PENSION COMMITTEE



THURSDAY, 22 FEBRUARY 2024

10.00 AM COUNCIL CHAMBER, COUNTY HALL, LEWES

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

AGENDA

- 1. Minutes (Pages 3 14)
- 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 15 28)
- 6. Governance Report (Pages 29 42)
- 7. Governance Change Report (Pages 43 50)
- 8. Pensions Administration report (*Pages 51 58*)
- 9. Q3 Budget Monitoring Report and 2024/25 Business Plan and Budget (Pages 59 74)
- 10. Internal Audit reports (Pages 75 84)
- 11. AVC Report (Pages 85 106)
- 12. Risk Register (Pages 107 118)
- 13. Investment Report (Pages 119 220)
- 14. Work programme (*Pages 221 238*)
- 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 239 250)
- 18. Governance Report exempt information (Pages 251 372)
- 19. East Sussex Pension Fund (ESPF) Breaches Log (Pages 373 384)
- 20. Employer Admissions and Cessations (*Pages 385 394*)
- 21. Any other exempt items previously notified under agenda item 4

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14 February 2024

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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 16 November 2023.

PRESENT Councillors Gerard Fox (Chair) Councillors Ian Hollidge,

Paul Redstone, Georgia Taylor and Colin Swansborough

ALSO PRESENT Ian Gutsell, Chief Finance Officer

Sian Kunert, Head of Pensions

Russell Wood, Pensions Manager: Investment and Accounting

Andrew Singh, ISIO

Colin Bibb, Pensions Systems, Projects and Technical

Manager

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 Cllr Andrew Wilson, Pension Board Councillor Nick Bennett, online Neil Simpson, Pension Board

Georgina Seligmann, Governance and Democracy Manager

35. MINUTES

35.1 The Committee RESOLVED to agree the minutes of the meeting held on 19 September 2023 as a correct record.

36. APOLOGIES FOR ABSENCE

- 36.1 Cllr David Tutt sent his apologies.
- 36.2 Cllr Colin Swansborough substituted for Cllr David Tutt.

37. <u>DISCLOSURE OF INTERESTS</u>

- 37.1 The Committee considered an update report on the Governance of the East Sussex Pension Fund.
- 37.2 The Pension Committee RESOLVED to note the report.

38. <u>URGENT ITEMS</u>

38.1 There were no urgent items.

39. PENSION BOARD MINUTES

39.1 The Committee RESOLVED to note the minutes of the Pension Board meeting held on 02 November 2023.

40. GOVERNANCE REPORT

- 40.1 The Committee considered an update report on the Governance of the East Sussex Pension Fund.
- 40.2 The Pension Committee RESOLVED to note the report.

41. PENSIONS ADMINISTRATION REPORT

41.1 The Committee considered a report introduced by Colin Bibb who drew the Committee's attention to the following points:

KPIs:

- 1) 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, however performance is high and targets are stretching. Lower performance figures are expected for the next quarter with various projects requiring resources including GMP and McCloud but expecting to be back on track in the new year.
- 2) The printing and postage project went live in September and has been progressing well.
- 3) 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.
- 4) The self-service portal for members has been identified as requiring some attention, there is a new version being launched by the software supplier and officer will look to implement in 2024, the change in system will improve the login process to be more secure in order to strengthen data protection.
- 5) Information regarding AVCs will be available at the next meeting as the data requires verification.
- 6) Staffing is much more settled with key vacancies filled which should support the work of the team in addition to overtime being taken up.
- 7) Just over 400 ABS queries to resolve mainly relating to Brighton and Hove and University of Brighton.
- 8) Additional Contributions take up and 50/50 membership over last few years was included in the report following the Pension Board request for an update on the position.
- 41.2 The Committee RESOLVED to note the updates.

42. ANNUAL REPORT AND ACCOUNTS REPORT

- 42.1 The Committee considered a report containing a draft Annual Report and Accounts 2022/23 for approval introduced by Sian Kunnert Head of Pensions, who thanked the team for the hard work on the report and drew the Committee's attention to the following points:
 - 1) The annual report will be published on 1 December 2023 subject to the Committee's approval and will include the policies when published.
 - 2) The Audit was positive for the team and officers have not been made aware of any concerns at this stage. The Audit Committee will receive the final audit report at their meeting of 24 November 2023. Auditing is a commissioned service, the dedicated Pensions team added value to this year's process.
 - 3) The level 3 investments valuations as described as highly subjective which is the appropriate terminology.
 - 4) The TCFD data in the report included the scenario work required for the triennial valuation and Committee members noted that the parameters are not set by the Fund and that the scenarios were consistent across all Actuaries. Officers advised that it is not mandatory to include the data but that it could be next year and in future the Fund would consider commissioning a Stewardship expert to help provide information required when DLUHC buts in place the Climate reporting statutory guidance.

42.2 The Committee RESOLVED 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 draft Pension Fund Annual Report and Accounts 2022/23.

43. Q2 BUDGET MONITORING REPORT

- 43.1 The Committee considered a report providing an update on the 2022/23 Quarter 2 Forecast Outturn Position and 2023/24 Outturn.
- 43.2 The Committee RESOLVED to note the report.

44. INTERNAL AUDIT REPORT

- 44.1 The Committee considered the Internal Audit Report of the outcome of the Pension Fund Collection of Contributions audit.
- 44.2 The Committee RESOLVED to note the report.

45. ANNUAL TRAINING PLAN

- 45.1 The Committee considered a report providing an update on training needs, opportunities undertaken and planned events introduced by Michael Burton and noted the following points:
 - 1) The majority of Board and Committee members have completed the selfassessment and officers have analysed results and the training undertaken this year. The diverse training offer reflects the survey outcome.

- Procurement and Admissions and Cessations training will be undertaken in December.
- 3) Officers are in discussion with IT to develop a unique training offer for committee members and officers to address the Business Continuity and Cyber Security risks.
- 4) The Committee discussed the benefits of asking regular committee substitutes to undertake training though noted the challenge of widening the training offer to all Councillors. Officers agreed to consider the points raised and to bring a short report back to a future meeting.

45.2 The Committee RESOLVED to:

- 1) Note the outcome of the self-assessment knowledge and survey skills;
- 2) Note the training made available in the past year;
- 3) Note the type if events planned for the year ahead;
- 4) Identify areas Committee members would like training on as a priority and produce a report around the governance of substitutes for the committee.

46. RISK REGISTER

- 46.1 The Committee considered a report introduced by Sian Kunert who drew the Committee's attention to the following risks:
 - 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 and these recommendations are being acted upon. A standalone meeting on this matter is recommended for the Committee and Board.
 - 2) 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.
 - 3) 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.
- 46.2 The Committee RESOLVED to review and note the Pension Fund Risk Register.

47. INVESTMENT REPORT

- 47.1 The Committee considered a report introduced by Sian Kunert and Andrew Singh who drew the Committees attention to the following points:
 - 1) The Investment work plan sets out plan for next 12 months

- 2) 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 of the report.
- 3) The Quarterly performance report was disappointing and the response and plans covered in the report.
- 4) Interest rates have been rising, the last two chances to increase have been held and inflation is reducing however the Bank of England will keep interest rates high to support this and markets have now accepted this.
- 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.
- 6) A number of the benchmarks are linked to interest rates and inflation so benchmarks are structurally higher and returns haven't kept pace
- 7) The longer term returns at Fund level remain robust, with private equity assets adding significant value.
- 8) 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.
- 9) UK equities performed well, largely driven by the energy market, with the sector benefitting from a rise in the oil price.
- 10) An allocation to private credit needs to be implemented and more information will come to the Committee.
- 11) UBS Infrastructure is of concern given the very weak performance which was driven by one particular investment, Archmore Fund I. Osmosis and Storebrand showed an unusual level of underperformance and more detail will be provided in the next report to Committee.
- 12) Sustainable mandates have underperformed but this is common, WHEB and Wellington are both high conviction and therefore can be impacted by the performance of one holding.
- 13) The benchmark of the current asset allocation of the Fund has now been updated following the strategy day.
- 14) More recent acquisitions are judged against a different benchmark which makes it hard judge performance consistently. Some funds are thematic which makes it hard to measure them against traditional benchmarks the consultants were asked to look into suitable benchmarks for performance monitoring.
- 15) There are a variety of ESG mandates on the market with more expected, driven by assumption that this will be the default way to invest. If ESG is well managed then it has the ability to add value.
- 16) This is a diversified portfolio so not everything will do well at the same time; the focus is on good long term performance e.g. Baillie Gifford have now recovered from a challenging period. Rational is that asset allocation is key as this dictates performance.
- 17) The Carbon Foot printing data was previously produced by a difficult company so it is very difficult to compare data however the Committee should have sight of it. In future some analysis of the data will be provided with the report but hard to demonstrate the

position of the Fund. ISIO will also ask managers for better data on this so that the Committee can better understand the context of what companies are doing to become more sustainable.

47.2 The Committee REVOLVED to note the investment report.

48. WORK PROGRAMME

- 48.1 The Committee considered its work programme, introduced by Sian Kunnert.
- 48.2 The Committee noted that the Pension Board now receive a summary of the meetings to increase their oversight of the governance framework and that training items are included and members should inform officers of any training attended.
- 48.3 The Committee RESOLVED to agree the work programme.

49. EXCLUSION OF THE PUBLIC AND PRESS

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).

50. INVESTMENT REPORT - EXEMPT INFORMATION

- 50.1 The Committee considered the exempt Investment report.
- 50.2 A summary of the discussion is set out in an exempt minute.
- 50.3 The Committee RESOLVED to note the report.

51. GOVERNANCE REPORT - EXEMPT INFORMATION

- 51.1 The Committee considered the exempt risk register.
- 51.2 A summary of the discussion is set out in an exempt minute.
- 51.3 The Committee REOLVED to:
 - 1) Note the report; and
 - 2) Approve the revised Death Grant Policy.

52. <u>EAST SUSSEX PENSION FUND (ESPF) BREACHES LOG</u>

- The Committee considered a report providing an update on the Breaches Log and outstanding or new Internal Dispute Resolution Procedure (IDRP) cases.
- 52.2 A Summary of the discussion is set out in the exempt minute.
- 52.3 The Committee RESOLVED to:

- 1) Note the breaches of law and steps being taken; and
- 2) Note that no new IDRP complaints have been raised in the relevant period.

53. <u>EMPLOYER ADMISSIONS AND CESSATIONS</u>

- 53.1 The Committee considered a report providing an update on the latest admissions and cessations of employers within the Fund.
- 53.2 The Committee RESOLVED to:
 - 1) Note the ongoing proceedings for the admission of admitted bodies to the Fund; and
 - 2) Note the ongoing proceedings for the cessation of employers from the Fund

The meeting ended at 12.54

Councillor Gerard Fox (Chair)

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PENSION BOARD

MINUTES of a meeting of the Pension Board held at Council Chamber, County Hall, Lewes on 8 February 2024.

PRESENT Ray Martin (Chair), Zoe O'Sullivan and Neil Simpsonand 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 Gerard Fox Cllr Nick Bennett

95. MINUTES OF THE MEETING HELD ON 2 NOVEMBER 2023

95.1 The Board agreed the notes of the previous meeting held on 02 November 2024 as a correct record.

96. APOLOGIES FOR ABSENCE

- 96.1 Apologies were received for Cllr Andrew Wilson and Tim Oliver.
- 96.2 Ray Martin (RM) welcomed Nigel Manvell, employer representative of BHCC as a new member of the Board.
- 96.3 Neil Simpson was appointed Vice-Chair for the meeting.

97. <u>DISCLOSURE OF INTERESTS</u>

97.1 There were no disclosures of interest.

98. URGENT ITEMS

98.1 There were no urgent items.

99. PENSION COMMITTEE AGENDA

99.1 The Board considered a report containing the draft agenda for the Pension Committee meeting due to be held on 22 February 2024 and noted that:

- The Committee will receive an investment report and does not receive the engagement report.
- Training has been arranged with the Actuary and he can address any questions on the funding reports during the training.
- 99.2 The Board received a summary of the minutes of the Pension Committee meeting of 16 November 2023 and noted there were no formal investment decisions made in the last quarter, there was a continuation of the index-linked gilts strategy and an update will be provided to the Committee in June. A sustainable multi asset credit fund run by Bluebay has now been launched on the ACCESS platform and is available to invest in. Storebrand is in progress to be available through the pool in the near future.
- 99.3 The Board RESOLVED to note the agenda.

100. GOVERNANCE REPORT

- 100.1 The Board considered a report providing an update on various governance workstreams completed and changes affecting LGPS and the ESPF.
- 100.2 Michael Burton (MB) drew the Board's attention to the following:
 - 1. There has been an update to the Pension Board membership, Nigel Manvell is now the employer representative for BHCC.
 - 2. The General Code of Practice has been issued by the Pensions Regulator and will be applied from 27 March 2024. Officers are reviewing processes to ensure the Fund is compliant with the Code.
 - 3. Officers will highlight any compliance gaps and the actions required and will bring these to the next meeting and will consider whether training is needed at that point or if a working group is required.
 - 4. The Risk Management policy has had some minor updates but no material changes have been made.
- 100.3 RM confirmed that the Board had responded to the consultation on the General Code and highlighted the differences between the trustee role in private schemes and the role of Board members in LGPS pensions where it has an advisory role and asked if this had been acknowledged by the Regulator in the final code.
- 100.4 MB confirmed that some revisions have been made on this matter to make things clearer and that additional guidance has been provided to LGPS. Updates to the trustee toolkit are being developed and Officers are considering what training needs to be provided.
- 100.5 The Board agreed that it should at least once a year consider the full risk register rather than just changes; see later note under item 13.

NS asked whether there had been any progress by the ACCESS pool following its Governance review. SK advised that the initial learnings and approach from the ACCESS Governance review will go to the ACCESS Joint Committee in March and then actions will follow from there.

There have been lots of meetings with Officers to agree how to approach this and work is in train.

RM asked a question on the fall in the Funding level in March 2023. SK advised there was a drop to the funding rate of over 5% in March due to the pension increase of 10.1% in line with CPI, reflecting the actual change in the liability position as of 1 April 2023.

- 100.5 RM asked if the actuary's funding position is setting out the total funding level for the whole Fund or just the main section for East Sussex, and whether the Actuary is making assumptions where data is missing.
- 100.6 Officers confirmed that all employer sections are included in the whole fund position with the same ongoing assumptions and that where data is missing the Actuary is making an assumption similar to that made at the last valuation.
- 100.7 The Board RESOLVED to note the report.

101. GOVERNANCE CHANGE REPORT

- 101.1 The Board considered a report on the changes to the Constitution following a review of decision-making responsibilities in line with the recommendations of the Scheme Advisory Board "Good Governance Review" introduced by Ian Gutsell (IG).
- 101.2 The Board noted the changes proposed to the Debt Write off and the CFO Scheme of delegations and that the recommendations will go to the Pension Committee before going to the Governance Committee for approval.
- 101.3 The Pension Board is RESOLVED to note the following recommended changes to the East Sussex County Council Constitution where it relates to the East Sussex Pension Fund (the Fund):
 - 1) Agree the amendment to the write off of debt authorisation process in relation to the Fund; and
 - 2) Agree the revisions to the Chief Finance Officer responsibilities in relation to the Fund (showing these separately from the responsibilities for the Council) as laid out in Appendix 1 of the report.

102. EMPLOYER ENGAGEMENT AND COMMUNICATIONS REPORT

- 102.1 The Board considered an update on employer engagement activities and communication tasks that directly affect the East Sussex Pension Fund introduced by Sian Kunnert; activities have included website improvements and branding revisions to written communications to members.
- 102.2 SK drew the Board's attention to the following:
 - 1) Tim Hillman has left but the Employer Engagement team is continuing the work

i-Connect

2) The largest employer with data issues is trying to work through their data and the team is working hard to resolve the outstanding issues. A significant amount of progress has been made this year, at the beginning of March Officers will make a decision on those which will not to be onboarded. This is expected to be a small number. The administration working group will meet at the end of March and an update will be provided to the Chairs afterwards on where data issues remain.

Member Education

- 3) Education and information sessions have been delivered, via the Corporate Training team, to ESCC staff and positive feedback has been received from attendees. However., Tim Hillman was responsible for delivering the training so this has been paused at present.
- 4) There was an Employer forum at the end of November which received very good feedback from attendees.
- 5) The receipt of employer contributions are on track a lonely a few late payments in the last few months, three of which relate to one small employer.

Communications

- 6) Ongoing changes to branding and to the website have been made and a project has been undertaken to encourage pensioners to move to digital payslips.
- 102.3 The Board RESOLVED to note the report.

103. PENSIONS ADMINISTRATION REPORT

103.1 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:

KPIs

- Lower performance figures were expected for the next quarter with various projects requiring resources including GMP rectification, the McCloud judgement changes, i-Connect enrolment and supporting the helpdesk.
- 2) The McCloud data is not complete on the system but the team is making good progress and all data except for 1 employer is with Heywoods at present.
- 3) Automation of some calculations through robotics will go live soon which will ease the strain on resources. Prioritising redundancy calculations as part of this.
- 4) PAT performance numbers are 81% which is lower that the target at 95% with the impact of completing the B&H CC work now being felt. Performance not expected at target level until the end of the next quarter at earliest.
- 5) 6.7% increase in pension benefits this year which will impact liabilities.

6) The B&HCC April 23 i-Connect file went onto the system this week, some work required to assess joiners and leavers.

Helpdesk

7) Covering the helpdesk short term (only2 FTE remaining in the team) as 2 staff members have left, the staffing consultation work is ongoing, and the helpdesk work will go back into the East Sussex team from ORBIS at 1 April. Back up staff are not covered by the TUPE process and so can't be given the higher pay rate so they are unlikely to accept offers to transfer to East Sussex. As a result PAT and recruiting 3 external staff to join the Help Desk as a result. PAT have resolved a huge number of enquiries via email while phone service was maintained, the work is handed by the helpdesk now but expecting more Enquires, particularly relating to the switch to electronic payslips.

Staff

8) Focus on recruitment to provide staff to the Helpdesk. Working on recruiting apprenticeships and building up a staff base that way. It is very difficult to find experienced pension administrators, particularly with LAPF experience.

Projects

- 9) GMP: expecting data back from Mercers, some decisions may be required depending on what is received. Will be taken forward through Pension Administration Working Group.
- 10) The member self service project has been rescheduled to launch in May/June, the first stage is called "Engage" Officers would like to share this with the Trade Union representatives to be able to test and pilot the service with ESCC staff.
- 103.2 NS asked if performance is being impacted by projects and the extra work which necessitates diverting staff.
- 103.3 PP confirmed that there is always ongoing project work which the team can manage within the existing resource however at present there are a number of conflicting deadlines. Two significant projects will conclude soon and he predicts that the team workload will be more manageable in two to three months.
- 103.4 RM highlighted that the previous KPI figures did not include all projects (refunds and deferred calculations are now included) and that the KPI's would be higher if reporting was on the same tasks as last year.
- 103.5 The Board RESOLVED to note the report.

104. <u>EAST SUSSEX PENSION FUND DRAFT BUDGET AND QUARTERLY BUDGET REPORT</u>

- 104.1 The Board considered a report on the Quarter 3 forecasted financial outturn of the East Sussex Pension Fund (ESPF) for the 2023/24 financial year and the Draft Budget for 2024/25, introduced by Russell Wood who drew the Board's attention to the following points:
 - 1) There was an increase of £70k due to the Fund Officer costs; the previous figures had not included an amount for the pay award.
 - 2) Audit costs have increased significantly to £90k.

Draft budget

- 1) Slight increase from the current year of £98k, several assumptions made and the cost of the helpdesk is not known.
- 2) The budget is now based on an assumption of being fully staffed and that those who are due an increment will receive one and there is an assumed pay award of 3%in line with the East Sussex Council budget.
- 3) A number of one-off payments have been removed as they related to last year only.

104.2 The Board RESOLVED to:

- 1) Note the report; and
- 2) Note the Business Plan and Budget for 2024/25

105. INTERNAL AUDIT STRATEGY

- 105.1 The Board considered the draft fund strategy and annual audit plan presented by Danny Simpson (DS) and noted the following points:
 - 1) The Strategy has been drafted in liaison with the Section 151 officer and the Chairs of the Board and Committee.
 - 2) The annual plan sets out the detail of the last audits, when they will be conducted and the key risks which will be addressed within these audits.
- 105.2 RM asked if some risks and themes will be revisited, and Officers confirmed that there are some one-off audits but that the majority span a period of time and will be revisited on a risk analysis basis and in liaison with Officers and Chairs to agree prioritisation of risks.
- 105.3 NS suggested that the Regulatory Compliance audit should be scheduled for later in the year following the adoption of the new general code and officers agreed to review this.
- 105.4 The Board RESOLVED to note the 2024/25 Internal Audit Strategy for Pensions and Annual Plan.

106. ADDITIONAL VOLUNTARY CONTRIBUTIONS REPORT

- 106.1 The Board considered a report on the management and governance of the Additional Voluntary Contribution arrangements with Prudential, introduced by Sian Kunert, and noted the following points:
 - 1) There are 10 self-selection funds available and their performance is set out in the appendices.

- 2) There were no areas of concern identified, Prudential is one of the largest providers and offers appropriate funds.
- 3) Charges are consistent with other AVC arrangements in the LAPF.
- 4) Prudential offer a Sharia fund; officers have not received any questions about this however the LGA have confirmed that the LGPS is compliant. The fund can be added if there is interest.
- 5) The employers provide the access and information to members, ESCC has recently launched AVC Wise which is an intermediary education approach that most employers use and the vast majority of members who top up do so through this vehicle rather than the using defined benefit top ups. There is a Prudential AVC website which provides the detail of the options, but the administration is done by the employer until a member wants to draw the investment at which point the Fund manages the withdrawal.
- 106.2 The Board discussed whether Prudential could offer a different default fund rather than the "with profits" option as in the private sector these types of funds have been removed due to the lack of transparency and the failure of Equitable Life. It was noted that the advice to Officers is that the funds offered are appropriate, but they agreed that it would be appropriate to get external advice on what would be the best default approach and option for the AVC arrangements.
- 106.3 Officers advised that the standard of living requirement and gender discrepancies should be a focus for employers.
- 106.4 Officers agreed that they would propose to the Committee that the Officers select an external adviser to advise the fund on the most appropriate default approach going forward.
- 106.5 The Board agreed that the Sharia fund should be available to members.
- 106.6 The Board noted that the Committee will consider the points raised at the meeting of 22 February.
- 106.7 The Board RESOLVED to note the report.

107. PENSION FUND RISK REGISTER

- 107.1 The Board considered the updated risk register presented by SK.
- 107.2 The Board considered the following risks:
 - Risk E3 Employer Covenant, has been increased in likelihood, moving the overall risk score to a 6. This is because an increasing number of Local Authorities are at risk of a s.114 notice and not having sufficient cash to meet their expenditure. Pension payments would be expected to continue in such circumstances, but it is unclear what would happen in the event of a Local Authority not having sufficient funds to meet its liabilities. This rationale has also seen the suggested pre-mitigation likelihood increase.
 - Risk G1 Key Person Risk, has increased. A member of the Officer leadership team
 has recently left, it is believed there may be delays in finding a suitable candidate for the

vacant position and agency support for the role has not yet been successful. Officers feel this score is acceptable and that the mitigation plan is appropriate.

- The definition of risk G5 Data Breach, has been updated to make it clear that the risk does not just apply to GDPR, other Regulations exist which determine how data is handled and used. The Board noted that the Cyber Risk remains as a defined separate risk to mirror the Council's position.
- Risk G6 Fraud, has seen its likelihood reduced. Fund Officers have not seen material
 cases of fraud either against the Fund or its members. Mitigations in place are believed
 to be effective, however, it is recommended that the risk remain on the register as both a
 point of good practice and to show the potential pre-mitigation risk level.
- Risk I6 ESG, has seen both pre- and post- mitigation likelihood scoring increase.
 There is expected to be an increase in the level of political interest in this area which will mean it is more likely further action will need to be taken by the Fund.
- Risk I7 Climate Change has had its post mitigation risk increased for the same reasons.
- Risk I4 Investment Pooling, this has been reduced as there is now more information available and an operator is in place.
- 107.3 NS asked if Officers know which of the admitted bodies are dependent on council funding given the risk of cuts and financial insolvency in the sector. SK confirmed that this information is tracked however those bodies tend to be underwritten by the Council rather than directly funded by them. The risk is considered low and there are guarantees in place for funding.
- 107.4 The Board discussed reviewing the full Risk Register at least once a year to support the Risk Management policy and agreed it would be beneficial. It was noted that the Exempt Risk Register item now allows for better discussion as key issues can be drawn out as required. The Board has sight of the full risk register as part of the papers prepared for each meeting and any changes or increased monitoring is highlighted by officers.
- 107.5 The Board RESOLVED to note the report and to consider the full risk register in more detail at a future meeting.

108. WORK PROGRAMME

- 108.1 The Board considered the report on the work programme, introduced by SK, who highlighted the following points:
 - 1) A number of polices including the Governance and Compliance Statement will come to the June meeting along with the external audit plan.
 - 2) The Board will provide an update to the Committee on what it has focused on and how it has supported the scheme manager over the year.
 - 3) The training attended is set out in the report along with the training the Board have been invited to and the Board should advise SK if they have attended anything not listed.

- 4) At the September meeting there will be a supplier update and a Conflict of Interest policy which will be pension fund specific with the Members' Conflict of Interest code appended to it.
- 5) Proposals on the Climate change exposure of the Fund will be coming to a future committee meeting.
- 6) Working Groups set out within the program may result in extra support being requested from the Board.
- 7) The ill health insurance policy was implemented in 2021 and will be reviewed later this year.
- 108.2 The Board RESOLVED to note the work programme.
- 109. ANY OTHER NON-EXEMPT ITEMS PREVIOUSLY NOTIFIED UNDER AGENDA ITEM 4
- 109.1 There were no items.

110. EXCLUSION OF THE PUBLIC AND PRESS

110. 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).

111. GOVERNANCE REPORT - EXEMPT REPORT

- 111.1 The Board considered the exempt Governance report.
- 111.2 A summary of the discussion is set out in an exempt minute.
- 111.3 The Board RESOLVED to note the report.

112. PENSION FUND BREACHES LOG

- 112.1 The Board considered a report providing an update on the Breaches Log and outstanding or new Internal Dispute Resolution Procedure (IDRP) cases.
- 112.2 A summary of the discussion is set out in an exempt minute.
- 112.3 The Board RESOLVED to note the report.

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

- 113.1 The Board considered a report on the latest admissions and cessations of employers within the Fund.
- 113.2 A summary of the discussion is set out in an exempt minute.
- 113.3 The Board RESOLVED to agree the actions set out in the exempt minute.

(The meeting ended at 12.58) Ray Martin Chair Document is Restricted



Agenda Item 6

Report to: Pension Committee

Date of meeting: 22 February 2024

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 note the 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 Legal and regulatory changes

- 2.1 In November 2023 there was a change in Pension Minister. The current Minister is Paul Maynard MP. He replaces Laura Trott MP. There has also been a change at the Department for Levelling Up, Housing and Communities with Simon Hoare MP taking on responsibility for the Local Government and replacing Lee Rowley MP.
- 2.2 The Pensions Regulator (TPR) has put the new General Code before Parliament. It is expected to come into force on 27 March 2024. TPR has made changes from the draft version which Officers have considered previously, and work is being carried out to assess the changes and determine what additional work is required to ensure compliance with the new Code. TPR has said it expects Schemes to consider the new Code and identify what projects it needs to put in place within 6 months. It does not expect full compliance within this timeframe.

3 Pension Board membership

- 3.1 Since the November 2023 meeting of the Pension Board, Officers were informed that Cllr Gajjar was unable to continue as the Employer Representative drawn from Brighton and Hove City Council (BHCC).
- 3.2 BHCC put forward Nigel Manvell, Chief Finance Officer as a replacement, which was approved by the Governance Committee on 23 January 2024.

4 Pension Committee training

- 4.1 In its meeting of November 2023, the Pension Committee asked about the possibility of providing training to potential substitutes.
- 4.2 Officers are mindful that, currently, substitutes for Pension Committee meetings can be drawn from any elected member of the East Sussex County Council. As such, providing training to potential substitutes would pose a significant challenge and potential cost burden where potential substitutes may not be called upon for a significant period, or at all.
- 4.3 Officers would welcome a nominated substitute to be identified for existing committee members, who would be asked in the first instance to substitute where required. This would give a

finite number of people to include when providing training and these elected members can be added to the mailing list for Committee training exercises.

5 Pension Fund Policy

5.1 The Risk Management policy has been reviewed in line with the policy review programme. An updated copy can be found in **Appendix 1**. The existing wording of the policy continues to meet the Funds approach to Risk Management and is compliant with best practice. No material changes are required beyond updating the formatting to the current Fund style.

6 Conclusion

6.1 The Committee is asked to note this report.

IAN GUTSELL Chief Finance Officer

Contact Officer: Mike Burton, Pensions Manager Governance and Compliance

Email: <u>Michael.Burton@eastsussex.gov.uk</u>



Risk Management Policy

February 2024



Risk Management Policy - East Sussex Pension Fund

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Summary

This framework sets out the East Sussex Pension Fund policy on risk management and its strategy for the effective identification, assessment and, where appropriate, management of risks.

Policy Statement

Introduction and Objectives

The key objective of the Administering Authority is to effectively run the Pension Fund, paying benefits as they fall due. This policy is intended to allow for the identification and effective mitigation of risks that may undermine the Administering Authority's ability to do so.

Scope and Definitions

There are many definitions of 'risk' and 'risk management'. In simplest terms, these can be defined as follows:

- Risk 'the probability of an event occurring and its consequences';
- Risk management 'the processes and structures to enable the effective management of potential opportunities and the elimination / reduction of threats'.

Risk is unavoidable and effective risk management is not about the elimination of risk. The Administering Authority's ability to manage risk effectively and proportionately, and maximise opportunity, plays a crucial role in its ability to achieve the key objective.

Risk management is not simply a compliance issue but is a decision-making tool, utilised at both strategic and operational levels, and is an essential element of effective governance.

In developing this framework, the Administering Authority recognises that risks cannot be fully managed and that, in being more innovative, efficient and effective, it may choose to take and/or accept more risk. Where this is the case, robust risk management practice will help ensure that the Administering Authority takes appropriately informed decisions, having properly evaluated the potential risks and the associated opportunities.

Roles and Responsibilities

Administering Authority

The Administering Authority, also known as the Scheme Manager, is responsible for the operation of the Fund. In practice this role is delegated to the Pension Committee (the Committee).

The Committee meets each quarter and should consider the existing risk register at each meeting, together with the recommendations by Officers or the Local Pension Board with proposed changes. The Committee should also consider whether it would like any additional risks to be considered or for existing risks to be removed from the risk register.

As part of the quarterly meetings it would be appropriate for the Committee to consider those risks subject to possible change, the most significant risks and a selection of the other risks on the risk register.

At least annually, the Committee should review the risk register in its entirety.

Local Pension Board

The role of the Local Pension Board (the Board) is to support the Administering Authority. The knowledge and understanding requirements set out in legislation apply to the Board.

The Board meets each quarter, shortly before the Committee. At each meeting it should consider the risk register with a focus on the most significant risks and any changes recommended by Officers. Additionally, the Board should consider a sample of other risks and make suggestions where it feels changes to the risk register should be made. Minutes of the Board meetings are reviewed at the start of each Committee meeting to take comments and recommendations into account within its decision making.

The Board should consider the risk register in its entirety at least annually. This review should be timetabled to reflect the timing when the Committee will also be fully reviewing the risk register.

Working Groups

From time to time a Working Group will be formed to consider a particular issue. It is likely such a Working Group will include representatives from the Committee, Board along with support from Officers.

The scheduling of meetings will vary depending on the issue to be considered. However, at each meeting relevant risks on the risk register should be considered. A report on the Working Group's findings should be presented to the full Board and Committee at their next, quarterly, meeting.

As part of this process suggestions for changes to the risk register should be made as appropriate.

Fund Officers

Fund Officers (Officers) carry out the day to day tasks required for the operation of the Fund. This is done in line with the instructions provided by the Committee.

Officers are most closely associated with the Fund operations and are most likely to identify trends and potential risks. Additionally, Officers will be responsible for the mitigation tasks in the risk register.

Before each meeting Officers should consider whether any changes need to be made to the risk register. This may include adding/removing a risk, changing listed mitigations, or rescoring a risk.

Third party service providers

At various levels, people associated with the Fund receive advice from third party advisors. This includes, but is not limited to, the Fund Actuary, Investment Consultants and the Committee's Independent Advisor.

Third party providers may identify emerging risks to the Fund independently. This may be connected to their cross-market view which those more closely connected to the Fund may not otherwise have access to.

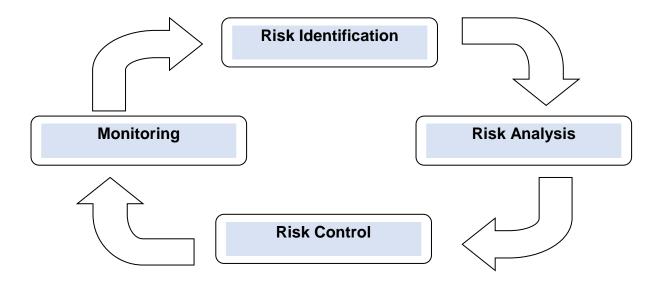
Third party services providers are to be encouraged to raise potential risks with Officers to appropriate changes to the risk register can be made.

Risk Management Strategy

Risk Management Process

The Fund's risk profile is dynamic. Consequently, risk management must be a continuous and developing process to ensure that the Fund is always in the best position to take full advantage of opportunities, as and when they arise, and to ensure that resources are utilised to maximum benefit.

To appropriately and effectively manage risk, it is necessary to adopt a systematic approach to its identification, analysis and control. This approach is referred to as the 'Risk Management Process' and provides a system that can be applied to risks at all levels within the Fund, irrespective of risks being 'strategic' or 'operational' in nature.



Risk information is recorded within the risk register, maintained by Fund Officers with oversight from the Committee and the Board.

Risk Identification

The first element of the risk management process is the identification of risks. This will link into the business planning process, where objectives and targets relating to key business activities are identified, along with associated risks. Risks associated with specific projects and partnership working should also be identified at an early stage in the planning process.

Risk identification is an ongoing process. Risks to the Fund are dynamic and can emerge at any time so their identification should not be seen as a one-off exercise.

The consideration of any reason which could undermine the smooth operation of the Fund could identify a risk. If any concern is identified this should be escalated appropriately at the earliest opportunity an in accordance with Table I.

Table I - Escalating new risks

Person identifying risk	Escalation point
Officer below management grade	Team leader / Pensions Manager
Officer of management grade	Head of Pensions
Committee/Board member	Committee/Board chair
Committee/Board chair	Head of Pensions
Third party service provider	Officer acting as principal liaison point

Any risk identified should represent a specific threat or opportunity. These can be specific risks which occur as a matter of course in the usual operation of the Fund. Risks can, for ease of reference, be categorised using the headings in Table 2.

Table 2 – Risk categories

Category	Definition	Example
Administration	Risks relating to the	Failure to issue Annual Benefit
	calculation and payment of	Statements on time
	benefits or member	
	communication	
Employer	Risk relating to a failure of	Late payment of contributions
	admitted bodies to fulfil their	
	obligations	
Governance	Risk to the effective operation	Key person risk
	of the Fund	
Investment/Funding	Risk to Fund assets	Poor investment return

Risk analysis

When a risk is identified and placed into the appropriate category, consideration should be given to how likely the risk is to crystallise and what impact this would have on the Fund.

Charts to help allocate risk rating are below in Tables 3.1 - 3.3. These can also be found within risk register document.

Table 3.1 - Likelihood

% chance of	Timeframe for	Likelihood	Score
occurring	occurring		
91 – 100	This week	Very High	5
61 – 90	This month	High	4
41 – 60	This year	Medium	3
11 – 40	Next 5 years	Low	2
0 – 10	Next decade	Very low	I

Table 3.2 – Impact

	Negligible	Minor	Major	Critical
Service delivery	Handled within normal day-today routines.	Management action required to overcome short term difficulties	Key targets missed.	Prolonged interruption to core service.
			Some services compromised.	Failure of key Strategic Project
	Little loss anticipated.	Some costs incurred.	Significant costs incurred.	Severe costs incurred.
Financial		Handled within management responsibilities.	Service level budgets exceeded.	Statutory intervention triggered.
	Little or no publicity.	Limited local publicity.	Local media interest.	National media interest seriously affecting public
Reputation	Little staff comment.	Mainly within local government community.	Comment from external inspection agencies	opinion

	Negligible	Minor	Major	Critical
Reputation (continued)		Causes staff concern.	Noticeable impact on public opinion.	
Score	I	2	3	4

Table 3.3 - Risk scoring

Likelihood	5	5	10	15	20
	4	4	8	12	16
	3	3	6	9	12
	2	2	4	6	8
	1	I	2	3	4
		I	2	3	4
		Impact			

Risk Control

It is important to recognise that, by their nature, some risks will remain significant, irrespective of the control measures put in place, because they may be beyond the powers of the Fund to control.

The key to effective risk control is ensuring that a proportionate and cost effective approach is taken, having regard to the level of actual risk exposure and the benefits to be obtained. As a general rule, the cost of controlling a risk should not exceed the cost to the Fund should the risk materialise. There are various strategies which can be taken in response to an identified risk and these include:

- **Terminate** avoid the risk altogether by ceasing the activity to which the risk relates. This tends to be adopted where the level of risk is extreme and where there is little opportunity to control it cost effectively. This option may often be unavailable to the Fund, especially in areas where we have a statutory duty to deliver a service;
- **Treat** mitigate or control the risk. Involves implementing actions aimed at reducing either the impact or likelihood of the risk, recognising these actions should not be in excess of the level of risk exposure in terms of cost or resources;
- **Tolerate** accept the risk, without any mitigations, based on the potential rewards outweighing the level of risk exposure. This approach tends to be used most often where the rewards or the costs of mitigation are especially high;
- **Transfer** achieved through use of insurances or payments to third parties who are prepared to take on the risk as part of a contract. This approach is, however, unlikely to reduce any reputational risk to the Fund.

Whilst all of these strategies are available, there will be some areas of risk which the Fund will not tolerate and will always seek to reduce to an acceptable level. These areas are based on the Fund's risk appetite which is defined as 'the amount of risk an organisation is willing to accept'.

Where a decision is taken to mitigate or control a risk (treat), the measures taken should be appropriate and proportionate based on the likelihood, impact and potential consequence of the risk event. The nature of control risk strategies will therefore vary depending on the nature of the identified risk. Some control measures will address the likelihood element of the risk (i.e. reduce the likelihood of the risk event occurring) while others will address the impact element (i.e. once the event has occurred they will reduce the potential harm caused by the risk).

Even where it appears that an identified risk is outside the scope of meaningful control (such as the impact of severe weather events), a regularly reviewed and tested contingency plan will help reduce the detrimental impact.

Control measures will usually constitute some form of positive action and may therefore also form part of organisational service plans. By recording them in this way, targets can be set against the risk controls which can then be subject to ongoing monitoring and review as part of already established management processes.

Post Mitigation Scoring

Once mitigating actions are identified, each individual risk should be re-scored, in terms of both impact and likelihood, using the same scale as noted above (Table 3). This will result in each risk being allocated a 'post mitigation' risk score, and associated RAG rating.

The purpose of post mitigation scoring is to assess the effectiveness of the control measures at reducing either the impact or the likelihood element of the risk, thereby illustrating the level of remaining or 'residual' risk. Should this remain unacceptably high, management should consider whether further mitigating measures are required.

Monitoring and Reporting

The Fund's risk profile is dynamic and continually changing due to the influence of external factors and / or internal influences.

The level of risk can alter and consequently, identified risks and associated mitigations should be periodically re-assessed by Officers, the Board and the Committee to address and combat the impact of these changes. In addition to this, new risks will periodically emerge which must be identified and analysed as quickly as possible to either reduce the council's exposure to adverse risk or enable the it to take advantage of business opportunities, as they arise.

As a minimum, the risk register should be formally reviewed and updated on a quarterly basis as part of monitoring by the Board and Committee in line with the roles and responsibilities, described above.

Conclusions

The appropriate management of risk is a fundamental element of the Fund's management process and is essential if the organisation is to successfully deliver its objectives. The aim of this Framework is to provide guidance on the risk management process and to assist with the further embedding of risk management within the culture of the Fund.

Approval and review process

This Policy was approved on 22 February 2024 by the East Sussex Pension Committee, and effective form this date. The policy will be formally reviewed at least every three years.

The latest version of this Strategy will always be available on the Fund website: https://www.eastsussexpensionfund.org/forms-and-publications/



Agenda Item 7

Report to: Pension Committee

Date of meeting: 22 February 2024

By: Chief Finance Officer

Title: East Sussex Pension Fund – Governance changes

Purpose: To present changes to the East Sussex County Council governance

structure where it relates to the East Sussex Pension Fund

RECOMMENDATIONS

The Pension Committee is recommended to note the following changes to the East Sussex County Council Constitution where it relates to the East Sussex Pension Fund (the Fund):

- Agree the amendment to the write off of debt authorisation process in relation to the Fund
- Agree the revisions to the Chief Finance Officer responsibilities in relation to the Fund as laid out in Appendix 1

1. Background

1.1. The East Sussex Pension Fund (the Fund) undertook a review of decision-making responsibilities in line with the recommendations of the Scheme Advisory Board "Good Governance Review". An external consultant was appointed to review existing decision-making levels documenting responsibilities into a decision making matrix. As part of this review, the consultant highlighted where changes could be made to the existing governance structure in order to maximise best practice and ensure alignment with changes to the constitution and governance structure approved in 2020. The paper proposes some changes to ensure efficiency of day-to-day operations.

2. Financial decisions: Debt Write Off

- 2.1. The Fund is ring-fenced, with assets held separately from the general assets of the authority; the Fund's assets must be used for the sole purpose of paying Local Government pension benefits. The operational and financial decisions of the Fund are separate from those of the Council, with the budget, budget monitoring, outturn reports and Annual Report and statement of accounts being approved by the Pension Committee, rather than Full Council. The Pension Committee are charged with governance of all financial matters for the Fund.
- 2.2. **Debt Write Off:** The Financial Procedure Rules are set out in the Constitution under Part 4 Rules of Procedure, (7) Financial Procedure Rules. Section A.13.4 sets out the rules in relation to Write Off of Debts, which states that "The write-off of debts below £5,000 may be authorised by the Chief Officer. The write-off of debts in excess of £10,000 shall only be

authorised by the Lead Member for Resources. All other debts falling between these limits may only be written off by a Chief Officer after consultation with the Chief Finance Officer and Assistant Chief Executive. A complete record of debts written off shall be maintained by the appropriate Chief Officer and retained in accordance with Standard Financial Procedures".

2.3. Under the current wording of the constitution the Chief Operating Officer and Lead Member for Resources are decision makers for write off levels for debts owed to the Pension Fund. However neither have direct operational oversight or responsibilities for the debt or the wider financial position of the Fund. It is proposed that the constitution refers directly to the write off of debt for the Fund to sit with the Chief Finance Officer, who will advise the Pension Committee of such write offs. It is recommended that there is a change to section A.13.4. to add a paragraph:

"Where the debt is owed to the East Sussex Pension Fund the write of any value debt may only be authorised by the Chief Finance Officer and amounts over £10,000 reported to the Pension Committee."

3. Responsibilities of the Chief Finance Officer

- 3.1. The Responsibilities of the Chief Finance Officer are laid out in the Constitution under Part 3 Responsibility for Functions, Table 6 Scheme of Delegation to Officers, 3. Delegations to Particular Officers, G. Chief Finance Officer. The existing responsibilities intermingle responsibilities relating to County Council roles and Pension Fund roles. As the Chief Finance Officer, as Section 151 officer, is required to wear two hats in some circumstances where the best interest of the Pension Fund may differ to the best interest of the County Council, it is recommended the role is clearly defined separating out the Pension Fund responsibilities. A draft version of the revised Chief Finance Officer responsibilities is included as Appendix 1 to this report to show the recommended changes.
- 3.2. In addition to the layout of the Chief Finance Officer responsibilities, it is proposed that decisions with financial implications sit with the Chief Finance Officer and Pension Committee. For example, under current arrangements, decisions relating to staffing (recruitment, training etc) are defined as responsibilities of the Chief Operating Officer under Part 3 Responsibility for Functions, Table 6 Scheme of Delegation to Officers, 2. Delegations to Chief Executive and all Directors. The day-to-day operational responsibilities for the Pension Fund, including staffing, administration and investments, sit with the Chief Finance Officer and Head of Pensions, in consultation with the Pension Committee and Pension Board, and not the Chief Operating Officer. The changes proposed are to support the efficient operation of the Pension Fund.
- 3.3. At the Pension Committee meeting on 30 November 2022 the Committee agreed for the Chief Finance Officer to have delegated authority to make decisions to invest up to 5% of the Fund assets outside of the defined Investment Strategy Statement, Implementation plan or rebalancing range to react to market risks or opportunities. It is proposed that this is explicitly added to the role of the Chief Finance Officer to ensure consistency in the governance documentation.

3.4. Article 12.04 lays out the Functions of the Chief Finance Officer as a statutory officer, under this article the Chief Finance Officer "will provide financial information to the media, members of the public and the community." It is recommended that this is explicitly extended in relation to Pension Fund specific communications beyond financial information but inclusion of a role with in the Chief Finance Officer's responsibilities as laid out in the appendix.

4. Conclusion

4.1. The Pension Committee is asked to note the changes to the Constitution laid out in this report to better align the decision making for the Pension Fund in relation to financial matters and improve the efficient functional operation of the Fund. The report will be considered by the ESCC Governance Committee for final approval.

IAN GUTSELL Chief Finance Officer

Contact Officer: Sian Kunert, Head of Pensions

Tel. No. 01273 337177

Email: Sian.kunert@eastsussex.gov.uk



G. Chief Finance Officer

- 1. To make arrangements for the borrowing of such money as the County Council has decided shall be borrowed in accordance with such policy as may be laid down from time to time by the Council and subject to the receipt of the necessary Government approvals.
- 2. In accordance with the provisions of the Local Government and Housing Act 1989:
- (a) to issue bonds and to deal with allied detailed matters as reported to the Cabinet;
- (b) to issue bills in accordance with conditions reported to the Cabinet.

Note: Delegation 2 above is granted subject to the Chief Operating Officer's reporting at regular intervals to the Cabinet on action taken.

- 4. After consultation with the relevant Cabinet members (subject to the provisions of Financial Regulations) to:
 - (a) authorise transfers between budget headings;
 - (b) vary the capital programme;
 - (c) deal with urgent budgetary matters;
- (d) deal with urgent matters relating to borrowing, investments and excusal of debts; and
 - (e) vary the interest rate chargeable for staff housing advances.
- 5. After consultation with the Director of Adult Social Care and Health, to set future inter authority and standard charges for residential and day care accommodation, in accordance with the formula recommended by the Local Government Association.
- 6. To approve fees and charges for 2019/20 onwards and to report to Cabinet and the County Council on those set at a level above inflation as part of the quarterly monitoring
- 7. To determine whether additional income, e.g. one-off grants, should be held corporately or passed to the relevant department within the Medium Term Financial Plan (See A.5.1.3)
- 8. To determine the resources available for the Capital Programme, taking into consideration the availability of reserves and balances, funding from other bodies and the affordability of borrowing. (see A.5.3.6)
- 9. To agree variations within 10% of a capital scheme's current budget where funding has been identified as outlined in A.5.3.8 (see A.5.3.9)

10. To determine annually the capital risk provision and to approve use of the provision for individual project, in consultation with the Capital Strategic Asset Board. (see A.5.3.10)

Note: The Chief Finance Officer has been designated as the Officer with responsibility for the proper administration of the Council's financial affairs under Section 151 of the Local Government Act 1972.

Responsibilities in relation to the Pension Fund

- 1. To carry out the statutory duties referred to in Section 151 of the Local Government Act 1972 in relation to the Pension Fund and to provide advice to the County Council, Pension Committee and Pension Board in carrying out their responsibilities.
- 2. To implement strategies and policies approved by the Administering Authority (including those delegated to the Pension Committee).
- 3. To manage, in accordance with the policies and strategies approved by the Administering Authority (including the Pension Committee), and in accordance with legislative requirements, the East Sussex Pension Fund including ensuring arrangement for investment of assets and administration of contributions and benefits.
- 4. To implement policies decided by the Administering Authority (including the Pension Committee).
- 5. To take action or decide any other Pension Fund related matter on behalf of the Administering Authority in special or emergency situations, in consultation with the Chair of the Pension Committee, including but not limited to where delay in the purchase or sale of investments might be detrimental to the interests of the East Sussex Pension Fund.
- 6. To approve the terms of an admission or cessation agreement and, where appropriate, any related bond or indemnity, with a body wishing to participate in or leave the East Sussex Pension Scheme/Fund.
- 7.To undertake any necessary actions relating to employers joining and leaving the fund, or monitoring of such employers, based on decisions made by the Pension Committee.
- 8. To agree Administering Authority responses to consultations on LGPS matters and other matters where they have minimal impact on the Fund or its stakeholders including relating to minor technical operational matters impacting the Administering Authority only.
- 9. To implement the Fund's agreed strategic allocation including use of both rebalancing and conditional ranges in accordance with the Investment Strategy.
- 10. To make decisions to invest up to 5% of the Fund assets outside of the defined Investment Strategy Statement, Implementation plan or rebalancing range to react to market risks or opportunities.

- 11. To approve payments under the Market Supplement Policy, subject to the other options for addressing staff retention problems having been considered and the following criteria having been satisfied:
- (a) the market in which the County Council is competing being examined;
- (b) salary levels in that market for the required skills, qualifications and experience being clearly above the County Council pay levels; and
- (c) non-pay items which might provide a recruitment/retention incentive being thoroughly examined.
- 12. Within the approved budget to set the staffing complement and to appoint employees to all posts other than those reserved for elected member appointment and to approve starting salaries.
- 13. Provided that the cost can be met from within the approved training budgets
- (a) to arrange and approve the training of employees in accordance with the Pension Funds training policy; and
- (b) to approve the attendance of officers at professional conferences.
- 14. In accordance with the policy of the County Council to authorise:
- (a) honoraria payments for special merit up to £1000;
- (b) honoraria payments to staff who temporarily undertake additional duties or responsibilities in accordance with the scheme for the time being in force;
- (c) planned overtime for staff on or above Spinal Column Point 23 on the Single Status Scheme:
- (d) in special cases, variations in the normal repayment provisions relating to:
- (i) training expenses where the employee leaves within two years of completing a course of study;
- (ii) relocation expenses where the employee leaves within the period stated in the scheme in consultation with the Chief Operating Officer;
- 15. To provide information to the media, members of the public and the community



Agenda Item 8

Report to: Pension Committee

Date of meeting: 22 February 2024

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.

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 January to December 2023 can be found at **Appendix 1**. The PAT saw performance numbers during quarter four 2023, average at 78.99% (volume completed 4,274) which continued, as predicted, lower than targeted. The previous quarter (88.08% with a volume of 3,854).

The lower-than-normal performance, despite a record level of work completed, was caused by a number of issues:

- A knock-on result of the impact of the large volumes of BHCC 2021/22 member movements being added to the worklist in one go.
- A backlog of transfers (almost all types) was also created by the uncertainty of the Government Actuaries Department (GAD) freeze due to the Actuarial Factors review and the resulting updates required to the Altair system.
- McCloud remedy going live and ESPF not being data ready to implement. Having to manually identify cases in scope is slowing down all calculations. Still finalising a new suite of letter templates including holding letters.
- Ongoing data cleansing including preparation for Pensions Dashboards.
- Storing up certain calculation types during October to be ready for new Apprentices.
- Using cases for Robotics Automation testing for both deferred members (now live) and refund quotations (testing ongoing).
- Backdated pay awards starting to come through which will lead to thousands of leaver recalculations.
- Resources redirected to focus on completing projects such as the historical Annual Allowance, GMP Rectification calculations, McCloud data, supplementing the pensions helpdesk plus finalising the last process reviews & supporting robotic developments.

Looking at the position in late January, it is expected that performance will begin to improve throughout quarter one, 2024. The determining factors will be the unknown impacts around:

- The implementation of the GMP rectification together with the 2024 pensions increase.
- The BHCC i-Connect roll-forward to April 2024.
- Pensions Helpdesk resources to cover the service in full.

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 with the service being brought in-house on 1 April 2024.

The helpdesk had four designated ESPF resources, however, in December 23 one retired and one changed careers. This loss of key resource together with the two bulk mailings to all pensioners (with the proposal to move to a default online communication strategy which caused a significant spike in calls, emails and letters) has meant the KPI performance has significantly fallen in late 2023 and early 2024. PAT has stepped in to support the team during this time, including with recruitment in January 2024 and some phone line cover.

A project is underway to ensure a smooth transfer for this service to ESPF and the Pensioner Payroll to ESCC. The staff TUPE consultation period began on 24 January 2024.

3. Pension Administration Staffing Update

3.1 Two new Pension Administration Apprentices started in November 2023, and a short-term temporary Pensions Administrator also joined to help support reducing the backlog. One permanent Pension Administrator position vacancy remains, which is not currently being recruited to.

4. Projects update

4.1 <u>Guaranteed Minimum Pension – Reconciliation & Rectification</u>

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. A number of key decisions were made by the Admin Working Group on 26 October 2023 to enable the project to start to rectify. Mercers raised circa 500+ individual member queries in December 2023 and 20 remain outstanding. The team have worked with Heywood to come up with a bulk solution to import the Mercer results into Altair and the data is expected in early February. Until the data has been received and the results accessed we cannot quantify the extent or value of the changes to GMP liabilities.

4.2 <u>Member Self Service (MSS)</u>

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 are progressing the project with Heywood and will look to carry out a pilot with ESCC members after user acceptance testing before rolling out to all scheme members. This project timing will be considered alongside other Fund priorities and resources.

4.3 Pension increases as at 1 April 2024

We will shortly be running the pension increase routine in test to review errors and issues ahead of receipt of the GMP data. This year's CPI figure will be 6.7% (based on September 2023 inflation index).

4.4 Annual Benefit Statements - 2024

The end of year data requests for any non i-Connect employers will be requested in late March 2024. The project plan and testing matrix will also be prepared at this time.

5 **Conclusion and reasons for recommendation**

5.1 The Pension Committee is asked to note the report.

IAN GUTSELL **Chief Finance Officer**

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

Email:



East Sussex Pensions Administration - Key Performance Indicators

	Activity	Impact	Target	Target	Dec	. 22	Nov	, 22	Oct	t-23	Sor	p-23	Aug	. 22	Jul-	22	Jun	22	May	. 22	Apr	. 22	Ma	r-23	Feb	22	lan	n-23
-	Scheme members	Donsiono	rs. Astivo	2 Deferred								,016							83,8									
	New starters set up	_		& Deferred New Starter Task	85,2 29		85,	304 37		532 56		52	86,0 2,1		83,9 23		83,9 35		33		83,9 31			074 02	84,3 53			,232 73
	New starters set up	buik, i-cc	T	New Starter rask	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score
	Death notification acknowledged,	+			Volume	Score	volume	Score	volume	Score	volulile	Score	volulile	Score	volume	Score	volume	Score	volume	Score	volume	Score	volulile	Score	volume	Score	volulile	Score
12	recorded and documentation sent	N.4	05%	within 2 days	23	100%	17	100%	29	1000/	22	1000/	23	100%	17	100%	26	100%	26	100%	30	1000/	28	1000/	35	100%	48	100%
1a	Award dependent benefits (Death	IVI	95%	within 2 days	23	100%	1/	100%	29	100%	22	100%	23	100%	1/	100%	20	100%	20	100%	30	100%	20	100%	33	100%	40	100%
1b	Grants)		95%	within 5 days	18	94%	2	100%	11	100%	0	100%	22	100%	10	100%	21	86%		100%	11	100%	25	100%	32	100%	29	100%
10	Retirement notification	<u> </u>	95%	within 5 days	10	94%	3	100%	11	100%	9	100%	22	100%	10	100%	21	00%	٥	100%	7.1	100%	25	100%	32	100%	29	100%
	acknowledged, recorded and																											
2a	documentation sent	N/1	95%	within 7 days	64	97%	73	000/	74	06%	60	92%	119	94%	00	01%	121	99%	200	99%	137	98%	190	98%	203	99%	155	99%
2h	Payment of lump sum made	IVI	95%	within 5 days	75		138		163	00%	169		149		155	00%	133	00%	132	99%	145		141		115	100%	105	
20	Calculation of spouses benefits	N/	90%	•	73	100%	130	100%	103	100%	109	100%	143	100%	133	100%	133	100%	132	100%	143		141		26		26	
3	Calculation of spouses benefits	IVI	90%	within 10 dys,		100%		100%	3	100%	4	100%	4	100%	13	100%	14	100%	15	100%	14	100%	12	100%	20	100%	20	100%
40	Transfers In - Quote (Values)	-	90%		20	98%	26	100%	20	1000/	46	000/	47	0.40/	28	0.70/	47	000/	10	98%	22	010/	63	069/	48	000/	70	00%
4a	Transfers III - Quote (values)		90%	aggregation 15 within 5 dys,	38	98%	20	100%	30	100%	40	98%	47	94%	28	97%	47	98%	48	98%	33	91%	03	90%	48	98%	70	99%
1h	Transfers In - Payments	- I.	90%	, ,	43	100%	49	98%	21	1000/	27	100%	42	000/	20	1000/	20	100%	22	1000/	21	1000/	20	1000/	10	1000/	22	100%
4b	Transfers III - Payments		90%	aggregation 25 within 10 dys,	43	100%	49	98%	31	100%	21	100%	42	98%	29	100%	20	100%	22	100%	21	100%	28	100%	19	100%	22	100%
	Transfers Out - Quote	- I.	90%		45	0.40/	Г1	1000/	72	000/	58	000/	1.1.1	0.00/	124	000/	F2	070/	20	720/	22	0.00/	65	070/	72	000/	76	100%
5a	Transfers Out - Quote	<u> </u>	90%	aggregation 15 within 10 dys,	45	94%	51	100%	72	98%	58	99%	144	96%	134	98%	53	87%	29	/3%	22	96%	05	97%	72	99%	76	100%
	Transfers Out Devenouts	-l.	000/	l ' '	1.4	720/	25	020/	24	0.40/	49	020/	40	7.40/	26	4.000/	12	1000/	10	050/	_	1000/	40	000/	22	4.000/	20	1000/
5b	Transfers Out - Payments	L NA	90% 95%	aggregation 25 within 15 days	14 12		35 18		31 17	94%	49 27	0_/0	24	100%	36 10	100%	12 27	100% 100%	19 21	85%	/ 19	100%	40 17		22 33		30 13	
6a	Employer estimates provided	IVI	95%	within 15 days	12		24		17	100%	17	0.1.1	19		10	100%	21		24	100% 100%	15	10070	17 17		17	100% 100%	15	
6b	Employee projections provided	<u> </u>	95%	Quotes 10 days,	0	100%	24	100%	12	100%	1/	100%	19	100%	9	100%	21	100%	24	100%	13	100%	1/	100%	17	100%	13	100%
7	Refunds (inc frozen refunds)	l _L	95%	settle 5 days	202	95%	271	77%	178	79%	250	92%	160	84%	159	89%	173	92%	172	100%	132	97%	182	96%	125	86%	245	87%
8	Deferred benefit notifications	ī	95%	within 15 days	181		475		288	79%	293		264		250	95%	282	90%	308	98%	257		229		203	99%	431	
9a	Aggregation Quote	M	95%	within 15 days	167		140		113		122		76		52	66%	89	66%	42	70%	62	81%	93					
	Aggregation Actual	М	95%	within 10 days	117		332		559	74%	312		94	62%	137	47%	68	70%	115	96%	324	98%	423					
	TOTAL TASKS COMPLETED				1,007		1,653		1,614	80.67%	1,473		1,236	89.40%	1,145	87.95%		90.42%	1,179	96.70%	1,229				950	97.47%	1,265	96.76%
	Figures for the previous year							02 91%				90.16%		94.93%			-	97.76%	-	98.01%	-	97.95%	-	06 68%		97.85%		98.34%
	Figures for two years ago					95.21%						97.17%		98.61%						96.89%	481					90.84%		93.70%
	Figures for three years ago				408							95.34%		92.64%		92.63%				98.61%	617					99.53%		
	Missed target cases				191	33.2370	409	37.3370	312	55.5170	193	33.3170	131	32.0170	138	10070	106		39		38		76		24		41	
10	Complaints received				3		3		1		1		6		6		2		2		3		7		2		6	
11	Compliments received				0		0		0		0		0		0		0		0		0		1		1		0	
	Summary for failed cases				Dec	-23	Nov	₁₋ 23		t-23		o-23	Aug	-23	Jul-	23	Jun-	-23	May	-23	Apr	-23	Ma	r-23	Feb	-23		1-23
	Award dependent honefits (Death				Dec	23	1401	. 23		23	301	- 23	Aug	, 23	Jul	23	Juli		Ividy		/,ρι		I	. 23			Jul	

	mance for t to Mar 23 i	-
Total	Fails	% pass
324	0	100
207	7 4	98
1,502	2 51	96
1,620) 16	99
132	2 0	100
524	16	96
353	3 2	99
821	L 33	96
344	33	90
238	3 1	99
199	0	100
2,249	257	88
3,461	L 245	92
956	483	49.
2,481	556	77.
15,411	1,697	89.

Award dependent benefits (Death 1b Grants) acknowledged, recorded and 2a documentation sent 2b Payment of lump sum made 5a Transfers Out - Quote 5b Transfers Out - Payments Refunds (inc frozen refunds wef Aug 8 Deferred benefit (DB5YE) 9a Aggregation Quote

3 over by average 6.67 6 over by average 8 over by average 2.6 9 over by average 1.5 9 over by average 5.6 4.2 days

		_			_		8 over by average 4.25 days	
4 over by average 4 days	6 over by average 1.8 days			13 over by average 3.3 days			3 over by average 4.33 days	
	'	39 over by average 17.2 days	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		
	1	61 over by average 9.2 days	28 over by average 6.5 days			28 over by average 6.36 days		
129 over by average 90.7 days	110 over by average 105.9 days	58 over by average 105.1 days	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
33 over by average 52.2 days	147 over by average 10.4 days	· · ·	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		

18 over by average 1.2 34 over by average 2

backdated pay. McCloud has complicated all post October 23 are now performed by AI and the refunds will be live next quarter (UAT on live cases did impact KPI's). Project activity remains high and keeps coming, we are looking to re-prioritise and push some out General comments

day of each month. More tasks received in bulk from BHCC and

New KPI/SLA MI from Altair complete but need to be run on the last New KPI/SLA MI from Altair Insights not completed yet. Backlog on New KPI/SLA MI from Altair Insights not completed yet. 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. activity particulary transfers (widest sense). Deferred Benefit calcs New GAD Actuarial Factors in place. Resources re-deployed to work on i-Connect onboarding, ABS production, Annual Allowance projects.

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

New KPI/SLA MI from Altair Insights not completed yet. Interviewing for Project Manager role in Jan 23. Process reviews continue. GAD Actuarial Factor review. March was impacted by the Pension Increase exercise.

9b Aggregation Actual

			Advertise &	Project Officer	Promote Apprentice	Project Manager			1 job advertised plus 1	1 new pension	1 job offer made & 1
			Interview for 2	appointed (moved to	to Administrator 1/8	started 26/6			new pensions	administrator & 1 i-	casual project officer
	Two Apprentices		Apprentices. Looking	Projects from					administrator & 1	Connect administrator	removed
Advertised for two	ľ		at a temp	Admin). Will Bamber					project officer started	started	
· ·	fixed term contractor		Administrator	left 18/8							
Officers.	for 3 months.										
One vacancy	One vacancy	Three vacancies	Three vacancies	Three vacancies	Two vacancies	Two vacancies	Three vacancies	Three vacancies	Three vacancies	Five vacancies	Seven vacancies

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Appendix 2 Helpdesk performance for last 12 months

KPI	Α	В	С	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%
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%
October 23	85%	91%	1%	100%
November 23	92%	76%	1%	80%
December 23	89%	85%	1%	0%

Note: In Nov 23 the pensioner mailing about online comms becoming a default creating a significant spike in both calls and written communications. In Dec 23 one team member retired and one team member moved to bank support. The email's in December were all processed within seven days.

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%
October 23	85%	70%	2%	100%
November 23	92%	49%	10%	80%
December 23	89%	60%	4%	0%

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
October 23	915	1,470	12	2,397
November 23	1,882	1,827	10	3,719
December 23	875	1,165	2	2,042

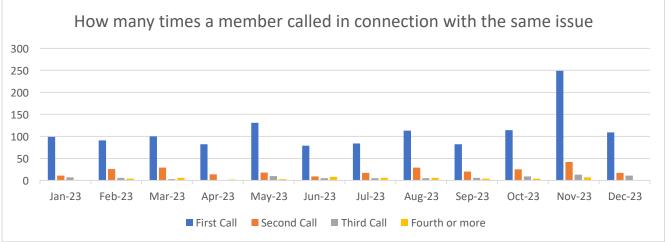
Top five reasons for calls

Month	Self Service	Login	Claim form	Leaver form	Document or Form	Other
	Activation	issues	guidance	received	enquiry	
Jul 23		3 rd	1 st	2 nd	4 th	5 th
Aug 23	1 st	2 nd	4 th		5 th	3 rd
Sep 23	2 nd	1 st	4 th		3 rd	5 th
Oct 23	5 th	1 st	4 th		2 nd	3^{rd}
Nov 23	2 nd	3 rd	5 th		4 th	1 st
Dec 23	2 nd	3 rd	5 th		4 th	1 st

Telephone survey

Quarter 4 2023	1 Star	2 Star	3 Star	4 Star	5 Star
How easy was it for you to contact the Pensions Helpdesk today?	7	7	13	61	517
2. How confident are you that your question was resolved or will be resolved in the relevant timelines?	19	7	27	79	470
3. Based on your recent experience how strongly would you recommend using the Helpdesk to a colleague?	15	3	14	69	496
4. How satisfied were you with your overall experience today?	14	9	25	64	477

The graph below represents the number of times the member called in connection with the same enquiry.



Agenda Item 9

Report to: Pension Committee

Date of meeting: 22 February 2024

By: Chief Finance Officer

Title: Business plan, 2024/25 Budget and Quarterly budget report

Purpose: This report provides an update on the 2023/24 Forecast Financial Outturn

and sets out the business plan and budget for 2024/25

RECOMMENDATION

The Committee is recommended to:

- 1. note the 2023/24 Q3 forecast financial outturn position; and
- 2. approve the Business Plan and Budget for 2024/25 in Appendix 1

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 £4.463m 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. Supporting information

2023/24 Q3 Forecast Outturn as at 31 December 2023

- 2.1 The budget requirements for 2023/24 were set **at £4.463m** (£4.269m 2022/23 excluding manger fees) to support the Business Plan activities and administration of the Fund.
- 2.2 The forecast outturn at the third quarter of 2023/24 is £4.379m, this is a slight increase from the last projected position however reflects an underspend to the approved budget of £0.084m. The 2023/24 outturn against budget line items is shown in the table below.
- 2.3 The change in projected costs mostly relates to a clarification around staffing costs provided by East Sussex County Council along with an increase expected on external audit and operational support services costs. This is being offset slightly by savings on the Fund's administration IT systems costs where savings have been negotiated by paying costs for licenses upfront along with lower than budgeted indexation charges; lower projected legal advisory costs and lower governance related consultancy costs. Detail on these have been set out in paragraph 2.4 to 2.7.

2023/24 Outturn Report

2022/23 Outturn £000	Item	2023/24 Budget £000	2023/24 Actual Outturn Q3 £000	Previous Outturn £'000	Current Forecast Outturn £'000	Variance to previous Forecast £000
£000	Pension Fund Staff Costs	£000	2000	£ 000	£ 000	£000
1,482	Fund Officers	2,023	1,351	1,834	1,968	(134)
1,482	Sub Total	2,023	1,351	1,834	1,968	(134)
,	Oversight and Governance Expenses		·	·		, ,
318	Investment Advice	392	291	408	394	14
125	Actuarial Fund Work	87	14	59	51	8
69	Actuarial Employer Work	81	72	79	87	(8)
(76)	Employer reimbursement	(81)	(19)	(79)	(87)	8
56	Legal Fees	69	27	74	46	28
48	Governance consultancy costs	70	29	68	48	20
96	Audit	71	(49)	71	123	(52)
636	Sub Total	689	365	680	662	18
	Investment Expenses					
101	Custodian	97	(46)	97	98	(1)
101	Sub Total	97	(46)	97	98	(1)
	Administration Expenses					
438	IT Systems licenses costs and Hardware	572	372	568	492	76
256	Overheads	475	310	475	448	27
267	Admin operational support services	279	147	279	309	(30)
13	Improvement projects	100	45	100	99	1 1
235	Consultancy	45	35	81	80	1
7	Communications	47	7	48	68	(20)
13	Training	20	15	27	28	(1)

2022/23 Outturn	Item	2023/24 Budget	2023/24 Actual Outturn Q3	Previous Outturn	Current Forecast Outturn	Variance to previous Forecast
£000		£000	£000	£'000	£'000	£000
87	Subscriptions	75	62	78	85	(7)
48	Other Expenses	60	2	60	60	-
1,364	Sub Total	1,673	995	1,716	1,670	47
	Income					
(15)	Other Income	(19)	(11)	(19)	(19)	-
(15)	Sub Total	(19)	(11)	(19)	(19)	-
3,568	Total	4,463	2,653	4,309	4,379	(70)

- 2.4 The Fund has been working with East Sussex County Council to get better forecasts around the staffing costs expected. There have been several clarifications around vacancies taken into account in this forecast which were not included in the last forecast. In addition to this there was no allowance included for a pay award in the previous forecast model, which have now been agreed and paid out. This has resulted in an increase to the last reported position, but remains below budget.
- 2.5 The outturn for the System Services and Licenses has also decreased against the last quarter forecast. The drivers behind this are that the Fund budgeted an allowance for indexation costs. However, these inflationary costs have not materialised this year and the forecast has been reduced to reflect actual costs being incurred for service. Also negotiation on the licences on one of the systems has resulted in a lower than projected costs. Together this has resulted in a £76,000 reduction in costs.
- 2.6 The outturn for the Admin Operational Support Services has increased against the previous outturn by £30,000, this is due to an increase in the volumes of calls received by the Helpdesk provided by Surrey County Council. These costs are based on the volumes of calls received. We are in the process of bringing the Helpdesk in house and so should have a better understanding of costs going forward.
- 2.7 The external audit forecast for the rest of the year includes the audit fee of 2023/24 which was agreed by the PSAA which is now set at £90,337. This increase is being introduced to ensure it reflects current audit requirements and to set fees on a consistent and equitable basis at the start of the new contract period. This means that the scale fee for each opted-in body better reflects the audit work required under the current Code of Audit Practice published by the National Audit Office and the regulatory expectations of the Financial Reporting Council. Updating the fee scale in this way will have the benefit of making expected fees clearer for opted-in bodies much earlier in the audit cycle and reducing the volume of fee variations. This along with finalised cost for the 2021/22 audit have resulted in a £52,000 increase on the previously reported position.

3. 2024/25 Business Plan and Budget

- 3.1 The Business Plan and Budget is set out in **Appendix 1**.
- 3.2 Total budget proposed is £4.561m (£4.463m 2023/24) to support the Business Plan activities and administration of the Fund.
- 3.3 The budget for 2024/25 is an increase of £0.098m on the 2023/24 budget. There has been a full review of the costs for 2024/25 and the budget for individual lines have changed. The overall result was a budget which was slightly above the previous years. The main movement has been from admin operational support as the Helpdesk budget has been removed from here and added to Staff Costs a movement of £0.190m. This is to reflect that the Helpdesk will be provided in house next year however the exact cost of the staff for this is unclear so the budget has been left at the same level but moved to a more appropriate heading. A further reduction of this line has been the removal of most CHF Docmail costs

which are now coming through the recharge from East Sussex from the digital postal hub and reflected in the overheads line on the budget.

- 3.4 Staff costs have increased by £0.223m. This includes an estimate for a 3% pay award, in line with the ESCC budget methodology.
- 3.5 There is a reduction expected on IT Systems with one off payments incurred in 2023/24 for new system functionality removed, along with specific inflation related allowance £0.043m.
- 3.6 The other areas that have seen the larger increases in budget are external and internal audit which has been set based on the revised PSAA costs of 2023/24 and chargeable rate this is resulting in an increase to the previous year of £0.044m. Along with an increase to the investment advice line to allow for future support on climate modelling and prudence has been added due to the consultancy service being re-procured in the year and the unknown future supplier fee model.

4. Conclusion and reasons for recommendation

4.1 The Committee is recommended to note the Q3 2023/24 forecast position and approve the Business Plan and Budget for 2024/25 as set out in Appendix 1 of the report.

IAN GUTSELL Chief Finance Officer

Contact Officer: Russell Wood, Pensions Manager: Investments and Accounting

Email: Russell.Wood@eastsussex.gov.uk





2024/25 Business Plan and Budget



Introduction

This Business plan and Budget set out the key activities to be delivered by the East Sussex Pension Fund (the Fund) in 2024/25 and the associated budget to deliver these targets and the day-to-day administration activities of running the Fund.

This report includes:

- business plan themes,
- budget for 2024/25 compared against 2023/24 forecast spend,
- key assumptions in setting the budget and
- key deliverables of the budget plan themes.

Business Plan

It is anticipated that 2024/25 will see key activities within the following themes:

Team Development:

- Continue to develop staff providing training and opportunities to the team to support staff retention now the Fund team is at its establishment level.
- Recognition of staff achievements, dedication and success.
- Integrate the Helpdesk team into the Pension Fund Team and culture.
- New starters will be trained, supported in understanding and delivering their responsibilities and integrated into the team.
- Roll out formal qualifications for Pensions Administration staff to aid career development and succession planning. Provide opportunities for staff to attend conferences and training courses.

Oversight and Governance:

- Build on training provided to Board and Committee members to expand knowledge and drive best practice, ensuring a robust induction for new members.
- Further embed a culture of cyber security and resilience
- Production of Fund Annual Report and Accounts
- Take an active role in supporting ESCC in implementing a new ERP Finance System
 to include the Pension Fund Company, to ensure the Fund can be financially
 administered effectively and robustly with clear reporting from any system change or
 developments.
- Ensure a robust SLA arrangement is in place between the Fund and ESCC for services provided to the Fund.

Investment:

- Monitor the Fund's investments and effectiveness of investment managers,
- Implementation of strategic investment decisions,
- Development and submission of ESG and climate risk management reporting
- Support the ACCESS pool in providing pool investment opportunities, increasing the allocation of investments to the pool as more strategic offering are available and ensuring a comprehensive governance framework in place within the pool.

Administration:

- Maintain the high level of administration KPI standards and other team performance activities,
- Focus on Data Quality held on the pension administration system,
- Completion of robotics for processing,
- Improve member experience,
- Work to resolve outstanding projects.

Each theme within the Business Plan includes activities planned for the year. The strategic nature of the Fund objectives means that a number of the 2024/25 activities build on work previously undertaken and continue into subsequent years.

Budget

The detailed budget to support the Business plan themes and to carry out day to day administration of the Fund has been assessed at £4,561k (£4,463k 2023/24) is detailed in the table below.

	2023/24	2023/24	2024/25
Item	Dudest	Forecast	Dudest
	Budget	Outturn	Budget
	£000	£000	£000
Fund Staff Costs			
Fund Officers	2,023	1,968	2,436
Sub Total	2,023	1,968	2,436
Oversight and Governance			
Expenses			
Investment advice	392	394	448
Actuarial Fund Work	87	51	51
Actuarial Employer Work	81	87	89
Employer reimbursement	(81)	(87)	(89)
Legal	69	46	57
Governance Costs	70	48	60
Audit (internal and external)	71	123	120
Sub Total	689	662	736
Investment Expenses			
Custodian	97	98	100
Sub Total	97	98	100
Administration Expenses			
IT Systems licenses costs and Hardware	572	492	487
Overheads	475	448	531
Admin operational support services	279	309	18
Improvement projects	100	99	87
Consultancy	45	80	20
Communications	47	68	37
Training	20	28	33
Subscriptions	75	85	80
Other Expenses	60	60	11
Sub Total	1,673	1,670	1,304
Income			
Income	(19)	(19)	(15)
Sub Total	(19)	(19)	(15)
Total	4,463	4,379	4,561

Budget Coverage

The Budget covers expenditure and income that is accounted for directly by the Fund where the Fund has control. It does not include the income and expenditure relating to member contributions, transfers in or benefits paid out.

The Fund has not included a budget line for investment manager fee invoices as this is based on the assets under management and the Fund cannot predict market volatility. The majority of investment management fees are deduced from the investment assets, so this is not comparable year on year and is not complete picture of the cost to the Fund. The complete position of investment management fees is assessed at year end and accounted for in the Financial Accounts.

The budget does not include items of future pension liability.

Fund staff costs include the Pension Fund team including helpdesk staff transferring over, a percentage of \$151 officer time.

Investment advice include, investment consultancy, independent adviser, ESG consultancy and costs associated with ACCESS.

Governance cost include the administration of the Pension Board and Committee.

Overheads are recharges from ESCC for ancillary services such as Accounts Payable, Accounts Receivable, Treasury management, IT helpdesk and infrastructure, office space and other associated property costs.

Admin operational support service include procured services to the Fund to support the pensions administration team such and payment of the monthly Pensions payroll. The service provision changes in 2024/25 where Pensioner payroll will be recharged from ESCC, and helpdesk moves in house.

Improvement projects for 2024/25 budget include McCloud, Dashboard and Transformational Member Experience.

Other expenses include a contingency amount to cover anticipated interest and penalties relating to incorrect Annual Allowance calculations by the Funds previous administrator from 2014 when there was a change in methodology to reflect tax year, these costs will have mostly be incurred in 2023/24 when the project was completed.

Key budget assumptions

The key budget assumptions are set out below:

• Staffing cost assumes that vacancies will be filled at the most realistic opportunity and existing staff continue in post.

- Helpdesk costs have been moved to Staffing costs and are held at the value in 2023/24 as full cost of the new team are not yet known.
- The 2024/25 Pay Award is forecast to be 3% in line with the ESCC expectations.
- No change to NI rates (13.8%) or thresholds (£9,100).
- Pension employer contribution set to 19.7%.
- Increments will be applied to staff who are not at the top of their scale.
- ACCESS cost based on the budget set by the ACCESS Joint Committee.
- Non-valuation year so lower expected actuarial costs
- The overhead rate from ESCC for property, IT, business administration and other ancillary services is rate set out by ESCC.

Business plan deliverables by key theme

Theme	Tasks	2024/25 activity
Team	Staffing	Recruit to remaining vacancies in all teams
Investment		Establish roles and where responsibilities sit across teams and individuals as the new team structure embeds. Recognise team and individual achievements.
	Helpdesk	Integrate the helpdesk team into the wider Pension Team and establish ways of working that help the Fund to meet its KPI's around the helpdesk and embed the Funds culture.
	Training	Train new staff in their roles and responsibilities, help team members integrate with staff in a hybrid world.
		Promote competency-based training for all staff.
		Provide qualifications that will help staff in their career progression.
		Promote conferences and training events where relevant to ensuring staff are kept up to date on all new regulations and guidance to ensure the Fund provides best practice and high customer service.
Oversight and Governance activities	Training	Enhance and continually improve the training program to develop knowledge and understanding for both new and existing Pension Board and Pension Committee members.
	Cyber Resilience	Ensure all key systems are mapped for data transfers internally and externally to understand risk points.

Theme	Tasks	2024/25 activity
		Continue engagement with IT team for testing resilience of systems.
		Continue to support staff in identifying cyber risk and phishing scams.
		Ensure cyber security risk is taken into account in any new procurements.
A	Pension Fund Annual Report and Accounts	Production of Fund's Financial Statements and Audit Working papers and creation of the Annual Report
	and Accounts	Liaise with external auditor as appropriate.
		Develop and maintain accounting controls to ensure correct financial records are held.
		Report quarterly budget monitoring positions.
		Set an annual Budget.
		Cash Management Strategy finalisation and implementation
		Work with ESCC and their project team to implement the new financial system and ensure that the Fund is able to record all relevant information to create its accounts and perform budget monitoring.
	Compliance	Carry out a review of existing internal controls against the requirements of any new Code of Practice produced by The Pensions Regulator including the new General Code.
		Continue to develop and evolve internal policies and procedures to ensure best practice is achieved across the various workstreams
Investment	Fund's	Provide reporting on the performance of the Fund on a strategic asset allocation level and individual mandate basis.
		Develop our understanding of the costs that the Fund incurs within its investments via the cost transparency initiative. Monitor the costs of the investments are in line with the agreements that the Fund has entered. To meet with all the Fund's investment manager to ensure challenge and oversight of stewardship of the Fund's assets and investments are in line with the expectations when
		managers were appointed.

Theme	Tasks	2024/25 activity
		Challenge investment managers on holdings and
		stewardship activity to evidence managers activities are in
		line with the Funds SIRP and expected RI activities.
		'
	Implementation	Implement strategic changes previously agreed which have
	of strategic	not yet been enacted. With a focus on the private credit.
	investment	, ,
	decisions	Develop a plan to implement any changes to the
		investment strategy decided upon during the year.
		<u>. </u>
		Review effectiveness of the current strategy at the
		strategy meeting to ensure the Fund is best placed to
		meet its required performance set out in the Funding
		Strategy Statement.
	Development and	Continue to develop the Funds reporting in line with
	Submission of	Taskforce for Climate related Financial Disclosures
	Environmental,	(TCFD) requirements including scenario analysis.
	Social and	
	Governance	Annual review of the ESG credentials of all managers and
	(ESG) and climate	develop appropriate analytic metrics to monitor the Fund.
	risk management	
	information.	Report quarterly the ESG activities
		Undertake an annual review of the carbon footprint of the
		Fund and to assess the transition position of the
		investments.
		Build on the submission provided to UK Stewardship
		Code with a view to the Fund maintaining signatory status.
		Code with a view to the rund maintaining signatory status.
		Reporting of Fund Activities to Principle of Responsible
		Investment (PRI) as part of requirements of being a
		signatory. Reviewing areas where the Fund could improve
		from the report findings.
		Consider the actions required to enact the motions put
		forward to the pension Committee at is meeting in
		September. Providing the consequences of implementing
		these motions to the Fund and its investments.
Pooling	Support the	Providing support to the Fund's representatives to attend
3	ACCESS pool in	the Joint Committee of ACCESS so that they are able to
	providing pool	positively contribute to the decision making of ACCESS.
	investment	
	opportunities and	A 3 rd party review of the ASU took place in 2023/24 which
	ensuring a	identify strengths and weaknesses within the ACCESS
	comprehensive	Pool activities. The Fund will support the development and
	governance	implementation of solutions to the points raised in the
	framework in	review.

Theme	Tasks	2024/25 activity
	place within the pool.	The Fund will support the delivery of ACCESS by engaging with the Governance arrangements that have been put in place. By being represented in all the ACCESS groups East Sussex will be able to input at every level of the development of ACCESS.
	Continue to actively invest more through the pool in line with government guidelines where Investment strategy can be effectively implemented.	Monitoring the listed assets offering from ACCESS looking at how the operator of the ACS is performing and the performance of the ACCESS passive manager. Support the launch of sub-funds. Support the development of a plan for implementing the non-listed asset pooling options. Monitoring of the performance of the implementation advisor. Monitoring any pooled non-listed asset solutions that are being run by ACCESS. Rolling program of engagement with the investment managers on the ACCESS platform. Support the review and development of the ACCESS voting policy and how this is administered by investment managers. Support discussions on RI reporting requirements and submission of a stewardship code for the pool.
Administratio n	Maintain the high level of administration team performance. Focus on Data Quality held on the pension administration	Maintain the high level of KPI performance & expand the MI coverage where relevant. Production of Annual Benefit Statement by the statutory deadlines. Ensuring any enhancements to the member experience are made where possible. Ensuring the data is up to date to be able to provide an accurate statement to Members. Implementation of Pensioner CPI Pension Increase. Management of data submitted through i-Connect, forms, MSS and other input sources. Ensuring task lists are managed effectively and KPI's achieved.
	system.	Roll out the i-Connect employer interface module to all remaining employers to simplify data submission and validation. Development of timeline for i-Connect file submissions including management of the submissions to ensure the

Theme	Tasks	2024/25 activity
		uploads can be spread over the month for the workload to be managed effectively. Assess the team structure and individual workloads on the development of i-Connect as a primary source of data into the Fund to ensure the staff are used effectively.
		Continue to develop contribution monitoring and reconciliation in conjunction with the roll out of i-Connect.
		Producing high TPR validator common/conditional scores
		Project to review old status 2 records.
		Create Employer Management System on Altair to store employer contacts & documents.
	Completion of robotics for processing	Update policies and procedures with process mapping including the development of robots to automate the deferred benefits and frozen refunds process.
	Improve member experience.	Member Self Service (MSS) transition to Transformational Member Experience (TME)
		Moving to online payslips/P60's for pensioners from I April 2024
	Work to resolve outstanding projects.	Complete the project work on the redress of benefit calculations in relation to the Guaranteed Minimum Pension (GMP)
		Implement the McCloud data & process calculations to determine whether in scope members would have been better off in the CARE or final salary scheme.

Agenda Item 10

Report to: Pension Committee

Date of meeting: 22 February 2024

By: Chief Internal Auditor

Title: Internal Audit Strategy for Pensions and Annual Plan 2024/25.

Purpose: This seeks the Committee's approval of the Internal Audit Strategy and

Annual Plan for Pensions 2024/25.

RECOMMENDATIONS:

The Committee is recommended to approve the 2024/25 Internal Audit Strategy for Pensions and Annual Plan (Appendix 1).

1. Background

- 1.1 The Council's Internal Audit Strategy for Pensions 2024/25 sets out the approach Internal Audit takes when planning its assurance activity over the effectiveness of controls within the East Sussex Pension Fund (ESPF). It sets out the risks inherent in administering a large and complex scheme so that audit resources may be focussed on areas where these risks are highest.
- 1.2 The proposed number of audit days in the Strategy remains at 75.
- 1.3 Input has been sought from officers responsible for running the Scheme and from the Chairs of both the Pension Board and the Pension Committee and their contributions have been fed into the draft Strategy.

2. Conclusions and Reasons for Recommendation

- 2.1 The Pension Committee is:
 - requested to approve the Internal Audit Strategy for Pensions and Annual Plan 2024/25.

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





East Sussex Local Government Pension Scheme Internal Audit Strategy and Plan 2024/25



1. Introduction

- 1.1. The Scheme provides retirement benefits for employees of the County Council and 140 other employer organisations, including Brighton & Hove City Council, district and borough councils and academic institutions.
- 1.2. We (the Orbis Internal Audit & Counter Fraud Team) provide internal audit services to the East Sussex Pension Fund.

2. Objective

- 2.1. The objective of this Pension Scheme Audit Strategy and Plan (The Strategy), which is formally reviewed on an annual basis, is to provide the Scheme with a consistent, risk-based approach to determining an internal audit programme for the Pension Fund.
- 2.2. The ESPF pools funds with another 10 funds as part of the ACCESS Pool, a collaboration of central, eastern and southern shires. The 11 members of the ACCESS pool hold total assets of £59.5bn, of which £35.3bn is pooled. The ESPF has assets of £4.5bn of which £2.3bn is pooled. Where possible, we shall seek additional sources of assurance over controls operating over the ACCESS Pool, e.g., audit reports on the ACCESS Support Unit.
- 2.3. The Fund receives professional advice from ISIO. The Fund's actuary is Barnett Waddingham LLP, and the most recent actuarial valuation of the Fund was carried out in 2022. The valuation found that the funding level had improved from 107% in 2019 to 123% in 2022.
- 2.4. In 2024/25, the responsibility for running the Fund's pension helpdesk and pension payroll systems will be transferred from Surrey County Council to the Fund itself. Where appropriate, testing will include the impact of these on controls.
- 2.5. The Strategy seeks to provide assurance on the following aspects of pension fund activities:
 - Financial controls;
 - Investments and accounting;
 - Regulatory compliance; and
 - The administration of benefit payments.

3. Approach

3.1. The Strategy uses risk assessment as its foundation. On a periodic basis, risks are reviewed in consultation with the Chairs of the Pension Committee and Board and with management to identify any new risks. The risk assessment considers the materiality and significance of the processes involved, any negative factors such as problems or significant changes, and any positive factors, which provide comfort or assurance. It should be borne in mind that the Pension Fund is a material and fundamental financial system in its own right and, as such, should be subject to a level of coverage that complements the work of the Scheme's external auditors.



- 3.2. The outcome of the risk assessment is an objective view of those areas of the Fund where the organisation requires assurance that risks are being managed effectively.
- 3.3. Throughout the year, there will be routine liaison between Internal Audit and officers representing the Fund to identify emerging risks and ensure that this Strategy continues to reflect the needs of, and risks to, the Fund.
- 3.4. Where appropriate, audit coverage will be varied from year to year. In areas where no significant findings were made in the previous year, the scope may be widened to other areas to maximise the breadth of coverage. For instance, where new policies have been introduced, we may review compliance with these.
- 3.5. We plan to deliver 75 audit days for the year 2024/25. This level of coverage will be kept under review to ensure that it remains appropriate to the needs of the Fund. Audits covered in previous years are presented in Appendix A.

4. Professional Standards

4.1. Audits of the Pension Fund will be carried out in accordance with the professional standards set out in the Public Sector Internal Audit Standards. In our most recent assessment, undertaken by the Chartered Institute of Internal Auditors during Autumn 2022, we were assessed as achieving the highest level of conformance available against the professional standards, with no areas of non-compliance identified.

5. Reporting Arrangements

- 5.1. Internal Audit work will be reported in the following manner:
 - Terms of Reference for each review will be drafted and agreed with management.
 - Following our fieldwork, an initial draft report will be issued to management for its comments on factual accuracy and response to the issues and risks identified.
 - A final report that includes agreed actions and implementation dates will be published to management.
 - The results of audit work on the Scheme will be reported:
 - o in full, to the Pension Board and Pension Committee; and
 - o in summary form, to the Audit Committee as part of our routine quarterly progress reports.
- 5.2. Audit work for 2024/25 will be reported in four separate reports (in addition to any specific follow-up audits), covering the risks detailed below:
 - Financial Controls
 - o Errors in transactions result in financial loss to the Fund.





o Accounting of the Pension Fund is inaccurate, resulting in misstatement of the Fund's annual accounts.

Investments and Accounting

- o Ineffective stewardship results in the loss of assets or breaches of regulatory requirements.
- o Poor performance of the Fund's investments results in financial loss, the potential for liabilities not to be met and reputational damage.
- o Investment returns are not received in full and in a timely manner.

Regulatory Compliance

- o Scheme governance arrangements, including clear separation between the Council's and the Fund's responsibilities, do not meet regulatory requirements, leading to regulatory sanction and/or reputational damage to the Council.
- o Employers who do not fulfil their responsibilities impact the Fund's ability to comply with regulatory requirements.

• The Administration of Benefit Payments

- o Poor data quality leads to inaccuracies in transactions, or a failure to meet statutory requirements, resulting in financial loss, and/or regulatory sanction.
- o Inaccuracies or delays to pension benefit payments, may cause financial loss to the Scheme or financial hardship to members and reputational damage to the Council.
- o Poor or inadequate delivery of the pension administration service, including as a result of inadequate procedure notes, failure to access current information (e.g. deaths register) or system access controls, may result in financial loss, regulatory breach, or reputational damage to the Council and/or complaints by members.





Appendix A

Previous Audits

In previous years, our work on the Pension Fund has included the following audits:

Name	Last Audit		
Information Governance	2020/21		
Altair - Application Controls	2021/22		
The implementation of Altair	2021/22		
Compliance with Regulatory Requirements	2021/22 (2023/24)		
Pension Fund Governance	2022/23		
I-Connect – Application Controls	2022/23		
Cyber Security	2022/23		
Investments and External Control Assurance	Current year (2023/24)		
The Administration of Pension Benefits ¹	Current Year (2023/24)		
Collection of Contributions	Current year (2023/24)		
Cash Management	Current year (2023/24)		

The most significant risks covered by audits that are not in next year's plan, will be incorporated into the audits for 2024/25.

Exceptions are the ICT related audits, which have been delivered due to the introduction of new systems as well as covering areas of continuing high risk. In the case of the latter, it is to be expected that they will be revisited in future years.



¹ Formerly known as Pension Administration – People, Processes and Systems



EAST SUSSEX PENSION FUND - INTERNAL AUDIT PLAN 2024/25

Please note that the following provides a high-level scope of the work we are proposing. At the beginning of each review (as with all our work), detailed terms of reference will be developed in consultation with management.

Review Name	Outline Objective	Estimated Timing
Accounting Controls	This review will focus on the controls in place to ensure that funds have been correctly accounted for and are accurately reflected in the Council's accounting system, (SAP).	Q2
Investments and Accounting	A review to assess the adequacy of controls over the Fund's investments, including the safeguarding and performance of investments, the valuation of assets, compliance with investment regulations and receipt of, and accounting for, investment income.	Q3
Regulatory Compliance	We shall review the arrangements in place to ensure that the fund complies with the requirements of the Pension Regulator. The aim will be to provide assurance that employers in the Scheme comply with their regulatory obligations (e.g. to draw up and publish a range of discretionary policies) and that the respective responsibilities of the Council, as Scheme Manager, and the Fund, are clearly segregated.	Q4
The Administration of Benefit Payments	We shall review controls over the payment of pension benefits, transfers to and from the Pension Fund (including the retention of appropriate evidence) and the maintenance of the Fund's data.	Q3



Agenda Item 11

Report to: Pension Committee

Date of meeting: 22 February 2024

By: Chief Finance Officer

Title: Additional Voluntary Contributions Report

Purpose: To provide an overview of the existing AVC arrangements and

commentary on service provision for review.

RECOMMENDATIONS

The Pension Committee is recommended to note the report.

1. Background

1.1 This report has been prepared to assist the East Sussex Pension Fund (the Fund) with the management and governance of the Additional Voluntary Contribution (AVC) arrangements with Prudential.

2. Supporting information

- 2.1. AVC's are a way for Fund members to increase their benefits above their entitlement under the Local Government Pension Scheme (LGPS) based on their employment service. AVC's build a pot of money of additional benefits under an arrangement with an AVC provider. For the Fund this provider is Prudential. The contributions into AVC's are deducted from a members pay before tax, so tax relief is automatic. The members access to the AVC options are directly through their scheme employer payroll.
- 2.2. There were 1,107 active members and 268 deferred members with an AVC 's as at 30 June 2023. This is around 4.5% of active and 1.1% of deferred members. The total value of AVC's were £17.2m (excluding terminal bonus for the with profits funds), with an average pot size is £12.9k.
- 2.3. Annual contributions by members into the AVC funds amounted to £2.3m during the 2022/23 financial year around £2.1k per member per year.
- 2.4. Total payments out of AVC's in the year were £3.1m with an average AVC pot paid out of £31.1k.
- 2.5. The AVC arrangement currently consists of 10 self-selected funds which are open for new investment, there are 7 actively managed funds with 3 passively managed funds. In addition, members have access to two lifestyle options:
 - (a) that is designed for a member planning to take all their AVCs as cash on retirement or
 - (b) retirement options where only 25% of the fund is aimed at cash on retirement. The lifestyle invests in a range of predominantly growth seeking assets (equities, property etc.) when more than 10 years from retirement and gradually de-risks into consolidation assets (bonds and cash) over the 10 years to selected retirement date.

2.6. The Pension Committee is required to consider the on-going suitability of the AVC offering available to members. Noting that members will have a range of potential risk appetites, members will have a range of understanding of investments products. The Committee will need to consider the offering in light of the performance of funds and the provider on review of this paper.

3. Executive Summary

Responsibility

- 3.1. It is the Pension Committee's ongoing governance responsibility to ensure that:
 - The fund options made available remain appropriate.
 - The AVC provider offers a good quality service that meets the needs of members and the Fund.
 - The charges paid by members are competitive and offer good value to money.

Key findings

- 3.2. Overall, there are no aspects of the investments that are of major concern, however the following should be noted:
 - Prudential are one of the largest AVC providers in the UK and have significant experience in administering AVC arrangements for local authorities. Prudential is financially strong and compares well across the industry.
 - The default investment fund for ESPF members under the AVC arrangement is the Prudential With-Profits Fund. This fund aims to provide competitive long-term real returns whilst smoothing the peaks and troughs of day-to-day market movements. Whilst considering if this remains the default option for investors. Key reflections for this are:
 - Risk appetite of default investors
 - How engaged with investments a default investor might be
 - What understanding of investments a default investor may have

These factors are explored further in the document. There is no immediate concern to suggest the default offering is inappropriate, however following discussion at Pension Board it is recommended that officers carry out a more detailed review in liaison with DC adviser as to whether an alternative arrangement may be better suited to the membership.

- 3.3. Prudential's charges for the unit-linked funds are consistent with other AVC arrangements.
- 3.4. The Current offering covers the main asset classes that the average AVC investor would need to provide a bespoke investment choice to meet their needs. However possible areas that could improve the options would be the addition of:
 - Sharia compliant equity option and:
 - Active equity management options

4. Current investment options

Overview of current investment options

- 4.1. The Prudential provide a range of 10 Investments fund (full list of investments provided in the table below) that members can choose from. This consists of 3 equity, 5 multi asset, 1 gilt and 1 cash fund. This provides a wide range of investments options to members and covers a wide level of risk appetite.
- 4.2. There are also 2 lifestyle options available to members to invest in which look to de-risk the members investments as they approach retirement.
- 4.3. There is currently £17.2m (excluding terminal bonuses) invested within the East Sussex Pension Fund offering. The largest position is in the Prudential With-Profits Fund (default option) at £8.8m (51.2% of invested assets).
- 4.4. There is one Environmental Social and Governance (ESG) option available, this is a pure equity fund. Currently 87 people (6.5%) invest in this fund which equates to 3.3% of investments or 27.3% of the equity only investments.
- 4.5. All 10 funds have been invested in with contributions being made to all open funds during the year. The smallest contribution was to the Prudential Dynamic Growth I Fund with £20k or 0.9% of contributions being paid in.
- 4.6. There are six funds that have been closed to new members. Two of the closed funds have no value or active members. No contributions have been made to the Prudential UK Equity Fund during the year. The Prudential International Equity fund and the Prudential Global Equity remain open to existing members to continue to contribute. 8.7% of investments remain in the closed funds.
- 4.7. Performance (detail can been seen in Appendix 1) for the current open investments has mostly been in line with their benchmarks. However, it is not clear as to how difficult these benchmarks are to achieve for some funds as they are internally determined or in the case of the with-profit funds no benchmark or costs are disclosed in the fund literature.
- 4.8. From the returns provided the higher risk assets have, in general, provided a higher return over the 3, 5 and 10 year investment periods. With the exception being, the Prudential Long-Term Gilt Passive Fund which has large negative performance figures for the 3 and 5 year period with the marginal positive for the 10 year figure.

Funds available for investment

Investment Fund Name	Asset Class, Active or Passive	Prudential's risk rating		
Prudential UK Equity Index Fund	Equities, Passive	High		
Prudential Overseas Equity Index Fund	Equities, Passive	Medium to higher risk		
Prudential Positive Impact Fund	Equities, Active	Medium to higher risk		

Prudential Discretionary Fund	Multi-Asset, Active	Medium
Prudential Dynamic Growth IV Fund	Multi-Asset, Active	Medium
Prudential Long-Term Gilt Passive Fund	Government Bond, Passive	Medium
Prudential Dynamic Growth I Fund	Multi-Asset, Active	Lower to medium risk
Prudential Dynamic Growth II Fund	Multi-Asset, Active	Lower to medium risk
Prudential With-Profits Fund (Default option)	Multi-Asset, Active	Lower to medium risk
Prudential Cash Fund	Deposits, Active	Minimal risk

4.9. It should be noted that AVC investors have the ability to invest in multiple funds.

Environmental, Social and Governance (ESG)

- 4.10. There is one ESG offering in the arrangement the Prudential Positive Impact Fund. The fund gains its positive impact exposure through the M&G Positive Impact Fund. The fund is a concentrated portfolio of global stocks, investing in companies that make a positive social and/or environmental impact alongside a financial return. The fund embraces the United Nations Sustainable Development Goals framework and invests in companies focused on areas including climate action, pollution reduction, circular economy, health and wellbeing, education and innovation, and working conditions.
- 4.11. The objective is to support and influence their contribution to the world's major social and environmental challenges. The fund manager has discretion to invest in companies with limited exposure to fossil fuels but which are driving or significantly participating in the transition to a more sustainable economy. There are 87 members invested in this fund which equates to 6.5% of member exposure to the investment options. This fund was added to the options available in February 2020.

Lifestyle funds

Prudential Lifestyle Fund Name	Fund within lifestyle
Targeting 100% cash	Dynamic Growth IV & Dynamic Growth II & Cash
Targeting retirement options	Dynamic Growth IV & Dynamic Growth II & Cash

4.12. Members have access to two lifestyle options (a) that is designed for a member planning to take all their AVCs as cash on retirement or (b) retirement options where only 25% of the fund is aimed at cash on retirement. The lifestyle invests in a range of predominantly growth seeking assets (equities, property etc.) when more than 10 years from retirement and gradually de-risks into consolidation assets (bonds and cash) over the 10 years to selected retirement date. Currently 331 members are invested in a lifestyle investment.

Default fund

4.13. The Prudential arrangement offers a default investment, where members' contributions will be invested unless they make an active choice otherwise.

- 4.14. For East Sussex Pension Fund the default investment is the Prudential With-Profits Fund. This is due to the With-Profits Fund aim to offer the prospect of a competitive long-term real return whilst smoothing the peaks and troughs of day-to-day market movements.
- 4.15. The value of with-profits funds is not directly exposed to fluctuations in the value of the underlying assets. Instead, returns are 'smoothed' through the addition of bonuses (regular and final) which aim to provide members with a steady rate of return. The level of bonuses applied, which are not guaranteed, will vary depending on a number of factors and will make an allowance for the charges associated with running the fund.
- 4.16. There are 693 members invested in this fund which equates to 51.8% of member exposure to the investment. However only 38.0% of new contributions go into this investment. There is also very limited switching between the with profits investments and other investment offerings. As such the choice of a default is likely to determine where a significant proportion of all AVC investments go.
- 4.17. Members have the potential to achieve higher returns by transferring from the With-Profits Fund into unit-linked alternatives. However, in doing so, members would then equally expose the fund value they have built up to potential negative returns. By contrast annual bonus rates in the With-Profits fund once applied, cannot be taken away.

Closed Funds

4.18. The following funds have been closed, however members who have selected these prior to closure can retain their holding.

Investment Fund Name	Asset Class, Active or Passive	Prudential's risk rating	Investment pot % value	Existing members still contributing?
Prudential Deposit Fund	Cash/Cash Equivalent, Active	Minimal Risk	7.1%	Y
Prudential Fixed Interest Fund	Government Bond, Active	Lower to medium risk	Nil	N
Prudential Global Equity Fund	Equities, Active	Medium to higher risk	0.2%	Y
Prudential Index- Linked Fund	Government Bond, Active	Medium to higher risk	Nil	N
Prudential International Equity Fund	Equities, Active	Medium to higher risk	0.3%	Y
Prudential UK Equity Fund	Equities, Active	High	0.1%	N

5. Commentary on alternate investments

Overview of alternate investments

- 5.1. The analysis of the current investments above does shows that the investment choices available to the AVC investors cover the range of asset classes that an average AVC investor would need. There is no suggestion that there is a major absence of options available or that the investments are significantly underperforming their benchmarks.
- 5.2. There are many LGPS funds that use Prudential to run their AVC arrangements with 7 of the other 10 ACCESS partner funds using Prudential. Of these 4 offer the with profits fund as the default option the other 3 do not state a default option in their documentation.
- 5.3. Two of the ACCESS funds offer 18 different investments, however there is limited additional asset classes provided by these. The main asset class distinction offered is a sharia compliant investment option which is provided by one of these Funds. The main point of difference between these options and East Sussex is around active management choices, non-prudential funds and a wider set of both the pure equity and fixed income opportunities.
- 5.4. One ACCESS fund offers just 3 investments with-profits fund, the discretionary fund and the cash fund available.
- 5.5. The remaining four ACCESS Funds offer 14-15 choices all of which are either offered by East Sussex or which were closed to new investments in 2008 and are detailed in the table above.
- 5.6. The offerings provided by other ACCESS Funds give an indication that ESPF are in line with other pension funds of a similar size, geographic area and membership.

Sharia Compliant Investment

- 5.7. The asset class offering not currently offered to East Sussex AVC investors is the Sharia compliant investment. This is a unique investment option that could be available through the Prudential offering; no other similarly focused investment options to align with other religions are available.
- 5.8. The Scheme Advisory Board commissioned a report from an expert in Islamic finance to provide advice as to whether the LGPS is Sharia complaint, This was following legal advice on the issue of members opting out of the scheme on the basis of their religious (principally Islamic) beliefs. The report was published on 23 January 2024. The findings of the report were that Muslim employees can continue to contribute to, and benefit from the LGPS.
- 5.9. Looking at the possible Sharia Complicit Investment fund in more detail, the aim of the Fund is to track as closely as possible the performance of the Dow Jones Islamic Market Titans 100 Index (the Islamic Index). The Index is comprised of the shares of companies in emerging and developed markets that are based anywhere in the world. The fund is passively managed and will aim to invest in the shares of the companies in generally the same proportion as in the Index.
- 5.10. The shares are selected by filtering the Index universe through screens for business activities and financial ratios to remove stocks that are not Shariah compliant. The fund will only invest in shares of companies that meet Shariah compliance principles as interpreted or approved

by the Shariah Committee. The Shariah Committee monitors the fund throughout the year and issues an annual Shariah certificate on the fund's compliance with Shariah principles. This certificate is included in the annual report of the fund as confirmation of the Shariah compliance for that year. The fund will not invest in derivatives.

5.11. The performance of the Sharia Complaint fund to 30 June 2023 is set out below:

	Quarter	Annualised						
			5 Years to 30/06/23	10 Years to 30/06/23				
Fund	8.3%	12.6%	14.7%	14.7%				
Benchmark	8.0%	12.9%	15.3%	15.3%				

5.12. The current Prudential Overseas Equity Index Fund's performance offered by the Fund for comparison was:

	Quarter		Annualised					
			5 Years to 30/06/23	10 Years to 30/06/23				
Fund	0.0%	8.5%	7.0%	9.4%				
Benchmark	0.7%	8.3%	7.3%	9.6%				

- 5.13. The risk profile of this investment is classed as medium to higher risk the same as the overseas equity index fund. If the Fund were to provide this option, it would increase the passive equity offering.
- 5.14. In terms of the current investments AVC investors have £1.4m (7.8%) invested in passive equity funds. This is relatively small allocation. To date the Fund has not been asked to offer a Shariah compliant AVC Fund or had any requests for information associated with this as an investment option.
- 5.15. Following discussion at the Pensions Board, officers recommend opening this up as an AVC option available for ESPF members.

Active management options

- 5.16. Looking at the offerings of the other ACCESS Funds, East Sussex provides a smaller number of actively managed pure equity and fixed income Funds, however a wide range of Multi asset active options are provided.
- 5.17. Within the AVC investments of the Funds members there is a relatively small amount invested within the pure equity or fixed income options available to the AVC investors. 11% is invested in equity and 1% in fixed income. In contrast there is 77% invested in active multi asset funds.
- 5.18. The actively managed funds that have been closed by East Sussex have not significantly outperformed the passive managed funds that continue to be offered to investors.

- 5.19. An active managed pure equity or fixed income fund would necessitate for an AVC member to be more attentive to the performance of the investments, which may be an unrealistic ask of AVC investors these also come at a greater cost to the investor.
- 5.20. It is not evident from the amounts invested that a new actively managed pure equity option is needed.

6. Review of the Default Option

- 6.1. The Prudential arrangement offers a default investment, where members' contributions will be invested unless they make an active choice to invest in another fund.
- 6.2. When considering an appropriate default investment option, the attributes of how a default investor might act should for part of this consideration. In this instance the following has been taken into account:
 - Risk appetite of default investors
 - How engaged with investments a default investor is
 - Understanding of the investment a default investor may have.

Risk appetite

6.3. The risk that a default investor would be willing to take will be considered as a risk averse investor. For this characteristic the default fund for the investor would need to prioritise having a reliant amount at the retirement age rather than a volatile investment that may or may not provide a larger return.

Engagement with investments

6.4. The default investor has been considered as less engaged with investments and may not look or consider other options offered. For this characteristic the default fund needs to be something that provides steady growth over time and would not need to actively be considered by the investor.

Understanding of investments

6.5. Understanding of investments is considered as low for the default investor and they are therefore less likely to understand the investment they are in, or the options and risks involved with other investments. Therefore, the default investment would ideally be easy to understand and for the information and documentation to be accessible. Complexity should be kept to a minimum and transparency should be sought. The product needs to provide many different and contradictory attributes, it needs to provide good growth whilst being a stable fund to allow members to plan their retirement.

Current Fund

6.6. For East Sussex Pension Fund the default investment is the Prudential With-Profits Fund. This is primarily due to the aim of the investment to offer the prospect of a competitive long-term real return, whilst smoothing the peaks and troughs of day-to-day market movements. This occurs as the value of with-profits funds are not directly exposed to fluctuations in the value of the

underlying assets. Instead, returns are 'smoothed' through the addition of bonuses (regular and final) which aim to provide members with a steady rate of return.

- 6.7. The level of bonuses applied, are not guaranteed, vary depending on a number of factors and will make an allowance for the charges associated with running the fund. This characteristic makes the with-profits investment one of the least risky of the available choices within the portfolio offered by East Sussex. As a result, it has lower volatility whilst still providing reasonable growth.
- 6.8. The performance of the with profits investments has been similar to the Discretionary Fund but at a lower risk profile.
- 6.9. The with profit fund is a simple in theory product to explain to investors but there is a lot of complexity underpinning this. In particular the smoothing function makes the underlying investments within the with profits fund opaque along with the making the underlying performance difficult to assess. It is hard to get information on the exact management charge for the investment and to assess how the bonuses are calculated. Whist the premise is straight forward the ability for a non-investment minded investor to completely understand these investments is low.
- 6.10. With this being a default option for other similar LGPS Funds there is a level of comfort with this investment. However, this is not in and of itself a reason to maintain this as the East Sussex default fund.

Options for default investment

- 6.11. With 49.7% of investments within the default option and 38.0% of new contributions paid into this fund. Any change needs to be considered carefully as it would have an impact on 45.9% of the investments of the AVC membership.
- 6.12. Any decision to change the default investment the implications of this need to be considered as in would any existing arrangements stay in place, do all new investments go into a new default investment is this option left open for investment. It should be noted that if money invested in the With-Profits Fund is taken out at any time other than on death or normal retirement date, a Market Value Reduction (MVR) may be applied; this may have the effect of reducing the fund value.
- 6.13. The table below compares the 9 non-cash investments against the ideal investment for a default fund:

		3 Year Performance		
Criteria	Risk	%	Complexity	Transparency
Ideal requirements	Lower to Medium Risk	5.6*	Simple	Transparent
Prudential With-Profits Fund	Lower to Medium Risk	6.9	Complex	Opaque
Prudential UK Equity Index Fund	Higher Risk	9.6	Simple	Transparent
Prudential Overseas Equity Index Fund	Medium to Higher Risk	8.5	Simple	Transparent
Prudential Positive Impact Fund	Medium to Higher Risk	8.2	Simple	Transparent

Prudential Long-Term Gilt Passive Fund	Medium Risk	(19.6)	Simple	Transparent
Prudential Discretionary Fund	Medium Risk	5.3	Complex	Opaque
Prudential Dynamic Growth IV Fund	Medium Risk	4.0	Complex	Opaque
Prudential Dynamic Growth II Fund	Lower to Medium Risk	0.8	Complex	Opaque
Prudential Dynamic Growth I Fund	Lower to Medium Risk	(0.8)	Complex	Opaque

^{*}This is 1% above the actuary's discount rate at the 2022 Valuation.

- 6.14. From the table above in a simplistic form the Fund that offers the best alignment to the characteristics wanted by the default investment described above is the with profits fund then the Discretionary Plan. The discretionary fund is currently the second most popular option within the AVC offering with 17.9% of investment in this fund.
- 6.15. With-profits funds have commonly been used within AVC arrangements, however are no longer accessible in the private sector. An assessment has not been made on the with profit fund in line with the actual experience of members who have invested in this fund to identify the impact of early retirement or taking cash lump sums on the return to the members and impact of the market value reduction or terminal bonus. Although there are no immediate concerns as to the reasonableness of this fund to be the default offering; as there are some continuing unknowns around the ultimate benefits and transparency of this fund officers recommend further investigation as to whether this is the best offering to ESPF members.

7. Conclusion

7.1. The Committee is asked to note the report.

IAN GUTSELL Chief Finance Officer

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Appendix I AVC Investment information

September 2023

Fund Costs Benchmarks and Performance

Investment	Cost %	Benchmark					Performand	e			
Fund Name				3 Year			5 Year			10 Year	
			Fund	Benchmark	Relative	Fund	Benchmark	Relative	Fund	Benchmark	Relative
Higher Risk											
Prudential UK Equity Index Fund	0.57	FTSE All-Share Index	9.6	10.0	(0.4)	2.9	3.1	(0.2)	5.8	5.9	(0.1)
Medium to Higher	Risk										
Prudential Overseas Equity Index Fund	0.62	Mix of FTSE and MSCI Regional Indices	8.5	8.3	(0.2)	7.0	7.3	(0.3)	9.4	9.6	(0.2)
Prudential Positive Impact Fund	0.66	MSCI ACWI	8.2	10.5	(2.1)	-	-		-	-	
Medium Risk											
Prudential Discretionary Fund	0.70	Internal composite benchmark, asset allocation set by the M&G Treasury & Investment Office (T&IO)	5.3	5.4	(0.1)	3.2	4.2	(1.0)	6.6	6.7	(0.1)
Prudential Dynamic Growth IV Fund	0.63	Internal composite benchmark, asset allocation set by the M&G Treasury & Investment Office (T&IO).	4.0	3.4	0.6	3.6	3.3	0.3	-	-	-

Prudential Long- Term Gilt Passive Fund	0.56	iBoxx Sterling Gilts (15+) Index	(19.6)	(19.8)	0.2	(7.8)	(7.9)	0.1	0.3	0.3	0.0
Lower to Mediur	n Risk										
Prudential Dynamic Growth I Fund	0.63	Internal composite benchmark, asset allocation set by the M&G Treasury & Investment Office (T&IO).	(8.0)	(1.7)	0.9	1.6	1.0	0.6	-	-	-
Prudential Dynamic Growth II Fund	0.63	Internal composite benchmark, asset allocation set by the M&G Treasury & Investment Office (T&IO).	0.8	0.0	0.8	2.4	1.8	0.6	-	-	-
Prudential With- Profits Fund (Default option)	Not Disclosed	Competitive long-term real returns	6.9	Not Disclosed	-	4.9	Not Disclosed	-	5.7	Not Disclosed	-
Minimal	Minimal										
Prudential Cash Fund	0.55	SONIA I Week	1.2	1.1	0.1	1.0	0.8	0.2	0.7	0.6	0.1

Fund descriptions

Open Funds

Investment Fund	Prudential's risk rating
Name	
Higher Risk	
Prudential UK Equity Index Fund	Objective : The investment strategy of the fund is to purchase units in the M&G PP UK Equity Index Fund – the underlying fund.
	Underlying fund objective : The fund gains its exposure via the M&G (ACS) BlackRock UK All-Share Equity Fund. The underlying fund aims to be fully invested in the equity securities and equity related securities of companies that are constituents of the FTSE All-Share Index.
	Within the index-related limits, the Investment Manager uses a structured and systematic, bottom-up stock selection process to build a portfolio with similar risk-return characteristics as the index in order to meet the fund's investment objectives. In addition, the Investment Manager aims to maximise the fund's ESG characteristics by overweighting its investments in securities which score well against the Investment Manager's ESG research framework and underweighting the securities which score less well.
	Performance objective: The fund aims to provide a total return (i.e. capital growth plus income), gross of the Ongoing Charges Figure, over any three year period.
Medium to Higher Ri	
Prudential Overseas Equity Index Fund	Objective: The investment strategy of the fund is to purchase units in the M&G PP Overseas Equity Index Fund – the underlying fund.
	Underlying fund objective: The fund invests, primarily via other M&G funds, in the shares of overseas companies against a benchmark mix, with fixed proportions.
	The funds follow a structured and systematic, bottom-up stock selection process to build a portfolio with similar risk-return characteristics as their indices in order to meet their investment objectives. In addition, the Sub-Investment Manager aims to maximise the fund's ESG characteristics by overweighting its investments in securities

which score well against the Sub-Investment Manager's ESG research framework and underweighting the securities which score less well. Derivative instruments may be used for efficient portfolio management.

Performance objective: To provide a return that is in line with that of the benchmark.

Prudential Positive Impact Fund

Objective: The investment strategy of the fund is to purchase units in the M&G PP Positive Impact fund (the underlying fund).

Underlying fund objective: The Fund has two aims:

- To provide a higher total return (the combination of capital growth and income), net of the Ongoing Charges Figure, than the MSCI ACWI Index over any five-year period; and
- To invest in companies that aim to have a positive societal impact through addressing the world's major social and environmental challenges. The Fund gains its exposure through the M&G Positive Impact Fund, an M&G OEIC. The Fund is a concentrated portfolio of global stocks, usually holding fewer than 40 stocks, investing over the long term in companies that make a positive social and/or environmental impact alongside a financial return, using a disciplined stock selection process. Sustainability and impact considerations are fundamental in determining the Fund's investment universe and assessing business models. The Fund embraces the United Nations Sustainable Development Goals framework and invests in companies focused on areas including climate action, pollution reduction, circular economy, health and wellbeing, education and innovation, and working conditions.

The Fund invests in three categories of positive impact companies:

- "Pioneers", whose products or services have a transformational effect on society or the environment;
- "Enablers", which provide the tools for others to deliver positive social or environmental impact; and
- "Leaders", which spearhead the development of sustainability in their industries. Investing in these categories provides diversification across industries and maturity of business models.

Dialogue with the companies in which the Fund invests is fundamental to the investment approach. The objective is to support and influence their contribution to the world's major social and environmental challenges. The fund manager has discretion to invest in companies with limited exposure to fossil fuels but which are driving or significantly participating in the transition to a more sustainable economy. The Fund may also invest in other transferable securities, cash, and near cash, directly or via collective investment schemes (including funds managed by M&G). Derivatives may be used for Efficient Portfolio Management and hedging.

Medium Risk

Prudential Discretionary Fund

Objective: The investment strategy of the fund is to purchase units in the M&G PP Discretionary Fund - the underlying fund.

	Underlying Fund Objective: The fund provides a multi-asset approach to investment, holding a mix of UK and overseas company shares, bonds, property, cash plus listed alternative assets primarily through other M&G funds or direct holdings. It is actively managed against an internal benchmark asset allocation set by the M&G Treasury & Investment Office. It is a "fund of funds" where both active stock selection, within the underlying sector funds, and asset allocation decisions are used to add value. Derivative instruments may be used for efficient portfolio management.
	Performance Objective: To outperform the internal composite benchmark by 1.15% - 1.40% a year (before charges) on a rolling three year basis
Prudential Dynamic Growth IV Fund	The fund aims to deliver long term growth through investing in a diversified range of assets both in the UK and globally. At any time, the fund will invest at least 40% of its assets in equities but not more than 80%. Investments are managed across asset classes and across world markets with a focus on long run investment potential as forecast on a rolling 10 years basis. The fund may invest in a range of permitted assets which include equities, bonds, property and cash accessed directly or indirectly via appropriate fund vehicles. The fund may include other assets as deemed appropriate by both the manager and current regulations.
Prudential Long- Term Gilt Passive Fund	Objective: The investment strategy of the fund is to purchase units in the M&G PP Long-Term Gilt Passive Fund - the underlying fund. Underlying Fund Objective: The fund invests in UK Government gilts with over 15 years to maturity. The fund is passively managed against its benchmark, the iBoxx Sterling Gilts (15+) Index. Tracking this index is achieved by fully replicating the stocks in the index.
Lower to Medium R	Performance Objective: To match the performance of the benchmark as closely as possible.
Prudential Dynamic Growth I Fund	The fund aims to deliver long term growth through investing in a diversified range of assets both in the UK and globally. At any time, the fund will invest a maximum of 30% of its assets in equities. Investments are managed across asset classes and across world markets with a focus on long run investment potential as forecast on a rolling 10 years basis. The fund may invest in a range of permitted assets which include equities, bonds, property and cash accessed directly or indirectly via appropriate fund vehicles. The fund may include other assets as deemed appropriate by both the manager and current regulations.
Prudential Dynamic Growth II Fund	The fund aims to deliver long term growth through investing in a diversified range of assets both in the UK and globally. At any time, the fund will invest at least 10% of its assets in equities but not more than 40%. Investments are managed across asset classes and across world markets with a focus on long run investment potential as forecast on a rolling 10 years basis. The fund may invest in a range of permitted assets which include equities, bonds, property and cash accessed directly or indirectly via appropriate fund vehicles. The fund may include other assets as deemed appropriate by both the manager and current regulations.

Prudential With- Profits Fund (Default option)	The fund offers the prospect of competitive long-term real returns whilst smoothing the peaks and troughs of day-today market movements.
	Investment returns are passed to policyholders through bonuses. The fund is invested in a diversified portfolio of UK and overseas shares, bonds, property and cash. A significant proportion of the fund is invested in shares and property which can be expected to produce attractive long term returns, but the return on these assets can be volatile and so the fund is actively managed to optimise the returns while controlling risk.
Minimal Risk	
Prudential Cash Fund	The current practice, which we can review at any time, is to set and declare the interest rate on the first of each month, in line with the Bank of England base rate. Any interest is declared monthly and there are no explicit charges. The assets of this fund are part of the With-Profits Fund which is a multi-asset fund. The capital you hold in the Prudential Deposit Fund will not decrease.

Closed Funds

Investment Fund Name	Prudential's risk rating
Higher Risk	
Prudential UK Equity Fund	Objective : The investment strategy of the fund is to purchase units in the M&G PP UK Equity Fund - the underlying fund.
	Underlying Fund Objective: The fund invests, via other M&G PP funds, in the shares of UK companies. The fund is actively managed against its benchmark, the FTSE AllShare Index. It is a "fund of funds" holding units in several more specialised UK equity funds giving access to a variety of methods for generating investment returns in differing market conditions.
	Performance Objective: To outperform the benchmark by 0.75%-1.0% a year (before charges) on a rolling three year basis
Medium to Higher Ri	sk
Prudential Global Equity Fund	Objective: The investment strategy of the fund is to purchase units in the M&G PP Global Equity Fund - the underlying fund.

Underlying Fund Objective: The fund provides an all-equity approach to investment, holding a 60% UK equity and 40% mix of overseas company shares. For the overseas shares the fund is actively managed against an internal composite benchmark asset allocation set by the M&G Treasury & Investment Office (T&IO). It is a "fund of funds" where both active stock selection, within the underlying sector funds, and asset allocation decisions are used to add value.

Performance Objective: To outperform the internal composite benchmark by 1.0% a year (before charges) on a rolling three year basis.

Prudential International Equity Fund

Objective: The investment strategy of the fund is to purchase units in the M&G PP International Equity Fund - the underlying fund.

Underlying Fund Objective: The fund invests, primarily via other M&G funds, in the shares of overseas companies. It is actively managed against an internal benchmark asset allocation set by the M&G Treasury & Investment Office. It is a "fund of funds" where both active stock selection, within the underlying sector funds, and asset allocation decisions are used to add value. Derivative instruments may be used for efficient portfolio management.

Performance Objective: To outperform the internal composite benchmark by 1.0% a year (before charges) on a rolling three year basis.

Medium Risk

Prudential Index-Linked Fund

Objective: The investment strategy of the fund is to purchase units in the M&G PP Index-Linked Fund - the underlying fund.

Underlying Fund Objective: The fund invests mainly in UK Government index-linked gilts, typically with over five years to maturity. The fund is actively managed against its benchmark, the iBoxx UK Gilt Inflation-Linked Over 5 Year Index. The fund can also invest in corporate bonds, overseas government bonds and fixed interest gilts. Exposure to short-term exchange rate movements from any overseas holdings is mitigated by hedging.

Performance Objective: To outperform the benchmark by 0.75% a year (before charges) on a rolling three year basis.

Lower to Medium Risk

Prudential Fixed Interest Fund

Objective: The investment strategy of the fund is to purchase units in the M&G PP Fixed Interest Fund - the underlying fund.

Underlying Fund Objective: The fund invests mainly in UK government gilts. The fund is actively managed against its benchmark, the iBoxx Sterling Gilts Index. The fund can also invest in overseas government bonds and corporate bonds issues by UK and overseas companies and institutions. Exposure to short-term exchange rate movements from any overseas holdings is mitigated by hedging.

Performance Objective: To outperform the benchmark by 0.75% a year (before charges) on a rolling three year basis.

Minimal Risk

Prudential Deposit Fund

The Prudential Deposit Fund earns a variable rate of interest. The current practice, which we can review at anytime, is to set the interest rate on the first of each month, in line with the Bank of England base rate at the time. The Deposit Fund is backed by the assets held within Prudential's With-Profits Fund. Any interest is declared monthly and there are no explicit charges. Interest once added is guaranteed and withdrawals from this fund are not subject to a Market Value Reduction (MVR)

East Sussex Pension Fund Membership of AVC's

Membership Demographics

Status by age group as at 30 June 23

	<u> </u>									
	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65+	Total No. of members
Active	6	10	22	56	115	242	331	249	76	1,107
Deferred	-	1	7	9	18	63	94	48	28	268
Totals	6	11	29	65	133	305	425	297	104	1,375

Status by membership duration as at 30 June 23

	30+ Yrs	20-30 Yrs	10-20 Yrs	5-10 Yrs	4-5 Yrs	3-4 Yrs	2-3 Yrs	I-2 yrs	<i th="" yr<=""><th>Total No. of members</th></i>	Total No. of members
Active	1	246	139	324	26	38	81	67	185	1,107
Deferred	2	159	44	50	4	6	3	-	-	268
Totals	3	405	183	374	30	44	84	67	185	1,375

Status by years to retirement as at 30 June 23

·	Past retirement date	<i Yr</i 	I-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	5-10 Yrs	10-20 yrs	20-30 Yrs		Total No. of members
Active	8	63	65	68	71	75	353	317	73	14	1,107
Deferred	-	9	7	20	7	17	113	77	16	2	268
Totals	8	72	72	88	78	92	466	394	89	16	1,375

Investment Information

Funds Under Management as at 30 June 2023

Prudential Fund	Units	Price	Value (£)	% of total fund	No. of members **
Prudential With-Profits Fund			8,820,095	51.24	693
Prudential Discretionary Fund	763,303.11	404.6	3,088,324	17.94	214
Prudential Overseas Equity Index Fund	173,522.86	533.1	925,050	5.37	113
Prudential Deposit Fund (Closed)			1,223,637	7.11	93
Prudential Positive Impact Fund	438,432.21	128.8	564,701	3.28	87
Prudential Cash Fund	381,825.27	161.4	616,266	3.58	74
Prudential Long-Term Gilt Passive Fund	122,000.37	209.8	255,957	1.49	69
Prudential UK Equity Index Fund	142,013.98	333.4	473,475	2.75	60
Prudential Dynamic Growth IV Fund	522,269.10	158.2	826,230	4.8	119
Prudential Dynamic Growth II Fund	259,661.09	141	366,122	2.13	75
Prudential Dynamic Growth I Fund	159,620.22	131.5	209,901	1.22	43
Prudential International Equity Fund (Closed)	9,573.97	551.2	52,772	0.31	7
Prudential Global Equity Fund (Closed)	8,546.96	407.7	34,846	0.2	5
Prudential UK Equity Fund (Closed)	4,383.62	343.1	15,040	0.09	2
Totals	2,985,152.74		17,214,677	100.00	1,339*

^{*}The total does not equal the number of members in each investment as some members have made multiple investments.

Number of investors in each fund as at 30 June 2023 by age (non-lifestyle)

Prudential Fund choice by age	Asset Class	25-29	30- 34	34- 39	40- 44	45- 49	50- 54	55- 59	60- 64	65+	Total
Prudential With-Profits Fund (Default)	Multi-Asset, Active	2	5	10	31	56	127	193	138	46	608
Prudential Discretionary Fund	Multi-Asset, Active	ı	I	7	7	15	46	51	39	7	174
Prudential UK Equity Index Fund	Equities, Passive	-	I	3	5	3	13	15	12	ı	53
Prudential Overseas Equity Index Fund	Equities, Passive	2	2	l	6	13	24	14	22	4	88
Prudential Positive Impact Fund	Equities, Active	I	2	3	7	14	16	14	9	3	69
Prudential Cash Fund	Deposits, Active	I	-	2	4	5	5	22	14	7	60
Prudential Long-Term Gilt Passive Fund	Government Bond, Passive	I	-	3	I	9	13	16	7	3	53
Prudential Dynamic Growth IV Fund	Multi-Asset, Active	-	ı	-	2	4	15	6	6	I	35
Prudential Dynamic Growth II Fund	Multi-Asset, Active	-	-	-	4	I	8	6	6	I	26
Prudential Dynamic Growth I Fund	Multi-Asset, Active	-	-	-	-	I	2	9	3	3	18
Prudential Deposit Fund (Closed)		-	-	I	2	4	10	24	23	10	74
Prudential International Equity Fund (Closed)		-	-	-	-	I	ı	I	-	I	4
Prudential Global Equity Fund (Closed)		-	-	-	I	-	ı	I	-	-	3
Prudential UK Equity Fund (Closed)		-	-	-	-	-	-	I	-	-	ı
Total*		5	9	21	49	98	216	302	234	74	1,008

^{*}The total does not equal the number of members in each investment as some members have made multiple investments. Note membership numbers do not include members investing in a lifestyle option, so do not align with previous tables.

Agenda Item 12

Report to: Pension Committee

Date of meeting: 22 February 2024

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.

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 E3 Employer Covenant, has been increased in likelihood, moving the overall risk score to a 6. This is because an increasing number of Local Authorities are at risk of a s.114 notice and not having sufficient cash to meet their expenditure. Pension payments would be expected to continue in such circumstances but it is unclear what would happen in the event of a Local Authority not being in funds. This rationale has also seen the suggested pre-mitigation likelihood increase.
- 3.2 Risk G1 Key Person Risk, has increased. A member of the Officer leadership team has recently left, it is believed there may be delays in finding a suitable candidate for the vacant position and agency support for the team has not yet been successful.

- 3.3 The definition of risk G5 Data Breach, has been updated to make it clear that the risk does not just apply to GDPR, other Regulations exist which determine how data is handled and used.
- 3.4 Risk G6 Fraud, has seen its likelihood being reduced. Fund Officers have not seen material cases of fraud either against the Fund or its members. Mitigations in place are believed to be effective, however, it is recommended that the risk remain on the register as both a point of good practice and the potential pre-mitigation risk level.
- 3.5 Risk I6 ESG, has seen both pre and post mitigation likelihood scoring increase. There is expected to be an increase in the level of political interest in this area which will mean it is more likely further action will need to be taken by the Fund. Risk I7 Climate Change has had its post mitigation risk increased for the same reasons.

4 Items under review

- 4.1 Item G3 Cyber Security, has been noted as needing closer monitoring ahead of the next quarterly report. Training is due to be provided by the Information Technology team on the issue of cyber security. The outcomes from this training will determine future considerations of this area.
- 4.2 Risk I1 Investment Returns, is under review as investments have not been performing to the same extent as the recent positive position. Currently, this is not expected to materially impact the operation of the Fund as the Fund is a long-term investor and will go through periods where return is negative or low. Quarterly reports on both funding and investment return are received and will be used to determine if a change needs to be made to the grading in the future.
- 4.3 Risk I5 High Inflation impact on Funding level, may receive a reduced risk score and will be monitored closely ahead of next quarter. This is because the inflation level is expected to decrease although the potential impact on the issues around the Suez are yet to become clear.
- 4.4 Risk I8 Liquidity, is being more closely monitored whilst the Fund transitions to a cashflow negative position. As the impact on using matching assets to find the payment of contributions becomes clearly, Officers will pay increased attention to this risk.

5 Conclusion

5.1 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

Feb-23 May-23 Sep-23 Nov-23

Change from

Feb-24 **September**

Reference Strategic Risk

Employer Contributions Funding Failure to collect contributions from employers in line with Funding strategy **E1** 4 4 4 4 4 4 4 4 4 requirements and Rates and Adjustment Certificate **Employer data E2**

Feb-22

Jun-22

Sep-22 Nov-22

E2	Employers fail to provide accurate and timely data to the PAT team	9	9	9	12	12	12	9	9	9
	Employer Covenant							_		_
E3	Delay in employers agreeing Admission Agreement, risk of insufficient security	4	4	4	4	4	4	4	4	6
Administ	ration									
	Pensions service Delivery	_	_	_	_	_	_	_	_	_
A1	Inadequate delivery of Pensions Administration	6	6	6	6	6	6	6	6	6
A2	Regulatory Change	6	6	6	6	6	6	6	6	6
AZ	Risk that new benefit structures can not be set up correctly or in time	O	0	В	6	O	6	b	В	6
А3	Production of Statutory member returns	6	6	10	10	10	10	6	6	6
	Risk of failure to produce ABS, annual allowance and event reports		L ů	10	-0	10	10	Ů	Ů	
A5	Transfer Scams	2	2	2	2	2	2	2	2	2
	Failure to comply with CETV anti scam checks									
۸7	MBOS Project	2	,	2	2	2	3	C	C	c
Α7	Failure to deliver the new ERP system to effectively deliver for Pension Fund accounting and payroll requirements	3	3	3	3	3	5	6	6	6
C										
Governai										
64	Key Person risk					4	4			_
G1	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	6
	Committee / Board Member									
G2	Lack of decision making caused by loss of Pension Committee/Pension Board	6	6	6	9	9	9	9	6	6
02	members or insufficient knowledge and skills of members	ŭ	Ů				J	3	ŭ	ŭ
	Cyber Security					_		_	- 10	- 10
G3	Risk of Loss of data or systems breaches through cyber attacks	8	8	8	8	8	8	8	12	12
G4	Governance and Compliance	3	3	3	3	6	6	6	3	3
G4	Inadequate governance arrangements and controls to discharge powers & duties	3	3	5	3	6	0	b	3	3
G5	Data Breach	4	4	4	4	4	4	4	4	4
	Failure to comply with General Data Protection Regulations	7		, T	т	7	<u> </u>	7	7	
G6	Fraud	3	6	6	4	4	4	4	4	2
-	Internal and External fraud risk									
Investme	ent/Funding									
	Funding risk - poor investment returns									
I1	Risk that investment strategy fails to result in performance required to meet the	4	4	4	4	4	4	4	4	4
	needs of the Funding strategy discount rate									
10	Regulatory risk	2		2	2	2	2	2	2	2
13	Failure to comply with regulations, legislation and guidance from an accounting and	2	2	2	2	2	2	2	2	2
	investment perspective Investment Pooling									
14	Inability to comply with government direction on pooling, insufficient sub funds to	6	6	6	6	12	12	12	9	9
.,	implement investment strategy, poor management of the pool	ŭ	Ŭ		Ŭ	12		12	,	3
15	Funding risk - higher inflation	2	6	6	6	6	6	6	6	6
	Risk of inflation leading to increased liabilities, lower asset returns and a funding gap									
	Environmental, Social and Governance									
16	Risk of ESG factors within Investment strategy, underlying holdings and	4	4	4	4	4	4	4	4	6
	implementations of investment decisions									
17	Climate change	4	4	4	4	4	4	4	4	6
	Risk to assets and liabilities associated with Climate Change								, i	
18	Liquidity	4	4	4	4	4	4	4	4	4
	Insufficient cash to pay benefits as they fall due									
19	Money Purchase Additional Voluntary Contributions Inadequate offering to Scheme Members							2	2	2
	inadequate offering to Scheme Members	1	1	I						

Dof	Strategic risk	High risk					Low ris	sk				
Ker	risk						LOW IIS	, N				
E1	Contribution Funding				!				*			
E2	Risk Employer data risk			!	*							
	Delay in											
E3	Agreeing Admission Agreement					!	*					
A1	Pension Service				!		*					
	Delivery Regulatory						*					
A2	change Production				!							
А3	of Statutory Member returns			!			*					
	Failure to comply with											
A5	anti-scam checks										*	
A7	MBOS project			!	*							
G1	Key Person risk		!				*					
	Lack of decision											
	making caused by loss of											
G2	Pension Committee/				!		*					
	Pension Board											
G3	member Cyber		1			*						
	Inadequate											
G4	governance arrangeme nts to									*		
	discharge powers &											
	duties Failure to											
G5	comply with General				!				*			
	Protection											
G6	Regulations Fraud			!							*	
	Funding risk due to								*			
11	poor investment returns				:							
13	Regulatory Risk				!						*	
14	Investment Pooling		!		*							
15	Risk High inflation			!			*					
	Environme ntal, Social											
16	and Governanc					!	*					
17	e risks Climate change			!			*					
	Insufficient											
18	cash to pay benefits as					!			*			
	they fall due										*	
19	AVC								!		*	

- ! = Before Mitigation
- * = Post Mitigation

Ref	Strategic Risks	Pre- mitigati on RAG	Risk Control / Response	Post- mitigati on RAG	Risk Owner
Empi E1	Contributions Funding Failure to collect contributions from employers in line with Funding strategy requirements and Rates and Adjustment Certificate		 •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 cove 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 dril into the accuracy of employers' contribution payments, however functionality is still being improved by the software provider •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 approved in June 2023 •Employer enga	I	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	 *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. New employers are given a copy as part of Admission Agreement process *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 	6	Head of Pensions
Adı	ninistration			
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	•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	•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	h	Head of Pensions Administration

A3	Production of Statutory member returns Risk of failure to produce ABS, annual allowance and event reports	•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	 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	•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
Gover	nance			
G1	Key Person risk Risk of loss of key / senior staff resulting in lost knowledge and skills with in the Pensions Team	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 Team responsibilities being reviewed to ensure appropriate coverage of workstreams	6	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	•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	6	Head of Pensions

G		Cyber Security Risk of Loss of data or systems breaches through cyber attacks	 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
Page 114	4	Governance and Compliance Inadequate governance arrangements and controls to discharge powers & duties	•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		Head of Pensions
G	5	Data Breach Failure to comply with General Data Protection Regulations and Disclosure Regulations	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 Privacy in place via ESCC Privacy notice is on the website - the privacy statements have been refreshed each year 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
G	6	Fraud Internal and External fraud risk	 •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 	2	Head of Pensions

Invest	ment/Funding			
I 1	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	•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
13	Regulatory risk Failure to comply with regulations, legislation and guidance from an accounting and investment perspective	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
14	Investment Pooling Inability to comply with government direction on pooling, insufficient sub funds to implement investment strategy, poor management of the pool	*ACCESS Support Unit team provide support to the pool *Operator contract provided by Weyland for assets held within the ACS. Operator novation imminent. *The ACCESS Contracts Manager will monitor Weyland'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.		Head of Pensions

15	Funding risk - higher inflation Risk of inflation leading to increased liabilities, lower asset returns and a funding gap	 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 Valuation 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	 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 	6	Head of Pensions

Page	7	Climate change Risk to assets and liabilities associated with Climate Change	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 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, valu		Head of Pensions
117	3	Liquidity Insufficient cash to pay benefits as they fall due	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
IS	9	Money purchase AVC Inadequate offering for the scheme members on cost, return and/or risk grounds	•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	0	5	5	10	15	20
60-90%	This Month	High	LIKELIHOOD	4	4	8	12	16
40-60%	This year	Medium	H	3	3	6	9	12
10-40%	Next 5 years	Low	IKE	2	2	4	6	8
0-10%	Next 10 years	Very Low		1	1	2	3	4
					1	2	3	4
							PACT	
					Negligable	Minor	Major	Critical
					No noticeable impact	Minor impact, Some degradation of service	Significant impact, disruption to core services	Disastrous impact, Catastrophic failure
				SERVICE	Handled within normal day- today routines.	Management action required to overcome	Key targets missed.	Prolonged interruption to core service.
				DELIVERY		short-term difficulties.	Some services compromised.	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.
					Little or no publicity.	Limited local publicity.	Local media interest.	National media interest seriously affecting public opinion
				REPUTATION	Little staff comments.	Mainly within local government community.	Comment from external inspection agencies. Noticeable impact on public	
						Causes staff concern.	opinion.	

Agenda Item 13

Report to: Pension Committee

Date: 22 February 2024

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:

- 1) note the investment report;
- 2) Approve the delegation to the Section 151 Officer to finalise submit the 2023 Stewardship Report to the FRC.

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 was established as the result of 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 focus over the next 12 months is:
 - Implement the strategic changes in relation to fixed income;
 - 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 the case on increasing exposure to index linked gilts;
 - Work with ACCESS to develop the governance and investment opportunities on the pool platform;
 - Engage 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;

- Carry out the 2024 ESG implementation assessment of the investment managers;
- Produce the 2023 Stewardship report;
- Complete the 2024 PRI survey.

3. Quarterly Performance Report

- 3.1 Due to the timing of the November meeting the usual Quarterly Performance Report for Q3 2023 was not completed. Isio did provided a summarised version of the report for Pension Committee the full report has now been completed and is attached as Appendix 2.
- 3.2 The Quarterly report for December has also not been completed in time for the publication for papers. Isio have provided the report as complete as possible attached as Appendix 3 with the detail pages for Ruffer, UBS infrastructure, Pantheon, IFM to follow once complete.
- 3.3 Since the last reported position, the valuation of the Fund has increased from £4.501bn as at 30 September 2023 to £4.689bn as at 31 December 2023 (an increase of £0.188bn). This performance reflects a positive absolute return of 4.3% in the quarter to December. The Fund also outperformed its benchmark in the period by 0.9%.
- 3.4 This is on the back of equity markets producing positive performance over the quarter, outperforming most other asset classes. Along with a positive global sentiment driven by a shift in monetary policy expectations away from 'higher for longer', towards projected rate cuts in the short term. UK gilt yields reflected this sentiment, with yields declining towards the end of the quarter, resulting in positive returns. Along with both the US Federal Reserve and the Bank of England keeping base interest rates unchanged at 5.50% and 5.25% respectively during the quarter. Hedged global equities outperformed unhedged equivalents over the period, as the Pound Sterling strengthened against the US Dollar.
- 3.5 Although performance across the Fund was positive 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 to benchmark.
- 3.6 The active impact public equity mandates have continued to struggle relative to their benchmarks over the last 12 months. 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.
- 3.7 Infrastructure has mostly performed strongly over the last quarter except for UBS and Pantheon. Of the managers that have been in place for the longer term, UBS infrastructure has most significantly underperformed its benchmark. This is primarily driven by the disappointing performance of Archmore Fund I.

4. PIRC Local Authority Indicators

- 4.1 The Fund receives a report from PIRC looking at a universe of local authority pension funds (63 pension funds with assets under management of £243bn) and provide indicators on performance. PIRC advise that Funds are expected to deliver the best quarterly result on average to December 2023, since Q2 2021. The average Local Authority fund could expect to achieve a return of around 4.6% for the quarter. Average 2023 performance was in the region of 5.5% for the average LGPS fund with three-year performance at almost 4.8% p.a.
- 4.2 This compares to the Fund's performance at 4.3% for Q4, 5.4% 1 year and 4.9% 3 year.

5. ACCESS Update

- 5.1 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 September 2023 there was £25.0bn invested in the authorised contractual scheme (ACS) managed by the pool operator, with a further £10.3bn invested in the UBS passive ACCESS governance arrangements.
- 5.2 As at 31 December 2023 East Sussex had a total of £2.8bn (58.8%) in ACCESS governed investments, £1.9bn across 6 ACS sub-funds and a further £0.6bn through the UBS passive arrangement along with £0.3bn in a pool aligned infrastructure investment.
- 5.3 The formal Joint Committee was held on 4 December 2023, the following items are highlighted:
 - It was agreed that the proposed 2024/25 Business Plan (Appendix 4) should be recommended to ACCESS Authorities.
 - The Joint Committee accepted the recommended 2024/25 budget to support the business plan from Section 151 Officers (totalling £1.707m or £155k per council).

6. Stewardship Report

- 6.1 At its meeting in November 2023 Committee were advised that the Fund had submitted the UK Stewardship Code report to the Financial Reporting Council (FRC). The expectation was that we would receive the FRC verdict in February.
- 6.2 The FRC confirmed in January that they would provide an outcome on Thursday, 15 February. At the time of writing, this deadline has not passed but an update will be provided verbally at the meeting.
- 6.3 Officers are planning to submit the 2023 Stewardship Code in May rather than October 2024, subject to the outcome of the 2022 report.

7. Principles of Responsible Investment (PRI) Report

7.1 The PRI is the world's leading proponent of responsible investment, as a signatory to the PRI the Fund is required to report annually on the responsible activities that it

undertakes. This represents the largest global reporting project on responsible investments. In turn, signatories receive a summary scorecard (detailed below), an Assessment Report and a transparency report which is publicly available on the PRI website.

- 7.2 These reports are produced using the signatories' reported information and support signatories to have internal discussions about their practices. They facilitate learning and development by outlining how signatories' responsible investment practices compare year-on-year, across asset classes, and with peers at a local and global level.
- 7.3 The Assessment Report is an export of the scores for all the assessed indicators and modules the Fund responded to in the PRI Reporting Framework during the 2023 reporting period. The Fund will be analysing the responses to identify activities to undertake to improve on the current scores.
- 7.4 The Summary Scorecard gives an overview of the Fund's scores against the PRI median score. The Scorecard is shown below which indicates that there are still areas where the Fund can improve but it is currently performing above the median PRI score on all areas.

Summary Scorecard



7.5 The Transparency Report provides accountability to the Fund by disclosing the responses provided to the PRI plus indicators that the signatory has agreed to make public. The Fund decided to make all responses public.

8. Competition and Markets Authority's (CMA) Investment Consultancy and Fiduciary Management Market Investigation Order 2019

8.1 With effect from 10 December 2019, the East Sussex Pension Fund is required to comply with the CMA Investment Consultancy and Fiduciary Management Market Investigation Order 2019 and set strategic objectives for its investment consultant. This was a brought in by the CMA investigation into the investment consultancy and fiduciary market, with the aim for Committees to better assess and evaluate the quality of their investment consultant. It is Part 7 of the order which requires trustees to set strategic objectives for their investment consultant. Specifically, Part 7 states:

- 8.2 "Pension Scheme Trustees must not enter into a contract with an Investment Consultancy Provider for the provision of Investment Consultancy Services or continue to obtain Investment Consultancy Services from an Investment Consultancy Provider unless the Pension Scheme Trustees have set Strategic Objectives for the Investment Consultancy Provider."
- 8.3 The Committee have previously agreed strategic objectives which were updated at the March 21 Committee meeting after the appointment of ISIO, which were prepared with reference to the Pensions Regulator's guidance, combining a mixture of quantitative and qualitative measures.
- 8.4 The Fund is required to confirm that they have complied with the requirements over the last 12 months and had objectives in place. This must be re-confirmed on an annual basis. The Fund must submit a 'compliance statement' and 'certificate' stating that they have complied with the CMA requirement by 7 January annually. This was provided to the CMA on 4 January 2024.
- 8.5 If the Committee are aware of any failure on their own part to comply with any part of the Order, they must report such non-compliance to the CMA within 14 days of becoming aware of the failure to comply and provide a brief description of the steps taken to address the failure.

9. Conclusion and reasons for recommendation

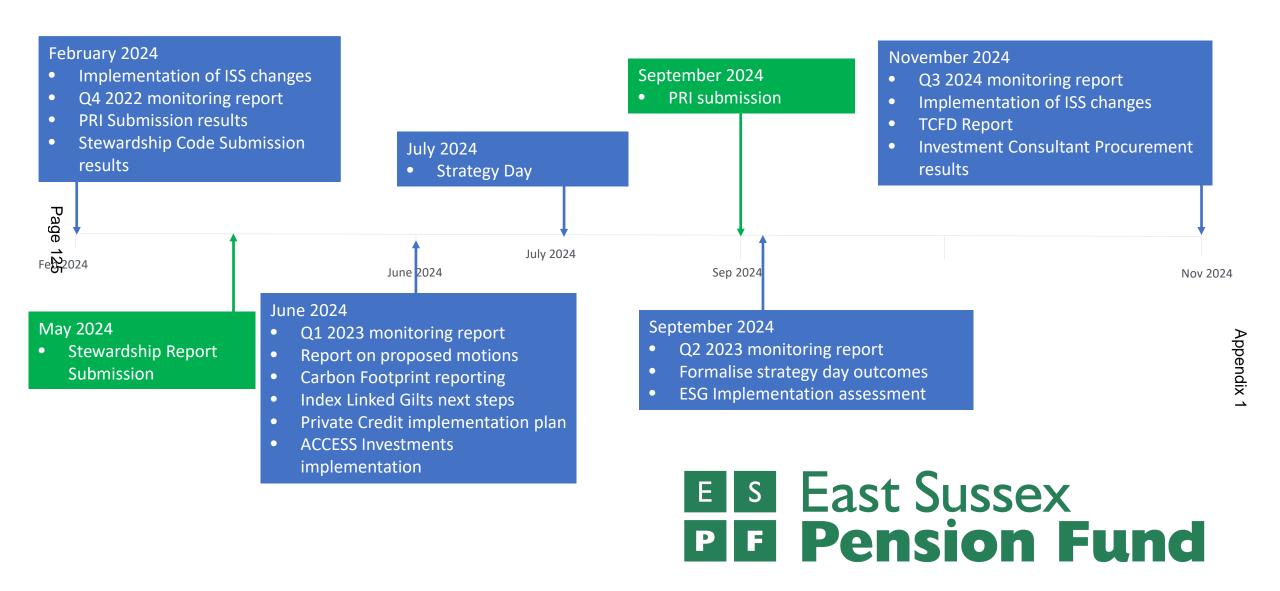
- 9.1 Investments are regularly monitored to ensure that the Fund's strategic asset allocation set out in the Fund's Investment Strategy Statement (ISS) is being complied with and to keep the Committee informed of any significant concerns with the investment managers, retained to implement the Fund's strategic asset allocation.
- 9.2 The Pension Committee are recommended to note the Investment Report and to approve the delegation to the Section 151 Officer to finalise submit the 2023 Stewardship Report to the FRC

IAN GUTSELL Chief Finance Officer

Contact Officer: Russell Wood, Pensions Manager Investments and Accounting

Email: Russell.Wood@eastsussex.gov.uk

12 month workplan



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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

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Highlights

Executive Summary - 30 September 2023

Access Po	ol Fund		Q3 2023 Performance		Value at Q	uarter 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
T No	IFM – Infrastructure	0.6%	0.8%	-0.3%	£235.4m	£235.6m
	ATLAS - Listed Infrastructure	-6.5%	-4.7%	-1.7%	£100.0m	£93.5m
No 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
ည္ 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

Period returns - to 30 September 2023



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.

Manager Performance – 30 September 2023

Fund	Q3 2	2023 Perform	nance	1 Ye	ear Performa	ance	3 Ye	ear Perform	ance	5 Ye	ear Perform	ance
	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%
Enroders – 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%
Partheon – 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
Pag Overall Westment Prategy	Liquid Fixed Income Manager Selection At the Q12022 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 further 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.	•
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. 	•

Summary

This page sets out the main action / discussion points.

Status key

- Action
- Decision
- Discussion
- Information only

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Market Background

Market Background – Overview Q3 2023



- 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.

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 Sterling 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

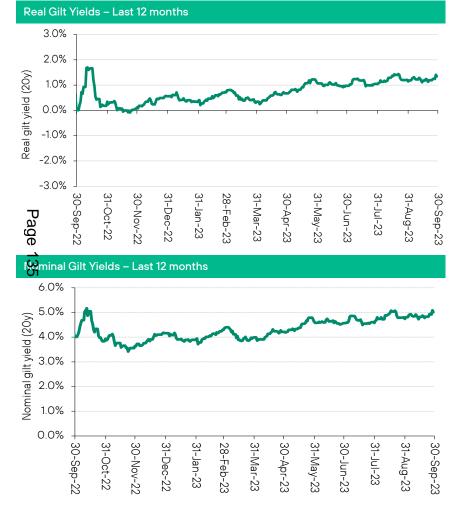
Equity markets saw mixed performance over the guarter, with UK equities outperforming the majority of other markets.

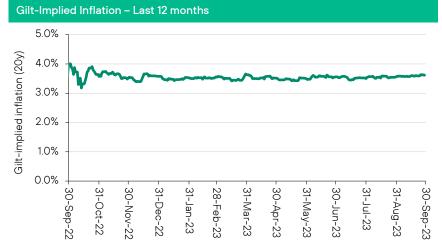
Broadly negative global sentiment was driven by a further rise in long-dated yields, as investors increasingly expect interest rates to be 'higher for longer'. UK gilt yields reflected this sentiment, with longer-maturity government bond yields rising over the quarter, resulting in negative returns.

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.

Market Background - Yields





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%

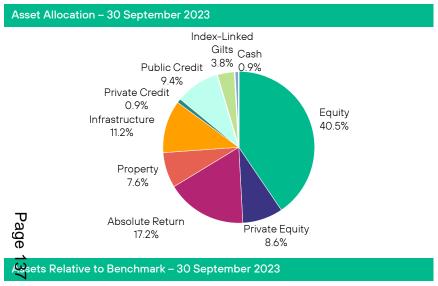
 Quarter
 0.05%

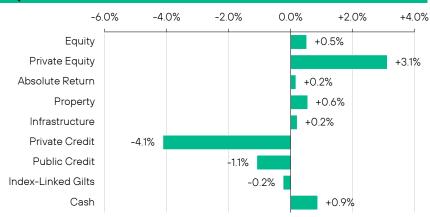
Notes: Please see the 'Explanation of Market Background' appendix for details of the example liabilities. Monthly yield changes may not sum to quarterly changes, due to rounding. Zero coupon rates are shown. Sources: Bank of England, Isio calculations.

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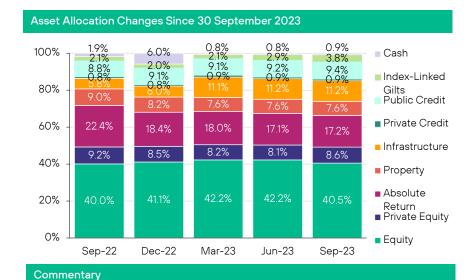
Strategy Overview

Asset Allocation – at 30 September 2023





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



- 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 position 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%

Investment Managers

Performance Summary – to 30 September 2023



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".

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

UBS / Osmosis – Sustainable Equity

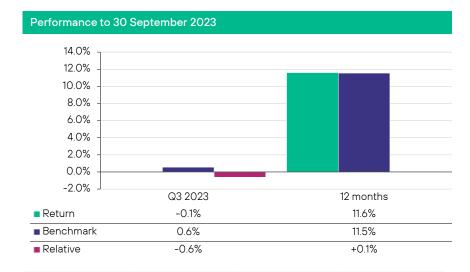
Overview

The Fund adopts an optimised, smart beta approach, investing in global equities with the aim of approximating the performance and risk profile of the index, with an explicit incorporation of ESG and climate-related risks.

Process	Bottom Up	•	Top Down
Stock Selection	Low	•	High
P a Active Share	Low	-	High

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Key area	Comments
Key contributors/ detractors	Strongest contributors were UBS (Swiss Financials, Intuit (US IT) and RTX (US Industrials). Key detractors were Lilly Eli (US Health Care), Hershey (US Consumer Staples) and Estee Lauder (US Consumer Staples). The underperformance to the benchmark was due to the continuing sharp upturn in energy prices and elevated market volatility.
Portfolio positioning	 Aercap Holdings (US Industrials)was added to the portfolio. US Health Care firm Lily Eli was sold. The overall sector and country weights have remained similar to the previous quarter, maintaining the targeted tight factor exposures to the MSCI World benchmark.
Outlook	 Markets are experiencing increased volatility in markets, and the benchmark is benefitting from the upturn in energy prices. However, Osmosis remain confident in their Resource Efficiency signal, given it has added value in line with expectations since the Fund's inception.



Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	587	573	Slight decrease, but in line with quant process
12m turnover	24%	24%	Remained constant
Active share	48%	45%	Low, in line with expectations
Top 3 sectors	Information Technology (24%), Financials (15%), Health Care (15%).		
Top 3 stocks	Apple Inc (5%), Microsoft Corp (5%), NVIDIA Corp(2%).		
Top 3 regions	North America (73%), Europe (18%), Asia (9%).		

Mandate: Sustainable Passive Global

Equities

Current Value: £246.6m

Current Weighting: 5.4%

Inception: March 2022

Benchmark: MSCI World

Objective: Achieve superior risk-adjusted returns by targeting maximum resource efficiency exposure while maintaining a tight tracking error to the MSCI World.

Pooled: Via Access Pool

Longview - Global Equity

Overview

The strategy utilises a bottom-up approach to invest in 30-35 high quality global companies which have strong business fundamentals and a market capitalisation greater than \$5 billion.

	Process	Bottom Up	•	Top Down
	Stock Selection	Low	-	High
Page	Active Share	Low		High

key area	Comments
Key contributors/ detractors	 The portfolio had a challenging quarter and underperformed the index, with consumer stapes and financials being the key sectoral detractors. Some of the largest detractors to relative performance over the period were Dollar General, HCA Healthcare and American Express.
Portfolio positioning	During the quarter, no new holdings were added to the portfolio. The positions in Henry Schein was sold.
Outlook	 The portfolio remains concentrated, with a high active share, and therefore investors should expect periods of material out or under performance. The team continues to focus on what they perceive as high quality companies which trade at reasonable valuations.

Totals may not sum due to rounding. Performance quoted net of fees. Source: Investment manager, Northern Trust, Isio calculations. © Isio Group Ltd /Isio Services Ltd 2023. All rights reserved



Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	30	31	In line with expectations
12m turnover	19%	21%	Low relative to peers
Active share	90%	90%	High relative to peers
Top 3 sectors	Financials (34%), Health Care (21%), Consumer Staples (13%)		
Top 3 stocks	Alphabet (4%), Booking (4%), TJX Companies (4%)		
Top 3 regions	US (84%), UK (7%), Netherlands (6%)		

Mandate: Active Global Equities

Current Value: £495.7m

Current Weighting: 10.9%

Inception: April 2013

Objective: Outperform benchmark by 3% (gross) p.a. over rolling 3 -year periods.

Benchmark: MSCI AC World

Pooled: Via Access Pool

WHEB - Impact Equity

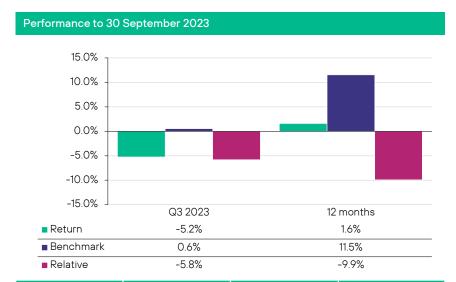
Overview

The Fund utilises an unconstrained global equity approach which focuses on investing in companies capitalising on opportunities created by the transition to healthy, low carbon and sustainable economies, across nine broad sustainability themes.

Process	Bottom Up	-	Top Down
Stock Selection	Low	-	High
Pagactive Share	Low	•	High

Key area	Comments
Key contributors/ detractors	 The fund delivered a negative return over the quarter with the structural exposure to midcaps hurting relative performance. Resource efficiency and Cleaner Energy were the weakest performing themes over the quarter. Largest detractors were Power Integrations, Silicon Labs and SolarEdge.
Portfolio positioning	 2 new additions: AstraZeneca (Health) and Schneider Electric (Resource Efficiency). 2 exits: DSM Firmenich (Environmental services) and Enphase (Cleaner Energy).
Outlook	 WHEB are cautious about market volatility, but believe the diversification and the quality of the portfolio will provide resilience in the medium to long-term. With the mandate's higher active share, we expect it to continue to deliver relative return volatility.

Note: Totals may not sum due to rounding. Performance quoted net of fees. Source: Investment manager, Northern Trust, Isio calculations. © Isio Group Ltd /Isio Services Ltd 2023. All rights reserved



Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	41	41	Relatively concentrated – low end of target
12m turnover*	32%	31%	Further detail on right
Active share	97%	97%	High relative to peers
Top 3 sectors	Healthcare (30%), Industrials (27%), IT (27%)		
Top 3 stocks	Trane Technologies (4%), Steris (4%), Autodesk (4%)		
Top 3 regions	North America (62%), Western Europe (17%), Japan (8%)		

Mandate: Active Impact Global Equity

Current Value: £209.1m

Current Weighting: 4.6%

Inception: December 2020

Benchmark: MSCI World

Objective: To achieve capital growth over

the medium to longer term.

Pooled: No

*12m turnover: The manager has confirmed that the higher turnover is as a result of the higher market volatility, which led to more upgrades and downgrades and ad hoc redemptions, which resulted in higher trading activity. They expect it to come down in future.

Wellington - Global Impact Fund

Overview

The Fund aims to invest in innovative companies whose core products and services addresses the world's major social and environmental challenges. Wellington choose stocks from the universe list which has been derived from a number of sources such as internal and field research, company meetings, conferences or third party research.

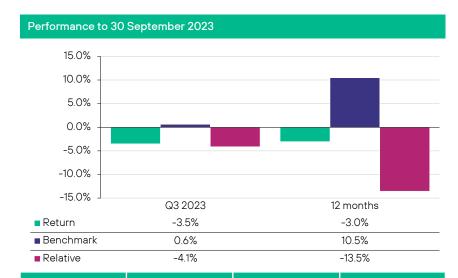
Process	Bottom Up	•	Top Down
Stock Selection	Low	•	High
Active Share	Low	-	High

Kej area	Comments			
Key contributors/ detractors	 The Fund's underweight position in energy detracted 66bps from performance over Q3, as the sector outperformed. Stock selection was however the key driver of relative performance over the period. The holdings in SolarEdge, Xylem and Insulet were the largest absolute detractors, with stock-specific factors driving weakness in all three stocks. 			
Portfolio positioning	 Increased exposure to both the Safety and Education themes, with the additions of Fortinet and Adtalem Global Education. The Fund reduced exposure to environmental themes by selling positions in SolarEdge, Signify, and Befesa. Wellington completed three purchases and five sales. 			
Outlook	The Fund has structural overweight exposure to 'growth' style companies, and an underweight to energy; however, most relative performance will be driven by stock specific risk. We continue to monitor portfolio performance closely.			

Sources: Investment manager, Isio calculations.

Notes: Returns net of fees.

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Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	64	66	High end of 50- 70 range
12m turnover	31%	30%	Higher than typical, to be monitored.
Active share	97%	98%	High, in line with expectations
Top 3 sectors	Resource Efficiency (19%), Healthcare (19%), Financial Inclusion (11%)		
Top 3 stocks	Boston Scientific (3%), Xylem Inc (3%), Abbott Laboratories (3%)		
Top 3 regions	North America (64%), Europe ex UK (17%), Emerging markets (10%)		

Mandate: : Active Impact Global Equities

Current Value: £214.4m

Current Weighting: 4.8%

Inception: December 2020

Benchmark: MSCI AC World

Objective: To outperform the MSCI All Country World Index over the long-term.

Pooled: No

Storebrand – Sustainable Equity

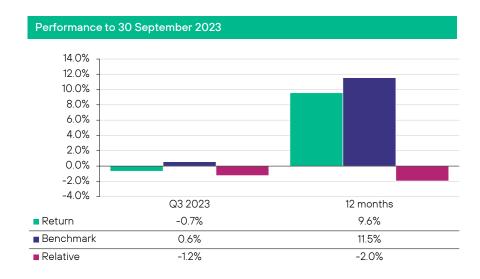
Overview

The Fund adopts an optimised, smart beta approach, investing in global equities with the aim of approximating the performance and risk profile of the index, with an explicit incorporation of ESG and climate-related risks.

Process	Bottom Up	-	Top Down
Stock Selection	Low		High
Pactive Share	Low	•	High

Key area	Comments
Key contributors/ detractors	The fund underperformed the MSCI World Index by -1.2% during Q3. Climate solutions companies had a challenging quarter, detracting -0.6% from relative returns, with renewable electricity particularly weak. On the other hand, fossil fuel-related stocks, which are excluded from the fund, had a strong quarter and detracted a further -0.6% on a relative basis.
Portfolio positioning	Large increase in the number of emerging market climate solution companies.
Outlook	 Storebrand is working on carbon intensity data and implementing change into how this information is used in portfolio construction.

Note: Totals may not sum due to rounding. Performance quoted net of fees. Source: Investment manager, Northern Trust, Isio calculations. © Isio Group Ltd /Isio Services Ltd 2023. All rights reserved



Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	751	752	Slight decrease
12m turnover	9%	9%	Stable
Active share	42%	42%	Low, as expected
Top 3 sectors	IT (24%), Financials (14%), Industrials (14%)		
Top 3 stocks	Apple (5%), Microsoft (4%), Amazon (2%)		
Top 3 regions	United States (68%), Japan (7%), UK (4%)	

Mandate: Sustainable Passive Global

Equities

Current Value: £489.2m

Current Weighting: 10.8%

Inception: December 2020

Benchmark: MSCI World

Objective: Reproduce risk-return profile of

the MSCI World Index

Pooled: No.

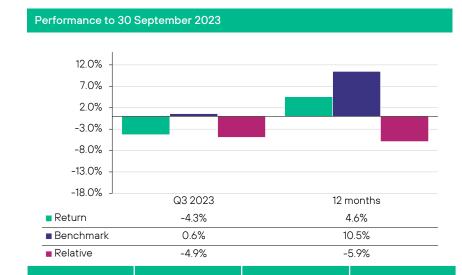
Baillie Gifford – Global Paris Aligned Equity

Overview

The Fund utilises an unconstrained global equity approach which focuses on investing in companies displaying above average earnings growth and sustainable competitive advantages in their respective industries, whilst aligning to the UN Paris Agreement climate commitments.

Process	Bottom Up	•	Top Down
Stock Selection	Low		High
Active Share	Low		High

-Key area	Comments
Key contributors/ detractors	 The Fund experienced performance challenges over the quarter. Against such an economic backdrop, BG continue to revisit the underlying growth drivers that underpin the portfolio and remain confident that the growth tailwinds will endure despite global economic challenges. The energy sector was the clear contributor in Q3. The utilities sector and the real estate sector were the biggest detractors over the last quarter.
Portfolio positioning / transactions	BG made 3 purchases (Comfort Systems USA, Nippon Paint and YETI Holdings) and 1 sale (Deutsche Boerse).
Outlook	BG realise it's been a bruising period performance wise. But beneath the difficult headline numbers according to them resides a portfolio that is in very robust health. They still believe that the portfolio is of increasingly superior quality, operational flexibility and expected earnings growth.



Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	91	90	Broadly unchanged
12m turnover	14%	14%	Unchanged
Active share	84%	84%	In line with expectation
Top 3 sectors	Consumer Disc (21%), Financials (17%), IT (16%)		
Top 3 stocks	Microsoft (4%), Amazon.com (4%), Elevance Health (4%)		
Top 3 regions	North America (64%), Europe ex UK (15%), Emerging Markets (10%)		

Mandate: Global Equities

Current Value: £184.8m

Current Weighting: 4.1%

Inception: August 2021

Benchmark: MSCI AC World

Objective: Outperform benchmark by 2.0% p.a. (net of fees) over rolling 5-year periods

Pooled: Via Access Pool

Totals may not sum due to rounding. Performance quoted net of fees. The Fund switched into the Paris-aligned version of the Global Alpha Fund over Q2 2022 and performance is combined. **Source:** Investment manager, Northern Trust, Isio calculations. © Isio Group Ltd /Isio Services Ltd 2023. All rights reserved

Harbourvest – Private Equity

Overview

HarbourVest manage a global private equity portfolio for the Fund, invested globally across a range of subclasses (buyout, venture, debt/credit, among others).

Multiple: Buyout, Style venture, credit

Multiple: Primary, Stage secondary

Access Fund-of-Funds

Viptage Year w Regional Focus Multiple: 2004-2021

Global

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Key area	Comments (3 month lagged)
Performance	Over the quarter the portfolio produced positive returns and whilst the 12-month performance was negative, the long-term performance still remains very strong.
Developments over quarter	Several funds distributed proceeds back to investors during Q2, with the most sizeable distributions coming from HIPEP VI and VII Partnership Funds
Outlook	HarbourVest has not provided specific outlook for the portfolio.

Totals may not sum due to rounding. Performance quoted net of fees.

Source: Investment manager, Northern Trust, Isio calculations.

Performance t	o 30 Septembe	er 2023		
30.0% 25.0% 20.0% 15.0% 10.0% 5.0% -5.0% -10.0% -15.0%				
-25.0%	Q3 2023	12 months	3 years (p.a.)	5 years (p.a.)
■ Return	7.0%	-7.3%	23.9%	18.4%
■ Benchmark	1.0%	12.1%	10.5%	9.4%
■ Relative	+6.1%	-19.4%	+13.4%	+9.0%

Metrics (3m lag)	Current Quarter	Last Quarter	View/change
IRR (net)	10.8%	10.8%	As expected
Capital Deployed/Raised	72%	70%	Slight increase
DPI	1.03x	0.99x	Slight increase
TVPI	1.7x	1.7x	No change
Top 3 subclasses	Buyout (55%), Venture (44%), Credit (1%)		
Top 3 regions	North America (56%	%), Europe (26%), Asia	(15%)

Mandate: Private Equity

Current Value: £192.2m

Current Weighting: 4.2%

Inception: January 2003

Benchmark: MSCI World + 1.5%

Objective: MSCI World + 3.0%

Pooled: No

Adams Street – Private Equity

Overview

Adams Street manage a global private equity portfolio for the Fund, combining Partnerships and Co-investments, invested globally across a range of subclasses (buyout, venture, energy, debt/credit, among others).

Style	Multiple: Buyout, venture, debt
Stage	Multiple: Primary, secondary, co- investment
Access	Fund-of-Funds
V īb tage Year	Multiple: 2003-2021
Regional Focus	Global

Kry area	Comments (3 month lagged)
Performance	Similarly to last quarter, there was a small reduction in IRR, which is in line with expectations as private equity valuations continue to be adjusted downwards in line with public markets.
Developments over quarter	 Three new primary investments in Altor Fund VI, Oakley Capital Origin II-B1 SCSp and The Resolute Fund VI. There was also 1 new co-investment in Advantive, and a new Growth Equity investment in Cato Networks. c.\$2.6m in distributions and c \$2.1m capital called over Q2
Outlook	Despite a resurgence in equity markets in the first half of 2023, this retreated going into the third quarter due to concern that the Federal Reserve will keep interest rates higher for longer. There is a positive outlook for growth equities due to a rising demand for capital from companies that delayed returning to the market last year and due to the state of technological innovation.

Totals may not sum due to rounding. Performance quoted net of fees. Source: Investment manager, Northern Trust, Isio calculations.

Performance to 30 September 2023 30.0% 20.0% 10.0% 0.0% -10.0% -20.0% -30.0% Q3 2023 12 months 3 years (p.a.) 5 years (p.a.) Return 4.4% -11.0% 18.0% 22.8% ■ Benchmark 10.5% 1.0% 12.1% 9.4% Relative +3.4% -23.1% +12.3% +8.7%

Metrics (3m lag)	Current Quarter	Last Quarter	View/change	
IRR (net)	11.7%	11.8%	Slight reduction	
Capital Deployed/Raised	81%	81%	Unchanged	
DPI	1.1x	1.1x	Unchanged	
TVPI	1.8x	1.8x	Unchanged	
Top 3 subclasses (Partnerships)	Buyout (61%), Venture (29%), Other (7%)			
Top 3 regions (Partnerships)	United States (53%), Western Europe (28%), Asia (11%)			

Mandate: Private Equity

Current Value: £199.3m

Current Weighting: 4.4%

Inception: March 2003

Benchmark: MSCI World + 1.5%

Objective: MSCI World + 3.0%

Pooled: No

Newton – Absolute Return

Overview

The Fund aims to generate returns by investing in a wide universe of global securities. The Fund allocates between return seeking, and risk reducing positions, dynamically changing asset allocations over time in order to add value. The primary aim is to deliver positive risk adjusted returns in all market economic environments.



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Key area	Comments			
Key contributors/ detractors	 Positive return was driven by the derivative protection, and cash holdings in short-dated bonds, which provided a cushion during the market sell-off in August and September. Equities were the main detractor of performance although the strategies stock selection outperformed the broader market. 			
Portfolio positioning	 Newton evolved their positioning over the period, taking advantage of market volatility to add to equity positions, as well as adjusting fixed income (duration) exposure over the period based on the team's view 			
Outlook	The team retain a cautious stance and believe that they will embrace volatility to negative changes and have the capacity to adapt to future changes in the global economy.			

Performance to 30 September 2023 8.0% 6.0% 4.0% 2.0% 0.0% -2.0% -4.0% -6.0% -8.0% Q3 2023 12 months 3 years (p.a.) 5 years (p.a.) Return 0.3% 1.1% 0.8% 2.6% 3.9% ■ Benchmark 1.9% 6.9% 4.3% Relative -3.5% -1.6% -5.8% -1.4%

Metrics	Current Quarter	Last Quarter	View/change	
Correlation to equity (1 year)	43%	55%	In line with expectations	
Volatility (1 year)	4.3%	6.0%	In line with expectations	
Top 3 asset-classes	Equities (36.8%), Cash (19.5%) Alternatives (16.7%)			
Equity sector breakdown	Healthcare (7.1%), Technology (5.8%), Consumer Discretionary (5.6%),			

Mandate: Diversified Growth Fund

Current Value: £336.4m

Current Weighting: 7.4%

Inception: April 2010

Benchmark: 3-month SONIA + 2.5%

Objective: 3-month SONIA + 4% p.a. (gross)

over rolling 5 years

Pooled: Via Access Pool

Ruffer - Absolute Return

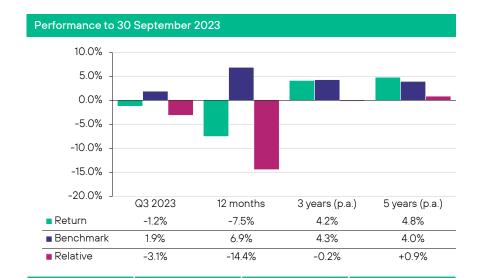
Overview

The Fund has two investment aims; to deliver positive returns in any rolling twelve month period and ahead of the risk-free rate. The strategy has a strong focus on capital preservation, the core investment objective of the Fund.

Target Return	Low		High
Return Drivers	Market beta		Active management
Diversification	Low	•	High



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& y area	Comments
Key contributors/ detractors	 Negative returns were primarily attributable to the large holding in inflation-linked government bonds, with valuations reducing following the sell-off in long duration bonds. The Fund's positions in oil were the main contributors to returns with oil prices rising over 25% across the quarter.
Portfolio positioning	 The Fund retained its defensive positioning over the period and continues to have a high allocation to short dated bonds, reflecting a view that whilst inflation will be a long- term problem.
Outlook	 Ruffer believe that Japan's yield control will inevitably break and have a large exposure to the Yen as a protection against this. Ruffer take the view that "interest rates always work" and the Fund is positioned to take advantage of opportunities arising from a sharp change in sentiment across the market.



Metrics	Current Quarter	Last Quarter	View/change
Correlation to equity (1 year)	30%	27%	Low correlation Reflects portfolio positioning.
Volatility (1 year)	6.3%	5.4%	In line with expectations
Top 3 asset-classes	Short-dated bonds (43.3%), Cash (13.0%), Non-UK index-linked bonds (11.1%).		
Top 3 detractors to return	Inflation linked bonds (-2.9%). Equity downside protection (-0.3%), Gold exposure and gold equities (-0.1%).		

Mandate: Diversified Growth Fund

Current Value: £443.3m

Current Weighting: 9.8%

Inception: April 2010

Benchmark: 3-month SONIA + 2.5%

Objective: 3-month SONIA + 4% p.a.

(gross) over rolling 5 years

Pooled: Via Access Pool

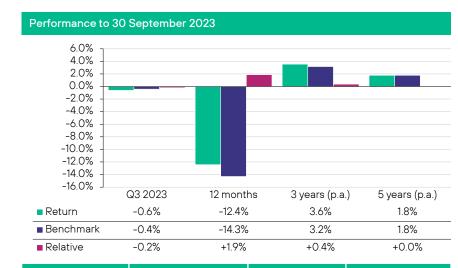
Schroders - Balanced Property

Overview

The Schroders Property Fund is a medium risk balanced property fund investing across the retail, offices, industrials and alternative property sectors.

Expected volatility	Low		High
Lease Length	Short	•	Long
Shape of outcomes	0% Contractual		100% Contractual
Die rsification	Low		High

y area	Comments
Key contributors / detractors	Over the quarter, the portfolio marginally underperformed the benchmark. Like last quarter, the Industrial Property Investment Fund was the most accretive holding in the portfolio, Other strong performing funds included the Social Supported Housing Fund, Octopus Healthcare Fund and Multi-Let Industrial Property Unit Trust (Multi-Let). The weakest performing funds over the quarter were UK Retail Warehouse Fund, Future Workplace Property Unit Trust, Schroders Special Situations Fund and Local Retail Fund.
Portfolio positioning	 Over the last few years, the Portfolio has been structured with downside protection provided via the defensive holdings in convenience retail.
Outlook	Schroders anticipate further falls in capital values in Q4 2023 in most sectors, aside from property which they believe is approaching 'fair value.' The portfolio has more defensive style strategies in place, which are proving more beneficial over the long term.



Metrics	Current Quarter	Last Quarter	View/Change
Net acquisitions / (Sales)	-£7.1m	£4.7m	Decrease
Cash yield	3.4%	3.1%	Increase
No of assets	18	18	No change
Top 3 sectors	Industrial, Alternatives (via student accommodation, social supported housing, retirement living and care homes) and Regional Offices.		

Note: Totals may not sum due to rounding. Performance quoted net of fees **Source:** Investment manager, Northern Trust, Isio calculations.

Mandate: Balanced Property

Current Value: £342.9m

Current Weighting: 7.6%

Inception: December 2009

Benchmark: IPD All Balanced Fund Index

Objective: Outperform benchmark by 0.75% p.a. (net) over rolling 3 years

Pooled: No

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UBS - Infrastructure

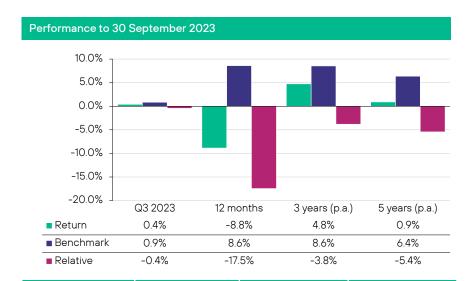
Overview

The fund provides investors with access to a diversified portfolio across Fund I and Fund III infrastructure assets. Fund I remains in the value realisation phase and is paying capital back to Investors, whilst Fund III is in its investment phase and continues to draw capital for investment. Fund III has a significant tilt to ESG assets compared to Fund I.

Expected volatility	Low	-	High
Lease Length	Short		Long
Shape of outcomes	0% Contractual		100% Contractual
Dersification	Low		High

Key area	Comments (3m lag)
Portfolio positioning	 Net return since inception for Fund I fell to a disappointing 2.2% p.a. predominantly due to the material mark down in value for Southern Water, The business issued a £550m additional funding request, Positive FX movements partially offset further fall in valuations. Given the Fund will no longer invest further capital, its stake in Southern Water will be diluted from 5.9% to 2.8% post-closing of the capital raise. A sales process for Saubermacher and Spinning Spur II is being prepared with its advisors, and is planned to be completed by the end of 2023.
Outlook	 Fund III continues to drawdown committed capital, and perform as expected. There was no change to the \$139.3m drawn from the total \$185.0m committed relative to Q1 2023. There are no fund distributions from Fund I in Q2 2023.

Totals may not sum due to rounding. Performance quoted net of fees. SI is since inception. Source: Investment manager, Northern Trust, Isio calculations. © Isio Group Ltd /Isio Services Ltd 2023. All rights reserved



Metrics (3m lag)	31 June 2023	31 Mar 2023	View/Change
Net SI return (Fund I)	2.2%	3.0%	Material decrease driven by fall in Southern Water valuation
Net SI return (Fund III)	17.1%	17.7%	Slight decrease
Total value to paid-in (Fund I)	1.18x	1.28x	Slight decrease
Total value to paid-in (Fund III)	1.31x	1.28x	Slight increase
Top 3 sectors (Fund I – current quarter)	Power generation (71%), Wastewater (20%), Water (9%)		

Mandate: Infrastructure

Current Value: £35.6m

Current Weighting: 0.8%

Inception: January 2008

Benchmark: CPI + 2%

Objective: CPI + 3%

Pooled: No

Notable Updates

The UBS infrastructure funds should be monitored closely going forward given weak historical performance.

Isio have engaged UBS to present a summary of the additional monitoring they are able to provide. UBS have now discussed this with Officers and are in the process of updating their reporting.

Pantheon - Infrastructure

Overview

The fund provides investors with access to a diversified portfolio of infrastructure assets. It focuses on investments which provide a contracted or regulated income stream, which enables the Fund to generate robust cash yields which are inflation-linked, making it attractive to pension scheme investors.

Expected volatility	Low	•	High
Lease Length	Short	-	Long
Shape of outcomes	0% Contractual		100% Contractual
Diversification	Low	•	High

Key area	Comments (3 month lag)			
Key contributors/ detractors	 Since inception performance has been strong (12.6% net IRR). Over Q2, the Fund's valuation was up 1.3%, with the largest contributors being co-investments Covanta (+12.3%), Energy Assets Group (9.8%) and secondary Gemini Aero (+7.3%). There were eleven detractors over the period with co-investments Gas Natural Fenosa (-2.5%) and secondary Aurora (-4.1%) being the largest detractors. 			
Portfolio positioning	 There were no purchases nor full asset realisations over Q2. Asset distributions (\$1m) over Q2 came from 4 co-investments and 6 secondaries, driven by co-investment Oryx (\$77k) and secondaries McLaren (\$430k) and Springbank (\$276k). 			
Outlook	The Fund has \$11.9m of undrawn capital remaining, but has moved to a net cash outflow position (i.e. distributions greater than calls) as of Q3 2022 and this will likely remain the case.			



Metrics (3m lag)	Current Quarter	Last Quarter	View/change
Cash yield	13.9%	15.5%	Driven by distributions
Net Acquisitions/sales	(\$0.5m)	(\$3.1m)	Distributions of \$1m and \$0.5m of drawn capital
Initial secondaries discount rate	3.0%	3.0%	No change as Fund is not investing
Remaining number of assets	45	45	No change
Top 3 sectors	Digital, Transport and Logistics, Renewables / Efficiency		

Mandate: Infrastructure

Current Value: £88.4m

Current Weighting: 1.9%

Inception: May 2018

Benchmark: CPI + 2.5%

Objective: CPI + 3%

Pooled: No

Totals may not sum due to rounding. Performance quoted net of fees. Manager data is lagged by one quarter.

Source: Investment manager, Northern Trust, Isio calculations.

M&G - Infrastructure

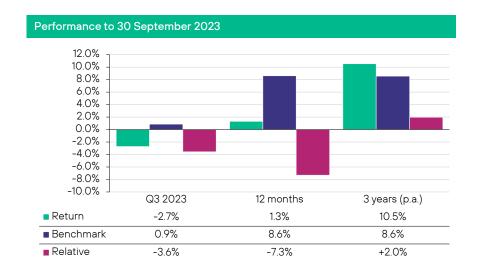
Overview

The fund provides investors with access to a diversified portfolio (Brownfield III and Greenfield II) of infrastructure assets. It focuses on investments which provide a contracted or regulated income stream, which enables the Fund to generate robust cash yields which are inflation-linked, making it attractive to pension scheme investors.

Expected volatility	Low	-	High
Lease Length	Short	•	Long
Shape of outcomes	0% Contractual		100% Contractual
ည Dersification	Low		High

€y area	Comments (3-month lag)
Key contributors/ detractors	 The Brownfield Fund's valuation fell 0.7% quarter-on-quarter. The largest detractor was Neos (-7.5%) while Last Mile, the Fund's largest position, had its valuation increase by 2.3%. The Greenfield Fund's valuation fell 7.3% over the quarter. The strong performance from Ogi (+8.5%) was largely offset by Zenobe (-15.8%) and Speed Connect Austria (-8.4%).
Portfolio positioning	 The Brownfield Fund has drawn down 83% of committed capital. The Fund is looking to sell a significant stake in Last Mile, which will provide additional funding for other portfolio companies. The Greenfield Fund's continues with steady deployment across portfolio companies. A key activity over Q2 is the equity raise for Zenobe for future growth, is expected to close soon.
Outlook	Both funds expected to continue to draw capital over the coming quarters into current companies rather than new investments.

Note: Totals may not sum due to rounding. Performance quoted net of fees Source: Investment manager, Northern Trust, Isio calculations. Manager information has a one quarter lag. © Isio Group Ltd /Isio Services Ltd 2023. All rights reserved



Metrics (3m lag)	Brownfield	Greenfield	
Portfolio Value to current paid in capital	1.2x	1.2x	
Number of assets	6 investments	7 investments	
Top sectors	Fibre Telecoms (30%), Transport (34%) and Energy (19%)	Energy Transition (24%), Telecoms (32%) and Transport (18%)	
Period	The Fund's investment period ends in Dec 2023, and a Dec 2029 termination date	The Fund remains in its investment period, which ends in December 2025	

Mandate: Infrastructure

Current Value: £56.0m

Current Weighting: 1.2%

Inception: October 2018

Benchmark: CPI + 2.5%

Objective: CPI + 3%

Pooled: No

IFM Global Infrastructure Fund

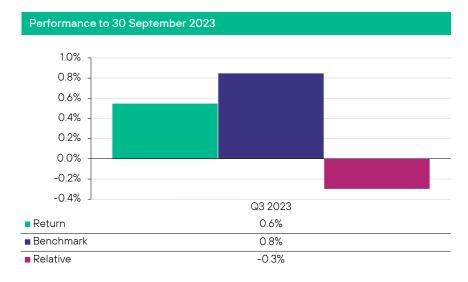
Overview

The Fund is a large, global open-ended infrastructure fund, launched on 1 December 2004. Due to the scale of the Fund and strong existing sourcing relationships, IFM are able to focus on investing in larger deals or deals with high barriers to entry.

The Fund has a diverse portfolio of 23 companies across a variety of sectors, largely focussed on North America and Europe. The Fund focusses on purchasing primarily operational assets with strong contractual income-producing characteristics, and the team aim to add value across financing, operations and business strategy.

Expected volatility	Low	•	High
Lease Length	Short	-	Long
Shape of orthogones	0% Contractual	-	100% Contractual
Diversification	Low	——	High

Key area	Comments
Key contributors/ detractors	 Positive Q3 returns were driven by the performance of assets including GCT Global Container Terminals, Baltic Hub Container Terminal, and Aleatica. Global aviation traffic (including in China) and toll road assets continued to provide steady returns, as demand remained resilient. Positive Returns were partially offset by a rise in the risk free rated driven by higher interest rates which negatively impacted valuations.
Portfolio positioning	 A further \$98m added to Switch Inc to support the build of its data centres and capitalize on its strong sales pipeline. GCT USA was sold at a premium allowing GCT to exit its US operations at an attractive price.
Outlook	The team continues to evaluate a substantial investment pipeline for the Fund, with market opportunities identified across multiple sectors such as Utilities, Energy and Digital.



Metrics	Q3 2023	Q2 2023	View/change
Cash yield (Trailing p.a)	1.2% annual yield 5.4% p.a. SI	1.5% annual yield 5.4% p.a. SI	Small fall
Net acquisitions/ sales	+\$475m net	-	\$578m received from sale of GCT USA \$98m invested further into Switch inc.
Average discount rate	10%	10%	No change
Number of assets	23 investments 150+ assets	24 investments 150+ assets	inclusion of M6toll under the Aleatica platform
Top 3 sectors	Utilities, Transport, Energy (14+ underlying sub sectors)		

Notes: Returns net of fees and in local currency terms (fee assumed as 0.77% p.a. ie <\$300m

The Fund was launched on 1 December 2004. Sources: Investment manager, Isio calculations. Mandate: Infrastructure Equity (higher risk)

Current Value: £235.6m

Current Weighting: 5.2%

Inception: January 2023

Benchmark: 10% p.a. net of all fees over the

long term

Objective: CPI +2%

Pooled: No

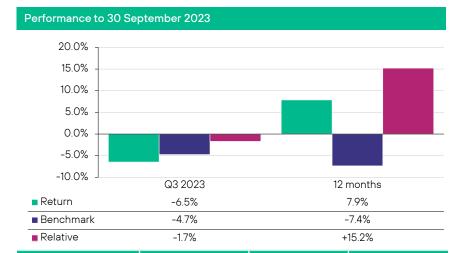
Atlas - Listed Infrastructure

Overview

The fund provides investors with access to a diversified portfolio of brownfield and greenfield infrastructure assets. It focuses on investments which provide a contracted or regulated income stream, which enables the Fund to generate robust cash yields which are inflation-linked, making it attractive to pension scheme investors.

Expected volatility	Low	-	High
Lease Length	Short		Long
Shape of outcomes	0% Contractual		100% Contractual
ຼົ່ນ D∰rsification	Low		High

key area	Comments		
Key contributors/ detractors	 At a stock level, there were strong positive returns from holdings in SES (European Comms), Fraport (European Airports) and Eutelsat Communications (European Comms). The key detractors were Orsted (European Renewables), Avangrid (US Electric) and Terna (European Electric). 		
Portfolio positioning	 The strategy reduced its position in Enel (EU Utility), fully exited the Public Service Enterprise Group (US Utility) and funded new positions in Redeia (EU Utility), Elia Group (EU Utility) and upweighted the position in Orsted (EU Renewables). These increased overall base case returns and maintained or improved several key risk metrics including stagflation, and the inflation beta. 		
Outlook	 Atlas note that this quarter saw a change in market sentiment as investors removed capital from equity markets in the face of rising bond yields as central banks indicated that interest rates may stay higher for longer. 		



Metrics	Current Quarter	Last Quarter	View/change
Cash yield	4.6%	4.4%	Within expectations
Net acquisitions/sales	2 new positions established and 1 position up weighted. 3 positions exited and 2 positions down weighted.	3 new positions established and 1 position up weighted. 4 positions exited.	Within expectations
Number of individual positions in portfolio	20	21	Within expectations
Top 3 sectors	Electric utilities (44%), Water (13%), Railway (9%)		

Mandate: Global Infrastructure Equity

Current Value: £93.5m

Current Weighting: 2.1%

Inception: December 2020

Benchmark: FTSE Developed Core 50/50

Infrastructure Index

Objective: CPI + 3%

Pooled: No

Totals may not sum due to rounding. Performance quoted net of fees. Cash yield is Prospective portfolio yield, pre cash, pre withholding Source: Investment manager, Northern Trust, Isio calculations.

M&G Real Estate Debt

Overview

The Funds directly originate private loans that are secured by commercial real estate. REDF VI invests directly in whole loans, while REDF IV and V obtain senior and junior exposure, respectively. The Funds are UK and Europe focused but have scope to invest in the US. The Funds' investment periods ended in June 2021 and reinvestment periods ended December 2022. Wind up is expected in December 2027.

Target Ret	:urn	Low		High
Target Exposure	Seni	or only _		Mezzanine
Size of Borrower	Larç	ge-cap		Small-cap
Target Fur Size	nd	Small		Large
Page	REDF IV	REDF V	Both Funds	/REDF VI

Ф.	
Key area	Comments
eapital Activity	 Project Puma was fully repaid (April 2023) ahead of schedule, due to the underlying asset being involved in a merger.
Minor/Major Watchlist Names	 Project Carlton (Minor): M&G are progressing the business plan in line with the loan's new maturity date (December 23). Project Lime Street (Minor): M&G expect the LTV to surpass 80% at the next valuation point, breaching the LTV covenant – leading to its addition to the watchlist. Project Pontiac (Major): M&G have agreed an extension to the loan's maturity (from August 23 to May 24) with the borrower agreeing to sell assets to reduce its overall debt. Project Genesis (Major): M&G are continuing to work with the co-lender ahead of an expected sale of the asset in Q124.
Outlook	M&G continue to see a slowdown in market transactions however, they view refinancing risk to be a greater risk than the recovery of principal given the low LTVs in their portfolios.



(IV / V / VI)	Q2 2023	Q1 2023	View/change
IRR (gross projected)	3.8% / 12.2% / 6.6%	3.7% / 12.1% / 6.5%	Increase due to rising SONIA rates
Total capital invested	124% / 126% / 114%	123% / 126% / 113%	Capital called for new investments
Positions outstanding	27 / 16 / 50	29 / 16 / 52	2 loans repaid
Watchlist	4/3/3	3/3/3	Project Lime Street added
Top 3 sectors	REDF IV: Retail (27%), Office (26%), Residential (21%) REDF V: Retail (42%), Office (35%), Hotel (13%) REDF VI: Office (36%), Retail (31%), Residential (15%)		
Phase	Distribution period – due to end December 2027. Reinvestment period has now ended.		

Mandate: Private Debt

Current Value: f398m

Current Weighting: 0.9%

Inception: April 2019

Benchmark: 3-month SONIA + 4%

Objective: 3-month SONIA + 5%

Pooled: No

Notable Developments

- •We downgraded the Funds to Partially Meets Criteria in mid-2021 following the resignation of four senior members within M&G's Real Estate Debt business in April 2021.
- •There was a capital call in REDF IV in Q2 however, this was used to clear a subline in addition to meeting future funding commitments for Project Grey. No further capital calls are expected for REDF IV/V/V

REDF VI figures are inclusive of this Fund's allocations to REDF IV and V (and vice versa). Gross projected IRRs are based on M&G's assumptions on performance of the existing portfolios. Total Capital Invested includes capital drawn from investors, capital used to fund investments by way of the subline, and capital expected to be drawn over time. *Cashflow profile is an estimate using analysis produced in June 2023, including actual capital called during Q2 2023.

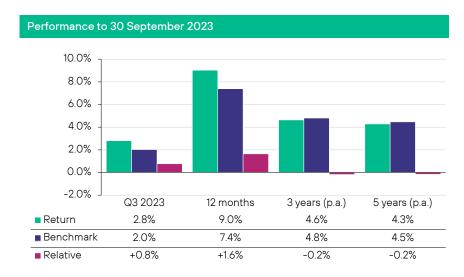
M&G – Diversified Credit

Overview

The Fund aims to take advantage of diversified opportunities across various areas of the public credit spectrum. M&G have generally maintained an IG average rating for the Fund with a European bias. M&G will seek to protect capital when the Fund is not being adequately compensated for taking risk. Currency and interest rate risks are typically hedged out of the portfolio.

Target Return	Low	-	High
Return Drivers	Sector Allocation		Credit Selection
Interest Rate Sensitivity	Low	•	High
Diersification	Low		High

<u>0</u>	
Key area	Comments
Key contributors/ detractors	 The fund outperformed its objective over Q3, driven by supportive spread changes and low interest rate sensitivity. The main contributors to performance were industrial bonds, financial bonds and leveraged loans.
Portfolio positioning	 M&G continue to de-risk the fund by moving more expensive, riskier high yield bond holdings into defensive areas, with the cash allocation increasing by c.5%. M&G maintain a preference for European and UK credit due to the yield pick-up relative to US bonds.
Outlook	 M&G see value in REITs and financials relative to other sectors and expect to increase these exposures moving forwards. They also see value dispersion within credit rating bands and aim to identify attractively priced bonds.



Metrics	Current Quarter	Last Quarter	View/change		
Yield	8.7%	9.0%	Reduced due to positioning		
Average credit rating	BBB+	BBB	Reflects minor de-risking		
Modified duration (years)	-0.04	-0.05	No major change		
Spread duration (years)	3.6	3.9	Reflects de- risking into cash		
Number of issuers	371	385	Decreased due to sales		

Mandate: Multi Asset Credit

Current Value: £309.0m

Current Weighting: 6.8%

Inception: November 2009

Benchmark: 3-month SONIA +3%

Objective: 3-month SONIA +5% (gross)

Pooled: Via Access Pool

Notes: Returns net of fees (based on share class A (GBP)). Benchmark used is 1 month LIBOR from fund inception to 30 June 2021 and 1 month SONIA thereafter. Objective shown is benchmark +2.5% p.a. The Fund was launched on 26 April 2007. Performance attribution based on the performance of the Euro denominated A share class gross of fees.

Sources: Investment manager, Isio calculations.

M&G - Corporate Bonds

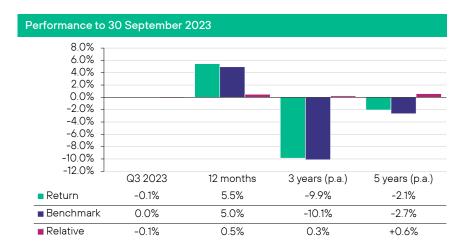
Overview

The Fund invests in a variety of UK Corporate Bonds, including but not limited to Industrial, Financial, Sovereign and Utility bonds.

Target Return	Low	_	High
Return Drivers	Sector Allocation	-	Credit Selection
Interest Rate Sensitivity	Low		High
ည် O Dimpersification	Low		High

Ωη y area	Comments
Key contributors/ detractors	Duration and FX hedging detracted the most,, whilst Financial Corporate bonds was the strongest contributor to performance.
Portfolio positioning	 Over the quarter the manager broadly maintained the level of risk in the portfolio. The manager reduced the exposure to some senior European Real Estate Positions on the portfolio which no longer looked to offer sufficient spread compensation.
Outlook	 M&G note that all-in yields for most fixed income asset classes remains high due to the rate hiking cycle. Credit is fairly priced in their opinion but there is significant risk of a central bank policy error as restrictive monetary policy begins to weigh on economic activity. A patient and highly selective approach to fixed income investment is the best strategy to take advantage of the market.

Totals may not sum due to rounding. Performance quoted net of fees Source: Investment manager, Northern Trust, Isio calculations.



Metrics	Current Quarter	Last Quarter	View/change
Yield	6.6%	6.5%	In line with expectations
Average credit rating	А	А	No change
Modified duration	9.0	9.4	In line with expectations

Mandate: Corporate Bonds

Current Value: £118.4m

Current Weighting: 2.6%

Inception: December 1996

Benchmark: - 50% iBoxx Non-

Gilts Over 15Y - 50% iBoxx Non-Gilts

Objective: Outperform benchmark by

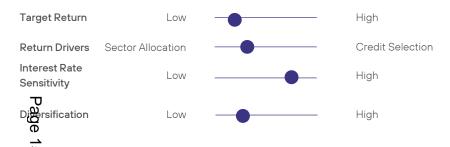
0.8% p.a. (gross)

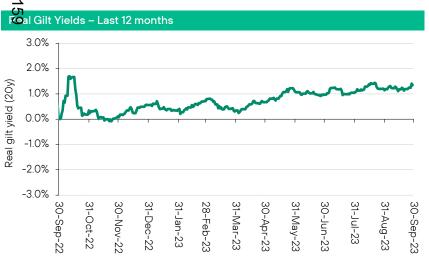
Pooled: Via Access Pool

UBS - Over 5 Year Index-linked Gilts

Overview

The Fund has defensive characteristics, providing the Fund with protection against the impact of both interest rates and inflation expectations on the value placed on the liabilities.





Note: Totals may not sum due to rounding. Performance quoted net of fees. **Source:** Investment manager, Northern Trust, Isio calculations.



Mandate: Index Linked Gilts

Current Value: £170.7m

Current Weighting: 3.8%

Inception: February 2018

Benchmark: FTSE Index-Linked Gilts Over

5 Years

Objective: Match benchmark

Pooled: Via Access Pool

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Appendices

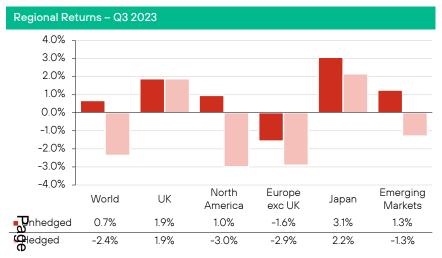
A1: Market Background: Global Equity, Absolute Return, Credit, Real Assets & Yields

A2: Explanation of Market Background

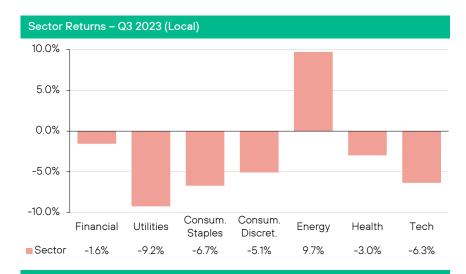
A3: How to Read the Fund Manager Pages

A4: Disclaimers

Market Background - Global Equity







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.

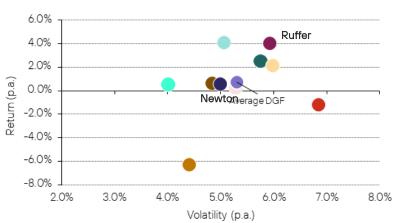
Currency-hedged mandates underperformed their hedged equivalents over the quarter, as Sterling weakened against a number of major currencies.

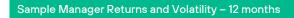
Please see the 'Explanation of Market Background' appendix for details of the underlying indices. Please note that sector returns are based on local USD pricing.

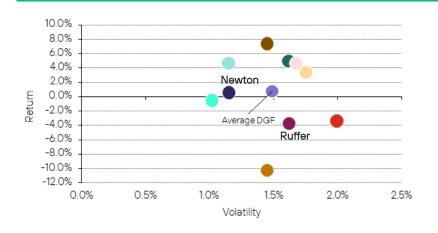
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Market Background – Absolute Return









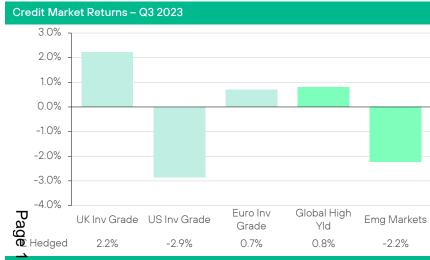
Commentary

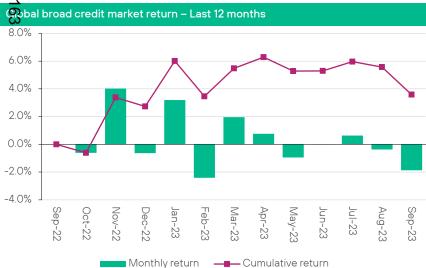
- The average DGF underperformed the cash plus target over Q3 2023, and has also trailed the cash + 3.5% objective over longer periods.
- In a theme that has persisted over several months, monetary policy continued to have the largest effect on sentiment, as markets priced in higher longer term interest 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.

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.

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







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.

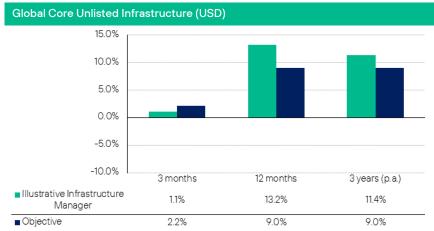
UK and European IG bonds outperformed the US, due to differences in the longdated government bond yield movements.

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. © Isio Group Limited/Isio Services Limited 2023. All rights reserved

Market Background - Real Assets



- Performance was negative, as the Bank of England raised the base interest rate to 5.25%, with markets anticipating that rates will remain longer than initially expected.
- There was a divergence across sectors, with industrials the only sector to generate positive returns on the back of strong occupational trends.
- Retail performance was marginally negative, largely driven by warehouses. Offices continued to struggle and were the weakest performing sector due to structural occupational trends.
- Balanced Property outperformed Long Lease, largely due to the higher structural industrials exposure, which continues to recover from the significant 2022 re-pricing.
- Alternative sectors such as student accommodation and leisure also saw a modest decline in capital values over the quarter, again due to the impact of higher rates.
- Despite the fall in capital values, core occupier markets are beginning to show stability, with positive rental value growth across all sectors. Redemptions continued to be deferred by a number of managers, and as such, asset sales remain a key focus.



Objective: 9.0% p.a. net of all fees over the long term, ranging between 8%-12% depending on market cycle stage

Commentary

- Infrastructure continued to outperform over the long-term, largely due to the ability to pass through inflation to the consumer and robust structural revenue growth.
- Whilst infrastructure performed positively over the quarter, largely driven by transportation assets and rising energy prices, performance was behind benchmark due to the "higher for longer" interest rate rhetoric.
- The transport sector continued to recover, driven by aviation (with traffic volumes largely recovering to pre-Covid levels). Toll roads also saw continued steady performance, through increased usage.
- The energy midstream sector held up well on the back of rising oil and gas prices and a positive demand outlook for energy storage and transportation services.
- Digital assets and renewables lagged as they are the sectors that are the most sensitive to yields, so were most affected by higher interest rates.
- · Demand for infrastructure continues to be strong, with investors favouring firms which can offer inflation linked cashflows, and resilience to interest rate changes.

Summary

UK Commercial Property

The economic backdrop continues to dampen investor sentiment. Entrenched inflation and high interest rates have negatively impacted valuations; while lack of interest rate certainty, and limited price transparency, continue to restrict the number of buyers and sellers. The supply / demand imbalance creates a strong backdrop for positive rental growth.

Going forward, we expect property to continue to recover through 2024, as supply chain challenges and cost of financing pressures start to ease.

Infrastructure

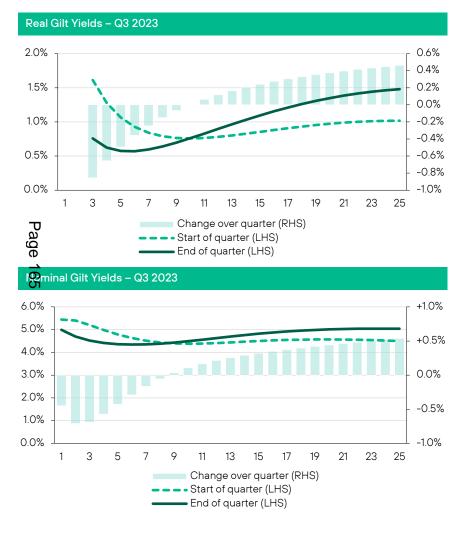
Performance was driven by transportation - which benefitted from increased air travel - and energy midstream, which was supported by rising energy prices. Higher rates have negatively impacted valuations, particularly for yield sensitive sectors (i.e. digital assets / renewables).

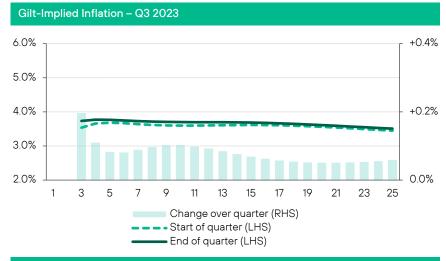
We believe investors should focus on assets with high inflation-linkage, contracted revenues and low leverage levels where possible.

Please see the 'Explanation of Market Background' appendix for details of the underlying indices. Source: MSCI / IPD and Investment Managers.

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Market Background - Yields





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

Page

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: FTSF 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).

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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

U - 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).

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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
 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).

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How to Read the Fund Manager Pages

How to Read the "Overview" Section

Expected Low High Volatility

- This is a standard quantitative measure of our expectation of absolute annual volatility of the fund.
- The measure ranges from 1% p.a. for the least volatile strategies (e.g. Cash) to 30% p.a. for the most volatile strategies (e.g. Emerging Markets Equity).

100% Shape of 0% Contractual Outcomes Contractual

Page

- This is an Isio-specific measure of how "contractual" the expected return from the fund is.
- The measure ranges from 0% for strategies that have no fixed return component and are instead based on a share of any profits (e.g. Global Equity) to 100% for strategies where the return in normal conditions is fixed and predictable (e.g. Corporate Bonds).

Diversification Low High

- This Isio-specific measure shows how diversified we consider the fund to be, in terms of broad market risk drivers.
- The measure ranges from "low" for mandates that invest in a single asset class that is concentrated in other respects, such as geography (e.g. European Direct Lending) to "high" for mandates that invest in a wide range of diversified asset classes (e.g. Diversified Growth Funds).

Manager Ratings

We show two ratings for a manager:

Research View: This comprises our opinion of the manager as a whole, judged against the client's specific selection criteria (which usually include ESG considerations). The possible ratings are:

- Meets Criteria
- Partially Meets Criteria
- Significantly Fails to Meet the Criteria
- Not Evaluated

ESG View: This is a narrower opinion focusing specifically on the manager's treatment of ESG (Environmental, Social, and Governance) issues. The possible ratings are:

- Green
- Amber
- Red
- Not Evaluated

This page contains guidance on how to read the fund manager pages

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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- This report has been prepared for the sole benefit of the East Sussex County Council as Administering Authority of the East Sussex Pension Fund and based on their specific facts and circumstances and pursuant to the terms of Isio Group/Isio Services Ltd's Services Contract. It should not be relied upon by any other person. Any person who chooses to rely on this report does so at their own risk. To the fullest extent permitted by law, Isio Group/Isio Services Ltd accepts no responsibility or liability to that party in connection with the Services.
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East Sussex Pension Fund

Investment Performance - Summary Report

Quarter to 31 December 2023

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Isio Investment Advisory



Appendix 3

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Highlights

Executive Summary - 31 December 2023

Access Pool	Fund		Q4 2023 Performance		Value at Q	uarter End
		Fund	Benchmark	Relative	30-Sep-23	31-Dec-23
Yes	UBS Osmosis – Sustainable Equity	7.7%	6.7%	+1.1%	£246.6m	£364.4m
Yes	Longview - Global Equity	6.1%	6.7%	-0.6%	£495.7m	£477.8m
No	WHEB – Sustainable Equity	6.7%	6.7%	-0.0%	£209.1m	£223.0m
No	Wellington – Sustainable Equity	10.3%	6.3%	+3.9%	£214.4m	£236.4m
No	Storebrand – Sustainable Equity	7.5%	6.7%	+0.8%	£489.2m	£427.0m
Yes	Baillie Gifford – Global Equity	8.1%	6.3%	+1.8%	£184.8m	£199.7m
No	Harbourvest – Private Equity ^{1,2}	-5.3%	6.6%	-11.9%	£192.2m	£180.2m
No	Adams Street – Private Equity ^{1,2}	-6.2%	6.6%	-12.8%	£199.3m	£186.2m
Yes	Newton – Absolute Return	4.8%	1.9%	+2.9%	£336.4m	£352.4m
Yes	Ruffer - Absolute Return	2.3%	1.9%	+0.4%	£443.3m	£453.5m
No	Schroders – Property	-0.7%	-1.2%	+0.5%	£342.9m	£338.0m
No	UBS – Infrastructure ²	-7.8%	0.6%	-8.5%	£35.6m	£32.3m
No	Pantheon – Infrastructure ²	-2.2%	0.6%	-2.8%	£88.4m	£86.5m
No	M&G – Infrastructure ²	2.1%	0.6%	+1.5%	£56.0m	£58.8m
n Yes	IFM – Infrastructure	5.5%	0.6%	+4.9%	£235.6m	£248.7m
No	ATLAS - Listed Infrastructure	7.0%	6.8%	+0.2%	£93.5m	£100.0m
No No	M&G – Real Estate Debt ²	2.5%	2.2%	+0.3%	£39.8m	£35.7m
∸ Yes	M&G – Diversified Credit	2.6%	2.0%	+0.6%	£309.0m	£317.0m
Yes	M&G - Corporate Bonds	10.9%	11.2%	-0.3%	£118.4m	£131.3m
Yes	UBS - Over 5 Year Index-linked Gilts	10.5%	10.5%	-0.0%	£170.7m	£240.7m
	Total Assets	4.3%	4.3%	0.9%	£4500.9m	£4689.4n

Period returns - to 31 December 2023



Commentary

- The Fund's assets delivered a positive absolute return over the quarter, returning 4.3% and being in line with the benchmark return of 4.3%.
- The public equity managers all posted positive absolute and largely positive relative returns mostly due to increasing hopes that interest rate hikes had peaked.
- The Fund's illiquid holdings in private equity, posted negative performance in Q4 2023.
- The various credit mandates posted positive results in both absolute and relative terms as UK Gilt yields fell and spreads narrowed by varying degrees across credit sectors.
- The longer term returns at Fund level remain robust, with public 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.

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Manager Performance – 31 December 2023

Fund	Q4 2023 Performance		1 Ye	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	7.7%	6.7%	+1.1%	18.3%	16.8%	+1.5%	-	-	-	-	-	-
Longview - Global Equity	6.1%	6.7%	-0.6%	12.7%	16.8%	-4.1%	11.8%	9.8%	+2.0%	10.3%	12.6%	-2.3%
WHEB - Sustainable Equity	6.7%	6.7%	-0.0%	4.5%	16.8%	-12.3%	0.2%	10.0%	-9.7%	-	-	-
Wellington – Sustainable Equity	10.3%	6.3%	+3.9%	7.6%	15.3%	-7.7%	1.9%	9.2%	-7.3%	-	-	-
Storebrand – Sustainable Equity	7.5%	6.7%	+0.8%	16.2%	16.8%	-0.6%	8.0%	10.0%	-2.0%	-	-	-
Baillie Gifford – Global Equity	8.1%	6.3%	+1.8%	11.6%	15.3%	-3.7%	-	-	-	-	-	-
Harbourvest – Private Equity ¹	-5.3%	6.6%	-11.9%	-3.9%	16.8%	-20.8%	20.2%	9.8%	+10.5%	15.8%	13.2%	+2.6%
Adams Street – Private Equity ¹	-6.2%	6.6%	-12.8%	-7.5%	16.8%	-24.3%	18.2%	9.8%	+8.4%	15.0%	13.2%	+1.7%
Newton – Absolute Return	4.8%	1.9%	+2.9%	2.5%	7.3%	-4.8%	0.7%	4.7%	-4.0%	3.9%	4.1%	-0.2%
Ruffer - Absolute Return	2.3%	1.9%	+0.4%	-6.6%	7.3%	-13.9%	2.7%	4.7%	-2.0%	5.8%	4.2%	+1.7%
nroders – Property	-0.7%	-1.2%	+0.5%	-5.4%	-1.4%	-4.0%	2.6%	2.1%	+0.6%	1.5%	1.3%	+0.2%
UBS – Infrastructure	-7.8%	0.6%	-8.5%	-9.0%	5.9%	-14.9%	3.7%	8.6%	-4.9%	-1.0%	6.3%	-7.3%
Pantheon – Infrastructure ¹	-2.2%	0.6%	-2.8%	6.7%	5.9%	+0.7%	18.8%	8.6%	+10.2%	-	-	-
M&G – Infrastructure	2.1%	0.6%	+1.5%	3.5%	5.9%	-2.4%	11.7%	8.6%	+3.1%	-	-	-
IFM – Infrastructure	5.5%	0.6%	+4.9%	-	-	-	-	-	-	-	-	-
ATLAS – Listed Infrastructure	7.0%	6.8%	+0.2%	5.5%	-2.6%	+8.2%	8.2%	6.8%	+1.4%	-	-	-
M&G – Real Estate Debt	2.5%	2.2%	+0.3%	9.2%	8.8%	+0.4%	4.2%	6.2%	-2.1%	-	-	-
M&G – Diversified Credit	2.6%	2.0%	+0.6%	10.1%	7.8%	+2.3%	4.1%	5.2%	-1.2%	5.1%	4.7%	+0.4%
M&G - Corporate Bonds	10.9%	11.2%	-0.3%	9.3%	9.7%	-0.4%	-8.3%	-8.3%	+0.0%	0.1%	-0.6%	+0.6%
UBS - Over 5 Year Index-linked Gilts	10.5%	10.5%	-0.0%	0.2%	0.2%	+0.1%	-13.5%	-13.5%	-0.1%	-4.9%	-4.9%	-0.0%
Total Assets	4.3%	4.3%	0.0%	5.4%	10.2%	-4.8%	4.9%	5.9%	-1.0%	6.5%	7.0%	-0.5%

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 31 December 2023.

¹ Valuation and performance information as at 30 September 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.

Most of the infrastructure mandates, have performed particularly strongly over the last quarter with the exception of UBS and Pantheon.

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

Looking Forward

Key issues

Item	Action points / Considerations	Status
	 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 	•
Overall Investment Strategy Page	 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. The Officers are currently working with Isio and ACESS to assess what is available for implementation of this mandate. 	•
9 178	 Index-Linked Gilt Update Barnett Waddingham provided Isio with initial analysis on the level of Index-Linked Gilt holdings and the funding implications of these. Once Isio have undertaken further analysis this will be discussed within the IWG with a subsequent update at the Q2 Committee meeting. 	•
Investment Managers	 Wellington – following a material change in team, Isio refreshed their due diligence on the manager, and subsequently downgraded the fund. Isio remain comfortable with the manager but continue to monitor them closely and will provide a further detailed update at the Q1 Committee meeting. 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 provide their views on this fund at the Q1 Committee meeting. BlackRock have bought 60% stake in the private assets of Global Infrastructure Partners (the parent company of ATLAS). Isio to provide an update at the Q1 Committee meeting on how this impacts the ATLAS infrastructure fund. Schroders contacted Isio to share that there was an upcoming resolution on which the mutual real estate clients, managed by Schroders Capital Real Estate Solutions are going to be asked to vote. The resolution related to the Metro Property Unit Trust, a 'Partnership' strategy created by the business in 2013 where Schroders are Manager. Schroders were seeking 'clients' approval for the wind-up of this strategy. Isio responded to Schroders that it was in support of the wind-up as it agreed that the Trust will be unlikely to meet its investment objective over the long-term. 	•

Summary

This page sets out the main action / discussion points.

Status key

- Action
- Decision
- Discussion
- Information only

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Market Background

Market Background – Overview Q4 2023



- The dates for the Bank of England's Monetary Policy Committee (MPC) announcements in Q12024 are 1 February and 21 March.
- The dates for the US Federal Reserve's Federal Open Market Committee (FOMC) announcements in Q12024 are 31 January and 20 March.

- Growth markets delivered strong positive returns over Q4 2023, largely due to increasing hopes that interest rate hikes had peaked, and expectations that the Bank of England and the Federal Reserve could accelerate rate cuts in 2024.
- Global equities added significant value over the period, with the interest rate-sensitive Technology sector performing particularly strongly. However, the UK market materially underperformed over the quarter; this was largely driven by weakness in larger multinational companies with overseas revenue exposure, as the Pound Sterling strengthened against the US Dollar.
- Over the quarter credit markets rallied, with both global high yield and UK investment grade credit performed positively, as yields fell and credit spreads narrowed.
- · Declines in long dated gilt yields resulted in positive government bond performance.

Summary

Equity markets produced positive performance over the quarter, outperforming most other asset classes.

Positive global sentiment was driven by a shift in monetary policy expectations away 'higher for longer', towards projected rate cuts in the short-term. UK gilt yields reflected this sentiment, with yields declining towards the end of the quarter, resulting in positive returns.

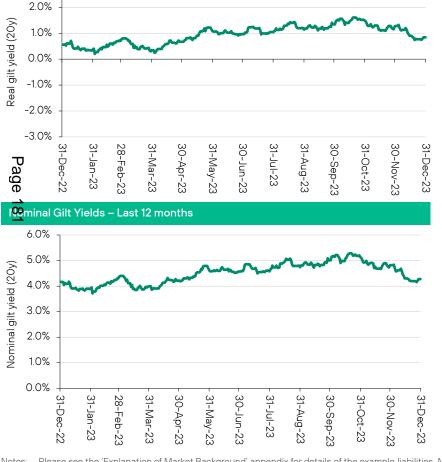
The US Federal Reserve and the Bank of England both kept base interest rates unchanged at 5.50% and 5.25%, respectively during the quarter.

Hedged global equities outperformed unhedged equivalents over the period, as the Pound Sterling strengthened against the US Dollar

Market Background - Yields

Real Gilt Yields - Last 12 months

3.0%





Example Liabilities

- The liabilities for an example DB pension scheme¹ increased by c.10.1% over the guarter. This can be broken down into the following components:
 - c. 5.2% increase, due to the fall in real yields;
 - c. 3.6% increase, due to the fall 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 increased by c.3.6% 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

October 0.14% -0.23% November December -0 42% -0.50% Quarter

20-year Nominal Gilt Yield

October 0.12% November -0.32% -0.53% December Quarter -0.73%

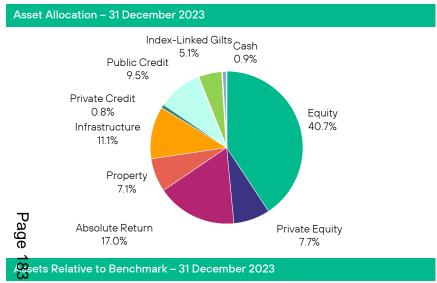
20-year Gilt-Implied Inflation

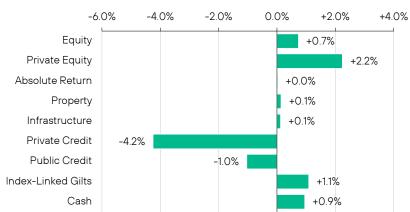
October -0.02% November -0.09% December -0.10% -0.21% Quarter

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. ¹The duration of the scheme liabilities has been assumed to be 15 years and 70% of the benefits are assumed to be linked to inflation. Sources: Bank of England, Isio calculations.

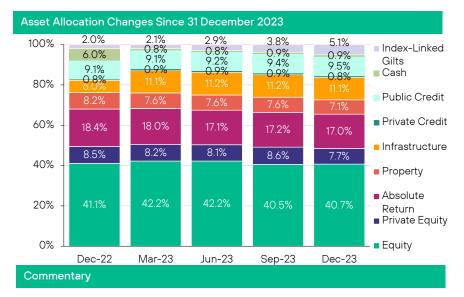
Strategy Overview

Asset Allocation – at 31 December 2023





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



- As at 31 December 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 index-linked gilts and private equity are currently overweight; while the private and public credit allocations are 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 near future with capital drawn into the chosen fund following this.
- Over Q4 2023 the fund has implemented the increase in the allocation to 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 position 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%

Investment Managers

Performance Summary – to 31 December 2023



Summary

The Fund's mandates delivered largely positive absolute performance over Q4, with public equity, corporate bonds and index-linked gilts funds producing positive returns. ATLAS and IFM infrastructure funds also exhibited positive returns.

Meanwhile, the UBS Infrastructure fund. and the private equity mandates delivered the most notable negative absolute performance.

On a relative basis over Q4, Harbourvest equity, Adams Street equity, UBS infrastructure and Pantheon infrastructure all underperformed.

Private equity relative returns over the quarter have been particularly poor as prior public equity performance fed through to private equity valuations.

Source: Investment Managers, Northern Trust, Isio calculations

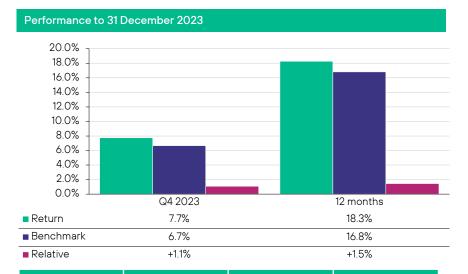
UBS / Osmosis – Sustainable Equity

Overview

The Fund adopts an optimised, smart beta approach, investing in global equities with the aim of approximating the performance and risk profile of the index, with an explicit incorporation of ESG and climate-related risks.

Process	Bottom Up	•	Top Down
Stock Selection	Low	-	High
P and Active Share	Low	-	High

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တ်y area	Comments
Key contributors/ detractors	Strongest contributors were Advanced Micro Devices (US IT), Intuit (US IT) and RTX (Japan Communication Services). Key detractors were Intel (US IT), Costco (US Consumer Staples) and Lilly Eli (US Health Care). Osmosis remains confident in the uncorrelated resource efficiency which drives the positive active return against the MSCI World benchmark.
Portfolio positioning	 Fastenal (US Industrials), Lilly Eli (US Health Care) and Monster Bev (US Consumer Staples) were added to the portfolio. US IT firm VMWare and US Health Care firm Seagen were sold. The overall sector and country weights have remained similar to the previous quarter, maintaining the targeted tight factor exposures to the MSCI World benchmark.
Outlook	Osmosis remains comfortable, despite the continued uncertainty in financial markets, an environment of higher interest rates and increased volatility posed by geopolitical tensions in the Middle East. Osmosis also remains confident in their Resource Efficiency signal, given it has added value in line with expectations since the Fund's inception.



Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	568	587	Slight decrease, but in line with quant process
12m turnover	24%	24%	Remained constant
Active share	47%	48%	Low, in line with expectations
Top 3 sectors	Information Technology (24%), Financials (16%), Health Care (14%).		
Top 3 stocks	Apple Inc (6%), Microsoft Corp (4%), NVIDIA Corp(2%).		
Top 3 regions	North America (73%), Europe (18%), Asia (9%).		

Mandate: Sustainable Passive Global

Equities

Current Value: £364.4m

Current Weighting: 7.7%

Inception: March 2022

Benchmark: MSCI World

Objective: Achieve superior risk-adjusted returns by targeting maximum resource efficiency exposure while maintaining a tight tracking error to the MSCI World.

Pooled: Via Access Pool

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Totals may not sum due to rounding. Performance quoted net of fees. Performance shown since inception of the Fund's investment on 3 March 2022. Source: Investment manager, Northern Trust, Isio calculations.

Longview - Global Equity

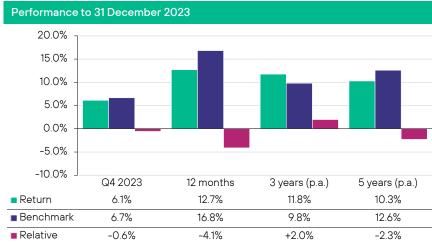
Overview

The strategy utilises a bottom-up approach to invest in 30-35 high quality global companies which have strong business fundamentals and a market capitalisation greater than \$5 billion.

Bottom Up	-	Top Down
Low	•	High
Low	•	High
	Low	Low

Kev area	Comments
Key contributors/ detractors	 Energy was the only negative sector in the Index whilst Healthcare and Consumer Staples were the only other sectors that did not deliver double-digit returns. The Financials sector was the biggest contributor. Some of the largest detractors to relative performance over the period were Sanofi, AON, and Becton Dickinson.
Portfolio positioning	During the quarter, two new holdings were added to the portfolio; Estee Lauder and Thermo Fisher. The position in Estee Lauder was subsequently sold as Longview decided there was no longer enough upside to continue. The position in L3Harris was also sold.
Outlook	 The portfolio remains concentrated, with a high active share, and therefore investors should expect periods of material out or under performance. The team continues to focus on what they perceive as high quality companies which trade at reasonable valuations.

Totals may not sum due to rounding. Performance quoted net of fees. Source: Investment manager, Northern Trust, Isio calculations.



Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	30	30	In line with expectations
12m turnover	18%	19%	Low relative to peers
Active share	90%	90%	High relative to peers
Top 3 sectors	Financials (34%), Health Care (23%), Consumer Staples (14%)		
Top 3 stocks	Booking (4%), CDW (4%), TJX Companies (4%)		
Top 3 regions	US (85%), UK (6%), Netherlands (6%)		

Mandate: Active Global Equities

Current Value: £477.8m

Current Weighting: 10.1%

Inception: April 2013

Objective: Outperform benchmark by 3% (gross) p.a. over rolling 3 -year periods.

Benchmark: MSCI AC World

Pooled: Via Access Pool

WHEB - Impact Equity

Overview

The Fund utilises an unconstrained global equity approach which focuses on investing in companies capitalising on opportunities created by the transition to healthy, low carbon and sustainable economies, across nine broad sustainability themes.

Process	Bottom Up	•	Top Down
Stock Selection	Low	•	High
Pagactive Share	Low	•	High

Key area	Comments
Key contributors/ detractors	 The fund delivered strong performance over the quarter with positive contributions across most themes, most notably Resource Efficiency Information Technology and Consumer Staples were the weakest performing themes over the quarter. Largest detractors were HelloFresh, SolarEdge and Lonza.
Portfolio positioning	 2 new additions: Bureau Veritas (Safety) and Veralto (Water Management). 2 exits: HelloFresh (Wellbeing) and Daikin (Resource Efficiency).
Outlook	WHEB's faith in the sustainability-led growth drivers and competitive advantages of the companies themselves is as strong as ever. With the mandate's higher active share, we expect it to continue to deliver relative return volatility.

Note: Totals may not sum due to rounding. Performance quoted net of fees. Source: Investment manager, Northern Trust, Isio calculations. © Isio Group Ltd /Isio Services Ltd 2024. All rights reserved



Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	41	41	Relatively concentrated – low end of target
12m turnover*	37%	32%	Further detail on right
Active share	97%	97%	High relative to peers
Top 3 sectors	Industrials (31%), Healthcare (30%), IT (24%)		
Top 3 stocks	Agilent Technologies (4%), Ansys (4%), Icon (4%)		
Top 3 regions	North America (63%), Western Europe (17%), UK (8%)		

Mandate: Active Impact Global Equity

Current Value: £223.0m

Current Weighting: 4.7%

Inception: December 2020

Benchmark: MSCI World

Objective: To achieve capital growth over

the medium to longer term.

Pooled: No

*12m turnover: The manager has confirmed that the higher turnover is as a result of the higher market volatility, which led to more upgrades and downgrades and ad hoc redemptions, which resulted in higher trading activity. They expect it to come down in future.

Wellington - Global Impact Fund

Overview

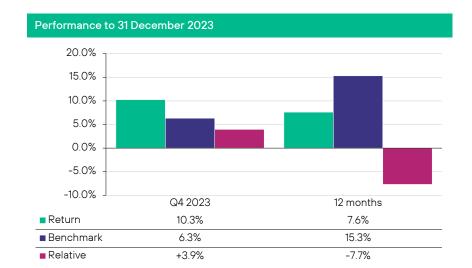
The Fund aims to invest in innovative companies whose core products and services addresses the world's major social and environmental challenges. Wellington choose stocks from the universe list which has been derived from a number of sources such as internal and field research, company meetings, conferences or third party research.

Process	Bottom Up	-	Top Down
Stock Selection	Low		High
Active Share	Low	•	High

Koy area	Comments
Key contributors/ detractors	 Stock selection was the key relative performance driver in Q4, with holdings in Industrials, Financials and Consumer Discretionary adding value. GoDaddy, Xylem and PGT Innovations were the largest contributors, driven by positive earnings growth and valuation re-rating. Longer term performance remains weak, with the Fund's relative tilt towards smaller companies weighing on returns.
Portfolio positioning	 The Fund increased exposure to the Resource Efficiency and Education themes over the period, while also eliminating holdings in two companies (Illumina and Nokia) based on deteriorating investment cases.
Outlook	 While the Fund is diversified across themes, key exposures are to Health, Resource Efficiency and Financial Inclusion. The Fund has tilts towards fast growing, smaller companies, which have higher valuations than the market.

Sources: Investment manager, Isio calculations.

Notes: Returns net of fees.



Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	66	64	High end of 50- 70 range
12m turnover	29%	31%	Higher than typical, to be monitored.
Active share	97%	97%	High, in line with expectations
Top 3 sectors	Resource Efficiency (21%), Healthcare (16%), Financial Inclusion (12%)		
Top 3 stocks	Boston Scientific (3%), Xylem Inc (3%), Abbott Laboratories (3%)		
Top 3 regions	North America (64%), Europe ex UK (17%), Emerging markets (10%)		

Mandate: : Active Impact Global Equities

Current Value: £236.4m

Current Weighting: 5.0%

Inception: December 2020

Benchmark: MSCI AC World

Objective: To outperform the MSCI All Country World Index over the long-term.

Pooled: No

Storebrand – Sustainable Equity

Overview

The Fund adopts an optimised, smart beta approach, investing in global equities with the aim of approximating the performance and risk profile of the index, with an explicit incorporation of ESG and climate-related risks.

Process	Bottom Up	-	Top Down
Stock Selection	Low	-	High
Pagactive Share	Low	-	High

Key area	Comments
Key contributors/ detractors	The fund outperformed the MSCI World Index by 0.8% during Q4. Exclusion of fossil fuel-related stocks contributed a 0.9% on a relative basis. Non-climate solutions companies had a challenging quarter, detracting -0.5% from relative returns,
Portfolio positioning	Continued increase in the number of emerging market climate solution companies.
Outlook	Storebrand is working on carbon intensity data and implementing change into how this information is used in portfolio construction.

Note: Totals may not sum due to rounding. Performance quoted net of fees. Source: Investment manager, Northern Trust, Isio calculations. © Isio Group Ltd /Isio Services Ltd 2024. All rights reserved



Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	689	751	Decrease
12m turnover	15%	9%	Increase
Active share	41%	42%	Low, as expected
Top 3 sectors	IT (25%), Financials (14%), Industrials (13%)		
Top 3 stocks	Apple (5%), Microsoft (5%), Amazon (2%)		
Top 3 regions	United States (69%), Japan (7%), UK (4%)		

Mandate: Sustainable Passive Global

Equities

Current Value: £427.0m

Current Weighting: 9.0%

Inception: December 2020

Benchmark: MSCI World

Objective: Reproduce risk-return profile of

the MSCI World Index

Pooled: No

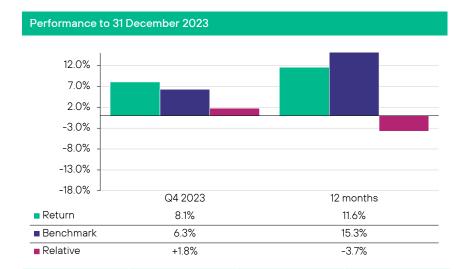
Baillie Gifford – Global Paris Aligned Equity

Overview

The Fund utilises an unconstrained global equity approach which focuses on investing in companies displaying above average earnings growth and sustainable competitive advantages in their respective industries, whilst aligning to the UN Paris Agreement climate commitments.

Process	Bottom Up	-	Top Down
Stock Selection	Low	-	High
Active Share သ ပ	Low	•	High

-Key area	Comments
Key contributors/ detractors	 The Fund experienced a positive performance over the quarter. Against an economic backdrop, BG continue to revisit the underlying growth drivers that underpin the portfolio and remain confident that the growth tailwinds will endure despite global economic challenges. The IT sector was the clear contributor in Q4. The energy sector was the biggest detractor over the last quarter.
Portfolio positioning / transactions	BG made 5 purchases (Block Inc, CATL 'A", LVMH, PDD Holdings Inc and Texas Instruments) and 3 sales (Farfetch, Illumina, Rio Tinto).
Outlook	Aggregate earnings in the BG portfolio are accelerating and a wide variety of companies are reaping the benefits of their adaption to the new economic environment. They believe that the portfolio is of increasingly superior quality, operational flexibility and expected earnings growth.



Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	94	91	Broadly unchanged
12m turnover	16%	14%	Slight increase
Active share	82%	84%	In line with expectation
Top 3 sectors	Consumer Disc (21%), IT (18%), Financials (18%)		
Top 3 stocks	Microsoft (5%), Amazon.com (4%), Moody's (4%)		
Top 3 regions	North America (66%), Europe ex UK (15%), Emerging Markets (10%)		

Mandate: Global Equities

Current Value: £199.7m

Current Weighting: 4.2%

Inception: August 2021

Benchmark: MSCI AC World

Objective: Outperform benchmark by 2.0% p.a. (net of fees) over rolling 5-year periods

Pooled: Via Access Pool

Note: Totals may not sum due to rounding. Performance quoted net of fees. The Fund switched into the Paris-aligned version of the Global Alpha Fund over Q2 2022 and performance is combined. **Source:** Investment manager, Northern Trust, Isio calculations. © Isio Group Ltd /Isio Services Ltd 2024. All rights reserved

Harbourvest – Private Equity

Overview

HarbourVest manage a global private equity portfolio for the Fund, invested globally across a range of subclasses (buyout, venture, debt/credit, among others).

Multiple: Buyout, Style venture, credit

Multiple: Primary, Stage secondary

Access Fund-of-Funds

Viptage Year ໝ Regional Focus Multiple: 2004-2021

Global



Key area	Comments (3 month lagged)
Performance	Further details of performance will be contained within the Q3 Reports, which are in the process of being finalised
Developments over quarter	Several funds distributed proceeds back to investors during Q3, with the most sizeable distributions coming from Cleantech II and Fund IX Buyout
Outlook	HarbourVest has not provided specific outlook for the portfolio.

Totals may not sum due to rounding. Performance quoted net of fees.

Source: Investment manager, Northern Trust, Isio calculations.

Performance to	31 December 2	023		
25.0%				
20.0% -				
15.0% -				
10.0% -				
5.0% -				
0.0% -				
-5.0% -				
-10.0% -				
-15.0% -				
-20.0% -				
-25.0% _	Q4 2023	12 months	3 years (p.a.)	5 years (p.a.)
■ Return	-5.3%	-3.9%	20.2%	15.8%
■ Benchmark	6.6%	16.8%	9.8%	13.2%
■ Relative	-11.9%	-20.8%	+10.5%	+2.6%

Metrics (3m lag)	Current Quarter	Last Quarter	View/change
IRR (net)	10.5%	10.8%	Slight decrease
Capital Deployed/Raised	74%	72%	Slight increase
DPI	0.97x	1.03x	Slight decrease
TVPI	1.7x	1.7x	No change
Top 3 subclasses	Buyout (55%), Venture (43%), Credit (1%)		
Top 3 regions	North America (57%), Europe (26%), Asia (16%)		

Mandate: Private Equity

Current Value: £180.2m

Current Weighting: 3.8%

Inception: January 2003

Benchmark: MSCI World + 1.5%

Objective: MSCI World + 3.0%

Pooled: No

Adams Street - Private Equity

Overview

Adams Street manage a global private equity portfolio for the Fund, combining Partnerships and Co-investments, invested globally across a range of subclasses (buyout, venture, energy, debt/credit, among others).

Multiple: Buyout, Style venture, debt Multiple: Primary, secondary, co-Stage investment Fund-of-Funds Access Vilotage Year Multiple: 2003-2021

Regional Focus Global

Key area	Comments (3 month lagged)
Performance	Similarly to last quarter, there was a small reduction in IRR, which is in line with expectations as private equity valuations continue to be adjusted downwards in line with public markets.
Developments over quarter	There was one new primary investment in Angular Ventures IIII. There were three new co-investment in Nomios Netherlands, Tech-24 and WCT Holdings. There was one new growth equity investment in Turquoise Health Co. c.\$5.1m in distributions and c.\$3.7m capital called
Outlook	There is increased confidence that interest rates have peaked as globally inflation continues to slow. The US and Japanese equity markets saw strong returns whilst the UK and Chinese equity markets fell behind. There is a slowdown for IPOs meaning the secondaries market is now becoming an option for liquidity, but it also means private equity could become more illiquid.

Totals may not sum due to rounding. Performance quoted net of fees. Source: Investment manager, Northern Trust, Isio calculations. © Isio Group Ltd /Isio Services Ltd 2024. All rights reserved



Metrics (3m lag)	Current Quarter	Last Quarter	View/change
IRR (net)	11.4%	11.7%	Slight reduction
Capital Deployed/Raised	81%	81%	Unchanged
DPI	1.1x	1.1x	Unchanged
TVPI	1.8x	1.8x	Unchanged
Top 3 subclasses (Partnerships)	Buyout (61%), Venture (29%), Other (7%)		
Top 3 regions (Partnerships)	United States (53%), Western Europe (28%), Asia (11%)		

Mandate: Private Equity

Current Value: £186.2m

Current Weighting: 3.9%

Inception: March 2003

Benchmark: MSCI World + 1.5%

Objective: MSCI World + 3.0%

Pooled: No

Newton – Absolute Return

Overview

The Fund aims to generate returns by investing in a wide universe of global securities. The Fund allocates between return seeking, and risk reducing positions, dynamically changing asset allocations over time in order to add value. The primary aim is to deliver positive risk adjusted returns in all market economic environments.

Target Return Low Return Drivers Market beta management Diversification Low Page

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key area	Comments
Key contributors/ detractors	 Positive returns were driven by global equities and index derivatives, after stronger than expected US economic data All areas of the Fund delivered positive returns, including EM Debt, Corporate Bonds and Precious metals, although Government Bonds contributed the least.
Portfolio positioning	 Newton added to its 'return-seeking' assets in light of lower inflation figures and increased expectation that monetary policy would be loosened in H1 2024. Profits were taken in some equities, alternatives and high yield bond positions.
Outlook	Newton believe 2024 will be unpredictable driven by uncertain interest rate trends, geopolitics, recession risk, and potentially an economic slowdown that increases unemployment. Newton believe this uncertainty will present opportunities across the capital structure to exploit.



Metrics	Current Quarter	Last Quarter	View/change
Correlation to equity (1 year)	46%	39%	In line with expectations
Volatility (1 year)	4.6%	4.6%	In line with expectations
Top 3 asset-classes	Equities (38.4%), Cash (17.7%) Alternatives (14.5%)		
Equity sector breakdown	Technology (7.8%), Financials (6.6%), Consumer Discretionary (5.5%),		

Mandate: Diversified Growth Fund

Current Value: £352.4m

Current Weighting: 7.4%

Inception: April 2010

Benchmark: 3-month SONIA + 2.5%

Objective: 3-month SONIA + 4% p.a. (gross)

over rolling 5 years

Pooled: Via Access Pool

Notes: Returns net of fees. Inception date 31 March 2004.

Schroders - Balanced Property

Overview

The Schroders Property Fund is a medium risk balanced property fund investing across the retail, offices, industrials and alternative property sectors.

Expected volatility	Low		High
Lease Length	Short	-	Long
Shape of outcomes	0% Contractual		100% Contractual
Di ve rsification හ ග	Low	-	High
ت			

Rey area	Comments
Key contributors / detractors	Over the quarter, the portfolio outperformed the benchmark. The UK Retirement Living Fund (ReLF) gave strong positive performance over the quarter. Other strong performing funds included the Local Real Fund (LRF), Unite UK Student Accommodation Fund and Octopus Healthcare Fund. The weakest performing funds over the quarter were the Metro Property Unit Trust and the Future Workplace Property Unit Trust. There was also weak performance from three core diversified funds that continue to have redemption queues.
Portfolio positioning	 The Portfolio has been structured with downside protection provided via the defensive holdings (c.10.6%) in cash and convenience retail.
Outlook	Schroders expect 2024 to see reduced inflation and cuts in interest rates. They believe the UK commercial real estate market pricing is close to a floor and looks fair value in relation to other asset classes, but there may be an increase in values from midyear. Their defensive style strategies have enabled them to deliver outperformance over the last 12 months.



Metrics	Current Quarter	Last Quarter	View/Change
Net acquisitions / (Sales)	£5.6m	-£7.1m	Increase
Cash yield	3.2%	3.4%	Decrease
No of assets	19	18	Increase
Top 3 sectors	Industrial, Alternatives (via student accommodation, social supported housing, retirement living and care homes) and Regional Offices.		

Note: Totals may not sum due to rounding. Performance quoted net of fees **Source:** Investment manager, Northern Trust, Isio calculations.

Mandate: Balanced Property

Current Value: £338.0m

Current Weighting: 7.1%

Inception: December 2009

Benchmark: IPD All Balanced Fund Index

Objective: Outperform benchmark by 0.75% p.a. (net) over rolling 3 years

Pooled: No

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M&G - Infrastructure

Overview

The fund provides investors with access to a diversified portfolio (Brownfield III and Greenfield II) of infrastructure assets. It focuses on investments which provide a contracted or regulated income stream, which enables the Fund to generate robust cash yields which are inflation-linked, making it attractive to pension scheme investors.

Expected volatility	Low	-	High
Lease Length	Short	-	Long
Shape of outcomes	0% Contractual		100% Contractual
Diversification	Low	-	High

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Key area	Comments (3-month lag)
Key contributors/ detractors	 The Brownfield Fund's valuation increased by 3.1% quarter-on-quarter. ITG was the largest contributor (+6.8%) with Infrafibre Germany also contributing to strong performance (+5.1%). The Greenfield Fund's valuation increased 1.2% over the quarter. The strong performance from EnergyNest (+6.3%) and Gridserve (+3.5%) was partially offset by X-bus (-2.1%) and Zenobe (-0.9%).
Portfolio positioning	 The Brownfield Fund continues to progress a transaction to sell a co-control stake in Last Mile to rebalance the portfolio. The Fund is also considering an equity capital raise for IFG to continue the growth of the business. The Greenfield Fund equity raise for Zenobe closed over Q3, with KKR collectively investing c. £900m.
Outlook	The Funds will not invest in new deals. Both PMs are focused on value creation and will remain diligent in the management of portfolio assets amidst a more challenging environment.



Metrics (3m lag)	Brownfield	Greenfield	
Portfolio Value to current paid in capital	1.2x	1.3x	
Number of assets	6 investments	7 investments	
Top sectors	Transport (34%) Fibre Telecoms (31%), and Energy (19%)	Telecoms (32%), Energy Transition (24%) and Transport (18%)	
Period	The Fund's investment period ends in Dec 2023, and a Dec 2029 termination date The Fund remains investment period, we ends in December 2		

Mandate: Infrastructure

Current Value: £58.8m

Current Weighting: 1.2%

Inception: October 2018

Benchmark: CPI + 2.5%

Objective: CPI + 3%

Pooled: No

Totals may not sum due to rounding. Performance quoted net of fees **Source:** Investment manager, Northern Trust, Isio calculations. Manager information has a one quarter lag. © Isio Group Ltd /Isio Services Ltd 2024. All rights reserved

Atlas - Listed Infrastructure

Overview

The fund provides investors with access to a diversified portfolio of brownfield and greenfield infrastructure assets. It focuses on investments which provide a contracted or regulated income stream, which enables the Fund to generate robust cash yields which are inflation-linked, making it attractive to pension scheme investors.

Expected volatility	Low	-	High
Lease Length	Short	•	Long
Shape of outcomes	0% Contractual		100% Contractual
ນ D G rsification	Low		High

Key area	Comments
Key contributors/ detractors	At a stock level, there were strong positive returns from holdings in United Utilities (UK Water), Edison International (NA Electric Utilities) and Norfolk Southern Corporation (North American Railways. The key detractors were SES (European Communications) and Orsted (European Renewables),
Portfolio positioning	 During the quarter there was a new position in Consolidated Edison (US Utility), mostly through a reduction in the position weight in E.ON (EU Utility). The position in Aeroports de Paris (European Airports) was fully exited, to partly fund a small position in Cellnex (EU Communications) with the remainder to be sold for cash in lieu of an alternative use of capital. These increased overall base case returns and improved several key risk metrics including stagflation and recession risk of loss exposure.
Outlook	Atlas note that this quarter saw a change in market sentiment as there was improved inflation data and commentary from Central Banks, which shifted investors views around the timing of interest rate cuts.



Metrics	Current Quarter	Last Quarter	View/change
Cash yield	4.5%	4.6%	Within expectations
Net acquisitions/sales	2 new positions established in the quarter 1 position exited in the quarter	2 new positions established and 1 position up weighted. 3 positions exited and 2 positions down weighted.	Within expectations
Number of individual positions in portfolio	21	20	Within expectations
Top 3 sectors	Electric utilities (49%), Water (12%), Railway (9%)		

Mandate: Global Infrastructure Equity

Current Value: £100.0m

Current Weighting: 2.1%

Inception: December 2020

Benchmark: FTSE Developed Core 50/50

Infrastructure Index

Objective: CPI + 3%

Pooled: No

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Totals may not sum due to rounding. Performance quoted net of fees. Cash yield is Prospective portfolio yield, pre cash, pre withholding Source: Investment manager, Northern Trust, Isio calculations.

M&G Real Estate Debt

Overview

The Funds directly originate private loans that are secured by commercial real estate. REDF VI invests directly in whole loans, while REDF IV and V obtain senior and junior exposure, respectively. The Funds are UK and Europe focused but have scope to invest in the US. The Funds' investment periods ended in June 2021 and reinvestment periods ended December 2022. Wind up is expected in December 2027.

Target Re	eturn	Low		High
Target Exposure	S	enior only	•	Mezzanine
Size of Borrower	L	arge-cap		Small-cap
Target Fu Size	ind	Small	•	Large
Pag	REDF IV	REDF V	Both Fund	ds/REDF VI

Φ	
Key area	Comments
eapital Activity	There were no full realisations however, a few holdings made partial repayments to their principal.
Minor/Major Watchlist Names	 Project Carlton (Minor): The borrower is in advanced stages of sale discussions with a preferred bidder. Project Lime Street (Minor): There was a LTV covenant breach resulting in surplus cash being withheld. Project Charlie (Minor): New addition due to no refinancing terms being agreed within 6-months of the facility maturity. Project Pontiac (Major): Loan extension terms being formally agreed to enable refinancing of the asset. Project Genesis (Major): No material updates on the position.
Outlook	 M&G believe that the subdued volume of real estate transactions has yet to impact valuations. However, they remain upbeat regarding demand for high quality assets - making their Funds resilient to any such downturn.



(IV / V / VI)	Q3 2023	Q2 2023	View/change	
IRR (gross projected)	3.8% / 12.2% / 6.6%	3.8% / 12.2% / 6.6%	No material change	
Total capital invested	124% / 126% / 114%	124% / 126% / 114%	No change	
Positions outstanding	27 / 16 / 50	27 / 16 / 50	No change	
Watchlist	5/4/5 4/3/4		Project Charlie added	
Top 3 sectors	REDF IV: Retail (27%), Office (26%), Residential (21%) REDF V: Retail (42%), Office (35%), Hotel (13%) REDF VI: Office (36%), Retail (31%), Residential (15%)			
Phase	Distribution period – due to end December 2027. Reinvestment period has now ended.			

Mandate: Private Debt

Current Value: f35.7m

Current Weighting: 0.8%

Inception: April 2019

Benchmark: 3-month SONIA + 4%

Objective: 3-month SONIA + 5%

Pooled: No

Notable Developments

- •We downgraded the Funds to Partially Meets Criteria in mid-2021 following the resignation of four senior members within M&G's Real Estate Debt business in April 2021.
- •There was a capital call in REDF IV in Q2, however, this was used to clear a subline in addition to meeting future funding commitments for Project Grey. No further capital calls are expected for REDF IV/V/V

REDF VI figures are inclusive of this Fund's allocations to REDF IV and V (and vice versa). Gross projected IRRs are based on M&G's assumptions on performance of the existing portfolios. Total Capital Invested includes capital drawn from investors, capital used to fund investments by way of the subline, and capital expected to be drawn over time. *Cashflow profile is an estimate using analysis produced in September 2023, including actual capital called during Q3 2023.

M&G - Diversified Credit

Overview

The Fund aims to take advantage of diversified opportunities across various areas of the public credit spectrum. M&G have generally maintained an IG average rating for the Fund with a European bias. M&G will seek to protect capital when the Fund is not being adequately compensated for taking risk. Currency and interest rate risks are typically hedged out of the portfolio.

Target Return	Low	-	High
Return Drivers	Sector Allocation		Credit Selection
Interest Rate Sensitivity	Low	•	High
Digersification	Low		High

Q	
Key area	Comments
Key contributors/ detractors	 The Fund outperformed its objective over Q4 amidst a wider credit market rally. Financial corporate bonds, primarily champion national banks such as Deutsche Bank and Société Générale, were the main contributor to Q4 returns.
Portfolio positioning	 M&G are seeing fewer opportunities in riskier areas, e.g. High Yield, due to tighter credit spreads amidst limited supply. They sold some riskier names during Q4's rally. M&G continue to see value in the financial sector, particularly in well-capitalised European banks.
Outlook	 M&G expect to reduce risk in the short term as market pricing is tight, but they are seeing pockets of value, primarily across REITs and financials.



Metrics	Current Quarter	Last Quarter	View/change	
Yield	8.2%	8.8%	Fell due to market movements	
Average credit rating	BBB+	BBB+	No change	
Modified duration (years)	0.00	-0.04	No major change	
Spread duration (years)	3.4	3.6	Reflects minor	
Number of issuers	363	371	de-risking of strategy	

Mandate: Multi Asset Credit

Current Value: f317 0m

Current Weighting: 6.7%

Inception: November 2009

Benchmark: 3-month SONIA +3%

Objective: 3-month SONIA +5% (gross)

Pooled: Via Access Pool

Notes: Returns net of fees (based on share class A (GBP)). Benchmark used is 1 month LIBOR from fund inception to 30 June 2021 and 1 month SONIA thereafter. Objective shown is benchmark +2.5% p.a. The Fund was launched on 26 April 2007.

M&G - Corporate Bonds

Overview

The Fund invests in a variety of UK Corporate Bonds, including but not limited to Industrial, Financial, Sovereign and Utility bonds.

Target Return	Low	-	High
Return Drivers	Sector Allocation		Credit Selection
Interest Rate Sepsitivity	Low		High
ယ ထ Dimersification	Low	_	High

Sy area	Comments
Key contributors/ detractors	Industrial Corporate bonds detracted the most, whilst Financial Corporate bonds were the strongest contributor to performance.
Portfolio positioning	 Over the quarter the manager reduced the level of risk in the portfolio as credit spreads tightened. The manager reduced the exposure to RAC following strong performance and removed exposure to Atos after a decline in confidence of a management turnaround.
Outlook	 M&G note that there is the spectre of a geopolitical or financial event that could spark future bond market volatility. A significant number of elections globally across 2024 could see company executives facing a period of high financing costs for the first time. M&G believe a patient and highly selective approach to fixed income investment is the best strategy to take advantage of the market.

Note: Totals may not sum due to rounding. Performance quoted net of fees

Source: Investment manager, Northern Trust, Isio calculations.

Performance to	31 December 2	2023		
15.0%				
10.0%				
5.0% -				
0.0%				
-5.0% -				
-10.0%	Q4 2023	12 months	3 years (p.a.)	5 years (p.a.)
Return	10.9%	9.3%	-8.3%	0.1%
■ Benchmark	11.2%	9.7%	-8.3%	-0.6%
■ Relative	-0.3%	-0.4%	0.0%	+0.6%

Metrics	Current Quarter	ırrent Quarter Last Quarter	
Yield	5.6%	6.6%	Slight decrease
Average credit rating	А	А	No change
Modified duration	9.5	9.0	In line with expectations

Mandate: Corporate Bonds

Current Value: £131.3m

Current Weighting: 2.8%

Inception: December 1996

Benchmark: Benchmark: - 50% iBoxx Non-

Gilts Over 15Y - 50% iBoxx Non-Gilts

Objective: Outperform benchmark by

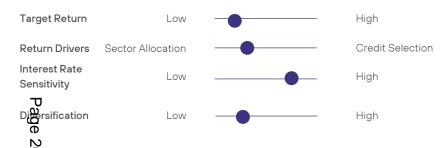
0.8% p.a. (gross)

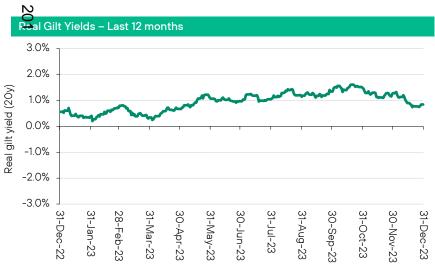
Pooled: Via Access Pool

UBS - Over 5 Year Index-linked Gilts

Overview

The Fund has defensive characteristics, providing the Fund with protection against the impact of both interest rates and inflation expectations on the value placed on the liabilities.





Note: Totals may not sum due to rounding. Performance quoted net of fees.

Source: Investment manager, Northern Trust, Isio calculations.



Mandate: Index Linked Gilts

Current Value: £240.7m

Current Weighting: 5.1%

Inception: February 2018

Benchmark: FTSE Index-Linked Gilts Over

5 Years

Objective: Match benchmark

Pooled: Via Access Pool

Appendices

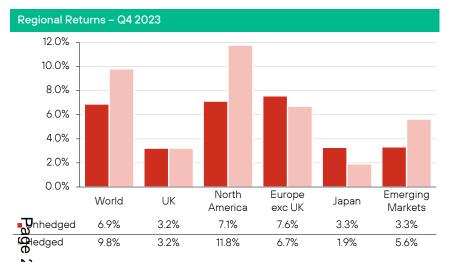
A1: Market Background: Global Equity, Absolute Return, Credit, Real Assets & Yields

A2: Explanation of Market Background

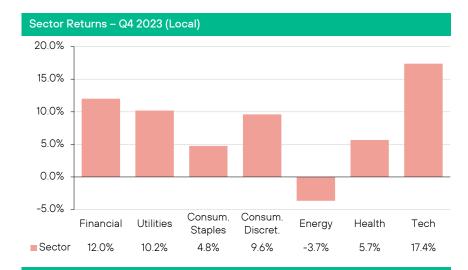
A3: How to Read the Fund Manager Pages

A4: Disclaimers

Market Background - Global Equity







Commentary

- Equities performed strongly, with yield-sensitive sectors such as Technology underpinning returns, as markets began to expect more aggressive interest rate cuts.
- Unsurprisingly, given the constituents of the index, the US market was the strongest performing major region over the period; albeit unhedged exposure materially underperformed as Sterling strengthened against the US Dollar ('USD').
- While UK small and mid-cap markets performed strongly, as investors gained confidence in the domestic economy, the country's overall underperformance was driven by multinational firms whose earnings are in part denominated in USD.
- European markets performed well, in large part due to the performance of Technology and Real Estate stocks.
- Emerging markets lagged their developed counterparts. This was primarily due to the impact of ongoing economic deceleration and regulatory change in China (the largest component of the index), which continues to weigh on performance.

Summary

The end of 2023 saw a surge in equity markets, with shifting expectations around monetary policy supporting sentiment.

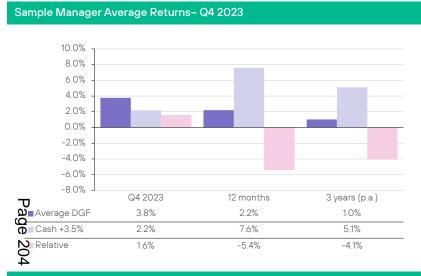
US shares rallied, as expectations of both a 'soft-landing' and potential interest rate cuts in 2024 boosted investor confidence. The IT sector (which makes up a material portion of the US market) performed particularly strongly in Q4.

Concerns around the economic slowdown in China continued to drive underperformance from Emerging Markets.

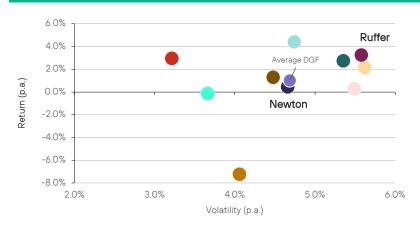
Hedged mandates outperformed their unhedged equivalents over the quarter, as Sterling strengthened against the US Dollar.

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.

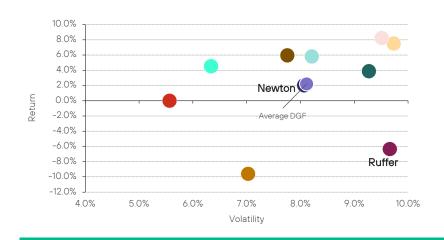
Market Background – Absolute Return



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



Sample Manager Returns and Volatility – 12 months



Commentary

- The average DGF outperformed the cash plus target over Q4 2023 but is trailing the cash + 3.5% objective over longer periods.
- Positive Q4 performance was mostly driven by allocations to core asset classes. Equity valuations were buoyed by the expectation that inflation was falling, and that more accommodative monetary policy may be deployed. Similarly, the value placed on fixed income assets benefitted from the fall in yields experienced over the period.
- A number of managers managed to generate additional returns by adding duration, in anticipation of a fall in global yields as central bank rhetoric began to move towards interest rate cuts. It remains to be seen how managers will react to the change in market valuations experienced over Q4.
- · The majority of DGF managers remain aware of geopolitical tensions, as well as the potential impact of moving into a recessionary economic environment.

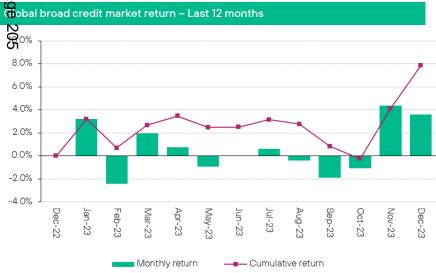
Within our sample of managers, we have incorporated the performance of ten DGFs with various manager styles, aiming to give a balanced view of the market.

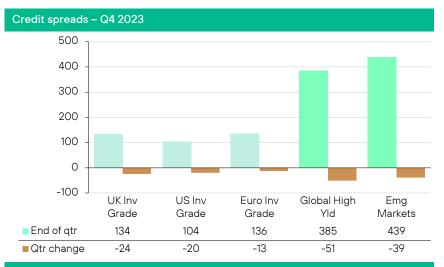
Please see the 'Explanation of Market Background' appendix for details of the underlying indices. All returns quoted are net of management fees.

Sources: Investment Managers, Isio calculations

Market Background - Credit







Commentary

Credit market performance was consistently positive in Q4, largely driven by falling government bond yields, as improved inflation data led to expectations of rate cuts in 2024. This also fed into improved investor risk appetite, leading to narrowing credit spreads, supporting credit returns.

- Investment grade ('IG') bonds performed strongly, as they are particularly sensitive to
 interest rate expectations, while tightening spreads also underpinned performance.
 European indices underperformed the US and UK mainly due to their shorter duration.
- High yield ('HY') bonds also produced positive returns but underperformed US and UK
 IG due to HY's lower interest rate sensitivity. That said, spread tightening was greater in HY than IG due to its lower credit quality.
- Emerging market ('EM') debt, outperformed the IG and HY indices shown above due to its interest rate sensitivity being similar to IG and its credit spread sensitivity being similar to HY thus benefitting strongly from both the rate and spread movements seen over Q4. The weakening of the US dollar also helped to make US dollar debt more affordable in local terms, thus reducing perceived credit risk in EM debt.

Summary

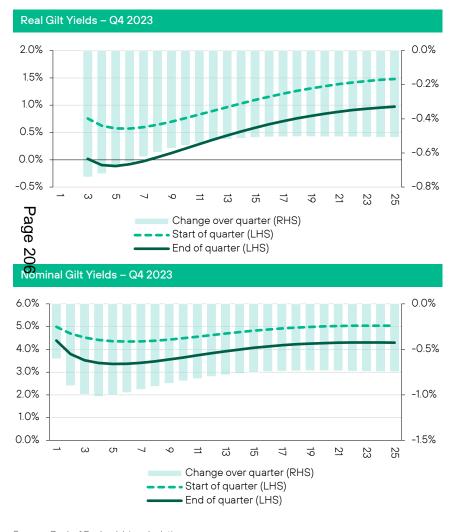
Credit markets had a strong quarter, as central bank messaging shifted towards a more supportive tone following softer global inflation and economic growth data. Subsequently, markets priced in more aggressive expectations for interest rate cuts in 2024. This drove performance in fixed rate bond assets, with longer duration, interest rate sensitive areas such as IG outperforming as a result.

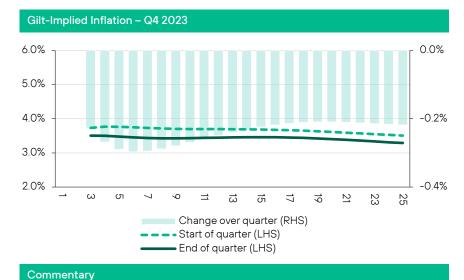
The above central bank messaging also had the secondary effect of improving risk sentiment within investors, based on the premise of rate cuts boosting the global economy and reducing credit risk. This led to credit spreads tightening, particularly in higher credit risk areas such as HY and EM.

Notes: Please see the 'Explanation of Market Background' appendix for details on 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





• Long-dated (20-year) yields at the quarter-end were:

- Real gilt yield: 0.8%
- Nominal gilt yield: 4.3%
- Gilt-implied inflation expectation: 3.4%

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

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Global High Yield: BoAML Global High Yield (GBP Hedged)

UK Inv. Grade Credit: BoAML Sterling Non-Gilt

- Over 15 Years Gilts: FTSF 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

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- 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).

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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
 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).

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How to Read the Fund Manager Pages

How to Read the "Overview" Section

Expected Low High Volatility

- This is a standard quantitative measure of our expectation of absolute annual volatility of the fund.
- The measure ranges from 1% p.a. for the least volatile strategies (e.g. Cash) to 30% p.a. for the most volatile strategies (e.g. Emerging Markets Equity).

100% Shape of 0% Contractual Outcomes Contractual

- This is an Isio-specific measure of how "contractual" the expected return from the fund is.
- The measure ranges from 0% for strategies that have no fixed return component and are instead based on a share of any profits (e.g. Global Equity) to 100% for strategies where the return in normal conditions is fixed and predictable (e.g. Corporate Bonds).

Diversification Low High

- This Isio-specific measure shows how diversified we consider the fund to be, in terms of broad market risk drivers.
- The measure ranges from "low" for mandates that invest in a single asset class that is concentrated in other respects, such as geography (e.g. European Direct Lending) to "high" for mandates that invest in a wide range of diversified asset classes (e.g. Diversified Growth Funds).

Manager Ratings

We show two ratings for a manager:

Research View: This comprises our opinion of the manager as a whole, judged against the client's specific selection criteria (which usually include ESG considerations). The possible ratings are:

- Meets Criteria
- Partially Meets Criteria
- Significantly Fails to Meet the Criteria
- Not Evaluated

ESG View: This is a narrower opinion focusing specifically on the manager's treatment of ESG (Environmental, Social, and Governance) issues. The possible ratings are:

- Green
- Amber
- Red
- Not Evaluated

This page contains guidance on how to read the fund manager pages

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 the performance of
- 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.

Addressee and Isio Relationships

- This report has been prepared for the sole benefit of the East Sussex
 County Council as Administering Authority of the East Sussex Pension
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Annex A.2





Introduction

ACCESS was formed in 2016 when eleven Local Government Pension Scheme (LGPS) Authorities agreed to begin working collectively to address the requirements of the Government's agenda for pooling LGPS investments.

The following strategic objectives are in place:

- enable the Councils to execute their fiduciary responsibilities to LGPS stakeholders, including scheme members and employers, as economically as possible;
- provide a range of asset types necessary to enable those participating Authorities to execute their locally determined investment strategies as far as possible;
- enable the Councils 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.

The governing principles are summarised below.



Implicit within the above principles is the democratic accountability and fiduciary duty of the Councils as Administering Authorities.

The Joint Committee recommends an annual strategic business plan to the Councils, following recommendations from Section 151 Officers and following input from the ACCESS Support Unit (ASU).

Context

During 2023/24 further progress took place in pooling active listed assets, along with the establishment of arrangements for the Pool's property mandates – the first non-listed asset class.

The year saw takeovers conclude for two key strategic partners, Waystone (previously Link) assuming the role of ACS Operator and Apex (previously MJ Hudson) assuming the role of Implementation Adviser for illiquid assets.

PIRC were appointed to advise on Responsible Investment (RI) / Environmental, Social & Governance (ESG) reporting arrangements and undertook a review of the pool's RI Guidelines.

Barnett Waddingham undertook a Third-Party Review of the Pool, and a procurement was undertaken for continued communications support to be in place.

The year also saw preparations for, and the commencement of, the reprocurement of ACS Operator services.

It is anticipated that 2024/25 will see key activities within the following themes:

Actively managed listed assets:

- launch of final sub-funds under the first ACS Operator contract;
- review of sub-funds.

Scheduled BAU evaluation:

- completion of re-procurement of ACS Operator services;
- implementation of re-procurement outcome;
- commencement of new contractual arrangements.

Alternative / non-listed assets:

- initial investment within real estate mandates;
- the development of pooled asset solutions for other non-listed asset classes.

Passive assets:

ongoing monitoring and engagement with UBS.

Governance:

implementation of the outcomes of the Third-Party Review;

- implementation of RI reporting arrangements;
- review of the Communications plan.

ACCESS Support Unit (ASU):

• implementation of the outcomes of the Third-Party Review.

Business Plan

The Business Plan is proposed each year to the Councils by the Joint Committee on the basis of recommendations from the s151 Officer Group. The Joint Committee, on advice from the s151 Officer Group, determine a budget in order to deliver the annual Business Plan. Workstreams for the ASU are monitored at the Officer Working Group (OWG) and in turn reported to the s151 Officer Group where key ACCESS business plan activity and deliverables for the fiscal year are considered.

Each theme within the business plan includes milestones planned for the year. The strategic nature of ACCESS's objectives means that most of the 2024/25 milestones build on work previously undertaken and will in turn provide the foundation for further milestones in subsequent years.

The Joint Committee will receive updates on the milestones at each meeting.

Budget

A budget totalling **£1.707m** to support the business plan is included at the end of this paper.

Theme	Milestone	2024/25 activity
Actively	Launch of Tranche 7b	Anticipated 2024/25
managed		
listed	Launch of Tranche 8	Anticipated 2024/25
assets		
	Sub-fund review	The range and scope of sub-
		fund provision will be reviewed
		Teviewed
Scheduled	The conclusion of the re-	Completion of the formal re-
BAU	procurement of ACS Operator	procurement process
Evaluation	Services in relation to the Pool's	
	actively managed listed assets	

Milestone	2024/25 activity
	Implementation of re-
	procurement outcome
	Commencement of new
	contractual arrangements
Initial investment within real	The first investments within
estate mandates	the Real Estate mandates
	The procurement of pooled
	asset solutions for private
asset classes	debt and private equity
	The alignment of investments
	within infrastructure and
	timber
	The exploration of further
	non- listed investment
	opportunities
Ongoing monitoring of assets	Further engagement and
	exploration with UBS will
	continue throughout the year
Meetings and oversight	Arrangements will be made to
	support meetings of the Joint
	Committee
	Meetings of s151 Officers will
	also be held
Operational protocols	The implementation of the
	outcomes of the third-party
	review of objectives
Engagement with HM	ACCESS will liaise with the
	Scheme Advisory Board as
2010	appropriate
	estate mandates The development of pooled asset solutions for other non-listed asset classes Ongoing monitoring of assets managed on a passive basis Meetings and oversight

Theme	Milestone	2024/25 activity
	Levelling UP, Communities & Housing (DLUHC)	Periodic reports will be provided to DLUHC as required
	Joint guidelines & plans	The implementation of RI reporting arrangements for the pool
		An annual review will be conducted of the pool's RI Guidelines
		Communications support to the pool will continue
		A review of the pool's Communication Plan will be undertaken
ACCESS Support Unit (ASU)	ACCESS Support Unit	The outcomes of the third- party review of the ASU will be implemented
		An annual internal audit of the ASU will take place

A separate risk register measures the risk of the strategic objectives and milestones not being achieved and the resultant impact.

Budget 2023/24

The budget for 2023/24 is detailed below.

	Budget 2023/24 £	Actual + Estimated Costs 2023/24 £	Overspend / (Underspend) 2023/2024 £	Proposed Budget 2024/25 £
ASU				
ASU Salaries (incl. on cost)	499,833	510,115	10,282	522,436
ASU Operational	23,000	16,314	(6,686)	24,000
ASU Host Authority Recharge	35,700	35,700	0	37,307
Technical Lead Recharge	40,000	52,292	12,292	55,000
ASU Total	598,533	614,421	15,888	638,742
Professional Costs Internal Professional Costs				
JC Secretariat	23,100	22,163	(937)	24,255
Procurement	145,000	59,000	(86,000)	180,000
Internal Professional Costs	168,100	81,163	(86,937)	204,255
External Professional Costs				
Strategic & Technical	602,000	572,646	(29,354)	664,000
Legal & Governance	190,400	317,355	126,955	199,920
External Professional Costs	792,400	890,001	97,601	863,920
Professional Costs Total	960,500	971,164	10,664	1,068,175
Total Costs	1,559,033	1,585,585	26,552	1,706,917
Cost Per Authority	141,730	144,144	2,414	155,174

The *Value for Money* principle has been adopted throughout the preparation of the budget. The key assumptions contained within the budget are outlined overleaf.

Key budget assumptions

The full year effect of the ASU comprising of five full time Officers.

Any budgetary impact of the Third-Party Review will be considered once known.

The continuation of Technical Lead support at November 2023 levels.

Joint Committee Secretariat services remaining with Kent County Council for the duration of 2024/25.

Expenditure for a Procurement Lead Authority to deliver the following:

- the re-procurement of an ACS Operator;
- procurement support for the provision of private debt, social housing and infrastructure pooled asset solutions; and
- the re-procurement of legal advice.

External professional costs cover a range of matters including:

- ongoing advice and project management support in relation to the Scheduled BAU evaluation;
- pool communications; and
- ongoing advice in support of operational pool activity.

External legal advice.

Report to: Pension Committee

Date of meeting: 22 February 2024

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; and
- 2) advise of training completed, not recorded in the training log

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



Pension Board and Committee – Work Programme

Future Pension Board Agenda		
Item	Description	Author
Standing items (items tha	t 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	Pensions Manager – Governance and Compliance
Employer Admissions and Cessations	A report on the admission and cessation of employers to the Fund	Head of Pensions
5 June 2024		
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
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
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		
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

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Actions requested by the Pensions Board			
Subject Area	Detail	Status	
III Health insurance review	The Board requested a review to be carried out on the III 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	Training arranged for 20 th February 10 am	
Risk Register Full review	The Board have requested for a meeting to walk through all risks on the risk register as detail is usually only discussed on changes to the register, although the register is provided in full at each meeting for questions.	Meeting to be arranged	

Future Pension Committee Agenda		
Item	Description	Author
Standing items (items tha	at 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
19 June 2024		
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
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

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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		
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

Subject Area	Detail	Status
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 DGF and Global Government Bonds – 5 February 3.30pr Private Equity – 29 January 2pm
Proposals raised on divestmer in September	Three sets of proposals on divestment within investment strategy tabled in September Committee meeting. Officers to collate data to understand exposure to areas of divestment proposed and provide a cover note to aid understanding of proposals	Aim for Spring completion

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.	William Bourne, Russell Wood, Sian Kunert, James Sweeney, Representatives 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.	Cllr Fox, Ray Martin, Neil Simpson, Zoe O'Sullivan, Tim Oliver, Paul Punter, Sian Kunert, Ian Gutsell	

Trainii	Training and Development – attendance at recent events		
Date	Topic	Committee	Board
08-Nov	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.		Neil

16&23	Fundamentals Day 2		
Nov	A scheme overview and covers current issues in relation to administration, investments and governance of the Local Government Pension Scheme (LGPS)		Zoe
29-Nov	Autumn Statement 2023 - A Shifting Landscape for UK Pensions?		
	Aon experts will discuss the announcements from the Autumn Statement and other upcoming changes to pensions. This will include the key takeaways as well as the strategic opportunities these present.	Cllrs Taylor, Hollidge	Trevor
06-Dec	Procurement Regulations and Admissions & Cessations	Cllrs Taylor, Hollidge	Neil, Trevor, Zoe
11&19 Dec	Fundamentals Day 3 A scheme overview and covers current issues in relation to administration, investments and governance of the Local Government Pension Scheme (LGPS)		Zoe

Training and Development - Upcoming Training Offered to Pension Board

January

18 - 19 January	LGPS Governance Conference	
Organiser: LGA	The programme is designed to cover the key issues for the Local Government Pension Scheme (LGPS) and our speakers are all experts in their fields. The programme includes sessions on:	
Location: Online	(LGI 3) and our speakers are an experts in their neits. The programme includes sessions on.	
Cost: £400	 Scheme Advisory Board update The employer landscape - panel session 	
* Limited places are available, so please let me know if interested in attending this event	 Legal update Responsible investment - panel session An update from DLUHC The risk of de-risking - panel session Cyber security Improving and measuring your knowledge and skills - interactive session Investment outlook 	
24 January	Managing risk in the LGPS - a spotlight on cyber risk	

Organiser; Hymans & Robertson	To be discussed:
Time: 10:30 – 11:15 Location: Online Cost: Free	 The current cyber risk guidance from the Pensions Regulator What actions LGPS funds can take in order to better understand and manage cyber risk in accordance with the guidance How best to engage with the relevant stakeholders on cyber risk
29 January	Investment asset classes
2pm, inhouse / Harbourvest	 Private Equity How are Private Equity Companies selected for the underlying portfolios What is the control structure and ability to influence Are there Impact or ESG PE options?
30 January	Cyber Risk
3pm, inhouse	 How do the Funds systems look from a Cyber Risk perspective What are Cyber Risks
February	
5 February	Investment asset classes
3.30pm, Inhouse / Linchpin	Diversified Growth FundsGlobal Government Bonds
20 February	<u>Actuarial</u>
10 am – Inhouse / Barnet Waddingham	 Funding Update and insights New cessation methodology, how is the prudence level calculated, when is this reviewed, and what it means

Demystifying ESG for Trustees
Topics of discussion:
 ESG Fundamentals including risk and opportunity of ESG integration. Regulatory Compliance – current and up-and-coming requirements.
Measuring and Reporting Impact

Training and Development - Upcoming Training Offered to Pension Committee

2024 January

conversation on how pension funds can ensure they have enough strategic thinking time, and ne resources and skills to integrate impact.
n a bid to measure everything from Scope I - 3 emissions, to biodiversity indicators and beyond, significant resource and financial burden is being created for pension funds, their advisers and ther asset owners.
GPS Governance Conference
The programme is designed to cover the key issues for the Local Government Pension Scheme LGPS) and our speakers are all experts in their fields. The programme includes sessions on: Scheme Advisory Board update
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* Limited places are available, so please let me know if interested in attending this event	 The employer landscape - panel session Legal update Responsible investment - panel session An update from DLUHC The risk of de-risking - panel session Cyber security Improving and measuring your knowledge and skills - interactive session Investment outlook
24 January	Managing risk in the LGPS - a spotlight on cyber risk
Organiser; Hymans & Robertson	To be discussed:
Time: 10:30 – 11:15 Location: Online Cost: Free	 The current cyber risk guidance from the Pensions Regulator What actions LGPS funds can take in order to better understand and manage cyber risk in accordance with the guidance How best to engage with the relevant stakeholders on cyber risk
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30 January	Cyber Risk
3pm, inhouse	 How do the Funds systems look from a Cyber Risk perspective What are Cyber Risks
31 January	The impact of Mansion House and the path to Net Zero - LGPS SEMINAR
Organiser: Schroders	

Time: 12:30 - 18:00 Location: London Cost: Free	The speakers will share their insights on the structural changes impacting the economy, the regulatory landscape, and the resulting implications for asset allocation strategies. We will also be delving into aligning investment portfolios with long-term objectives, while simultaneously navigating the environmental and political considerations being placed on the LGPS. Full Agenda
February	
I February	LAPF Strategic Investment Forum
Organiser: DG Publishing	To be explored: Fixed income forecast; Global equities; Private markets; Pooling objectives for
Time: 09:00 – 18:30	the LGPS; Levelling up and infrastructure; Infrastructure opportunities; Social bonds; How can investing in private assets help reduce carbon emissions?; Investing in renewables; Real estate;
Location: London	Fighting deforestation to preserve biodiversity; Impact investing across public and private markets; Currency effects on LGPS portfolios; Green private debt.
Cost: Free	Carrency eneces on 2010 per dienes, er cen private desta
5 February	Investment asset classes
3.30pm, Inhouse / Linchpin	 Diversified Growth Funds Global Government Bonds
14 February	Local Authority Pension Funds Annual Investment Conference
Organiser: SPS Conferences	This conference will review a range of topical investment strategies, opportunities and new ideas
Time: 09:00 – 16:15	of interest to public sector investors. It will take account of the latest trends and the prevailing investment and governance landscape as well as specific issues or challenges facing LGPS investors
Location: London	and key practical implementation considerations.
Cost: Free	
20 February	<u>Actuarial</u>

10 am – Inhouse / Barnet Waddingham	 Funding Update and insights New cessation methodology, how is the prudence level calculated, when is this reviewed, and what it means
21 February	Demystifying ESG for Trustees
Organiser: PMI	Topics of discussion:
Time: 14:00 – 15:00 Location: Online	 ESG Fundamentals including risk and opportunity of ESG integration. Regulatory Compliance – current and up-and-coming requirements. Measuring and Reporting Impact
Cost: Free	
27 -29 February	INVESTMENT CONFERENCE 2024 - The UK's largest event focused on pension fund investment
Organiser: PLSA	
Location: EICC, Edinburgh	The conference promises to bring the full investment chain together to discuss the future of pensions investment across a variety of session types
Cost: Free to attend the event	Insightful sessions: Get ahead with insights from experts discussing the macroeconomic and violation the page industry.
Reasonable expenses for travel and accommodation will be covered by the Fund	 outlook and risks in the pension industry. Answers to your challenges: Discuss crucial subjects such as how CIOs are dealing with economic uncertainty, biodiversity investing, diversity in decision-making, climate change action, growth strategies, and consolidation. Government initiatives: The government has big plans for pension schemes; hear about the opportunities for illiquid investments, sustainable assets, and stimulating UK growth. Election insights: Gain unique perspectives on the upcoming UK general election of IPSOS UK
	 and Ireland. Future trends: Discover megatrends and learn how they will shape our world and our work. Inspiration from outside pensions: Be inspired by Lesley Paterson, a renowned Scottish triathlete, author, and film producer, during our exclusive after-dinner session.

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





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