PENSION COMMITTEE

THURSDAY, 16 NOVEMBER 2023

10.00 AM COUNCIL CHAMBER, COUNTY HALL, LEWES

MEMBERSHIP - Councillor Gerard Fox (Chair)
Councillors Ian Hollidge, Paul Redstone, David Tutt and Georgia Taylor

A G E N D A

1. Minutes *(Pages 3 - 18)*

2. Apologies for absence

3. Disclosure of Interests

   Disclosures by all Members present of personal interests in matters on the agenda, the nature of any interest and whether the Members regard the interest as prejudicial under the terms of the Code of Conduct.

4. Urgent items

   Notification of items which the Chair considers to be urgent and proposes to take at the appropriate part of the agenda.

5. Pension Board Minutes *(Pages 19 - 32)*

6. Governance Report *(Pages 33 - 34)*

7. Pensions Administration report *(Pages 35 - 44)*

8. Annual Report and Accounts Report *(Pages 45 - 220)*

9. Q2 Budget Monitoring Report *(Pages 221 - 224)*

10. Internal Audit report *(Pages 225 - 234)*

11. Annual Training Plan *(Pages 235 - 238)*

12. Risk Register *(Pages 239 - 250)*

13. Investment Report *(Pages 251 - 310)*

14. Work programme *(Pages 311 - 328)*

15. Any other non-exempt items previously notified under agenda item 4

16. Exclusion of the public and press
   To consider excluding the public and press from the meeting for the remaining agenda item on the grounds that if the public and press were present there would be disclosure to them of exempt information as specified in paragraph 3 of Part 1 of the Local Government Act 1972 (as amended), namely information relating to the financial or business affairs of any particular person (including the authority holding that

information).

17. Investment Report - Exempt Information *(Pages 329 - 332)*

18. Governance report - Exempt Information *(Pages 333 - 344)*

19. East Sussex Pension Fund (ESPF) Breaches Log *(Pages 345 - 350)*

20. Employer Admissions and Cessations *(Pages 351 - 356)*

21. Any other exempt items previously notified under agenda item 4

PHILIP BAKER
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8 November 2023

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NOTE: *As part of the County Council's drive to increase accessibility to its public meetings, this meeting will be broadcast live on its website and the record archived. The live broadcast is accessible at: www.eastsussex.gov.uk/yourcouncil/webcasts/default*

PENSION COMMITTEE

MINUTES of a meeting of the Pension Committee held at Council Chamber, County Hall, Lewes on 19 September 2023.

PRESENT	Councillors Gerard Fox (Chair) Councillors Ian Hollidge, Paul Redstone, David Tutt and Georgia Taylor
ALSO PRESENT	Ian Gutsell, Chief Finance Officer Sian Kunert, Head of Pensions Russell Wood, Pensions Manager: Investment and Accounting Andrew Singh, ISIO Leah Worrall, ISIO Paul Punter, Head of Pensions Administration Michael Burton, Pensions Manager: Governance and Compliance Mya Khine, Pensions Accountant Paul Linfield, Pensions Communications Manager Paula Jenner, Employer Engagement Officer Dave Kellond, Compliance and Local Improvement Partner James Sweeney, Pensions Investment Officer Bekki Freeman, Solicitor Ray Martin, Chair of the Pension Board Tim Oliver, Pension Board Cllr Andrew Wilson, Pension Board Zoe O'Sullivan, Pension Board Councillor Nick Bennett Georgina Seligmann, Governance and Democracy Manager

19. MINUTES

19.1 The Committee RESOLVED to agree the minutes of the meeting held on 16 June 2023 as a correct record.

20. APOLOGIES FOR ABSENCE

20.1 There were no apologies received.

21. DISCLOSURE OF INTERESTS

21.1 Councillor Taylor declared a personal interest as a consultant who has recently liaised with The Institutional Investors Group on Climate Change on unrelated business. She did not consider this to be prejudicial.

22. URGENT ITEMS

22.1 There were no urgent items.

23. PENSION BOARD MINUTES

23.1 The Committee RESOLVED to note the minutes of the Pension Board meeting held on 06 September 2023.

24. GOVERNANCE REPORT

24.1 The Committee considered a report introduced by Michael Burton who drew the Committee's attention to the following points:

1) The Communications group has been dissolved by the Pension Board and the Pension Board recommended the McCloud working group to be absorbed into the Administration working group.
2) There are two government consultations which will conclude in October; a consultation to abolish the Lifetime Allowance (LTAs) and a consultation on Investment Pooling. A draft of the pooling consultation response will be taken to Pension Committee and officers will circulate this draft to Board members and arrange a meeting after the Committee meeting for Board comments and questions on the draft response.
3) Changes to the Pension Board were outlined and a paper will go to the 28 September Governance Committee meeting to approve Pension Board vice chair nominations and appoint to the remaining member representative vacancy.

24.2 The Pension Committee RESOLVED to:

1) note the nomination of a member representative vice chair and an employer representative vice chair for the Pension Board;

2) note the decision to dissolve the Communications working group;

3) agree the discontinuation of the McCloud working group and absorb this into the Administration working group.

25. PENSIONS ADMINISTRATION REPORT

25.1 The Committee considered a report introduced by Paul Punter who drew the Committee's attention to the following points:

KPIs:
1) The performance of the Pensions Administration team has remained consistently high, just under 95%
2) Volume of post completed in line with previous quarter.
3) June: some red and amber items due to increased work load including the backlog of data from one of the larger employers and a need to focus resources towards statutory projects; this underperformance of KPI's will continue through to the next quarter
4) Key pieces of work are prioritised to ensure no breaches will be incurred although the additional work created by B&H will be a challenge for the team.

Helpdesk:
5) The ESPF will bring the helpdesk in house from April 2024, relevant staff to be TUPED and work underway, there are no concerns with performance at this time
6) Details for the transition are still being planned however the software should be the same but this will be confirmed ahead of testing and officers advised this work will be

managed through a wider project to ensure the Fund can operate effectively once services are inhouse.

Staffing:

7) Much more settled with key vacancies filled and final interviews being conducted at the moment.

Projects:

8) 99.76% of Annual benefit statements were produced for deferred members. 95.9% of Annual Benefit Statements were produced for active Fund members which is considered a real achievement in the context of the volume of B&H data issues and the transition to i-Connect. 125 of the 141 employers' data was collected through i-Connect. There has been a technical breach as did not achieve 100% of ABS returns. Officers, Pension Board and Committee will need to consider if the failure to provide 100% of the Annual Benefits Statement is a material breach of legislation that would require a report to the Pensions Regulator to be made.
9) Process reviews are going well, will expect to finish in December. The Printing and postage service has gone live for the administration team but not for the payroll activities.

25.2 The Committee RESOLVED to note the updates.

26. RISK REGISTER

26.1 The Committee considered a report introduced by Sian Kunert who drew the Committee's attention to the following risks:

1) Risk E2 – Employer Data - has had its post mitigation likelihood reduced, changing the overall risk scoring down to an amber risk.

2) Risk A3 – Production of Statutory Returns - has had its post mitigation likelihood reduced to an amber risk. Reduced risk following last meeting discussion and the exempt risk register.

3) Risk 12: Officers recommend risk I2 – Changes to International Trade - be removed from the register. This was an update from an original Brexit risk, officers will keep the risk on the radar but not presenting as a standalone risk for reporting to the Committee.

4) A new risk has been added, Risk 19: Money purchase AVC – which relates to the Additional Voluntary Contributions (AVC) options available to members and reflects the requirement of the Fund to provide a suitable AVC offering to scheme members. An LGPS fund has an obligation to ensure members have an AVC option so must ensure an appropriate provider. This is not a high risk however it should be brought to the Committee's attention and more detail will be shared at the next meeting including some data on the uptake of AVC's amongst pension fund members.

26.2 The Committee discussed the pooling risk in the light of the consultation and the exempt risk register. The consultation refers to failure to comply with guidance and highlights that

Pooling is considered to be area which could see invention from the Secretary of State. Officers consider the Fund to be in a similar position to others and that there are formal steps to bring processes in line with the guidance.

26.3 The Committee RESOLVED to review and note the Pension Fund Risk Register.

27. INVESTMENT REPORT

27.1 The Committee considered a report introduced by Sian Kunert and Andrew Singh who drew the Committees attention to the following points:

1) Lots of work has been undertaken on the efficacy of divestment and engagement and associated financial and legal considerations and a detailed report has been produced as requested.
2) The Carbon footprint report will come to the next meeting as a new service provider has been sourced. The report will look different to previous provider and there will be data continuity issues as data has been brought in line with anticipated national LGPS guidance. It was noted that data will evolve each year.
3) Officers noted that there has been negative press around the climate scenario modelling. This will have to be done however officers do not want to commission a report which does not meet the needs of the Committee or support the strategy and would like to get a better sense of how to approach this and make best use of the data. Work is being undertaken by the LGA and scheme advisory board who will publish a response to the government consultation.
4) The Stewardship report is submitted annually and takes time to compile so can feel out of date once published. The Impact Assessment is one of the criteria of good stewardship and feeds into that.

Performance report:

5) The Committee received an overview of the quarter which is considered to have been largely positive. Opinion is that inflation has peaked and is reducing and should stabilise in time. The market is trying to predict interest rates, when this is more widely understood things will settle. Unemployment data was slightly weaker and wage inflation was also a factor.
6) The Committee considered the performance of the different fund managers and noted there were various contributing factors. Performance is similar to the last quarter. Newton and Ruffer had a weak quarter as they are both positioned for a more muted market. WHEB and Wellington do not hold tech stocks which performed well this quarter. Both WHEB and Wellington are approaching the 3 year point with the Fund.
7) The Wellington investment has recently been rated amber which is to monitor. The advisers do not suggest any action to be taken, but they will monitor the strategy for the next 12 months. The lead portfolio manager has stepped back to manage another mandate, there has been an experienced member of the portfolio team promoted to lead portfolio manager with ultimate control on decision making, it is not anticipated that the portfolio will change with the new manager but it’s prudent to monitor the situation. , The Committee will consider an update at the next meeting. There is scheduled training due to take place in the coming month which will provide an opportunity for dialogue with them.

8) Ruffer have underperformed in the last quarter however the Committee noted its positive long-term performance. There have been some personnel changes at the company. Positioned for a more muted market outlook. There were a narrow set of stocks that drove the value in this quarter and Government bonds and equities did not perform well.
9) Newton have under-performed and the environment has been volatile, not yet at point of looking to review the mandate, close monitoring though in the meantime. UBS infrastructure has also performed badly.
10) Harbour Vest and Adams Street, both private equity managers, 1 year numbers are quite negative but over 3 to 5 years are significantly positive. The valuation of their assets is different to more liquid assets. They tend to lag public market valuations and there are fewer transactions taking place for valuation purposes.
11) ISIO undertook some exploration with managers, for the July strategy day, to see how realistic the valuations were. If a valuation is above 25% they would be concerned but current valuations are all in comfort range.
12) The Committee discussed concerns that the Fund has become more volatile recently agreed and that it would be beneficial to see assessment of the Fund across different trading periods to identify what the increased volatility may have arisen from.
13) ACCESS have reviewed and communicated views to officers regarding whether to convert to the sustainable version of the M&G fund, more information will be shared with Committee when available.
14) Baillie Gifford have received some negative press however the sub-fund ESPF invests in is Paris aligned which is fossil fuel free.

27.2 The Committee considered the Strategy review and noted the following points:

15) The Strategy was discussed at the July workshop and a relatively minor adjustment to strategy in the current year has been recommended.
16) The view of the consultant for the recommended change is supported by the Actuary though further changes would need a collaborative discussion between the actuary and the consultants. A funding update was received on 18 September, there has been a fall in asset value from where the actuary thought they should be under the valuation modelling, but this is not currently a concern.
17) The significant change following triennial valuation is the risk to the Fund with regard to the cashflows due to the inflation linkage to liabilities and the small reduction to contributions allowed to some employers. The Fund will see that income from activities relating to members is lower than the spend to pay pensions, so there is a need for the investments to contribute to the income of the Fund in a more significant manner going forward.
18) The Committee challenged whether the Fund had the right balance between using contributions and investments as investing would allow a level of inflation protection to existing members.
19) The Fund is maturing but is not particularly mature, a shift from accumulating to income distributing is proposed to allow the Fund to avoid the volatility of the market. The report sets out the current asset allocation and the planned strategic allocations.
20) The Actuary Report as at 31 March 2023 showed a funding position of 121%. This is a broadly similar position to the formal Actuarial Valuation Date at 31 March 2022 (when the funding level was 123%.)

21) The discount rate assumption is derived based upon the absolute level of returns that the asset portfolio is expected to achieve, with a level of actuarial prudence applied. As at 31 March 2023, the expected return of the Fund's investment strategy is 7.8%. This is measured on a best estimate basis and is in excess of the discount rate (4.8% p.a.).
22) The Committee requested a brief document to outline the differences between the Actuary and the ISIO predictions and the methodology applied.
23) The Committee discussed that the actuary uses a 20-year inflation figure, however long-term high inflation is a risk and even at 4-6% could still be problematic for the Fund.
24) The Committee discussed cash holdings and were advised that the regulations prevent the Fund from holding cash, other than sufficient levels needed to make payments from the Fund, as part of the regulations issued in 2016.
25) The value of gilts has been volatile and now will deliver a return of RPI + 1.0% p.a. The 15-year fixed gilt now yields 4.5% vs 0.5% at the start of 2021.
26) There is a requirement to evolve the investment strategy to ensure the gap does not widen
27) Since the last review was undertaken 3 years ago there has been a significant change in the market environment. The outlook for property was positive at that time. Property investment is UK only and nearly all commercial; interest rate rises have put pressure on capital values and property prices with a low expected return going forward.
28) The Committee were advised on levels of illiquidity with approximately 30% exposure recommended.
29) The Committee were advised that the strategy will be reviewed every year and that the focus should not be what might be recommended as a result of the government consultation. It is anticipated that there will be a protracted timeline if the consultation is taken forward.
30) The Committee considered the revised Investment Strategy Statement which has been updated following the Strategy day in July. The statement needs to be up to date and valid with new strategy and has been amended to reflect the Committee's requests.
31) It was noted the Funds two private equity managers and one infrastructure manager were not signatories to the Institutional Investors Group on Climate Change (IIGCC), Committee asked officer to follow up with those manager for a reason why they are not members.
32) The Committee discussed the limit to the number of sub-funds the pool can hold, Storebrand is currently on the list of assets held outside the pool, however it is anticipated this will be added to the pool. It is challenging to bring further products online at the moment and there are a number of sub-funds wating to come online and this can take some time – approx. 1 year. The new operator must be in place before anything further is added beyond the existing pipeline. The Committee discussed whether the pool should consider fewer multimanager sub-funds.
33) The Statement of Responsible Investment Principles were discussed and the Committee considered whether the principles applied to managers should be set out; officers advised that they will be looking at the governance principles by which managers will be held to account and will share wording prior to amending the Statement for publication.

34) The committee discussed the statements around Climate Change and will receive a suggested form of words from officers and reach agreement on this via email after the meeting. A further Biodiversity statement may be considered in future.
35) Officers agreed to consider the Committee's comments and to incorporate these into a revised draft statement.

27.4 The Committee considered an update on ACCESS and noted the following points:

36) The formal Joint Committee was held on 4 September 2023 and members of the Pension Board attended as observers. The issue of continuity of observer membership was raised as a governance concern for the Pool.
37) A third party review by Barnet Waddingham has recently concluded, and the report will be shared at the ACCESS Joint Committee's next meeting on 4 December 2023 and then discussed at the February Committee meeting.

27.5 The Committee considered a report on divestment and engagement and noted the following points:

38) At the July 2022 meeting the Committee requested that officers and the Fund's external advisers conduct a piece of work concurrent with the completion of the triennial valuation which:
    1. Assessed the fiduciary and legal consequences of fossil fuel divestment for the Fund;
    2. Examined how such a move aligns with relevant guidance and advice;
    3. Explored how practical an act it would be within the context of the ACCESS pool;
    4. Reviewed evidence on the efficacy of such an approach in promoting the energy transition.
39) Isio have led on the production of this piece of work with input from the Fund's legal advisers. The consultants produced three detailed chapters of analysis and research with the production of a summary report for publication for the benefit of the Funds beneficiaries. Attached to this report is the summary report detailing the findings of the work and a document setting out the definitions which set out what is meant within the report when certain phrases are used.
40) The Committee commissioned the report to highlight the tensions and complexities for the scheme members and to consider divestment and engagement from a fiduciary perspective to ensure that pensions are delivered in an affordable way.
41) The report was a significant piece of work and highlights that the ESPF is in a strong position already, is highly engaged on the issue and that there is plenty of good work already within the portfolio and the Fund has sought independent advice. The report considered industry evidence and open source academic material and what fund managers consider good practice to look like.
42) Within ACCESS there currently two sustainably focussed funds available and the ESPF invests in both of them and utilises them well.
43) The Funds legal advisers provided advice within the report touching on the Fiduciary and legal consequences.
44) The need for clear definitions was highlighted as divest can mean different things to different people, so a definitions document was included to define the parameters in which terms were used with a focus on the difference between divestment and disinvestment; noting disinvestment is the removal of a holding by a manger rather than sector exclusions.

45) In achieving a low carbon position there are significant risks and limited evidence of its impact. Divestment means a blanket approach and there is currently insufficient scale to achieve the desired outcome of the divestment movement and there is a possibility it could create a situation of fossil fuel price rises which in turn attracts investment.
46) Attributing engagement activities to results is very hard to do and to identify where a specific action has been effective. It was noted that historically passive investments had limited engagement however there has been a rise in passive manager engagement with the large managers.
47) There are some pensions funds with disinvestment or divestment strategies however they have different legal structures to ESPF. ESPF's managers do all however have disinvestment as a backstop for holdings where managers consider there to be a financial risk or that companies are disengaged.
48) Targeting assets which are anticipated to be uneconomic in the short to mid term e.g. thermal coal may be possible, but focused work is recommended to identify those asset classes where these assets are held. It was also noted that state owned enterprises represent at least 50% of fossil fuel reserves and that banks provide the majority of the required finance to fossil fuel companies.
49) The Committee discussed the growing pressure on companies from the wider divestment movement and whether the Fund should be part of that movement but were not agreed on its ability to influence at a wider level and of the evidence that would it impact the behaviours of fossil fuel companies.
49) The Committee discussed the risks of divestment from its current allocations and noted that the investment strategy model was used to look at various scenarios, there is an element of opportunity cost and a long time scale to consider. There is already lots of work with managers to try and deliver decarbonisation in practice. Currently 3% of the fund is exposed to fossil fuels, in part tactical, short term exposure to volatility. Many managers are looking at decarbonisation over time, IFM the infrastructure investment manager, has a net zero target and planned deployment to renewables from fossil fuels. Divestment would therefore include leaving these funds and they are trying to influence real world change. The Fund exposure to extraction is only 0.6% of total holdings. Newton and Ruffer are the main manager positions to have an exposure to extraction which is tactical and short time in practice; there is ongoing engagement to deliver change.
50) Officers advised that at present divestment would compromise the current investment strategy and also carries a reputational risk and would result in a need to exit the ACCESS pool which would be costly and counter to the governments consultation.

27.6 The following motions were put forward by Councillor Taylor and was seconded by Councillor Tutt:

Proposal 1: That the Fund commits:
(a) to make no new investments in fossil fuel extractors;
(b) to fully divest from all fossil fuel extractor public equities and corporate bonds within five years; and
(c) to make no new private equity investments that include fossil fuel extractors.

Proposal 2: That the Fund commits:

(a) to exclude (over a reasonable timeframe) the public equity or corporate bond of any fossil fuel extractor that has failed to commit to 'no new fossil fuels' by the September 2024 Pension Committee meeting;
(b) not to make any new private equity investments in such fossil extractors; and
(c) to immediately inform our investment managers of this commitment so that they can take whatever actions they deem necessary in response.

27.7 The following motion was put forward by Councillor Tutt and seconded by Councillor Taylor:

Proposal 3: That the Fund commits:
(a) to make no new investments in thermal coal;
(b) to fully divest from all thermal coal public equities and corporate bonds within one year; and
(c) to make no new private equity investments that include thermal coal.

27.8 There was no vote taken on these proposals as the Committee noted that it had not been sighted ahead of the meeting and officers and advisors could not provide advice as a result, meaning a fully governed process with advise and full information as to the financial and legal implications could not be taken.

27.10 The Committee RESOLVED to agree that officers should consider the proposals raised and bring a report to a future committee meeting.

27.11 The Committee REVOLVED to:

1) Note the Quarterly performance of the Investment portfolio.
2) Agree to change the liquid investments were possible to distribute income back to the Fund.
3) Approve the amended asset allocation set out in paragraph 4.22 of the report.
4) Approve the revised Investment Strategy Statement in Appendix 4 of the report.
5) Approve the revised Statement of Responsible Investment Principles in Appendix 5 of the report subject to amendment which will be agreed by the Committee via email.
6) Note the research into the efficacy of divestment and engagement and agreed to publish the report on the Fund’s website.
7) Delegate authority to the Chief Financial Officer to take all necessary actions to give effect to the implementation of the above recommendations.

28. <u>WORK PROGRAMME</u>

28.1 The Committee considered its work programme.

28.2 The Committee RESOLVED to agree the work programme.

29. <u>EXCLUSION OF THE PUBLIC AND PRESS</u>

29.1 The Committee RESOLVED to exclude the public and press from the meeting for the remaining agenda item on the grounds that if the public and press were present there would be disclosure to them of exempt information as specified in paragraph 3 of Part 1 of the Local Government Act 1972 (as amended), namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

30. INVESTMENT REPORT

30.1 The Board considered the exempt Investment report.

30.2 A summary of the discussion is set out in an exempt minute.

30.3 The Board RESOLVED to note the report.

31. RISK REGISTER - EXEMPT

31.1 The Board considered the exempt risk register.

31.2 A summary of the discussion is set out in an exempt minute.

31.3 The Board RESOLVED to note the report.

32. EAST SUSSEX PENSION FUND (ESPF) BREACHES LOG

32.1 The Board considered a report providing an update on the Breaches Log and outstanding or new Internal Dispute Resolution Procedure (IDRP) cases.

32.2 A summary of the discussion is set out in an exempt minute.

32.3 The Board RESOLVED to note the report.

33. EMPLOYER ADMISSIONS AND CESSATIONS

33.1 The Board considered a report providing an update on the latest admissions and cessations of employers within the Fund.
33.2 A summary of the discussion is set out in an exempt minute.
33.3 The Board RESOLVED to note the report.

34. SUPPLIER CONTRACT UPDATE

34.1 The Board considered a Supplier update report.

34.2 A summary of the discussion is set out in an exempt minute.

34.3 The Board RESOLVED to note the report.

The meeting ended at 2.32 pm.

Councillor Gerard Fox (Chair)

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Appendix 1

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PENSION BOARD

MINUTES of a meeting of the Pension Board held at Remote Meeting via Microsoft Teams on 2 November 2023.

PRESENT and Trevor Redmond

ALSO PRESENT Ian Gutsell, Chief Finance Officer
Sian Kunert, Head of Pensions
Michael Burton, Pensions Manager: Governance and Compliance
Russell Wood, Pensions Manager: Investment and Accounting
Paul Punter, Head of Pensions Administration
Dave Kellond, Compliance and Local Improvement Partner
Tim Hillman, Pensions Manager: Employer Engagement
Georgina Seligmann, Governance and Democracy Manager
Cllr Paul Redstone
Cllr Gerard Fox
Cllr Taylor
Cllr Hollidge

76. MINUTES OF THE MEETING HELD ON 6 SEPTEMBER 2023

76.1 The Board agreed the notes of the previous meeting held on 06 September 2023 as a correct record.

77. APOLOGIES FOR ABSENCE

77.1 No apologies were received.

77.2 Ray Martin (RM) welcomed Trevor Redmond as a new member of the Board.

78. DISCLOSURE OF INTERESTS

78.1 There were no disclosures of interest.

79. URGENT ITEMS

79.1 There were no urgent items.

80. PENSION COMMITTEE AGENDA

80.1 The Board considered a report containing the draft agenda for the Pension Committee meeting due to be held on 16 November 2023 and noted that:

- The Carbon footprint performance information is still outstanding

- The substantive item for the November meeting is to address the signing of the accounts and agree the annual report.
- Board members will receive a summary of the Pension Committee as part of this item at future meetings.

80.2 The Board RESOLVED to note the agenda.

81. GOVERNANCE REPORT

81.1 The Board considered a report providing an update on various governance workstreams completed and changes affecting LGPS and the ESPF.

81.2 Michael Burton (MB) drew the Board's attention to the following:

- More information has been received regarding McCloud post publication of the report sent to the Board. Officers are adopting a flexible approach and working through the data; there are significant gaps in data and some issues with formatting where data has been received and therefore implementation of the remedy is not yet possible and will take some time to resolve.

- The LGA has provided some suggested wording for members as a notification is required by Christmas, work is in progress for the required individual communications and officers are working hard to identify which pieces of work can be progressed. The McCloud remedy is not expected to impact many members but it will be a significant piece of work to resolve matters.

- Teachers with excess service contracts may be entitled to remedy through the LGPS, this would require back dated contributions. More information is expected in the New Year and officers will update the Board accordingly.

81.3 The Board considered the funding report, introduced by SK who drew the Board's attention to the following:

- The report will be included on a quarterly basis to enable the Board to have better oversight of the funding position and how it feeds into the wider strategy and position. The report rolls forward market information from the valuation date every quarter to monitor the current funding position.

- There has been much volatility since March 22, investment returns are lower than expected however liabilities have also fallen and so the current funding position is the same as in March.

- At the next valuation the assumptions will be reconsidered, the mortality rate is currently falling so the Fund's liabilities may drop as a result.

81.4 Neil Simpson (NS) queried why there is no reference in the report that the real discount rate has changed, or to explain how that influences the liabilities and would welcome further information about what assumptions have changed and why, along with a view of liquidity of the Fund.

81.5 Officers confirmed that they would make training available to Board Members on actuarial matters and associated reports and that discussions at Pension Committee would be better summarised.

81.6 The Board congratulated the team on the 2023 LAPF Investment Award for Best LGPS Governance.

81.7 The Board RESOLVED to note the report.

82. EMPLOYER ENGAGEMENT AND COMMUNICATIONS REPORT

82.1 The Board considered an update on employer engagement activities and communication tasks that directly affect the East Sussex Pension Fund; activities have included website improvements and branding revisions to written communications to members; this information has also been fed through the Communications Working Group.

82.2 Tim Hillman (TH) drew the Board's attention to the following:

- The team are still working through the i-Connect queries from the ABS project and other end of year queries. The team are at different stages with onboarding individual employers with 123 employers onboarded and good progress is being made with those remaining. Officers have a number of lessons learnt form the employers already onboarded and can better pre-empt issues.

- ES College Group have changed their structure for managing the payroll which led to a backlog of submissions and are now back on track.

- The team are working with B&H CC on the March 23 file and are hoping to support the employer to resolve the outstanding issues soon. Training has been delivered to support key personnel.

- University of Brighton should be onboarded by early 2024.

- Training and information sessions have been delivered, via the Corporate Training team, to ESCC staff and positive feedback has been received from attendees. This is then planned for roll out to other employers.

- There is an Employer forum at the end of November and Board members are welcome to attend and should contact TH if they have not received an invitation.

- The employer contribution data has changed post publication; there were 2 late payments in July and 3 in August. These are not the same employers however late payments tend to be due to a change in personnel in the smaller employers' teams.

82.3 The Board RESOLVED to note the report.

83. <u>PENSIONS ADMINISTRATION REPORT</u>

83.1 The Board considered a report providing an update on matters relating to Pensions Administration activities and Paul Punter (PP) drew the Board's attention to the following points:

- PAT performance numbers are 88% which is lower that the target at 95% with the impact of completing the B&H CC work now being felt. Lower performance figures are expected for the next quarter with various projects requiring resources including GMP and McCloud.
- The printing and postage project went live in September and has been progressing well.
- The team had to process over 2000 new starters following a large volume of data from one employer in August and there is still some way to go to process these. The prioritisation of tasks is key to ensure queries are responded to and issues addressed appropriately. Performance of retirement figures is at target.
- Projects; now below 400 outstanding ABSs and the Administration working group have oversight of project.
- The Members self-service requires some attention, the new version will be built from Quarter 1 2024, the login process will be more secure in order to strengthen data protection.
- Information regarding AVCs will be available at the next meeting as the data requires verification.

83.2 NS asked if these issues and the volume of work are likely to be more permanent or whether things will improve in time.

83.3 PP assured the Board that once one-off projects had been implemented there will be more resource available to respond to issues and that overtime had been offered and key appointments had been made. Automated resource will also be coming online which will be welcomed by the team and will add value.

83.4 RM confirmed that the Board would support extra resource being allocated to the team if required.

83.5 RM noted that the report included the number of the other types of pension top ups.

83.6 PP outlined the 50/50 scheme available to members and highlighted the 3 year auto-enrolment review that leads to members opting for the scheme more than once. There are 217 current members who have opted into in the 50/50 scheme .The scheme is actively promoted to employers as they are the ones who have to receive the request from their employees.

83.7 Tim Oliver (TO) highlighted that although the member contributions are lower the employer continues to pay the full contribution rate which could impact the employers, though was assured that in the long run the valuation process would allow for the lower benefits being accrued.

83.8 The Board RESOLVED to note the report.

84. INTERNAL AUDIT REPORT

84.1 The Board considered the internal audit report presented by Danny Simpson (DS) and noted that although the levels of assurance has been issued as “Reasonable” due to the methods of assurance for employers making contributions being lacking however this is a pensions wide challenge and not unique to ESPF and if there is any shortfall in contributions overall, the contribution rates are adjusted as required through the triennial valuation process.

84.2 NS queried Reasonable Assurance as the evidence is not routinely collected and asked whether the ESCC internal audit is impacted as the audit covers external employers.

84.3 DS assured the Board that the contribution rates are correct, what is hard to see is what individual employers do to assure the contribution rates. The Fund is entitled to review the resources of assurance which has formed the basis of the audit but acknowledged there are some limitations. Auditing is on behalf of the Fund not the external employers.

84.4 TO offered detail of the process from an Employer perspective and highlighted the benefits of the data i-Connect produces.

84.5 The Board RESOLVED to note the report.

85. EAST SUSSEX PENSION FUND QUARTER 2 BUDGET MONITORING REPORT

85.1 The Board considered a report on the Quarter 2 forecasted financial outturn of the East Sussex Pension Fund (ESPF) for the 2023/24 financial year introduced by Russell Wood.

85.2 The forecast outturn at the second quarter of 2023/24 is £4.309m, an reduction of £0.154m from the approved budget mainly due to staff charges where vacancies remained open and some project delays and overspend.

85.3 The Board noted the good position and that investment fees have been removed from this budget.

85.4 The Board RESOLVED to note the report

86. ANNUAL REPORT

86.1 Annual Report Requirements - Local authorities are responsible for administering a pension fund (acting as scheme manager) and forming part of the Local Government Pension Scheme (LGPS). Each LA is required by the LGPS Regulations to publish a pension fund annual report. The publication of the annual report is separate from the authorities’ own statutory accounts and contains financials statements in respect of the Pension Fund. Authorities are required to publish the annual report by 1 December. The annual report will be presented to Committee for approval at its meeting on 16 November 2023.

86.2 The Board considered the draft report and opinion from Grant Thornton noting that the missing data will be updated and compiled for the Pension Committee meeting. The Audit Committee will receive the final report at their meeting of 24 November 2023.

86.3 The Audit was positive for the team and officers have not been made aware of any concerns at this stage.

86.4 The Board RESOLVED to note the report.

87. TRAINING REPORT

87.1 The Board received an update report on training needs, opportunities undertaken and planned events, introduced by MB, and noted the following points:

- There was a positive report from IT regarding the measures and processes the Fund has in place to manage Cyber security, a separate training meeting will be held on this.
- Training for new board members encouraged. Knowledge and Skills survey has not been completed by all Board or Committee members.
- Procurement cessations and admissions training need identified is coming in December and scheme actuary training needed to reflect the discussion at item 80.

87.2 NS highlighted that completing the assessments is really important especially as there are new board members and asked that the Chair of Pensions Committee emphasises the importance of completing the survey with Committee members.

87.3 TO highlighted that he felt the survey is quite onerous and hard to navigate.

87.4 Cllr Fox (GF) acknowledged that the survey is a complicated process but that it becomes more manageable over time and will reiterate the request at the next Committee meeting.

87.5 SK acknowledged that the survey is complex and confirmed that officers will support new members with the process so that explanations can be provided as required and Zoe O'Sullivan (ZO) confirmed that the embedded links to materials had been very helpful.

87.6 RM asked if officers could call members upon receipt of the survey to ensure they have all the required information to complete it and to offer to take them through it

87.7 The Pension Board RESOLVED to:

1) note the outcome of the self-assessment knowledge and skills survey;
2) note the training made available in the last year;
3) note the type of events planned for the year ahead;
4) identify areas Board members would like training on as a priority.

88. PENSION FUND RISK REGISTER

88.1 The Board considered the updated risk register presented by SK.

88.2 The Board considered the following risks:

- Risk G3: Cyber security risk has been heightened to a red risk post mitigation. This is to ensure the Pension Fund reporting is aligned to the wider Council. The National Cyber Security Centre (NCSC) has highlighted the substantial risk to British web infrastructure, with elevated levels of Cyber Crime being reported against all areas of government, particularly in light of the current Ukrainian situation. Cyber attacks are growing more frequent, sophisticated, and damaging when they succeed. The risk mitigation commentary has also been updated to reflect the findings of an extensive review of the systems used by the Pension Team. No material weaknesses were identified with some minor suggestions on improvements that can be made and these recommendations are being acted upon.

- Risks G2 and G4: these risks have been reduced in their severity, these risks relate to Governance. In February 2023 the risk scores were increased due to the uncertainty caused by a significant number of expected vacancies on the Pension Board. As these positions are now filled it is recommended the risk levels be returned to previous levels.

- Risk I4 – Officers recommended the risk level be reduced to an amber risk. There has been progress in relation to ACCESS pool and an Operator has now been put in place.

88.3 NS noted that the cyber risk remains high despite the mitigations and asked for further information and along with further information about the Business Continuity Plan.

88.4 SK set out that despite the mitigations the risk will always remain high due to the likelihood of a public sector cyber-attack and therefore it is appropriate to bring the Fund's risk in line with ESCC. The Business Continuity Plan in progress, review from IT was awaited before finalising the plan and this will now be incorporated. The report considered third party interactions. A standalone session is suggested for the board and the committee on Cyber security to better understand the risks and the mitigation.

88.5 The Board RESOLVED to note the report.

89. WORK PROGRAMME

89.1 The Board considered the report on the work programme, introduced by SK, who highlighted the following points:

- The programme will be updated to reflect the discussion about the Pension Committee item.

- There are a number of policies to consider at the June meeting so Officers will try to bring some forward to the February meeting if possible

- The training attended is set out along with the training the Board have been invited to and the Board should advise SK if they have attended further training.

- The Scheme Advisory Board did not recommend that the Scheme Manager role should be separated from LA control but did pass on the report for comment and changes to DHLUC, however there have not been any recommended changes though some elements of the recommendations did appear in the pooling consultations. There is current consideration on whether the accounts should be removed from the LA accounts and an update will be provided when more is known.

- Ill Health insurance review and prudence level will come to a future meeting.

89.2 The Board RESOLVED to note the work programme.

90. <u>ANY OTHER NON-EXEMPT ITEMS PREVIOUSLY NOTIFIED UNDER AGENDA ITEM 4</u>

90.1 There were no items.

91. <u>EXCLUSION OF THE PUBLIC AND PRESS</u>

91.1 The Board RESOLVED to exclude the public and press from the meeting for the remaining agenda item on the grounds that if the public and press were present there would be disclosure to them of exempt information as specified in paragraph 3 of Part 1 of the Local Government Act 1972 (as amended), namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

92. <u>GOVERNANCE REPORT</u>

92.1 The Board considered the exempt Governance report.

92.2 A summary of the discussion is set out in an exempt minute.

92.3 The Board RESOLVED to note the report.

93. <u>PENSION FUND BREACHES LOG</u>

93.1 The Board considered a report providing an update on the Breaches Log and outstanding or new Internal Dispute Resolution Procedure (IDRP) cases.

93.2 A summary of the discussion is set out in an exempt minute.

93.3 The Board RESOLVED to note the report.

94. <u>EMPLOYER ADMISSIONS AND CESSATIONS REPORT</u>

94.1 The Board considered a report on the latest admissions and cessations of employers within the Fund.

94.2 A summary of the discussion is set out in an exempt minute.

94.3 The Board RESOLVED to agree the actions set out in the exempt minute.

(The meeting ended at 12.50)

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Appendix 1

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Report to:	**Pension Committee**
Date of meeting:	**16 November 2023**
By:	**Chief Finance Officer**
Title:	**Governance Report**
Purpose:	**To provide an update on governance workstreams and changes effecting Local Government Pension Schemes and the East Sussex Pension Fund**

RECOMMENDATIONS

The Pension Committee is recommended to:

1) **note this report**

1 Background

1.1 This report is brought to the Pension Committee to provide an update on the steps being taken to adopt good practice and ensure compliance with regulatory requirements for the East Sussex Pension Fund (the Fund or ESPF).

2 Pension Board membership

2.1 In September 2023 the Governance Committee agreed an Officer recommendation that Trevor Redmond be appointed to the Pension Board. Trevor Redmond has been appointed as a member representative, filling the vacancy left by Lynda Walker's resignation. Trevor was nominated by Unison to sit on the Board and met with the Chair of the Board and the Fund's Governance and Compliance manager prior to the recommendation being made to Governance Committee. There are no vacancies remaining on the Pension Board.

2.2 The Governance Committee also approved Councillor Andrew Wilson and Neil Simpson's appointment to Vice Chairs of the Pension Board.

3 McCloud

3.1 In September 2023 the Government laid new Regulations before Parliament on the McCloud remedy. HM Government's policy is unchanged from its earlier position as stated in the consultation reported to the Pension Board and Committee in early September 2023.

3.2 The new Regulations, and consultation response, make reference to a range of both statutory and non-statutory guidance which is expected in due course at time of writing. The Regulations went into force on 1 October 2023 and Officers do not expect a material impact on current workloads at this time, unless manual calculations are required while there is no data in the system. As the required guidance and actuarial factors did not exist at the time the legislation came into force, processing transfers for members affected by the McCloud remedy was put on hold at the recommendation of the LGA.

3.3 Officers continue to liaise with employers to gather accurate data needed in order to calculate any changes to benefits in accordance with the new Regulations.

3.4 Officers have met with the Fund's software provider to discuss the initial data. Questions have been raised regarding the data provided to the Fund and there is an expectation that active member data will not be ready for some months. Officers will work with the software provider to enable calculations to be carried out accurately using the system when data is complete, reducing the need for manual intervention.

4 Award winning

4.1 The Fund won the 2023 award for best LGPS Governance, at the LAPF investment awards. This award is testament to the hard work and dedication shown by the team. Governance is about having a clear purpose and strategy, the right skills and experience available, managing risks and conflicts of interest, and making sure the pension scheme provides value for members. To win the award, the Fund had to provide evidence that demonstrated how it had performed against four distinctive areas; the fourth area being how the Pension Board assists the governance of the Fund.

5 Conclusion

5.1 The Committee is asked to note this report.

IAN GUTSELL
Chief Finance Officer

Contact Officer: Mike Burton, Pensions Manager Governance and Compliance
Email: Michael.Burton@eastsussex.gov.uk

Report to: **Pension Committee**

Date of meeting: **16 November 2023**

By: **Chief Finance Officer**

Title: **Pension Administration - updates**

Purpose: **To provide an update to the Pension Committee on matters relating to Pensions Administration activities.**

RECOMMENDATION

The Committee is recommended to note the report.

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1. **Background**

1.1 The in-house Pensions Administration Team (PAT) carries out the operational, day-to-day tasks on behalf of the members and employers of the East Sussex Pension Fund (the Fund, ESPF) and for the Administering Authority. They also lead on topical administration activities, projects and improvements that may have an impact on members of the Local Government Pension Scheme (LGPS).

2. Key Performance Indicators (KPI)

2.1 The Performance Report, for the period October 2022 to September 2023 can be found at **Appendix 1**. The PAT saw performance numbers during quarter three 2023, average at 88.08% (volume completed 3,854) which were, as predicted, lower to the previous quarter (94.67% with a volume of 3,515).

The lower than normal performance was caused by a number of issues:
- A knock-on result of the impact of assessing & completing some the large volumes of BHCC 2022/23 member movements received in late August 23.
- A backlog of transfers was also created by the Government Actuaries Department (GAD) freeze due to the Actuarial Factors review.
- Focus on i-Connect onboarding leading to production of Annual Benefit Statements
- Data cleansing
- Printing and Postage services transfer to the postal hub
- Development of the next day transfer task
- Some PAT resources had been redirected to focus on completing projects such as the historical Annual Allowance, Deferred member address tracing & mortality exercise, plus the process reviews & robotics.

Looking at the position in early October, it is expected that performance will remain lower than expected for the next few months.

2.2 The Fund has a gold standard service provision for the Pensions Helpdesk and the results are included in **Appendix 2**. The Helpdesk is currently supported by Surrey County Council; however, this service will cease in March 2024. The ESPF Pensions Helpdesk service will be brought in-house on 1 April 2024. A project is underway to ensure a smooth transfer for this service, with staff TUPE transferring to ESCC, where applicable.

3. Pension Administration Staffing Update

3.1 Two new Pensions Pension Administration Apprentices started in November alongside a short-term temporary resource to support the backlog. One permanent Pension Administrator position vacancy remains.

4. Projects update

4.1 Annual Benefits Statements – 2023

The Fund reported the number of ABS issued as at the statutory deadline at the meeting on 19 September 2023. Some resulting queries continue to remain outstanding; the Fund are making good progress with the production of the ABS beyond the statutory date with the outstanding 957 queries down to 545 as at 30 September 2023. The records retained by BHCC cover a range of statuses; data for 167 active members was provided in early October 23.

4.2 Guaranteed Minimum Pension – Reconciliation & Rectification

The data was provided to Mercers to recommence the project in May 2023 and their project plan provided on 18 September 2023 suggests it should be completed by February 2024. An update was shared with the Admin Working group on 26 October 2023 where some key rectification questions were discussed.

4.3 Annual Allowance (AA) 2022/23

The statutory deadline from the production of Pension Saving statements was 6 October 2023. This is the first year in three that the Fund had the opportunity to complete the project in a timely manner. The Fund identified 116 members as in scope for a detailed review, calculation and possibly a letter if over the £40k, whether or not if tax is due. The number was lower than usual as the Government elected to exclude the 10.1% CPI increase this year.

All calculations were completed, and letters issued where appropriate except for:

(a) 2 complex cases with club tv-in's that require bespoke letters.
(b) 5 members where we have not received the data from the employers.

4.4 Member Self Service (MSS)

MSS is a portal used by members to help members keep track of their ESPF pension. Members can view ABS, update personal info, update nomination forms, and use a range of benefit projectors. The portal is being replaced with an improved portal called Transformational Member Experience (TME). Officers had a pre meeting with Heywood, the software provider, on 26 September 2023 to discuss:

- A run through / short demo of TME
- Branding, style & images/icons
- A proposed plan including timescale – test system by Jan 2024 and live system by March 2024
- System parity (by June 24)
- What is needed from the Customer – PID, implementation & technical study
- Communication plans
- Roll-out by phasing
- Training
- Next steps / timings

4.5 Additional Contributions

A report is due to Board and Committee on money purchase or defined contribution Prudential AVC arrangements. At the previous meeting the Board Chair requested some data in respect of the alternative options available within the scheme.
The following table shows the number of contracts that have been created by members:

Type of top-up contribution	Period available	Numbers
Added Years	1975 – 2008	1,190
Additional Retirement Contributions	2008 - 2014	197
Additional Pension Contributions	2014 to present	391
Additional Voluntary Contributions	Total no.	6,052

Note: Members will only appear once in each row (using the earliest start date) but could have multiple types of contracts therefore appear in more than one row. Therefore, it is not 7,830 members who at some point in time have topped up their benefits. These numbers also pick up members whether they have topped up as either a one-off or regular contribution. The current number of Pru AVC members is 1,375.

4.6 <u>50/50 section membership</u>

The scheme changed in 2014 from a final salary scheme to a career average revalued earnings (CARE) scheme. For each year in the CARE scheme, members will accrue a 1/49th of their pensionable pay. This is then revalued each subsequent year in line with inflation. One of the benefit design changes introduced by the LGPS at that time was the introduction of the 50/50 section. This allowed and encouraged any existing or new members in short term financial hardship to be in the scheme by paying 50% less in contributions resulting in an accrual rate of 1/98th for the pension during the period in this section. Each time an employer is on their triennial auto-enrolment date these members will be put back into the main section. This does not stop them opting to revert back to the 50/50 section. The section has also used by some senior officers to lessen the impact of the Lifetime Allowance. Whilst in the 50/50 section the employer still pays the full contributions and the member would still receive full death in service and incapacity retirement cover. The numbers who have used this category are as follows:

Year Election made	Number of members
2014	40
2015	43
2016	58
2017	91
2018	85
2019	92
2020	48
2021	73
2022	94
2023	32

Note: There have been 656 opt outs of the main section into the 50/50 section, but some will be multiple re-entries. There are currently 217 members in the 50/50 section.

5 Conclusion and reasons for recommendation

5.1 The Pension Committee is asked to note the report.

IAN GUTSELL
Chief Finance Officer

Contact Officer: Paul Punter, Head of Pensions Administration
Email: paul.punter@eastsussex.gov.uk

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APPENDIX 1

East Sussex Pensions Administration - Key Performance Indicators

	Activity	Impact	Target	Target	Sep-23		Aug-23		Jul-23		Jun-23		May-23		Apr-23		Mar-23		Feb-23		Jan-23		Dec-22		Nov-22		Oct-22		Performance for the year Apr 22 to Mar 23 inclusive		
	Scheme members	Pensioners, Active & Deferred			86,016		86,083		83,923		83,939		83,857		83,910		84,074		84,394		84,232		84,067		83,333		83,208				
	New starters set up	Bulk, i-Connect & New Starter Task			252		2,137		232		357		332		311		402		530		373		1,045		519		382				
					Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Total	Fails	% pass
1a	Death notification acknowledged, recorded and documentation sent	M	**95%**	within 2 days	22	100%	23	100%	17	100%	26	100%	26	100%	30	100%	28	100%	35	100%	48	100%	35	100%	47	100%	39	100%	376	0	100.0
1b	Award dependent benefits (Death Grants)	H	**95%**	within 5 days	9	100%	22	100%	18	100%	21	86%	8	100%	11	100%	25	100%	32	100%	29	100%	9	100%	22	100%	23	100%	229	3	98.7
2a	Retirement notification acknowledged, recorded and documentation sent	M	**95%**	within 7 days	68	92%	119	94%	98	91%	121	99%	200	99%	137	98%	190	98%	203	99%	155	99%	78	100%	91	100%	92	84%	1,552	50	96.8
2b	Payment of lump sum made	H	**95%**	within 5 days	169	99%	149	98%	155	99%	133	99%	132	99%	145	98%	141	100%	115	100%	105	100%	73	100%	106	100%	128	100%	1,551	12	99.2
3	Calculation of spouses benefits	M	**90%**	within 5 days	4	100%	4	100%	13	100%	14	100%	13	100%	14	100%	12	100%	26	100%	26	100%	14	100%	20	100%	18	100%	178	0	100.0
4a	Transfers In - Quote (Values)	L	**90%**	within 10 dys, aggregation 15	46	98%	47	94%	28	97%	47	98%	48	98%	33	91%	63	96%	48	98%	70	99%	45	94%	45	89%	41	93%	561	26	95.4
4b	Transfers In - Payments	L	**90%**	within 25 days	27	100%	42	98%	29	100%	20	100%	22	100%	21	100%	28	100%	19	100%	22	100%	23	100%	20	100%	18	100%	291	1	99.7
5a	Transfers Out - Quote	L	**90%**	within 10 dys, aggregation 15	58	99%	144	96%	134	98%	53	87%	29	73%	22	96%	65	97%	72	99%	76	100%	44	82%	61	90%	48	94%	806	46	94.3
5b	Transfers Out - Payments	L	**90%**	within 10 dys, aggregation 25	49	92%	49	74%	36	100%	12	100%	19	85%	7	100%	40	98%	22	100%	30	100%	17	100%	26	85%	21	90%	328	27	91.8
6a	Employer estimates provided	M	**95%**	within 15 days	27	97%	24	100%	10	100%	27	100%	21	100%	19	100%	17	100%	33	100%	13	100%	8	100%	9	100%	10	100%	218	1	99.5
6b	Employee projections provided	L	**95%**	within 15 days	17	100%	19	100%	9	100%	21	100%	24	100%	15	100%	17	100%	17	100%	15	100%	7	100%	18	100%	21	100%	200	0	100.0
7	Refunds **(inc frozen refunds wef Aug 22)**	L	**95%**	Quotes 10 days, settle 5 days	250	92%	160	84%	159	89%	173	92%	172	100%	132	97%	182	96%	125	86%	245	87%	110	98%	173	98%	165	89%	2,046	168	91.8
8	Deferred benefit notifications	L	**95%**	within 15 days	293	91%	264	96%	250	95%	282	90%	308	98%	257	97%	229	98%	203	99%	431	99%	235	99%	251	85%	339	98%	3,342	154	95.4
9a	Aggregation Quote	M	**95%**	within 15 days	122	46%	76	69%	52	66%	89	66%	42	70%	62	81%	93	76%											536	186	65.3
9b	Aggregation Actual	M	**95%**	within 10 days	312	81%	94	62%	137	47%	68	70%	115	96%	324	98%	423	93%											1,473	230	84.4
	TOTAL TASKS COMPLETED				**1,473**	86.90%	**1,236**	89.40%	**1,145**	87.95%	**1,107**	90.42%	**1,179**	96.70%	**1,229**	96.90%	**1,553**	98.39%	**950**	97.47%	**1,265**	96.76%	**698**	97.56%	**889**	93.81%	**963**	94.91%	**13,687**	**904**	**93.4**
	Figures for the previous year				**762**	90.16%	**908**	94.93%	**794**	97.78%	**669**	97.76%	**806**	98.01%	**782**	97.95%	**844**	96.68%	**792**	97.85%	**722**	98.34%	**606**	95.21%	**883**	97.62%	**699**	98.28%			
	Figures for two years ago				**847**	97.17%	**789**	98.61%	**734**	99.32%	**664**	94.73%	**643**	96.89%	**481**	94.59%	**550**	91.45%	**557**	90.84%	**617**	93.70%	**408**	98.28%	**486**	97.53%	**591**	98.31%			
	Figures for three years ago				**494**	95.34%	**516**	92.64%	**543**	92.63%	**394**	96.70%	**359**	98.61%	**617**	93.70%	**598**	99.00%	**642**	99.53%											
	Missed target cases				193		131		138		106		39		38		76		24		41		17		55		49				
10	Complaints received				1		6		6		2		2		3		7		2		6		2		2		2				
11	Compliments received				0		0		0		0		0		0		1		1		0		1		0		0				

	Summary for failed cases	Sep-23	Aug-23	Jul-23	Jun-23	May-23	Apr-23	Mar-23	Feb-23	Jan-23	Dec-22	Nov-22	Oct-22
1b	Award dependent benefits (Death Grants)				3 over by average 6.67 days								
2a	Retirement notification acknowledged, recorded and documentation sent	6 over by average 4.2 days	8 over by average 2.6 days	9 over by average 1.5 days									15 over by average 2.87 days
4a	Transfers In - Quote (Values)											5 over by average 3 days	
5a	Transfers Out - Quote				7 over by average 6.43 days	8 over by average 4.25 days					8 over by average 5 days		
5b	Transfers Out - Payments		13 over by average 3.3 days			3 over by average 4.33 days						4 over by average 21 days	
7	Refunds (inc frozen refunds wef Aug 22)	22 over by average 8.9 days	26 over by average 3.2 days	19 over by average 7.4 days	14 over by average 3.5 days				18 over by average 1.2 days	34 over by average 2 days			18 over by average 9.11 days
8	Deferred benefit (DB5YE)	28 over by average 6.5 days			28 over by average 6.36 days							37 over by average 29 days	
9a	Aggregation Quote	67 over by average 117.9 days	24 over by average 78.5 days	18 over by average 21.7 days	30 over by average 38.42 days	13 over by average 48.05 days	12 over by average 8.08 days						
9b	Aggregation Actual	61 over by average 4.5 days	36 over by average 8.5 days	73 over by average 53.4 days	20 over by average 6.90 days								
	General comments	Backlog on Aggregations being cleared and the BHCC 2022/23 cases all at once. Next day transfer process live on 18/9/23 for all employers. New GAD Actuarial Factors in place. Resources re-deployed to work on i-Connect onboarding, ABS production, Annual Allowance projects.			Backlog on Aggregations being cleared and the BHCC 2021/22 cases all at once (plus creating & testing new next day transfer process). GAD Actuarial Factor review creating additional backlog			Interviewing for Project Manager role in Jan 23. Process reviews continue. GAD Actuarial Factor review. March was impacted by the Pension Increase exercise.			Significant recruitment activity throughout the quarter. Process reviews continue. October new starters begin some intensive training.		
	Staffing activities	Advertise & Interview for 2 Apprentices. Looking at a temp Administrator	Project Officer appointed (moved to Projects from Admin). Administrator left 18/8	Promote Apprentice to Administrator 1/8	Project Manager started 26/6			1 job advertised plus 1 new pensions administrator & 1 project officer started	1 new pension administrator & 1 i-Connect administrator started	1 job offer made & 1 casual project officer removed	3 job offers made	5 roles advertised	3 new pension administrators + 1 apprentice started
	Number of vacancies in the quarter	Three vacancies	Three vacancies	Two vacancies	Two vacancies	Three vacancies	Three vacancies	Three vacancies	Five vacancies	Seven vacancies	Six vacancies	Six vacancies	Six vacancies

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Appendix 2
Helpdesk performance for last 12 months

KPI	A	B	C	D
	First time fix	**Call answer time**	**Abandoned call rate**	**Email response time**
Gold	85% of enquiries dealt with at first point of contact	75% of calls answered in 20 seconds	Less than 5% of calls abandoned	100% of emails answered within 3 working days

Quarterly performance assessed against the scoring mechanism with rectification plan for underperformance including penalty clauses for sustained underperformance.

Main Helpline for ESPF

Period	First time fix	Call answer time	Abandoned call rate	Email response time
GOLD TARGETS	**85%**	**75%**	**5%**	**100%**
October 22	85%	47%	8%	68%
November 22	82%	73%	1%	60%
December 22	85%	92%	0%	66%
January 23	87%	86%	1%	97%
February 23	84%	88%	1%	96%
March 23	86%	86%	1%	100%
April 23	87%	82%	1%	100%
May 23	87%	88%	1%	100%
June 23	85%	92%	0%	100%
July 23	87%	93%	0%	100%
August 23	89%	92%	0%	100%
September 23	85%	93%	1%	100%

Website Helpline

Period	First time fix	Call answer time	Abandoned call rate	Email response time
GOLD TARGETS	**85%**	**75%**	**5%**	**100%**
October 22	100%	51%	15%	70%
November 22	95%	51%	5%	100%
December 22	100%	69%	0%	100%
January 23	100%	80%	2%	100%
February 23	100%	77%	2%	100%
March 23	100%	76%	1%	100%
April 23	100%	66%	2%	100%
May 23	100%	60%	3%	100%
June 23	100%	82%	2%	100%
July 23	100%	72%	2%	100%
August 23	100%	79%	3%	100%
September 23	100%	78%	2%	100%

Monthly transaction volumes

Month	Telephone Calls	Email's Processed	Call Back's	Total
October 22	736	1,050	17	1,803
November 22	513	1,660	25	2,148
December 22	518	875	6	1,399
January 23	1,064	1,302	15	2,381
February 23	923	1,308	10	2,241
March 23	1,077	1,439	13	2,529
April 23	1,024	1,114	6	2,114
May 23	1,157	1,561	10	2,728
June 23	934	1,441	15	2,390
July 23	969	1,352	9	2,330
August 23	1,027	2,005	15	3,047
September 23	819	1,486	17	2,322

Top five reasons for calls

Month	Self Service Activation	Login issues	Claim form guidance	Option guidance – member	Update Address	Leaver form received	Progress check - Actual	Progress check - Quote	Document or Form enquiry	Other
Oct 22		3rd	2nd	4th		1st			5th	
Nov 22	4th	3rd	2nd		5th				1st	
Dec 22	4th	5th	2nd			3rd			1st	
Jan 23	1st	2nd	4th		3rd				5th	
Feb 23	4th	2nd	1st			3rd			5th	
Mar 23	2nd	3rd	1st			4th				5th
Apr 23	5th	2nd	1st		3rd				4th	
May 23	1st	2nd	3rd		4th					
Jun 23	5th	2nd	1st		3rd					4th
Jul 23										
Aug 23										
Sep 23										

We are initiating a possibility of using a Chatbot (robot) as an online support tool to help with FAQs.

Telephone survey

Questions raised by email within 24hrs of call where a caller says they are willing to complete a short survey:

1. How easy was it for you to contact the Pensions Helpdesk today?
2. How confident are you that your question was resolved or will be resolved in the relevant timelines?
3. Based on your recent experience how strongly would you recommend using the Helpdesk to a colleague?
4. How satisfied were you with your overall experience today?

Question No.	**1**	**2**	**3**	**4**
Star Rating	**1 2 3 4 5**	**1 2 3 4 5**	**1 2 3 4 5**	**1 2 3 4 5**
October 22	N/A	N/A	N/A	N/A
November 22	0 0 0 2 6	0 0 0 2 6	0 0 0 1 7	0 0 1 1 6
December 22	0 0 0 3 54	0 1 3 9 44	1 0 2 5 49	1 1 1 8 46
January 23	1 1 7 10 98	3 4 6 21 83	0 5 2 16 91	1 6 1 19 92
February 23	0 0 6 25 96	7 3 12 18 87	2 5 11 12 97	2 4 15 13 93
March 23	1 0 6 18 112	7 3 10 22 95	1 5 8 18 104	1 5 8 18 105
April 23	1 3 5 13 76	10 1 11 13 64	3 3 9 14 69	5 3 10 13 67
May 23	0 17 18 136	8 5 8 31 110	3 4 7 19 127	3 7 8 18 125
June 23	2 1 2 11 85	7 2 6 16 70	6 2 1 13 78	7 1 4 13 75
July 23	1 0 2 9 101	5 5 4 14 85	5 2 3 12 91	5 4 3 11 88
August 23	0 1 8 18 126	3 2 15 15 118	2 3 8 20 120	2 5 7 17 120
September 23	0 1 3 14 94	5 4 5 17 81	2 4 4 18 84	2 7 3 17 83

Note: 5 Star is the highest and therefore best rating

An additional question was asked about how many times have your called in connection with your enquiry?

Month	First Call	Second Call	Third Call	Fourth or more
October 22	N/A	N/A	N/A	N/A
November 22	?	?	?	?
December 22	40	12	2	3
January 23	99	11	7	1
February 23	91	26	6	4
March 23	100	29	3	6
April 23	82	14	1	2
May 23	131	18	10	3
June 23	79	9	5	8
July 23	84	17	5	6
August 23	113	29	5	6
September 23	82	20	6	4

The Surrey Pensions Helpdesk was taken in-house from 25 November 2022.

ESPF have agreed to bring the Pensions Helpdesk in-house on 1 April 2024.

Report to:	**Pension Committee**
Date:	**16 November 2023**
By:	**Chief Financial Officer**
Title of report:	**Draft Independent Auditor's Report to those charged with governance and Annual Report 2022/23**
Purpose of report:	**To present the draft Independent Auditors report and the draft 2022/23 Pension Fund Annual Report and Accounts**

RECOMMENDATION – The Pension Committee is recommended to:

1) **Note the draft Independent Auditor's (Grant Thornton - GT) report to those charged with governance on Pension Fund Accounts 2022/23;**
2) **Approve the Pension Fund Annual Report and Accounts 2022/23**

1. Background

1.1 This report summarises the draft key findings arising from GT's audit work in relation to the East Sussex Pension Fund, in compliance with the requirement for administering authorities to deliver an audit of the pension fund separate from the Council's accounts. The audit of the Fund is substantially complete with no outstanding matters for modification of the audit opinion at the time of writing this report.

1.2 The accounts for the Pension Fund are incorporated within the East Sussex County Councils Statement of Accounts, with the East Sussex Pension Fund Annual Report 2022/23 due for publication by 1 December 2023.

2. Supporting Information

2.1 Accounting Requirements - The Pension Fund financial statements should be prepared in accordance with proper accounting practices set out in the CIPFA Code of Practice on Local Authority Accounting in the UK (the Code). The Code requires authorities to account for pension funds in accordance with IAS26 Retirement Benefit plans. IAS26 provides guidance on the form and content of the financial statements to be prepared by pension funds. It compliments IAS19 Employee Benefits, which deals with the determination of the costs of retirement benefits in the financial statement of employers.

2.2 Annual Report Requirements - Local authorities responsible for administering a pension fund (scheme manager) forming part of the Local Government Pension Scheme (LGPS) are required by the LGPS Regulations to publish a pension fund annual report. The publication of the annual report is separate from the authorities own statutory accounts and contains financials statements in respect of the Fund. Authorities are required to publish the annual report by 1 December.

2.3 Under its terms of reference, it is the role of Audit Committee to "Review the annual statement of accounts and the external auditor's report to those charged with governance." These accounts will be considered by the Audit Committee on 24 November 2024.

2.4 It is the role of the Pension Committee to approve the Pension Fund annual report/accounts having considered whether appropriate accounting policies have been followed and any issues raised by GT from the audit.

2.5 The draft GT report to those charged with governance is attached at **Appendix 1.** Please note this is subject to change if there are any further findings by the auditors**.**

2.6 A copy of the Draft Pension Fund Annual report and accounts 2022/23 is included in **Appendix 2**.

3. Conclusion and reasons for recommendation

3.1 The Pension Fund Accounts set out the financial activities as asset values of the East Sussex Pension Fund during the 2022/23 financial year. The Pension Committee is recommended to note the draft Independent Auditors' (GT) report to those charged with governance and approve the Pension Fund Annual report and accounts for 2022/23.

IAN GUTSELL
Chief Finance Officer

Contact Officer: Sian Kunert, Head of Pensions

Email: Sian.kunert@eastsussex.gov.uk

The Audit Findings Report for East Sussex Pension Fund

Year ended 31 March 2023

October 2023

Contents

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and the Audit Committee.

Darren Wells

Name: Darren Wells
For Grant Thornton UK LLP
Date: 24 November 2023

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of East Sussex Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Our audit work was undertaken on site and remotely during August to September. Our findings are summarised on pages 3 to 15. We have identified no adjustments to the financial statements and therefore the Pension Fund's reported financial position remains unchanged from the published draft financial statements for audit. There are a few minor disclosure amendments detailed in Appendix B, which commendably reflects the comprehensive set of financial statements produced for audit.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters:

- final quality review;
- receipt of management representation letter; and
- review of the final set of financial statements with disclosures adjustments.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated opinion on the financial statements will be unqualified.

Whilst our work on the Pension Fund financial statements is complete, we will be unable to issue our final audit opinion on the Pension Fund financial statements until the audit of the Administering Authority is complete.

We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Pension Funds Annual Report along with the audit opinion on the financial statements.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see About time? (grantthornton.co.uk)
We would like to thank everyone at the Pension Fund for their support in working with us. The audit and client teams have worked constructively together to resolve any audit queries to progress the audit. The 2021/22 audits of East Sussex County Council and East Sussex Pension Fund are currently ongoing. These audits will need to be finalised and the auditor's report signed before the 2022/23 audit can be finalised. The main issue delaying completion of the 2021/22 Pension Fund audit is the new evidence provided by the triennial valuation carried out for March 2022 and therefore providing more accurate net pension liability valuation estimate for the Authority and the Pension Fund as a whole based on updated membership data. As this is a material post balance sheet adjusting event the Authority and Pension Fund statements have been adjusted, and therefore further audit work is required to gain assurance over the revised estimate. This work is substantially completed and is being reviewed by senior management currently."

Local context - triennial valuation

Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of the Pension Fund and set employer contribution rates for the period 2023/24 – 2025/26. For the Pension Fund, the valuation was undertaken by Barnett Waddingham, and showed that the Pension Fund is 123% funded at 31 March 2022. The results of the latest triennial valuation are reflected in Note 19 – Funding Arrangements to the financial statements. These valuations also provide updated information for the net pension asset on employer balance sheets.

We have performed testing of the completeness and accuracy of triennial valuation source data. This was to support our work providing assurances to auditors of employer bodies. As part of this work, we tested a sample and found the source data to be complete and accurate. This additional testing is only required after each triennial review, rather than annually. See Appendix C for the impact of this work on our 2022/23 audit fee.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management on 11 October, and at the Audit Committee on 22 November 2023.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

For the Pension Fund, the Audit Committee fulfil the role of those charged with governance. There is a separate Pension Committee and Pensions Board which consider the draft financial statements and is part of the overall member oversight process.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.
- Significant risks - those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

a. The revenue cycle includes fraudulent transactions (rebutted)

b. Management over-ride of controls

c. Valuation of level 3 investments (Quarterly revaluation)

We have not had to amend our audit plan, as communicated to you on in June 2023 at the Audit Committee meeting.

Further to this, we cannot give our opinion on the accounts until we have completed the audit of East Sussex Council. We are proposing to report both Audit Findings Report to 22 November Audit Committee.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the 24 November Audit Committee, as detailed in Appendix F. These outstanding items include:

- receipt of management representation letter; and
- review of the final set of financial statements.

Our anticipated audit report will be unmodified.

Acknowledgements

We would like to take this opportunity to record our appreciation for the constructive and timely assistance provided by the finance team and other staff.

As highlighted in Appendix C – Audit Fees we had to carry out additional audit procedures to gain sufficient audit assurance in respect of our auditor's opinion on the financial statements.

2. Financial Statements

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Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan of April 2023 but we have set specific materiality levels for the Pension Fund Statement.

We set out our determination of materiality for the Pension Fund in this table.

	Pension Fund Amount (£)	Qualitative factors considered
Overall materiality for the Financial Statements, including the Net Asset Statement	42,800,000	Our headline materiality is based on the Net Assets of the Fund.
Performance materiality	32,100,000	Performance materiality is based on 75% of the overall materiality.
Trivial matters	2,140,000	Triviality is based on 5% of the overall materiality.
Materiality for the Pension Fund Account	17,750,000	Fund account materiality is based on 8% of the employee benefits paid in the financial year.

2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Fund faces external scrutiny of its stewardship of funds and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk.	During the audit, we undertook the following work: ▪ evaluated the design effectiveness of management controls over journals; ▪ analysed the journals listing and determine the criteria for selecting high risk unusual journals; ▪ identified and tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; ▪ gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regard to corroborative evidence; ▪ evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Our audit work has not identified any issues in respect of management override of controls.
Improper revenue recognition (rebutted) Under ISA(UK)240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.	This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: ▪ there is little incentive to manipulate revenue recognition; ▪ opportunities to manipulate revenue recognition are very limited; ▪ the culture and ethical frameworks of local authorities, including the Pension Fund, mean that all forms of fraud are seen as unacceptable. We, therefore, did not consider this to be a significant risk for the Pension Fund when producing our audit plan. We have reconsidered our original assessment as part of our audit work on the Pension Fund's financial statements and are satisfied that this rebuttal remains appropriate.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of Level 3 Investments (Quarterly revaluation) of £1.15 billion By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements. Management utilise the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2023.	During the audit, we undertook the following work: • reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments to ensure that the requirements of the Code are met; • independently requested year-end confirmations from investment managers and the custodian and considered the role played by the custodian in asset valuation; • tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments; then agreeing these to the fund manager reports at that date. We then reconciled those values to the values at 31 March 2023 with reference to known movements in the intervening period; • where available, reviewed the investment manager service auditor report on design effectiveness of internal controls; • as part of our assessment of key controls over hard to value investments, we identified the key valuation controls at the fund managers (and where appropriate the custodians) and considered the design effectiveness of the controls through enhanced documentation of our consideration of the relevant control reports. Our audit work identified a non-material difference of £8 million across the whole population of £1.15 billion of Level 3 investments. This difference is due to timing differences between the estimates in the 31 December 2022 audited accounts of these Level 3 investments and their total estimated valuation at 31 March 2023. This difference is below our materiality of £48 million and therefore does not impact on our audit opinion.

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments (£1,150 million) By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements. Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.	The Pension Fund has investments in Private Equity and Infrastructure Funds that in total are valued on the net assets statement as at 31 March 2023. The Fund revalues its investments on a quarterly basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management rely on the valuation provided by the Fund Manager, which is usually based on an audited value of the fund as at 31 December 2022, with the valuation rolled forward to 31 March 2023.	The valuation of the Level 3 Investments is reasonable. We consider management's process is appropriate and key assumptions are neither optimistic or cautious, as we have considered all evidence obtained during the audit, including both corroborative and contradictory audit evidence, when evaluating the appropriateness of these accounting estimates.	● [Light Purple]
Level 2 Investments (£3,118 million) While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly.	The Pension Fund have investments in Bonds and Pooled Investment Vehicles that in total are valued on the Net Asset Statement as at 31 March 2023. Whilst these investments themselves are not actively traded on an open market, the underlying investments are and the valuations of these investments are based on the value of these underlying investments at 31 March 2023, or the closest trade date to year end.	The valuation of the Level 2 Investments is reasonable. We consider management's process is appropriate and key assumptions are neither optimistic or cautious, as we have validated the sources of information used by management, management's point estimate and disclosures relating to this accounting estimate.	● [Light Purple]

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Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

			ITGC control area rating			
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks
SAP ERP Central Component (General Ledger)	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	None identified
Pension Administration System - Altair	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	None identified

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Assessment

- ● Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● Not in scope for testing

2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

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Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures. We will need up to date assurance from the Committee before we issue our opinion.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Pension Fund, which is appended to this Report.
Audit evidence and explanations	The client provided a comprehensive set of Pension Fund Financial Statements and were responsive to audit queries raised. All information and explanations requested from management was provided.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to all of the Pension Fund Investment Managers. This permission was granted and all of these requests were returned with positive confirmation. We requested management to send letters to those solicitors who worked with the Pension Fund during the year.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements. A handful of minor inconsistencies were identified but these have been adequately reflected by management. We plan to issue an unmodified opinion in this respect – please refer to Appendix F.

2. Financial Statements: other communication requirements

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

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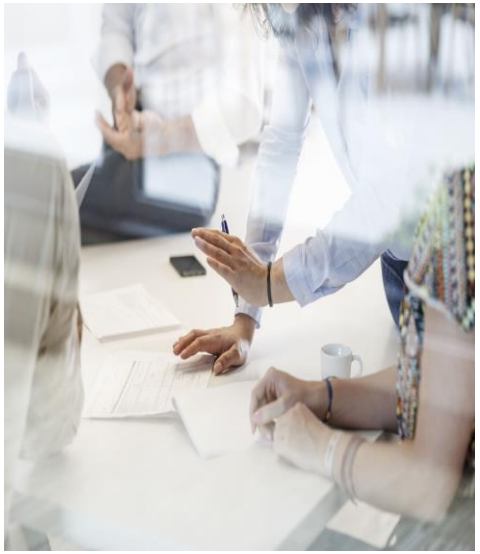
Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Pension Fund and the environment in which it operates • the Pension Fund's financial reporting framework • the Pension Fund's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	The Pension Fund is administered by East Sussex Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements. We are required to read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Pension Fund's Annual Report following the issue of the audit opinion. We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters.



3. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

3. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Pension Fund that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Pension Fund held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Pension Fund as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Pension Fund
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Pension Fund's board, senior management or staff that would exceed the threshold set in the Ethical Standard.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Appendices

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings Report
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

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ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

There are no adjusted nor non-adjusted misstatements.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

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Disclosure/issue/Omission	Auditor recommendations	Adjusted?
There were a few minor disclosure issues that management adjusted for following our review of the draft statement of accounts. This reflected the comprehensive set of accounts that management produced for audit.	None	✓
Our audit work identified a non-material difference of £8 million across the whole population of £1.15 billion of Level 3 investments. This difference is due to timing differences between the estimates in the 31 December 2022 audited accounts of these Level 3 investments and their total estimated valuation at 31 March 2023. This difference is below our materiality of £48 million and therefore does not impact on our audit opinion.	None	No adjustment required as below materiality

C. Fees and non-audit services

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Audit fees	**Proposed fee**
Scale fee published by PSAA	£24,237
Ongoing increases to scale fee first identified in 2019/20: Raising the bar/regulatory factors	£5,534
New issues for 2020/21: Impact of new auditing standards	£13,600
New issues for 2022/23	
Payroll – Change of circumstances	£500
Impact of ISA 315	£3,000
Total audit fees (excluding VAT) in 22/23 Audit Plan	**£46,871**
Investment valuation	£3,500
ISA 540	£3,600
Reduced materiality	£600
Pension Fund Audit	
IAS 19 letters for employer body auditors, including testing of 31 March 2022 triennial review *	£8,000
Total audit fees (excluding VAT)	£62,571

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*Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards. Provision of IAS 19 assurances to auditors of any other type of entity remains non-Code work.

E. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

F. Management Letter of Representation

Grant Thornton UK LLP

30 Finsbury Square

London

EC2A 1AG

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Sirs

East Sussex Pension Fund - Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of East Sussex Pension Fund for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Fund's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include […]. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. Except as disclosed in the financial statements:

   a. there are no unrecorded liabilities, actual or contingent

   b. none of the assets of the Fund has been assigned, pledged or mortgaged

   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

i. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ii. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

iii. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

iv. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

v. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

vi. We have updated our going concern assessment. We continue to believe that the Fund's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that that :

   a. the nature of the Fund means that, notwithstanding any intention to liquidate the Fund or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

   b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

   c. the Fund's system of internal control has not identified any events or conditions relevant to going concern.

   We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.

Information Provided

i. We have provided you with:

   a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

   b. additional information that you have requested from us for the purpose of your audit; and

   c. access to persons within the Fund via remote arrangements from whom you determined it necessary to obtain audit evidence.

ii. We have communicated to you all deficiencies in internal control of which management is aware.

iii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

iv. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

F. Management Letter of Representation

i. All transactions have been recorded in the accounting records and are reflected in the financial statements.

ii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

iii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund, and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

iv. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

v. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

vi. There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.

vii. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.

viii. We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.

ix. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Approval

The approval of this letter of representation was minuted by the Audit Committee at its meeting on 24 November 2023.

Yours faithfully

Name……………………………

Position………………………….

Date…………………………….

Name……………………………

Position………………………….

Date…………………………….

Signed on behalf of the Fund

G. Audit opinion

Independent auditor's report to the members of East Sussex Council on the pension fund financial statements of East Sussex Pension Fund

Opinion on financial statements

We have audited the financial statements of East Sussex Pension Fund (the 'Pension Fund') administered by East Sussex Council (the 'Authority') for the year ended 31 March 2023, which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period. In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Finance Officer's with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements and our auditor's report thereon, and our auditor's report on the Authority's and group's financial statements. The Chief Finance Officer is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements, the other information published together with the Pension Fund's financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

G. Audit opinion

Responsibilities of the Authority and the Chief Finance Officer

As explained more fully in the Statement of Responsibilities set out on page 18, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Chief Finance Officer is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003).

We enquired of management and the Audit Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and any other fraud risks identified for the audit. We determined that the principal risks were in relation to the valuation of Level 2 and 3 Investments. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on year-end journals,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of Level 2 and 3 Investments,
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including [add details of risks]. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government pensions sector
- understanding of the legal and regulatory requirements specific to the Pension Fund including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

G. Audit opinion

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Darren Wells,

Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

Date: 24 November 2023

grantthornton.co.uk

ANNUAL REPORT AND ACCOUNTS

2022-2023

Contents

1. 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 Funds 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

2. 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 make up 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

3. 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 20122. The funding level for the Fund at the 2022 valuation was 123%.

lgps | Local Government Pension Scheme

4. 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 Georgina 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

Name of Fund support	Company/individuals
Legal Advisors	Appointed from National LGPS Framework for Legal Services
Investment Consultant	ISIO, 110 George Street, New Town, Edinburgh, EH2 4LH
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)

5. 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;
- Pension 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 pension's 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.

6. 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 Manger 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 he 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.

	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

7. 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:

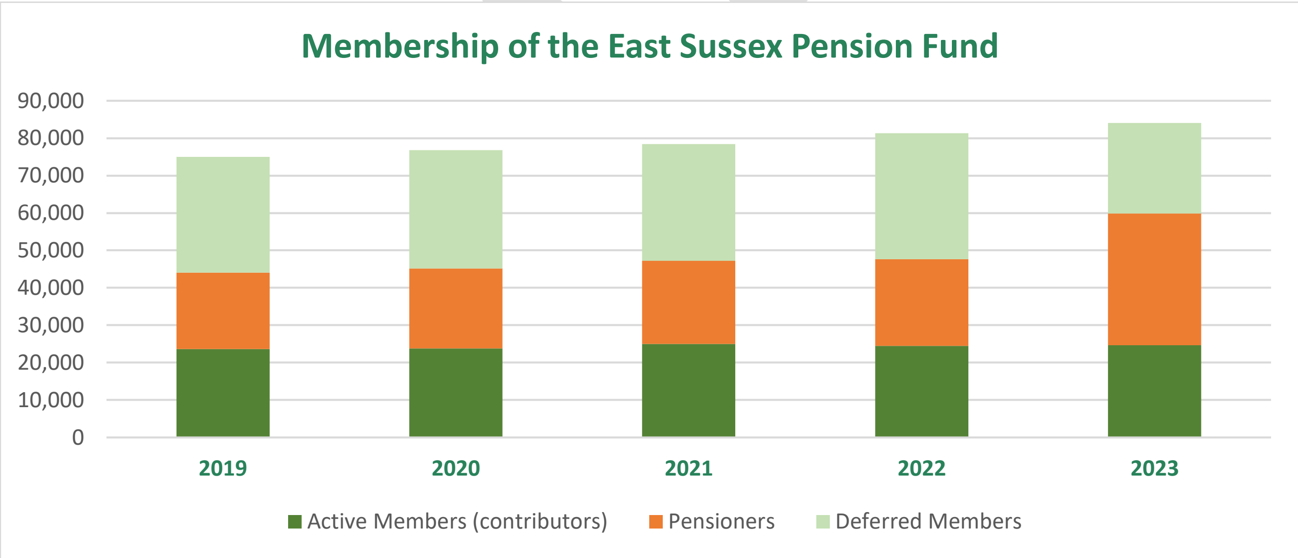
	Number of members 2021/22	Number of members 2022/23
East Sussex County Council	**8,059**	**8,123**
Brighton & Hove City Council	**7,682**	**7,412**
Academies	**3,622**	**3,738**
Colleges	**2,657**	**2,740**
Other	**2,494**	**2,678**
Total	**24,514**	**24,691**

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.

8. 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

9. 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.

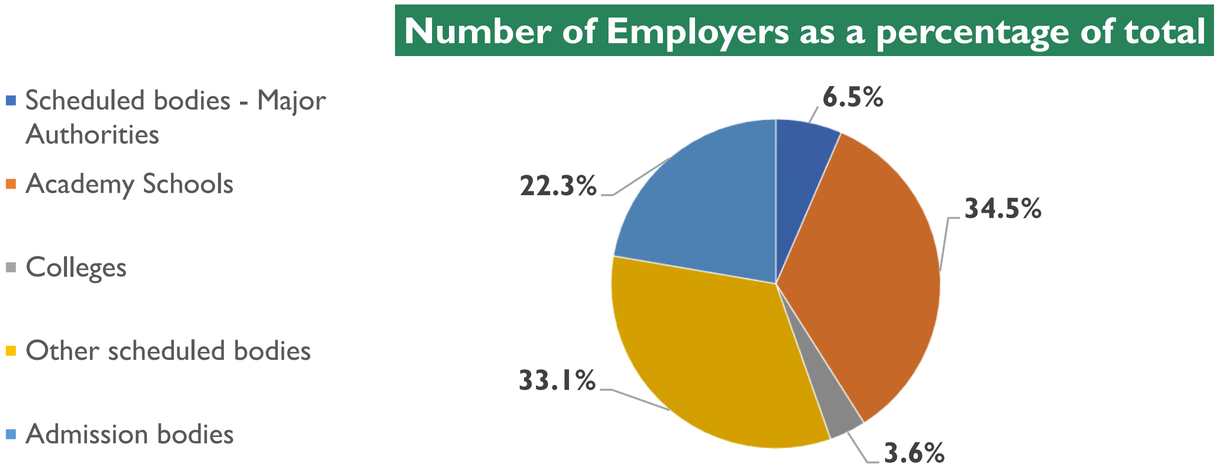
Below is a summary of the number of employers in the fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some deferred members and pensioners).

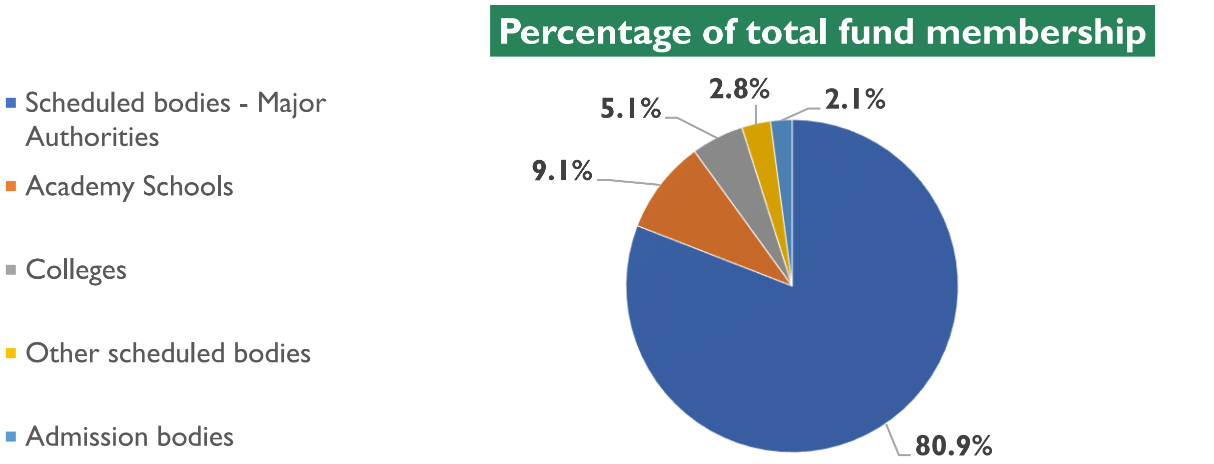
	Active	Ceased	Total
Scheduled body	108	24	132
Admitted body	32	41	72
Total	**140**	**65**	**204**

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.

10. 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 Funds 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.

11. 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	2021/22 £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.

12. 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.

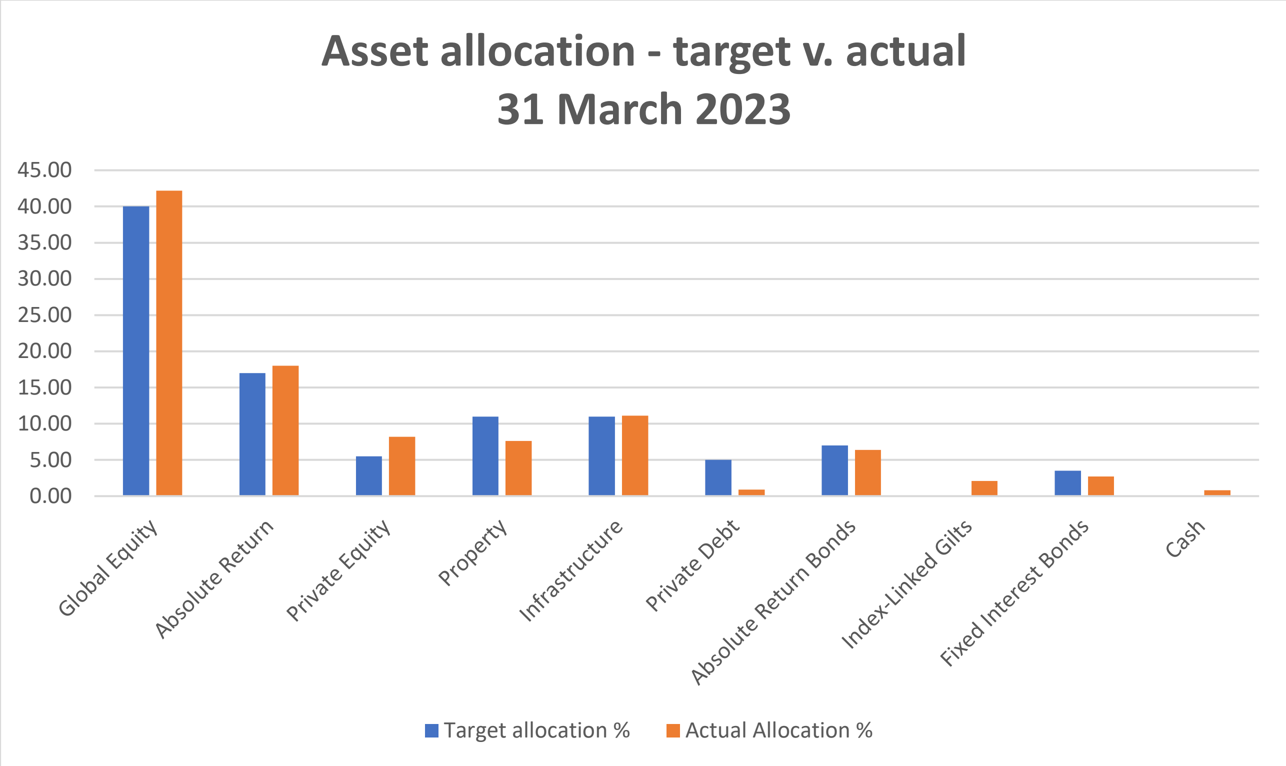
In June 2022 the Fund took the decision to make an additional allocation to absolute return credit (target increasing from 7% to 10.5%) via an allocation to the BlueBay Total Return Diversified Credit Fund. This decision was reached primarily due to the complimentary fit of the BlueBay mandate with the 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 Manger						
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.

13. 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) and 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 Funds 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 Funds 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 Funds 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 Funds 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 Funds 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 Funds investment activities.

All of the Funds 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 Funds 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 Funds 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 Funds 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 Funds 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.

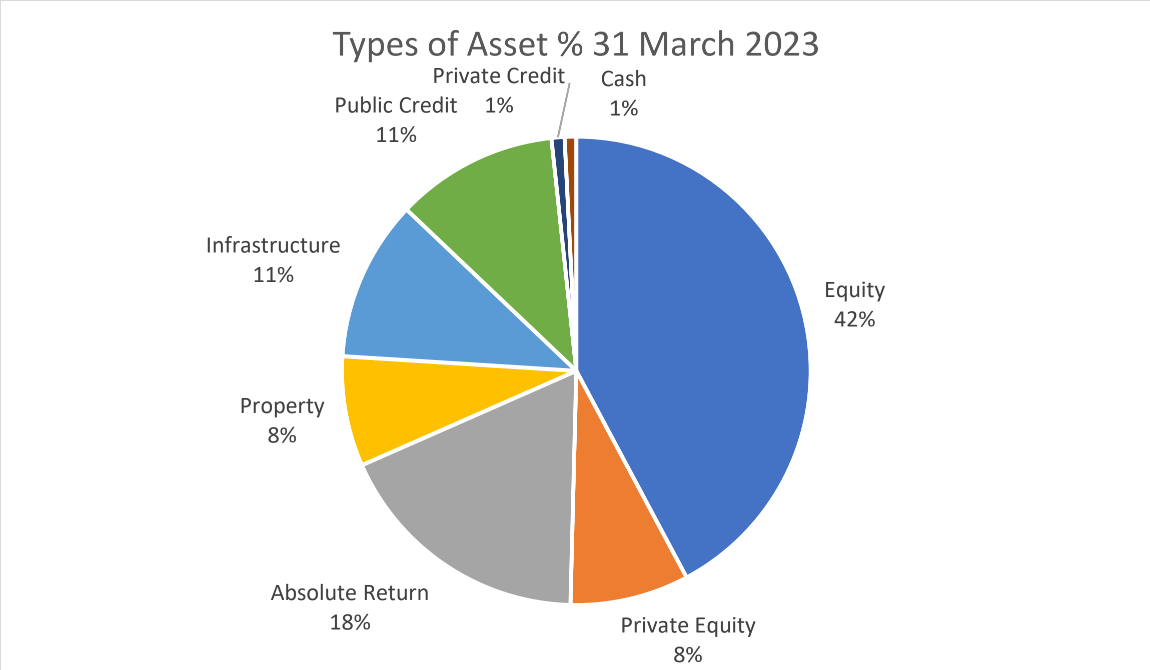
The Fund does not directly invest in any specific company; instead, it invests through a combination of holdings in passive index funds and in pooled funds through active investment managers who take considered choices over the underlying companies it invests in with a looking at the financial resilience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

Climate risk

The Funds 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.

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 Funds 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 and considered a range of scenarios to understand the potential risk to liabilities.

The climate scenarios within Barnett Waddingham's in-house climate scenario framework consist of four scenarios, which are broadly based on those used in the Bank of England's Biennial Exploratory Scenario. A brief description of these scenarios is set out below.

Scenario	Brief description	Assumed temperature rise* by 2100	Approx. carbon price** 2030/2050	Physical risk	Transitional risk
Early action (Paris-aligned)	Transition to net zero begins in year one, alongside assuming carbon pricing and policy intensifies over time. The long-	1.6°C	$300/$900	Limited	Medium

	term average return under this scenario is equivalent to the best estimate return calculated for the 2022 valuation of the Fund, effectively assuming the market is pricing in early action on climate risks.				
Late action	Policy implementation is more sudden and disorderly due to delay, resulting in disruption over the medium term.	1.6°C	$30/$1,000	Limited	High
No additional action	No new climate policies are introduced beyond those already agreed, resulting in a growing concentration of greenhouse gas emissions and a larger increase in global temperatures. This results in changes in precipitation and increases the frequency and severity of extreme weather events. A temperature rise of 2.3°C is assumed to happen over the short term.	4.1°C	$30/$20	High	Limited
Far too little too late	This scenario has been created by Barnett Waddingham and accumulates the impacts of a "late action" scenario and a "no additional action" scenario. The scenario considers what may happen if the implementation of polices is more sudden and disorderly due to delay and, despite action, a larger increase in global temperatures still occurs. (It should be noted however that even this scenario does not represent a "worst case".)	4.1°C	$30/$1,000	High	High

* Relative to pre-industrial levels
** Approximate assumed price in 2010 real terms to offset one ton of carbon dioxide in 2030 and 2050, respectively. Like other commodities, price increases with demand.

Combining the actuary's liability projections with their asset projections based on the 4 scenarios above, how the Fund's funding level is expected to vary across the scenarios and time periods. This projection assumes that secondary contributions (positive or negative) are paid to restore the funding level to 100% over a rolling 20 year period on each scenario.

Over the short-term (up to 10 years), the funding level is influenced most by the impact on asset returns under a "late action" and a "far too little too late" scenario, driven by the assumption that physical risk is present from day 1.

Over the medium-term (10 – 20 years), the funding level is influenced most by the impact on asset returns under a "late action" and "far too little too late" scenario, driven by the introduction of sudden and disorderly policies. However, these impacts are somewhat recovered over time.

Over the long-term (20 years or more), the funding levels under all scenarios become less volatile but the outlook is most positive under the "early action" and "late action" scenarios under which the funding position continues to improve.

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 Funds 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 Funds 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 funds 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 Funds 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 Mangers Initivie, 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.

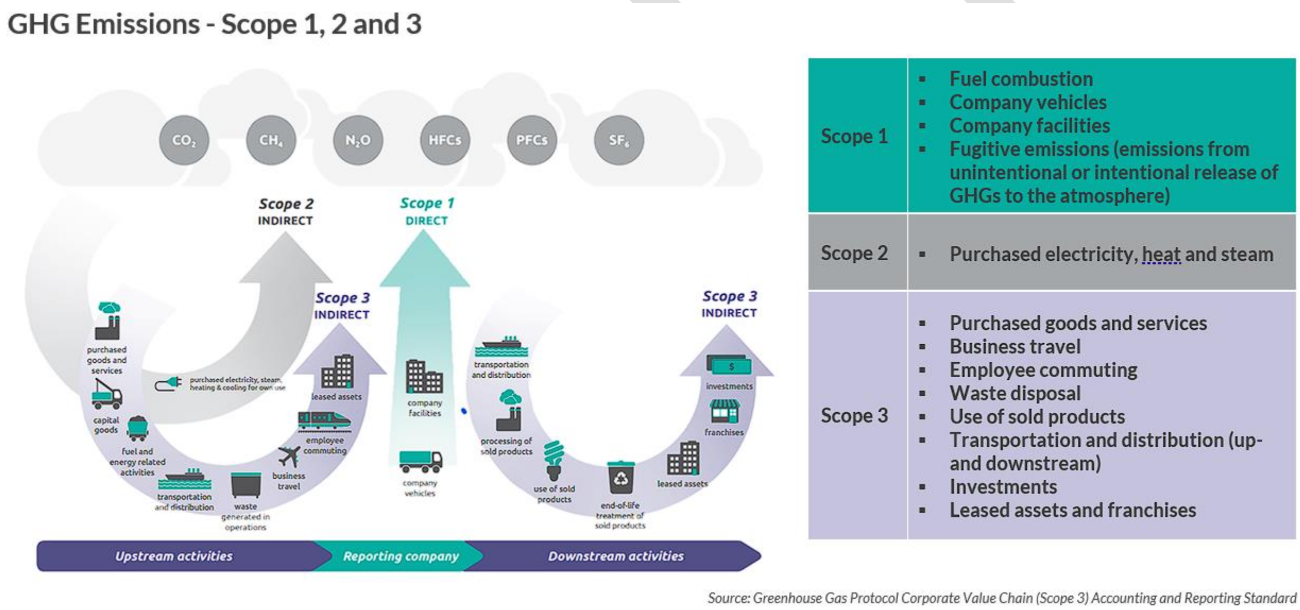
Minerva's approach to carbon footprinting does not generate data where none is reported – it uses data disclosed by the Fund's investee companies. Where a company has not disclosed any GHG emissions data, this is data in itself, since non-disclosing companies should be encouraged to make disclosures.

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
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:



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	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.
	26%	Reported	
	4%	Estimated	
	22%	Unavailable	
4. Paris Alignment	22%	Excellent	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.
	25%	Good	
	11%	Moderate	
	15%	Poor	
	27%	No Disclosure	

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 CO2e 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

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 (CO2) 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 Funds 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 Funds 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 Funds 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 Funds equity mandates have been invested into specific climate conscious investments. With 10% of the Funds 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

	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 also reviews companies that are classified	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.

	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 supporter of this being implemented.	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 the climate strategy of the Funds and how this can be 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 assets in line with their policies and our expectations. As part of our engagement with managers is to request that they consider signing up	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 the pool and provide better reporting. Ensuring that the Funds managers sign up to relevant

	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.	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 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

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.

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 Funds Head of Pensions was appointed to the executive committee as an LAPFF Officer Member.

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.

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 Funds 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.

14. 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

15. 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 Funds 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 managers	Assets Under management £ Billion	Average assets per manager £ Billion	Performance since inception to 31 March 2023		
				Performance %	Benchmark %	Relative %
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**

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.

	2022 - 2023		2016 - 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 Guidlines:

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

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**

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 Fair value through profit and loss £000	31 March 2022 Assets at amortised cost £000	31 March 2022 Liabilities at amortised cost £000		31 March 2023 Fair value through profit and loss £000	31 March 2023 Assets at amortised cost £000	31 March 2023 Liabilities at amortised cost £000
			Financial Assets			
134,975	-	-	Bonds	93,755	-	-
237,482	-	-	Equities	235,630	-	-
3,310,115	-	-	Pooled investments	3,068,651	-	-
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**	**4,506,447**	**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**	**4,505,386**	**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)
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 Funds' 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 Funds 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

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 Funds 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.

16. Draft External auditor's report

Draft - Independent auditor's report to the members of East Sussex Council on the pension fund financial statements of East Sussex Pension Fund

Draft - Opinion on financial statements

We have audited the financial statements of East Sussex Pension Fund (the 'Pension Fund') administered by East Sussex Council (the 'Authority') for the year ended 31 March 2023, which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period. In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Finance Officer's with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements and our auditor's report thereon, and our auditor's report on the Authority's and group's financial statements. The Chief Finance Officer is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements, the other information published together with the Pension Fund's financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

Responsibilities of the Authority and the Chief Finance Officer

As explained more fully in the Statement of Responsibilities set out on page 18, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Chief Finance Officer is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003).

We enquired of management and the Audit Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;

- the detection and response to the risks of fraud; and

- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and any other fraud risks identified for the audit. We determined that the principal risks were in relation to the valuation of Level 2 and 3 Investments. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,

- journal entry testing, with a focus on year-end journals,

- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of Level 2 and 3 Investments,

- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including [add details of risks]. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation

- knowledge of the local government pensions sector

- understanding of the legal and regulatory requirements specific to the Pension Fund including:

  - the provisions of the applicable legislation

  - guidance issued by CIPFA/LASAAC and SOLACE

  - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 Funds 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 2019 Funding Strategy Statement is shown after this page.

The latest version of the Funding Strategy Statement is available on the Funds website:

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

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 Funds 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 Funds website:

www.eastsussexpensionfund.org/media/sznjpnzl/investment-strategy-statement-2021.docx

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 Funds website:

www.eastsussexpensionfund.org/media/lzrj0hat/communication-strategy-2022-east-sussex-pension-fund.pdf

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 Funds website

https://www.eastsussexpensionfund.org/media/q03plfjj/governance-and-compliance-statement-june-2023.pdf

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Report to:	**Pension Committee**
Date of meeting:	**16 November 2023**
By:	**Chief Finance Officer**
Title:	**Quarterly Budget Report**
Purpose:	**This report provides the Quarter 2 forecasted financial outturn of the ESPF for the 2023/24 financial year**

RECOMMENDATIONS

The Pension Committee is recommended to note the report.

---

1. Background

1.1 The East Sussex Pension Fund's (the Fund) business plan and budget sets out the direction of travel, objectives and targets to be achieved in the financial management for the administering authority to carry out its statutory duties in a structured way. The Pension Committee is charged with meeting the duties of the Council as administering authority in respect of the Fund.

1.2 At its meeting on the 22 February 2023 the Pension Committee agreed a budget of **£4.463**m (£4.269m – 2022/23) to support the business plan for 2023/24. The budget estimates do not incorporate any provision for investment fees earned by the investment managers since there is limited scope for the Fund influence these costs. This is due to the nature of the fees being based on factors outside the control of the Fund such as market movements along with other decisions affecting these such as strategic asset allocation changes.

2. 2022/23 Quarter 2 Forecast Outturn Position

2.1 The forecast outturn at the second quarter of 2023/24 is **£4.309m**, a **reduction of £0.154m** from the approved budget. The 2023/24 outturn against budget line items is shown in the table below. The underspend relates to a reduction in staffing costs anticipated in the year and a reduction in actuarial invoices received to date, this is offset by increases on consultancy and investment advice costs discussed in more detail in paragraph 2.2 – 2.3

2023/24 Outturn Report

2022/23 Outturn £000	Item	2023/24 Budget £000	2023/24 Actual Outturn Q2 £000	2023/24 Forecast Outturn Q2 £000	Variance to Budget £000
	Pension Fund Staff Costs				
1483	Fund Officers	2,023	823	1,834	189
(1)	Recruitment costs	-	-	-	-
1,482	**Sub Total**	**2,023**	**823**	**1,834**	**189**
	Oversight and Governance Expenses				
318	Investment Advice	392	230	408	(16)
125	Actuarial Fund Work	87	4	59	28
69	Actuarial Employer Work	81	36	79	2
(76)	Employer reimbursement	(81)	(19)	(79)	(2)
56	Legal Fees	69	15	74	(5)
48	Governance consultancy costs	70	16	68	2
96	Audit	71	(56)	71	-
636	**Sub Total**	**689**	**225**	**680**	**9**
	Investment Expenses				
101	Custodian	97	(46)	97	-
101	**Sub Total**	**97**	**(46)**	**97**	**0**
	Administration Expenses				
438	IT Systems licenses costs and Hardware	572	360	568	4
256	Overheads	475	139	475	-
267	Admin operational support services	279	78	279	-
13	Improvement projects	100	3	100	-
235	Consultancy	45	26	81	(36)
7	Communications	47	1	48	(1)
13	Training	20	12	27	(7)
87	Subscriptions	75	26	78	(3)
48	Other Expenses	60	2	60	-
1,364	**Sub Total**	**1,673**	**647**	**1,716**	**(43)**
	Income				
(15)	Other Income	(19)	(4)	(19)	-
(15)	**Sub Total**	**(19)**	(4)	**(19)**	**0**
3,568	**Total**	**4,463**	**1,645**	**4,309**	**154**

2.2 The outturn projection for Investment advice is reflecting an anticipated overspend due to the engagement and divestment work, coming in at £5,000 higher than anticipated. There is also a £11,000 increase being applied to take into account the activity that is resulting from the changes to strategic asset allocation which were not considered when the budget was being set.

2.3 The outturn for the consultancy and service providers costs line these are not investment related. The budget was set at £45,000 for these costs based on the information available at budget setting. The forecast outturn has increased by £36,000 to £81,000 there has been several projects that have seen additional costs arising from the information available now these include:

- the GMP reconciliation project where the Fund had to use Heywoods for data extraction in order to meet Mercer's requirement which cost us an additional £15,000.
- there have been other issues identified during the work so far on the GMP Reconciliation although it is still unclear as to the final cost an additional £5,000 has been added for prudence.
- In addition, the decision has been taken to allocate an extra £10,000 covering all projects for work that the Fund will require the software provider Heywoods to perform, these have not been allocated yet but is expected to cover one-off projects or aspects linked to an on-going projects, such as GMP and McCloud.
- ITM address tracing is now in the next stage of the project status 2 and we now are able to quantify these costs and are expecting to come in at an additional £6,000 to complete this project.

3. Conclusion and reasons for recommendation

3.1 The Committee is recommended to note the first quarter projected 2023/24 outturn position.

Ian Gutsell
Chief Finance Officer

Contact Officer: Russell Wood, Pensions Manager: Investments and Accounting
Email: Russell.wood@eastsussex.gov.uk

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Report to:	**Pension Committee**
Date of meeting:	**16 November 2023**
By:	**Chief Internal Auditor**
Title:	**Internal Audit Report**
Purpose:	**This report advises the Committee of the outcome of the Pension Fund - Collection of Contributions audit.**

RECOMMENDATIONS

The Committee is recommended to note the:

- **Pension Fund - Collection of Contributions report (Appendix 1)**

---

1. Background

1.1 The review of the Collection of Contributions was completed as part of the Internal Audit Strategy and Plan for Pensions 2023/24 and provides assurance on the overall effectiveness of controls.

1.2 We were able to provide an opinion of **Reasonable Assurance** over the controls in place.

2. Conclusions and Reasons for Recommendation

2.1 The Pension Committee is:

- recommended to note the Internal Audit report.

RUSSELL BANKS
Orbis Chief Internal Auditor

Contact Officer: Nigel Chilcott, Audit Manager
Tel No.: 07557 541803

Contact Officer: Danny Simpson, Principal Auditor
Tel No.: 07701 394826

BACKGROUND DOCUMENTS:
None

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Appendix 1

Internal Audit Report

Pension Fund - Collection of Contributions

Final

Assignment Lead: Lucy Discombe, Principal Auditor
Assignment Manager: Danny Simpson, Principal Auditor
Prepared for: East Sussex County Council
Date: October 2023

Report Distribution List

Draft:
Sian Kunert, Head of Pensions
Tim Hillman, Pensions Manager- Employer Engagement

Final:
As per draft, with the inclusion of:
Ian Gutsell, Chief Finance Officer
Ros Parker, Chief Operating Officer
Pension Board
Pension Committee

This audit report is written for the officers named in the distribution list. If you would like to share it with anyone else, please consult the Chief Internal Auditor.

Chief Internal Auditor: Russell Banks, ☎ 07824362739, ✉ russell.banks@eastsussex.gov.uk
Audit Manager: Nigel Chilcott, ☎ 07557541803, ✉ nigel.chilcott@eastsussex.gov.uk
Anti-Fraud Hotline: ☎ 01273 481995, ✉ FraudHotline@eastsussex.gov.uk

1. Introduction

1.1. The East Sussex Pension Fund (ESPF) collects in excess of £130m annually in contributions from approximately 140 employers. The Scheme has recently been subject to its triennial valuation, and this resulted in a reduction to most employers' contribution rates from April 2023.

1.2. Contributions are received monthly, along with supporting information on LGPS 31 forms and via the I-Connect system (an on-line portal).

1.3. However, the Fund is without direct access to employers' prime accounting records, which would provide it with assurance that contributions have been collected accurately from all members of the scheme and have been paid over in full.

1.4. The overall objective of this audit was to explore the availability of information that would provide assurance that all pension contributions due, are being collected by employers and paid over, in full, to the Fund.

1.5. This audit is part of the agreed Internal Audit plan for 2023/24.

1.6. This report has been issued on an exception basis whereby only weaknesses in the control environment have been highlighted within the detailed findings section of the report.

2. Scope

2.1. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- Contributions and supporting information are received, in full, from all employers in the Fund in a timely manner.
- The Council makes best use of the sources of assurance available over employers' payroll (or other systems for collecting and paying contributions).

3. Audit Opinion

3.1. **<u>Reasonable Assurance</u> is provided in respect of Pension Fund Collection of Contributions**. This opinion means that most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives. *Appendix A provides a summary of the opinions and what they mean and sets out management responsibilities.*

4. Basis of Opinion

4.1. Controls are in place around ensuring that contributions and appropriate supporting information are received timeously from all employers. Receipt of contributions received from employers is monitored. If contributions are not received, or the amount received falls outside defined tolerance levels, this is addressed with the employer.

4.2. The Pension Fund also undertakes checks that received contributions are in line with the employer's determined contribution rate. These were recently subject to a triennial valuation, with new rates applicable from April 2023. Testing for a sample of employers found that all had paid contributions in line with the latest determined rates. The triennial valuation process provides a mechanism whereby any underpayment of contributions from an employer, would result in an increase in that employer's contribution percentages following the next valuation. This would correct any financial loss.

4.3. With increasing employer use of the i-Connect system, the Fund now also undertakes spot checks of individual employees' contributions, comparing this amount with their pensionable pay and contribution bands. However, this is currently limited by the fact that not all employers have yet been onboarded to I-Connect.

4.4. The above controls focus on whether contributions are correct in terms of the percentage of employees' pensionable pay. However, the ESPF is unsighted over whether the pensionable pay itself is correctly calculated and stated.

4.5. LGPS31 forms, which employers provide to the ESPF to support their contribution payments, must be completed by a named authorised signatory, and identify the source of assurance used to confirm that contributions have been correctly deducted and paid to the scheme (from the options on the LGPS31 form of "review by Internal Audit" and "review by management"). If the form is not correctly signed, or the source of assurance is not identified, the employer is approached to resolve this.

4.6. The LGPS31 forms advise employers to "retain evidence of assurance arrangements as East Sussex County Council may request them on a sample basis". We were informed that this sampling does not routinely take place. We understand this would only happen where the Fund has grounds to believe there might be an issue.

4.7. However, we do acknowledge that it is the employer's responsibility to ensure contribution amounts are correctly calculated and paid. Additionally, obtaining assurance over employers' payroll arrangements is not a specific requirement of the Pension Regulator's Code of Practice no.14 (CoP 14), relating to the governance and administration of public service pension schemes.

4.8. We have found that, whilst employers are marking their LGPS forms to indicate the sources of assurance obtained to support their contributions, in practice, these assurances are often weak or non-existent. For instance, where employers cited 'management review', most were only able to provide payroll reports that bore no obvious sign of review.

4.9. We also found that whist information on Local Authorities' internal audits is publicly available via their websites, this is not generally the case for other employers in the Fund. Where information on audits of payroll was found to be publicly available, the information is often not detailed enough to provide clear assurance around the accuracy of pension contributions.

4.10. Whilst the Council does not make use of the sources of assurance held by employers over their payroll systems, our work has found that these were time-consuming to obtain, and the information available was not of sufficient quality to provide meaningful assurance to the Fund around employers' correct calculation of pensionable pay. This limits the actions that management can usefully take and is wholly outside its control.

4.11. The Fund's resources are focussed in areas that more clearly underpin ensuring that contributions are received, such as the monitoring of monthly contributions from all employers, and the onboarding of more employers to i-Connect, where spot-checks of individual employees' contributions can occur. These activities are in line with CoP 14), which does not specify a requirement to obtain assurance over employers' payroll arrangements but states that "*Schemes should apply a risk-based and proportionate approach to help identify employers and situations which present a higher risk of payment failures occurring*".

5. Action Summary

5.1. The table below summarises the actions that have been agreed together with the risk:

Risk	Definition	No	Ref
High	This is a major control weakness requiring attention.	0	N/A
Medium	Existing procedures have a negative impact on internal control or the efficient use of resources.	0	N/A
Low	This represents good practice; implementation is not fundamental to internal control.	1	1
	Total number of agreed actions	**1**	

5.2. Full details of the audit findings and agreed actions are contained in the detailed findings section below.

5.3. As part of our quarterly progress reports to Audit Committee we seek written confirmation from the service that all high priority actions due for implementation are complete. The progress of all (low, medium and high priority) agreed actions will be re-assessed by Internal Audit at the next audit review. Periodically we may also carry out random sample checks of all priority actions.

6. Acknowledgement

6.1. We would like to thank all staff that provided assistance during the course of this audit.

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
1	**Employers' Assurance Over Their Payroll Systems** A sample of ten employers in the Fund was contacted and requested to provide evidence of the assurance they had stated to have been used on recently completed LGPS31 forms. The responses did not demonstrate suitable awareness from employers as to what constitutes assurance, resulting in concerns that they may not fully understand the requirements of the relevant section on the LGPS31 form when completing this. Two employers failed to respond to the request. Six employers stated assurance had been provided via management review, but only one provided evidence of such review in the form of a management signature. Of the two employers who stated assurance was provided by Internal Audit[1], (in addition to management review), neither provided related evidence.	Where employers do not fully understand their responsibilities with regard to the provision of assurance over the accuracy of their pensionable pay and pension contributions, there is an increased risk that the fund does not receive all contributions owed.	Low	The Fund will use Employer Forums, Employer Newsletters and take other opportunities to provide training to employers about their responsibilities in relation to the calculation of pension contributions.

[1] The employers' Internal Audit functions

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
	In the two sampled instances where a form of assurance had not been marked on the LGPS31 form, both employers were found to have outsourced their payroll arrangements, which appeared to result in confusion around the responsibility to provide assurance.			
Responsible Officer:		Tim Hillman, Pensions Manager - Employer Engagement	**Target Implementation Date:**	31/12/2023

Appendix A

Audit Opinions and Definitions

Opinion	Definition
Substantial Assurance	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Reasonable Assurance	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Partial Assurance	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
Minimal Assurance	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

Management Responsibilities

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

This report, and our work, should not be taken as a substitute for management's responsibilities for the application of sound business practices. We emphasise that it is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Report to:	**Pension Committee**
Date of meeting:	**16 November 2023**
By:	**Chief Finance Officer**
Title:	**Training Report**
Purpose:	**To provide an update on training needs, opportunities undertaken and planned events**

RECOMMENDATIONS

The Pension Committee is recommended to:

1) **Note the outcome of the self-assessment knowledge and skills survey**
2) **Note the training made available in the past year**
3) **Note the type of events planned for the year ahead**
4) **Identify areas Committee members would like training on as a priority**

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1. Background

1.1 This report is brought to the Pension Committee to provide an update on the outcome of the knowledge and skills survey, provide details of training undertaken by members of the Pension Board and Committee. It also outlines training plans for the year ahead.

2. Knowledge and understanding levels

2.1 Members of the Pension Board have a legal duty to develop and maintain appropriate knowledge and understanding of pension matters to fulfil their role. Whilst this duty does not extend to members of the Pension Committee it has previously been accepted that as decision makers, Committee members should have an equivalent level of knowledge. This is in line with accepted best practice in the industry and the expectation that such a requirement will become law.

2.2 In August 2023 members of the Pension Board and Pension Committee were invited to complete a self-assessment of their knowledge and understanding of pension matters. This self-assessment was based on the guidance provided by CIPFA and The Pensions Regulator.

2.3 At the time of writing, responses have been received from three of the Pension Board members plus the independent Chair and four of the five Pension Committee members.

2.4 The completed questionnaires are used by Officers to assess the training needs of both the Board and Committee as a whole and individual members. As such, it is instrumental in helping define subjects that should be covered by bespoke events, outside of those made available through third party organisations. Where responses are not received this leads to a risk that training needs may not be identified, potentially causing members of the Pension Board to not meet their legal obligation to have the required level of knowledge and understanding to fulfil their role.

2.5 The number of new Pension Board members joining the Fund in the last year means Officers have been able to gain limited insight on the change of knowledge levels to previous years. However, it is clear that both Pension Board and Committee members would benefit from further training in areas such as the role of external stakeholders, for example the Government

Actuary's Department, and how the Fund ensures it is meeting good governance standards. The Pension Committee has also reported it would benefit from training on the financial markets.

2.6 Some Board and Committee members did not report an increased understanding in areas where training has been provided in the last year. Where Board and Committee members believe events can be improved they are encouraged to provide feedback. Officers observed that both Board and Committee members are seeking more information about the Additional Voluntary Contribution offering available to members. A paper will be provided to both the Committee and Board, which should increase the required levels of knowledge and understanding.

3. Training undertaken in the past year

3.1 The training opportunities made available in the past year to Pension Board and Committee members have ranged from in-house training, such as the Structure and Powers of The Pensions Regulator; guest presentations, such as a session covering accounting and another looking at climate risk; and external events, for example the PLSA's Local Authority Conference. Other areas where training has been provided include MIFID II, the legal requirements surrounding investment decision-making and Levelling Up.

3.2 As part of the training report last year, Officers discussed providing training on procurement and admissions and cessations. Work is progressing to create a training event on this area, and it is anticipated that these topics will be covered in a training session in December 2023.

3.3 Since the Board and Committee members were asked to complete the self-assessment, members of the Pension Committee have met with four Investment Managers who provide services to the Fund. These presentations, which include question and answer sessions, should have developed Pension Committee knowledge in this area.

4. Training plans for the year ahead

4.1 Based on the findings of this year's training needs assessment, Officers intend to source training in the following areas, subject to any developing need to cover other topics:

- Fund interaction with the UK Tax system
- Business Continuity Planning and Cyber Security
- Transfers in and out of the Fund
- The role of internal audit and measuring governance standards
- The role of the Government Actuary's Department
- Key legislation for the operation of the Pension Fund

4.2 In addition to the areas listed above, Officers will monitor the market for pertinent training opportunities and notify members of both the Pension Board and Committee on a monthly basis of relevant events.

4.3 During the Pension Board meeting of 2 November 2023, Officers were asked to look into providing further training by the Fund Actuary on the impact on inflation and the funding level. This request is being looked into.

4.4 Pension Committee members are reminded that if they have a particular training where additional support would be of assistance they can contact the Training Co-Ordinator to discuss the options available to them.

4.5 Where Pension Committee members attend training, feedback is welcome on both content and delivery. This will help Officers improve the training sessions provided, when in-house or bespoke events commissioned by the Fund, and ensure both Pension Board and Committee members get value from the time invested.

5. Conclusion and Recommendations

5.1 The Pension Committee is recommended to:

- Note the outcome of the self-assessment knowledge and skills survey
- Note the training made available in the past year
- Note the type of events planned for the year ahead
- Identify areas Board members would like training on as a priority

IAN GUTSELL
Chief Finance Officer

Contact Officer: Mike Burton, Pensions Manager Governance and Compliance
Email: Michael.Burton@eastsussex.gov.uk

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Report to: **Pension Committee**

Date of meeting: **16 November 2023**

By: **Chief Finance Officer**

Title: **Pension Fund Risk Register**

Purpose: **To consider the Pension Fund Risk Register**

RECOMMENDATIONS

The Pension Committee is recommended to review and note the Pension Fund Risk Register.

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1 Background

1.1 Risk management is the practice of identifying, analysing and controlling in the most effective manner all threats to the achievement of the strategic objectives and operational activities of the Pension Fund. It is not a process for avoiding or eliminating risks. A certain level of risk is inevitable in achieving the Fund objectives, but it must be controlled.

1.2 Effective risk management is an essential part of any governance framework as it identifies risks and actions required to mitigate their potential impact. For a pension fund, those risks will come from a range of sources, including the funding position, Local Government Pension Scheme (LGPS) Pooling, General Data Protection Regulation (GDPR), investment performance, membership changes, benefits administration, costs, communications and financial systems. Good information is important to help ensure the complete and effective identification of significant risks and the ability to monitor those risks.

1.3 Since the last meeting of the Pension Board and Pension Committee, officers have continued to review the Risk Register to ensure all appropriate risks and mitigations have been identified.

1.4 It is accepted that whilst mitigations are put in place for identified risks, it will not always be possible for all risk to be eliminated. In these cases, a level of risk is tolerated and kept under review.

2 Supporting Information

2.1 The Risk Register is included at **Appendix 1**.

3 Changes to the Risk Register

3.1 Risk G3 – Cyber security risk has been heightened to a red risk post mitigation. This is to ensure the Pension Fund reporting is aligned to the wider Council. The National Cyber Security Centre (NCSC) has highlighted the substantial risk to British web infrastructure, with elevated levels of Cyber Crime being reported against all areas of government, particularly in light of the current Ukrainian situation. Cyber attacks are growing more frequent, sophisticated, and damaging when they succeed. The risk mitigation commentary has also been updated to reflect the findings of an extensive review of the systems used by the Pension Team. No material weaknesses were identified with some minor suggestions on improvements that can be made. These recommendations are being acted upon.

3.2 Risks G2 and G4 – Committee and Board members; and Governance and Compliance - have been reduced in their severity. In February 2023 the risk scores were increased due to the uncertainty caused by a significant number of expected vacancies on the Pension Board. As these positions are now filled it is recommended the risk levels be returned to previous levels.

3.3 Risk I4 – Investment Pooling - Officers recommended the risk level be reduced to an amber risk. There has been progress in relation to ACCESS pool operator provision and the governments future of pooling consultation has been released.

4. Conclusion

4.1 The Pension Committee is recommended to review and note the Pension Fund Risk Register.

IAN GUTSELL
Chief Finance Officer

Contact Officer: Sian Kunert, Head of Pensions
Email: Sian.Kunert@EastSussex.gov.uk

Appendix 1

Summary Post Mitigation Risk scores

Reference	Strategic Risk	Feb-22	Jun-22	Sep-22	Nov-22	Feb-23	May-23	Sep-23	Nov-23	Change from September
Employer										
E1	**Contributions Funding** Failure to collect contributions from employers in line with Funding strategy requirements and Rates and Adjustment Certificate	4	4	4	4	4	4	4	4	↔
E2	**Employer data** Employers fail to provide accurate and timely data to the PAT team	9	9	9	12	12	12	9	9	↔
E3	**Employer Covenant** Delay in employers agreeing Admission Agreement, risk of insufficient security	4	4	4	4	4	4	4	4	↔
Administration										
A1	**Pensions service Delivery** Inadequate delivery of Pensions Administration	6	6	6	6	6	6	6	6	↔
A2	**Regulatory Change** Risk that new benefit structures can not be set up correctly or in time	6	6	6	6	6	6	6	6	↔
A3	**Production of Statutory member returns** Risk of failure to produce ABS, annual allowance and event reports	6	6	10	10	10	10	6	6	↔
A5	**Transfer Scams** Failure to comply with CETV anti scam checks	2	2	2	2	2	2	2	2	↔
A7	**MBOS Project** Failure to deliver the new ERP system to effectively deliver for Pension Fund accounting and payroll requirements	3	3	3	3	3	3	6	6	↔
Governance										
G1	**Key Person risk** Risk of loss of key / senior staff resulting in lost knowledge and skills with in the Pensions Team	4	4	4	4	4	4	4	4	↔
G2	**Committee / Board Member** Lack of decision making caused by loss of Pension Committee/Pension Board members or insufficient knowledge and skills of members	6	6	6	9	9	9	9	6	↓
G3	**Cyber Security** Risk of Loss of data or systems breaches through cyber attacks	8	8	8	8	8	8	8	12	↑
G4	**Governance and Compliance** Inadequate governance arrangements and controls to discharge powers & duties	3	3	3	3	6	6	6	3	↓
G5	**Data Breach** Failure to comply with General Data Protection Regulations	4	4	4	4	4	4	4	4	↔
G6	**Fraud** Internal and External fraud risk	3	6	6	4	4	4	4	4	↔
Investment/Funding										
I1	**Funding risk - poor investment returns** Risk that investment strategy fails to result in performance required to meet the needs of the Funding strategy discount rate	4	4	4	4	4	4	4	4	↔
I3	**Regulatory risk** Failure to comply with regulations, legislation and guidance from an accounting and investment perspective	2	2	2	2	2	2	2	2	↔
I4	**Investment Pooling** Inability to comply with government direction on pooling, insufficient sub funds to implement investment strategy, poor management of the pool	6	6	6	6	12	12	12	9	↓
I5	**Funding risk - higher inflation** Risk of inflation leading to increased liabilities, lower asset returns and a funding gap	2	6	6	6	6	6	6	6	↔
I6	**Environmental, Social and Governance** Risk of ESG factors within Investment strategy, underlying holdings and implementations of investment decisions	4	4	4	4	4	4	4	4	↔
I7	**Climate change** Risk to assets and liabilities associated with Climate Change	4	4	4	4	4	4	4	4	↔
I8	**Liquidity** Insufficient cash to pay benefits as they fall due	4	4	4	4	4	4	4	4	↔
I9	**Money Purchase Additional Voluntary Contributions** Inadequate offering to Scheme Members							2	2	↔

Ref	Strategic Risks	Pre-mitigation RAG	Risk Control / Response	Post-mitigation RAG	Risk Owner
Employer Risk					
E1	Contributions Funding Failure to collect contributions from employers in line with Funding strategy requirements and Rates and Adjustment Certificate	9	•Monthly Employer contribution monitoring completed •Monitoring of late payments by Employer engagement team to address breaches for late payment. Chasers are sent out during the lead up to the deadline to prompt employers providing information and payment on time •Contributions recorded in Finance system for each employer to track employer cashflows in line with actuarial requirements for Valuation and FRS17/IAS19 reporting requirements. Also enables ability to see trends in contributions collected •Pension Administration strategy in place from January 2021 clearly outlining ability to charge employers for late payment, late receipt of remittance advice or poor quality of data. Late payment charges are now being administered as a deterrent and to cover the impact on the Fund for late payment. This strategy was refreshed in February 2023 •Implementation of i-Connect is improving the quality of contribution data received to better aid reconciliation of payments and drill into the accuracy of employers' contribution payments, however functionality is still being improved by the software provided •Report produced for Pensions Board meetings to highlight any late payment of contributions and Employer engagement actions from February 2021 •Covenant review undertaken helps identify employers most likely to have financial difficulties. Engagement with those posing most risk is ongoing •Triennial valuation process aims to stabilise contribution rates where possible and senior management involved in detailed discussions on funding assumptions. Triennial Valuation complete for 2022 and new rates set for April 2023 onwards. LGPS31 forms issued to all employers with new rates. •Guide to Employers on implications of Pensions on Outsourcing published and issued to all employers •Contribution deferral policy approved by Committee in June 2020 •Deferred debt and debt spreading policies drafted for approval in June 2023 •Employer engagement team are confirming the correct signatories for contribution submissions to ensure they are signed off at an appropriate management level •Regular communication with Employers through Employer engagement team •Cash Management covered by internal audit in 2022/23 year looking at contribution collection and cash management strategy •Cash Management and Contribution rate collection both identified in the 2023/24 internal audit programme for further investigation	4	Head of Pensions
E2	Employer data Employers fail to provide accurate and timely data to the PAT team	12	•Pension Administration Strategy approved in operation from January 2021 and refreshed in February 2023 with consultation with employers April 2023 •Employing authorities are contacted for outstanding/accurate information •User Guide and Training provided to Employers for outsourcing implications with LGPS •Regular communication and meeting with administration services regarding service updates and additional data, when required •Employer engagement team established from January 2021 to support employers and provide training where required •Issuance of a quarterly employer newsletter to support employers in their understanding of current pensions issues and activity for the Pension Fund •A data cleansing plan was completed in June 2020 lead by Hymans. The PAT look at Data Improvement as part of BAU and is a regular item on the Administration working group. Data is also cleansed where appropriate as part of other projects •Introduction of i-Connect system will limit employer ability to submit incorrect data. Data is received monthly rather than annually to allow for regular cleansing and discussion with employers •Meetings held between senior pensions Management team and employers where there are current or historic data concerns •As part of the lead into the 2022 triennial valuation data cleansing and challenge was conducted by the Actuary with PAT to ensure the integrity of data	9	Head of Pensions

E3	Employer Covenant Delay in employers agreeing Admission Agreement, risk of insufficient security	6	•Full suite of admission agreements in place to ensure the Fund can provide comprehensive admission agreements at the outset of negotiations in line with the risk sharing arrangements agreed with the letting employer. New templates have been developed for pooling rate. Fixed rate template and Bond template in place. These templates are shared with the employers early in the process to speed up the agreeing of new admission agreements •The Fund will consider moving to a template portal which will automatically populate the variable data in the admission agreement ensuring no addition terms are changed and provides assurance from external legal term that the agreement is comprehensive and enforceable. However, the functionality is not yet sufficient to make the processes easier for letting employers and contractors •Guide to outsourcing is publicly available and distributed to all employers with coverage in both Employer forum in November 2020 and 2021. This guide directs employers of all the activities and considerations they need to take on any outsourcing arrangement with TUPE staff implications •Officers meet regularly to review status and movement on each in progress admission and an update is provided at team meetings monthly to ensure the admission is complete and effective at all stages •A new data flow and process map has been written to ensure officers request and communicate all the required information in a timely manner and on execution of the agreements data is required in line with the Administration strategy •Admissions in progress are reported quarterly to Board and Committee to ensure awareness of status •Security obtained for new admissions in form of bond or a guarantee from an appropriate body which has the means to support the guarantee	4	Head of Pensions
Administration					
A1	Pensions service Delivery The scheme is not administered correctly resulting in the wrong benefits being paid or benefits not being paid, including the result of poor data	9	•The PAT team is an in-house provision since December 2020 and enables the management team to have complete control over service delivery •Annual internal audit report on the administration of pensions including regular reporting and monitoring of "red" recommendations to ensure the service is acting in line with best practice. The Fund has received reasonable assurance since bring inhouse •Quarterly Reports to Pension Board and Committee on areas of work and KPIs •New service level KPI's now reportable within the Administration software •Awareness of the Pension Regulator Guidance by all team members, with training provided at team meetings or through provision of courses •Task workflow is managed by the Senior Pension Officers to all PAT staff and helpdesk add all tasks to the workflow system, to ensure all tasks completed as planned and to a high standard. PAT staff also add tasks as appropriate. •Checklists in place and all activity impacting members recorded on member records for other teams members to access •All tasks are peer reviewed. Constant monitoring / checking by team managers and senior officers for more junior staff members •In house risk logs covering projects •SAP / Altair reconciliation monthly to ensure pension payment records complete and correct *Most calculations automated to reduce manual error risk •Task management systems built into Altair to ensure activity is completed and monitored •Regular meetings with payroll, HR, ICT and PAT •Pensions Admin working group in place to discuss service delivery issues on a regular basis •Pensions Admin Team has skills matrix to identify training needs for particular processes	6	Head of Pensions Administration
A2	Regulatory Change Risk that new benefit structures can not be set up correctly or in time	9	•Projects and/or working groups in place to deal with current regulatorily benefit changes •Attendance at networks and officer groups to stay on top of upcoming changes in regulation •Reports to Pension Board and Committee to ensure knowledge is shared to decision makers •Oversight via Pension Admin Working Group	6	Head of Pensions Administration

A3	Production of Statutory member returns Risk of failure to produce ABS, annual allowance and event reports	15	•Regular contact with employers to get data •Clear project plan with early communications and planning with milestones to ensure Statements created in time to allow time for distribution to staff •Roll out of I-Connect for employer roll out as monthly interfaces system, to ease year end requirements and correct errors throughout the year. Currently many leavers are not being notified until year-end. This will also cleanse data relating to Annual Allowance •Structure of Pensions team includes Employer Engagement team to support Pensions Administration Team with end of year returns liaising and supporting employers through the process •Breaches policy in place and Breach reporting to Committee and Board quarterly to raise and consider breach reporting levels	6	Head of Pensions Administration
A5	Transfer Scams Failure to comply with CETV anti scam checks	6	•Process in place for making checks required by law and/or recommended by TPR. Appropriate training to be identified and offered to staff to build understanding of risk and appropriate mitigations •Process mapping process has taken place to ensure transfers are fully documented with clear guidance to staff in carrying out this activity •Member informed of "red flags" identified •Scorpion campaign material provided to members seeking a CETV •Quality assurance checks ensure appropriate checks carried out	2	Head of Pensions Administration
A7	MBOS Project Failure to deliver the new ERP system to effectively deliver for Pension Fund accounting and payroll requirements	9	•Officers are part of the project roll out and involved in testing. Needs of the Pension Fund are therefore being considered •Officers produced process mapping for all functions within the existing finance system •A specific stream of planning has been identified in the project for the interface with Altair •S151 officer on the programme board and will make go/no go decision •Heywood's paid to produce a scheme specific payroll data output report for transfer to Oracle	6	Head of Pensions
Governance					
G1	Key Person risk Risk of loss of key / senior staff resulting in lost knowledge and skills with in the Pensions Team	12	•Diversified staff / team •Attendance at pension officers' user groups to network and exchange information •Procedural notes which include new systems, section meetings / appraisals •Succession planning within team structure, building from within the team •Robust business continuity processes in place around key business processes, including a disaster recovery plan •Knowledge of all tasks shared by at least two team members within PAT and in addition can be covered by senior staff in all areas •Training requirements are set out in training strategy, job descriptions and reviewed prior to recruitment processes •Training officer post within team structure since 2021 •Training strategy in place and regularly reviewed with training log where required •Recruitment project to fill to vacant positions coming to an end with nearly all posts now filled •Utilisation of apprenticeships allow for bring new staff into to train in advance of vacancies	4	Head of Pensions / Head of Pensions Administration
G2	Committee / Board Member Lack of decision making/functionality caused by loss of Pension Committee/Pension Board members or insufficient knowledge and skills of members	9	•Record kept of terms of Office •Pension Board terms of Office staggered •Vice Chairs in place to cover chair absence •Officers aware of election cycles and request for officers as a prefernce over elected members is communciated to employers •Robust Terms of reference in place that is clear and comprehensive •Training plans in place for new members to build knowledge to required levels	6	Head of Pensions

G3	Cyber Security Risk of Loss of data or systems breaches through cyber attacks	16	• ICT defence - in-depth approach. • Utilising firewalls, passwords and ICT control procedures including system access and account deletion protocols. Network activity is monitored to identify security threats. • Email and content scanners • Using anti-malware which is regularly updated, together with other protective software • ICT performs penetration and security tests on regular basis • Encryption used on all data transfers • Service level agreement with termination clause • Regular reports SAS 70/AAF0106 • Industry leaders providing services to the fund with data protection and cyber defence systems • Risk assessment completed with all new contracts with data transfer and new associated systems including penetration testing at outset • Pensions Team specific BCP in development • Infomation security report no material vulnerabilities. Recommendations to be implemented. • Cyber training is provided to all staff around techniques and methods used to launch cyber attacks	12	Head of Pensions
G4	Governance and Compliance Inadequate governance arrangements and controls to discharge powers & duties	9	•Training strategy in place which covers Pension Committee, Pensions Board and officers •100 days of internal audit commissioned for each calendar year to 2022/23 and 75 days from 2023/24 with regular reporting from IA to committee and board, including areas Governance and Compliance •External auditor provides audit plan at planning stage for each financial year and this is discussed by Audit committee as well as Pension Committee and Board •Investment regulations require proper advice •Procurement processes in place to ensure quality within replacement advisers •Review carried out against TPR COP14 requirements to identify any governance gaps •Specialist legal advisers and governance advisers to provide clear and accurate advice to the Fund on point of law or regulation •Publication of annual Governance and Compliance Statement explaining governance arrangements and reviewed and approved by Board / Committee •Training coordinator appointed. This officer liaises with chair of Pension Board and Committee to identify training needs •Working groups in place, with own terms of reference, which report findings to full Board and Committee •Governance of meetings supported by Democratic Services •Governance structures held within ESCC constitution •Conflict of interest policy in place	3	Head of Pensions
G5	Data Breach Failure to comply with General Data Protection Regulations	9	•Contracts with external parties where there is a data role have clear terms and conditions as part of the data processing agreements •Data Impact assessment is carried out on all new tenders where data is involved •DPO is in place via ESCC •Privacy notice is on the website - the privacy statements have been refreshed in August 2021 and April 2022 •Memorandum of Understanding in place with employers within the fund •All staff are required to complete an information governance course on joining the Council and this is refreshed annually •Information governance Internal audit completed in Q4 2020/21 with a reasonable assurance level and all recommendations were completed •Pensions Manager for Governance and Compliance completed review on GDPR in Q4 2020/21 resulting in a newly designed webpage, new privacy notices and change to the retention period	4	Head of Pensions
G6	Fraud Internal and External fraud risk	12	•Quarterly review of log in credentials •Senior officers have sight of bank account •Senior officers are signatories to bank account •Multiple sign off needed to make payment, with appropriate seniority levels •Mortality checks, Tell us once and NFI data •Contract in place with a third party to support with mortality and address training •Journals over £1m have to be signed off by Head of Pensions	4	Head of Pensions

Investment/Funding					
I1	Funding risk - poor investment returns Risk that investment strategy fails to result in performance required to meet the needs of the Funding strategy discount rate	9	•Strategy is supported by expert Investment consultants. Challenge to Consultants through Independent Adviser •Triennial valuation ensures funding position is known and contribution rates are stabilised •Quarterly Performance monitoring, investment manager monitoring from consultants and Link for ACCESS sub funds. Officers have a rolling programme to meet and challenge investment managers •Annual Investment Strategy Review, with interim rebalancing •Quarterly Reporting to Pensions Committee, with decisions approved by committee, including Fund Manager performance •Training strategy in place to ensure officers and committee members have sufficient knowledge and skills to implement and change the investment strategy •Investment decisions are made in compliance with the ISS/FSS •All investment decisions made, based on proper advice •Diversified strategy to reduce correlation of manager volatility •Changes to investment strategy are discussed with the actuary to ensure anticipated implications on funding aligned •Revision of the Asset Liability Model to support a viable Strategic Asset Allocation for the new valuation	4	Head of Pensions
I3	Regulatory risk Failure to comply with regulations, legislation and guidance from an accounting and investment perspective	9	•Pensions Officers are kept up to date with changes to legislative requirements via network meetings, professional press, training and internal communication procedures •Pension Fund financial management and administration processes are maintained in accordance with the CIPFA Code of Practice, International Financial Reporting Standards (IFRS), and the ESSC Financial Regulations •Regular reconciliations are carried out between in-house records and those maintained by the custodian and investment managers •Internal Audits - carried out in line with the Pension Audit strategy •External Audit review the Pension Fund's accounts annually •Specialist legal advisers to provide clear and accurate advice to the Fund on point of law or regulation •Breaches policy in place to ensure breaches mapped and reported	2	Head of Pensions
I4	Investment Pooling Inability to comply with government direction on pooling, insufficient sub funds to implement investment strategy, poor management of the pool	16	•ACCESS Support Unit team provide support to the pool •Operator contract provided by Link for assets held within the ACS. Operator novation imminent. •The ACCESS Contracts Manager will monitor Link's progress closely. If Link cannot resolve issues in a reasonable timeframe, then alternative options may be considered, e.g. Funds may continue to hold the sub fund outside the ACS •KPI's introduced within revised operator agreements •Consultants involved in analysing the creation of sub-funds and transitioning of assets into the pool, under a variety of scenarios •Opportunities to transfer securities in 'specie'. Reducing cost on transition •Transition manager in place to preserving asset values, managing risk and project managing the transition process to ensure that costs are monitored and controlled •Due Diligence completed by legal advisers to ensure no hidden costs or governance issues not known at time of decision to invest •S151, chair of pension committee and monitoring officer representation on respective committees, working groups or distributions to ensure ESPF involved in all decisions and concerns and questions can be raised early in processes •Regular meetings between officers and ACCESS pool with officers on a number of working groups to ensure involvement in decision making •ACCESS governnace review completed •ACCESS have secured a stewardship consultant to suport development in RI activitiies for the pool •Illiquid assets are in progress for pooling •Fund has responded to key government consultations to ensure its view is shared with policy makers on recommended future changes in pooling.	9	Head of Pensions

I5	Funding risk - higher inflation Risk of inflation leading to increased liabilities, lower asset returns and a funding gap	12	•Investment strategy include weighting to index linked gilts, infrastructure and real estate which are all inflation correlated to mitigate increases in liabilities from inflation •Potential to further increase infrastructure weightings •Fund monitor portfolio sensitivity to inflation via expert investment consultants •Triennial Valuation assumptions include local knowledge of the Administering authority on anticipated pay inflation •Flexibility in the DGF mandates to react to the market and adapt the investment portfolio •Report received in Feb 22 on inflation possibilities with possible actions to take int eh medium term. To be considered as part of the strategy review day •Quarterly monitoring of funding position helps identify risk early •2022 Triennial Valutaion completed - inflation models used to estimate the average inflation across a 20 year time horizon, including consideration of the current high inflation environment. Index linked gilt triggers introduced to benefit from market opportunities which provide alignement with changing liabilities	6	Head of Pensions
I6	Environmental, Social and Governance Risk of ESG factors within Investment strategy not being properly considered affecting underlying holdings and implementations of investment decisions	6	•Statement of Responsible Investment Principles outline responsible investment beliefs, implementation of decisions and monitoring of ESG factors •ESG is in the heart of all investment decisions and not a seperate function or workign group •The Fund has trimmed unconscious exposure to companies with poor ESG rating through removal of traditional index funds ensuring active managers have a strong conviction in the underlying companies including on ESG matters and less traditional passive indexes / smart beta funds have robust screening processes in place to ensure ESG principles are taken into account •Tracking of the portfolio as underweight in fossil fuel exposure to benchmarks •Production of annual reports on the carbon footprint of the Fund and review of managers from ESG perspective including transition pathway of underlying companies •2020 Stewardship code submission approved in February 2023 for the 2021 reporting year •Membership of collaborative groups to help drive policy change •Officers challenge managers on their holdings with regard ESG issues and query voting decsions. •Annual ESG impact assessment for all managers, including improvement actions on ESG methodology, reporting or collaboration. •Engaging via managers and investor groups including LAPFF with companies and driving them forward to comply with key ESG concerns using the greater voice by combined investment power •ESG factors incorporated into all decision making	4	Head of Pensions

I7	Climate change Risk to assets and liabilities associated with Climate Change	12	•Statement of Responsible Investment Principles (SRIP) 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 •Restructuring of the equity portfolio removed structural exposure to fossil fuel companies to avoid high risk companies from a climate perspective and minises stranded asst risk from direct holdings in underlying portfolios. •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 •Report in line with the TCFD farmework •The Fund is investigating 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.	4	Head of Pensions
I8	Liquidity Insufficient cash to pay benefits as they fall due	8	•Contributions monitored on monthly basis •Monitoring of members close to retirement •Daily cash position monitored •Distributing investments to ensure stream of income from investment activity •Income from investments is considered as a key risk in all investment strategy decisions and the income profile managed •Liaison between administration and investment team on cash requirements •Cash Management internal audit completed in Q3 2022/23 and will be picked up in the 2023/24 IA plan for further review	4	Head of Pensions
I9	Money purchase AVC Inadequate offering for the scheme members on cost, return and/or risk grounds	4	•A range of fund options provided, catering for different levels of member risk and return so they can design investment strategy for own circumstances •Continuing suitability of AVC offering is reviewed regularly	2	Head of Pensions

Risk Register Risk Scores

The risk scores are calculated using the risk matrix below:

90-100%	This week	Very High	LIKELIHOOD	5	5	10	15	20
60-90%	This Month	High		4	4	8	12	16
40-60%	This year	Medium		3	3	6	9	12
10-40%	Next 5 years	Low		2	2	4	6	8
0-10%	Next 10 years	Very Low		1	1	2	3	4
					1	2	3	4
					IMPACT			

	Negligable No noticeable impact	Minor Minor impact, Some degradation of service	Major Significant impact, disruption to core services	Critical Disastrous impact, Catastrophic failure
SERVICE DELIVERY	Handled within normal day-today routines.	Management action required to overcome short-term difficulties.	Key targets missed. Some services compromised.	Prolonged interruption to core service. Failure of key Strategic Project
FINANCAL	Little loss anticipated.	Some costs incurred. Handled within management responsibilities.	Significant costs incurred. Service level budgets exceeded.	Severe costs incurred. Statutory intervention triggered.
REPUTATION	Little or no publicity. Little staff comments.	Limited local publicity. Mainly within local government community. Causes staff concern.	Local media interest. Comment from external inspection agencies. Noticeable impact on public opinion.	National media interest seriously affecting public opinion

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Agenda Item 13

Report to:	**Pension Committee**
Date:	**16 November 2023**
By:	**Chief Finance Officer**
Title of report:	**Investment Report**
Purpose of report:	**This report provides Pension Committee with an update on the investment activities undertaken by the East Sussex Pension Fund.**

RECOMMENDATION

The Pension Committee are recommended to note the investment report

1. Background

1.1 Under the Local Government Pension Scheme (LGPS) Regulations, the Council is required to maintain a Pension Fund for its employees and other 'scheduled bodies' as defined in the Regulations. The Pension Committee is required to maintain an Investment Strategy Statement (ISS) to govern the Funds' investments and receives a quarterly investment monitoring report, from its investment consultant, Isio.

1.2 The ACCESS Joint Committee has been established as a result of the changes implemented in the 2016 LGPS Investment regulations to facilitate the arrangements relating to the collective investment vehicles, to allow the administering authorities to pool their respective investments. The ACCESS Joint Committee meets quarterly.

2. Investment Workplan

2.1 **Appendix 1** shows a workplan which will act as a reference point of all actions agreed at Pension Committee meetings and the forward investment plan.

2.2 The main focus over the next 12 months is:

- Implement the strategic changes in relation to fixed income
- Implement the strategic changes in relation to passive equity
- Implement the strategic changes in relation to income distribution
- Implement the strategic changes in relation to private debt
- Monitoring of index link triggers for investment
- Work to define case on increasing exposure to index linked gilts
- Work with ACCESS to develop the governance and investment opportunities on the pool platform
- Engagement with investment managers on the engagement priorities defined in the Statement of Responsible Investment Principles
- Carry out Carbon Foot printing as at 31 March 2024
- Consider the creation of a standalone climate policy and biodiversity policy

3. Quarterly Performance Report

3.1 Due to the timing of the November meeting the usual Quarterly Performance Report for Q3 2023 is not ready. Isio have provided a summarised version of the report for Pension Committee attached as **Appendix 2**. Since the last reported position, the valuation of the Fund has decreased from £4.537bn as at 30 June 2023 to £4.501bn as at 30 September 2023 (an decrease of £0.036bn). This performance reflects a negative absolute return of -0.7% in the quarter to September the Fund also underperformed its benchmark in the period by -1.3%.

3.2 Although performance across the Fund was negative for the quarter for both absolute and relative terms the longer-term performance for 3 and 5 years is positive in absolute terms, however negative in relative terms.

3.3 The public equity managers all posted negative absolute and relative returns as equity markets were volatile and began to price in “higher for longer” interest rates leading to “growth” stocks struggling.

3.4 The Fund’s illiquid holdings in private equity, which have posted negative performance in recent quarters experienced an improvement in performance in Q3 2023.

3.5 The various credit mandates posted mixed results in both absolute and relative terms as UK Gilt yields rose and spreads widened by varying degrees across credit sectors. The Absolute Return managers continued to disappoint relative to their “cash plus” targets, Ruffer particularly so.

3.6 Since the 19 September 2023 Committee meeting officers have had specific meetings with 2 managers (Wellington and Ruffer) to discuss their current performance. With 1-year numbers of -3.0% absolute and -13.5% relative and -7.5% absolute and -14.4% relative respectively, Officers felt discussions were required. The topics covered included reasons performance has been disappointing and what action they are taking or had taken in reaction to this. Officers were reassured that the managers have not amended their overall approach to selecting investments and were not drifting away from the mandate that they were appointed to. Officers will continue to monitor the performance of these managers to ensure that what we have been informed by the managers is taking place.

4. ACCESS Update

4.1 Since December 2016 the East Sussex Pension Fund has been working with 10 other administering authorities through the investment pooling arrangement called ACCESS. On the 30 June 2023 there was £24.8bn invested in the authorised contractual scheme (ACS) managed by the pool operator, with a further £10.7bn invested in the UBS passive ACCESS governance arrangements.

4.2 As at 30 September 2023 East Sussex had a total of £2.3bn (51%) in ACCESS governed investments, £1.89bn across 6 ACS sub-funds and a further £0.4bn through the UBS passive arrangement.

5. Stewardship Report

5.1 The Financial Reporting Council (FRC) revised its UK Stewardship code in 2020 this version requires the Fund to produce a report which demonstrates how the Fund meets the 12 principles within the code over a 12-month period. The principles are divided into four categories;

- purpose and governance,
- investment approach,
- engagement, and
- exercising rights and responsibilities.

5.2 The FRC requires the Fund to both describe how it implements these principles but also demonstrating the outcomes from these. The Fund has been working to provide its stewardship report for the year to December 2022 which was submitted to the FRC by the 31 October 2023 for assessment.

5.3 The FRC will be assessing all the submissions provided by the 31 October 2023 deadline; the FRC will read in full all reports and consider the responses against the reporting expectations proportional to each organisations size and type. Both successful and unsuccessful applicants will receive feedback where their reporting against the Code could be improved. The Fund anticipate a response from the FRC in February about our submission.

6. Carbon footprinting

6.1 The Fund appointed Minerva analytics to conduct a carbon footprint measurement on its liquid investments as at 31 March 2023 (appendix 3). This had previously been provided by Moody's however they have changed their model and no longer provide the service we previously undertook. The results from this forth year is not directly comparable to the previous three years as there is a different methodology behind the calculations.

6.2 The rationale for this analysis allows the Fund to monitor the progress of its investment decisions in relation to climate change. This also provides the Committee with information to assist them in their duties in ensuring the Fund's managers are representing their beliefs in the investments they make.

6.3 Carbon footprinting and transition scoring are still a relatively new science, there is limited consistency in the scoring between providers and can be quite subjective. The carbon footprint reports have been produced to help the Fund understand the direction that the Investment Managers are moving and to focus engagement during discussions with the Investments Managers for the coming year.

6.4 Whilst the Department for Levelling Up, Housing and Communities ('DLUHC') considers the responses it received to the consultation on Governance and Reporting of Climate Change Risks undertaken in late 2022, the Fund decided to move forward with Minerva and follow up its previous work on assessing Greenhouse Gas ('GHG') emissions associated with the Fund's investments by commissioning some more up-to-date analysis based on the consultation.

6.5 Working with Minerva, Officers of the Fund agreed that the primary results of the analysis should be the 4 key climate 'Metrics' that were set out in the DLUHC consultation that Administering Authorities ('AAs') should use, with the rationale being that these Metrics are likely to feature in any final guidance or regulations. These four metrics were defined by DLUHC as follows:

- Absolute Emissions Metric - Under this metric, AAs must, as far as able, report Scope 1, 2 and 3 greenhouse gas (GHG) emissions;
- Emissions Intensity Metric - AAs should report the Carbon Footprint of their assets as far as they are able to;
- Data Quality Metric - AAs will report the proportion of the value of its assets for which its total reported emissions were Verified, Reported, Estimated or Unavailable; and
- Paris Alignment Metric - Under the Paris Alignment Metric, AAs will report the percentage of the value of their assets for which there is a public net zero commitment by 2050 or sooner.

Carbon Footprinting Analysis Results - Summary

6.6 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	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.
	26%	Reported	
	4%	Estimated	
	22%	Unavailable	
4. Paris Alignment	22%	Excellent	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.
	25%	Good	
	11%	Moderate	
	15%	Poor	
	27%	No Disclosure	

6.7 The key takeaways are that:

- Where disclosures were made, the Fund's investee companies emitted 1,708 Million tCO2e
- The Fund's share of the GHG emissions made by its investee companies is just over 72,000 tonnes of CO2 equivalents;
- Almost 50% of the Fund's investee companies had their GHG emissions disclosures externally verified; and

- 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

6.8 The figures shown in the report 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

6.9 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.

6.10 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

6.11 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.

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

Metric 3: Data Quality

6.13 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
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

6.14 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

6.15 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

6.16 The findings are 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.

6.17 The Fund continues to work with Minerva to provide individual manager reports and analysis of the fixed income mandates.

7. Conclusion and reasons for recommendation

7.1 Investments are regularly monitored to ensure that the Fund's strategic asset allocation set out in the Fund's Investment Strategy Statement (ISS) is being complied with and to keep the Committee informed of any significant concerns with the investment managers, retained to implement the Fund's strategic asset allocation.

7.2 The Pension Committee are recommended to note the Investment Report.

IAN GUTSELL
Chief Finance Officer

Contact Officer: Russell Wood, Pensions Manager Investments and Accounting

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12 month workplan

Nov 2023

November 2023
- Q3 2023 monitoring report
- Implementation of ISS changes
- Carbon footprint reports
- Stewardship Code
- TCFD report

Feb 2024

February 2024
- Private Credit implementation
- Implementation of ISS changes
- Q4 2022 monitoring report
- PRI Submission results
- Stewardship Code Submission results
- Report on proposed motions

June 2024

June 2024
- Q1 2023 monitoring report

July 2024

July 2024
- Strategy Day

- PRI submission

Sep 2024

September 2024
- Q2 2023 monitoring report
- Implementation of strategy day changes
- Carbon Footprint reporting

East Sussex Pension Fund

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East Sussex Pension Fund

Investment Performance - Summary Report

Quarter to 30 September 2023

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Isio Investment Advisory

Appendix 2

isio.

Document Classification: Confidential

Highlights

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Executive Summary – 30 September 2023

Access Pool	Fund	Q3 2023 Performance			Value at Quarter End	
		Fund	Benchmark	Relative	30-Jun-23	30-Sep-23
Yes	UBS Osmosis – Sustainable Equity	-0.1%	0.6%	-0.6%	£246.8m	£246.6m
Yes	Longview - Global Equity	-2.6%	0.6%	-3.1%	£529.0m	£495.7m
No	WHEB – Sustainable Equity	-5.2%	0.6%	-5.8%	£220.6m	£209.1m
No	Wellington – Sustainable Equity	-3.5%	0.6%	-4.1%	£222.2m	£214.4m
No	Storebrand – Sustainable Equity	-0.7%	0.6%	-1.2%	£519.2m	£489.2m
Yes	Baillie Gifford – Global Equity	-4.3%	0.6%	-4.9%	£193.1m	£184.8m
No	Harbourvest – Private Equity [1,2]	7.0%	1.0%	+6.1%	£179.0m	£192.2m
No	Adams Street – Private Equity [1,2]	4.4%	1.0%	+3.4%	£191.3m	£199.3m
Yes	Newton – Absolute Return	0.3%	1.9%	-1.6%	£335.2m	£336.4m
Yes	Ruffer - Absolute Return	-1.2%	1.9%	-3.1%	£448.7m	£443.3m
No	Schroders – Property	-0.6%	-0.4%	-0.2%	£347.8m	£342.9m
No	UBS – Infrastructure [2]	0.4%	0.9%	-0.4%	£35.4m	£35.6m
No	Pantheon – Infrastructure [2]	5.1%	0.9%	+4.2%	£83.0m	£88.4m
No	M&G – Infrastructure [2]	-2.7%	0.9%	-3.6%	£57.5m	£56.0m
No	IFM – Infrastructure	0.6%	0.8%	-0.3%	£235.4m	£235.6m
No	ATLAS - Listed Infrastructure	-6.5%	-4.7%	-1.7%	£100.0m	£93.5m
No	M&G – Real Estate Debt [2]	0.9%	2.3%	-1.3%	£40.5m	£39.8m
Yes	M&G – Diversified Credit	2.8%	2.0%	+0.8%	£300.6m	£309.0m
Yes	M&G - Corporate Bonds	-0.1%	0.0%	-0.1%	£118.5m	£118.4m
Yes	UBS - Over 5 Year Index-linked Gilts	-6.3%	-6.4%	+0.0%	£133.2m	£170.7m
	Total Assets	-0.7%	0.6%	-1.3%	**£4,536.9m**	£4500.9m

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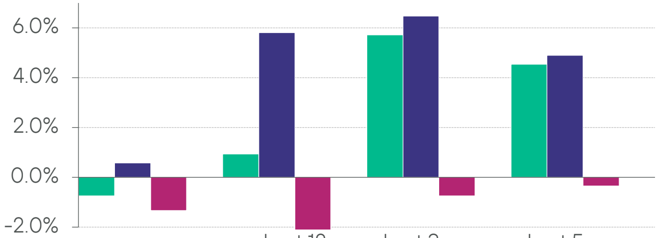
Period returns – to 30 September 2023



	Q3 2023	Last 12 months	Last 3 years (p.a.)	Last 5 years (p.a.)
Scheme Return	-0.7%	0.9%	5.7%	4.5%
Benchmark Return	0.6%	5.8%	6.5%	4.9%
Relative	-1.3%	-4.9%	-0.8%	-0.4%
Sample 60:40 Portfolio	0.2%	4.5%	2.5%	4.4%

Commentary

- The Fund's assets delivered a negative absolute return over the quarter, returning -0.7% and underperformed the benchmark return of 0.6% by 1.3%.
- The public equity managers all posted negative absolute and relative returns as equity markets were volatile and began to price in "higher for longer" interest rates leading to "growth" stocks struggling.
- The Fund's illiquid holdings in private equity, which have posted negative performance in recent quarters experienced an improvement in performance in Q3 2023.
- The various credit mandates posted mixed results in both absolute and relative terms as UK Gilt yields rose and spreads widened by varying degrees across credit sectors. The Absolute Return managers continued to disappoint relative to their "cash plus" targets, Ruffer particularly so. .
- The longer term returns at Fund level remain robust, with private equity assets adding significant value.

This page provides an overview of performance for the Fund and its underlying mandates.

Note: Sample 60:40 portfolio consists of 60% allocation to MSCI ACWI and a 40% allocation to a bond portfolio split 20% in BofA Merrill Lynch Global Corporate Index, and 10% in FTSE Gilts (all maturities) and FTSE Index Linked Gilts (all maturities) respectively, with all portfolio returns unhedged in GBP terms.

Notes: Totals may not sum precisely due to rounding. All returns are net of fees. Unless stated otherwise, all performance figures and objectives provided by Northern Trust as at 30 September 2023. Fund Total value excludes cash held with Northern Trust. [1] Valuation and performance information as at 30 June 2023. [2] Valuations shown are either 3m or 6m lagged and adjusted for distributions / drawdowns and currency movements.

Source: Investment Managers, Northern Trust, Isio calculations.

Manager Performance – 30 September 2023

Fund	Q3 2023 Performance			1 Year Performance			3 Year Performance			5 Year Performance		
	Fund	Benchmark	Relative	Fund	Objective	Relative	Fund	Objective	Relative	Fund	Objective	Relative
UBS Osmosis – Sustainable Equity	-0.1%	0.6%	-0.6%	11.6%	11.5%	+0.1%	-	-	-	-	-	-
Longview - Global Equity	-2.6%	0.6%	-3.1%	11.8%	11.5%	+0.3%	13.1%	10.2%	+2.9%	7.2%	8.7%	-1.5%
WHEB - Sustainable Equity	-5.2%	0.6%	-5.8%	1.6%	11.5%	-9.9%	-	-	-	-	-	-
Wellington – Sustainable Equity	-3.5%	0.6%	-4.1%	-3.0%	10.5%	-13.5%	-	-	-	-	-	-
Storebrand – Sustainable Equity	-0.7%	0.6%	-1.2%	9.6%	11.5%	-2.0%	-	-	-	-	-	-
Baillie Gifford – Global Equity	-4.3%	0.6%	-4.9%	4.6%	10.5%	-5.9%	-	-	-	-	-	-
Harbourvest – Private Equity[1]	7.0%	1.0%	+6.1%	-7.3%	12.1%	-19.4%	23.9%	10.5%	+13.4%	18.4%	9.4%	+9.0%
Adams Street – Private Equity[1]	4.4%	1.0%	+3.4%	-11.0%	12.1%	-23.1%	22.8%	10.5%	+12.3%	18.0%	9.4%	+8.7%
Newton – Absolute Return	0.3%	1.9%	-1.6%	1.1%	6.9%	-5.8%	0.8%	4.3%	-3.5%	2.6%	3.9%	-1.4%
Ruffer - Absolute Return	-1.2%	1.9%	-3.1%	-7.5%	6.9%	-14.4%	4.2%	4.3%	-0.2%	4.8%	4.0%	+0.9%
Schroders – Property	-0.6%	-0.4%	-0.2%	-12.4%	-14.3%	+1.9%	3.6%	3.2%	+0.4%	1.8%	1.8%	+0.0%
UBS – Infrastructure	0.4%	0.9%	-0.4%	-8.8%	8.6%	-17.5%	4.8%	8.6%	-3.8%	0.9%	6.4%	-5.4%
Pantheon – Infrastructure[1]	5.1%	0.9%	+4.2%	1.8%	8.6%	-6.9%	20.6%	8.6%	+12.1%	-	-	-
M&G – Infrastructure	-2.7%	0.9%	-3.6%	1.3%	8.6%	-7.3%	10.5%	8.6%	+2.0%	-	-	-
IFM – Infrastructure	0.6%	0.8%	-0.3%	-	-	-	-	-	-	-	-	-
ATLAS – Listed Infrastructure	-6.5%	-4.7%	-1.7%	7.9%	-7.4%	+15.2%	-	-	-	-	-	-
M&G – Real Estate Debt	0.9%	2.3%	-1.3%	5.1%	8.4%	-3.3%	4.0%	5.8%	-1.9%	-	-	-
M&G – Diversified Credit	2.8%	2.0%	+0.8%	9.0%	7.4%	+1.6%	4.6%	4.8%	-0.2%	4.3%	4.5%	-0.2%
M&G - Corporate Bonds	-0.1%	0.0%	-0.1%	5.5%	5.0%	+0.5%	-9.9%	-10.1%	+0.3%	-2.1%	-2.7%	+0.6%
UBS - Over 5 Year Index-linked Gilts	-6.3%	-6.4%	+0.0%	-16.2%	-16.2%	0.0%	-16.0%	-16.0%	-0.1%	-6.5%	-6.4%	-0.0%
Total Assets	-0.7%	0.6%	-1.3%	0.9%	5.8%	-4.9%	**5.7%**	**6.5%**	**-0.8%**	**4.5%**	**4.9%**	**-0.4%**

Notes: Totals may not sum precisely due to rounding. All returns are net of fees. Unless stated otherwise, all performance figures and objectives provided by Northern Trust as at 30 September 2023.
[1] Valuation and performance information as at 30 June 2023.
Source: Investment Managers, Northern Trust, Isio calculations.

The table shows manager performance over the short, medium and long-term.

The active impact public equity mandates have continued to struggle relative to their benchmarks over the last 12 months.

The private equity mandates have delivered very strong performance over the 3 and 5 year periods, however the performance has been largely negative over the last 12 months, however we saw an upturn in the most recent quarter.

Of the infrastructure mandates, Pantheon has performed particularly strongly over the last quarter with UBS the weakest performer.

Of the managers that have been in place for the longer term, UBS infrastructure have most significantly underperformed benchmark. This is primarily driven by the disappointing performance of Archmore Fund I.

Looking Forward

Key issues

Item	Action points / Considerations	Status
Overall Investment Strategy	**Liquid Fixed Income Manager Selection** • At the Q1 2022 Committee meeting, Isio presented a paper detailing the proposed implementation approach for selection of the manager to manage the agreed increased allocation to fixed income. The Committee subsequently reached agreement on a preferred choice of manager, Bluebay, and are due to arrange implementation once the fund is available on the ACCESS platform. We currently expect this to be Q4 2023. **Illiquid Fixed Income Allocation** • The Officers and IWG group have requested Isio consider the options available to the Fund in relation to implementing the strategic allocation to illiquid fixed income. Isio prepared a briefing paper in early 2023 considering this allocation. This will be revisited later in 2023 through futher follow up work. **Mansion House Speech and Pooling Consultation** • Via the Mansion House speech in July 2023, the UK government is discussing reforms which may encourage LGPS funds to increase private equity allocations in the future. Alongside this, a wide ranging LGPS investment consultation was launched seeking views on proposals relating the areas of asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments.	Information only Information only Information only
Investment Managers	• Wellington – following a material change in team, Isio refreshed the due diligence on the manager, and subsequently downgraded the fund. Isio continue to monitor Wellington closely and will provide a further update at the start of the new year. • M&G AOF Sustainable Version – Isio researched and presented a formal view on the newly launched sustainable version of the Fund's existing holding AOF. Isio will continue to monitor the fund and provide an update in the next 6 months.	Information only Information only

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Summary

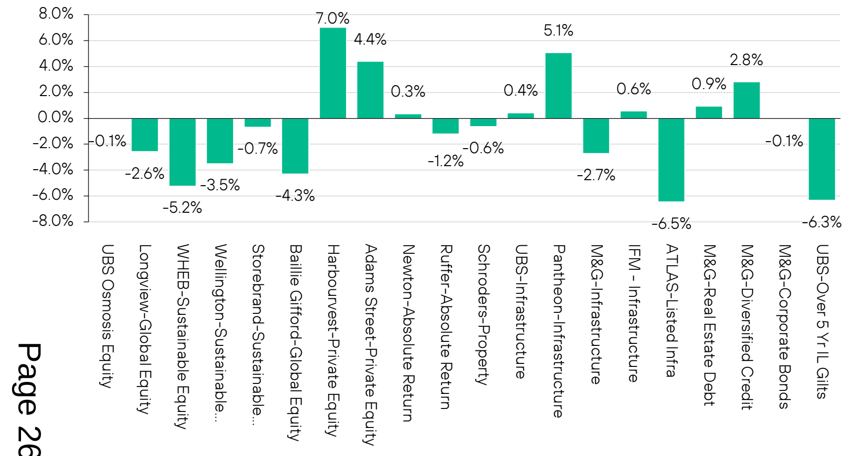
This page sets out the main action / discussion points.

Status key

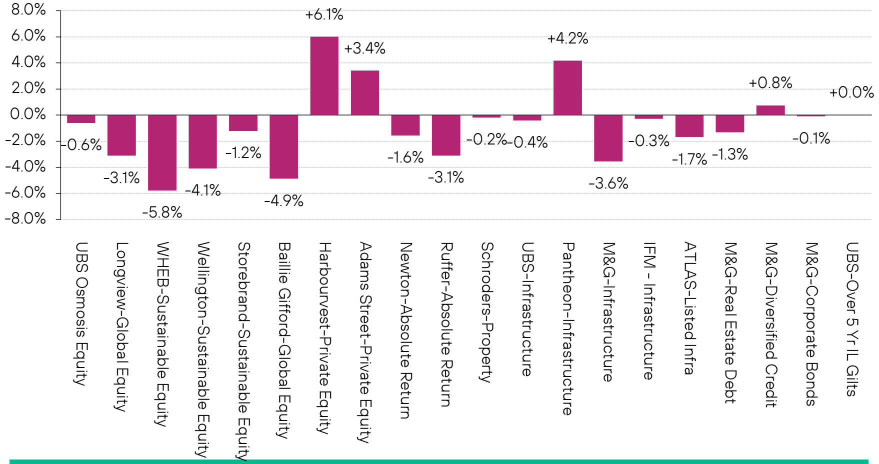
- Action
- Decision
- Discussion
- Information only

Performance Summary – to 30 September 2023

Absolute Return – Q3 2023



Relative Return – Q3 2023



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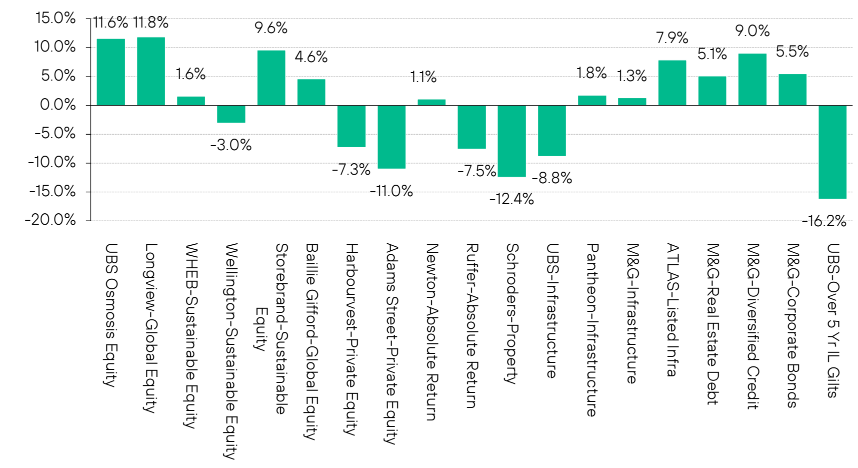
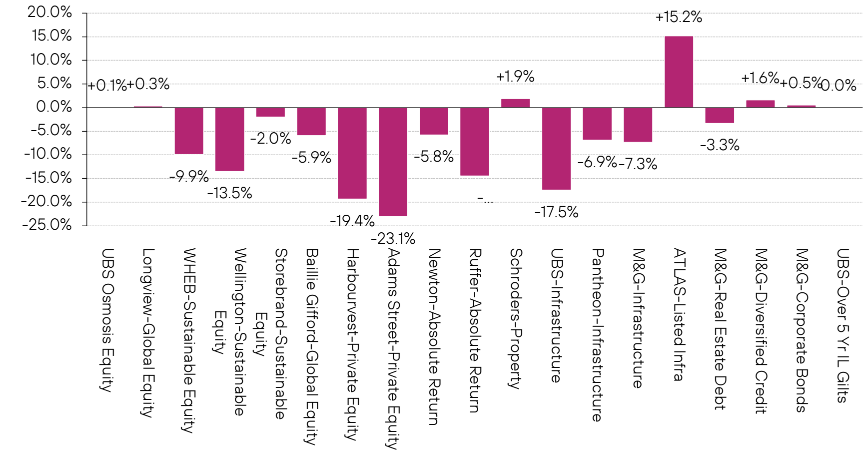
Absolute Return – 12 months



Relative Return – 12 months



Summary

The Fund's mandates delivered mixed absolute performance over Q3, with private equity funds producing positive returns. Pantheon Infrastructure fund, and the diversified credit also exhibited positive returns.

Meanwhile, the sustainable equity funds and the index-linked gilts delivered the most notable negative absolute performance.

Infrastructure funds also produced negative contributions within the portfolio over Q3 in terms of absolute return levels with the exception of Pantheon and IFM.

On a relative basis over Q3 Baillie Gifford equity, WHEB equity, Wellington equity and M&G infrastructure all underperformed and Harbourvest was the stand out outperformer.

Public equity relative returns over the quarter have been particularly poor, as we continued to see significant headwinds for "growth stocks".

Note: Returns net of fees. 12 month relative and absolute returns are not available for the UBS Osmosis mandate as it was incepted post 30 September 2021.
Source: Investment Managers, Northern Trust, Isio calculations.

Market Background

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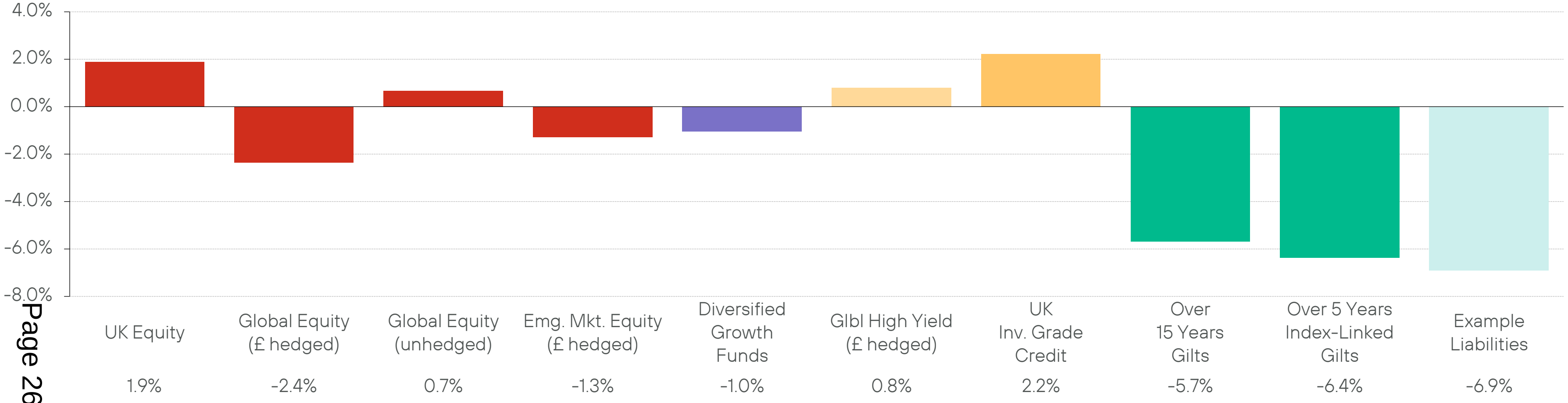
Market Background – Overview Q3 2023

Returns by Asset Class – Q3 2023



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Key Upcoming Events

- The dates for the Bank of England's Monetary Policy Committee (MPC) announcements in Q4 2023 are 2 November and 14 December.
- The dates for the US Federal Reserve's Federal Open Market Committee (FOMC) announcements in Q4 2023 are 1 November and 13 December.

Commentary

- Growth markets delivered mixed returns over Q3 2023, with continued performance divergence across asset classes, sub-sectors, and geographies.
- Global equities delivered negative performance in Stelrng terms, with US and European equities both declining as the prospect of a sustained period of higher interest rates weighed on investor sentiment. UK equities outperformed global markets as a recovery in oil prices benefitted energy companies, and as the Pound Sterling weakened against the US Dollar and other major global currencies.
- Broad credit market performance was negative; however, global high yield and UK investment grade credit produced positive returns as credit spreads narrowed. UK IG credit outperformed its US equivalent, as longer-dated US government bond yields rose more than those on UK assets.
- Government bonds produced negative performance over the period, as long-dated gilt yields rose.

Summary

Equity markets saw mixed performance over the quarter, with UK equities outperforming the majority of other markets.

Broadly negative global sentiment was driven by a further rise in long-dated yields, as investors increasingly expect interest rates to be 'higher for longer'. UK gilt yields reflected this sentiment, with longer-maturity government bond yields rising over the quarter, resulting in negative returns.

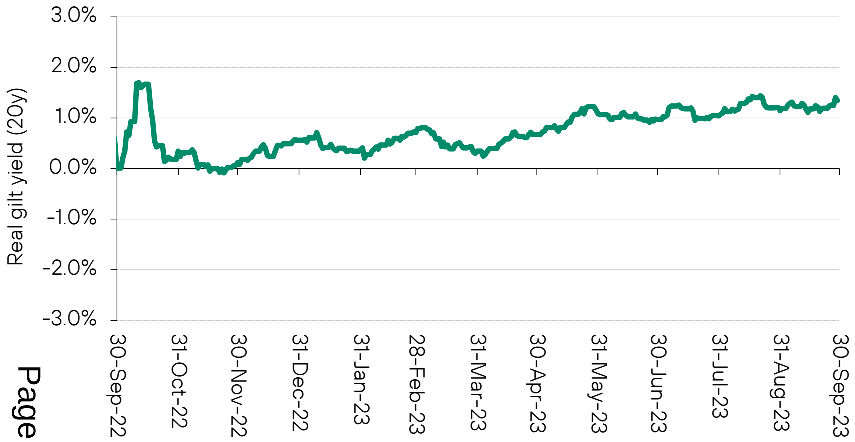
The US Federal Reserve and the Bank of England both increased interest rates by 0.25% in July and August, respectively. However, both central banks paused their rate hikes in September due to signs of slowing inflation. This brought US and UK interest rates to 5.5% and 5.25% at the end of Q3 2023, respectively.

Hedged global equities underperformed unhedged over the period, as the Pound Sterling weakened against a number of major currencies.

Notes: Please see the 'Explanation of Market Background' appendix for details of the returns representing each asset class.
Sources: Refinitiv, DGF investment managers, Isio calculations.

Market Background – Yields

Real Gilt Yields – Last 12 months



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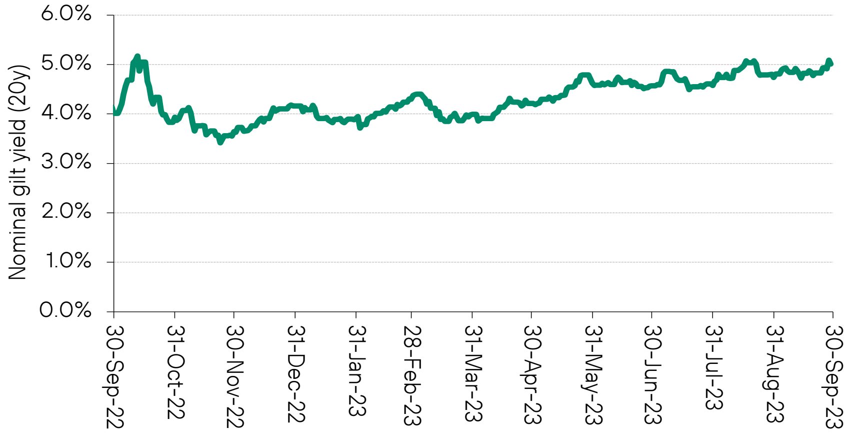
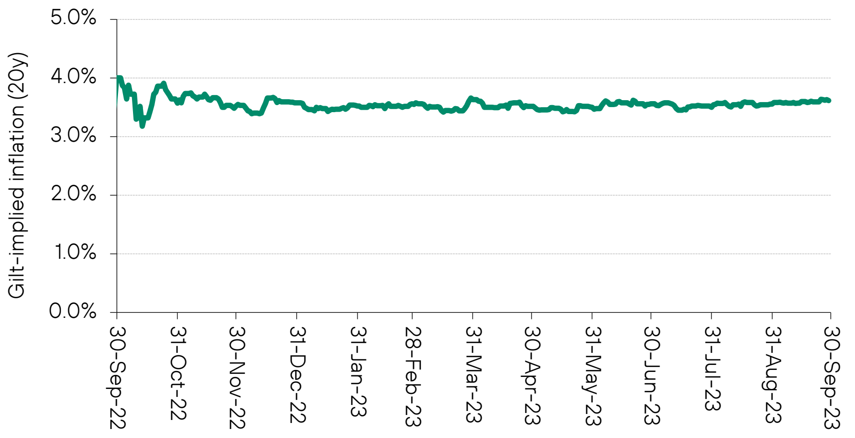
Nominal Gilt Yields – Last 12 months



Gilt-Implied Inflation – Last 12 months



Example Liabilities

- The liabilities for an example DB pension scheme decreased by c. 6.9% over the quarter. This can be broken down into the following components:
  - c. 5.5% decrease, due to the increase in real yields;
  - c. 2.7% decrease, due to the increase in nominal yields; and
  - c. 1.3% increase due to the "unwinding" effect (also known as "interest" on the liabilities).
- The liabilities for an example DB pension scheme decreased by c. 14.2% over the last 12 months.

These charts show yield movements at the 20-year tenor over the past year.

The "Example Liabilities" indicate how a typical scheme's past-service liabilities may have moved.

Gilt Yield and Implied Inflation Changes

20-year Real Gilt Yield	
July	0.07%
August	0.10%
September	0.20%
Quarter	**0.38%**

20-year Nominal Gilt Yield	
July	0.01%
August	0.16%
September	0.27%
Quarter	**0.44%**

20-year Gilt-Implied Inflation	
July	-0.06%
August	0.06%
September	0.06%
Quarter	**0.05%**

Notes: Please see the 'Explanation of Market Background' appendix for details of the example liabilities. Monthly yield changes may not sum to quarterly changes, due to rounding. Zero coupon rates are shown.
Sources: Bank of England, Isio calculations.

Strategy Overview

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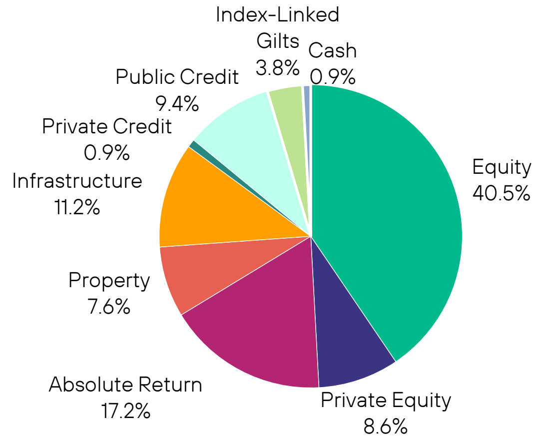
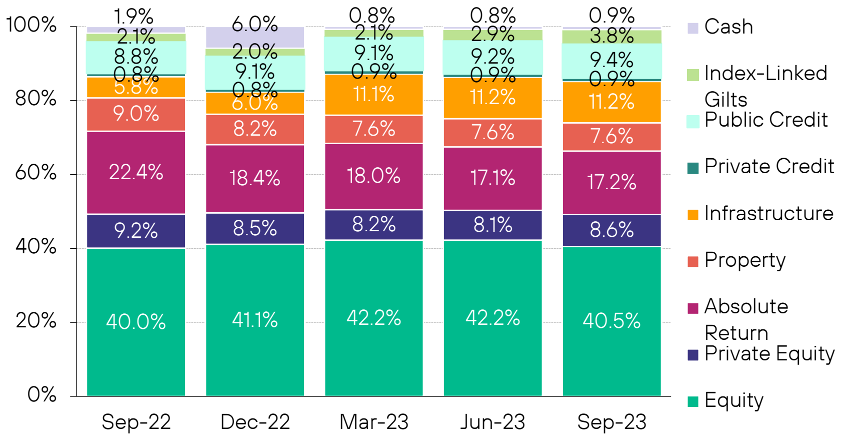
Asset Allocation – at 30 September 2023

Asset Allocation – 30 September 2023



Asset Allocation Changes Since 30 September 2023



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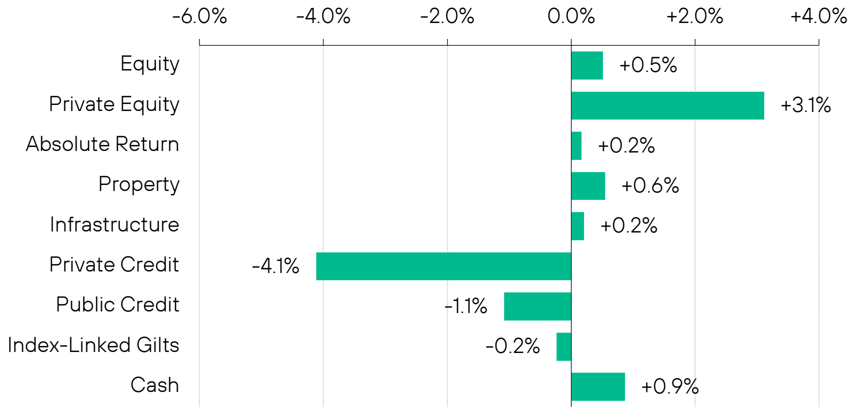
Assets Relative to Benchmark – 30 September 2023



Note: Totals may not sum due to rounding.
Source: Investment managers, Isio calculations.

Commentary

- As at September 2023, the Fund's asset allocation remained off-benchmark relative to the newly agreed target asset allocation; though steps are being taken to address this through the continued implementation of the target investment strategy.
- The absolute return, equity (public and private) and cash allocations continue to be overweight; while the private credit allocation remains underweight.
- The allocations will be brought more closely in line with the strategic benchmark as the new mandates are agreed and implemented going forward.
- More specifically, a commitment to private credit is expected to be made in the coming quarters, with capital drawn into the chosen fund following this.
- A formal asset allocation review took place in July, with a decision on the final revised target asset allocation was taken in the September meeting where it was agreed to replace the Inflation-Linked Property allocation with Index-Linked Gilts .
- A market level trigger framework is now in place to move the allocation to Index-linked Gilts to an overweight position should market levels become attractive to do so.

This page provides and overview of the current asset allocation positoin of the Fund.

Agreed long-term allocation

Equity	40.0%
Private Equity	5.5%
Absolute Return	17.0%
Balanced Property	7.0%
Index-Linked Gilts	4.0%
Infrastructure	11.0%
Public (Diversified) Credit	10.5%
Private Credit	5.0%

Appendices

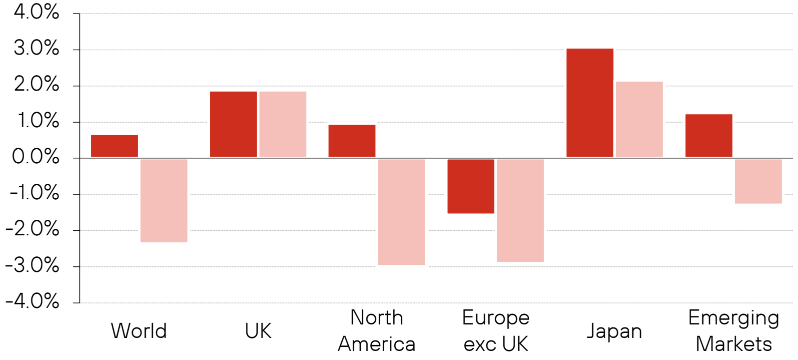
A1: Market Background: Global Equity, Absolute Return, Credit & Yields

A2: Explanation of Market Background

A3: Disclaimers

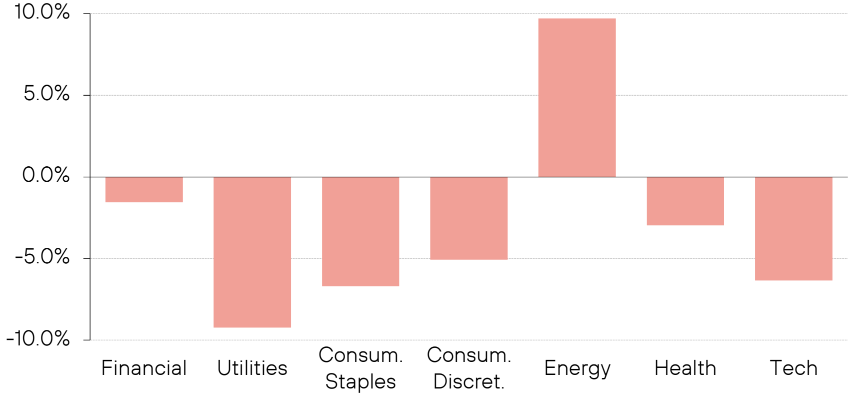
Market Background – Global Equity

Regional Returns – Q3 2023



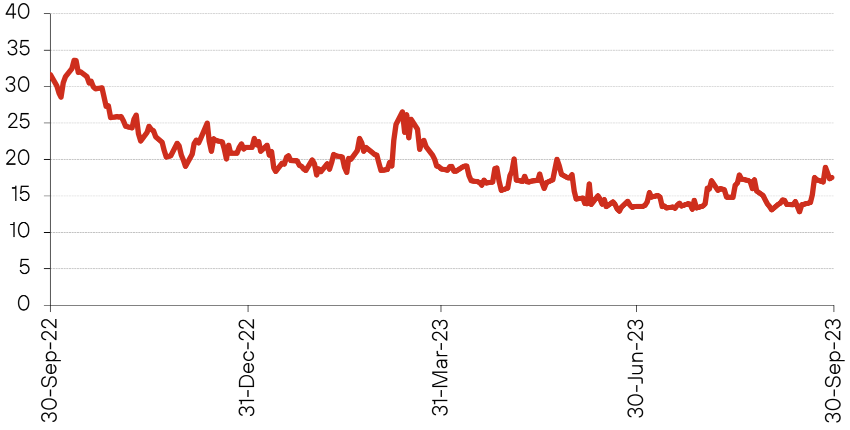
	World	UK	North America	Europe exc UK	Japan	Emerging Markets
Unhedged	0.7%	1.9%	1.0%	-1.6%	3.1%	1.3%
Hedged	-2.4%	1.9%	-3.0%	-2.9%	2.2%	-1.3%

Sector Returns – Q3 2023 (Local)



	Financial	Utilities	Consum. Staples	Consum. Discret.	Energy	Health	Tech
Sector	-1.6%	-9.2%	-6.7%	-5.1%	9.7%	-3.0%	-6.3%

VIX Volatility Index – Last 12 months



Commentary

- UK equities performed well, with the energy sector particularly benefiting from a rise in crude oil prices (as several oil exporting countries reduced production). Furthermore, domestically oriented sectors rebounded, as consumer confidence improved, influenced by the perception that interest rates may have peaked.
- The US and European markets struggled over the period, with expectations of tighter monetary policy, and their potential impact on consumer spending, hampering investor confidence. US large-cap tech stocks had a particularly challenging quarter, following the strong returns posted in H1 2023.
- The Japanese market delivered robust returns, with a notable upswing in the performance of value and small cap stocks, as corporate earnings remained resilient.
- Emerging markets were impacted by investor uncertainty regarding the potential persistence of high US interest rates, as well as weakness in the Chinese property sector.

Summary

Q3 saw mixed performance across equity markets. The US had a challenging quarter: despite resilient economic growth, investors reacted negatively to expectations of increasingly tight monetary policy.

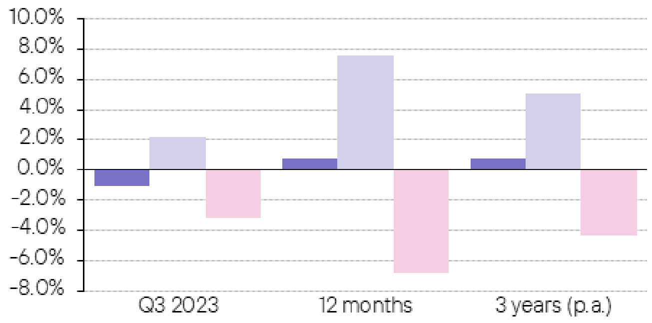
UK equities performed well, largely driven by the energy market, with the sector benefitting from a rise in the oil price.

Currency-hedged mandates underperformed their hedged equivalents over the quarter, as Sterling weakened against a number of major currencies.

Notes: Please see the 'Explanation of Market Background' appendix for details of the underlying indices. Please note that sector returns are based on local USD pricing.
Sources: Refinitiv.

Market Background – Absolute Return

Sample Manager Average Returns– Q3 2023



	Q3 2023	12 months	3 years (p.a.)
Average DGF	-1.0%	0.8%	0.7%
Cash +3.5%	2.2%	7.6%	5.1%
Relative	-3.2%	-6.8%	-4.4%

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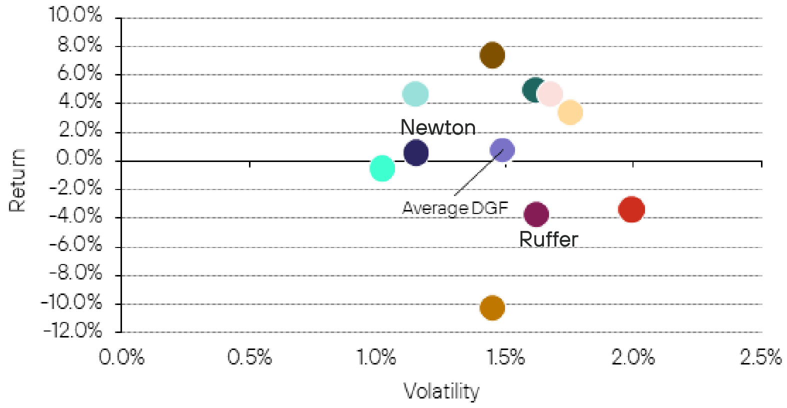
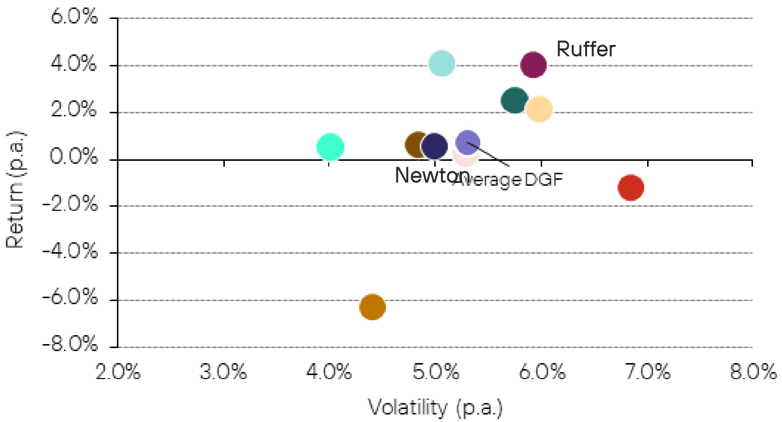
Sample Manager Returns and Volatility – 12 months



Within our sample of managers, we have incorporated the performance of ten DGFs with various manager styles, aiming to give a balanced view of the market.

Sample Manager Returns and Volatility – 3 years (p.a.)



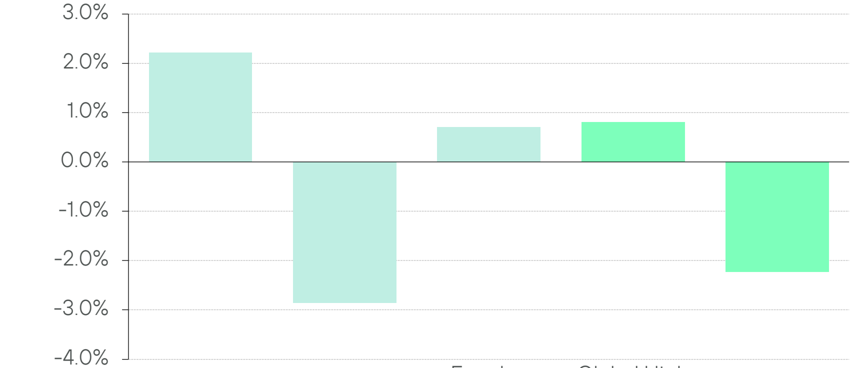
Commentary

- The average DGF underperformed the cash plus target over Q3 2023, and has also trailed the cash + 3.5% objective over longer periods.
- In a theme that has persisted over several months, monetary policy continued to have the largest effect on sentiment, as markets priced in higher longer term interest rates.
- Equity returns were mixed over the period, with the UK outperforming due to strength in more 'traditional' sectors; other regions delivered negative returns as investors continued to worry about rising interest rates.
- Most managers struggled to generate value from credit exposures, as the rise in long term interest rates created further pressure on valuations for assets which have duration exposure (sensitivity to rising interest rates).
- The majority of DGF managers remain aware to geopolitical tensions, as well as the potential impact of moving into a recessionary economic environment.

Notes: Please see the 'Explanation of Market Background' appendix for details of the underlying indices. All returns quoted are net of management fees.
Sources: Investment Managers, Isio calculations.

Market Background – Credit

Credit Market Returns – Q3 2023



	UK Inv Grade	US Inv Grade	Euro Inv Grade	Global High Yld	Emg Markets
£ Hedged	2.2%	-2.9%	0.7%	0.8%	-2.2%

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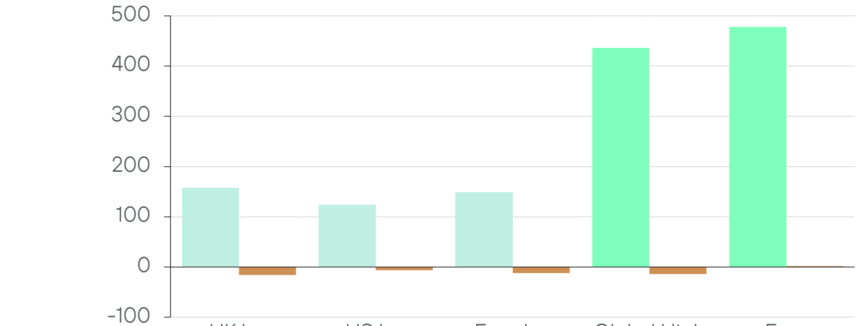
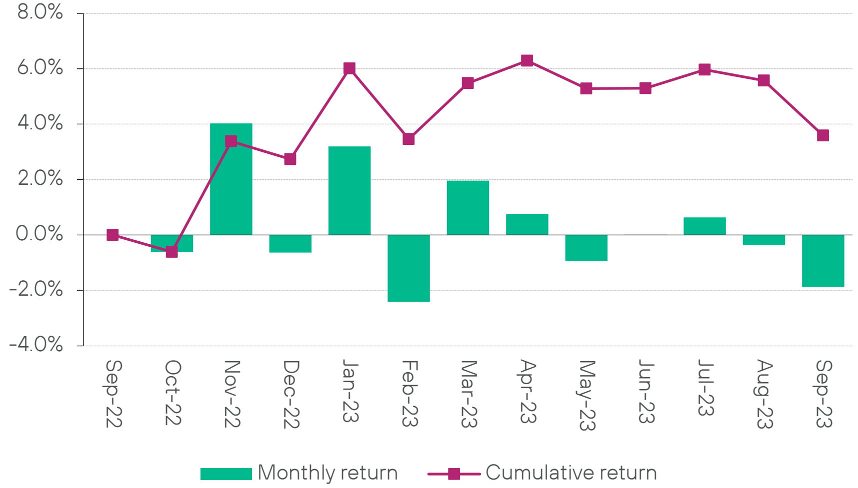
Credit spreads – Q3 2023



	UK Inv Grade	US Inv Grade	Euro Inv Grade	Global High Yld	Emg Markets
End of qtr	158	124	149	436	478
Qtr change	-16	-6	-12	-14	2

Global broad credit market return – Last 12 months



Commentary

Global credit market performance was negative, driven by rising government bond yields across all regions, particularly in September. This came despite credit spreads largely tightening, due to improved economic data:

- **Investment grade ('IG') bond** spreads tightened over Q3, which supported overall performance. Regional differences were driven by sensitivity of this sub-asset class to rising government bond yields. US IG bonds underperformed UK and European equivalents due to longer-dated US government bond yields rising the most.
- **High yield ('HY') bonds** produced positive returns, driven both by ongoing carry and spreads tightening due to better-than-expected company earnings and economic data. Lower sensitivity to government bond yields also supported HY returns relative to IG – a consequence of its shorter maturity profile.
- **Emerging market ('EM') debt** produced negative returns due to the increase in developed market government bond yields (especially the US) and negative currency returns – owing to the US Dollar strengthening.

Summary

Similar to recent quarters, central bank messaging regarding the future path of interest rates was a key driver of bond market performance over Q3. While major central banks continued to increase interest rates, their rhetoric implied that they were coming to the end of their hiking cycles. Regardless, government bond yields still rose due to market participants interpreting that interest rates would stay 'higher for longer' than previously expected.

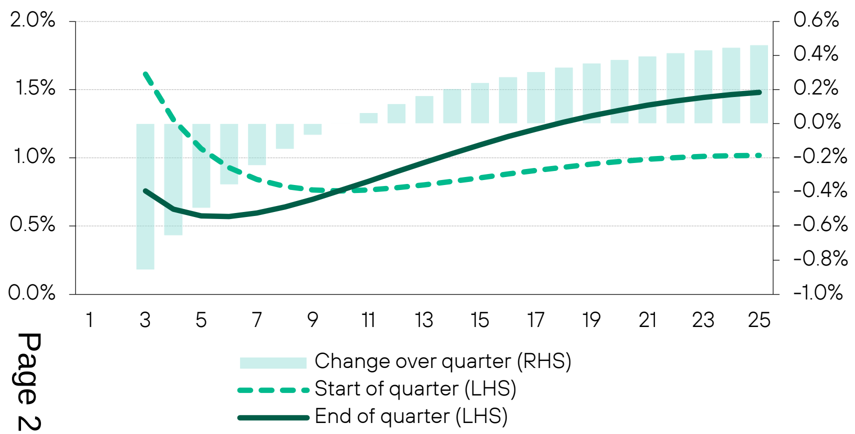
While this put pressure on investment grade ('IG') bond returns, especially in the US, encouraging economic data led to a tightening in credit spreads in most areas, which supported performance.

UK and European IG bonds outperformed the US, due to differences in the long-dated government bond yield movements.

Notes: Please see the 'Explanation of Market Background' appendix for details of the underlying indices shown. Credit spreads are shown in basis points (100bps = 1%) and correspond to the incremental yield available on corporate bonds above government bonds of a similar maturity. Sources: Thomson Reuters, PIMCO, Fidelity.

Market Background – Yields

Real Gilt Yields – Q3 2023



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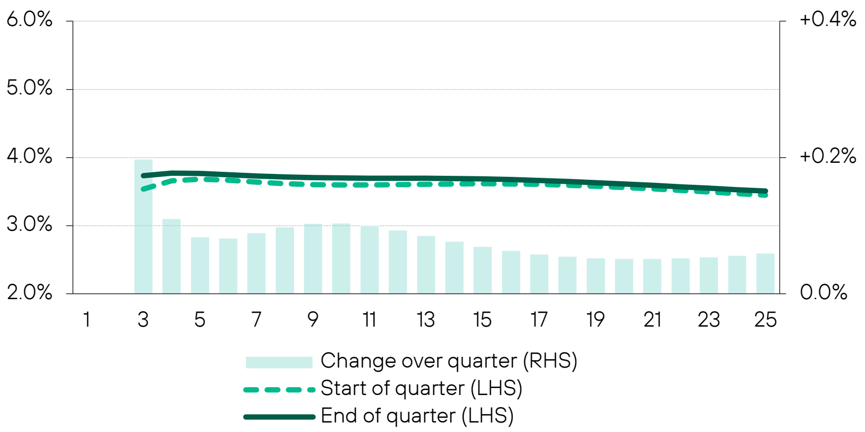
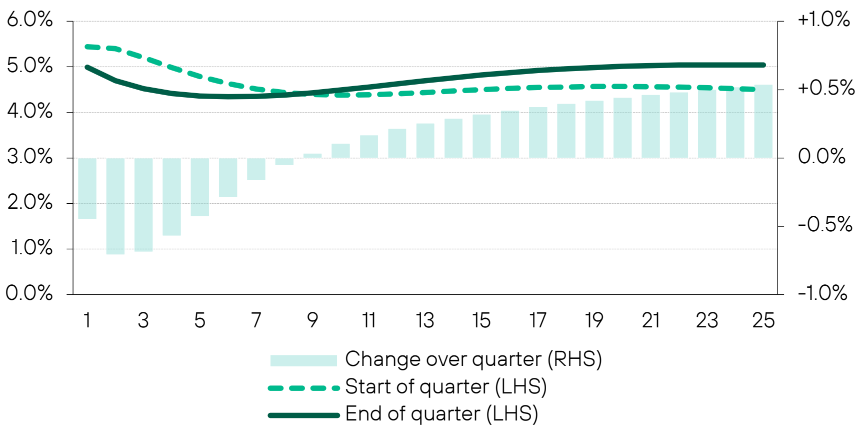
Gilt-Implied Inflation – Q3 2023



Nominal Gilt Yields – Q3 2023



Example Liabilities

- Long-dated (20-year) yields at the quarter-end were:
  - Real gilt yield: 1.3%
  - Nominal gilt yield: 5.0%
  - Gilt-implied inflation expectation: 3.6%

These curves show gilt yields and inflation expectations at varying time horizons. The horizontal axis represents the number of years.

Sources: Bank of England, Isio calculations.

Explanation of Market Background

Market Background – Overview

- Returns by Asset Class – The market indices underlying this chart are as follows:
  - UK Equity: FTSE All-Share
  - Global Equity: FTSE World (Unhedged and Hedged)
  - Emerging Market Equity: MSCI Emerging Markets
  - Absolute Return Funds: mean of a sample of managers
  - Property: IPD Monthly UK
  - Global High Yield: BoAML Global High Yield (GBP Hedged)
  - UK Inv. Grade Credit: BoAML Sterling Non-Gilt
  - Over 15 Years Gilts: FTSE Over 15 Year Gilt
  - Over 5 Years Index-Linked Gilts: FTSE Over 5 Year Index-Linked Gilt
  - Example Liabilities: a simplified calculation illustrating how a typical pension scheme's past-service liabilities may have moved

Market Background – Global Equity

- Regional Returns – The market indices underlying this chart are as follows:
  - World: FTSE World
  - UK: FTSE All Share
  - North America: FTSE North America
  - Europe ex UK: FTSE Europe ex UK
  - Japan: FTSE Japan
  - Emg Mkts: MSCI Emerging Markets
- Sector Returns – The market indices underlying this chart are the relevant sectors from the MSCI All-Countries index.
- VIX Volatility Index – This is a forward-looking indicator. It represents the expected range of movement (in percentage terms) in the S&P 500 index (i.e. US equities in dollar terms) over the next year, at a 68% confidence level. It is calculated using options prices over a 30-day horizon.

This glossary explains the components of the Market Background charts in Appendix 1.

All returns are in Sterling terms, unhedged, unless otherwise stated. Where "hedged" returns are quoted, these are local currency returns (i.e. any costs and imprecisions in hedging are assumed to be negligible).

Explanation of Market Background (cont.)

Market Background – Absolute Return

- **Absolute Return Funds** – Due to the lack of a market index for Absolute Return, we illustrate the performance of this by showing the returns of 10 of the largest funds by assets under management. Specifically:
  - Aberdeen Standard Global Absolute Return Strategies
  - Aviva Multi-Strategy Target Return
  - Baillie Gifford Diversified Growth
  - BlackRock Dynamic Diversified Growth
  - Invesco Perpetual Global Targeted Returns
  - L&G Diversified
  - Newton Real Return
  - Nordea Stable Return
  - Ruffer Absolute Return
  - Schroder Diversified Growth
- The 'Average Absolute Return Fund' performance is an equally-weighted average of the sample of 10 managers' performance figures.
- Returns are shown net of each manager's standard fee. While every effort has been taken to select vehicles with institutional/clean fee structures, the impact may not necessarily reflect any particular client's fee arrangements.
- Volatility is calculated by annualising the volatility of daily returns.
- As clients have specific selection criteria, the managers listed here may not meet any given client's criteria.
- Absolute Return encompass a range of investment approaches, return targets, and risk profiles. Consequently, different managers' returns are not necessarily a like-for-like comparison.

Market Background – Real Assets

- Real Assets – The market indices underlying these charts are:
  - Core UK Property: IPD Monthly UK Index
  - Long Lease UK Property: IPD Long Income Property Fund Index

This glossary explains the components of the Market Background charts in Appendix 1.

All returns are in Sterling terms, unhedged, unless otherwise stated. Where "hedged" returns are quoted, these are local currency returns (i.e. any costs and imprecisions in hedging are assumed to be negligible).

Explanation of Market Background (cont.)

Market Background – Credit

- Sector Returns and Credit Spreads – The market indices underlying this chart are as follows:
  - UK Inv Grade: BoAML Sterling Non-Gilt
  - US Inv Grade: BoAML US Corporate (GBP Hedged)
  - Euro Inv Grade: BoAML Euro Corporate (GBP Hedged)
  - Global High Yield: BoAML Global High Yield (GBP Hedged)
  - Emerging Markets: JP Morgan EMBI Global (GBP Hedged)
  - Leveraged Loans: S&P/LSTA US Leveraged Loan Equity (GBP Hedged)
- Global broad credit market return – The market index underlying this chart is the BoAML Global Broad Market Corporate Index (GBP Hedged):
  - The Global Broad Market Index tracks the performance of investment grade public debt issued in the major domestic and eurobond markets, including 'global' bonds.
  - Qualifying bonds must have at least one year remaining term to maturity and a fixed coupon schedule. Bonds must be rated investment grade and be domiciled in a country having an investment grade foreign currency long-term debt rating (based on a composite of Moody's and S&P).

Market Background – Yields

- Yields – Yields shown are annual yields (i.e. they have been converted from the "continuously compounded" basis quoted by the Bank of England).
- Example Liabilities – This illustrates how a typical scheme's past-service liabilities may have moved.
  - It is based on a simplified calculation assuming a scheme with duration 20 years and liabilities split 70% inflation-linked and 30% fixed.
  - Liability movement is calculated using yield changes and unwinding (short-term interest rate with no premium) only, with no accrual, outgo, or inflation experience.
  - A rise in yields equates to a fall in the calculated value of the liabilities (due to the higher discount rate at which the future cashflows are valued); conversely, a fall in yields means a rise in liabilities.

This glossary explains the components of the Market Background charts in Appendix 1.

All returns are in Sterling terms, unhedged, unless otherwise stated. Where "hedged" returns are quoted, these are local currency returns (i.e. any costs and imprecisions in hedging are assumed to be negligible).

Disclaimers

Performance, Opinions, and Estimated Liabilities

- This report sets out the past performance of various asset classes and fund managers. It should be noted that past performance is not a guide to the future.
- Our opinions (and comparison vs criteria) of the investment managers stated in this report are based on Isio's research and are not a guarantee of future performance. These are valid at the time of this report but may change over time.
- Our opinions of investment products are based on information provided by the investment management firms and other sources. This report does not imply any guarantee as to the accuracy of that information and Isio cannot be held responsible for any inaccuracies therein. The opinions contained in this report do not constitute any guarantees as to the future stability of investment managers which may have an effect on the performance of funds.
- Funds that make use of derivatives are exposed to additional forms of risk and can result in losses greater than the amount of invested capital.
- The estimated liabilities (where quoted) have been "rolled forward" from the last actuarial valuation and/or funding update, by taking current bond yields and inflation expectations into account. The methodology underlying the actuarial assumptions (e.g. discount-rate premium, mortality, real salary growth etc.) is assumed to remain constant for this estimate. Due to the approximate nature of the calculations, the Fund's actual experience and changes in future valuation assumptions may mean that the liabilities and funding position calculated at the next actuarial valuation (or funding update) could be significantly different from the quoted estimate.

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East Sussex Pension Fund

Climate Risk Report

Draft v1.0

30th October 2023

Appendix 3

Table of Contents

1 Introduction

This report contains the results of a Climate Risk Assessment undertaken on behalf of the East Sussex Pension Fund ('the Fund') by Minerva Analytics ('Minerva').

Whilst the Department for Levelling Up, Housing and Communities ('DLUHC') considers the responses it received to the consultation on Governance and Reporting of Climate Change Risks undertaken in late 2022, the Fund decided to move forward and follow up its previous work on assessing Greenhouse Gas ('GHG') emissions associated with the Fund's investments by commissioning some more up-to-date analysis.

Working with Minerva, Officers of the Fund agreed that the primary results of the analysis should be the 4 key climate 'Metrics' that were set out in the DLUHC consultation that Administering Authorities ('AAs') should use, with the rationale being that these Metrics are likely to feature in any final guidance or regulations.

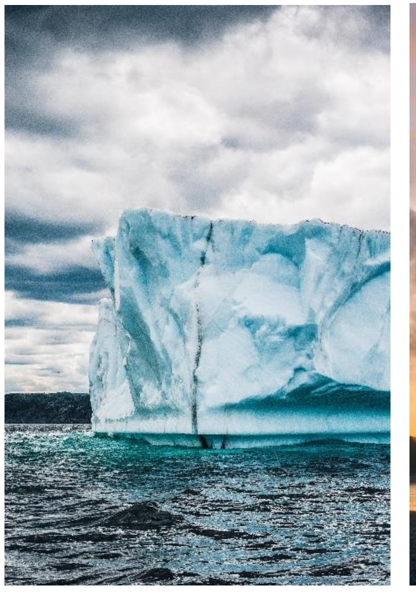
These four metrics were defined[1] by DLUHC as follows:

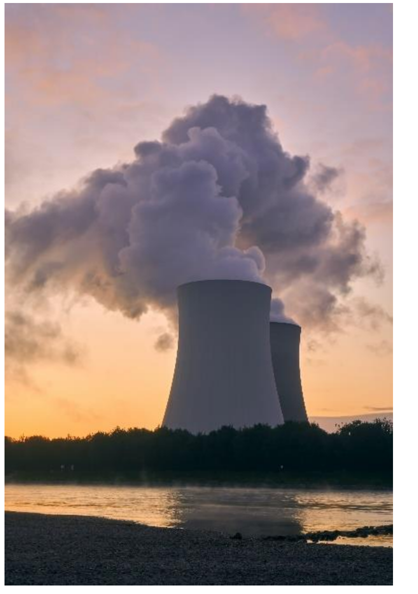
1) ***Absolute Emissions Metric*** *- Under this metric, AAs must, as far as able, report Scope 1, 2 and 3 greenhouse gas (GHG) emissions;*

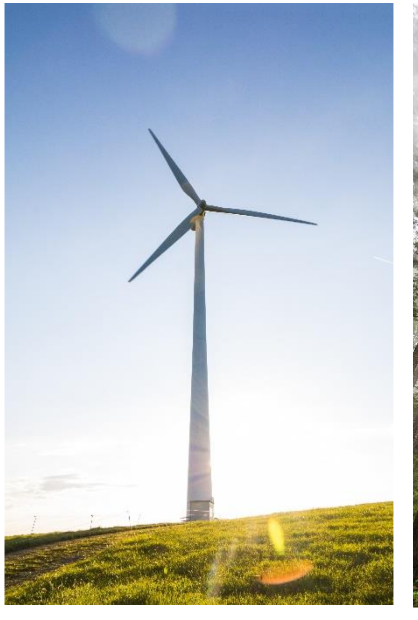
2) ***Emissions Intensity Metric*** *- AAs should report the Carbon Footprint of their assets as far as they are able to;*

3) ***Data Quality Metric*** *- AAs will report the proportion of the value of its assets for which its total reported emissions were Verified, Reported, Estimated or Unavailable; and*

4) ***Paris Alignment Metric*** *- Under the Paris Alignment Metric, AAs will report the percentage of the value of their assets for which there is a public net zero commitment by 2050 or sooner.*







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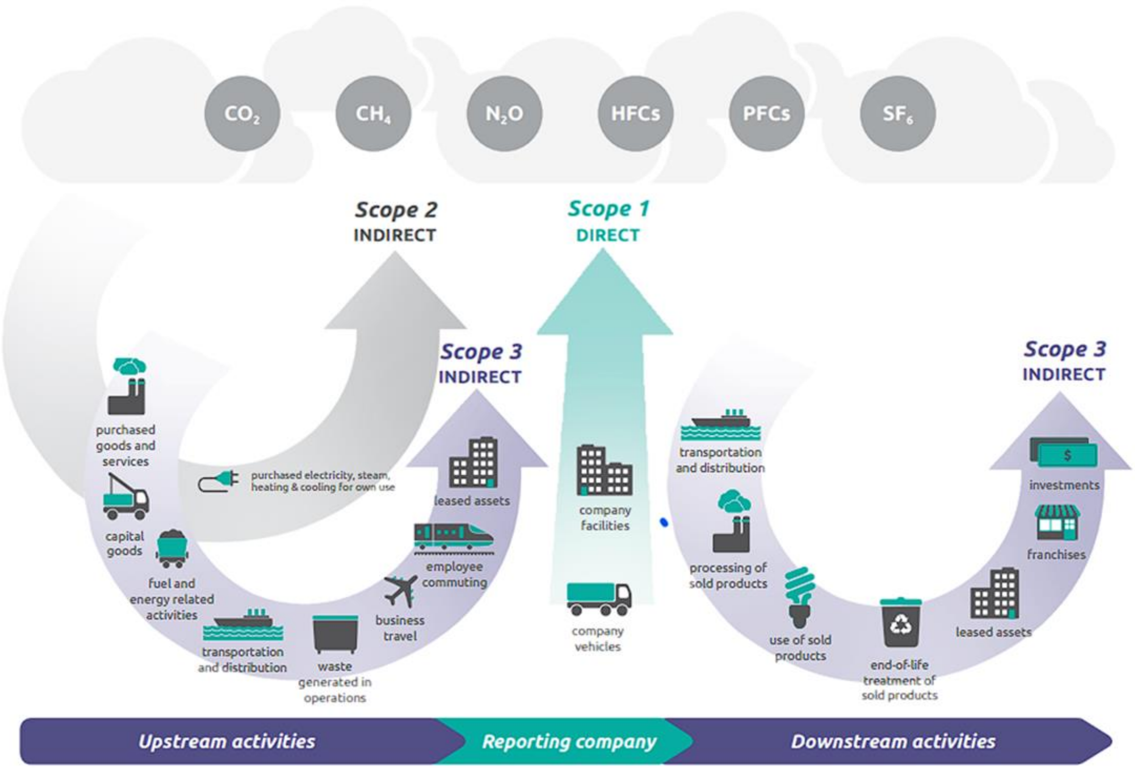
[1] *11. Summary of Proposals -* https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-governance-and-reporting-of-climate-change-risks/local-government-pension-scheme-england-and-wales-governance-and-reporting-of-climate-change-risks

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

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The Greenhouse Gas Protocol – which provides the most widely recognised accounting standards for greenhouse gas emissions – categorises GHG emissions into three ‘scopes’. Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the purchase and use of electricity, steam, heating and cooling. By using the energy, an organisation is indirectly responsible for the release of these GHG emissions. Scope 3 includes all other indirect emissions that occur in the upstream and downstream activities of an organisation.

Not all companies publish their GHG emissions. Of those companies that do, some only currently publish Scope 1 and Scope 2 emissions data. It is clear from the DLUHC consultation that the Government expects LGPS Funds to also publish Scope 3 information ‘as far as they are able’[2].

[2] Point 69 at https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-governance-and-reporting-of-climate-change-risks/local-government-pension-scheme-england-and-wales-governance-and-reporting-of-climate-change-risks

Summary of Approach Taken

For this exercise, we sought to capture all available GHG disclosures for the Fund's investee companies. Importantly, we also sought to note 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.

Minerva was provided with a list of Fund assets and values as at 31st March 2023. This list contained 3,329 investments managed by 11 different investment managers and had a value of £3,420.6 million. Upon receipt of the asset list, we carried out some data cleansing activity to remove items for which it was not possible to gather any issuer GHG emissions data – e.g., cash balances, derivatives, pooled funds, private assets and Government bonds.

We also attempted to match the investments held in the two bond portfolios managed by M&G. Unfortunately, we 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, we did not include these two portfolios in our analysis.

After these data checking steps were completed, we were left with **1,591 investments** in **1,078 unique companies** that had a value of **£2,332.6 million** – which represents **68% of the Fund's total value** at 31st March 2023.

It was these remaining assets that formed the basis of the analysis undertaken, and for which the rest of this report sets out the results of the Climate Risk Assessment exercise.

TCFD Aligned Reporting

We believe that the approach taken by Minerva in preparing this report complies as far as possible with the 'Fundamental Principles for Effective Disclosure' as set out in Appendix 3 of the Recommendations of the Task Force on Climate-related Financial Disclosures:

1. Disclosure should represent relevant information;
2. Disclosure should be specific and complete;
3. Disclosure should be clear, balanced and understandable;
4. Disclosure should be consistent over time;
5. Disclosure should be comparable among companies within a sector industry or portfolio;
6. Disclosure should be reliable, verifiable and objective; and
7. Disclosure should be provided on a timely basis.

There are a number of challenges that asset owners like the Fund face when trying to undertake any GHG emissions analysis – with most relating to the nature, availability and timeliness of emissions data. The following pages represent our efforts to identify, collect, standardize and analyse the GHG emissions data as disclosed by the investee companies held by the Fund.

2 Summary of Findings

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	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.
	26%	Reported	
	4%	Estimated	
	22%	Unavailable	
4. Paris Alignment	22%	Excellent	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.
	25%	Good	
	11%	Moderate	
	15%	Poor	
	27%	No Disclosure	

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3 Metric 1 – Absolute Emissions

*Table 1: Disclosed GHG Emissions (Millions tCO2e)**

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[3]	**£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

** Greenhouse Gas (GHG) Emissions in Millions of Tonnes of Carbon Dioxide equivalent (tCO_2e)*

[3] Figures shown reflect the emissions of the Fund's unique investee companies. The figures shown for the individual funds reflect the position where one unique holding (e.g., Amazon) is held by more than one fund, and so its disclosed emissions are reflected in each portfolio to provide an accurate picture of portfolio level emissions.

Description

Table 1 shows a summarised position of the greenhouse gas (GHG) emissions disclosures made by the investee companies. The disclosures have been categorised as follows:

Categorisation	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 organisations have chosen to purchase
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

Commentary

The figures shown in Table 1 reflect the actual disclosures made by the Fund's investee companies that we have been able to identify and collect. Where a company has made no disclosure, we simply acknowledge that fact. We have not created or estimated any GHG data or disclosures, since the lack of disclosure is an important data point, telling us that the issuer needs to be encouraged to make future disclosures.

Since Table 1 reflects the actual GHG emissions disclosure position as far as we can determine, 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.

Given that many companies do not currently disclose some or all of their Scope 1,2 and 3 GHG emissions, we would caution against drawing too many conclusions from the data as presented.

The information in Table 1 shows the absolute GHG emissions of the Fund's underlying investee companies, broken down into Scopes and shown by portfolio, and at total Fund level.

4 Metric 2 - Emissions Intensity

Table 2: Carbon Footprint (tCO2e)

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**

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Description

Table 2 shows our calculation of the Fund's 'carbon footprint', combining the investment information provided by the Fund with the GHG emissions data we have gathered on the Fund's investee companies. This is essentially the Fund's 'share' of any disclosed emissions of each company. The calculation has been done using the following formula:

Sum of Scope 1 & Scope 2 GHG disclosures – Any Emissions Offsets X (**Fund's £ invested in the company** / **Company's EVIC (Enterprise Value Including Cash)**)

Each investee company's EVIC is used to determine the Fund's share of any given company. Simply put, the EVIC is itself a sum of each company's market capitalisation (listed equities), debt (e.g., any issued bonds or loans) and any cash balance held.

We have calculated four carbon footprints covering Scope 1 & 2, and Scope 1, 2 & 3 for the 'current' and 'previous' years. We have used the term 'current' to reflect the latest available disclosures from the underlying companies (which may not necessarily be emissions in 2023), and 'previous' to reflect any disclosures made in the year before 'current'.

Also, it is worth noting that the 'previous' calculations in this exercise simply use the disclosed GHG emissions for each investee company from the previous year. They do not reflect the actual investments held by the Fund at 31/03/22, since Minerva has not undertaken this exercise before. They are merely shown to allow for a very high level indication of the state of disclosures made by companies between previous and current years

Commentary

The Fund's current carbon footprint equates to c. 72,027 tonnes of CO_2e emissions. Again, the figures shown are clearly connected to the size of the portfolio, and also the size of investment held in each investee company.

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

- Companies actually reducing their GHG emissions between the years;
- Changes in the total value of individual companies (i.e. the EVIC); and
- Exchange rate effects, since EVICs are calculated in the local currency of each investee company, and then converted to GBP to facilitate the carbon footprinting calculation.

As a result, we would again caution against drawing too many conclusions from the data as presented. From our long experience of gathering data on listed companies, we are well aware of the challenges contained therein.

We believe that it will take a number of years for GHG emissions to be disclosed using consistent methodology and units of emissions. If indeed DLUHC do proceed with legislation that requires the Fund to prepare an annual Climate Risk Report such as this, we suggest that Officers and Elected Members focus their (and the external investment managers') stewardship efforts on eliminating GHG emission disclosure gaps and improving the quality of any disclosures made than on the actual carbon footprint numbers generated.

The information in Table 2 shows that the Fund's Scope 1 & 2 carbon footprint for the current year has fallen by 8% - although this could be attributed to a number of different factors. When Scope 3 GHG emissions disclosures are included, the carbon footprint goes up by 3%, but again this could be due to a number of factors.

5 Metric 3 – Data Quality

Table 3: Results of Data Quality Assessment

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%

Description

Table 3 shows our assessment of the GHG emissions disclosures made by the Fund's investee companies. In undertaking this assessment, we have used the criteria specified by the DHLUC in the consultation on Governance and Reporting of Climate Change Risks as shown in the following table:

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

When assessing the Fund's underlying investee companies, analysts were asked to note the provenance of any GHG emissions data, in addition to noting the specific values of any Scope 1, 2 and 3 disclosures.

Commentary

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 our view this is a good starting point, 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.

We believe that this analysis is particularly helpful from a stewardship perspective, in that it allows Officers and Elected Members to engage with the Fund's external investment managers with a specific measurable data point in mind. Given that approximately 25% of the Fund's investee companies are either estimating their GHG emissions - or not disclosing them at all – these companies could be prioritised for engagement on this issue by the investment manager. Progress on this topic can now also be monitored on an ongoing basis, with the expectation that the level of 'laggards' should fall on an ongoing basis.

Another stewardship option may be to ask the Fund's investment managers to ask investee companies to 'comply or explain' why they are not seeking external audit of their GHG emissions data.

We think that having almost 50% of investee companies who have their GHG emissions externally verified is a good starting point. The limited option nature of the data quality metric is also helpful, in providing a small number of results that can be objectively assessed and monitored on an ongoing basis.

6 Metric 4 – Paris Alignment

Table 4: Results of Paris Alignment Assessment

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%

Description

Table 4 shows our assessment of any disclosures made by the Fund's investee companies regarding their alignment with the Paris Agreement and whether they are aiming to be 'Net Zero' by 2050 or sooner. In undertaking this assessment, we have used our 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 (CO2) 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

When assessing the Fund's underlying investee companies, analysts were asked to look for any Net Zero disclosures, and to rank them using the criteria in the table.

Commentary

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.

Again, we believe that this analysis is particularly helpful from a stewardship perspective, in that it allows Officers and Elected Members to engage with the Fund's external investment managers with a specific measurable data point in mind. Given that just over 40% of the Fund's investee companies have either 'Poor' or undisclosed plans towards their alignment with the Paris Agreement and of achieving Net Zero by 2050 or sooner, this data point could be prioritised for engagement by the Fund's investment managers. Progress on this topic can now also be monitored on an ongoing basis, with the expectation that the level of 'laggards' should fall on an ongoing basis.

Whilst having almost 50% of investee companies publicly declaring their alignment with the Paris Agreement and looking to achieve Net Zero by 2050 or sooner, having just over 40% of investee companies in the 'Poor' and 'No Disclosure' categories shows the extent of effort needed to bring these companies up to a better standard in terms of them addressing the climate crisis.

7 Fund Level Analysis

Officers provided Minerva with information on the Fund's investments as at 31st March 2023. The file provided covered a range of assets including listed equities, corporate bonds and Government Bonds. Our first step in our analysis process was to identify which assets could be included in the carbon footprinting exercise. This meant matching individual assets to a 'parent' issuer. More information on the results of that matching process can be found in Appendix X at the end of this report.

The result of the initial asset filtering process was that we identified 1,621 individual issuers worth £2,354.4 million to include in the GHG emissions analysis work. Of these investments, 1,591 worth £2,322.6 million were covered in our research process, which represents a match of over 98% in terms of both individual investments and by market value.

As part of Minerva's issuer research process, we typically gather over 2,000 data points per company, including information relating to their GHG emissions. It was this information in particular that we used in the project

Table 5: Asset Coverage

Analysis Details	
Date of Holdings	31/03/23
No. of Unique Companies	1,078
No. of Investments	1,621
£m Value	£2,354.4
No. Investments Covered in Analysis	1,591 / 98.1%
£m Value of Assets Analysed	£2,322.6 / 98.7%

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Chart 1: Regional Allocation

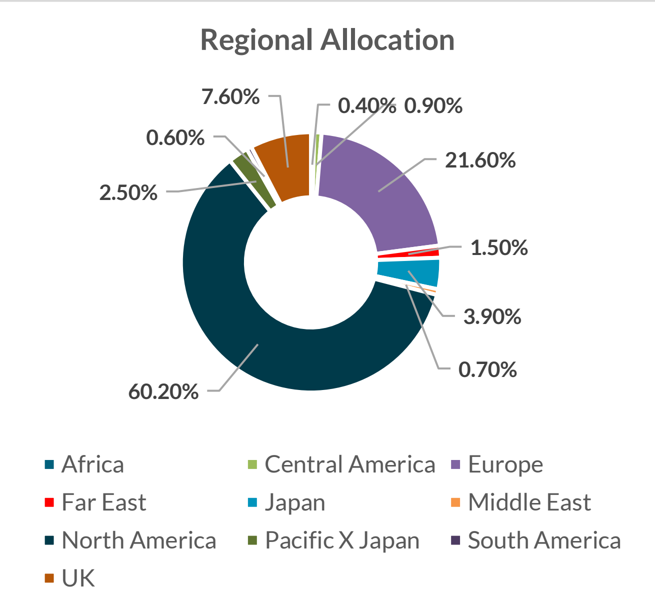


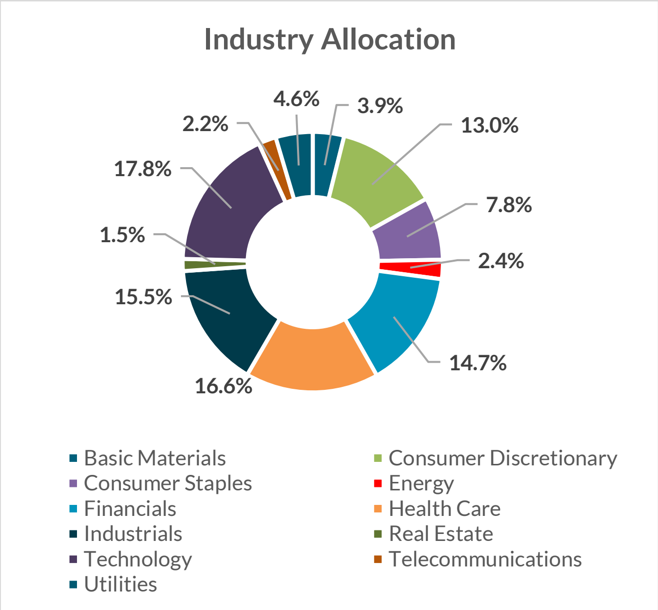
Chart 1 shows the regional allocation of the Fund's in-scope investments. This has been created using the country of domicile for each of the individual 1,591 investments covered in the carbon footprinting exercise. This is defined as the location where the business has been incorporated.

A regional approach has been used to display this allocation information as it is simpler to display than showing the 40 different countries in which the Fund's investments are domiciled.

As can been seen from the chart, North America (covering the US and Canada) is where the majority of the Fund's investments are domiciled. This represents almost £1.4 billion or just over 60% of all in-scope investments. The next largest exposure is for Europe (excluding the UK), which represents £500 million or 21.6%. The UK has the third largest exposure in the Fund's investments, at £177 million or 7.6%.

It is worth mentioning that the country of domicile is not necessarily the same as the region where the company predominantly operates. For example, the Fund held just over £6 million in the Chinese 'Consumer Products' company Alibaba, which is a multinational technology company. Whilst this company operates predominantly in China, its country of domicile is the Cayman Islands, and so in this analysis it is represented in 'Central America'.

Chart 2: Industry Allocation



Looking at the 1,591 'in scope' assets, we were able to categorise them into sectors, using the total value of the investments per sector. Chart 2 shows the breakdown of that analysis in Industry Classification Benchmark (ICB) industries.

The Fund's largest industry exposures are:

1) Technology – 17.8%
2) Health Care – 16.6%
3) Industrials – 15.5%
4) Financials – 14.7%
5) Consumer Discretionary – 13.0%

The top 5 industries account for 77.6% of the total value of the in scope investments. The in scope assets have a relatively small exposure to the Energy industry at 2.3%, which is typically one of the largest GHG emitters, given the large number of oil and gas companies operating in that industry.

The next Chart shows the breakdown of GHG emissions by sector. This chart has been created simply by adding together all of the absolute emissions data we collected for the unique 1,078 companies in the data set. There were a range of outcomes for each company, in terms of their GHG disclosures:

- Some disclosed Scope 1, 2 and 3 emissions, with Scope 2 split into Location and Market based emissions
- Some disclosed Scope 1, 2 and 3 without breaking down Scope 2
- Some disclosed only Scope 1 and 2 emissions
- Some did not disclose any emissions information

The varied approaches taken by the Fund's investee companies is what makes us cautious about how the results of the Climate Risk Report are used. We firmly believe in undertaking analysis on information as it is – or isn't – disclosed. This means that we do not use estimations of GHG emissions for companies for which analysts did not locate any GHG emissions disclosures.

Perhaps the most interesting piece of information shown by this chart is the emissions generated by the 'Basic Materials' industry. The previous chart shows that the Fund has a 3.9% allocation to the industry, but it is responsible for a third of all Scope 1 & 2 GHG emissions generated by the Fund's investee companies. Another noteworthy (although perhaps obvious) point is that the Fund's small exposure to the Energy industry generates just over 10% of total Scope 1 and 2 GHG emissions.

Chart 3: Breakdown of Scope 1 & 2 GHG Emissions

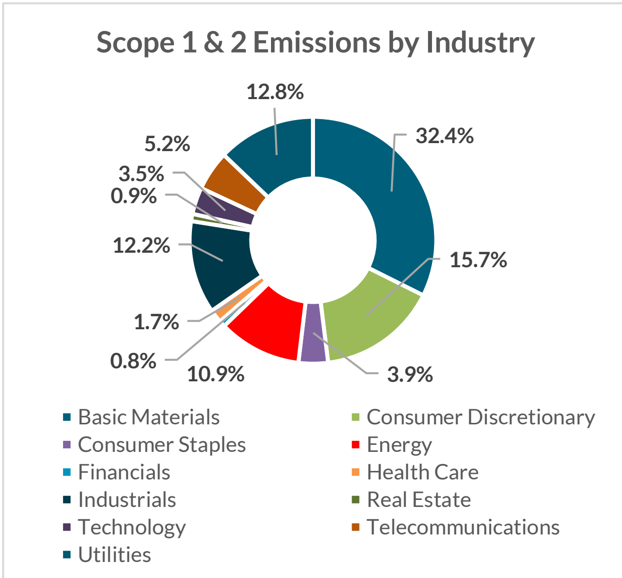
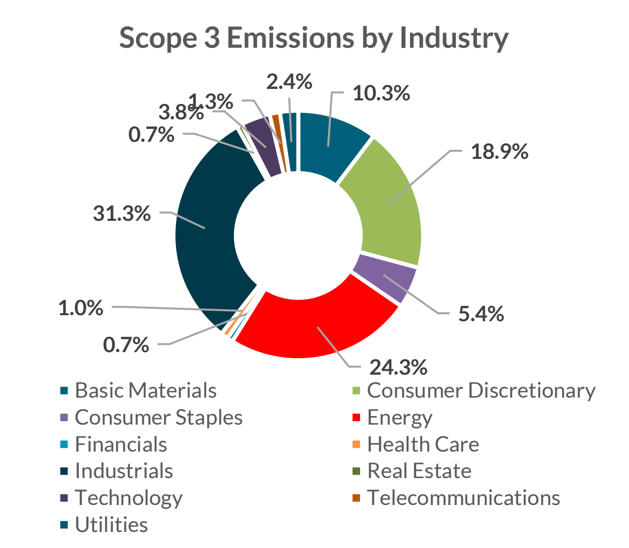


Chart 4: Breakdown of Scope 3 Emissions



Scope 3 emissions are perhaps the most challenging to understand, since they relate to the indirect emissions generated 'upstream' and 'downstream' from the company or organisation concerned, and so they have little direct control over them.

In addition, there is an element of 'double counting' associated with Scope 3 emissions – for example, a goods manufacturer and a retailer may both account for and disclose Scope 3 emissions associated with the transportation of goods between them.

Nevertheless, calculating Scope 3 can be helpful for organisations in understanding the wider impact of their products and services are having in terms of climate change.

From the Scope 3 emissions data that we were able to gather, the emphasis changes yet again in the pie chart. Chart 3 shows that 'Industrials' have the largest Scope 3 footprint, representing 31% of disclosed Scope 3 emissions, followed by 'Energy' with just over 24%.

Table 6: Breakdown of Year of Disclosures

Year of Reported Disclosures	%
2023	16.9
2022	77.7
2021	5.4

The final two pieces of high level analysis relate to the year of disclosed GHG emissions and the breakdown of the companies different Scope 1,2 and 3 disclosures. From the data gathered by Minerva, Table 6 shows that almost 80% of disclosed GHG emissions data came from annual reports and accounts, sustainability reports or other similar sources that were dated 2022. The GHG emissions data reported in these publications could relate to emissions made in 2022, 2021 or indeed include emissions at the end of 2020. This is another reason as to why we encourage the exercise of caution when looking at GHG emissions data.

Table 7: Assessment of Paris Alignment

Paris Alignment	%
Excellent	22.0
Good	25.5
Moderate	11.3
Poor	14.8
No Disclosure	26.4

Table 7 shows, in our view, the most important piece of analysis that has come out of this Climate Risk Reporting exercise. Given the urgency around the issue of climate change, it is essential that the Fund's investee companies have considered the risks of climate change on their businesses, and also the impact of their businesses on the climate.

The information we have gathered shows that just over 50% of the in-scope investee companies have devoted some thought to the issue of climate change and have published Paris Agreement-aligned plans where they have made a public commitment to achieving Net Zero by 2050 or sooner.

However, almost 40% of the Fund's investee companies have, in our view, either poor or no disclosures in relation to the critical issue of addressing climate change. We think this is a key outcome of this exercise that Officers and Elected Members should consider discussing further with their investment managers.

8 'Green' Investments

The Fund's previous work on assessing climate risk and attempting to quantify GHG emissions was undertaken by Vigeo Eiris (Moody's), using a slightly different approach and methodology. One of the things contained in the previous climate risk analysis work was an assessment of '…energy transition metrics (the shift from a carbon-based economic model to a green and sustainable one).' Vigeo Eiris defined the energy transition score as '…a combination of the Moody's scores for each company in a portfolio's energy transition strategy based on specific criteria tied to climate change such as commitments made, information being disclosed and the meeting of commitments. This is a subjective score of issuers' energy transition strategy based on Moody's Research'.

Minerva does not use Moody's data, and so we are unable to replicate this specific analysis. However, our analysis of the GHG emissions data across the 4 Metrics that form the core of this analysis provides an insight into the nature of the managers employed and investments held by the Fund, in terms of their transition to a 'Net Zero' world:

Metric	Observations
1. Absolute Emissions	▪ Significant exposure to the US, which as a developed market, has a long history of innovation and so has significant potential in terms of developing solutions to the climate crisis. ▪ Largest Fund investment exposure is to the 'Technology' sector – which again has potential to assist in the move away from a carbon-intensive economy.
2.Emissions Intensity	▪ External investment managers have discretion in how they choose to invest the Fund's money. ▪ Also, they are entirely responsible for how they incorporate ESG risks such as climate change into their investment process. As a result, they are key to helping ensure investee companies disclose their GHG emissions in a timely and as accurately as possible manner.
3. Data Quality	▪ Direct link between the quality of the GHG emissions disclosed and the assessment as to whether an investee company could be described as 'green'. ▪ Disclosed GHG emissions data by all investee companies helps build a fuller picture as to the current state of play in any given industry in terms of its potential impact on the climate, and allows for consideration of the likelihood of that industry being able to transition to a Net Zero world.
4. Paris Alignment	▪ The analysis undertaken by Minerva has also sought to assess Net Zero commitments made and information disclosed. ▪ Whether these commitments made can/will be met is an ongoing piece of stewardship work, and is something that the DLUHCG has indicated it will ask LGPS Funds to report on annually.

In addition, we can also look for specific investments in the data generated by the analysis for companies that could meet a general definition of 'green'. Two suggested definitions could be:

1) Companies that operate in the Alternative/Renewable Energy subsectors (supporting low carbon energy generation sources such as wind or solar);

Table 8: Fund Listed Equity Investments in Alternative Energy

Manager	Fund	Number of Alternative / Renewable Energy Companies	£m invested
Atlas	Infrastructure Fund	3	24,543,882
Newton	Real Return Fund	5	7,096,812
Osmosis	Resource Efficient Core Equity (ex-Fossil Fuels) Fund	12	3,617,506
Storebrand	Global ESG Plus Fund	26	10,823,733
Wellington	Wellington Global Impact Fund	2	7,583,215
Wheb	Wheb Sustainability Fund	2	8,628,013
	Totals	50	62,293,161

2) Companies that have 'low' Scope 1 & 2 GHG emissions

Set out below are some examples of such companies in which the Fund was invested at 31/03/23:

Table 9: Examples of Lower Than Industry Average GHG Emitting Investee Companies

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

We should point out that the information contained in Tables 8 and 9 is just a snapshot taken from the analysis we undertook. The Fund may well have other 'green' investments in the two M&G funds that we could not include in the exercise due to challenges linking the investments to disclosed GHG emissions information.

The Fund already has exposure to 'green' investments. Each of the Fund's external investment managers either invests in the alternative energy generation industry or invests some of the Fund's money into companies that produce fewer GHG emissions than the average of the sector in which they operate. However, it is important to remember that the level of GHG emissions is one of many factors taken into account by the Fund's investment managers when deciding which assets to hold.

9 Next Steps

One of the key challenges of undertaking an exercise such as this one relates to the end product – what should be done with the findings?

As part of the consultation on the Governance and Reporting of Climate Change Risks, the DLUHC set out the following 'Summary of Proposals', which sit behind the Climate Risk Reporting. These may be useful in terms of understanding how this specific report has met the draft climate risk reporting expectations, and also suggesting what actions the Fund might consider with the findings. We have also added a column to the table to highlight the extent to which this Climate Risk Report supports the delivery or completion of each of the proposal:

Area	Proposal	Supported Via This Report?
Overall	Each LGPS Administering Authority (AA) must complete the actions listed below and summarise their work in an annual Climate Risk Report.	✓
Scope and Timing	The proposed regulations will apply to all LGPS AAs. The first reporting year will be the financial year 2023/24, and the regulations are expected to be in force by April 2023. The first reports will be required by December 2024.	REGS NOT YET IMPLEMENTED
Governance	AAs will be expected to establish and maintain, on an ongoing basis, oversight of climate related risks and opportunities. They must also maintain a process or processes by which they can satisfy themselves that officers and advisors are assessing and managing climate-related risks and opportunities.	✓
Strategy	AAs will be expected to identify climate-related risks and opportunities on an ongoing basis and assess their impact on their funding and investment strategies.	✓
Scenario Analysis	AAs will be required to carry out two sets of scenario analysis. This must involve an assessment of their investment and funding strategies. One scenario must be **Paris-Aligned** (meaning it assumes a 1.5 to 2 degree temperature rise above pre-industrial levels) and one scenario will be at the choice of the AA. Scenario analysis must be conducted at least once in each valuation period.	–
Risk Management	AAs will be expected to establish and maintain a process to identify and manage climate-related risks and opportunities related to their assets. They will have to integrate this process into their overall risk management process.	✓
Targets	AAs will be expected to set a target in relation to one metric, chosen by the AA. The target will not be binding. Progress against the target must be assessed once a year, and the target revised if appropriate. The chosen metric may be one of the four mandatory metrics listed above, or any other climate related metric recommended by the **Task Force on Climate-related Financial Disclosures (TCFD).**	✓

Disclosure	AAs will be expected to publish an annual Climate Risk Report. This may be a stand-alone report, or a section in the AA's annual report The deadline for publishing the Climate Risk Report will be 1 December, as for the AA's Annual Report, with the first Climate Risk Report due in December 2024. We propose that scheme members must be informed that the Climate Risk Report is available in an appropriate way.	✓

As our assessment shows, we believe that the analysis and information contained within this report supports almost all of the key proposals identified by DLUHC in relation to the identification and monitoring of climate-related risks.

Using the Analysis

Given the current stated of GHG emissions disclosures – i.e., not fully embraced by all investee companies – we believe that the focus of asset owners such as the Fund should be to encourage 'laggard' investee companies to publish GHG emissions data, and to create Paris-Aligned decarbonisation plans.

Set out below are some high level stewardship actions that the Fund might consider taking in response to the findings of this carbon footprinting exercise:

Suggested Stewardship Actions
▪ **Engage** with the Fund's investment managers to understand how they are approaching the subject of patchy Scope 1, 2 and 3 emissions disclosures from their investee companies; ▪ **Discuss** with the Fund's investment managers how closing the GHG emissions disclosure gap can form part of their stewardship actions, in terms of voting and engagement; ▪ **Consider** using either Metric 3 or Metric 4 as the 'Target' set out in the DLUHC proposals. Given the current state of Scope 1,2 and 3 emissions disclosures, we believe it makes more sense to concentrate efforts on improving Scope 1, 2 and 3 disclosures from investee companies than necessarily focussing on the Carbon Footprint number and level at this moment in time; ▪ **Share** the high level results of this Climate Risk Report with stakeholders, including Scheme Members.

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Whilst the analysis of the Fund's investments from a GHG emissions perspective has facilitated the reporting of information that meets the Metric 1, 2, 3 and 4 expectations set out in the DLUHC climate risk reporting consultation, we believe that the key take away action is that more of the Fund's investee companies should be encouraged to disclose their GHG emissions and approaches to aligning their decarbonisation journeys with the Paris Agreement.

10 Appendix 1: Glossary

AA	Administering Authority – responsible for the management and oversight of an LGPS Fund
DLUHC	Department for Levelling Up, Housing and Communities – responsible for setting legislation relating to the LGPS.
Engagement	The process through which asset stewards (such as East Sussex or its asset managers) communicate any issues or concerns they have identified relating to any specific investment they hold, to the appropriate management body.
ESG	Environmental, Social and Governance – usually used in reference to ESG 'factors' or 'characteristics', in the content of a Fund's, portfolio's or investee company's approach to sustainability issues or risks.
GHG	Greenhouse Gas - Greenhouse gases are the gases in the atmosphere that raise the surface temperature of the planet. What distinguishes them from other gases is that they absorb the wavelengths of radiation that a planet emits, resulting in the greenhouse effect.
ICB	Industry Classification Benchmark - an industry classification taxonomy launched by Dow Jones and FTSE in 2005. It is used to segregate markets into sectors within the macroeconomy.
LGPS	Local Government Pension Scheme - the LGPS is a statutory pension scheme for employees of local authorities.
Stewardship	Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.
Scope 1	Reflects '***direct emissions***' of GHG from sources that are owned or controlled by the company.
Scope 2	Reflect GHGs released into the atmosphere from the use of purchased energy. These are called ***'indirect emissions'*** because the actual emissions are generated at another facility such as a power station.
Scope 2 Location-based	A location-based method reflects the average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data).
Scope 2 Market-based	A market-based method reflects emissions from electricity that companies have purposefully chosen (or their lack of choice).
Scope 3	Emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.

TCFD	**Task Force on Climate-related Financial Disclosures -** created by the Financial Stability Board in 2015 to improve and increase reporting of climate-related financial information. For further information see: https://www.fsb-tcfd.org/
tCO_2e	**Tonnes of Carbon Dioxide (CO_2) Equivalent** - "Carbon dioxide equivalent" is a standard unit for counting greenhouse gas (GHG) emissions regardless of whether they are from carbon dioxide or another gas, such as methane.
Voting	The process through which asset stewards (such as East Sussex or its asset managers) undertake stewardship by voting on resolutions at investee company meetings. This is the primary annual method through which asset stewards communicate their views of the effectiveness of the management of their investee listed companies.

11 Appendix 2: Data Cleansing Information

At the start of the project, we looked at the data provided by Officers, to determine what we would be able to include in the Climate Risk analysis. Shown below is the breakdown of the Fund's investment data as at 31/03/23:

Portfolio Info @ 31/03/23	Cash	Fixed Interest	Derivatives	Equities	Funds	Govt Bonds	Private Asset	Total
Total Fund	**166,378,106**	**354,892,600**	**633,569**	**2,354,378,578**	**224,860,380**	**319,323,627**	**119,734**	**3,420,586,594**
Atlas Infrastructure Fund	2,691,476			98,239,411				100,930,886
Baillie Gifford GAPA Fund	3,915,346			183,158,879				187,074,226
Longview Global Equity Fund	14,025,064			541,201,492				555,226,556
M&G Alpha Opportunities Fund	14,245,747	197,909,222					119,734	212,274,703
M&G Sterling Corporate Bond Fund	1,025,866	105,443,441				14,053,541		120,522,848
Newton Real Return Fund	40,275,233	51,539,937	633,569	147,297,039	36,658,580	63,167,649		339,572,007
Osmosis Resource Efficient Core Equity (ex-Fossil Fuels) Fund	657,362			235,731,024				236,388,386
Ruffer Absolute Return Fund	75,422,520			66,419,464	188,201,800	148,488,397		478,532,181
Storebrand Global ESG Plus Fund	1,650,820			617,840,631				619,491,451
UBS Index Linked Gilt Tracker Fund	139,511					93,614,041		93,753,552
Wellington Global Impact Fund	10,824,997			246,226,133				257,051,130
Wheb Sustainability Fund	1,504,165			218,264,503				219,768,668

From this initial assessment of all of the available information, we were able to determine two things:

1) We would not be able to collect any GHG emissions information on assets beyond listed equities (e.g. Cash, certain Fixed Interest investments, Derivatives, Pooled Funds, Government Bonds and one Private Asset), as this information did not exist.

2) We were unable to match a meaningful amount of corporate bond investments in the M&G Funds with equity issuer parents (only approximately 1/3 could be matched), and so made the decision not to include them in this analysis. We understand that Officers have contacted M&G to ask them how an assessment of GHG emissions associated with the investments held in these Funds might best be undertaken.

The following table shows the number of assets held in each portfolio, again broken down into asset type:

Portfolio Info @ 31/03/23	Cash	Fixed Interest	Derivatives	Equities	Funds	Govt Bonds	Private Asset	Total
Total Fund	**562**	**1,005**	**58**	**1,621**	**20**	**62**	**1**	**3,329**
Atlas Infrastructure Fund	4			21				25
Baillie Gifford GAPA Fund	18			89				107
Longview Global Equity Fund	9			30				39
M&G Alpha Opportunities Fund	234	549	11			5	1	800
M&G Sterling Corporate Bond Fund	12	418	10			8		448
Newton Real Return Fund	198	38	31	68	9	10		354
Osmosis Resource Efficient Core Equity (ex-Fossil Fuels) Fund	17		6	557				580
Ruffer Absolute Return Fund	15			29	11	12		67
Storebrand Global ESG Plus Fund	33			721				754
UBS Index Linked Gilt Tracker Fund	1					27		28
Wellington Global Impact Fund	20			65				85
Wheb Sustainability Fund	1			41				42

These two tables explain how we arrived at 1,621 'in-scope' individual assets worth £2,354.4 million. From this figure, 1, 591 individual assets were covered by Minerva from a research perspective, and the total asset value of these investments was £2,322.6 million.

About Minerva Analytics

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Report to:	**Pension Committee**
Date of meeting:	**16 November 2023**
By:	**Chief Finance Officer**
Title:	**Work Programme**
Purpose:	**To note the Board and Committee work programme**

RECOMMENDATION

The Pension Committee is recommended to

1) **note the work programme**
2) **advise of training completed, not recorded in the training log**

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1 Background & Supporting information

1.1 The work programme contains the proposed agenda items for future Pension Board and Pension Committee meetings over the next year and beyond. It is included on the agenda for each quarterly meeting.

1.2 The work programme also provides an update on other work going on outside the Board and Committee's main meetings, including working groups, upcoming training and a list of any information requested by the Board or Committee that is circulated via email.

1.3 This item also provides an opportunity for Board and Committee members to reflect on any training they have attended since the last meeting.

2 Conclusion and reasons for recommendations

2.1 The work programme sets out the Board and Committee's work both during formal meetings and outside of them. The Committee is recommended to consider the updated work programme including regularity of agenda items to ensure effective governance of the Fund at the scheduled meetings; advise of training completed, not recorded in the training log.

IAN GUTSELL
Chief Finance Officer

Contact Officer: Sian Kunert, Head of Pensions

Email: Sian.Kunert@EastSussex.gov.uk

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Pension Board and Committee – Work Programme

Future Pension Board Agenda		
Item	**Description**	**Author**
Standing items (items that appear on each agenda)		
Pension Committee Update	A consideration of the draft agenda of the Pension Committee and summary minutes of the last Pension Committee meeting decisions.	Head of Pensions
Governance Report	A report on governance issues effecting the fund, developments in the LGPS and regulatory environment, policy amendments and ACCESS pool updates	Pensions Manager – Governance and Compliance
Employer Engagement and Communications Report	A report on Employer Engagement matters to note, Employer Contributions update and Communications from the Fund	Pensions Manager – Employer Engagement
Pensions Administration report	An update on the performance of the Pensions Administration Team covering KPI’s and projects.	Head of Pensions Administration
Internal Audit reports	All internal audit reports on the Fund are reported to the Board	Head of Internal Audit

East Sussex Pension Fund (ESPF) Quarterly budget report	An update on the Funds budget. This is reported in Q2-4 only.	Pensions Manager – Investment and Accounting
East Sussex Pension Fund (ESPF) Risk Register	A report on the Funds Risk Register	Head of Pensions
Work programme	A report on the Board and Committee's work programme	Head of Pensions
East Sussex Pension Fund (ESPF) Breaches Log	A report on the Funds breaches log	Head of Pensions
Employer Admissions and Cessations	A report on the admission and cessation of employers to the Fund	Head of Pensions
8 February 2024		
Business Plan and Budget 2024/25	Report to set the Budget for the Pension Fund for the Financial Year 2024/25 including the Business Plan with key deliverables for the year.	Pensions Manager – Investment and Accounting
External Audit Plan for the East Sussex Pension Fund 2023/24	Draft External Audit Plan for 2023/24 Pension Fund Financial Statements	Pensions Manager – Investment and Accounting
5 June 2024		
Governance and Compliance Statement	Annual Review of Governance and Compliance Statement	Governance and Compliance Pensions Manager

Annual Report of the Pension Board	Annual report of the Pension Board to the Scheme manager outlining the work throughout the year	Head of Pensions with the Chair of the Board
Privacy Notice and Memorandum of Understanding	Annual review of Funds Privacy Notice (summary and full) and Memorandum of Understanding to check for any changes. This will be reported as a note in the governance report if no required changes.	Governance and Compliance Pensions Manager
Training Strategy	Two-year review and refresh of the Funds Training Strategy	Governance and Compliance Pensions Manager
Risk Management Policy	Three-year review and refresh of the Funds Risk Management Policy	Governance and Compliance Pensions Manager
11 September 2024		
Supplier Update	Update on supplier contracts and procurements	Head of Pensions
Conflict of Interest Policy	Three-year review of the Conflict of Interest Policy	Governance and Compliance Pensions Manager
7 November 2024		
Independent Auditors Report on the Pension Fund Accounts 2023/24	A report on the External Audit findings of the Pension Fund financial Statements for 2023/24	Head of Pensions
Pension Fund Annual Report and Accounts 2023/24	2023/24 Annual Report and Accounts for approval	Head of Pensions

Employer Forum Agenda	Discussion on Pension Fund Employer Forum Agenda topics	Pensions Manager – Employer Engagement
Annual Training Plan	Report on Training completed in the year and training recommendations for the up-coming year	Governance and Compliance Pensions Manager
13 February 2025		

Actions requested by the Pensions Board		
Subject Area	**Detail**	**Status**
Ill Health insurance review	The Board requested a review to be carried out on the Ill Health Insurance provision in place in terms of commercial arrangements.	TBC
Prudence in cessation policy	The Board requested further details to understand the prudence level in relation to the revision of the FSS for the Cessation Policy	TBC

Future Pension Committee Agenda		
Item	**Description**	**Author**
Standing items (items that appear on each agenda)		
Governance Report	A report on governance issues effecting the fund, developments in the LGPS and regulatory environment, policy amendments and ACCESS pool updates	Pensions Manager – Governance and Compliance
Pensions Administration report	An update on the performance of the Pensions Administration Team covering KPI's and projects.	Head of Pensions Administration
Internal Audit reports	Internal audit reports on the Fund and annual audit plan.	Head of Internal Audit
East Sussex Pension Fund (ESPF) Quarterly budget report	An update on the Funds budget - *reported Q2-4 only*	Pensions Manager – Investment and Accounting
East Sussex Pension Fund (ESPF) Risk Register	A report on the Funds Risk Register	Head of Pensions
Work programme	A report on the Board and Committee's work programme	Head of Pensions
Investment Report	A Quarterly performance report of the investment managers	Head of Pensions and Investment Consultant

East Sussex Pension Fund (ESPF) Breaches Log	A report on the Funds breaches log – *reported only when a new breach is recognised, or status changed. Report goes quarterly to Board.*	Head of Pensions
Employer Admissions and Cessations	A report on the admission and cessation of employers to the Fund - *reported only when outstanding admissions or cessations.*	Head of Pensions
22 February 2024		
Business Plan and Budget 2024/25	Report to set the Budget for the Pension Fund for the Financial Year 2024/25 including the Business Plan with key deliverables for the year.	Pensions Manager – Investment and Accounting
External Audit Plan for the East Sussex Pension Fund 2023/24	Draft External Audit Plan for 2023/24 Pension Fund Financial Statements	Pensions Manager – Investment and Accounting
19 June 2024		
Governance and Compliance Statement	Annual Review of Governance and Compliance Statement	Governance and Compliance Pensions Manager
Annual Report of the Pension Board	Annual report of the Pension Board to the Scheme manager outlining the work throughout the year	Head of Pensions with the Chair of the Board
Privacy Notice and Memorandum of Understanding	Annual review of Funds Privacy Notice (summary and full) and Memorandum of Understanding to check for any changes. This will be reported as a note in the governance report if no required changes.	Governance and Compliance Pensions Manager
Training Strategy	Two year review and refresh of the Funds Training Strategy	Governance and Compliance Pensions Manager

Risk Management Policy	Three years review and refresh of the Funds Risk Management Policy	Governance and Compliance Pensions Manager
17 July 2024 - Investment Strategy Workshop and training day		
25 September 2024		
Carbon Footprinting	A report on the carbon footprint of the portfolio of ESPF including whether investments are in line with transition pathways.	Head of Pensions
ESG Impact Assessment	Annual assessment by Investment consultants on the ESG standing of Investment managers with action plan	Head of Pensions
Investment Strategy Statement	Review of the Investment Strategy Statement to take into account any revisions to the investment strategy. Review to include Statement of Investment Principles.	Head of Pensions
Stewardship Code submission for 2023	Update on status for submitting second annual submission to FRC for Stewardship activities for calendar year 2023 prior to October submission date	Head of Pensions
Conflict of Interest Policy	Three-year review of the Conflict of Interest Policy	Governance and Compliance Pensions Manager
Supplier Update	Update on supplier contracts and procurements	Head of Pensions
21 November 2024		

Independent Auditors Report on the Pension Fund Accounts 2023/24	A report on the External Audit findings of the Pension Fund financial Statements for 2023/24	Head of Pensions
Pension Fund Annual Report and Accounts 2023/24	2023/24 Annual Report and Accounts for approval	Head of Pensions
Employer Forum Agenda	Discussion on Pension Fund Employer Forum Agenda topics	Pensions Manager – Employer Engagement
Annual Training Plan	Report on Training completed in the year and training recommendations for the up-coming year	Governance and Compliance Pensions Manager
27 February 2025		

Actions requested by the Committee

Subject Area	Detail	Status
Presentations from Investment Managers	Meetings / Presentations with impact managers to understand what investments are held in the portfolios and IFM to understand the future proofing of infrastructure assets	Rolled out in September and November
Training	Requests were made, following the July 2023 investment workshop day, for training on the following areas • How to invest in the energy transition. Eg electric storage/batteries, renewables, nuclear, hydrogen, EV's. What is cost and access to markets for these investments. • How are Private Equity Companies selected for the underlying portfolios, do we know what is held, do the IM's have influence/control of the underlying companies, can we influence what is included or not? Are there Impact or ESG PE options? • What are the pros and cons of DGF / absolute return funds? How are they correlated to other asset classes? • Global sovereign gilts – access to market, pros and cons of investing in other jurisdictions rather than the UK including ESG • How does LGPS investment strategy evolve over time, what is rebalancing, when is it done, what are the timelines associated with setting investment strategies, what are the impacts of pooling on strategy implementation • Cost benefit implications of de-risking the portfolio • Core responsibilities of Councillors in their role on the pension committee to ensure proper exercise of its responsibilities and powers. Readdressing the need for Governance framework role of the Committee and considering strategic investment change recommendations from expert advisers, rather than directing underlying investment holdings.	In progress
Proposals raised on divestment in September	Three sets of proposals on divestment within investment strategy tabled in September Committee meeting. Officers to collate data to understand exposure to	Aim for Spring completion

	areas of divestment proposed and provide a cover note to aid understanding of proposals	

Current working groups		
Title of working group	**Detail and meetings since last Pensions Board and Committee meetings**	**Membership**
Investment Implementation Working Group (IIWG)	The Investment Working Group and ESG working group have been amalgamated, as agreed at Pensions Committee 21 September 2020. The IIWG has an advisory role to over oversee the implementation of decisions by the Pension Committee in relation to investment decisions and carry out detailed research and analysis for Pensions Committee. Recent IIWG meetings • 21 August 2023 (Investment Strategy Recommendations) • 13 October 2023 (Index linked gilts trigger focus) • 3 November 2023 (Range of performance and manager discussions and updates on strategy change implementation)	William Bourne, Russell Wood, Sian Kunert, Representative from Investment Consultant Cllr Fox or substitute committee member is invited to attend
Administration Working Group	The Administration Working Group was set up in 2021 following the conclusion of the ABS and Data Improvement Working Group. The group discuss ongoing administration projects and areas of administration focus including McCloud implementation Recent meetings • 4 July 2023 • 26 October 2023 Scheduled • 5 December 2023	Cllr Fox, Ray Martin, Neil Simpson, Zoe O'Sullivan, Tim Oliver, Paul Punter, Sian Kunert, Ian Gutsell

Training and Development – attendance at recent events

Date	Topic	Committee	Board
29-Sep-23	Investment Manager approaches to supporting climate opportunities - WHEB	Cllr Taylor, Cllr Tutt	
28-Sep-23	Investment Manager approaches to supporting climate opportunities - IFM	Cllr Taylor, Cllr Redstone, Cllr Hollidge	
20-Sep-23	Investment Manager approaches to supporting climate opportunities - Osmosis	Cllr Redstone, Cllr Tutt, Cllr Fox	
19-Oct-23	SPS - LGPS Sustainable Investment & Other Topical Issues Conference • Topics to be covered will include: • Life Sciences with an impact theme • Litigation as part of a toolkit to allow sustainability in pension fund investments • Private Debt • Fixed Income • TCFD • Plus topical LGPS issues from key industry figures	Cllr Taylor	
19&26 Oct 23	LGA Fundamentals Day 1 A scheme overview and covers current issues in relation to administration, investments and governance of the Local Government Pension Scheme (LGPS)		Zoe
30-Oct-23	Investment Manager approaches to supporting climate opportunities - Wellington	Cllr Taylor, Cllr Tutt, Cllr Fox	

Training and Development – Upcoming Training Offered to Pension Board

Date	Topic
8 November Organiser: CIPFA: Time: 10:00 – 13:00 Location: Online Cost: £180	**Local Pension Boards Training by CIPFA** The aim is to support LPB members to maintain their knowledge and understanding in line with the legislative requirements. Ensuring delegates have access to the latest updates and information on legislation, administration and governance in relation to the LGPS.
14 November Organiser: PMI Time: 10:00 - 11:00 Location: Online Cost: Free	**Understanding the importance of Business Continuity for Pensions Schemes** Topics to discuss: • What is Business Continuity Management • Why it is important for pension schemes, their advisers and service providers • What you need to consider, address and put in place as part of your approach to BCM • Practical tips and the importance exercising your teams and plans • How BCM needs to be addressed to meet the obligations and expectations of the General Code. • The benefits of good BCM for all parties involved in the management of pension schemes • How Barnett Waddingham can support our pension clients in these high-risk areas
21- 23 November Organiser: DG Publishing Location: Pennyhill Park, Surrey Cost: Free	**Private & Public Pensions Summit** The Summit gathers the most senior executives and trustees from leading corporate and local government pension plans, together with master trust and IGC chairs, senior government officials, regulators, members of influential trade bodies, and key advisers to the industry. They will debate the implications of the tectonic shifts taking place across the UK pensions landscape, the investment strategies that will be necessary to deliver future performance, and whether lasting solutions can be found to retirement funding needs on a nationwide basis.

	Agenda
22 November Organiser: PMI Time: 14:00 - 15:00 Location: Online Cost: Free	**Admin matters: are you thinking about admin enough?. The Basics** Why good admin matters, focussing on how trustees, pensions managers and their advisers can work together to make admin central to their strategic planning for the scheme. • Data: protecting scheme data, data accuracy and data projects eg pension dashboards • Member engagement: communications, key life events and complaints • Projects: role of the administrator, when to engage and preparatory work.
Looking ahead **December**	
7 December Organisers: PLSA Time: 11:00-11:45 Location: Online Cost: Free	**The Regulatory Horizon for 2024 - Get the inside track on policy developments** The PLSA's policy experts will discuss the developments, themes and challenges expected for the next year in pensions. Learn how these may impact your scheme and what you can do to prepare.

Training and Development – Upcoming Training Offered to Pension Committee

19 October Organiser: SPS Time: 09:00 – 16:30 Location: London Cost: Free	**LGPS Sustainable Investment & Other Topical Issues Conference** • Topics to be covered will include: • Life Sciences with an impact theme • Litigation as part of a toolkit to allow sustainability in pension fund investments • Private Debt • Fixed Income • TCFD • Plus topical LGPS issues from key industry figures
26 October Organiser: Time: 10.30 -11.15 Location: Online Cost: Free	**Managing risk in the LGPS - a spotlight on cash flow risk** On 18 October the Office for National Statistics will announce the September CPI figure which will flow into the 2024 LGPS benefits increases. I'll be joined by Chris Arcari and Reece Notman for a discussion on the impact, including: • The current inflationary position and consensus outlook • The medium-term risks and alternative inflation forecasts • Our analysis of the impact on LGPS funds cash flow requirements • What funds can be doing to better understand and manage cash flow risk
2 November Organiser: SG Pensions Enterprise Time: 13:15 – 17:40 Location: Online	**Investing in Productive Finance. Turning pensions Policy into Practice** At the Masterclass, will be debated the great implications of the new policy initiatives for pension schemes of all types. The Delegates will examine whether this new policy approach can deliver better pensions outcomes and create exciting investment opportunities, and debate the governance, investment and management practices that will be needed to achieve these. Agenda

Cost: Free	
14 November Organiser: PMI Time: 10:00 - 11:00 Location: Online Cost: Free	**Understanding the importance of Business Continuity for Pensions Schemes** Topics to discuss: • What is Business Continuity Management • Why it is important for pension schemes, their advisers and service providers • What you need to consider, address and put in place as part of your approach to BCM • Practical tips and the importance exercising your teams and plans • How BCM needs to be addressed to meet the obligations and expectations of the General Code. • The benefits of good BCM for all parties involved in the management of pension schemes • How Barnett Waddingham can support our pension clients in these high-risk areas
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23 November Organiser: ProfesionalPensions	**Investment Conference: Embrace, Evolve, Excel** This event, you will:

Time: 09:45 – 14:35 Location: London Cost: Free	• Discuss the current market landscape • Identify future investment trends • Summarise a multitude of strategies and ideas to prepare for the evolving pensions scene
29 November Organisers: PLSA Time: 08:30-18:30 Location: London Cost: Free	**ESG Conference.** Every angle of ESG for the pensions sector The Conference will help with your understanding and knowledge, enabling you to drive the path to net zero, contextualise the risk to pension funds, and outline the tools and opportunities available. You will also have the opportunity to meet, network and share experiences with other pension schemes and advisers.
Looking ahead **December**	
6 - 8 December Organiser: LAPFF Location: Bournemouth Cost: £595 + accommodation	**Annual LAPFF Conference 2023** • Responding to the climate emergency: How are LGPS Funds and Pools managing climate-related financial risk • Why Proxy Voting Choice is essential for investors in passive funds • The ESG Backlash: What should LGPS funds and pools expect to their asset managers? • The ESG backlash: How are asset managers responding? • Avoiding a market for lemons: Should investors be concerned by the listing rules review? • The Great Pay Divide: Is it a financial necessity? Executive pay
7 December Organisers: PLSA Time: 11:00-11:45 Location: Online Cost: Free	**The Regulatory Horizon for 2024 - Get the inside track on policy developments** The PLSA's policy experts will discuss the developments, themes and challenges expected for the next year in pensions. Learn how these may impact your scheme and what you can do to prepare.

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Appendix 1

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Agenda Item 20

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