by the trade unions, and
    2. the rest will be drawn from the total ESPF active, deferred and pensioner membership.

c) 1 Independent Chair.

(ix) The Pension Board shall be chaired by an Independent Chair.

(x) Substitutes for Board members are not permitted.

(xi) The Quorum of the Board will be 3 Members, excluding the Independent Chair. To be quorate the meeting must include at least one employer representative and one scheme member representative.

(xii) The Board has the power to set up working groups

Appointment of members of the Pension Board

(xiii) The appointment process has been approved by the Governance Committee.

(xiv) All appointments to the Pension Board shall be by the Governance Committee under delegated authority from the County Council, including the Independent Chair. The Vice Chair will alternate between scheme member representatives and employer representatives at each meeting. The Vice Chairs will be nominated from the existing Board members whenever one of the existing Vice Chairs is replaced.

(xv) Appointments to the Pension Board shall be managed, wherever possible, so that appointment and termination dates are staggered such that there remains continuity for one meeting to the next.

Term of office

(xvi) Employer representative appointments will expire after a 4 year period from their date of appointment by the Governance Committee or such time as resolved by the Governance Committee. The Governance Committee may agree an extension to this period by up to a further 2 years after which there shall be a further appointment process. Reappointment of existing members is permitted. Appointment will automatically cease if the individual is no longer in the employment of that employer, no longer holds office in relation to that employer or is no longer an elected member of that employer, as appropriate.

(xvii) Scheme member representative appointments will expire after a 4-year period from their date of appointment by the Governance Committee or such time as resolved by the Governance Committee. The Governance Committee may agree an extension to terms of office up to a further 2 years after which there shall be a further appointment process. Reappointment of existing members is permitted. Appointment will automatically cease if the individual is no longer a trade union representative or representative of ESPF members (in accordance with the criteria set by the Governance Committee).

(xviii) The Independent Chair appointment will expire after a period of 4 years from their date of appointment by the Governance Committee. The Governance Committee may agree an extension to terms of office by up to a further 2 years after which there shall be a further appointment process. Reappointment of the Independent Chair is permitted.

(xix) Term dates may not be exact due to the period of the appointment process. The term of office may therefore be extended for this purpose or other exceptional circumstances by up to three months with the agreement of the Governance Committee.

(xx) A Pension Board member who wishes to resign shall submit their resignation in writing to the Independent Chair. A suitable notice period must be given, of at least 1 month, to enable a replacement member to be found.

(xxi) The role of the Pension Board members requires the highest standards of conduct and the ESCC Code of Conduct for Members will apply to the Pension Board's members. ESCC Standards Committee will monitor and act in relation to the application of the Code.

(xxii) Poor performance will result in corrective action being taken, and in exceptional circumstances the removal of the Pension Board member by the Governance Committee.

(xxiii) Removal of the Independent Chair will be by the Governance Committee.

Chairing

(xxiv) It will be the role of the Chair to –

a. Settle with officers the agenda for a meeting of the Pension Board
b. Manage the meetings to ensure that the business of the meeting is completed
c. Ensure that all members of the Pension Board show due respect for process and that all views are fully heard and considered
d. Strive as far as possible to achieve a consensus as an outcome
e. Ensure that the actions and rationale for decisions taken are clear and properly recorded
f. Uphold and promote the purpose of the Pension Board, and to ensure that meetings are properly conducted and professional advice is followed
g. To use their expertise and experience and liaise with the Head of Pensions to arrange such advice as required subject to agreement by the Head of Pensions on such conditions as that officer determines
h. Sign the minutes of each Pension Board meeting following approval by the Board
i. Prepare with the Head of Pensions an appropriate budget for the Pension Board's consideration before being formally considered by the Scheme Manager along with the ESPF Annual Budget

j. Liaise with officers and advisors on the requirements of the Pension Board, including advanced notice for Scheme Manager officers to attend and arranging dates and times of Board meetings
k. Provide guidance on all points of procedure and order at meetings having regard to advice from officers
l. Other tasks which may be deemed appropriate by the Scheme Manager for the Independent Chair of the Pension Board
m. Liaise with the Chair of the Pension Committee as deemed appropriate
n. Other tasks that may be requested by the Board, within the remit of these Terms of Reference and subject to agreement with the Head of Pensions
o. Annually review and report on the activities of the Pension Board
p. Commission a triennial review of LGPS & public pension fund non-statutory best practice guidance (referencing the SAB & other relevant bodies deemed relevant by the Board) which then brings recommendations to the Committee (when appropriate) for amendments to the operation of the Fund. Support arrangements and administration

(xxv) ESCC officers will provide governance, administrative and professional support to the Pension Board, and ESCC Member Services will provide secretariat support to the Pension Board, and as such will ensure that:
a. meetings are timetabled for at least four times per year
b. adequate facilities are available to hold meetings
c. an annual schedule of meetings is produced
d. suitable arrangements are in place to hold additional meetings if required
e. papers are distributed 5 clear working days before each meeting except in exceptional circumstances
f. draft minutes of each meeting are normally circulated 7 working days following each meeting including all actions, decisions and matters where the Pension Board was unable to reach a decision will be recorded
g. final reports, minutes and agendas relating to the Pension Committee are shared appropriately with the Board.

(xxvi) The records of the meetings may, at the discretion of the Board, be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A (2) of that Act.

(xxvii) The minutes and any consideration of the Pension Board shall be submitted to the Pension Committee.

(xxviii) The Pension Board must comply with the General Data Protection Regulation and the Scheme Manager's data protection policy. It must also adhere to the Scheme Manager's requirements, controls and policies for Freedom of Information Act compliance.

Expert advice and access to information, including the Pension Committee

(xxix) The Pension Board will have access to professional advice and support provided by officers of ESCC and, via them and where appropriate, advisers to the ESPF. In addition, Pension Board members will receive the final reports, minutes and agendas relating to the Pension Committee, save where the Committee expressly decides otherwise such as where an item is exempt, although this is anticipated to be in exceptional cases.

(xxx) Insofar as it relates to its role, the Pension Board may also:
a. request information and reports from the Pension Committee or any other body or officer responsible for the management of the Fund

b. examine decisions made or actions taken by the Pension Committee or any other body or officer responsible for the management of the Fund.
c. access independent professional advice from actuaries, other independent advisers, and investment managers as required, where there are major matters being considered, i.e. investment strategy, triennial valuation, etc.,
d. access to professional advice regarding non-major decisions will require the approval of the Pension Committee for additional resources
e. attend all or any part of a Pensions Committee meeting unless they are asked to leave by the Committee or as a result of a conflict of interest.

(xxxi) ESCC officers will provide such information as is requested that is available without incurring unreasonable work or costs.

Knowledge and Skills

(xxxii) Pension Board members will be required to have the 'capacity' to carry out their duties and to demonstrate a high level of knowledge and of their role and understanding of:

a. the scheme rules (i.e. regulations)
b. the schemes administration policies
c. the Public Service Pensions Act (i.e. being conversant with pension matters relating to their role) and the law relating to pensions.

(xxxiii) A programme of updates and training events will be organised by ESPF officers.

(xxxiv) It is for individual Pension Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board.

(xxxv) In line with this requirement, Pension Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Pension Board members are therefore required to:

a. participate in training events (a written record of relevant training and development will be maintained)
b. undertake a personal training needs analysis or other means of identifying any gaps in skills, competencies and knowledge relating to Pension Board matters
c. comply with the Fund's Knowledge and Skills Policy insofar as it relates to Pension Board members

Standards and Conflicts of Interest

(xxxvi) A conflict of interest is defined in the Public Service Pensions Act 2013 as: "in relation to a person, means a financial or other interest which is likely to prejudice the person's exercise of functions as a member of the Pension Board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme)."

(xxxvii) The Public Service Pensions Act 2013 requires that members of the Pension Board do not have conflicts of interests. As such all members of the Pension Board will be required to declare any interests and any potential conflicts of interest in line with legal requirements in the Public Service Pensions Act 2013 and the Pension Regulator's code. These declarations are required as part of the appointment process, as well as at regular intervals throughout a member's tenure.

(xxxviii) The Pension Board shall adopt a policy for identifying and managing potential conflicts of interest.

(xxxix) Members of the Pension Board must provide, as and when requested by the Scheme Manager, such information as the Scheme Manager requires to identify all potential conflicts of interest and ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest at appointment or whilst a member of the Pension Board.

(xl) Part 5(1) of ESCC Code of Conduct shall apply in relation to the standards of conduct of Pension Board members, insofar as they can be reasonably considered to apply to the role of members of the Board, including the non-disclosure of confidential information.

(xli) Members of the Pension Board must adhere to the requirements of the ESPF Procedure for Monitoring and Reporting Breaches of the Law and should be mindful of the individual legal requirements in Section 70 of the Pensions Act 2004 relation to reporting breaches of the law in relation to ESPF matters.

Access to the Public and Publication of Pension Board information

(xlii) Members of the public may attend the Pension Board meeting and receive papers, which will be made public in accordance with the Access to Information Rules in ESCC's Constitution.

(xliii) In accordance with the Public Service Pensions Act 2013, ESCC is required to publish information about the Pension Board and up-to-date information will be posted on the ESPF website showing:

a. Names of and information regarding the Pension Board members
b. How the scheme members and employers are represented on the Pension Board
c. Responsibilities of the Pension Board as a whole
d. Full terms of reference and policies of the Pension Board and how it operates.

(xliv) In accordance with good practice, ESPF may publish other information relating to the Pension Board as considered appropriate from time to time and which may include:

a. the agendas and meeting records
b. training and attendance logs
c. an annual report on the work of the Pension Board.

(xlv) All or some of this information may be published using the following means or other means as considered appropriate from time to time:

a. on the ESPF website – https://www.eastsussex.gov.uk/yourcouncil/pensions/members/
b. on the ESCC website – http://www.eastsussex.gov.uk,

c. within the ESPF Annual Report and Accounts,
d. within the ESPF's Governance Policy and Compliance Statement.

(xlvi) Information may be excluded on the grounds that it would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act.

Expense reimbursement, remuneration and allowances

(xlvii) All Pension Board members will be entitled to claim travel and subsistence allowances for attending meetings relating to Pension Board business (including attending training) at rates contained in the Members' Allowances Scheme in the ESCC's Constitution. In addition, scheme member representatives may be paid an allowance equivalent to the co-optees' allowance in the ESCC Scheme of Members' Allowances in relation to time spent at meetings and training events relating to their role as a ESPF Pension Board member, unless they are attending they are attending during their normal working day without a reduction in pay or leave (in which case no allowance will be paid for that time).

(xlviii) The Independent Chair's remuneration will be approved by the Governance Committee following consultation with the Chair of the Pension Committee.

(il) All costs will be recharged to the Fund.

Accountability

(l) The Pension Board collectively and members individually are accountable to the Scheme Manager (ESCC), the Pensions Regulator, and the Local Government Pension Scheme Advisory Board. The Local Government Pension Scheme Advisory Board will advise the Responsible Authority (in the case of the LGPS the MHCLG) and the Scheme Manager. The Pensions Regulator will also be a point of escalation for whistle blowing or similar issues.

Decision Making Process

(li) Employer representatives and scheme member representatives have voting rights, albeit the Pension Board is expected to operate on a consensus basis. The Independent Chair does not have voting rights.

(lii) In the event of an equal number of votes being cast for or against a proposal there shall be no casting vote but the proposal shall be considered to have been rejected. The Scheme Manager shall be alerted when a decision is reached in this manner.

Reporting and escalation

(liii) The Pension Board must provide minutes of each meeting to the following Pension Committee meetings and may make reports and recommendations to the Pension Committee insofar as they relate to the role of the Pension Board. Any such reports or recommendations must be provided in advance of the next Pension Committee meeting to the S151 Officer.

(liv) An annual report of the Pension Board must be provided to the S151 Officer, the Monitoring Officer, the Pension Committee, and the Audit Committee and be published in the Fund's Annual Report and Accounts.

(lv) Where the Pension Board considers that a matter brought to the attention of the Pension Committee has not been acted upon or resolved to their satisfaction, the Pension Board will provide a report to the Monitoring Officer.

(lvi) The Breaches Register will be presented at each meeting and considered by the Pension Board who may make recommendations to the Pension Committee.

Review, Interpretation and Publication of Terms of Reference and Rules of Procedure

(lvii) These Terms of Reference have been agreed by ESCC. The Council will monitor and evaluate the operation of the Pension Board and may review these Terms of Reference and Rules of Procedure from time to time.

(lviii) These Terms of Reference are incorporated into the Council’s Constitution and published on the Council's website and may be amended by the same means as permitted for the Constitution. It will also form part of the ESPF’s Governance Policy and Compliance Statement which will be made available in accordance with the requirements of the LGPS Regulations.