East Sussex County Council

PENSION BOARD

THURSDAY, 7 NOVEMBER 2024

2.00 PM REMOTE MEETING VIA MICROSOFT TEAMS

Please Note That This Meeting Will Be Taking Place Remotely

MEMBERSHIP - Ray Martin (Chair)
Trevor Redmond, Zoe O'Sullivan, Neil Simpson, Councillor Andrew Wilson, Nigel Manvell and Linda Hughes

A G E N D A

1. Minutes of the meeting of 11 September 2024 *(Pages 3 - 14)*
2. Apologies for absence
3. Disclosure of interests
4. Urgent items
   Notification of any items which the Chair considers urgent and proposes to take at the appropriate part of the agenda.
5. Pension Committee Agenda *(Pages 15 - 18)*
6. Governance Report *(Pages 19 - 38)*
7. Employer Engagement and Communications Report *(Pages 39 - 42)*
8. Pensions Administration Report *(Pages 43 - 56)*
9. East Sussex Pension Fund Quarterly Budget report *(Pages 57 - 60)*
10. Annual Report and Accounts Report *(Pages 61 - 240)*
11. Annual Training Plan *(Pages 241 - 246)*
12. Pension Fund Risk Register *(Pages 247 - 258)*
13. Work Programme *(Pages 259 - 276)*
14. Any other non-exempt items previously notified under agenda item 4
15. 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).
16. Governance Report - exempt *(Pages 277 - 282)*

17. Pension Fund Breaches Log *(Pages 283 - 286)*

18. Employer Admissions and Cessations Report *(Pages 287 - 306)*

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

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30 October 2024

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PENSION BOARD

MINUTES of a meeting of the Pension Board held at Council Chamber, County Hall, Lewes on 11 September 2024.

PRESENT Board Members; Ray Martin (Chair), Zoe O'Sullivan, Neil Simpson, Lynda Hughes, Nigel Manvell and Cllr Andrew Wilson.

ALSO PRESENT
Sian Kunert, Head of Pensions
Paul Punter, Head of Pensions Administration
Russell Wood, Pensions Manager: Investments and Accounting
Danny Simpson, Internal Audit
Stephanie Fernando, Employer Engagement Officer
Paul Linfield, Pensions Communications Manager
Mariana Obetzanova, Pensions Training Coordinator
Dave Kellond, Compliance and Local Improvement Partner
Georgina Seligmann, Governance and Democracy Manager
Cllr Bennett
Mya Khine, Accountant

19. MINUTES OF THE MEETING OF 5 JUNE 2024

19.1 The Board agreed the notes of the previous meeting held on 05 June 2024 as a correct record.

20. APOLOGIES FOR ABSENCE

20.1 It was noted that Trevor Redmond was not present for the meeting and no apology had been received.

20.2 Ray Martin (RM) welcomed Linda Hughes (LH), employer representative as a new member of the Board.

21. DISCLOSURE OF INTERESTS

21.1 There were no disclosures of interest.

22. URGENT ITEMS

22.1 There were no urgent items.

23. PENSION COMMITTEE AGENDA

23.1 The Board considered a report containing the draft agenda for the Pension Committee meeting due to be held on 25 September 2024 and noted that:

- In addition to the reports seen by the Board, the Committee will receive an investment report as well as a paper to provide information relating to a motion from Cllrs on proposals for divestment.

- Grant Thornton will present their Draft Audit report on the Pension Fund Financial Statements at the Pension Committee meeting

23.2 The Board RESOLVED to note the agenda.

24. GOVERNANCE REPORT

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

24.2 Sian Kunert (SK) drew the Board's attention to the following:

1) The Fund submitted a response to the letter from the Minister for Local Government in May. The Fund should respond to a subsequent call for evidence which has a deadline of 25 September 2024 Officers will draft a response. In addition to the call for evidence a request for information went to all pools with a short response time.

2) It is key that the effectiveness of the Fund and the benefits of the pool and how well it is working is highlighted in response to the risk any pensions reform review poses to the Fund.

24.3 NS highlighted that it is challenging to present factual data to provide an accurate picture of the current position of the fund. SK confirmed that the different funds work within the same framework but do have differing ways of working and reporting.

24.4 NS asked about the potential merits of the review. SK confirmed that officers welcome the review and the focus on the LGPS as it is a more affordable scheme for employers than many other public sector schemes and it is hoped there will be some positive outcomes as a result of the review.

24.5 AW asked if the ESPF had reviewed the opportunity costs that the Fund could be exposed to if it were required to put 100% of all assets through the Pool. SK confirmed that the Pool is doing a lot of work to bring on new products but does currently lack the full set of asset classes which the Fund wants to invest in. There are more products which are expected to be added for instance the private equity tender process is well under way and a private credit tender has gone out so progress is being made. The pool picks the manager however ESPF is part of the pool and it is a collaborative approach so the views and requirements of the Fund are considered in the specification of product offerings. When Storebrand is brought online then the liquid allocation outside of the pool will be less that 15%.

24.6 The Board considered the Conflict of Interest Policy and requested that officers make the following changes:

1) The first sentence of the second paragraph of the policy will be in bold to highlight the fiduciary obligations that Committee members have.

2) The potential conflict between political views and acting in the best interest of the Fund will be included in the list of examples of conflicts of interest

3) The potential conflict between public law and fiduciary duty and obligations to local taxpayers will be included in the list of examples of conflicts of interest

24.7 The Board RESOLVED to note the Governance report.

25. EMPLOYER ENGAGEMENT AND COMMUNICATIONS REPORT

25.1 The Board considered an update on employer engagement activities and communication tasks that directly affect the East Sussex Pension Fund introduced by Sian Kunert; activities have included website improvements and branding revisions to written communications to members.

25.2 SK drew the Board's attention to the following:

1) The Employer Forum will be running in November and will be a virtual event. Next year the event will be in person following the March 2025 valuation.

2) Employer contribution late payments have increased however this is due in part to the point in the month at which new admitted bodies joined the Fund and payroll deadlines. 3 of 5 late payments were related to this and the data will be separated out in future as new admissions are likely to be late.

3) Officers have worked with other Funds to produce consistent newsletters that have been ratified by the Plain English Campaign

4) Communications are increasingly digitalised for members including ABS information and the website continues to be updated.

25.3 The Board RESOLVED to note the report.

26. PENSIONS ADMINISTRATION REPORT

26.1 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

1) The format of the Performance reports has changed in line with the discussion at the Pension Board and Pension Committee meetings in June 2024 where a draft of the new format was presented.

2) Two new columns will be added to future performance reports to show the average time taken, and the longest time taken in relation to tasks completed outside of the SLA time. These additional details will be included from August 2024.

3) It was discovered some members of the team had not been setting tasks to “reply due” correctly. Where the task is awaiting an external response (e.g. from a member or their adviser who need to say complete a form) the SLA clock should be paused. As a result of this finding and work carried out to resolve and ensure the system is being used correctly in the future the SLA performance could be understated and it is hoped that the data will show an improvement.

4) The PAT saw similar performance numbers during quarter one 2024, average at 82.50% (volume completed 4,651).

Helpdesk

5) Due to the transition into an inhouse team the reportable information relating to service delivery has reduced. The Fund can no longer determine the Call Answer Time or the Abandoned Call Rate. While members can still dial both the Main Helpline and Website Helpline numbers, they now both feed into a single Hunt Group so we can no longer differentiate between the call types. The roll out of the telephony upgrade is awaited.

6) A full team now in place with expanded duties now that many tasks have been digitalised.

7) Customer email feedback is now provided from the survey link available on each communication, officers would welcome mystery shopper feedback from Board members .

Projects

8) Annual Benefit Statements (ABS) have been issued with just over 99% for both active and deferred members achieved. BHCC statements totalled just under 7.5k and of these only 48 could not be completed. The University of Brighton is not on i-Connect however only 1 could not be completed.
9) i-Connect: only ten employers have not yet been onboarded and this will be an area of focus for officers. Only one large employer is included in this group.
10) McCloud: data relating to employers (except BHCC) with active members has gone through the Heywood’s data validation tool. All data received by Heywood’s will go into the test system and then officers can start to look at calculations. Some inactive employers have not been reached so the Fund is using the methodology set by the LGA to create any missing part time data gaps. PP confirmed that is unlikely that many members will require an adjustment.

Pensions Dashboard

11) Heywood Altair Insights dashboard report has been used to identify data gaps. Heywood have been appointed as the Integrated Service Provider and a project plan has been created, with a two phase approach proposed to conclude by 31 October 2025.

Mortality checks

12) There circa 600 overseas pensioners to check, with about two-thirds contacted by email and the remainder by post. Overseas pensioners are required to complete a form,

appropriately witnessed and returned within a few months. In late August 2024, chasers we issued to the outstanding78 members which advised if the completed form is not returned by end of September their pensions will be suspended.As at 10 September 2024 the number outstanding was down to 46.

26.2 The Board agreed that the success of the ABS project meant that a report to the Regulator is not required this year and thanked officers for their hard work.

26.3 The Board RESOLVED to note the report.

27. INTERNAL AUDIT

27.1 The Board considered the audit report presented by Danny Simpson (DS) and noted the following points:

1) The audit of the Pension Fund Investments and Accounting received an opinion of Substantial Assurance for the controls in place.

2) This audit concludes the work of 2023-24.

27.2 The Board RESOLVED to note the Pension Fund Investments and Accounting Audit report.

28. PENSION FUND RISK REGISTER

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

28.2 The Board considered the following risks:

1) Risk A3 – Production of Statutory member returns, has been reduced due to the improvements in ABS completion rates for 2023/24 due to the data being received from employers for the year in question in time for the team to produce returns leading to a lower risk level for likelihood.

2) Risk A7 has been renamed as Implementation of Oracle to reflect the status of the EPR system implementation. The risk is around the financial accounting and producing financial statements and the ability for ESCC to provide information through i-Connect resulting from a change of provider. There is not a risk to benefits as this is administered by the Heywood's Altair system.

3) Risk G1 – Key Person Risk has increased in likelihood due to recent team departures and the difficulty recruiting the newly created Deputy of Pensions following a review of the departmental team structure. This role is being actively recruited for, the market is lean and the nature of hybrid working means that candidates can access roles at higher

paygrades and are not restricted by location. An interim appointment is expected imminently.

28.3 Officers agreed to add details about data storage and back up to the mitigations set out against the Cyber risk.

28.4 The Board RESOLVED to note the report.

29. WORK PROGRAMME

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

1) The Triennial valuation is approaching which means information and reports will start to come through into the workplan going forward (March 25 is the valuation point). Data is provided annually so member data and movements can be verified more frequently and a report on data quality is expected soon. Training on the valuation process will happen as we get closer to the March 2025 valuation date.

2) Training attended included please let us know of anything you have missed.

3) Officers will look at the terminology used for grading knowledge in the self-assessment forms for Board and Committee members following feedback from ZO.

4) The Board will be informed of any legislative and regulatory changes through the Governance report.

29.2 The Board RESOLVED to note the work programme.

30. ANY OTHER NON-EXEMPT ITEMS PREVIOUSLY NOTIFIED UNDER AGENDA ITEM 4

30.1 There were no items.

31. EXCLUSION OF THE PUBLIC AND PRESS

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

32. GOVERNANCE REPORT

32.1 The Board considered the Exempt Governance report.

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

32.2 The Board RESOLVED to note the report.

33. PENSION FUND BREACHES LOG

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

33.2 A summary of the discussion is set out in an Exempt minute.

33.3 The Board RESOLVED to note the report.

34. EMPLOYER ADMISSIONS AND CESSATIONS REPORT

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

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

34.3 The Board RESOLVED to note the report.

35. ANY OTHER EXEMPT ITEMS PREVIOUSLY NOTIFIED UNDER AGENDA ITEM 4

35.1 There were no urgent items.

(The meeting ended at 12.02)

Ray Martin, Chair

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

Appendix 1

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East Sussex
County Council

PENSION COMMITTEE

THURSDAY, 21 NOVEMBER 2024

10.00 AM COUNCIL CHAMBER, COUNTY HALL, LEWES

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

A G E N D A

1. Minutes of the meeting of 25 September 2024

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

6. Governance Report

7. Pensions Administration report

8. Quarterly budget report

9. Annual Report and Accounts

10. Annual Training Plan

11. Risk Register

12. Investment Report

13. Work programme

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

15. 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).

16. Investment Report - exempt information

17. Governance Report - exempt information

18. Breaches Log - exempt information

19. Employer Admissions and Cessations - exempt information

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

PHILIP BAKER
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13 November 2024

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PENSION COMMITTEE

SUMMARY OF THE MINUTES: 25 SEPTEMBER 2024

All members of the Committee were present.

DIVESTMENT PROPOSALS

The Committee considered a report which on Divestment Proposals introduced by Sian Kunert which set out the three proposals put forward by Cllrs Tutt and Taylor. The Committee considered comments from officers, ISIO and the Independent Advisor and Members. The motions were put to the Committee who voted against each proposal by 3 votes to 2.

EXTERNAL AUDIT UPDATE

The Committee considered a report on the progress on the delivery of Grant Thornton's responsibilities as the East Sussex Pension Fund's external auditor, introduced by Sian Kunert and Parris Williams of Grant Thornton and noted that an unqualified opinion was anticipated with no major issues to highlight at this point and there are no changes to the risks identified within the audit plan.

GOVERNANCE

The Committee considered a similar report to that presented at Board and agreed to note the update about the Pensions Review revised Conflicts of Interest Policy subject to officers considering the points raised during discussion and delegate authority to Chief Finance Officer to submit a response to the Governments Pensions Investment Review: Call for Evidence.

PENSIONS ADMIN

The Committee received a similar report to that presented at Board and noted the updates.

INTERNAL AUDIT REPORT

The Committee received a similar report to that presented at Board and noted the Pension Fund Investments and Accounting audit report.

RISK REGISTER

The Committee considered and noted a report. The Cyber Security risk was discussed.

INVESTMENT

The Committee considered and noted an Investment Report from Officers and ISIO (Investment Advisers).

The quarters investment returns were disappointing, however the longer-term returns at Fund level remain robust. The standout negative performance came from the Fund's Sustainable equity investment with WHEB.

The Committee noted Ruffer's muted performance and ISIO confirmed that they are monitoring this closely, and post 30 June performance has been a bit more positive. They are aware of this performance concern and ISIO will continue to keep the Fund updated.

The Committee requested further information about WHEB's performance; ISIO confirmed that private equity valuations have been marked down as markets have moderated slightly. WHEB have a restricted remit as it has an ESG focused approach and things that are doing well such as the magnificent 7 technology stocks are not within their remit.

The Committee noted the strategic allocation for the fund, most of which have now been in place for approximately 3 years and therefore it is an appropriate point to evaluate performance and set out the approach and how the markets have impacted the manager's approaches. Low risk and high return are more favourable and the more passive funds have been in line with indexes.

WORK PROGRAM

The upcoming work program was noted.

EXEMPT ITEMS

A number of items were discussed under the Exempt part of the meeting which Board Members can have access to on request. These included the update from Grant Thornton, the Funds allocation to Index Linked Gilts, information on the operator of the ACCESS Pool, additional exempt risks on the Risk Register, the Breaches Log and the Admissions and Cessations Report.

Report to:	**Pension Board**
Date of meeting:	**07 November 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 Board is recommended to note this report

1 Background

1.1 This report is brought to the Pension Board 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 As reported at the September meeting of the Board in July 2024, the new Chancellor of the Exchequer Rachel Reeves, announced a pensions' review to boost investment and tackle waste in the pensions system, stating that action will be taken to unleash the full investment might of the £360bn LGPS to make it an engine for growth and tackle the £2bn that is being spent on fees. The work announced, focusing on investments, was stated to be the first phase in reviewing the pensions landscape.

2.2 The announcement of the pensions review on 20 July 2024 was swiftly followed on 4 September 2024 by a call for evidence from interested parties to inform phase one of the review. The review aims to boost investment, increase pension pots and tackle waste in the pensions system, focusing on defined contribution workplace schemes and the LGPS. The first phase of the review is looking at measures to accelerate asset pooling and increasing investment in 'productive finance' in the UK by LGPS funds. The call for evidence asks several questions on scale and consolidation, costs vs value and investing in the UK. Attached to the call for evidence was a short response deadline of 25 September 2024. The second stage of the review is expected to consider pensions adequacy and fairness, such as the pensions gender gap. As yet no detailed timetable is available for this work. A copy of the response from the Fund for phase one is available at Appendix 1.

2.3 Subsequent to the Fund's submission of evidence, on 10 October 2024, the Head of Pensions was present at a meeting relating to the pensions review, attended by LGPS Officers of the access pool and representatives from HM Treasury, the Government Actuaries Department and Ministry of Housing, Communities and Local Government. In addition, the Head of Pensions also joined a roundtable discussion of the PLSA LGPS Policy Committee together with Parliamentary Secretary (HM Treasury), Emma Reynolds and Minister of State (Housing, Communities and Local Government), Jim McMahon.

2.4 On 17 September 2024, the Scheme Advisory Board (SAB) published a statement on Fiduciary Duties and dealing with lobbying. The purpose of the statement is to make clear SAB's view on the flexibility decision makers have to respond to lobbying; the standards of behaviour expected when discussing what can be emotionally charged issues, and where to go for support if those standards are not being met. The full statement is attached at Appendix 2.

3 Funding Update

3.1 The Fund Actuary has prepared the indicative quarterly funding update as at 30 June 2024, rolling forward assumptions from the valuation and reflecting actual experience since March 2022, and is included as Appendix 3. The indicative funding report shows the funding position fall from 123% at the last valuation in March 2022 to 120% in June 2024. This does however represent a slight improvement from 118% in March 2024.

4 Conclusion

4.1 The Board is recommended to note this report.

IAN GUTSELL
Chief Finance Officer

Contact Officer: Sian Kunert Head of East Sussex Pension Fund
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East Sussex Pension Fund

This response is made on behalf of East Sussex Pension Fund (ESPF, the Fund) in its capacity as scheme manager of an LGPS Fund.

Our response to the call for evidence is set out below and we would be pleased to expand, clarify or discuss any of the comments made.

Where this response uses the term LGPS fund the term should be taken to refer to the administering authority (scheme manager) as set out in the Local Government Pension Regulations 2013.

Scale and Consolidation

Question 1
What are the potential advantages, and any risks, for UK pension savers and UK economic growth from a more consolidated future DC market consisting of a higher concentration of savers and assets in schemes or providers with scale?

This question specifically targets the DC market, which is outside the scope of ESPF's response.

Question 2
What should the role of Single Employer Trusts be in a more consolidated future DC market?

This question specifically targets the DC market, which is outside the scope of ESPF's response.

Question 3
What should the relative role of master trusts and GPPs be in the future pensions landscape? How do the roles and responsibilities of trustees and IGCs compare? Which players in a market with more scale are more likely to adopt new investment strategies that include exposure to UK productive assets? Are master trusts (with a fiduciary duty to their members) or GPPs more likely to pursue diversified portfolios and deliver both higher investment in UK productive finance assets and better saver outcomes?

This question specifically targets the DC market, which is outside the scope of ESPF's response.

Question 4
What are the barriers to commercial or regulation-driven consolidation in the DC market, including competitive and legal factors?

This question specifically targets the DC market, which is outside the scope of ESPF's response.

Question 5
To what extent has LGPS asset pooling been successful, including specific models of pooling, with respect to delivering improved long-term risk-adjusted returns and capacity to invest in a wider range of asset classes?

The introduction of pooling in 2015 set out 4 criteria for Pools to deliver - Scale, Strong Governance, Reduced costs and increased infrastructure investments.

This has been delivered successfully across the LGPS with 8 pool structures all acting in the best interest of the underlying Funds and scheme members

Pooling has successfully delivered

- economies of scale - lower negotiated investment management fees, £180m savings delivered annually and joint procurement savings.
- Increased investment in illiquid asset classes including Infrastructure
- significant collaboration - sharing of best practice and improvement in governance and policy and reduced the administrative work at a Fund level where the pool can deliver for all funds.

The LGPS has significantly grown from £290bn (2019) to £366bn (2022) due to the strong returns achieved and robust management.

The LGPS is "in a strong financial position with most funds in surplus at 31 March 2022". (GAD August 2024).

Growth and funding levels are a good indication that returns are meeting the requirements of LGPS funds to deliver pensions.

Fees are a % of AUM not fixed. Productive assets i.e. private equity and infrastructure have higher % fees than liquid assets.

The ACCESS pool has demonstrated significant cost savings based on a review of the 2023 CTI data. This established the costs of ACCESS listed assets as 28bps compared to a benchmark of 45bps, resulting in a saving of 17bps or £49m per annum. 5 year annualised performance as at 31/03/2024 was 9.8% which exceeded the benchmark by 0.9%.

ESPF can only comment on the model ACCESS has set up. ACCESS is an outsourced model using competitive market testing for suppliers; this enables best-in-class third parties for cost effective implementation across all asset classes. This model ensures a high level of due diligence, accountability and transparency is maintained and a level of competition between the managers.

ACCESS, has met all the deliverables set out at the outset of pooling and is continuing to develop best in class offerings for the Funds.

ACCESS has delivered a range of liquid asset classes and has rolled out a number of illiquid asset classes in the last year. ACCESS has been creating opportunities to invest in wider asset classes to meet its investment strategy including the current work on private credit and recent procurement to UK direct property. ACCESS has also rolled out natural capital and global property offerings which although not yet invested in give the Fund a more diverse range of strategies to consider.

ESPF considers pooling as facilitating the Fund's Investment Strategy by providing a suitable range of options to invest, with best in class managers, at a reduced cost, with greater governance, greater transparency, greater accountability and maintaining a suitable diversification of risk. The ACCESS pool delivers success in these areas.

Costs vs Value

Question 1
*What are the respective roles and relative influence of employers, advisers, trustees/IGCs and pension providers in setting costs in the workplace **DC market**, and the impact of intense price competition on asset allocation?*

This question specifically targets the DC market, which is outside the scope of ESPF's response.

Question 2
Is there a case for Government interventions, aimed at employers or other participants in the market, designed to encourage pension schemes to increase their investment budgets in order to seek higher investment returns from a wider range of asset classes?

ESPF has not had any employer question its investment budget or investment strategy. To date government communication around the need to pool LGPS assets have been to reduce investment management costs.

The LGPS already invest in a wide range of asset classes including on average 30% to illiquid or private markets.

The experience Employers communications relate to the contribution rates that they pay as all employers in the LGPS have constrained budgets with the local authority employers having significant budget gaps to deliver fundamental services to communities.

The LGPS is required to ensure consistent, affordable and sustainable contribution rates for its employers. Seeking higher investment returns increase risk and volatility to employer contribution rates. The LGPS are well funded and already invested in a wide range of assets. The Government should expect questions on why this would be a suitable objective if such an intervention were to take place.

The PLSA has made recommendations for intervention, in different parts of the pensions market, which they believe will lead to higher investment in a wider range of assets. In relation to the LGPS these include the establishment of a pipeline of investable assets to invest to increase UK growth, provide policy certainty with a clear plan for the future of the UK economy.

Finalising long awaited policy and regulation on numerous topics will help the LGPS move in a considered direction of travel which has been lacking for many years in areas such as good governance and climate reporting.

Employers in the LGPS are looking for any intervention that provides greater stability and lower contribution rates. A government intervention that were aimed to direct investments of the LGPS into more volatile assets classes should also underwrite the potential down side of the Fund seeking higher investment returns.

Investing in the UK

Question 1
*What is the potential for a more consolidated **LGPS** and workplace DC market, combined with an increased focus on net investment returns (rather than costs), to increase net investment in UK asset classes such as unlisted and listed equity and infrastructure, and the potential impacts of such an increase on UK growth?*

ESPF has seen no evidence that supports increased consolidation would increase investment in the UK within any asset category. Pools are already a significant size (£50bn for ACCESS) there is nothing to suggest further consolidation would increase UK assets.

As assets have increased the Fund and LGPS in general have moved away from concentration risks and increased diversification of risks moving to more global mandates.

Consolidation would require significant time and resources to implement, especially if it was to be mandated.

Geography of investments is viewed in line with fiduciary duties and liquidity needs. ESPF invest 7% property allocation into the ACCESS UK Property Fund which is transitioning to direct property. The Fund has a 4% allocation to UK Index linked gilts which are the closest investment linkage to the Funds liabilities, through the ACCESS pool.

Independent investment managers select the underlying positions of global mandates who are responsible for the investments of retail and other institutional investors giving them greater scale and has not directly led them to invest more into UK assets.

ESPF have infrastructure holdings that have significant UK investment. The Fund's open ended pool aligned global infrastructure manager has invested £5bn in the UK supporting more than 12,000 UK Job. They have also signed a MoU with the UK Government in August 2023 with the ambition to invest £10 billion in the UK by 2027.

Within the closed ended infrastructure Funds one fund has 57% invested into UK companies that are in the later stage development, construction and expansion of projects including broadband and network provision, UK grid scale batteries and EV charge point operations partially powered by renewable energy. Another has 72% invested in the UK in companies seeking to deliver premium rates through investing in essential infrastructure in the European mid-market here they are providing last mile gas, electricity and water connections to homes and business, UK telecoms infrastructure and rail freight operations.

The Fund invests in a global listed equity mandate which in the quarter to March 2024 returned 0.6% of which 1.6% returns were attributed to Northern America and the UK investments were the biggest detractors of performance with -1% returns.

The ESPF has not seen any evidence that shows that the provision of capital for UK registered companies equates to growth of the UK. Too much money trying to be invested in UK can decrease the attractiveness of the UK market as returns on investments are forced down which could prevent overseas investment if top down allocations are imposed.

ESPF are not opposed to investing more into the UK but the risk of this investment needs to be commensurate to return. There could be an opportunity for the Government to work with the LGPS into a sustainable product that makes the UK a better place to invest for all investors. This could form one or more activities such as government policy frameworks or incentives that could make UK investments more attractive, such as tax breaks or guarantees that de-risk these investments for LGPS Funds.

Question 2

What are the main factors behind changing patterns of UK pension fund investment in UK asset classes (including UK-listed equities), such as past and predicted asset price performance and cost factors?

ESPF has moved investment away from UK assets due to risk, not costs or past or predicted asset price. As Fund has grown the concentration of assets in single markets, in single mandates with single managers became too volatile for the scheme employers.

Whilst these were uncomplicated mandates that were relatively low cost this concentration of risks could impact on contribution rates. As assets became larger in the pension fund asset volatility in the fund starts to have a disproportional effect on the funding level of employers and their ability to cover deficits decreases.

Instead the Fund split mandates and looked to spread its risks by having investments with different managers that were best in class for the asset, that were also complementary in style and markets. This provided a diversification of risks and a more stable and predictable asset performance.

As of 31 August 2024, UK listed companies comprised only 3.43% of the MSCI ACWI Index, with most of the largest UK companies earning the majority of their revenues from outside the UK. UK equities have historically been global players adding limited value to the UK economy. As part of its broader investment strategy, ESPF has fully embraced ESG investing. Aligning investments with sustainability goals, including the UK's net-zero targets, is essential for managing long-term risks and ensuring that the portfolio remains resilient in a changing regulatory and environmental landscape UK equities often have a strong weighting to the energy sector.

Therefore, significant allocations to UK listed equities would not align with the investment diversification principle, which is rightly emphasised in the Statutory Guidance on Investment Strategy published in July 2017.
UK listed equity returns have consistently underperformed global financial markets, particularly the US. The FTSE 250 index, has significantly lagged the MSCI ACWI index over the past five years.

The main aim of the ESPF has been to get the best return at an appropriate level of risk as such the fund makes investment decisions to try and achieve stable employer contributions.

As the Fund assets increased further the Fund has diversified further into other asset classes such as property, infrastructure, private equity and private debt.

ESPF invests purely into UK Property as the size of the portfolio means that there is a suitable number of UK properties that are available for investment. As this is a good match to the Fund's liabilities. Property Funds however tend to hold a small number of properties this is so they can manage the collection of rent, legal costs, transaction costs and maintenance work without this becoming onerous or a drag to the management of the properties. Therefore a larger mandate means that the values of properties increase rather than the number of properties. At some point the value of the properties needed to maintain diversity will require a global property portfolio.

ESPF is open to invest in UK Infrastructure, Private Equity and Private debt and has in the past invested in UK focused private debt funds.

Question 3
Is there a case for establishing additional incentives or requirements aimed at raising the portfolio allocations of DC and ***LGPS*** *funds to UK assets or particular UK asset classes, taking into account the priorities of the review to improve saver outcomes and boost UK growth? In addition, for the LGPS, there are options to support and incentivise investment in*

local communities contributing to local and regional growth. What are the options for those incentives and requirements and what are their relative merits and predicted effectiveness?

The main objective of the LGPS is to pay retirement benefits when they come due, LGPS benefits are calculated based on the regulations and not investment returns. The employers of the scheme underwrite the liabilities so any direction to invest in a specific asset class or geography should be underwritten by the government to protect the scheme employers from volatility and increased to contribution rates.
The LGPS is a funded scheme which keeps the employer contributions affordable and the scheme members protected as to their pension entitlements The LGPS is well funded reflecting the growth in investments and the good governance underlying Funds.

The fiduciary duty drives the Fund's investment strategy by ensuring that those making decisions are getting the maximum return for the risk it is taking. As long as the investments that are being considered provide the appropriate return then the Fund will take into consideration any other pertinent factors such as ESG and supporting Government objectives.

There are different incentives that could be used not just investment related and we would encourage the government to engage with the LGPS to understand the pressures it is under and ways it can help with these.

By enforcing top down requirements on the LGPS may weaken the funding position as a whole for the LGPS. If an investment can boost UK economic growth and improve risk adjusted net investment returns, then arguably the LGPS should already be considering and implementing this type of investment.

Where this isn't the case though, is it acceptable to make the LGPS give up a proportion of expected investment return, or take on additional risk that otherwise would not need to be taken, to achieve investment in assets linked to the growth of the UK economy.

The LGPS needs clarity on these points before being able to take a decision to favour assets linked to UK economic growth over assets not linked to UK economic growth. It bears a reminder at this point that the primary objective of the LGPS is ultimately to pay member benefits.

The LGPS should remain flexible in its asset allocation approach, keeping in mind that investment portfolios should be viewed holistically and return targets linked to objectives. They need to be able to adapt to changes in market conditions which have volatile in recent years. Opportunity that provides both the growth the Government wants and the investment opportunities that might generate, could be in assets not covered by any prescribed allocation which would in turn hinder the governments aims.

The Government needs to provide clarity on whether investment in UK assets or overall affordability or ability to pay benefits is the primary focus of the LGPS. The LGPS needs clarity on fiduciary duty in relation to whether non-investment return linked targets are required (or acceptable) and can form a part of the success criteria for asset allocation decisions.

The purpose of the LGPS is to pay benefits not to hold up the UK economy.

Scheme Advisory Board (SAB) Statement on Fiduciary Duty and dealing with lobbying

Purpose of this statement

As one of the largest funded pension schemes in the world it is important that the LGPS continues to hold itself to the highest standards of stewardship and governance.

Discussion around the content of responsible investment policies is not new and the majority of lobbying and decision-making is done in a respectful, thoughtful and transparent manner. However, the Board is aware that LGPS administering authorities (AAs) are dealing with increasing levels and extreme forms of lobbying about how LGPS funds are invested. The Board has decided to make this statement to make clear its view on the flexibility decision makers have to respond to lobbying; the standards of behaviour expected when discussing what can be emotionally charged issues, and where to go for support if those standards are not being met.

What kinds of Environmental, Social and Governance (ESG) considerations are appropriate?

When decision makers exercise their LGPS investment responsibilities, the primary purpose must be to achieve the required returns in an appropriately risk-managed way to pay pensions when they become due, minimising the need for additional funding in the future. AAs need to invest the contributions they collect from employers and employees in the best interests of those scheme members and employers.

The phrase "best interests" in the context of pension scheme investments will typically mean "the best financial interests" of scheme members and this is referred to as the fiduciary duty. Value, risk and yield of investments should therefore drive an AA's decisions. AAs also have a duty to scheme employers to invest competently so as not to unnecessarily inflate the contributions needed from them in the future. Because of these duties, financial factors must always be taken into consideration by AAs in setting their investment strategy.

Under the LGPS Investment Regulations 2016 AAs are required to include in their investment strategy a policy on how ESG considerations are taken into account in the selection, non-selection, retention and realisation of investments. AAs may choose to clarify in their Investment Strategy Statements what they believe to be material financial risks and how they take these into account. Consideration of non-financial factors is also permitted, the amount of weight (if any) attached to such factors is at the discretion of the administering authority. AAs may do so only where it would not lead to significant financial detriment and where it would have the support of the scheme beneficiaries.

Increasingly, the distinction between financial and non-financial factors is becoming more difficult to maintain. For example, the consequences of climate change (both physical and financial) are now widely seen as material financial risks and are no longer seen as just a responsible or sustainable investment concern. The distinction between financial and non-financial factors can also become blurred when systemic risks or benefits are considered, e.g. investors signalling to the market their preference for sustainable, longer-term, value-adding companies. A recent report produced by the Financial Markets Law Committee recognised that it is appropriate for decision makers to “situate their pension fund within the wider economy” and take into account factors like sustainability and business ethics as part of constructing and implementing an investment strategy which seeks to achieve the purpose of the scheme in paying members the benefits to which they are entitled.

The Board is seeking an opinion from Counsel as to whether there is a need to update the previous advice received on the nature of fiduciary duty for LGPS AAs.

It is also important that those charged with management of an LGPS fund understand the decision-making function they have and maintain an appropriate level of knowledge and skills, as underpinned by legislation, legal opinions and guidance to exercise their duties.

Considerations that are not appropriate

It is not appropriate for investment decisions to be driven directly by the political views of Pension Committee members or indeed Government ministers (except as where prescribed in law, e.g. under the Sanctions and Anti-Money Laundering Act 2018). The Supreme Court held, in its judgment on the Palestine Solidarity Campaign case, that it is not appropriate for political preferences, whether local or national, to take precedence over what is required under the fiduciary duty.

This makes Pension Committees different from other local government committees that are dealing with service provision, and which have to make political choices about the prioritisation of scarce public resources. The Supreme Court (in the above case) was clear that administering LGPS funds is not best understood as a “local government function” or “part of the machinery of the state”, instead Pension Committees operate in a quasi-trustee role.

To the extent that environmental, social or governance considerations are applied, these should be framed in terms of what the scheme members would support or share the concern about those considerations. It may be reasonable to assume that elected members have a better understanding of local scheme member views than professional advisers, who in turn are better placed to understand the implications of financial factors. Those appointed to represent members on committees or boards may similarly have a good understanding of member views.

In a scheme with six million members there will inevitably be a wide range of views amongst scheme members. That means that consideration should also be given to exploring the range of concerns, and the relative priority amongst them, that members hold. There is no one right approach to doing this, but some AAs have carried out surveys, consultation events and even formal market research.

The quasi-trustee role means that decisions made by the Pension Committee should not privilege one group of scheme members over another. This creates an obvious tension when Pension Committees know that scheme members are likely to hold strong but very different views on a particular subject. Where such disagreements are anticipated, the Pension Committee should try and keep focus on financial factors and avoid taking one position against another.

Expected behaviour at Pension Committee and other official meetings

Pension Committee members should focus on ensuring that good decisions are made in the best interests of scheme members, taking into account all relevant considerations and excluding irrelevant ones. They should not use committee meetings as a forum to rehearse their own political positions or engage in antagonistic debate with other committee members. They must not direct unfair comments or abuse at officers or others invited to attend meetings to present to the Committee. Pension Committee and Board meetings should be conducted in a way that reflects the seven Principles of Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership).

Under the Localism Act, local authorities are required to establish a Code of Conduct for elected and co-opted members to follow. Action should be taken if conduct at Pension Committees or Boards does not comply with the Principles of Public Life or the council's own Code of Conduct.

Scheme members and the public do have a right to lobby the AA and peacefully protest against decisions. It may help to engage with those organising protests and explain to them that Pension Committee members and officers cannot allow themselves to be unduly influenced by these representations. When acting within their fiduciary duty the AA is legally obliged to limit itself to acting in the best interests of scheme members (as defined above) and the views of local residents generally on ESG matters is not relevant.

Officers, elected members and others have the right to go about their lawful duty of administering the LGPS without abuse. Where the actions of those protesting or lobbying amounts to attempting to intimidate, cause unease or harass those administering the scheme then this needs to be taken very seriously and reported to the appropriate authorities.

Where to go for support

AAs should clearly define the process for officers or elected members to raise concerns when inappropriate behaviour or language are directed against them.

The Local Government Association (LGA) is aware that councillors are often unsure as to where to go for support in their councils. Therefore, there should be a clear and formalised process for raising concerns, either through a specific individual or department, and responsible persons should be assigned who are well equipped and located in the council to provide them with the support they need.

Levels of abuse and intimidation of officers and councillors will vary from place to place. Councils that have robust and embedded arrangements for supporting councillors dealing with abuse and intimidation have often been galvanised into action by a local high-profile event or national event that has caused them to reflect on their local arrangements. The Board strongly recommends not waiting for such an event but putting in place appropriate arrangements now to ensure the safety of those administering the pension scheme.

The LGA has worked with the sector to produce a toolkit that helps identify good practices and the most impactful approaches when supporting councillors across prevention, incident management and aftercare.

September 2024

East Sussex Pension Fund

Funding update as at 30 June 2024

Background

This schedule is provided to East Sussex County Council as administering authority to the East Sussex Pension Fund (the Fund). Its purpose is to provide an approximate update on the funding position of the Fund as at 30 June 2024. The results in this schedule should be considered alongside the report on the valuation of the Fund as at 31 March 2022. This schedule has been generated from our online monitoring tool **Illuminate: LGPS Monitor**.

The results contained within this schedule are approximate. In particular, the results should not be used by the administering authority to make any significant decisions without our express permission. The schedule may be shared with other interested parties but it does not constitute advice to them. Barnett Waddingham LLP shall not accept liability should the schedule be relied upon for any purpose other than that stated above.

This advice is provided in our capacity as Fund Actuary. This schedule complies with Technical Actuarial Standard 100: General Actuarial Standards (TAS 100) as issued by the Financial Reporting Council (FRC). This is the only TAS that applies to this work.

The Fund participates in the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 (the Regulations). We have taken account of current LGPS Regulations (as amended) as at the date of this report.

Valuation method, process and assumptions

Roll-forward method

To assess the estimated funding position at 30 June 2024, the following calculations have been carried out:

- The value of the Fund's liabilities calculated for the funding valuation at 31 March 2022 have been rolled forward allowing for:
    - Changes in market conditions to 30 June 2024.
    - Cashflows paid to and from the Fund, as provided to 31 March 2024 by the administering authority (estimated thereafter).

- The value of the Fund's assets are based on the latest asset data provided by the administering authority to 30 June 2024, rolled forward and estimated where necessary.

In particular, no allowance for actual member experience since the last valuation has been made (for example, membership movements (e.g. retirements, leavers or deaths). If there have been significant changes to the membership (such as a large number of transfers or deaths) the results of a full valuation could be materially different from this estimate. The data has been checked for reasonableness, including consistency with previous valuation data where relevant, and we are happy that the data is sufficient for the purposes of this advice.

We assess the funding position on a smoothed basis which is an estimate of the average position over a six month period spanning the reporting date. As the smoothing adjustment reflects average market conditions spanning a six month period straddling the reporting date, the smoothed figures are likely to change up until three months after the reporting date. The smoothed results are indicative of the underlying trend.

We also assess the funding position on an unsmoothed basis where assets are taken at market value and the financial assumptions are taken to be the spot rates at the reporting date (and no smoothing is applied).

Assumptions

The actual investment returns earned by the Fund will affect the value of the Fund's assets. The value of the Fund's liabilities, however, is dependent on the assumptions used to value the future benefits payable.

For this update it is appropriate to use the method and assumptions consistent with those set by the Fund actuary for the purpose of the 31 March 2022 actuarial valuation, updated where necessary to reflect market conditions. Further details of the derivation of the financial and demographic assumptions can be found in the latest actuarial valuation report and the Funding Strategy Statement, both of which are available on the Fund's website.

A summary of the key financial assumptions used for this funding update are shown below, alongside the corresponding assumptions at the last triennial valuation date.

Key assumptions	30 June 2024	31 March 2022
CPI inflation	2.45% p.a.	2.88% p.a.
Salary increases	3.45% p.a. (CPI plus 1.00% p.a.)	3.88% p.a. (CPI plus 1.00% p.a.)
Discount rate	4.83% p.a. (CPI plus 2.38% p.a.)	4.60% p.a. (CPI plus 1.72% p.a.)

The discount rate assumption is set with reference to the Fund's long term investment strategy and therefore reflects the long term expected return on assets for the Fund and incorporates an explicit prudence allowance consistent with the method adopted for the 31 March 2022 valuation. In particular, the investment strategy in place at the previous actuarial valuation has been used to set the assumption.

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As we see, the real discount rate is more than at the 31 March 2022 valuation, decreasing the value of liabilities used for funding purposes

The ongoing demographic assumptions are as set out in the actuarial valuation report as at 31 March 2022 and the Funding Strategy Statement, both of which are available on the Fund's website.

The following table shows the equivalent unsmoothed financial assumptions at the same dates. These are provided for information, however, please note that the unsmoothed basis has no bearing on the calculation of the ongoing funding position or the contribution rates.

Key assumptions	30 June 2024	31 March 2022
CPI inflation	2.44% p.a.	3.02% p.a.
Salary increases	3.44% p.a. (CPI plus 1.00% p.a.)	4.02% p.a. (CPI plus 1.00% p.a.)
Discount rate	4.82% p.a. (CPI plus 2.38% p.a.)	4.63% p.a. (CPI plus 1.61% p.a.)

Results

The table below shows the approximate updated funding position of the Fund as at 30 June 2024. The results of the previous actuarial valuation are also shown for comparison. Charts showing the full funding level progression and an analysis of change since the last valuation date are included in the appendix to this schedule.

The ongoing assets for the purposes of this update are calculated as a six-month smoothed market value straddling the valuation date.

Ongoing results	30 June 2024	31 March 2022
Liabilities	£4.111bn	£3.760bn
Assets	£4.922bn	£4.619bn
Surplus / (Deficit)	£811m	£859m
Funding level	119.7%	122.8%

The Fund has a funding surplus of £811m at 30 June 2024 relating to a funding level of 119.7%. This compares to a funding surplus of £859m at 31 March 2022, relating to a funding level of 122.8%.

Final comments

There are many factors that affect the Fund's funding position and could lead to the Fund's funding objectives not being met within the timescales expected. Some of the key risks that could have a material impact on the Fund include longevity risk and financial risks (including inflation and investment risk). There is more detail on this contained within the Fund's Funding Strategy Statement and the latest actuarial valuation report.

The following points should be noted and are shown in the chart in Appendix 2:

- Actual investment returns have been lower than assumed over the period (actual circa 5.6% v expected of 10.7%) from 31 March 2022 to 30 June 2024. This has resulted in an experience loss of £180m, decreasing the funding level by around 4.3%.
- The discount rate has increased from 4.6% p.a. at 31 March 2022 to 4.8% p.a. at 30 June 2024. This increases the funding level by around 4.3%, which has offset the loss on investment returns.
- The long-term expectations for CPI inflation has reduced since the last valuation from 2.9% p.a. to 2.5% p.a. This was anticipated as the CPI inflation assumption at 31 March 2022 allowed for the known and expected short-term higher inflation. The CPI assumption of 2.9% p.a. over a 20-year period is broadly consistent with inflation of 10% in year 1, 6% in year 2 and 2.4% thereafter. This reduces the liabilities by £278m and increases the funding level by around 9%.
- CPI increases have been awarded to the appropriate members at 31 March 2023 of 10.1% and 31 March 2024 of 6.7%. This impact can be seen in the graph in Appendix 1. This is materially higher than the long-term assumption adopted for the last valuation (but see above point) and so this has increased the liabilities and reduced the funding level by around 12% more than assumed.

The funding position at future dates will be dependent on the investment performance of the Fund as well as future market conditions which determine the financial assumptions.

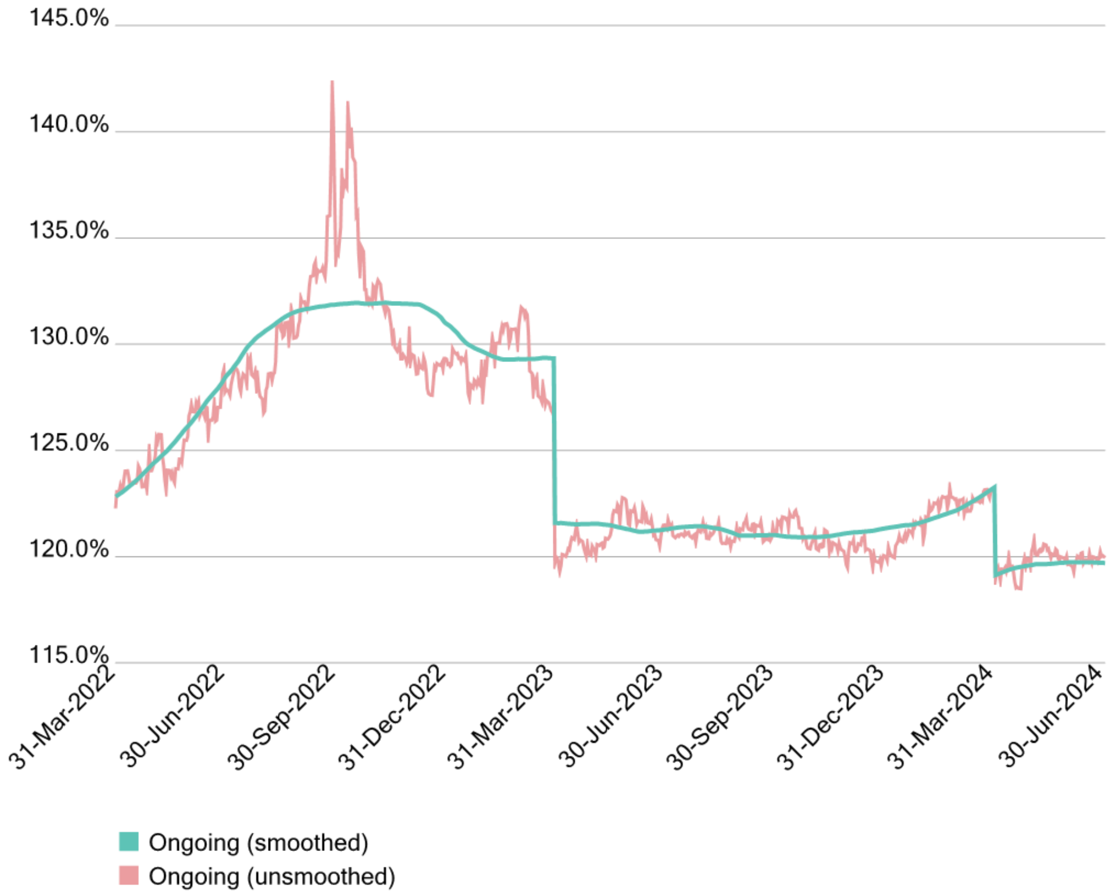
If you have any questions arising from this schedule, please contact the team in the usual way and we will be happy to help.

Barnett Waddingham LLP

Appendix 1 Funding level progression

The chart below illustrates the approximate development of the Fund's ongoing funding levels from 31 March 2022 to 30 June 2024. As the smoothing adjustment reflects average market conditions spanning a six month period straddling the reporting date, the smoothed figures are likely to change up until three months after the reporting date.

The chart also illustrates the approximate development of the unsmoothed position over the same time period for comparison.



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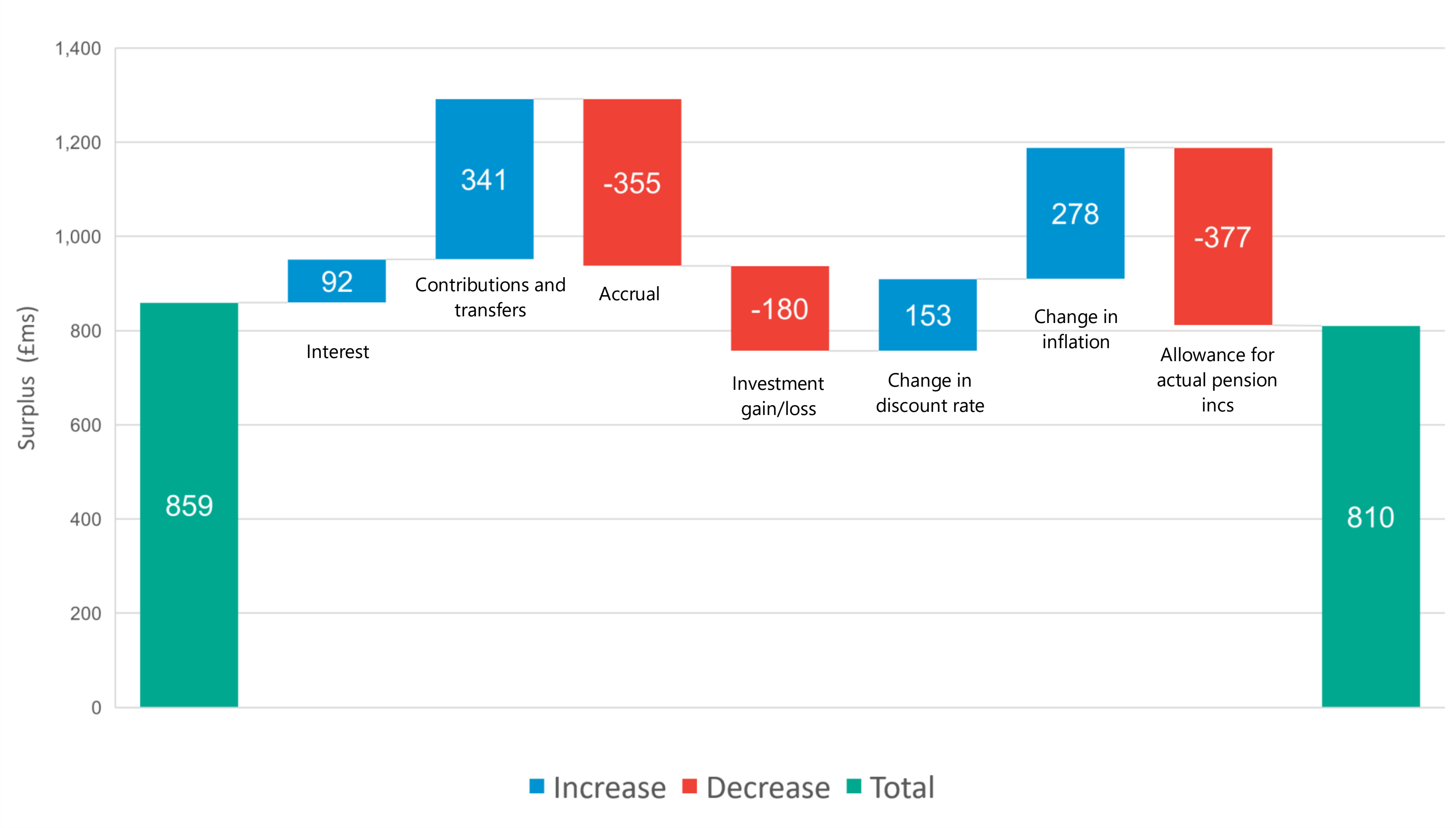
Appendix 2 Analysis of change

The chart below shows the analysis of the change in the ongoing funding position from 31 March 2022 to 30 June 2024.



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Report to: Pension Board

Date: 7 November 2024

By: Chief Finance Officer

Title: Employer Engagement and Communications Report

Purpose: This report provides an update on activities by the Employer Engagement team and on Fund Communications activities.

RECOMMENDATION

The Pension Board is recommended to note the report.

1. Background

1.1 This report is brought to the Pension Board to provide an update on employer engagement tasks that directly affect the East Sussex Pension Fund (the Fund) and Communications activity of the Fund.

1.2 Scheme Employers (scheduled and admitted bodies) are required to pay both employee and employer contributions to the Fund monthly, no later than 19 days of the following month in which the contributions were deducted from payroll. The contribution rates for members are set annually by the LGPS and are based on salary bandings. The Employer contribution rate is set at the triennial valuation and recorded in the rates and adjustment certificate issued by the Funds actuary or set on admission to the Fund agreed by the Fund's actuary.

1.3 The Fund has a Communications Strategy which defines the main methods of communication we provide for our key stakeholders. This includes making the best use of technology where appropriate, to provide quicker and more efficient communications for the Fund's stakeholders. The Fund will ensure that communication methods are accessible to all.

2. Employer Engagement Activities

Employer Contributions

2.1. Employer contributions - The below table sets out the number of late payments received after 19 days have elapsed following contributions deducted from payroll up to August 2024.

	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Payments Due	136	142	142	149	150	149	137	148	148	149	148	146
Late Payment	3	1	1	2	0	2	3	1	2	3	5	3
Existing employers late											*4*	*3*
New employers late											*1*	*0*

2.2. In the last 12 month period there have been 28 late payments of contributions out of 1,744 expected payments. Details of the late payments for July and August are set out in paragraphs 2.3 and 2.4 below.

July

2.3. One Employer was a Parish Council with a new clerk who required training before submitting forms and payment. Two employers were Parish Councils, who share the same clerk who required training before submission, as they were new in role. Another Employer provided no substantial reason and was sent a warning from the Fund.

2.4. One Employer was a new admission to the fund and missed the deadline dates.

August

2.5. Two of the late payments were from the same two employers as in July, where the employers share the new clerk. The Employer Engagement Team made contact to offer support and explained the importance of ensuring payment timings were compliant. Another Employer was issued with a warning for their late payment as no substantial reason was provided for late payment.

Member Training

2.6. The Employer Engagement team are preparing to roll out a 3-part member training series. This will consist of:

1. Introduction to LGPS
2. Planning for Retirement and MOT 3
3. Preparing for Retirement.

Training sessions will be offered 3 times a year during January, May and October for scheme members to book themselves onto. Pre-recorded training will also be offered to those who cannot attend the in-person sessions. Ad Hoc training will also be offered where requested and viable.

Employer Forum

2.7. The Employer Forum will be held virtually on 28 November 2024, 10am-3pm.

2.8. The draft agenda for the day includes:

- Welcome and introductions from the Engagement Team, Chairs of Pension Board and Pension Committee
- Updates on key work streams including Pensions Administration
- Presentation from the Fund Actuary
- Presentation from Prudential AVC Provider
- Communications update including an MSS Demonstration and an overview of the Funds website.

3. Communications

Pensioner Newsletter

3.1. The annual pensioner newsletter was issued in late September 2024. This edition reminded members about forthcoming changes to member self-service, where to go with tax queries, power of attorney and a host of other topics aimed at keeping members informed. We also included non-LGPS related articles on Pension Credit and health in retirement.

3.2. The Fund received some positive feedback from scheme members with the following message sent in:

> *"You asked for comments regarding the newsletter you sent out today. My only comment is a very big 'well done' because it seems to cover nearly every aspect that pensioners need to know, all pulled together in an easy to read and concise format. Over the years I have had occasion to try and check up on a few aspects of my pension which was never particularly easy to get hold of, although I got there in the end. Everything I needed to know seemed to be included in this newsletter and quite a few I hadn't even thought of! Anyway well done again, I think it's very useful and congratulations to all concerned."*

See link – Pensioner newsletter - September 2024 | East Sussex Pension Fund

Member survey 2024

3.3. The Fund are due to issue the 2024 member survey by the end of the year.

Within the draft survey the Fund have:

- Focused less service-related questions due to two other mechanisms of capturing this information elsewhere.
- Introduced a question about the age of the survey responder, to delve deeper into differences of opinion between age groups.
- Asked about awareness of the new version of MSS, use of features (including new style ABS) and asked for specific feedback on ease of registration.
- Introduced a question which will help ascertain how much members understand about the calculation of their benefits.
- Added more metrics about communications (easy to read, easy to understand, useful).
- Asked about topics important to members. This could help build more focussed communication content for 2025.

It is hoped the survey will be issued in November with a 3-week window for responses. Results will then be analysed, with a summary placed on the website and actions agreed where appropriate.

Website

3.4 The website continues to be updated with relevant and engaging information for members and employers. The Fund is reviewing the most recent website analytics data. The ESPF website had a new back end installed in mid-October 2024 which will result in improved performance, enhanced security, an improved content management experience and easier upgrades and maintenance.

Member Self Service

3.5 A new version of member self-service ‘My Pension’ went live on the 17 July 2024 for all scheme members. The launch of this updated functionality will help transform the way members access and engage with vital pension information online.

3.6 Every member of the Fund (excluding those who had opted out of electronic communications) was either emailed or sent a letter promoting the new version with a link to a webpage with details of how to register which also highlighted key features. Here is a link to the ‘My Pension’ promotional page. Around 12,300 members have registered at the end of September 2024, accounting for approximately 20% of the overall pool we want to sign up. The Fund are currently pulling together plans to increase registrations.

4 Conclusion and reasons for recommendation

4.1 The Pension Board is recommended to note the updates provided in the report.

IAN GUTSELL
Chief Finance Officer

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

Report to:	**Pension Board**
Date of meeting:	**7 November 2024**
By:	**Chief Finance Officer**
Title:	**Pension Administration updates**
Purpose:	**To provide an update to the Pension Board on matters relating to Pensions Administration activities.**

RECOMMENDATION

The Board is recommended to note the updates and make any comments for feedback to the Pension Committee.

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 Reports for the months of July, August and September 2024 can be found at Appendices 1 to 3. The report now includes all tasks performed by the PAT and is reported directly from the Altair Insights system. A summary is included in the table below:

Month	o/s at start	Post received	Post completed	Completed in SLA	% within SLA	Outside SLA	Total o/s at end	Open tasks at end
Apr 24	2,100	1,790	1,828	1,422	77.8%	406	2,042	580
May 24	1,846	2,021	1,755	1,472	83.9%	283	2,082	556
Jun 24	1,905	1,857	1,763	1,531	86.8%	232	1,975	345
Q2, 24		**5,668**	**5,346**	**4,425**	**82.8%**	**921**		
Jul 24	1,810	2,612	1,984	1,743	87.9%	241	2,404	882
Aug 24	2,215	3,024	2,326	1,991	85.6%	335	2,891	1,253
Sep 24	2,059	2,040	1,761	1,458	82.8%	303	2,904	1,252
Q3, 24		**7,676**	**6,071**	**5,192**	**85.5%**	**879**		

The volume numbers of tasks received are extraordinarily high compared to the historical position and are unstainable:

Year	Q1 post received	Q2 post received	Q3 post received	Q4 post received
2024	4,651	5,668	7,676	
2023	3,768	3,515	3,854	4,274
2022	2,358	2,257	2,464	2,550

It is difficult to give a definitive reason for the increase in tasks but includes:

- The change of approach to monthly data collection allows us to receive member leaving data much quicker and we are finding that late pay (e.g. overtime/holiday pay) is resulting in recalculation.
- Most of the i-Connect employer receive late annual pay awards and these are resulting in thousands of recalculations for all types of leavers.
- BHCC data has be received in bulk for the last two years.
- The move to digitalization resulted in thousands of pensioners wanting to retain paper communications.
- The switch to the upgraded Member Self Service portal has in July resulted in thousands of support calls and password resets.

The fully resourced PAT, now supplemented by a small number of robots, are working tirelessly to try to keep up with a growing backlog. The lumpy nature of some of the points above has seen large numbers of tasks added to the workloads over a short period resulting in our inability to maintain high service performance levels.

To aid visibility of the work being undertaken by the PAT team Appendix 4 provides a high-level view of performance achieved (as presented to Board/Committee) over a number of years.

2.2 The Fund aims to achieve a gold standard service provision for the Pensions Helpdesk and the results are included in Appendix 5. From April 2024 the Helpdesk has been delivered by an in-house team within PAT. Due to the transition into an in-house team the reportable information relating to service delivery has reduced. The roll out of the telephony upgrade is awaited.

3. Projects update

3.1 McCloud remedy

The data collection aspect for the 140 active employers is complete and the data has been uploaded into the Altair test system for final validation before being moved into the live system. The only exception is BHCC, for whom all data queries have been received and are being reviewed before imported to Altair. The data for the 37 non-active employers is being collated on a single spreadsheet for the Heywood validation tool to test in November, this has been delayed by four small employers. The Fund has a semi-manual process to be able to calculate McCloud non-club transfer values but no solution yet for club transfers. Heywood are working closely with the users CLASS Group to prioritize the McCloud functionality, which could take up to two years to fully implement.

3.2 Member Self Service (MSS)

MSS is a portal used by members to help 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 was replaced in July 2024 with a version with improved functionality and increased security. Whilst all members have received a letter or email requesting them to register for the new portal the take up was lower than expected. The Fund will look to create a campaign to increase the number of registered members throughout 2025.

3.3 Pensions Dashboards

Officers continue to focus on getting the data ready using a Heywood Altair Insights dashboard report to identify gaps. Heywood are our Integrated Service Provider and a project plan has been created, with a two phase approach penciled in:
Phase 1 – starting in November 2024 for 10 weeks to build and test.
Phase 2 – starting in August 2025 for 5 weeks to implement and onboard.

Onboarding date – all schemes must onboard by 31 October 2026 but the LGPS formal staging date is 31 October 2025. It is not yet known when the pension dashboards will go live to the public.

3.4 Overseas Mortality checks

Officers undertake monthly mortality checks via a third party (ITM) for UK based pensioners which alerts the PAT to any unnotified deaths so that they can be processed in a timely manner to avoid overpayments.

ESPF is also obliged to participate in the National Fraud Initiative (NFI) mortality checks which are undertaken biannually for all pensioners.

Officers undertake regular paper exercise for our circa 600 overseas pensioners to check there wellbeing and the most recent exercise commenced in June 2024, with about two-thirds contacted by email and the remainder by post. Overseas pensioners are required to complete a form, appropriately witnessed and returned within a few months.

In late August 2024, chasers were issued to the outstanding 78 members which advised if the completed form is not returned by end of September their pensions will be suspended. In October 2024 the team suspended six pensions in payment.

3.5 Annual Allowance (AA) for 2023/24

Officers identified 300+ potential cases in scope in August 2024. Given the AA limit increased from £40k to £60k fewer number of members were expected to be impacted. Further investigation showed 270 members could be descoped from the data collection stage. On 16 August 2024 employers were contacted relating to 2 members to collect some additional salary data by early September.

All the necessary calculations were completed, and letters issued by 30 September (ahead of the statutory deadline of 6 October 2024) with ten cases over AA and only one where tax was due.

3.6 Postal Hub

Much of the PAT printing and postage services were switched from CFH Docmail Ltd to in-house on 1 September 2023. Officers are pleased to announce the remainder of the printing and postage (mainly pensioner payroll related – payslips and P60's) have now migrated from 1 September 2024.

5 Conclusion and reasons for recommendation.

5.1 The Pension Board is asked to note the report and make any comments for feedback to the Pension Committee.

IAN GUTSELL
Chief Finance Officer

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

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APPENDIX 1

East Sussex Pensions Administration - Member Experience / Performance Indicators

Jul-24

Activity	Items outstanding at start of period	Post received	Post completed	Completed within KPI	% Complete within KPI	Completed outside KPI	Items outstanding at end of period	open tasks at end of period
Aggregation- Payment	121	423	230	185	80.4%	45	314	253
Aggregation- Quote	80	169	115	59	51.3%	56	134	117
APC/AVC's	30	44	50	47	94.0%	3	24	3
Deaths – initial letter acknowledging death of member	4	24	26	25	96.2%	1	2	0
Deaths- With Benefits	136	39	41	33	80.5%	8	134	11
Deaths-No Further Benefits	33	44	34	26	76.5%	8	43	12
Deferred Benefits	186	349	209	204	97.6%	5	326	135
Divorce Quotes	0	3	3	3	100.0%	0	0	0
Divorce - Proceeding	4	9	13	13	100.0%	0	0	0
General Enquiries	102	213	227	218	96.0%	9	88	21
Interfund in- Payment	98	62	36	35	97.2%	1	102	10
Interfund In- Quote	329	67	25	13	52.0%	12	371	32
Interfund Out- Payment	112	94	95	75	78.9%	20	111	75
Interfund Out- Quote	43	42	33	24	72.7%	9	52	21
Refunds- Frozen	69	183	134	126	94.0%	8	118	52
Refunds- Payment	20	108	102	97	95.1%	5	26	12
Retirements – letter notifying actual retirement benefits	26	169	153	135	88.2%	18	42	33
Retirements – letter notifying estimate of retirement benefits	12	209	204	202	99.0%	2	17	10
Retirements – process and pay pension benefits on time	193	217	169	152	89.9%	17	241	45
Transfer In- Payment	46	32	15	15	100.0%	0	51	4
Transfer In- Quote	132	26	16	4	25.0%	12	142	9
Transfer Out- Payment	6	3	5	4	80.0%	1	4	1
Transfer Out- Quote	28	68	38	37	97.4%	1	58	25
Trivial Commutation	0	15	11	11	100.0%	0	4	1
Grand Totals	**1,810**	**2,612**	**1,984**	**1,743**	**87.9%**	**241**	**2,404**	**882**

Priority 1

Priority 2

Priority 3

Priority 4

Priority 5

The Admin Strategy is a mixture of 90% or 95% KPI targets and these can vary within the task list

92%+	<1K
87%+	1k to 1.5k
<87%	>1.5k

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APPENDIX 2

East Sussex Pensions Administration - Member Experience / Performance Indicators

Aug-24

Activity	Items outstanding at start of period	Post received	Post completed	Completed within KPI	% Complete within KPI	Completed outside KPI	Average No. days taken	Longest No. days taken	Items outstanding at end of period	open tasks at end of period
Aggregation- Payment	290	400	530	354	66.8%	176	8.0	105	160	98
Aggregation- Quote	119	244	94	74	78.7%	20	9.8	47	269	247
APC/AVC's	25	56	54	54	100.0%	0	0.6	0	27	2
Deaths – initial letter acknowledging death of member	2	34	34	34	100.0%	0	0.1	0	2	0
Deaths- With Benefits	134	76	51	42	82.4%	9	3.0	8	159	20
Deaths-No Further Benefits	42	40	42	33	78.6%	9	6.1	41	40	12
Deferred Benefits	295	432	237	206	86.9%	31	7.3	192	490	289
Divorce Quotes	0	1	1	1	100.0%	0	1.0	0	0	0
Divorce - Proceeding	0	10	8	8	100.0%	0	1.9	0	2	0
General Enquiries	77	195	196	194	99.0%	2	2.2	121	76	16
Interfund in- Payment	101	54	32	30	93.8%	2	9.5	166	112	5
Interfund In- Quote	328	106	24	13	54.2%	11	67.9	193	410	32
Interfund Out- Payment	105	31	58	51	87.9%	7	13.6	46	78	46
Interfund Out- Quote	41	23	28	27	96.4%	1	5.0	3	36	9
Refunds- Frozen	111	498	203	175	86.2%	28	7.4	347	406	334
Refunds- Payment	23	67	69	65	94.2%	4	2.3	10	21	7
Retirements – letter notifying actual retirement benefits	41	216	212	200	94.3%	12	3.5	23	45	37
Retirements – letter notifying estimate of retirement benefits	10	207	198	196	99.0%	2	2.8	14	19	12
Retirements – process and pay pension benefits on time	230	211	150	141	94.0%	9	2.7	66	291	65
Transfer In- Payment	52	28	19	18	94.7%	1	2.3	19	50	3
Transfer In- Quote	132	20	15	6	40.0%	9	35.4	87	137	6
Transfer Out- Payment	4	3	2	2	100.0%	0	3.0	0	5	0
Transfer Out- Quote	50	57	55	53	96.4%	2	4.2	6	52	12
Trivial Commutation	3	15	14	14	100.0%	0	1.2	0	4	1
Grand Totals	**2,215**	**3,024**	**2,326**	**1,991**	**85.6%**	**335**			**2,891**	**1,253**

Priority 1

Priority 2

Priority 3

Priority 4

Priority 5

The Admin Strategy is a mixture of 90% or 95% KPI targets and these can vary within the task list

% Complete within KPI	Open tasks
92%+	<1K
87%+	1k to 1.5k
<87%	>1.5k

Appendix 2

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APPENDIX 3

East Sussex Pensions Administration - Member Experience / Performance Indicators

Sep-24

Activity	Items outstanding at start of period	Post received	Post completed	Completed within KPI	% Complete within KPI	Completed outside KPI	Average No. days taken	Longest No. days taken	Items outstanding at end of period	open tasks at end of period
Aggregation- Payment	124	168	166	132	79.5%	34	5.3	42	126	65
Aggregation- Quote	241	148	86	36	41.9%	50	17.1	18	303	284
APC/AVC's	27	32	35	33	94.3%	2	1.7	3	24	2
Deaths – initial letter acknowledging death of member	2	26	27	27	100.0%	0	0.1	1	1	0
Deaths- With Benefits	153	59	65	52	80.0%	13	5.4	123	147	15
Deaths-No Further Benefits	39	37	35	29	82.9%	6	3.9	12	41	10
Deferred Benefits	456	225	202	148	73.3%	54	11.9	216	479	272
Divorce Quotes	0	1	0	0	N/A	0	0.0	N/A	1	0
Divorce - Proceeding	1	14	8	8	100.0%	0	3.8	5	7	6
General Enquiries	70	219	200	196	98.0%	4	1.4	5	89	22
Interfund in- Payment	113	72	49	49	100.0%	0	1.9	21	113	3
Interfund In- Quote	349	91	24	13	54.2%	11	25.2	126	416	22
Interfund Out- Payment	74	32	27	19	70.4%	8	20.0	58	79	49
Interfund Out- Quote	33	22	13	9	69.2%	4	8.1	26	42	16
Refunds- Frozen	390	160	197	136	69.0%	61	7.5	14	353	278
Refunds- Payment	20	84	77	69	89.6%	8	2.2	29	27	14
Retirements – letter notifying actual retirement benefits	42	179	173	152	87.9%	21	4.2	37	48	39
Retirements – letter notifying estimate of retirement benefits	19	135	80	79	98.8%	1	3.1	8	74	69
Retirements – process and pay pension benefits on time	275	230	228	218	95.6%	10	1.9	10	277	54
Transfer In- Payment	51	22	15	14	93.3%	1	3.5	18	47	3
Transfer In- Quote	127	25	15	4	26.7%	11	23.7	108	137	9
Transfer Out- Payment	5	4	0	0	N/A	0	0.0	N/A	9	3
Transfer Out- Quote	44	51	33	29	87.9%	4	4.9	19	62	17
Trivial Commutation	4	4	6	6	100.0%	0	2.0	3	2	0
Grand Totals	**2,659**	**2,040**	**1,761**	**1,458**	**82.8%**	**303**			**2,904**	**1,252**

Priority 1			
Priority 2		92%+	<1K
Priority 3		87%+	1k to 1.5k
Priority 4		<87%	>1.5k
Priority 5			

The Admin Strategy is a mixture of 90% or 95% KPI targets and these can vary within the task list

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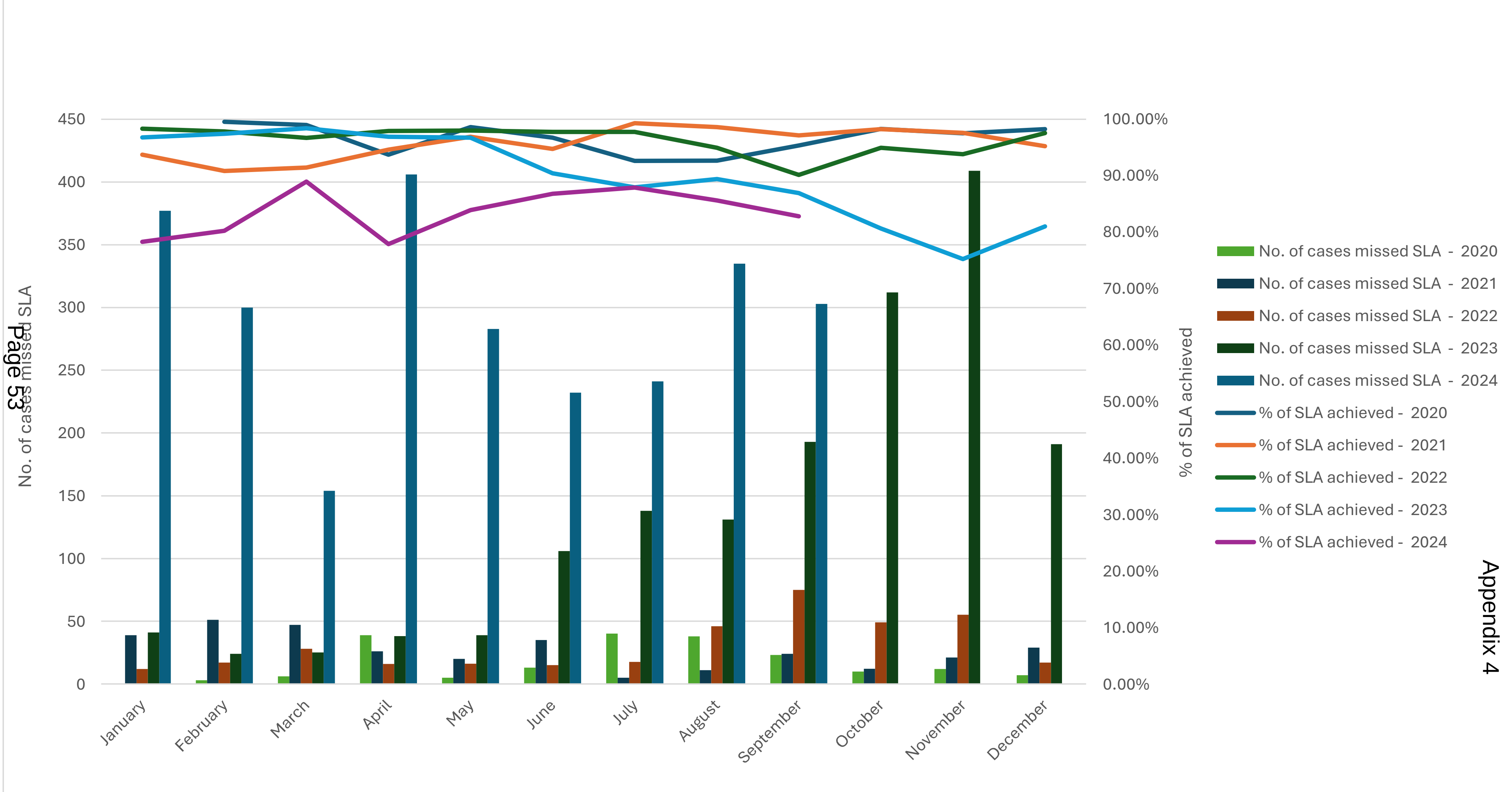
APPENDIX 4

East Sussex Pension Fund – Historical Overall Performance since February 2020



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Appendix 5

Helpdesk performance

Since 1st April 24 the Fund no longer have access to Achiever software so can no longer determine the Call Answer Time or the Abandoned Call Rate. Although members can still dial both the Main Helpline and Website Helpline numbers, they both feed into one Hunt Group resulting in no differentiation between call types.

Combined Main & Website Helpline for ESPF

Service level	% enquires dealt with at 1st point of contact	Email response time
GOLD TARGETS	85%	100% < 3 days
SILVER TARGETS	80%	75% < 3 days
BRONZE TARGETS	70%	75% < 10 days
BELOW BRONZE	<70%	<75% < 10 days
Period	**% enquires dealt with at 1st point of contact**	**Email response time**
Apr 24	85%	75% < 3 Days
May 24	85%	75% < 3 Days
Jun 24	83%	100% < 3 Days
Jul 24	84%	100% < 3 Days
Aug 24	86%	100% < 3 Days
Sep 24	80%	100% < 3 Days

Monthly transaction volumes

Month	Telephone Calls	Email's Processed	Call Back's	Tasks	Total
Apr 24	865	1,343	151	0	2,359
May 24	1,006	1,638	150	0	2,794
Jun 24	794	1,474	54	1	2,323
Jul 24	1,349	2,058	73	172	3,652
Aug 24	1,329	1,811	70	311	3,521
Sep 24	967	1,678	26	187	2,858

Top five reasons for calls

Month	Self Service Activation	Login issues	Claim form guidance	Leaver form received	Document or Form enquiry	TV out request	Refund	Other
Apr 24		1st	3rd	4th	2nd			5th
May 24		1st	4th			2nd	3rd	5th
Jun 24		1st	4th		3rd	2nd		5th
Jul 24	3rd	2nd	5th			4th		1st
Aug 24	1st	2nd	4th		5th			3rd
Sep 24	1st	4th	2nd	3rd				5th

Telephone survey

Quarter 2, 2024	1 Star	2 Star	3 Star	4 Star	5 Star
1. How easy was it for you to contact the Pensions Helpdesk today?	4	4	8	44	329
2. How confident are you that your question was resolved or will be resolved in the relevant timelines?	28	12	31	59	264
3. Based on your recent experience how strongly would you recommend using the Helpdesk to a colleague?	18	4	22	36	229
4. How satisfied were you with your overall experience today?	16	17	23	53	285

5. How many times have you called the helpdesk about the request / issue?	Once = 287	Twice = 61	Three = 30	Four+ = 17	

Customer Thermometer (email feedback)

Month	Excellent	Good	OK	Poor
Apr 24	18	10	1	3
May 24	25	8	5	3
Jun 24	32	6	9	2
Jul 24	60	8	7	10
Aug 24	43	16	3	5
Sep 24	49	14	4	10

Report to: **Pension Board**

Date of meeting: **07 November 2024**

By: **Chief Finance Officer**

Title: **Quarterly Budget Report**

Purpose: **This report provides the Quarter 2 forecasted financial outturn of the ESPF for the 2024/25 financial year**

RECOMMENDATIONS

The Pension Board is recommended to note the report.

---

1. Background

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

1.2 At its meeting on the 8 February 2024 the Pension Committee agreed a budget of £4.561m to support the business plan for 2024/25. 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, strategic asset allocation changes and ownership of mandates at pool level.

2. 2024/25 Quarter 2 Forecast Outturn Position

2.1 The budget requirements for 2024/25 were set at £4.561m (£4.463m 2023/24 excluding manager fees) to support the Business Plan activities and administration of the Fund. The forecast outturn at the second quarter of 2024/25 is £4.400m, a decrease of £0.161m from the approved budget. This decrease is mainly due to some provisions that were budgeted for but are not now needed. In paragraphs 2.2 to 2.5 more detail has been provided around the items that have resulted in this reduction.

2.2 Regarding the Investment consultant costs; procurement is currently taking place with a new contract due to start in February 2025, therefore a contingency of £50,000 was added to the budget as the cost for this new contract is unknown. Due to restricted investment activity taking place after the strategy day and pending the outcome of the procurement, it has been assessed that it is unlikely for this to be needed and a general reduction due to reduced activity has resulted in a £68,000 reduction. There was also a piece of work around scenario analysis which was initially budgeted for at £25,000 but this will not take place this year bringing the forecast down by a total of £93,000.

2.3 There is a reduction to our estimated legal costs due the progress of the private credit mandates within ACCESS, this was put in as a contingency in case we needed to go outside of the ACCESS pool to procure private credit managers along with a reduction in other activity. This has resulted in a saving of £28,000.

2.4 When the budget was set there were a few items from the East Sussex County Council recharge that were included within the overheads line that should have been included in other areas of the budget. The Fund are now able to identify these costs more clearly and to record them against the appropriate expenditure line. £57,000 has been moved to administration operational support services and £35,000 to improvement projects. After offsetting these line variances there is a £65,000 reduction to expected overhead costs. This due to the budget being set at a 15.7% overhead recharge rate, compared to the actual overhead recharge rate being 14.4%. Overheads are calculated based on a percentage of the Fund's staffing costs.

2.5 There is an increase in the consultancy line for a one off cost of £25,000 that relates to the ongoing work around the GMP project that was not known at budget setting. It is not anticipated that there will be any additional charges for this work.

2.6 The 2024/25 outturn against budget line items is shown in the table on the next page of the report.

2024/25 Outturn Report

Outrun 2023/24	Item	2024/25 Budget £'000	2024/25 Actual YTD £000	2024/25 Forecast Outturn Q2 £000	2024/25 Variance £'000
	Fund Staff Costs				
1,958	Fund Officers	2,436	524	2,464	(28)
1,958	**Sub Total**	**2,436**	**524**	**2,464**	**(28)**
	Oversight and Governance Expenses				
365	Investment Advice	448	211	355	93
39	Actuarial Fund Work	51	12	43	8
118	Actuarial Employer Work	89	41	92	(3)
(119)	Employer reimbursement	(89)	(23)	(92)	3
38	Legal Fees	57	5	29	28
42	Governance consultancy costs	60	10	50	10
115	Audit	120	(96)	126	(6)
598	**Sub Total**	**736**	**160**	**603**	**133**
	Investment Expenses				
107	Custodian	100	(24)	101	(1)
107	**Sub Total**	**100**	**(24)**	**101**	**(1)**
	Administration Expenses				
489	IT Systems licenses costs and Hardware	487	361	487	-
315	Overheads	531	79	374	157
246	Admin operational support services	18	28	75	(57)
106	Improvement projects	87	35	122	(35)
61	Consultancy	20	14	45	(25)
60	Communications	37	-	37	-
26	Training	33	6	21	12
84	Subscriptions	80	23	75	5
53	Other Expenses	11	3	11	-
1,440	**Sub Total**	**1,304**	**549**	**1,247**	**57**
	Income				
(21)	Other Income	(15)	(13)	(15)	-
(21)	**Sub Total**	**(15)**	**(13)**	**(15)**	**-**
4,082	**Total**	**4,561**	**1,196**	**4,400**	**161**

3. Conclusion and reasons for recommendation

3.1 The Board is recommended to note the second quarter projected 2024/25 outturn position.

Ian Gutsell
Chief Finance Officer

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

Report to:	**Pension Board**
Date:	**07 November 2024**
By:	**Chief Financial Officer**
Title of report:	**Draft Annual Report and Accounts 2023/24**
Purpose of report:	**To present the draft 2023/24 Pension Fund Annual Report and Accounts**

RECOMMENDATION

The Pension Board is recommended to:

1) **note the draft Pension Fund Annual Report and Accounts 2023/24; and**
2) **note the East Sussex Pension Fund Audit Findings Report provided by Grant Thornton**

1. Background

1.1 The East Sussex Pension Fund (the Fund) Annual Report 2023/24 is due for publication by 1 December 2024 and will be presented to the Pension Committee for approval at the meeting of 21 November 2024.

2. Supporting Information

Annual Report Requirements

2.1 Local authorities responsible for administering a Local Government Pension Scheme (LGPS) Fund, are required by the LGPS Regulations to publish a pension fund annual report. The publication of the annual report is separate from the authority's own statutory accounts and contains financial statements in respect of the Fund. Local Authorities are required to publish the annual report by 1 December.

2.1 It is the role of the Pension Committee to approve the Pension Fund annual report and accounts having considered whether appropriate accounting policies have been followed and in awareness of any issues raised by Grant Thornton (GT) the Fund's external auditors.

2.2 The Draft Audit Findings Report produced by GT is attached at Appendix 1. The final version will be presented to the Pension Committee who are charged with governance for the Accounts. The auditors are nearing completion of their audit and subject to outstanding queries being resolved, it is anticipated the Fund will be issued an unqualified audit opinion**.**

2.3 A copy of the Draft Pension Fund Annual report and accounts 2023/24 is included at Appendix 2. This report will continue to be finalised and will be taken to Pension Committee for approval prior to publication by 1 December 2024.

3. Conclusion and reasons for recommendation

3.1 The Pension Fund Annual Report and Accounts sets out the financial activities and asset values of the Fund during the 2023/24 financial year. The Pension Board is recommended to note the draft report and accounts and note the draft audit findings report.

IAN GUTSELL
Chief Finance Officer

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

The Interim Audit Findings for Report for East Sussex Pension Fund

Year ended 31 March 2024

20th September 2024 –UPDATE FOR COMMITTEE

AS AT 13th SEPTEMBER 2024

Private and Confidential

Grant Thornton UK LLP
30 Finsbury Square, London EC2A 1AG
www.grantthornton.co.uk

East Sussex Pension Fund
County Hall, St Anne's Crescent , Lewes, East Sussex, BN7 1UE

September 2024

Dear Members of the Audit Committee and Pension Committee ,

Audit Findings for East Sussex Pension Fund for the 31 March 2024

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

The outstanding work will be completed by the Audit team throughout September and a final Audit findings Report issued on conclusion of our audit, in signing the financial statements.

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

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2023.pdf (grantthornton.co.uk).

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

Parris Williams

Director
For Grant Thornton UK LLP

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

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

Parris Williams

Parris Williams
For Grant Thornton UK LLP
Date: 20 September 2024

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of East Sussex Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2024 for the attention of those charged with governance.

Financial Statements	
Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion: • the Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2024 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.	Our audit work was completed remotely during July-September. Our findings are summarised on pages 5 to 18. We have identified a few disclosure amendments which have been detailed in Appendix B, of this report. Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters outlined on page 6. We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organization and the financial statements we have audited. Our anticipated opinion on the financial statements will be unmodified. Whilst our work on the Pension Fund financial statements is substantially complete, we will be unable to issue our final audit opinion on the Pension Fund financial statements until the audit of the East Sussex County Council is complete. We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Pension Funds Annual Report along with the audit opinion on the financial statements.

2. Financial Statements

Overview of the scope of our audit

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

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

For East Sussex Pension Fund, the Audit Committee fulfil the role of those charged with governance. We note that there is a separate Pension Committee which considers the draft financial statements and is part of the overall member oversight process.

Audit approach

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

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 20th September 2024 and finalization of the administering authority audit.

Outstanding items are set out on the page overleaf.

2. Financial Statements – audit areas in progress and outstanding items.

Our work is nearing completion and based on work completed to date, there are no matters of which we are aware that would require modification of our audit opinion. See below for details of areas of the audit still in progress or where we are waiting on information from management

Matters outstanding with management or other stakeholders:

- Response to 1 follow-up query we have raised to the fund manager BlueBay regarding a Level 2 investment
- Response to 1 follow up query we have raised to the fund manager M&G regarding a Level 3 Investment
- Response to 2 samples on Lump Sum Benefits

Audit areas in progress where there are no outstanding issues with management:

- P&L on disposal and changes in values of investments
- Other non-material disclosures to review, including disclosure checklist.
- Completion of our work on litigation and claims
- Responding to IAS 19 request letters
- Member's Data Processing
- Derivative Testing

Subject to the receipt of the outstanding items and satisfactory completion of the above points, we anticipate issuing an unqualified opinion on the pension fund financial statements and an unqualified consistency opinion for the Annual Report.

Audit procedures which necessarily take place within the concluding stages of the audit:

- Completion of procedures regarding subsequent events
- Senior engagement team quality review
- Receipt of management representation letter
- Review of the final set of financial statements

2. Financial Statements

Our approach to materiality

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

We have revised the performance materiality at year end based on the updated Gross Investment Figures as at 31 March 2024.

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

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	Pension Fund Amount (final)	Pension Fund Amount (Planning as communicated in the Audit Plan)	Qualitative factors considered
Materiality for the financial statements	£59,000,000	£54,700,000	This benchmark is determined as a percentage of the Gross investment assets which has been set at approximately 1.2%.
Performance materiality	£44,250,000	£41,025,000	Performance Materiality is based on a percentage (75%) of the overall materiality.
Trivial matters	£2,950,000	£2,735,900	Triviality is based on a percentage (5%) of the overall materiality.
Specific materiality for fund account	£19,580,000	£17,750,000	This benchmark is determined as a percentage of the fund expenditure which has been determined as 10%
Specific performance materiality for fund account	£14,685,000	£13,312,000	Performance Materiality is based on a percentage (75%) of the overall materiality of the fund account.

2. Financial Statements: Significant risks

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

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

Risks identified in our Audit Plan	Commentary
ISA240 fraudulent revenue recognition - Rebutted Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states that the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition for public sector bodies.	This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: ▪ there is little incentive to manipulate revenue recognition; ▪ opportunities to manipulate revenue recognition are very limited; ▪ the culture and ethical frameworks of local authorities, including the Pension Fund, mean that all forms of fraud are seen as unacceptable. We have additionally assessed the risk as per Practice Note 10: around the risk of material misstatement due to fraud related to expenditure and based on our assessment, we did not consider this to be a significant risk for the Pension Fund when producing our audit plan. We have reconsidered our original assessment as part of our audit work on the Pension Fund's financial statements and are satisfied that this rebuttal remains appropriate.
Management over-ride of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	In response to this risk, we have: • evaluated the design and implementation of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgments applied by management and considered their reasonableness. • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. We have not identified changes to the accounting policies or the estimation process for 23/24 **Subject to the satisfactory completion of the outstanding matters set on page 6, there are no matters to bring to your attention in relation to this risk**

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of Level 3 investments The Pension Fund values its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. By their nature level 3 investment valuation lack observable inputs. These valuation therefore represents a significant estimates by management in the financial statement due to the size of the numbers involved and the sensitivity of this estimates to changes in key assumptions. Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2024 .	In response to this risk, we have: • Obtained an understanding of the management processes for valuing Level 3 investments; • reviewed the nature and basis of estimated values and considered what assurance management has over the year-end valuations provided for these types of investments; to ensure that the requirements of the Code are met; • independently requested year-end confirmations from investment managers and the custodian for all investments held; • for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2024 with reference to known movements in the intervening period; • where available reviewed the investment manager service auditor report on the design and operating effectiveness of internal controls; • evaluated the competence, capabilities, and objectivity of the valuation expert • reviewed investment manager service auditor report on the design and operating effectiveness of internal controls; and • where appropriate, written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met **We note that our work around this area is in progress, subject to the satisfactory completion of the outstanding matters set on page 6, there are no matters to bring to your attention in relation to this risk.**

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2. Financial Statements: Other risks

Risks identified	Commentary
Valuation of Level 2 investments While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly. We therefore identified the valuation of the Fund's Level 2 investments as a risk of material misstatement.	In response to this risk, we have: • Gained an understanding of the Fund's process for valuing Level 2 investments; • Reviewed the nature and basis of estimated values and considered the assurance management has over the year-end valuations provided for these types of investments; • Independently requested year-end confirmations from investment managers and custodian; • Reviewed the reconciliation of information provided by the individual fund manager's custodian and the Pension Scheme's own records. No variances noted; • Tested a sample of the underlying investments to quoted prices. For Samples where we were not able to obtain the quoted price, we have used the Level 3 testing approach to review the valuation figures as at 31 March 2024 ; and • Reviewed the investment manager service auditor report on the design effectiveness of internal controls. **Subject to the satisfactory completion of the outstanding matters set on page 6, there are no matters to bring to your attention in relation to this risk.**
Contributions Contributions from employers and employees represents a significant percentage of the Fund's revenue. We therefore identified the completeness and accuracy of the transfer of contributions as a risk of material misstatement.	In response to this risk, we have: • Evaluated the Fund's accounting policy for recognition of contributions for appropriateness; • Gained an understanding of the Fund's system for accounting for contribution income; • Tested a sample of contributions to source data to gain assurance over their accuracy and occurrence and • Tested relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in member body payrolls and the number of contributing employees to ensure that any unusual trends are satisfactorily explained. **Subject to the satisfactory completion of the outstanding matters set on page 6, there are no matters to bring to your attention in relation to this risk.**

2. Financial Statements: Other risks

Risks identified	Commentary
Benefits Payable Pension benefits payable represents a significant percentage of the Fund's expenditure. We therefore identified the completeness, accuracy and occurrence of the transfer of pension benefits payable as a risk of material misstatement.	In response to this risk, we have: • Evaluated the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness; • Gained an understanding of the Fund's system for accounting for pension benefits expenditure; • Tested a sample of lump sums and associated individual pensions in payment by reference to member files; and • Tested relevant member data to gain assurance over management information to support our predictive analytical review. Including reference to changes in pensioner numbers and increases applied in the year to ensure that any unusual trends are satisfactorily explained. **Subject to the satisfactory completion of the outstanding matters set on page 6, there are no matters to bring to your attention in relation to this risk.**
Actuarial Present Value of Promised Retirement Benefits The Fund discloses the Actuarial Present Value of Promised Retirement Benefits within its Notes to the Accounts. This represents a significant estimate in the financial statements. The Actuarial Present Value of Promised Retirement Benefits is considered a significant estimate due to the size of the numbers involved (£3,974m) and the sensitivity of the estimate to changes in key assumptions. We therefore identified the valuation of the Fund's Actuarial Present Value of Promised Retirement Benefits as a risk of material misstatement.	In response to this risk, we have: • Documented our understanding of the processes and controls put in place by management to ensure that the Fund's Actuarial Present Value of Promised Retirement Benefits is not materially misstated and evaluate the design of the associated controls; • Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • Assessed the competence, capabilities and objectivity of the actuary who carried out the Fund's valuation; • Assessed the accuracy and completeness of the information provided by the Fund to the actuary to estimate the liability; • Tested the consistency of disclosures with the actuarial report from the actuary; and • Undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. **Subject to the satisfactory completion of the outstanding matters set on page 6, there are no matters to bring to your attention in relation to this risk.** .

2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £1,145 m	• The Pension Fund has investments in the following: • Private Equity/Infrastructure funds that in total are valued on the balance sheet as at 31 March 2024 at £788m; • Pooled property investments that in total are valued on the balance sheet as at 31 March 2024 at £321m; • Pooled Investments in total are valued on the balance sheet as at 31 March 2024 at £35m The Fund revalues its investments on a quarterly basis to ensure that the carrying value is not materially different from the fair value at the financial statement date. These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management rely on the valuation provided by the Fund Manager, which is usually based on an audited value of the fund as at 31 December 2023, with the valuation rolled forward to 31 March 2024.	Our work is still in progress around this area However, Based on our work completed to date on the Valuation of Level 3 Investments, We consider management's process is appropriate, and key assumptions are neither optimistic or cautious, based on all evidence obtained during the audit, including both corroborative and contradictory audit evidence, when evaluating the appropriateness of these accounting estimates.	TBC
Level 2 Investments £3,302m While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly.	The Pension Fund has investments in Bonds and Pooled Investment Vehicles that in total are valued on the Net Asset Statement as at 31 March 2024. Whilst these investments themselves are not actively traded on an open market, the underlying investments are and the valuations of these investments are based on the value of these underlying investments at 31 March 2024, or the closest trade date to year-end.	Based on our work completed to date on the Valuation of Level 2 Investments, we consider management's process is appropriate, and key assumptions are neither optimistic or cautious, as we have validated the sources of information used by management, management's point estimate and disclosures relating to this accounting estimate.	TBC

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Assessment

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

2. Financial Statements: other communication requirements

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

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Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Pension Fund , which is appended within this document. This will be signed alongside the final draft of the financial statements in advance of the conclusion of the audit.
Audit evidence and explanations	All information and explanations requested from management was provided.

2. Financial Statements: other communication requirements

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Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send (a) confirmation request(s) to your custodian, fund managers, and banks. This permission was granted, and the requests were sent. These requests were returned with positive confirmation, subject to outstanding confirmation on Page 6 of this report
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates, and financial statement disclosures. We have identified a small number of disclosure issues, none of which are considered significant, and these are reported to you in Appendix B. We plan to issue an unmodified opinion in this respect.

2. Financial Statements: other communication requirements

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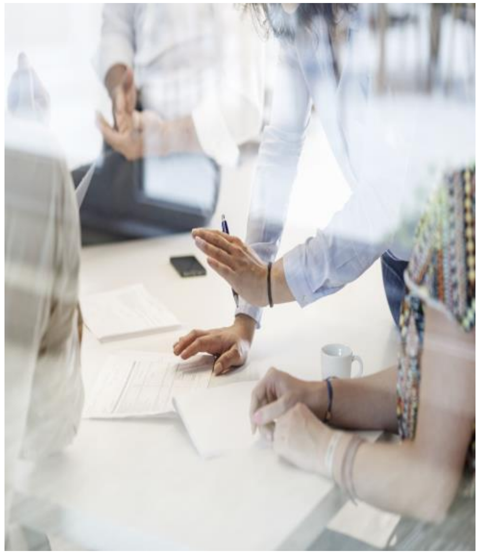
Our responsibility

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

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

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	The Pension Fund is administered by East Sussex (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements. We are required to read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to give a separate consistency opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. Due to statutory deadlines, the Pension Fund Annual Report is not required to be published until 01 12 2024 and therefore this report has not yet been produced. We have therefore not given this separate opinion at this time and are unable to certify completion of the audit of the administering authority until this work has been completed. We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters.



3. Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). In this context, we confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

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

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in 7 September 2022 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C.

Transparency

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

3. Independence and ethics

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

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

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

Appendices

A. Communication of audit matters to those charged with governance

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

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

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

Respective responsibilities

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

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

Distribution of this Audit Findings report

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

B. Audit Adjustments

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

Impact of adjusted misstatements

We have not identified any adjusted misstatement for the year ending 31 March 2024, at this stage.

Misclassification and disclosure changes

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

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Additional voluntary contributions –Note 23 The amount disclosed for disinvested from the AVC provider in 2023/24 was £2,050 instead of £2.050m.	**Management response** This was a typo error, Agreed to be amended	To be checked with the updated version of Accounts.
Related party transactions-Note 35 Auditor conducted a completeness check and detected a senior officer who should have been include in the note and was omitted. Management confirmed that the Council has started to provide the Chair of the pension committee with a special allowance which is recharged to the Pension Fund, when this started the fund did not review the makeup of this note and now considers that this should be included.	**Management response** Agreed to be amended	To be checked with the updated version of Accounts.
Actuarial present value of promised retirement benefits- Note 20 Net (Liability)/Assets totals (Page 45) in the statement of financial position – A calculation error was noted for the total of " Net Liability/Assets in Balance sheet" amount, this should be £990,864k however this was showing as (£981,864k). Management confirmed this was a mistyping and has agreed to update this.	**Management response** Agreed to be amended	To be checked with the updated version of Accounts.

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C. Fees and non-audit services

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

	Proposed fee 2023/24	Final Fees 2023/24
East Sussex Pension Fund Audit	£90,337	£90,337
IAS 19 letters*	£0	£0
ISA 315**	£7,530	£7,530
Total audit fees (excluding VAT)	**£97,867**	**£97,867**

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

**ISA 315 is not included within the published 2023/24 scale fees. The £7,530 is therefore a fee variation that is subject to PSAA approval

D. National context

National context – audit backlog

Consultation

The Ministry for Housing, Communities and Local Government (MHCLG), working with the FRC, as incoming shadow system leader, and other system partners, has put forward proposals to address the delay in local audit. The proposals consist of three phases:
Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 30 September 2024.
Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.
The consultation ran until 7 March 2024. Full details of the consultation can be seen on the following pages:

- Consultations on measures to address local audit delays (frc.org.uk)
- Addressing the local audit backlog in England: Consultation - GOV.UK (www.gov.uk)
- Code of Audit Practice Consultation - National Audit Office (NAO)

Our response to the consultation

Grant Thornton responded to the consultation on 5 March 2024. In summary, we recognise the need for change,and support the proposals for the introduction of a backstop date of 30 September 2024. The proposals are necessarily complex and involved. We believe that all stakeholders would benefit from guidance from system leaders in respect of:

- the appropriate form of reporting for a backstopped opinion
- the level of audit work required to support a disclaimer of opinion
- how to rebuild assurance in terms of opening balances when previous years have been disclaimed.

We believe that both auditor and local authority efforts will be best served by focusing on rebuilding assurance from 2023/24 onwards. This means looking forwards as far as possible, and not spending 2023/24 undertaking audit work which was not carried out in previous years. We look for guidance from systems leaders to this effect. The timing of the general election has delayed the implementation of these proposals. Once we have a further understanding of the new government's intentions, and its priorities across the sector we will discuss this with you.

Impact on Pension Funds

Pension fund accounts fall within the scope of the outlined backstop legislation. Where an Administering Authority accounts may be required to be backstopped this would not automatically apply to the Pension Fund accounts. We expect to be able to issue a separate opinion on the Fund accounts where the Pension Fund audit can be completed.

Update

Following the general election the Minister of State for Housing, Communities and Local Government has proposed backstop legislation which will revise the date of the first backstop for financial years up to and including 2022-23 to December 13 2024.

National context – Triennial Valuation

Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of the Pension Fund and set employer contribution rates for the period 2023/24 – 2025/26. For the Pension Fund, the valuation was undertaken by Barnett Waddingham LLP, and showed that the Pension Fund's funding position had improved to 98% (from 90% as at 31 March 2019).The results of the latest triennial valuation are reflected in note 17 to the financial statements. These valuations also provide updated information for the calculation of the net pension liability on employer balance sheets.

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East Sussex Pension Fund

ANNUAL REPORT AND ACCOUNTS

2023-2024

www.eastsussexpensionfund.org

Contents

Welcome from Chair of Pension Committee

Welcome to the East Sussex Pension Fund Annual Report for 2023/24

As Chair of the East Sussex Pension Fund (the Fund) Pension Committee, I have the pleasure in introducing the Fund's Annual Report and Accounts for 2023/24. The accounts focus on the financial activity in the year to 31 March 2024. The membership of the Fund on 31 March 2024 was 85,416 people (24,888 active, 25,288 pensioners and 35,240 deferred) and there were 144 scheme employers. This has been another turbulent year in terms of global markets with inflationary pressures and increasing interest rates, but the Fund has been robust and provided a strong service to our scheme members and employers. The Fund has a strong focus on ensuring effective governance, which was seen by the Fund being awarded the Governance Award at the LAPF Investment Awards in October 2023. The Fund has also rolled out a number of robots to automate some of its Pensions Administration processes, to free up time of officers to work on more complicated tasks.

This year has seen continuing volatility in the global economy. We ended last year with steep rises in inflation leading to a 10.1% increase to pension payments from April 2023, with a 6.7% increase coming into place in April 2024. In addition to the significant inflationary benefits to pensioners, some scheme members will have also seen the benefits of the change in tax limits with an increase to the annual allowance threshold from £40,000 to £60,000 from April 2023 and the removal of the lifetime allowance from April 2023.

The Pension Committee committed to some changes to the Investment Strategy in the year, reallocating the uncommitted strategy allocation from inflation linked property to index linked gilts to reduce risk in the portfolio and benefit from the high bond yields. Due to the outstanding performance of the Fund's resource efficient passive equity investment the Committee also agreed to rebalance the allocation of the passive equities to give equal weighting to the two managers investing this strategy on behalf of the Fund.

The investment return for the year to 31 March 2024 was a positive 7.9%, however when compared to the benchmark, this was an underperformance of 4.4%. Equity markets have been driven ahead by seven technology companies that have resulted in an underperformance of the Fund to the index as our investment managers are underweight in big US technology, instead focusing investment on sustainable and impact growth Funds. Private equity mandates delivered very strong performance over the 3 and 5 year periods but were largely negative over the year.

The Fund has become cash negative from the scheme member activities; this is in part due to the slight contribution reductions for many of the scheme employers following the strong funding position of the valuation, and also the high inflation uplift given to all pensions in payment at the start of the year. The Fund continues to generate sufficient cashflow from its investments and member activities but the Committee will focus on income over future years when considering strategy, to ensure we continue to have sufficient income in the long term to pay pensions.

Despite all of this, the Fund is well diversified, very well-funded and has defensive elements to its investment strategy. The Fund's strategy and risk management processes help us to make sure we can keep paying our members pensions now and into the future. The Fund's last triennial valuation was completed in 2022 which assessed the solvency level at 123%. The scheme actuary has continued to track the movement of this funding position and on 31 March 2024 expected the funding level to be 118%. The fall in funding level was expected, as it was mostly due to the high inflation increase applied in April 2023 compared to the actuaries long term 20 year average that is modelled for the valuation assumptions. The Fund continues to be in a very strong position comparing assets to liabilities.

As a global long-term investor, the Pension Committee recognise that climate change presents significant long-term risks to the value and security of pension scheme investments, and climate opportunities and responsible investment are a significant factor driving returns. The Fund has continued its journey of responsible investment, and more specifically with its focus on climate change risk. We have a detailed Statement of Responsible Investment Principles (SRIP) which sets out the Fund's beliefs on responsible investment and environmental, social and governance risks and how it manages those risks and commitments through investment decision making and implementation. As part of the Committee's work in the year, we made some significant improvements to this SRIP including a refresh of our beliefs; we set engagement priorities; added a section on how we manage conflicts of interest within the investment strategy; and documented key ESG themes for the Fund. This all helps ensure we are progressive in our approach and being active stewards of our beneficiaries' pensions.

The Fund invests in a range of sustainable funds including two active impact managers who focus on companies which generate positive social or environmental impacts while generating a financial return; a resource efficient mandate that invests in companies with reduced carbon emissions, reduced water usage and better waste management; and two further equity investment portfolios that are Paris aligned. The Fund also have a commitment to a sustainable multi asset credit fund which should go live in the coming months. As a Fund, we are keen advocates for active stewardship and report on engagement activity quarterly, evidencing voting and engagement, covering both our own and our managers activities. The Fund was successful in retaining its FRC Stewardship Code signatory status in the year, meeting the industry's strictest requirements.

The Fund has continued to be an active member of the ACCESS (A Collaboration of Central, Eastern and Southern Shires) investment pool, together with 10 partner LGPS Funds. By the end of 2023/24 over £45bn was invested within pooled arrangements which equates to 70% of assets being pooled. £29bn was invested on the ACCESS authorised contractual scheme (ACS) platform; £12bn managed via the ACCESS passive equity manager; 1.7bn invested in pool governed infrastructure mandates; and 2.2bn in pooled Real Estate. As a Fund we are working with the pool to implement further illiquid asset classes, transition our real estate portfolio to the pooled manager and develop the governance and responsible investment arrangements within the pool.

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

In presenting the Annual Report, I hope you find it helpful in understanding the Fund.

Councillor Gerard Fox

Chairman of the East Sussex Pension Fund Pension Committee

Welcome from Chair of Pension Board

As the independent Chair of East Sussex Pension Fund's Pension Board, I am delighted to share the highlights of the Board's successes and how it has overcome challenges in the previous financial year.

As part of my welcome for the 2022/23 accounts I discussed the changes that had been made to the Board membership. The expected period of stability did not materialise, with several members resigning from the Board for a variety of reasons. This was challenging, both for the Officers responsible for seeking appropriate replacements and the Board's combined levels of knowledge and understanding. However, I am pleased to report that the new members of the Pension Board have adapted well to the role. They have brought a fresh impetus into the ongoing ambition to provide the highest possible level of service for savers within the Fund.

The Board went into the 2023/24 financial year with a target to improve its oversight of investment decision making by the Pension Committee. Whilst such decisions lie wholly within the remit of the Pension Committee, the governance of these decisions is subject to oversight from the Board. I am happy to say that, after working closely with Officers, the Pension Board has been able to achieve this goal and improved its understanding of the factors influencing decision-making to ensure the Committee's fiduciary duty to act in best interests of members is complied with.

Communication with savers is a crucial part of the Fund's work and something the Board has championed for many years. This year the Board has supported the publication of a condensed version of the previous year's accounts to help build an understanding of the work being done on savers' behalf. This document received highly positive feedback, both directly from savers and via Trade Unions.

The year ahead

Membership of the Pension Board is expected to stabilise in the year ahead. Allowing its members to develop their knowledge and understanding. This will be vital as the Fund seeks to implement its plans to achieve industry best practice in how it complies with The Pension Regulator's new General Code, which replaced the Code of Practice the Fund was previously expected to comply with. The Fund has a history of good governance, winning the LAPF Governance Award in 2023, so I am optimistic this can be achieved.

Investment Governance is expected to remain a crucial topic in the year ahead. With the new Government elected in July 2024 promising a review of the pension industry it is expected that changes will be made. The Board is committed to working with Officers to implement and changes whilst ensuring the best possible saver outcomes.

Ray Martin

Chair of Local Pension Board

Introduction to the LGPS

Local Government Pension Scheme

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

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

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

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

The Fund is required to:

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

Overall Fund Management

Scheme Management and Advisers

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

Name of Fund support	Company/individuals
Pension Committee Members - East Sussex County Councillors	Gerard Fox (Chairman) – Conservative Ian Hollidge – Conservative Paul Redstone – Conservative David Tutt – Liberal Democrats Georgia Taylor – Green Party
Pension Board Members - pensionboard@eastsussex.gov.uk	**Independent Chairman** Ray Martin **Employer representatives** Councillor Bharti Gajjar – Brighton & Hove City Council (July 2023 – January 2024) Nigel Manvell – Brighton & Hove City Council (From February 2024) Councillor Andrew Wilson – Borough and District Councils (From July 2023) Tim Oliver – University of Brighton **Member representatives** Lynda Walker – Unison (until May 2023) Trevor Redmond – Unison (From September 2023) Zoe O'Sullivan – Active/Deferred representative (From July 2023) Neil Simpson – Pensioners' representative
Scheme administrator	East Sussex County Council - Pensions@eastsussex.gov.uk
Bankers to the Fund	NatWest Bank
Auditor	Grant Thornton UK LLP – London https://www.grantthornton.co.uk/
Pension Fund officers - esccpensionsmanager@eastsussex.gov.uk	**Chief Finance Officer (S151 officer)**: Ian Gutsell **Head of Pensions**: Sian Kunert **Head of Pensions Administration**: Paul Punter **Pension Manager: Investments and accounting**: Russell Wood
Actuary	Barnet Waddingham - 163 West George Street, Glasgow, G2 2JJ

Name of Fund support	Company/individuals
Legal Advisors	Appointed from National LGPS Framework for Legal Services
Investment Consultant	ISIO, 110 George Street, New Town, Edinburgh, EH2 4LH https://www.isio.com/
Independent Adviser	William Bourne https://www.linchpin-advisory.com/
Asset Pool	ACCESS Pool – https://www.accesspool.org/
Asset Pool Operator	Waystone
Investment Managers	Adams Street Partners, https://www.adamsstreetpartners.com/ Atlas, https://www.atlasinfrastructure.com/ Baillie Gifford*, https://www.bailliegifford.com/en/uk/individual-investors/ Harvourvest, https://www.harbourvest.com/ IFM Investors, https://www.ifminvestors.com/en-gb/ Longview Partners*, https://www.longview-partners.com/ M&G**, https://www.mandg.com/ Newton*, https://www.newtonim.com/uk-institutional/ Pantheon, https://www.pantheoninfrastructure.com/ Ruffer*, https://www.ruffer.co.uk/en/ Schroders, https://www.schroders.com/en-gb/uk/institutional/ Storebrand, https://www.storebrand.no/en/ UBS, https://www.ubs.com/uk/en.html Wellington, https://www.wellington.com/en WHEB https://www.whebgroup.com/
Custodian	Northern Trust
AVC Provider	Prudential https://www.mandg.com/pru/customer/en-gb

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

Bodies to which the fund is member, subscriber or signatory

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

- Passive Investments,
- Legal Services,
- Actuarial Benefits and, Governance

- Investment Management Consultancy Services
- Stewardship Advisory Services
- Pensions Administration Software

Principles for Responsible Investing (PRI)
Institutional Investors Group on Climate Change (IIGCC)
Pensions for Purpose
Financial Reporting Council (FRC) Stewardship Code 2020
Scheme Advisory Board (SAB)
UK Sustainable Investment and Finance Association (UKSIF)

Risk management

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

Integrating risk management into governance practices

Risk management is an ongoing process for the Pension Fund and goes to the heart its operation. Senior Officers meet regularly to discuss the ongoing risks to the Fund, include both those reported and not reported on the formal risk register. All officers are encouraged to raise concerns they may have about potential risks and which they identify as part of their day-to-day work.

The risk register is considered at each Pension Board and Pension Committee meeting with Officers explaining the changes to the risk landscape along with identifying areas where it is suspected change may occur in the future, such as events which are believed likely to have a future inflationary impact.

The governance practices of the Fund, along with other topics, have further oversight through a program of both internal and external audits. In the past year the Fund commissioned 75 days of internal audit from the East Sussex Council's Audit Team, and this will be unchanged in the year ahead. The Fund is also subject to a wide-ranging external audit each year, with this service being provided by Grant Thornton

Identification of risk

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

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

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

The risk register is discussed at each Pension Board and Committee meeting. Members of both the Pension Board and Pension Committee are empowered to challenge Officers on the risks identified and to discuss additional risks they believe should be included in the risk register. Officers continuously review the register's effectiveness to ensure risks, and connected mitigations, are easy to understand and track.

In the past year, a second risk register has been developed for exempt risks. This covers risks which inherently revolve around confidential information that cannot be disclosed in a public domain. By implementing this, additional, risk register, it allows the Pension Board, Pension Committee and Officers to have open discussions about the risks which may impact the Fund without the risk of breaching duties of confidentiality or releasing commercially sensitive information.

The Fund has a risk management policy in place with governs how risks can be identified and escalated. This encourages staff at all levels to raise both potential and crystallised risks they believe may affect the Fund's work.

Risk mitigation

The key risks to the Fund, as at July 2024, are:

- Cyber Security
- Employer data
- Investment Pooling

Cyber Security

The Fund takes cyber security and information security incredibly seriously. All new Officers are required to undertake training on these topics before they are granted full access to computer systems. The Fund has also engaged the East Sussex County Council Information Security Team to provide training on cyber risks to mitigate risks to the Fund.

In the past year the Information Security Team has also conducted an in-depth review of all systems used solely by the Pension Team, with systems used jointly with East Sussex County Council being subject to a separate review. This allowed risks inherent with the systems being used to be identified and steps taken to minimise the risk of exploitation by a bad actor.

In the forthcoming year, further detailed training has been commissioned to provide an ongoing improvement to the knowledge of cyber security for staff at all levels within the Fund and to allow for the continuous improvement of the Fund's Business Continuity planning.

Employer data

The Fund is unable to correctly administers pensions if the data provided to it by Employers is inaccurate or significantly late. The ongoing work to enrol all Employers on the i-Connect system provides additional checks on the accuracy of information being provided by issuing prompts when an Employer seeks to upload data which varies from that provided in the past.

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

Employer data is also covered by the Fund's Pension Administration Strategy. This document details the relationship between the Fund and participating Employers, setting clear expectations for the provision of accurate and timely data.

Investment pooling

The East Sussex Pension Fund is part of the ACCESS Investment Pool, which was going through a significant procurement exercise at the end of the Financial Year. Fund Officers have been heavily involved in in this process to ensure the Fund is properly represented in discussions and risks to the management of the Fund are mitigated.

At the end of the Financial Year, the Government was looking at the future of pooling and how it expected investments to be made by funds within the Local Government Pension Scheme. This work is anticipated to continue after the General Election in 2024 and Officers closely monitor guidance, consultations and press releases by the Government on this topic.

Investment risk

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

The Fund has identified 8 risks which relate to investments and assets of the Fund. Of these, 4 risks are specifically around the risks of investment, these are:

- Poor investment returns;
- changes to international trade affecting liquidity of assets;
- investment pooling; and
- inflation.

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

Mitigations for the 4 risks identified include:

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

Shared services

Officers are aware of both the risk and opportunities presented by sharing some key services with the wider Local Authority. In terms of Business Continuity, the Fund is represented on the appropriate working group to ensure it has sight of issues being addressed across the Council and has a voice to ensure its interests are not neglected.

The Fund also seeks to take full advantage of the upside of sharing services. An example of this is access to the Council's Information Security and IT Teams. This means the Fund has access to a high level of specialist expertise to an extent which would be unaffordable as a standalone organisation.

Investment risk

Reviewing our processes

The Fund is committed to ensuring it has appropriate controls in place. As such, the Fund commissions an external audit of its practices to help identify any areas where improvements can be made. Additionally, the Fund commissions a wide range of internal audits, some of which cover risk management. This year the Fund commissioned 75days of internal audit, although not all will just focus on risk management.

An external audit is undertaken each year, with the Fund currently using Grant Thornton as its Auditor.

DRA

Governance and Training

Pension Committee

East Sussex County Council (Administering Authority / Scheme Manager) operates a Pension Committee for the purposes of facilitating the administration of the East Sussex Pension Fund, i.e., the Local Government Pension Scheme that it administers. Members of the Pension Committee owe an independent fiduciary duty to the beneficiaries of the Pension Fund. The Pension Committee Members are therefore expected to carry out appropriate levels of training to ensure they have the requisite knowledge and understanding to properly perform their role. The Terms of Reference are sited on the East Sussex County Council website at https://democracy.eastsussex.gov.uk/documents/s55587/Final%20Table%205%20Other%20Committees%20and%20Panels.pdf

Pension Board

The Scheme Manager is required to establish and maintain a Pension Board, for the purposes of assisting with its duties. The Pension Board is constituted under the provisions of the Local Government Pension Scheme (Governance) Regulations 2015 and the Public Service Pensions Act 2013. Members of the Pension Board should also receive the requisite training and development to enable them to properly perform their compliance role, as required by legislation. The Terms of Reference are sited on the East Sussex County Council website at https://democracy.eastsussex.gov.uk/documents/s55587/Final%20Table%205%20Other%20Committees%20and%20Panels.pdf

ACCESS Pool Joint Committee

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

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

- Monitor Operator performance against KPIs; and
- Monitor investment performance

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

Committee membership and attendance

During the year ended 31 March 2024 there were 4 meetings of the Pension Committee, 4 meetings of the Pension Board along with the annual Employers' Forum.

Member attendance at committee meetings during 2023/24:

2023/24 - Pension Committee Members

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

2023/24 - Pension Board Members

Board Members	Nos. of meetings attended
Councillor Bharti Gajjar - Brighton & Hove City Council	1/2
Nigel Manvell – Brighton & Hove City Council	1/1
Tim Oliver - Educational Bodies	3/4
Zoe O'Sullivan - Active & Deferred	4/4
Trevor Redmond – Active and Deferred	2/4
Neil Simpson – Pensioner	4/4
Lynda Walker - Active & Deferred	1/1
Councillor Andrew Wilson – Borough and District Councils	3/4

2023/24 - Member attendance at ACCESS Pool joint committee meetings

2023/24 Joint Committee Members	Nos. of meetings attended
Councillor Gerard Fox	3/4
Councillor Paul Redstone[2]	1/1

[1] Attended two meetings as the nominated substitute of Cllr Tutt

[2] Attended one meeting as the nominated substitute of Cllr Fox

During 2023/24 the Pension Board saw a change in its makeup, with the following people being appointed and resigning:

- Cllr Gajjar – appointed July 2023 and resigned November 2023
- Nigel Manvell – appointed January 2024
- Tim Oliver – appointed April 2023
- Zoe O'Sullivan – appointed July 2023
- Trevor Redmond – appointed July 2023
- Lynda Walker – resigned June 2023
- Cllr Wilson – appointed July 2023

The existing independent Chair of the Pension Board was re-appointed for a term of 4 years.

The Knowledge and Skills Framework

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

- Ensure the Fund is appropriately managed and those individuals responsible for its management and administration have the appropriate knowledge and expertise;
- Ensures that there is the appropriate level of internal challenge and scrutiny on decisions and performance of the Fund;
- Ensure the effective governance and administration of the Fund; and
- Ensure decisions taken are robust and based on regulatory requirements or guidance of the Pensions Regulator, the Scheme Advisory Board (SAB) and the Secretary of State for Housing, Communities and Local Government (Levelling Up, Housing and Communities in 2023/24).

CIPFA/Solace Knowledge and Skills Framework – Pension Fund Committees

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

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

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

- Actuarial methods, standards and practice.

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

CIPFA Technical Knowledge and Skills Framework – Local Pension Boards

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

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

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

Members of the Pension Board and Pension Committee, together with senior Officers within the Fund, complete a review of their knowledge measured against the areas recommended by both CIPFA and The Pensions Regulator each year. The results of this exercise are used to develop the training programme for the year ahead.

Links to The Scheme Advisory Board's Good Governance project

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

- Conflicts of Interest – Funds will be expected to produce and publish a policy covering actual, potential, and perceived conflicts of interest;

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

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

The Pensions Regulator's E-learning toolkit

The Pensions Regulator has developed an online toolkit to help those running public service schemes understand the governance and administration requirements set out in its Code of Practice 14 - Governance and administration of public service pension schemes, which was in place until March 2024. Compliance with the, new, General Code will be expected for the forthcoming financial year.

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

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

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

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

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

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

Members of the Pension Committee require an understanding of:

- Their responsibilities as delegated under the constitution of East Sussex County Council as the administering authority for the Fund;

- The requirements relating to pension fund investments;
- The management and administration of the Fund;
- Controlling and monitoring the funding level; and
- Effective governance and decision making in relation to the management and administration of the Fund.

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

Expectations on Pension Committee Members

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

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

Local Pension Board

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

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

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

Local Pension Board members must be conversant with:

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

Training attended by Pension Board and Pension Committee

In the financial year 2023/24 members of both the Pension Board and Pension Committee attended a range of training sessions. These were a mix of sessions led by Officers, in-house events led by one of the Fund's advisors and external training events. All Board and Committee members are also provided with a list of articles and podcasts each month that have a training benefit. The time spent at formal sessions, which excludes personal development such as online toolkits, is listed below.

Pension Committee

East Sussex County Councillors	Hours of training events attended
Councillor Gerard Fox (Chairman)	7.25
Councillor Ian Hollidge	8
Councillor Paul Redstone	8
Councillor Georgia Taylor	20.45
Councillor David Tutt	7

Pension Board

Board Members	Hours of training events attended
Ray Martin (Chair)	16.15
Councillor Bharti Gajjar - Brighton & Hove City Council[3]	-
Nigel Manvell – Brighton & Hove City Council[4]	1
Tim Oliver - Educational Bodies	1
Zoe O'Sullivan - Active & Deferred	17.45
Trevor Redmond – Active and Deferred	4.30
Neil Simpson – Pensioner	8.15
Lynda Walker - Active & Deferred[5]	-
Councillor Andrew Wilson – Borough and District Councils	1

[3] In post for 4 months, including induction period

[4] In post for 2 months by end of financial year and going through induction

[5] In post for 2 months before resigning

Work undertaken by the Pension Board and Pension Committee

In financial year 2023/24 the Pension Board heard, and provided input for, reports on a variety of topics covering the governance and administration of the Fund. This included discussion of the risk register, which is a standing item on the agenda of both the Pension Board and Pension Committee.

The Pension Board also sought additional information from Officers, which is now provided at each meeting on the approach taken by the Pension Committee to taking financial decisions. Whilst the taking financial decisions is within the remit of the Pension Committee, the Board has oversight of investment governance and this further consideration has improved its ability to offer effective challenge to decision making, where appropriate. A report covering the financial year by the Chair of the Pension Board can be found at https://democracy.eastsussex.gov.uk/documents/s59460/7.%20Report%20of%20the%20Pension%20Board%202024.pdf.

The Pension Committee has standing items as part of its meeting covering updates on various aspects of governance, administration and investments. Additionally, it has reviewed Fund policies that have been in place for a period of three years to ensure they are fit for purpose and continue to comply with best practice. It has also worked to make changes to the asset allocations in place and made changes to the delegated authority of the Chief Finance Officer to improve the ability of the Fund to react swiftly to both investment upside and downside developments.

Conflicts of interest

In order to preserve the integrity of the Pension Fund there is a regular review of interests Officers, Pension Board members and Pension Committee members have outside of the Fund. All Officers are required to make a declaration of interests at least annually and Pension Board and Committee members are also asked about this as part of each meeting.

The Fund has a Conflicts of Interest policy which covers the expectations around this in more detail. It is available from the Fund website (https://www.eastsussexpensionfund.org/media/wzaic35a/conflicts-of-interest-policy-2021-east-sussex-pension-fund.pdf)

Key officers

The following roles made up the senior Officer Group in Financial Year 2023/24:

- Chief Finance Officer
- Head of Pensions
- Head of Pensions Administration
- Pensions Manager – Governance and Compliance
- Pensions Manager – Employer Engagement
- Pensions Manager – Investments and Accounting

Local Government Pension Scheme

Financial Performance

Overview of the fund's financial performance, Income, expenditure, and cash flows

Analytical Review

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

	2022/23 £000	2023/24 £000
Fund Account		
Net (Contributions)/withdrawals	(10,298)	3,352
Management Expenses	30,756	26,278
Return on Investments	88,660	(383,440)
Net Increase in Fund	**109,118**	**(353,810)**

	2022/23 £000	2023/24 £000
Net Asset Statement		
Bonds	93,755	234,909
Equities	235,630	395,972
Pooled Funds	4,175,947	4,215,384
Cash	54,418	70,293
Other	55	(1.310)
Total Investment Assets	**4,559,805**	**4,915,248**
Non-Investment Assets	18,744	17,111
Net assets of the fund available to fund benefits at the year end.	**4,578,549**	**4,932,359**

Analysis of pension contributions

The table below shows the number of primary pension contributions received late in the financial year 2023/24.

Month	Payments Due	Payments Received Late
April	**146**	**0**
May	**148**	**0**
June	**147**	**4**
July	**147**	**3**
August	**147**	**2**
September	**146**	**3**
October	**148**	**4**
November	**148**	**1**
December	**149**	**2**
January	**150**	**0**
February	**150**	**2**
March	**152**	**1**

No interest was charged on any of the late payments.

Forecasts

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

Fund Account	2022/23	2022/23	2023/24	2023/24	2024/25
	Forecast	**Actual**	**Forecast**	**Actual**	**Forecast**
	£000	**£000**	**£000**	**£000**	**£000**
Contributions	(153,000)	(156,992)	(161,929)	(166,107)	(186,884)
Payments	149,911	146,694	166,328	169,459	197,188
Administration expenses	3,117	3,145	3,696	3,377	3,725
Oversight and governance costs	706	318	689	598	736
Investment expenses:					
Management Fees	3,318	27,293	28,352	22,303	23,187
Net investment income	(41,800)	(73,602)	(76,300)	(68,794)	(71,200)
Change in market value	(179,000)	162,262	(177,000)	(314,646)	(194,900)
Net increase in the Fund	**(218,756)**	**109,118**	**(216,064)**	**(353,810)**	**(228,149)**

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

Net Asset Statement	2022/23	2022/23	2023/24	2023/24	2024/25
	Forecast	Actual	Forecast	Actual	Forecast
Equities	2,126,700	2,024,692	2,115,800	2,185,980	2,296,300
Bond	576,600	510,571	515,200	696,549	707,000
Property	399,200	328,542	336,100	321,613	329,300
Alternatives	590,100	821,790	875,200	823,502	877,000
Cash	88,200	54,418	45,600	70,293	55,500
Other	1,075,200	819,791	848,500	817,311	848,700
Total Investment Assets	**4,856,000**	**4,559,804**	**4,736,700**	**4,915,248**	**5,112,800**

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

Management Expenses - Forecast

	2022/23	2022/23	2023/24	2023/24	2024/25
	Forecast	**Actual**	**Forecast**	**Actual**	**Forecast**
	£000	**£000**	**£000**	**£000**	**£000**
Pension Fund Staff Costs					
ESCC Recharge	1,905	1,482	2,023	1,958	2,436
Staff costs total	**1,905**	**1,482**	**2,023**	**1,958**	**2,436**
Administration Costs					
ESCC Support Services	493	219	475	315	531
Supplies and Services	931	1,093	1,179	1,125	773
Income				(21)	(15)
Administration total	**1,424**	**1,312**	**1,654**	**1,419**	**1,289**
Oversight and governance costs					
ESCC Support Services	37	37	37	37	37
Supplies and Services	767	639	652	562	699
Third Party Payments	80	69	81	118	89
Other Income	(80)	(76)	(81)	(119)	(89)
Oversight and governance total	**804**	**669**	**689**	**598**	**736**
Investment Management (excluding manager fees)					
Custodian	136	101	97	107	100
Investment Management Total	**136**	**101**	**97**	**107**	**100**
Monitored Management Expenses Total	**4,269**	**3,564**	**4,463**	**4,082**	**4,561**
Investment Management Not Monitored*					
Management Fees	2,872	27,192	28,352	22,196	23,087
Investment Management not monitored Total	**2,872**	**27,192**	**28,352**	**22,196**	**23,087**
Management Expenses Total	**7,141**	**30,756**	**32,815**	**26,278**	**27,648**

* The decision was taken that investment management fees would no longer be monitored through the budget monitoring process in 2023/24. This was due to large fluctuations in manager fees due to market

movements would obscure the smaller fluctuations on lines where management were able to influence the spend. This also obscured the value within the accounts as this did not include the fees which are deducted at the individual portfolio level rather than being paid directly by the Pension Fund. This change was brought in to provide better accountability and oversight of the cost associated with running the Fund.

Pension overpayments

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

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

Year	Value	Overpaid Pensioners	Recoveries	Write Off	Outstanding
2023/24	Number	43	38	2	3
	Value £000	51	32	1	17
2022/23	Number	69	51	13	5
	Value £000	50	30	18	2
2021/22	Number	42	26	13	3
	Value £000	32	22	7	3
2020/21	Number	19	4	0	15
	Value £000	9	1	0	8
2019/20	Number	10	8	0	2
	Value £000	6	4	0	2
2018/19	Number	30	21	1	8
	Value £000	70	59	6	5

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

Fund account, Net Assets Statement and Notes

East Sussex Pension Fund

East Sussex Pension Fund - Accounts 2023/24

Fund account, net assets statement and notes

Introduction

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

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

Currently within the East Sussex Pension Fund there are 144 participating employers. A full list of participating employers is given at note 29.

More information on the Fund can be found on its website Homepage | East Sussex Pension Fund.

Administering Authority Responsibilities

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

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

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

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

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

Asset Pools

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

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

At the 31 March 2023 collectively, the pool has assets of £58.7 billion (of which 59% has been pooled) serving approximately 3,459 employers with over 1.2 million members including 340,000 pensioners.

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

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

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

Fund account, net assets statement and notes

Fund Account

2022/23 £000	2022/23 £000		Notes	2023/24 £000	2023/24 £000
		Dealings with members, employers and others directly involved in the fund			
		Contributions	7		
(108,941)		From Employers		(115,497)	
(37,980)		From Members		(39,521)	
	(146,921)				(155,018)
	(10,071)	Transfers in from other pension funds	8		(11,089)
	(156,992)				**(166,107)**
	140,411	Benefits	9		155,608
	6,283	Payments to and on account of leavers	10		13,851
	146,694				**169,459**
	(10,298)	**Net (additions)/withdrawals from dealings with members**			**3,352**
	30,756	Management expenses	11		26,278
	20,458	**Net (additions)/withdrawals including fund management expenses**			**29,630**
		Returns on investments			
	(73,668)	Investment income	12		(68,871)
	66	Taxes on income	13a		77
	162,262	Profit and losses on disposal of investments and changes in the value of investments	14a		(314,646)
	88,660	**Net return on investments**			**(383,440)**
	109,118	**Net (increase)/decrease in net assets available for benefits during the year**			**(353,810)**
	(4,687,667)	**Opening net assets of the scheme**			**(4,578,549)**
	(4,578,549)	**Closing net assets of the scheme**			**(4,932,359)**

Net Assets Statement for the year ended 31 March 2024

31 March 2023 £000		Notes	31 March 2024 £000
4,505,386	Investment assets	14	4,846,304
1,062	Other Investment balances	21	1,333
(1,061)	Investment liabilities	22	(2,682)
54,418	Cash deposits	14	70,293
4,559,805	**Total net investments**		**4,915,248**
23,305	Current assets	21	20,194
(4,561)	Current liabilities	22	(3,083)
4,578,549	**Net assets of the fund available to fund benefits at the year end.**		**4,932,359**

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

Treasurers Certificate

I certify that the accounts of the East Sussex Pension Fund provide a true and fair view of the Pension Fund at 31 March 2024 and of the movements for the year then ended.

Ian Gutsell

Chief Finance Officer (Section 151 Officer)

Business Services Department

Date to be confirmed

Notes to the East Sussex Pension Fund Accounts for the year ended 31 March 2024

1: Description of Fund

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

The following description of the Fund is a summary only. For more detail, references should be made to the East Sussex Pension Fund Annual Report 2023/24 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and The Local Government Pension Scheme (LGPS) Regulations.

General

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

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

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

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

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

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

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

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

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

Membership

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

Organisations participating in the East Sussex Pension Fund include:

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

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

There are 144 employer organisations within East Sussex Pension Fund including the County Council itself, and 85,416 members as detailed below:

East Sussex Pension Fund	31 March 2023	31 March 2024
Number of employers with active members	**140**	**144**
Number of employees		
County Council	8,123	8,003
Other employers	16,568	16,885
Total	**24,691**	**24,888**
Number of pensioners		
County Council	10,505	10,898
Other employers	13,619	14,390
Total	**24,124**	**25,288**
Deferred pensioners		
County Council	14,460	14,288
Other employers	20,753	20,952
Total	**35,213**	**35,240**
Total number of members in pension scheme	**84,028**	**85,416**

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2024. Employee contributions are matched by employers' contributions, which are set, based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022. Currently, employer contribution rates range from 0% to 45.9% of pensionable pay.

Benefits

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

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

2: Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2023/24 financial year and its position at year-end as at, 31 March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 which is based upon International Financial Reporting Standards (IFRS) as amended for UK public sector. The accounts have been prepared on a going concern basis. The accounts have been prepared on a going concern basis which management believes to be right as the latest valuation provided by our actuary has set the Funding level at 123% contributions rates were set for 3 years, the fund strategy statement is being followed and we are collecting contributions in line with these. We have £4.9bn in assets that are generating investment returns in line with expectations and the benefits continue to be covered from contributions and investment income.

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

Accounting standards issued but not yet adopted - Under the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the code), the Fund is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued on or before 1 January 2022 but not yet adopted by the Code.

The standards introduced by the 2024/25Code where disclosures are required in the 2023/24 financial statements are:

a) IFRS 16 *Leases* issued in January 2016 (but only for those local authorities that have not decided to voluntarily implement IFRS 16 in the 2023/24 year).

b) Classification of Liabilities as Current or Non-current (Amendments to IAS 1**)** issued in January 2020. The amendments:

• specify that an entity's right to defer settlement must exist at the end of the reporting period

• clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement

• clarify how lending conditions affect classification, and

• clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

c) Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions.

d) Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022. The amendments improved the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants.

e) International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023. Pillar Two applies to multinational groups with a minimum level of turnover. The amendments introduced:

• a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, and

• targeted disclosure requirements for affected entities.

f) Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023. The amendments require an entity to provide additional disclosures about its supplier finance arrangements. The IASB developed the new requirements to provide users of financial statements with information to enable them to:

• assess how supplier finance arrangements affect an entity's liabilities and cash flows, and

• understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

Note that a) will only be applicable to local authorities that have not voluntarily implemented IFRS 16 in 2023/24. It is likely that though they provide clarifications, items b), c) and d) will not have a significant impact on the amounts anticipated to be reported in the financial statements. There will be limited application of items e) and f).

There were no amendments for 2023/24 for the accounts of the Pension Fund.

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

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

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

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

3. Summary of significant accounting policies

Fund account – revenue recognition

1. **Contribution income**

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

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

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

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

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

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

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

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

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

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

3. **Investment income**

a) Interest income

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

b) Dividend income

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

c) Distributions from pooled funds

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

d) Movement in the net market value of investments

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

Fund account – expense items

4. **Benefits payable**

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

5. **Taxation**

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

6. **Management expenses**

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

a) Administrative expenses

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

b) Oversight and governance costs

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

c) Investment management expenses

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

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

Where an investment manager's fee has not been received by the balance sheet date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2023/24, £1.2m of fees is based on such estimates (2022/23: £0.7m).

Net assets statement

7. **Financial assets**

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

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

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

8. **Foreign currency transactions**

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

9. **Derivatives**

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

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in fair value of derivative contracts are included in the change in market value. The value of futures contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin. The future value of forward currency contracts is based on the market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contracts were matched at the year end with an equal and opposite contract.

10. **Cash and cash equivalents**

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

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

11. Financial liabilities

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

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

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

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

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

13. **Additional voluntary contributions**

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

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

14. **Contingent assets and contingent liabilities**

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

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

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

4. Critical judgements in applying accounting policies

Pension Fund liability

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The assumptions underpinning the triennial valuation are agreed locally with the actuary and are summarised in note 19. In accordance with IAS26 the Fund is also required to disclose on an annual basis the actuarial present value of promised retirement benefits in note 20. The actuarial methodology used in triennial valuations is different from that used in IAS26 calculations, therefore they will produce different liability values at a common valuation date. The liability estimates in notes 19 and 20 are subject to significant variances based on changes to the underlying assumptions and actual future experience related to the development of pension liabilities."

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 20)	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. As a result of Coronavirus pandemic there is an increase in the uncertainty around the mortality provisions within the Fund, however it is too early to assess this figure at the current time so has not been included in our calculations. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	**The effects on the net pension liability of changes in individual assumptions can be measured. For instance, for the 2022 Valuation the actuary advised that:** 1. A 0.1% decrease in the discount rate assumption would result in a increase in the pension liability by approximately **£63.0m (2%).** 2. A 0.1% increase in CPI Inflation would increase the value of liabilities by approximately **£58.0 million (2%).** 3. A 0.25% Increase in mortality rates would result in an increase in the pension liability by approximately **£29.0m (1%).** 4. A 0.5% Increase in Salary Assumption would result in an increase in the pension liability by approximately **£36.0m (1%)**
Private equity	Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2015). Investments are not publicly listed and as such	The total private equity investments in the financial statements are **£371 million**. There is a risk that this investment may be under or overstated in the accounts depending on use of

Item	Uncertainties	Effect if actual results differ from assumptions
	there is a degree of estimation involved in the valuation.	estimates applied in the valuation models by the fund managers. The sensitivity of this figure is discussed further in Note 16 and Note 18.
Infrastructure	Infrastructure investments are valued at fair value in accordance with industry guidelines, based on the Fund manager valuations as at the end of the reporting period. These investments are not publicly, listed and as such there is a degree of estimation involved in the valuation.	The total infrastructure investments in the financial statements are **£418.7 million**. There is a risk that this investment may be under or overstated in the accounts depending on use of estimates applied in the valuation models by the investment managers. The sensitivity of this figure is discussed further in Note 16 and Note 18.
Pooled Property	Pooled Property investments are valued at closing bid prices if both bid and offer prices are published; or if single priced, at the closing single price. Pooled property funds have derived underlying assets that have been valued by independent external valuers on a fair value basis in accordance with industry guidelines.	The total Pooled Property investments in the financial statements are £321.6 million. There is a risk that this investment may be under or overstated in the accounts depending on use of estimates applied in the valuation models by the investment managers. The sensitivity of this figure is discussed further in Note 16 and Note 18.
Climate Risk	Climate risk is the potential for adverse consequences for human or ecological systems, recognising the diversity of values and objectives associated with such systems. In the context of climate change, risks can arise from potential impacts of climate change as well as human responses to climate change. The outcomes of these risks is unknown and as such there is a degree of estimation involved in the valuation of companies.	The total net investment assets of the Fund are **£4,915.0 million.** There is a risk that the investments may be over or understated in the accounts depending on the assumptions around policy responses to climate change in the valuation of investments. The impact would be across the whole Fund but not necessary equally across asset classes. We consider that there is a price risk – sensitivity of £850M which is discussed further in Note 16 and Note 18.

6. Events after the balance sheet date

There have been no events after the balance sheet date of 31 March 2024, and up to the date when these accounts were authorised that require any adjustments to these accounts.

7. Contributions Receivable

	2022/23 £000	2023/24 £000
By category		
Employee's contributions	37,980	39,521
Employer's contributions		
Normal contributions	96,231	114,257
Deficit recovery contributions	12,290	357
Augmentation contributions	420	883
Total	**146,921**	**155,018**
By authority		
Scheduled bodies	94,278	101,458
Admitted bodies	3,864	3,217
Administrative Authority	48,779	50,343
Total	**146,921**	**155,018**

8. Transfers in from other pension funds

	2022/23 £000	2023/24 £000
Group transfers	-	-
Individual transfers	10,071	11,089
Total	**10,071**	**11,089**

9. Benefits payable

	2022/23 £000	2023/24 £000
By category		
Pensions	118,076	131,847
Commutation and lump sum retirement benefits	19,491	20,305
Lump sum death benefits	2,844	3,456
Total	**140,411**	**155,608**
By authority		
Scheduled bodies	83,518	93,156
Admitted bodies	4,309	4,890
Administrative Authority	52,584	57,562
Total	**140,411**	**155,608**

10. Payments to and on account of leavers

	2022/23 £000	2023/24 £000
Refunds to members leaving service	342	408
Group transfers	(1,595)	(137)
Individual transfers	7,536	13,580
Total	**6,283**	**13,851**

There was a group transfer in 2021/22 where members from East Sussex Fire Authority transferred to the Surrey Pension Fund this was recognised in the Fund's 2021/22 accounts at the estimated amount of £2.7m. The group transfer negotiations were not finalised until October 2023 so a revised estimate of £1.1m was included in the 2022/23 accounts resulting in a £1.6m reduction to the accrued amount. The finalised figure for the transfer paid in October 2023 was £1.0m this was a further reduction of £0.1m on the accrued figure for this transfer.

11. Management expenses

	2022/23 £000	2023/24 £000
Administrative costs	3,145	3,377
Investment management expenses	27,293	22,303
Oversight and governance costs	318	598
Total	**30,756**	**26,278**

11a) Investment management expenses – 2023/24

	Total £000	Management Fees £000	Performance Related Fees £000	Transaction costs* £000
Bonds	**85**	85	-	-
Equities	**500**	500	-	-
Pooled investments				
Fixed Income	**1,972**	1,935	-	37
Equity	**7,110**	6,513	-	597
Diversified growth funds	**4,769**	4,465	-	304
Pooled property investments	**1,586**	1,560	-	26
Private equity / infrastructure	**6,174**	6,695	(521)	-
	22,196	**21,753**	**(521)**	**964**
Custody	**107**			
Total	**22,303**			

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

2022/23	Total £000	Management Fees £000	Performance Related Fees £000	Transaction costs* £000
Bonds	**7**	7	-	-
Equities	**350**	350	-	-
Pooled investments				
Fixed Income	**2,452**	2,424	-	28
Equity	**7,373**	6,687	-	686
Diversified growth funds	**5,903**	5,275	-	628
Pooled property investments	**1,455**	1,437	-	18
Private equity / infrastructure	**9,652**	6,383	3,269	-
	27,192	**22,563**	**3,269**	**1,360**
Custody	**101**			
Total	**27,293**			

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

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

During the year, the Pension Fund incurred management fees which were deducted at source for 2023/24 of £4.0m (£4.2m in 2022/23) on its private equity investments, fees of £1.7m (£5.5m in 2022/23) on its infrastructure investments, fees of £9.2m (£10.7m in 2022/23) on investments in the ACCESS Pool and fees of £4.2m (£3.6m in 2022/23) on other mandates. These fees are deducted at the individual portfolio level rather than being paid directly by the Pension Fund.

12. Investment income

	2022/23 £000	2023/24 £000
Income from equities	4,994	5,561
Private equity/Infrastructure income	7,059	1,958
Pooled property investments	12,476	11,801
Pooled investments - unit trusts and other managed funds	47,352	47,288
Interest on cash deposits	1,787	2,263
Total	**73,668**	**68,871**

13. Other fund account disclosures

13a) Taxes on income

	2022/23 £000	2023/24 £000
Withholding tax – equities	(66)	(77)
Total	**(66)**	**(77)**

13b) External audit costs

	2022/23 £000	2023/24 £000
Payable in respect of external audit for 2021/22	12	-
Payable in respect of external audit for 2022/23	47	-
Payable in respect of external audit for 2023/24	-	98
Payable in respect of other services	10	-
Total	**69**	**98**
Grant	(10)	(11)
Total	**59**	**87**

14. Investments

	2022/23 £000	2023/24 £000
Investment assets		
Bonds	93,755	234,909
Equities	235,630	395,972
Pooled Investments		
Fixed Income	459,852	496,738
Equity	1,789,063	1,790,008
Diversified growth funds	819,737	818,621
Pooled property investments	328,542	321,613
Private equity/infrastructure	778,754	788,404
Derivative contracts:		
Futures	53	39
	4,505,386	**4,846,304**
Cash deposits with Custodian	54,418	70,293
Other Investment balances (Note 21)	1,062	1,333
Total investment assets	**4,560,866**	**4,917,930**
Investment Liabilities (Note 22)	(1,061)	(2,682)
Derivative contracts:		
Futures	-	-
Total Investment Liabilities	**(1,061)**	**(2,682)**
Net investment assets	**4,559,805**	**4,915,248**

14a) Reconciliation of movements in investments and derivatives

	Market value 1 April 2023 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Market value 31 March 2024 £000
Bonds	**93,755**	136,000	-	5,154	**234,909**
Equities	**235,630**	128,422	(122,241)	154,161	**395,972**
Pooled investments	**3,068,652**	198,413	(317,250)	155,552	**3,105,367**
Pooled property investments	**328,542**	24,612	(21,112)	(10,429)	**321,613**
Private equity/infrastructure	**778,754**	40,004	(39,896)	9,542	**788,404**
	4,505,333	**527,451**	**(500,499)**	**313,980**	**4,846,265**
Derivative contracts					
■ Futures	**53**	812	(1,323)	497	**39**
■ Forward currency contracts	**-**	-	-	-	**-**
	4,505,386	**528,263**	**(501,822)**	**314,477**	**4,846,304**
Other investment balances:					
■ Cash deposits	**54,418**			169	**70,293**
■ Other Investment Balances	**1,062**				**1,333**
■ Investment Liabilities	**(1,061)**				**(2,682)**
Net investment assets	**4,559,805**			**314,646**	**4,915,248**

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

14b) Investments analysed by fund manager

	Market value 31 March 2023 £000	Market value 31 March 2023 %	Market value 31 March 2024 £000	Market value 31 March 2024 %
Investments in the ACCESS Pool				
ACCESS - Alpha Opportunities (M&G)	293,179	6.4%	330,522	6.7%
ACCESS - Absolute Return (Ruffer)	478,853	10.5%	450,410	9.2%
ACCESS - Corporate Debt (M&G)	123,637	2.7%	131,119	2.7%
ACCESS - Global Alpha (Baillie Gifford)	187,271	4.1%	217,275	4.4%
ACCESS - Global Equity (Longview)	555,749	12.2%	521,637	10.6%
ACCESS - Real Return (Newton)	340,884	7.5%	368,211	7.5%
ACCESS - IFM Global Infrastructure	-	-	246,864	5.0%
ACCESS - UBS Passive	93,752	2.1%	234,918	4.8%
ACCESS - UBS Osmosis	236,761	5.2%	397,602	8.1%
	2,310,086	**50.7%**	**2,898,558**	**59.0%**
Investments held directly by the Fund				
Adams St Partners	195,685	4.3%	189,505	3.9%
Atlas Infrastructure	100,931	2.2%	99,922	2.0%
East Sussex Pension Fund Cash	35,526	0.8%	52,172	1.1%
Harbourvest Strategies	179,466	3.9%	181,573	3.7%
M&G Real Estate Debt	43,036	0.9%	35,098	0.7%
IFM Global Infrastructure	234,104	5.1%	-	-
Pantheon	81,166	1.8%	87,045	1.8%
Prudential Infracapital	52,959	1.2%	49,369	1.0%
Schroders Property*	345,720	7.6%	336,032	6.8%
Storebrand Smart Beta & ESG	501,170	10.9%	465,360	9.5%
UBS Infrastructure Fund	36,335	0.8%	35,389	0.7%
Wellington Active Impact Equity	221,782	4.9%	247,275	5.0%
Wheb Active Impact Equity	221,839	4.9%	237,950	4.8%
	2,249,719	**49.3%**	**2,016,690**	**41.0%**
	4,559,805	**100.0%**	**4,915,248**	**100.0%**

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

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

Security	Market Value 31 March 2023 £000	% of total fund	Market value 31 March 2024 £000	% of total fund
ACCESS - Global Equity (Longview)	555,749	12.2%	521,637	10.6%
Storebrand Smart Beta & ESG Fund	501,170	11.0%	465,360	9.5%
ACCESS - Absolute Return (Ruffer)	478,853	10.5%	450,410	9.2%
ACCESS - Real Return (Newton)	340,884	7.5%	368,211	7.5%
ACCESS - Alpha Opportunities (M&G)	293,179	6.4%	330,522	6.7%
IFM Global Infrastructure	234,104	5.1%	246,864	5.0%
Wellington Active Impact Equity Fund	221,782	4.9%	247,275	5.0%

14c) Stock lending

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

15. Analysis of derivatives

Objectives and policies for holding derivatives

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

1. Futures

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

Type	Expires	Economic Exposure £000	Market Value 31 March 2023 £000	Economic Exposure £000	Market Value 31 March 2024 £000
Assets					
UK Equity Futures	Less than one year	153	2	240	10
Overseas Equity Futures	Less than one year	875	51	1,239	29
Total assets			**53**		**39**
Liabilities					
Overseas Equity Futures	Less than one year	-	-	-	-
Total liabilities			**-**		**-**
Net futures			**53**		**39**

2. Forward foreign currency

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

No forward foreign currency investments were held at the 31 March 24 (Nil 31 March 23)

3. Options

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

No options investments were held at the 31 March 24 (Nil 31 March 23)

16. Fair value – basis of valuation

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

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

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Overseas bond options	Level 2	Option pricing model	Annualised volatility of counterparty credit risk	Not Required
Pooled investments – Equity, Fixed Income and Diversified Growth Funds	Level 2	Values are not published on exchanges and are determined by the investment manager or responsible entity at prescribed valuation points. Closing bid price where bid and offer prices are published Closing single price where single price published	The valuation is undertaken by the investment manager or responsible entity and advised as a unit or security price. Observable inputs are used. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.	Not Required
Pooled investments – Property Funds	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published Investments in unlisted property funds are valued at the net asset value (NAV). The underlying real estate assets values have been derived by independent valuers on a fair value basis.	Pricing includes situations where there is little market activity, a net asset value calculations are used, a single price has been advised by the fund manager, underlying assets have been valued by independent external valuers on a fair value basis.	Valuations could be affected by the frequency of the independent valuations between the funds.

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

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequential potential impact on the closing value of investments held at 31 March 2024 and 31 March 2023.

Asset Type	Assessed valuation range (+/-)	Values at 31 March 2024 £000	Value on increase £000	Value on decrease £000
Pooled Investment (1)	9%	35,096	38,255	31,937
Pooled property investments (2)	13%	321,612	363,422	279,802
Private Equity/Infrastructure (3)	24%	788,408	977,626	599,190
Total		**1,145,116**	**1,379,303**	**910,929**

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

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

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

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

16a) Fair value hierarchy

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

Values at 31 March 2024

	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With Significant unobservable inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss	397,345	3,305,176	1,145,116	**4,847,637**
Non-financial assets at fair value through profit and loss	-	-	-	**-**
Financial liabilities at fair value through profit and loss	(39)	(2,643)	-	**(2,682)**
Net investment assets	**397,306**	**3,302,533**	**1,145,116**	**4,844,955**

Values at 31 March 2023

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

16b) Transfers between levels 1 and 2

During 2023/24 the fund has transferred no financial assets between levels 1 and 2.

16c) Reconciliation of fair value measurements within level 3

Period 2023/24 (values in £000)

	Market value 1 April 2023	Transfers into Level 3	Transfers out of Level 3	Purchases during the year	Sales during the year	Unrealised gains/(losses)	Realised gains/(losses)	Market value 31 March 2024
Pooled investments	**43,035**	-	-	173	(10,791)	2,679	-	**35,096**
Pooled property investments	**328,541**	-	-	24,612	(21,112)	(17,109)	6,680	**321,612**
Private Equity/Infrastructure	**778,754**	-	-	40,004	(37,919)	(7,804)	15,373	**788,408**
Total	**1,150,330**	**-**	**-**	**64,789**	**(69,822)**	**(22,234)**	**22,053**	**1,145,116**

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

Level	Unrealised gains/(losses)	Realised gains/(losses)	Change in market value during the year
1 and 2	406,039	(91,212)	314,827
3	(22,234)	22,053	(181)
Total	**383,805**	**(69,159)**	**314,646**

Period 2022/23 (values in £000)

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

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

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

17. Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (including cash) by category and net assets statement heading. No financial assets were reclassified during the accounting period. The Pension Fund believe that the assets and liabilities held at amortised cost have no material difference to the fair value of the assets and liabilities.

31 March 2023				31 March 2024		
Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000		Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000
			Financial Assets			
93,755	-	-	Bonds	234,909	-	-
235,630	-	-	Equities	395,972	-	-
3,068,651	-	-	Pooled investments	3,105,367	-	-
328,542	-	-	Pooled property investments	321,613	-	-
778,754	-	-	Private equity/infrastructure	788,404	-	-
53	-	-	Derivative contracts	39	-	-
-	54,418	-	Cash	-	70,293	-
-	9,332	-	Cash held by ESCC*	-	5,031	-
1,062	-	-	Other investment balances	1,333	-	-
-	13,973	-	Debtors *	-	15,163	-
4,506,447	**77,723**	**-**	**Total Financial Assets**	**4,847,637**	**90,487**	**-**
			Financial liabilities			
-	-	-	Derivative contracts	-	-	-
(1,061)	-	-	Other investment balances	(2,682)	-	-
-	-	-	Cash held by ESCC	-	-	-
-	-	(4,561)	Creditors	-	-	(3,072)
(1,061)	**-**	**(4,561)**	**Total Financial Liabilities**	**(2,682)**	**-**	**(3,072)**
4,505,386	**77,723**	**(4,561)**	**Total Financial Instruments**	**4,844,955**	**90,487**	**(3,072)**

*Reconciliation to Current Assets Note 21

	2022/23 £000	2023/24 £000
Cash held by ESCC	9,332	5,031
Debtors	13,973	15,163
Current Assets	**23,305**	**20,194**

17a) Net gains and losses on financial instruments

	31 March 2023 £000	31 March 2024 £000
Financial assets		
Fair value through profit and loss	(166,553)	314,645
Amortised cost – realised gains on derecognition of assets	-	-
Amortised cost – unrealised gains	4,274	1
Financial liabilities		
Fair value through profit and loss	17	-
Amortised cost – realised gains on derecognition of assets	-	-
Amortised cost – unrealised gains	-	-
Total	**(162,262)**	**314,646**

18. Nature and extent of risks arising from financial instruments

Risk and risk management

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

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

Market risk

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

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

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

The Fund manages these risks in two ways:

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

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

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

Other price risk

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

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

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

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the 2023/24 reporting period:

Asset Type	Potential Market Movements (+/-)
Index Linked	11.5%
Other Bonds	6.8%
UK Equities	20.5%
Global Equities	21.0%
Absolute Return	12.5%
Pooled Property Investments	13.0%
Private Equity	26.0%
Infrastructure Funds	15.0%

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

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

Asset Type	Values at 31 March 2024 £000	Value on increase £000	Value on decrease £000
Index Linked	234,909	261,924	207,894
Other Bonds	496,738	530,516	462,960
UK Equities	14,789	17,821	11,757
Global Equities	2,171,190	2,627,140	1,715,240
Absolute Return	818,621	920,949	716,293
Pooled Property Investments	321,613	363,423	279,803
Private Equity	616,601	776,917	456,285
Infrastructure Funds	171,804	197,575	146,033
Net Derivative Assets*	39	(347)	425
Total assets available to pay benefits	**4,846,304**	**5,696,918**	**3,996,690**

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

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

Interest rate risk

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

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

The Fund's direct exposure to interest rate movements as of 31 March 2024 and 31 March 2023 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate risk sensitivity analysis

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

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

Asset type	Carrying amount as at 31 March 2024 £000	Impact of 1% increase £000	Impact of 1% decrease £000
Cash and cash equivalents	70,293	70,293	70,293
Cash balances	5,031	5,031	5,031
Fixed interest securities	496,738	501,705	491,771
Index linked securities	234,909	234,909	234,909
Total change in assets available	**806,971**	**811,938**	**802,004**

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

Income Source	Interest receivable 2023/24 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash deposits/cash and cash equivalents	2,263	3,016	1,510
Fixed interest securities	15,705	15,705	15,705
Index linked securities	-	2,349	(2,349)
Total change in assets available	**17,968**	**21,070**	**14,866**

Income Source	Interest receivable 2022/23 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash deposits/cash and cash equivalents	1,787	2,425	1,149
Fixed interest securities	16,702	16.702	16,702
Index linked securities	-	938	(938)
Total change in assets available	**18,489**	**20,065**	**16,913**

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

Currency risk

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

Currency exposure - asset type	Values at 31 March 2024 £000	Potential Market movement £000	Value on increase £000	Value on decrease £000
Overseas quoted securities	381,184	37,356	418,540	343,828
Overseas unit trusts	3,397,030	332,909	3,729,939	3,064,121
Total change in assets available	**3,778,214**	**370,265**	**4,148,479**	**3,407,949**

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

Climate Change risk

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

Credit risk

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

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

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

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

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

Summary	Asset value as at 31 March 2023 £000	Asset value as at 31 March 2024 £000
Overseas Treasury bills	17,087	15,336
NT custody cash accounts	37,332	54,958
Total overseas assets	**54,419**	**70,294**

Liquidity risk

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

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

All financial liabilities at 31 March 2024 are due within one year.

Refinancing risk

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

19. Funding arrangements

Introduction

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

Asset value and funding level

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

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

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

Contribution rates

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

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

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

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

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

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

Assumptions

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

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

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

Updated position since the 2022 valuation

Assets

Investment returns on the Scheme's assets over the year to 31 March 2024 have been strong, estimated at 8% p.a. The Fund also has a positive cash flow, and so the market value of assets at 31 March 2024 has increased since the formal valuation.

Liabilities

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As at 31 March 2024, the real discount rate is estimated to be higher than at the 2022 valuation due to a reduction in the long term rate of inflation.

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

The 2024 pension increase order is 6.7%. The increase in liabilities associated with this has however been more than offset by the reduction in the long-term inflation assumption. This short-term high inflation and longer term lower inflation is broadly consistent with what was assumed at the 2022 formal valuation.

Overall position

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

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

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

Dr Barry McKay FFA
Partner, Barnett Waddingham LLP

20. Actuarial present value of promised retirement benefits

Introduction

We have been instructed by East Sussex County Council, the administering authority to the East Sussex Pension Fund (the Fund), to undertake pension expense calculations in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to members of the Fund as at 31 March 2024. We have taken account of current LGPS Regulations, as amended, as at the date of this report.

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

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

This report is prepared in accordance with our understanding of IAS26. This advice complies with Technical Actuarial Standard 100: General Actuarial Standards (TAS 100) as issued by the Financial Reporting Council (FRC). In calculating the disclosed numbers we have adopted methods and assumptions that are consistent with IAS19.

This report should be read in conjunction with the post accounting date briefing note for disclosures as at 31 March 2024.

We would be pleased to answer any questions arising from this report.

Barry McKay FFA
Partner

Data used

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

Results of the latest funding valuation -	31 March 2022
Results of the previous IAS26 report -	31 March 2023

Fund asset statement as at	-	31 March 2024
Fund income and expenditure items to-		31 March 2024
Details of any new unreduced early retirement payments out		31 March 2024

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

Although some estimation of the data to the accounting date may be required, we do not believe that they are likely to have a material effect on the results of this report.

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

Employer membership statistics

The table below summarises the membership data at 31 March 2022

Member data summary

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

Payroll

The total pensionable payroll for the employers in the Fund is set out below and is based on information provided to us by the administering authority. Estimated payroll of the year to 31 March 2024: £580,243,000

Unfunded benefits

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

Early retirements

We have requested data on any early retirements in respect of the Fund from the administering authority for the year ending 31 March 2024. We have been notified of 33 new early retirements during the year which were not allowed for at the previous accounting date. The total annual pension that came into payment was £363,000.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2024 is calculated to be -8.02% based on the Fund asset statements and Fund cashflows as set out in the Data section preceding this section.

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

Asset breakdown	31 Mar 2023 £000	31 Mar 2023 %	31 Mar 2024 £000	31 Mar 2024 %
Equities	3,219,201	71%	3,375,056	69%
Bonds	553,606	12%	731,646	15%
Property	733,175	16%	740,347	15%
Cash	54,520	1%	69,379	1%
Total	**4,560,502**	**100%**	**4,916,428**	**100%**

Actuarial methods and assumptions

Valuation approach

To value the Fund's liabilities at 31 March 2024, we roll forward the value of the liabilities calculated for the latest full funding valuation using financial assumptions compliant with IAS19 and FRS102. This will involve an update this year to be based on the fund's 2022 funding valuation.

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

It is not possible to assess the accuracy of the estimated value of liabilities as at 31 March 2024 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2024 should not introduce any material distortions in the results provided that the actual experience of the employer and the fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

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

Experience items allowed for since the previous accounting date

2023 valuation update

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

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

Allowance for inflation experience

Our default approach is to allow for actual pension increases up to the accounting date as confirmed by the HM Treasury Order. In addition we allow for actual inflation experience from September 2023 to the most recent known date available. Any difference between this and the pension increase previously assumed will give rise to an experience item.

For most employers, an allowance for part-year inflation experience was made when preparing their 2023 year-end accounting balance position. This would have allowed for ONS CPI (Consumer Price Index) inflation observed over the year to March 2024.

Asset ceilings

The accounting standards state that is an employer has an accounting surplus to the extent that its is able to recover the surplus either through reduced contribution in the future, or through refunds. The present value of such economic benefits is commonly referred to as the "asset ceiling".

Our default approach for all employers will be to allow for an asset ceiling. For employers accounting under IAS19, the calculation will be based on our interpretation of IFRIC 14 "The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction". For employers reporting under FRS102, the accounting standards are less prescriptive regarding the methodology underpinning an asset ceiling calculation, however in the absence of any other guidance we consider it reasonable to have regard to IFRIC 14 which applies under the international standard.

IFRIC 14 itself is open to multiple interpretation and, since the last accounting date, auditors' preferences have been evolving and have only recently coalesced around a generally preferred approach. Guidance was also released from CIFA dated November 23 regarding their interpretation of IFRIC 14's applicability in the LGPS. In light of these developments, we intend to adopt the below methodology as standard:

Asset ceiling methodology

Our calculations assume that:

- There is no unconditional right to a refund of surplus, as such a payment would be at the discretion of the relevant LGPS Fund.
- The appropriate time horizon to consider for calculating the economic benefit associated with potential reductions in future contributions will depend on the type of body and the nature of any applicable admission agreement:
    - If the employer is a scheduled body, or an admission body which is open to new members with no anticipated contract end date, we will assume they will participate indefinitely. Our calculations will therefore assess the cost of future accrual, and contributions payable in respect of future accrual, in 'perpetuity'.
    - If the employer is an admitted body which is closed to new members, the appropriate time horizon to consider will be shorter of any anticipated contract end date and the average future working lifetime of active members. Our calculations will therefore assess the cost of future accrual, and contributions payable in respect of future accruals, for so long as that reduction is expected to remain in force

- If the employer is currently already receiving a reduction in contributions in respect of a funding surplus, these will be deducted from the contributions that would otherwise be required to be paid towards the cost of future accrual, for so long as that reduction is expected to remain in force.
- For Employers reporting under IAS 19 only, any requirement to make contributions towards a funding deficit is considered as an additional minimum liability. The time horizon for assessment of the additional minimum liability is the deficit recovery period used to determine the level of secondary contributions certified.

McCloud/Sargeant judgments

Regulations in respect of McCloud and Sargeant judgments came into force on 1 October 2023. These may affect the value of the liabilities in respect of accrued benefits and therefore an allowance may need to be included in an employer's report.

Impact on liabilities

An allowance for the McCloud remedy will have been made in the liabilities which is consistent with the method adopted at the last actuarial valuation.

Settlements and curtailments

Employers accounting under the IAS19 standard

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

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

Goodwin case

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

Guaranteed Minimum Pension (GMP) equalisation and indexation

Impact of Lloyds judgment on past transfer values

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

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

GMP Indexation Consultation response

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

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

Demographic assumptions

Mortality assumption

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

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

Base table mortality

The base table mortality assumptions adopted for the Funds' latest triennial funding valuations were best estimate assumptions and we will therefore be using the same assumptions as standard for accounting. Our standard approach is to update the mortality assumption to be based on those adopted for the Fund's 2022 actuarial valuation.

Future improvements to mortality

To project future improvements in mortality, we use a model prepared by the Continuous Mortality Investigation Bureau (CMI). The CMI update their model on an annual basis, incorporating the latest mortality data in the national population.
Our standard approach is to update the improvements model to be based on that adopted for the fund's 2022 actuarial valuation.

The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)	31 Mar 2023	31 Mar 2024
Males – retiring today	21.1	20.9
Females – retiring today	24.1	23.8
Males – retiring in 20 years	22.2	21.9
Females – retiring in 20 years	25.6	25.4

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

Commutation

Members will exchange pension to get 50% of the maximum available cash on retirement. For every £1 of pension that members commute, they will receive a cash payment of £12 as set out in the Regulations.

Normal retirement

Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age.

50:50 take up

The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

Financial assumptions

The key financial assumptions required for determining the defined benefit obligation for accounting are the discount rate, linked to high quality corporate bond yields, and the rate of future inflation.
We set out our standard approach to the derivation of these assumptions and sample assumptions using market conditions at 31 March 2024.

Discount rate

Under IAS19 the discount rate should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. Our standard approach to derive the appropriate discount rate is known as the Single Equivalent Discount Rate (SEDR) methodology.
We use sample cashflows for employers at each year and derive the single discount rate which results in the same liability value as that which would be determined using a full yield curve valuation (essentially each year's cashflows has a different discount rate). In carrying out this derivation we use the annualised Merrill Lynch AA rated corporate bond yield curve and assume the curve is flat beyond the 30-year point.

The sample cashflows are prepared by Barnett Waddingham on a triennial basis. Employers are grouped together into 'maturity brackets' based on the duration of their future cashflows. Each maturity bracket is linked to a term on the yield curve, up to the 30-year point, resulting in 30 sets of sample cashflows. All employers in the same maturity bracket share the same set of sample cashflows which is used at each accounting date to set the relevant financial assumptions.

The new yield curve at the accounting date is used to discount the sample cashflows to calculate a single equivalent discount rate proposed for use in the employer's accounting valuation.

Inflation expectations
Whilst the change in corporate bond yields is an important factor affecting the valuation of the liabilities, so too is the assumed level of future inflation as this determines the rate at which the benefits increase. IAS19 suggests that in assessing future levels of long-term inflation we should use assumptions that would result in a best estimate of the ultimate cost of providing benefits whilst also giving consideration to the gilt market (in line with general price levels) to give us an indication of market expectation.

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

Retail Prices Index (RPI) assumption
Similar to the SEDR approach described above we intend to adopt a Single Equivalent Inflation Rate (SEIR) approach in deriving an appropriate RPI assumption.
The SEIR adopted is such that the single assumed rate of inflation results in the same liability as that resulting from applying the BoE implied inflation curve. The BoE implied inflation curve is assumed to be flat beyond the 40 year point.
Consistent with past period, our view remains that gilt-implied inflation rates are distorted bu supply and demand factors at medium and longer terms. We have therefore allowed for an Inflation Risk Premium (IRP) which varies by the term of the employer's liabilities with the resulting assumption falling between 0.0% p.a. and 0.25% p.a. (for terms ranging from 1 year up to 30 years).
Consistent with the SEDR approach, assumptions are rounded to the nearest 0.05%

Difference between RPI and CPI
It is expected that RPI will be on average 1.0% p.a. lower than it would have otherwise been from 2030 as a result of the proposed alignment of RPI to CPIH (and CPI) from that date. We have therefore assumed that the annual increase in CPI inflation will be 1.0% p.a. lower than the market implied increases in RPI for each year prior to 2030, and will be in line with RPI inflation thereafter. This results in an assumed gap between the two inflation measures of between 0.20% p.a. and 0.75% p.a. depending on the term of the liabilities (for terms ranging from 30 years down to 5 years).

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

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

Results and disclosures
We estimate that the net asset as at 31 March 2024 is assets of £763,103

The results of our calculations for the year ended 31 March 2024 are set out below. The figures presented in this report are prepared only for the purposes of FRS102. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation

Statement of financial position as at 31 March 2024

Net pension asset in the statement of financial position as at	31-Mar-22 £000	31-Mar-23 £000	31-Mar-24 £000
Present value of defined benefit obligation *	(5,669,531)	(4,042,513)	(4,153,325)
Fair value of Fund assets (bid value)	4,687,667	4,560,502	4,916,428
Net (Liability)/Assets in balance sheet	**(981,864)**	**517,989**	**763,103**

* The present value of the defined benefit obligation consists of £4,115,901,000 in respect of vested obligation and £37,424,000 in respect of non-vested obligation.

Asset and benefit obligation reconciliation for the year to 31 March 2024

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	31-Mar-23 £000	31-Mar-24 £000
Opening defined benefit obligation	**(5,669,531)**	**(4,042,513)**
Current service cost	(242,639)	(108,881)
Interest cost	(146,099)	(191,204)
Change in financial assumptions	2,392,022	36,157
Change in demographic assumptions	-	46,447
Experience loss/(gain) on defined benefit obligation	(477,886)	(12,789)
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	137,997	158,371
Past service costs, including curtailments	(1,158)	(1,203)
Contributions by Scheme participants	(35,219)	(37,710)
Unfunded pension payments	-	-
Closing defined benefit obligation	**(4,042,513)**	**(4,153,325)**

Reconciliation of opening & closing balances of the fair value of Fund assets	31-Mar-23 £000	31-Mar-24 £000
Opening fair value of Fund assets	**4,687,667**	**4,560,502**
Interest on assets	121,965	218,797
Return on assets less interest	(252,372)	145,535
Other actuarial gains/(losses)	-	-
Administration expenses	(3,424)	(3,906)
Contributions by employer including unfunded	109,444	116,161
Contributions by Scheme participants	35,219	37,710
Estimated benefits paid plus unfunded net of transfers in	(137,997)	(158,371)
Settlement prices received / (paid)	-	-
Closing Fair value of Fund assets	**4,560,502**	**4,916,428**

The total return on the Fund's assets for the year to 31 March 2024 is a gain of £364,332,000 (2023 loss of £130,407,000).

Sensitivity Analysis

	31 March 2024 £000	
Present value of total obligation	4,153,325	
Sensitivity to	+0.1%	-0.1%
Discount rate	4,086,944	4,221,444
Long term salary increase	4,157,208	4,149,468
Pension increases and deferred revaluation	4,218,800	4,089,496
Sensitivity to	+1 Year	- 1 Year
Life expectancy assumptions	4,316,658	3,996,939

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

21. Current Assets

	31 March 2023 £000	31 March 2024 £000
Other Investment Balances		
Sales inc Currency	-	-
Investment Income Due	674	826
Recoverable Taxes	388	507
Total	**1,062**	**1,333**

	31 March 2023 £000	31 March 2024 £000
Current Assets		
Contributions receivable from employers and employees	11,796	13,068
Sundry Debtors	2,177	2,095
Cash	9,332	5,031
Total	**23,305**	**20,194**

22. Current liabilities

	31 March 2023 £000	31 March 2024 £000
Investment Liabilities		
Purchases including currency	(309)	(1460)
Derivative Contracts Futures	-	-
Variation Margin	(53)	(39)
Managers Fees	(699)	(1,183)
Total	**(1,061)**	**(2,682)**

	31 March 2023 £000	31 March 2024 £000
Current Liabilities		
Pension Payments (inc Lump Sums)	(221)	(549)
Cash	-	-
Professional Fees	(2,237)	(15)
Administration Recharge	(72)	(328)
Sundry Creditors	(2,031)	(2,191)
Total	**(4,561)**	**(3,083)**

23. Additional voluntary contributions

	Market value 31 March 2023 £000	Market value 31 March 2024 £000
Prudential	17,232	19,229

The Pension Fund Scheme provides an Additional Voluntary Contribution (AVC) facility for scheme members. Some members of the pension scheme paid voluntary contributions and transfers in of £2.854m (£2.504m 2022/23) to Prudential to buy extra pension benefits when they retire. £2,050m was disinvested from the AVC provider in 2023/24 (£3.187m 2022/23). Contributions and benefits to scheme members are made directly between the scheme member and the AVC provider. The AVC funds are not, therefore, included in the Pension Fund Accounts.

24. Agency Services

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

	2022/23 £000	2023/24 £000
East Sussex County Council	4,618	4,891
Brighton & Hove City Council	2,056	2,127
Eastbourne Borough Council	281	286
Magistrates	199	208
Wealden District Council	168	180
Hastings Borough Council	165	172
Rother District Council	99	106
Lewes District Council	66	64
University of Brighton	24	26
South-East Water	22	21
Westminster (used to be LPFA)	20	21
Mid-Sussex District Council	19	18
East Sussex Fire Authority	14	12
London Borough of Camden	8	8
London Borough of Southwark	7	7
The Eastbourne Academy	6	7
West Midlands Pension Fund	5	5
West Sussex County Council	4	5
Torfaen Borough Council	4	4
Sussex University	3	4
Varndean College	2	2
London Borough of Ealing	2	2
East Sussex College Group	1	1
Plumpton College	1	1
Optivo	1	1
Total	**7,795**	**8,179**

25. Related party transactions

East Sussex County Council

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

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

The Council incurred costs in administering the Fund and charged £2.5m to the Fund in 2023/24 (£2.0m in 2022/23). The Council's contribution to the Fund was £49.4m in 2023/24 (£46.6 in 2022/23). All amounts due to the Fund were paid in the year. At 31 March 2024 the Pension Fund bank account held £6.9m in cash (£9.8m at 31 March 2023). The average throughout the year was £9.6m (£8.2m in 2022/23).

Key management personnel

The Pension Committee and Chief Finance Officer of East Sussex County Council hold the key positions in the financial management of the East Sussex Pension Fund. Their remuneration is set out below:

	31 March 2023 £000	31 March 2024 £000
Short-term benefits	35	37
Post-employment benefits	5	6
Total	**40**	**43**

The amount disclosed represents an assumed 22% of the Chief Finance Officer's remuneration devoted to the Fund

26. Contingent liabilities and contractual commitments

1. Outstanding capital commitments (investments) at 31 March 2024 totalled £202.6m (31 March 2023: £236.8m).

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

At, 31 March 2024, the unfunded commitment was £131.6m for private equity, £39.6m for infrastructure and £31.4m for private debt. The commitments are paid over the investment timeframe of the underlying partnerships. As these partnerships mature, they are due to distribute capital back to investors. Commitments are made in US Dollars or Euros and the figures presented here are based on relevant Sterling exchange rates as at 31 March 2024.

2. Exit Payments

There were 8 scheme employers which ceased by the end of 31 March 2024 where an exit credit may need to be paid out. The Fund needs to obtain final information from the employers and then obtain final cessation reports from the Fund Actuary to ascertain if an exit payment or credit is due relating to these employers. The Fund has obtained 3 of these cessation reports and one indictive report, estimating the maximum potential exit credit based on the indicative cessation date. The Pension Committee will be required to make any decision as to the payment of any exit credit in line with the Fund's exit credit policy, taking into account representations from the relevant employers and associated risk sharing arrangements. The total potential exit credit that could be paid out by the Fund is expected to range from £0-£2.4m.

3. GMP Reconciliation Project

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

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

The effect of LGPS pensions not showing the correct amount of GMP for its members would mean that their pension might be increased incorrectly. This can result in underpayments and overpayments, at a member specific level. For pensioners below GMP age and non-pensioners the impact is more of record keeping and a matter of changing their Altair records to show the correct split of benefit between GMP and non-GMP without changing the actual overall benefit accrued to date.

The correction of any discrepancies found in the rectification is known as GMP rectification and these changes began to be implemented in March 2024. There were circa 2k pensioners in scope for rectification but less than 300 impacted by over and underpayments (with a few exceptions held back for further investigation) were written to on 27 March 2024. It was agreed that underpayments would be settled immediately (38 cases) whereas overpayments to date were written-off. In addition, for the overpayment cases (246) they were given three months' notice of the reduction in pension so these will be effective from their June 2024 payments.

There remains some ongoing GMP reconciliation and rectification queries and questions with the third-party specialist (Mercer {Aptia}) to resolve which will likely lead to further cases have their records changed and possibly a few pensioners with over or underpayments being implemented later. The vast majority of changes in liabilities were small and will be implemented by 30 June 2024.

27. Contingent assets

1. Employer bonds/guarantees

There are 7 admitted body employers in the Fund that hold insurance bonds to guard against the possibility of them being unable to meet their pension obligations. These bonds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default.

In addition to these bonds, pension's obligations in respect of 15 other admitted bodies are covered by:

2 guarantees by Academies participating in the Fund.
9 guarantees by local authorities participating in the Fund.
1 guarantee by Parent company sub-contracting to one part of the company, hence being guarantor for itself.
1 Parent company guarantee.
1 deposit held by East Sussex County Council.
1 Subsumption Agreement

28. Impairment losses

During 2023/24, the fund has not recognised any impairment losses.

29. East Sussex Pension Fund – Active Participating Employers

	22/23 Payroll %	22/23 Amount £000	23/24 Payroll %	23/24 Amount £000	24/25 Payroll %	24/25 Amount £000
Scheduled Bodies - Major Authorities						
Brighton and Hove City Council	19.8	-	19.8	-	19.8	-
East Sussex County Council	17.6	4,966	19.7	-	19.7	-
East Sussex Fire and Rescue Service	17.9	109	18.7	-	18.7	-
Eastbourne Borough Council	18.9	-	17.9	-	17.9	-
Hastings Borough Council	17.6	476	22.1	-	22.1	-
Lewes District Council	23.1	-	22.1	-	22.1	-
Rother District Council	25.1	-	24.1	-	24.1	-
University of Brighton	17.2	-	17.2	-	17.2	-
Wealden District Council	17.6	499	21.0	-	21.0	-
Other Scheduled Bodies						
Battle Town Council	21.1	-	20.1	-	20.1	-
Berwick Parish Council	21.1	-	20.1	-	20.1	-
Bexhill on Sea Town Council	18.2	-	20.1	-	20.1	-
Buxted Parish Council	21.1	-	20.1	-	20.1	-
Camber Parish council	21.1	-	20.1	-	20.1	-
Chailey Parish Council	21.1	-	20.1	-	20.1	-
Chiddingly Parish Council	21.1	-	20.1	-	20.1	-
Conservators of Ashdown Forest	21.1	-	20.1	-	20.1	-
Crowborough Town Council	21.1	-	20.1	-	20.1	-
Danehill Parish Council	21.1	-	20.1	-	20.1	-
Ditchling Parish Council	21.1	-	20.1	-	20.1	-
East Dean & Friston Parish Council	18.2	-	20.1	-	20.1	-
Ewhurst Parish Council	-	-	20.1	-	20.1	-
Fletching Parish Council	21.1	-	20.1	-	20.1	-
Firle Parish Council	18.2	-	20.1	-	20.1	-
Forest Row Parish Council	21.1	-	20.1	-	20.1	-
Frant Parish Council	21.1	-	20.1	-	20.1	-
Hadlow Down Parish Council	21.1	-	20.1	-	20.1	-
Hailsham Town Council	21.1	-	20.1	-	20.1	-
Hartfield Parish Council	21.1	-	20.1	-	20.1	-
Heathfield & Waldron Parish Council	21.1	-	20.1	-	20.1	-
Herstmonceux Parish Council	21.1	-	20.1	-	20.1	-
Hurst Green Parish Council	21.1	-	20.1	-	20.1	-
Icklesham Parish Council	21.1	-	20.1	-	20.1	-
Isfield Parish Council	21.1	-	20.1	-	20.1	-
Kingston Parish Council	18.2	-	20.1	-	20.1	-
Lewes Town Council	21.1	-	20.1	-	20.1	-
Maresfield Parish Council	21.1	-	20.1	-	20.1	-
Newhaven Town Council	21.1	-	20.1	-	20.1	-
Newick Parish Council	21.1	-	20.1	-	20.1	-
Peacehaven Town Council	21.1	-	20.1	-	20.1	-
Pett Parish Council	21.1	-	20.1	-	20.1	-

	22/23 Payroll %	22/23 Amount £000	23/24 Payroll %	23/24 Amount £000	24/25 Payroll %	24/25 Amount £000
Plumpton Parish Council	21.1	-	20.1	-	20.1	-
Rye Town Council	21.1	-	20.1	-	20.1	-
Salehurst & Robertsbridge Parish Council	21.1	-	20.1	-	20.1	-
Seaford Town Council	21.1	-	20.1	-	20.1	-
Telscombe Town Council	21.1	-	20.1	-	20.1	-
Uckfield Town Council	21.1	-	20.1	-	20.1	-
Wartling Parish Council	21.1	-	20.1	-	20.1	-
Willingdon and Jevington Parish Council	21.1	-	20.1	-	20.1	-
Wivelsfield Parish Council	21.1	-	20.1	-	20.1	-
Academy Schools						
Annecy Catholic Primary Academy	14.5	-	13.4	-	14.4	-
Aquinas Trust	20.0	-	19.0	-	18.9	-
ARK Schools Hastings	19.6	-	18.9	-	18.9	-
Aurora Academies Trust	19.4	-	18.9	-	18.9	-
Beacon Academy	22.0	-	21.0	-	20.0	-
Beckmead Ropemakers Academy	16.3	-	17.3	-	18.3	-
Bexhill Academy	21.9	-	20.9	-	19.9	-
Bilingual Primary School	14.6	-	15.6	-	16.6	-
Breakwater Academy	16.0	-	19.8	-	19.8	-
Burfield Academy (Hailsham Primary)	19.0	-	19.8	-	19.8	-
Cavendish Academy	19.5	-	18.9	-	18.9	-
Chantry Community Primary	-	-	18.9	-	18.9	-
Chyngton School	21.0	-	20.4		19.0	-
Diocese of Chichester Academy Trust	23.4	-	22.4	-	21.4	-
Ditchling CE Primary	21.0	-	20.4	-	19.4	-
Eastbourne Academy	20.2	-	19.2	-	18.9	-
Falmer (Brighton Aldridge Community Academy)	19.0	-	18.9	-	18.9	-
Flagship School	22.3	-	21.3	-	20.3	-
Gildredge House Free School	18.6	-	18.9	-	18.9	-
Glyne Gap Academy	20.4	-	19.4	-	18.9	-
Hailsham Academy	19.0	-	18.9	-	18.9	-
Hawkes Farm Academy	15.4	-	19.8	-	19.8	-
High Cliff Academy	19.0	-	19.8	-	19.8	-
Hollington Primary	-	-	18.9	-	18.9	-
Jarvis Brook Academy	13.5	-	14.5	-	15.5	-
King's Church of England Free School	15.2	-	16.2	-	17.2	-
Langney Primary Academy	12.4	-	13.4	-	14.4	-
Little Common School	-	-	18.9	-	18.9	-
Ore Village Academy	17.5	-	18.5	-	18.9	-
Mouslecoombe Primary School	27.2	-	26.2	-	25.2	-
Newick CE School	-	-	18.9	-	18.9	-
Ninfield CE Primary School	-	-	18.9	-	18.9	-
Parkland Infant Academy	13.8	-	14.8	-	15.8	-
Parkland Junior Academy	13.4	-	14.4	-	15.4	-
Peacehaven Academy	12.0	-	13.5	-	14.5	-
Peacehaven Heights	25.7	-	19.8	-	19.8	-
Pebsham Academy	18.5	-	18.9	-	18.9	-
Phoenix Academy	19.4	-	19.8	-	19.8	-
Portslade Aldridge Community Academy	18.9	-	19.9	-	18.9	-

	22/23 Payroll %	22/23 Amount £000	23/24 Payroll %	23/24 Amount £000	24/25 Payroll %	24/25 Amount £000
King's Academy Ringmer	19.8	-	18.9	-	18.9	-
Roseland Infants	24.9	-	23.9	-	22.9	-
SABDEN Multi Academy Trust	22.6	-	19.6	-	18.9	-
Saxon Shore Academy	22.7	-	21.7	-	20.7	-
Seaford Academy	20.1	-	19.1	-	18.9	-
Seahaven Academy	20.5	-	19.5	-	18.9	-
Shinewater Primary Academy	13.5	-	14.5	-	15.5	-
Sir Henry Fermor Academy	13.8	-	14.8	-	15.8	-
Stafford Junior	25.7	-	24.7	-	23.7	-
St Andrew's School	-	-	18.9	-	18.9	-
The Haven School	-	-	18.9	-	18.9	-
The South Downs Learning Trust	11.2	-	12.2	-	13.2	-
The Southfield Trust	13.4	-	14.4	-	15.4	-
Telscombe Cliffs	23.8	-	19.8	-	19.8	-
Tollgate School	-	-	18.9	-	18.9	-
Torfield & Saxon Mount Academy Trust	21.6	-	20.6	-	19.6	-
University of Brighton Academies Trust	19.0	-	18.9	-	18.9	-
Uplands Community College	-	-	20.4	-	19.4	-
West Blatchington Primary	-	-	18.9	-	18.9	-
White House Academy	16.5	-	19.8	-	19.8	-
Colleges						
Bexhill College	21.2	-	21.2	-	21.2	-
Brighton, Hove & Sussex Sixth Form College	19.8	-	19.8	-	19.8	-
East Sussex College Group	20.7	-	20.7	-	20.7	-
Plumpton College	18.9	-	18.9	-	18.9	-
Varndean Sixth Form College	19.8	-	19.8	-	19.8	-
Admission Bodies						
Balfour Beatty	-	-	28.5	-	28.5	-
BHCC - Wealden Leisure Ltd	33.0	-	27.7	-	27.7	-
Biffa Muncipal Ltd	28.8	-	27.8	-	26.8	-
Brighton and Hove CAB	-	-	-	-	-	-
Brighton and Hove Housing Trust	31.4	-	31.4		31.4	
Brighton Dome & Festival Limited (Music & Arts Service)	-	-	4.3	-	4.3	-
Care Outlook Ltd	-	-	-	-	-	-
Care Quality Commission	49.2	92	44.8	-	44.8	-
Churchill Contract Services	-	-	30.4	-	30.4	-
Compass (The Causeway)	34.0	-	32.0	-	31.0	-
Cucina Restaurants Ltd	-	-	24.3	-	24.3	-
De La Warr Pavilion Charitable Trust	4.8	-	2.9	-	2.9	-
East Sussex Energy, Infrastructure & Development Ltd (ESEIDL)	29.2	13	28.2	-	28.2	-
EBC – Towner	31.0	7	22.1	-	22.1	-
ESCC - NSL Ltd	3.6	-	-	-	-	-
Glendale Grounds Management Ltd	29.4	-	28.4	-	28.4	-
Grace Eyre	-	-	-	-	-	-
Idverde	-	-	33.1	-	33.5	-
Just Ask Estates Ltd	32.6	-	-	-	-	-
Lodestar Cleaning Contracts Ltd	-	-	25.1	-	25.1	-
Southern Housing	45.8	920	45.9	111	45.9	111

	22/23 Payroll %	22/23 Amount £000	23/24 Payroll %	23/24 Amount £000	24/25 Payroll %	24/25 Amount £000
Royal Pavilion & Museums Trust	17.8	-	17.8	-	17.8	-
Sussex County Sports Partnership	17.2	-	17.2	-	17.2	-
Sussex Housing & Care	-	-	-	-	-	-
Sussex IFCA Insure Fisheries and Conversation Authority	18.2	-	20.1	-	20.1	-
Telent Technology Services Ltd	20.8	-	20.8	-	20.8	-
Wave Leisure Trust Ltd	-	-	7.1	-	7.1	-
Wave Leisure Trust Ltd - EBC	22.4	-	7.1	-	7.1	-
WDC - Wealden Leisure Ltd	33.0	-	26.1	-	26.1	-
Wealden Leisure Ltd - Portslade Sports Centre	-	-	-	-	-	-

30. Investment Performance -only been given preliminary information may change

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

Performance relative to the Fund's strategic benchmark

	1 year (%)	3 years (%p.a.)	5 years (%p.a.)	10 years (%p.a.)
Fund	8.0	5.2	6.3	7.7
Benchmark	12.3	7.0	6.8	7.3
Relative*	(4.4)	(1.8)	(0.5)	0.4

Investment performance relative to peer group

	1 year (%)	3 years (%p.a.)	5 years (%p.a.)	10 years (%p.a.)
Fund	8.0	5.2	6.3	7.7
Local Authority Average	9.4	5.4	6.5	7.6
Relative*	(1.3)	(0.2)	(0.2)	0.1

The Fund underperformed the (weighted) average local authority Fund over the year by 1.2% (1.0% outperformance 2022/23), ranking the East Sussex Fund in the 72nd percentiles (39th 2022/23) in the local authority universe. Over the three years the Fund underperformed by 0.1 % (0.0% outperformance 2022/23) and was placed in the 44th percentile (43rd percentile in 2022/23). Over five years the Fund underperformed by 0.2% (0.2% outperformance in 2022/23) and was placed in the 61st percentile (27th percentile 2022/23). Over ten years the fund years, the fund outperformed by 0.1% (0.2% outperformance 2022/23) and was placed in the 36th percentiles (21st percentile 2022/23).

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

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

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

Investments and Funding

Investment Strategy Statement Implementation

Activity in 2023/24

The Fund's strategic asset allocation was revised following decisions taken at the September 2023 Committee meeting. The changes that were agreed have been reflected in the strategic benchmark and implemented over the 2023/2024 financial year.

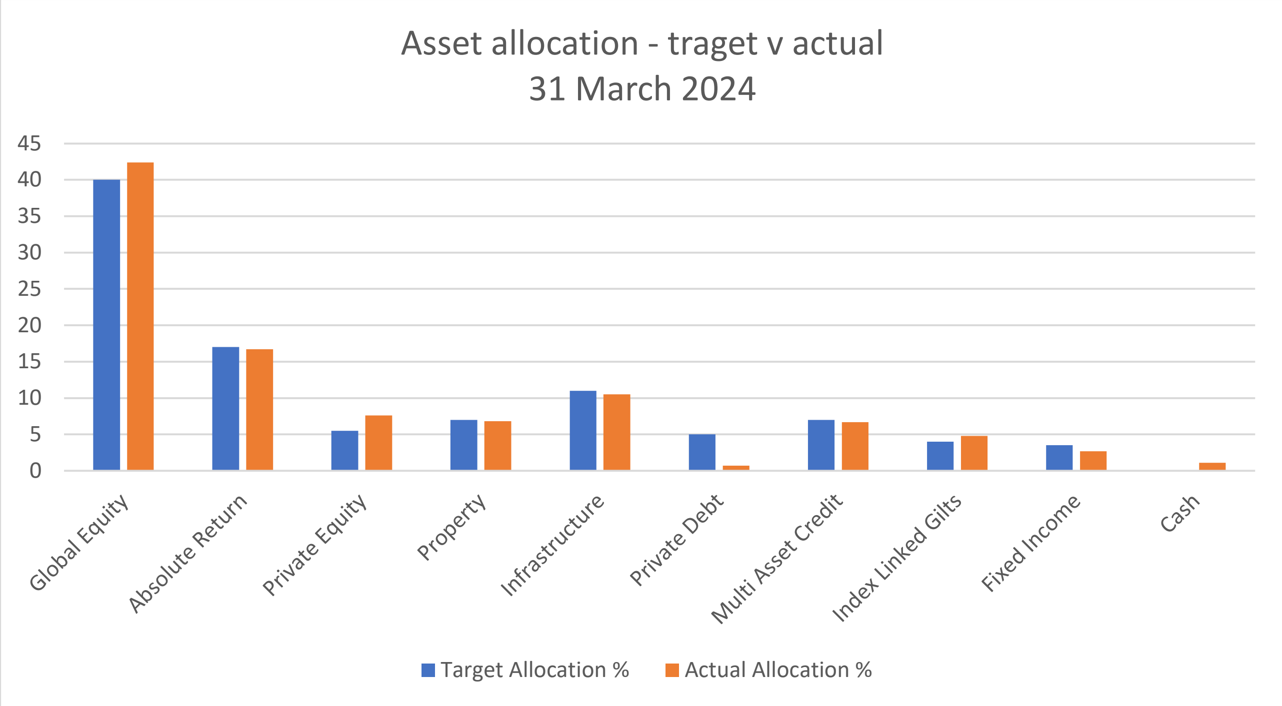
The agreed strategic changes involved a reduction in target allocation for inflation-linked property (from 4.0% to 0%) and a reallocation of the proceeds to index-linked gilts (target increasing from 0% to 4.0%). The inflation property allocation was yet to be implemented and the index-linked gilt allocation was already at the target level, increased through tactical allocation throughout the year, when the new allocations were agreed. It was agreed to maintain the overall allocation to equity unchanged at 40% but to restructure the underlying holding. The target allocation to the passively managed sustainable funds would be equally split, to provide a better balance between the approaches taken. The target allocation to Storebrand would be reduced (from 10% to 7.5%), whilst the target allocation to Osmosis would be increased (from 5.0% to 7.5%).

The Committee demonstrate their consideration of Environmental, Social, and Governance (ESG) and climate related issues through the abovementioned changes. Similarly, the Fund's fossil fuel exposure is estimated on a quarterly basis, with this estimated as 2.4% of total Fund assets as at 31 March 2024.

Asset Allocation

The Fund's asset allocation maintains a significant allocation to equities, which are expected to be a core driver of returns over the long term, but typically the most volatile. However, the equity portfolio is diversified across regions and styles to target a balanced exposure. The Fund's infrastructure allocation provides additional diversification to the overall portfolio, as well as contractual type returns, which are expected to provide a more certain and stable return profile going forwards. The Fund maintains a significant allocation to property, providing further diversification from traditional investment markets such as equities and bonds.

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



Asset allocation - traget v actual
31 March 2024
45
40
35
30
25
20
15
10
5
0
Global Equity
Absolute Return
Private Equity
Property
Infrastructure
Private Debt
Multi Asset Credit
Index Linked Gilts
Fixed Income
Cash
Target Allocation %
Actual Allocation %

Independent adviser's report

East Sussex Pension Fund – Independent Advisor's Report 2024

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

I will start my report with investments. My report last year noted the rise in inflation and interest rates and the resulting steep rise in bond yields. Since then inflation in western economies has fallen back to much closer to the 2% level targeted by many central banks. While they have kept interest rates higher, they have adopted a relatively liberal monetary policy. The consequence has been that the recession which was widely forecast for 2023 has been largely avoided.

Against this background, equity indices have risen, though the narrow leadership by a small number of tech companies meant that most active managers found it difficult to outperform them. The bond yield curve, inverted since the LDI crisis in 2022, has levelled out considerably. However, infrastructure and climate change transition companies, where the Fund has significant allocations, have struggled as investors and managers alike adjusted their valuations to the new bond yield environment. Investors' expectations of the growth of renewable energy companies were perhaps too high and have also been reined back.

2024 has already been a year of elections, with the U.S. still to come. An important theme in the West is levels of debt much higher than those historically considered acceptable. This has resulted from higher spending over the COVID lockdowns and the increasing demands of health, social care, and defence. As a result politicians of whatever colour have little room for fiscal manoeuvre without the cost of debt service impacting their budgets. For example, the U.S. government in 2023 ran a primary fiscal deficit of about 7% a year and about 16% of all its expenditure went on servicing debt.

China has different problems: low growth, partly because of the reverse in globalisation, which I mentioned last year and partly because of the travails of its real estate sector, has led to deflation. The authorities have reacted by reducing interest rates but are finding it difficult to generate growth again.

The Fund's funding level remains high, and quite possibly higher today than the 123% assessed in March 2022. I remind readers that it stood at 81% when my role as Independent Advisor commenced in 2014. However, it would be unwise to be complacent: a resurgence in inflation at some point is almost inevitable, which will increase the Fund's liabilities. A healthy surplus provides some protection against the need to raise contributions further.

The Fund is also gradually turning cash negative as the number of active members declines and pension payments exceed contributions. Officers are therefore modelling future cashflow over the short and longer term to ensure that there is sufficient income from our investments to meet any shortfall and ensure pensions are indeed paid on time.

During the year the Government published a consultation into the future investment strategy of all LGPS funds. While no regulations have since been published, it has since set a number of targets and ambitions around pooling, intended to reduce costs and increase general economic growth. While these goals may be laudable, the Fund's only purpose is to pay its members' pensions on time; part of my role is to ensure that political or other agendas are not allowed to distract it from this objective.

The ACCESS pool which was set up by eleven LGPS funds to implement investments jointly, has made some progress during the year. However, the Government will be looking for an acceleration in the rate of asset transition to pools in the future, and possibly consolidation in the number of funds and pools. This poses a risk of disruption for all LGPS funds including this one.

Administration is as important a function as investment management is in ensuring that pensions are paid in full and on time. As I commented last year, the pressures on the Fund's team continue to increase: government projects such as the Pensions Dashboard and the rectification of past unfairnesses (McCloud, GMP) and employers who fail to keep good data records are just two examples. The rise in buy-outs of private sector schemes has also led to a national shortage of experienced pension administrators.

My final duty in this report is to provide some assurance as to the overall arrangements for the Fund. As last year, from a financial perspective the funding level is healthy. I can assure readers that the Fund's internal governance processes and structures are of a good standard and that it is sufficiently resourced both on the investment and the administration side. Although investment returns may decrease, it is important to remember that the Fund has a long horizon, and market fluctuations are inevitable. In common with many LGPS funds, the highest risks today probably lie in the potential for disruption from Government interference and the burdens placed on the administration function.

William Bourne

Independent Advisor

10th July 2024

Funding strategy statement implementation

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

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

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

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

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

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

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

The latest version of the Funding Strategy Statement is available on the Fund's website: https://www.eastsussexpensionfund.org/media/x4lpeopm/funding-strategy-statement-2023.pdf

Investment administration and custodianship

The Fund uses the services of a specialist custodian bank (Northern Trust) to safeguard its assets to prevent them from being stolen or lost. The custodian can hold stocks, bonds, or other assets in electronic or physical form on behalf of the Fund.

The custodian bank however does more than provide asset protection. They are also an asset servicing business ensuing that the investment administration of the Fund is in order. The services encompass a much broader range of data, operations, Banking & Markets, and decision-support functions. The spectrum of asset servicing products they offer ranges from fundamental core custody and accounting services to more advanced data and fund servicing offerings, as outlined at a high-level below.

The responsibilities of the Custodian are:

Core Custody Services

- Sub-custody
- Safekeeping
- Trade Settlement
- Income Collection
- Corporate Actions
- Tax Reclaims, including document completion for clients (including the UK)
- Proxy Voting
- Class Action Recoveries

Value Added and Reporting Services

- Investment Accounting (asset valuation)
- Performance Measurement

- Quarterly Office of National Statistics (ONS) Reporting
- Client Services
- On-line client portal system administration and user maintenance and training
- Provision of Service Level Agreement (SLA) and Key Performance Indicators (KPI)
- Markets Services
- Cash Management
- Foreign Exchange services
- Transition (Onboarding and Exit Management)

OPTIONAL SERVICES INCLUDING BUT NOT LIMITED TO:

Added Value Services

- Annual Financial Accounting (Chartered Industry of Public Finance and Accounting (CIPFA) Compliant)
- Over-the-Counter (OTC) pricing and settlement – Swap booking, valuation, lifecycle event management
- Collateral management service and European Market Infrastructure Regulation (EMIR) reporting
- Unitisation
- Master Record Keeping (Consolidated reporting for different legal entities)
- Cash account netting for same currency and entity
- Provision of bespoke Service Level Agreement (SLA) and Key Performance Indicators (KPI)

Alternative Asset Servicing

- Alternative Funds, for example:
    - Pooled Funds
    - Real Estate Funds
    - Private Equity Funds
    - Infrastructure Funds
    - Hedge Funds
- Direct Holdings, for example:
    - Direct Private Debt
    - Loan Servicing
    - Direct Private Equity (limited partnership (LP))
    - Private Equity Administration / Capital Call services

Reporting and Analytics

- Environmental, Social and Governance (ESG) Services and Reporting – Pre and Post-trade reporting
- Risk Analytics
- Compliance Monitoring
- Look through to pooled fund holdings

Investment Managers

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

- The Fund's equity mandate is split across a number of managers, having previously been largely allocated to UBS. The equity allocation is now weighted in favour of active management strategies, reflecting the Committee's preference for active management and an ESG focus, with the equity holdings broadly split 62.5/37.5 in terms of active and passive. The active sleeve is split across global equity mandates with Longview and Baillie Gifford, as well as impact equity strategies managed by Wellington and WHEB. The passive, or systematic, sleeve is split between two ESG systematic/smart beta strategies, one with Storebrand, and the other with Osmosis (implemented by UBS).
- Absolute return mandates are held with Newton and Ruffer and allow managers to flexibly alter allocations to a variety of underlying asset classes based on specific market conditions.
- The Fund's property mandate is held with Schroders, with a 'fund of funds' approach adopted, adding an additional layer of diversification to the mandate. The property holding will transfer to a CBRE managed fund on the Access Pool in the near future.
- Corporate bonds, absolute return credit and commercial real estate debt mandates are managed by M&G, while the Fund's passive index-linked gilts mandate is held with UBS. As noted above, during 2022, the Fund agreed the decision at add an additional credit mandate managed by BlueBay with the expectation this will be implemented on the ACCESS pool in the coming months.
- The Fund's infrastructure holdings are split between M&G, UBS, Pantheon (all unlisted) ATLAS (listed) and most IFM (unlisted), who adopt varying styles and focus areas.
- Private equity mandates are split between Adams Street and HarbourVest.

The Fund has the following objectives for its investment managers:

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

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

Investment Allocations pooled and un-pooled

Mandate	Q1 2023 (£m)	Actual (%)	Target (%)	Q1 2024 (£m)	Actual (%)	Target (%)
Pooled Investments						
ACS Funds						
ACCESS - Global Equity (Longview)	555.7	12.2%	10.0%	521.6	10.6%	10.0%
ACCESS - Global Alpha (Ballie Gifford)	187.3	4.1%	5.0%	217.3	4.4%	5.0%
ACCESS - Absolute Return (Ruffer)	478.9	10.5%	10.0%	450.4	9.2%	10.0%
ACCESS - Real Return (Newton)	340.9	7.5%	7.0%	368.2	7.5%	7.0%
ACCESS - Sterling Corporate Bond (M&G)	123.6	2.7%	3.5%	131.1	2.7%	3.5%
ACCESS - Alpha Opportunities (M&G)	293.2	6.4%	7.0%	330.5	6.7%	7.0%
Total Link ACS Funds	**1,979.6**	**43.4%**	**42.5%**	**2,019.1**	**41.1%**	**42.5%**
Pool Aligned						
ACCESS - UBS - 5yr ILG	93.7	2.1%	-	234.9	4.8%	4.0%
ACCESS - UBS - Osmosis	236.8	5.2%	5.0%	397.6	8.1%	7.5%
ACCESS - IFM - Infrastructure	-	-	-	246.9	5.0%	5.0%
Total Pool Aligned	**330.5**	**7.3%**	**5.0%**	**879.4**	**17.9%**	**16.5%**
Total Pooled Investments	**2,310.1**	**50.7%**	**47.5%**	**2,898.5**	**59.0%**	**59.0%**
Non-Pooled Investments						
Equities (passive):						
Storebrand - Global ESG Plus	501.2	10.9%	10.0%	465.3	9.5%	7.5%
Equities (active):						
Wellington - Global Impact	221.8	4.9%	5.0%	247.3	5.0%	5.0%
WHEB- Sustainability	221.8	4.9%	5.0%	238.0	4.8%	5.0%
Total Equities	**944.8**	**20.7%**	**20.0%**	**950.6**	**19.3%**	**17.5%**
Other Investments:						
Schroder - Property	345.7	7.6%	11.0%	336.0	6.8%	7.0%
IFM - Infrastructure	234.1	5.1%	5.0%	-	-	-
M&G - Infrastructure	53.0	1.2%	1.0%	49.4	1.0%	1.0%
Pantheon - Infrastructure	81.2	1.8%	2.0%	87.0	1.8%	2.0%
UBS - Infrastructure	36.3	0.8%	1.0%	35.4	0.7%	1.0%
Atlas - Infrastructure	100.9	2.2%	2.0%	99.9	2.0%	2.0%
Adams Street - Private Equity	195.7	4.3%	2.8%	189.5	3.9%	2.8%
HarbourVest - Private Equity	179.5	3.9%	2.7%	181.6	3.7%	2.7%
M&G Real Estate Debt VI	43.0	0.9%	5.0%	35.1	0.7%	5.0%
Cash account	35.5	0.8%	-	52.2	1.1%	-
Total Other Investments	**1,304.9**	**28.6%**	**32.5%**	**1,066.1**	**21.7%**	**23.5%**
Total Non-Pooled Investments	**2,249.7**	**49.3%**	**52.5%**	**2,016.7**	**41.0%**	**41.0%**
Total	**4,559.8**	**100.0%**	**100.0%**	**4,915.2**	**100.0%**	**100.0%**

Management expenses

In the course of its activities the Pension Fund incurs fees and costs incurred by third parties which affect overall investment returns of the Fund. The main component of these costs is management fees derived from the value of assets under management. There are also performance fees (paid when investments perform above a threshold) and transaction fees (these are the costs incurred when buy and selling investments) that impact on the investment returns.

With all investments there are decisions to be made around the risk appetite of the investor. Different assets have different risks associated with them and this drives the amount of return that the Fund expects of the investment. The amount of return that the investment makes drives the amount that a manager can charge for there services. A passive equity manager of a £500m portfolio that is only looking to replicate the index return will charge a low fee say £0.3m where as an active manager trying to out-perform the index by 4%, will charge a higher fee say £3m. The active manager is looking to add an addition £20m in value of the assets for a cost of £2.7m for the investor this would be a positive gain of £17.3m.

To understand the different types of fees charged by managers the Fund requests that all its managers sign up the Scheme Advisory Board's Code of Transparency. The Fund uses the data provided by fund managers via the Code templates to determine the fees that have been charged for the year and adjusts the accounts accordingly.

	Assets Under Management £m	1 year performance	Fees and Costs £m	Fee Per AUM
Fixed Income	731.6	4.9%	2.0	0.27%
Equity	2,087.1	17.2%	7.6	0.36%
Diversified growth funds	818.6	0.3%	4.8	0.59%
Pooled property investments	336.0	0.5%	1.6	0.48%
Private Equity/Infrastructure	889.7	0.9%	6.2	0.70%
			22.2	
Custody			0.1	
Total			**22.3**	

Asset Tables

£m Asset values as at 31 March 2024	**Pooled**	**Under pool management**	**Not Pooled**	**Total**
Equities (including convertible shares)	738.9	397.6	950.6	2,087.1
Bonds	461.6	234.9	-	696.5
Property	-	-	336.0	336.0
Hedge funds	-	-	-	-
Diversified Growth Funds (including multi-asset funds)	818.6	-	-	818.6
Private equity	-	-	371.1	371.1

£m Asset values as at 31 March 2024	Pooled	Under pool management	Not Pooled	Total
Private debt	-	-	35.1	35.1
Infrastructure	-	246.9	271.7	518.6
Derivatives	-	-	-	-
Cash and net current assets	-	-	52.2	52.2
Other	-	-	-	-
Total	**2,019.1**	**879.4**	**2,016.7**	**4,915.2**

Supplementary table

UK Investment

£m Asset values as at 31 March 20XX	Pooled	Under pool management	Not Pooled	Total
UK Listed Equities	147.5	14.8	58.0	**220.3**
UK Government Bonds	168.4	234.9	0.0	**403.3**
UK Infrastructure	0.0	44.3	120.7	**165.0**
UK Private Equity	0.0	0.0	32.3	**32.3**
Total	**315.9**	**294.0**	**211.0**	**820.9**

Leveling up

£m Asset values as at 31 March 20XX	Pooled	Under pool management	Not Pooled	Total
UK Leveling up				

Investment Performance –

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

Mandate	1 year fund	1 year benchmark	Relative*	3 year fund (p.a)	3 year benchmark (p.a)	Relative*	5 year fund (p.a)	5 year benchmark (p.a)	Relative*
Pooled Investments									
ACCESS - Global Equity (Longview)	18.1%	22.5%	(4.4)%	12.7%	11.8%	0.8%	11.0%	12.8%	(1.8)%
ACCESS - Global Alpha (Ballie Gifford)	16.0%	20.6%	(4.6)%	(2.0)%	8.0%	(10.0)%	-	-	-
ACCESS - Absolute Return (Ruffer)	(5.9)%	7.6%	(13.6)%	(0.2)%	5.2%	(5.4)%	5.4%	4.4%	1.1%
ACCESS - Real Return (Newton)	8.0%	7.6%	0.4%	1.8%	5.2%	(3.4)%	3.9%	4.3%	(0.4)%
ACCESS - Sterling Corporate Bond (M&G)	6.1%	5.8%	0.2%	(6.1)%	(6.3)%	0.2%	(1.2)%	(1.8)%	0.7%
ACCESS - Alpha Opportunities (M&G)	12.3%	8.1%	4.2%	4.7%	5.7%	(0.9)%	5.4%	4.9%	0.6%
ACCESS - UBS - 5yr ILG	(6.9)%	(6.8)%	(0.0)%	(12.1)%	(12.1)%	(0.1)%	(6.6)%	(6.5)%	(0.0)%
ACCESS - UBS - Osmosis Resource Efficient Core Equity (ex-FF)	22.5%	22.5%	0.0%	12.3%	12.5%	(0.2)%	-	-	-
ACCESS - IFM - Infrastructure	6.0%	5.2%	0.8%	6.3%	5.7%	0.6%	-	-	-
Non-Pooled Investments									
Storebrand - Global ESG Plus	20.5%	22.5%	(1.9)%	9.9%	11.8%	(2.0)%	10.7%	12.4%	(1.7)%
Wellington - Global Impact	11.6%	20.6%	(9.0)%	3.6%	10.1%	(6.5)%	4.2%	10.5%	(6.3)%
WHEB- Sustainability	7.3%	22.5%	(15.2)%	2.2%	11.8%	(9.6)%	2.5%	12.2%	(9.7)%
Schroder - Property	0.5%	(0.7)%	1.2%	2.4%	1.5%	0.9%	1.7%	1.4%	0.3%
M&G - Infrastructure	(19.2)%	5.2%	(24.4)%	(0.9)%	8.7%	(9.6)%	1.9%	6.4%	(4.5)%

Pantheon - Infrastructure	8.9%	5.2%	3.8%	16.9%	8.7%	8.2%	11.7%	6.4%	5.3%
UBS - Infrastructure	(1.1)%	5.2%	(6.3)%	7.2%	8.7%	(1.5)%	0.7%	6.4%	(5.8)%
Atlas - Infrastructure	(1.0)%	0.4%	(1.4)%	8.9%	6.5%	2.5%	7.1%	5.8%	1.3%
Adams Street - Private Equity	(1.7)%	22.2%	(23.9)%	12.0%	11.7%	0.3%	15.9%	13.1%	2.8%
HarbourVest - Private Equity	(0.3)%	22.2%	(22.4)%	21.0%	11.7%	9.3%	16.7%	13.1%	3.6%
M&G Real Estate Debt VI	9.7%	9.1%	0.6%	4.7%	6.7%	(2.0)%	3.3%	5.9%	(2.6)%
Cash account	(2.1)%	5.0%	(7.1)%	(1.1)%	2.5%	(3.5)%	(1.8)%	1.6%	(3.4)%
Total	**7.9%**	**12.3%**	**(4.4)%**	**5.2%**	**7.0%**	**(1.8)%**	**6.3%**	**6.8%**	**(0.5)%**

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

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

Responsible Investment

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

Task Force on Climate-related Financial Disclosures (TCFD)

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

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

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

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

Governance

The East Sussex Pension Fund is part of the Local Government Pension Scheme (LGPS). The purpose of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, on a defined benefits basis. East Sussex County Council (ESCC) is the administering authority for the Fund. Under the Council's Constitution the Pension Committee has delegated authority to exercise the powers in respect of the management of the Fund. The Fund is neither owned nor controlled by ESCC, Fund assets are earmarked for pension payments and ringfenced from 'Council Money'. There are around 144 employers and more than 85,000 members, whose pension payments are funded by through employer and member contributions and investment returns. The Pension Committee (the Committee), comprising elected councillors, is responsible for Fund oversight and policy setting.

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

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

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

Responsible Investment Beliefs

The following beliefs underpin the Fund's Responsible Investment principles and policies:

- ESG factors, including climate risk, can present material financial risks to asset values and returns.
- Implementation of effective RI policies can reduce risk and has potential to enhance returns.
- Engagement with investment managers ("IMs") and investee companies can be effective in protecting and enhancing the long-term value of investments.

- Collaboration with other asset owners and IMs will help improve the effectiveness of engagement.
- Effective oversight of RI requires monitoring of ESG and CR metrics and the actions of IMs and investee companies.
- RI is aligned with ESPF's fiduciary responsibilities in the management and oversight of ESPF's investments.
- ESG opportunities may be found in Impact Funds investing in companies whose profits are derived from providing solutions to some of the World's more serious environmental, sustainability and social challenges e.g. cleaner products and processes, renewable energy, health, nutrition, sustainable agriculture, shelter, clean water and sanitation etc.
- Resource efficient companies can drive increased returns for the benefit of the scheme members and stability of contribution rates for Scheme Employers, as resource efficiency reduces dependency on natural resources resulting in reduced input costs and less dependence on volatile commodity prices.

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

The SRIP explains the Fund's approach to the oversight and monitoring of the Fund's investment activities from a Responsible Investment (RI) and Stewardship perspective. Including how it uses its RI beliefs to guide its investment decisions and the principles that it follows.

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

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

Alongside these principles and beliefs the Committee have set out the ESG themes that they consider to be the priority areas for the Fund. These are:

- Climate Change
- Human Rights
- Biodiversity
- Corporate Governance
- Sustainable Production and Consumption

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

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

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

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

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

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

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

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

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

Fund's designated training officer. Training is picked up at all Pension Committee and Pension Board meetings through the work plan and a report on training is covered twice a year.

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

The Committee is subject to fiduciary duties with respect to investment matters. As a result, the Fund must only use its power to invest the assets for investment purposes, to generate the best realistic return over the long-term, given the need to control for risks, to enable benefits to be paid to members when due. Investment decisions must be taken prudently, with a reasonable level of skill and care, and on the basis of proper advice, acting in the members' best (financial) interests.

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

Strategy

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

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

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

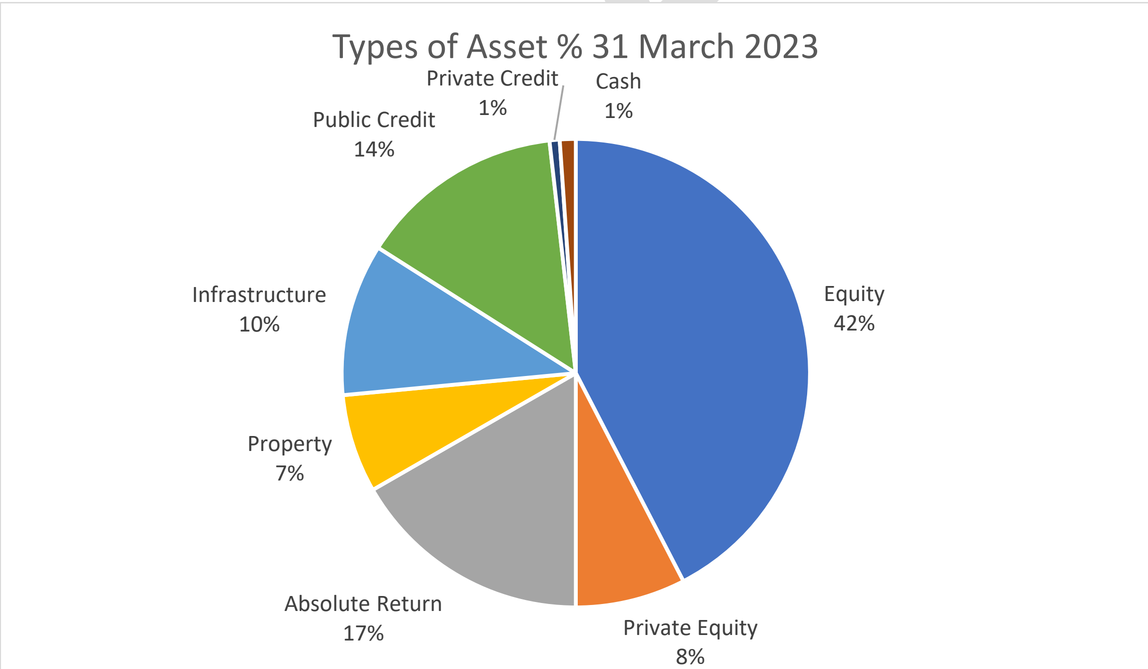
The Fund does not directly invest in any specific company; instead, it invests through a combination of holdings in passive index funds and in pooled funds through active investment managers who take considered choices over the underlying companies it invests in with a looking at the financial resilience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

Climate risk

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

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

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



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

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

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

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

To address these risks and opportunities the Fund restructured its equity positions in 2021 by removing traditional passive equity investments. Within listed equities, by the end of 2021/22 the Fund had no exposure to fossil fuels and a significantly lower carbon footprint than mainstream investment indexes. This was further adjusted during the 2023/24 year to balance out the Funds passive investments to an equal weighting between the funds 2 mandates.

The listed equity allocation which is 40% of the Strategic Asset Allocation, makes up a large portion of investments. The Fund's investment strategy was changed to invest 7.5% into a Paris aligned smart beta, 7.5% in a resource efficient index fund which excluded fossil fuels, invest 10% into active impact and sustainability managers investing in energy transition solutions and green revenues. Of the remaining 15%, 10% is invested in the Fund's global equity manager who has a low carbon footprint due to no investment in energy and materials companies and 5% in a global Paris aligned active equity mandate.

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

Climate opportunities

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

The Fund has taken substantial measures to better align itself with the challenges of climate change and the energy transition and is considered one of the leaders in this space in its actions. These actions include investing 25% of the equity funds, or £485.3m, in Impact Managers who select companies whose core products or services achieve a positive impact on the environment or socially, or those companies that provide solutions to sustainability challenges. In addition, the Fund removed traditional passive index equity exposure (where there is unconscious exposure to a company) moving £465.3m of this to a fossil-free smart beta equity strategy that aims for long-term alignment with the Paris Agreement goals and exhibits lower carbon risk with climate solutions and higher ESG scores than the world index. With £397.6m invested into a resource efficient index that focuses on companies that more effectively manage carbon, water and waste while excluding fossil fuel companies. The Fund has also invested £217.3m into an active equity manger looking at investing into Paris aligned companies.

Future actions

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

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

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

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

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

Risk management

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

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

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

Possible trigger of climate risk on the Fund

- Uncertainty in energy transition impacts and timing
- Risk of stranded assets where invested in fossil fuel companies
- Lack of reliable carbon measurement data for investment pooled funds and or underlying holdings of those pooled funds.
- Risk of natural disasters on underlying investments
- Risk of changes in oil prices leading to underperformance from low exposure to the sector
- Increased capital costs of underlying investment companies to transition to greener energy solutions or lower carbon emitting supply chain models and production methods
- Fines or penalties incurred by underlying holdings by company or sector
- Increased global temperature and or erratic climate events causing devastation to underlying holdings
- Social consequence on members welfare and longevity within the fund
- Breach of law in taking political action over fiduciary duties

Possible consequences of climate risk on the Fund

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

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

- Statement of Responsible Investment Principles (SIRP) outlines investment beliefs including Climate Risk. The Fund take the SRIP into account for implementation of decisions and monitoring of investment managers, carbon emissions and climate risk to the Fund
- Investment Working Group and ESG working group consolidated into a single group to ensure ESG is in the heart of all investment decisions
- Restructuring of the equity portfolio removed structural exposure to fossil fuel companies to avoid high risk companies from a climate perspective
- The Fund are able to exploit opportunities from the low energy transition by investing in climate impact funds and resource efficient companies
- The Fund has trimmed unconscious exposure to companies with high Carbon emission, poor energy transition plans and or fossil fuel companies, through removal of traditional index funds

- Member of Institutional Investors group on climate change (IIGCC), the Fund also expects its managers to be IIGCC members
- The Fund carries out annual carbon foot printing to better understand the carbon exposure and energy transition plans within the portfolio. Additionally, the Fund carries out ESG impact assessment of all investment managers which includes a climate score.
- Signatory to UN PRI
- Commitment to report TCFD's with a first attempt published in the 2021 Annual Report
- The Fund has planned for climate scenario modelling which will help better understand this risk and allow further consider approaches in tackling these risks
- Where exposed to fossil fuels, the Fund uses its vote to drive engagement and improved practices. A number of Fund managers are Climate 100+ engagement partners, leading on this work with top emitting companies, while all managers are IIGCC members for collaborate weighting of AUM to influence action. Managers have escalation plans for when engagement is not effective which includes disinvesting from the high carbon or fossil fuel company.
- Focus on Climate change through training to committee and officers
- Focus on Climate Change in decision making and strategy changes
- Immaterial impact to the Fund value from direct exposure to fossil fuel companies in the instance of carbon taxes, valuation falls or stranded assets due to the underweight, very low exposure to this sector and no structural allocation of these companies.

Metrics and targets

Liquid Asset Classes included in Carbon Footprinting

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

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

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

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

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

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

Listed Global Equity – 42.4% of Fund Assets

The Fund have six listed equity managers, four active and two index based making up 42.4% of the portfolio as at 31 March 2024. All six portfolios are included in the metrics information within the Minerva's carbon footprinting report and all mandates exclude fossil fuel companies. All managers have strong engagement and stewardship approaches and are members of the PRI, IIGCC and are Stewardship code signatories.

Absolute/Real Return – 16.7% of Fund Assets

The Fund have two Absolute / Real Return managers, which make up 16.7% of the portfolio as at 31 March 2024. These madates are unrestricted as to what the menagers can invest as they provide a defensive response for the Fund's portfolio in the time of market volitility and uncertainty. These manadates are in place to reserve capital. Both managers have strong engagment and stewardship approaches and are both members of the Net Zero Asset Managers Initiative and climate action 100+ as engagement leads.

Listed Infrastructure – 2.0% of Fund Assets

The Fund has one listed infrastructure manager, Atlas, which is covered by the carbon footprinting analysis making up 2.0% of Fund assets. The manager is a member of IIGCC, NetZero Asset Managers Initiative, PRI and a Stewardship code signatory.

Carbon Footprinting Exercise 2023/24

The Fund has used a third-party provider, Northern Trust, to undertake analysis of the Fund's carbon footprint (i.e., the measure of the Fund's 'share' of the volume of Green House Gas equivalent (GHGe) emissions generated by the Fund's investee companies) as at 31st March 2024.

The outputs from this exercise are slightly different from the results reported in the Fund's Annual Report and Accounts last year. As Northern Trusts approach to calculating carbon footprints is slightly different from the previous provider's approach.

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

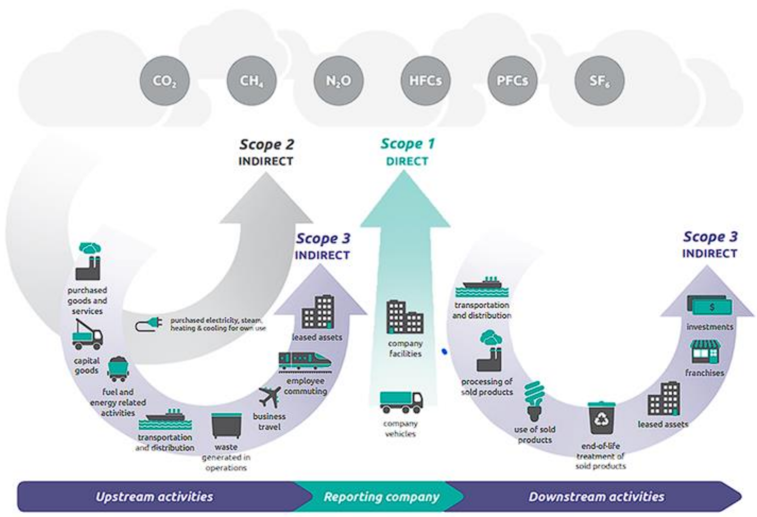
GHG Emissions

In line with the previous year, Northern Trust sought to provide the Fund with any 'Scope 3' GHG disclosure information available, in addition to Scope 1 and Scope. The different types of disclosures are defined as follows:

Categorization	Description
Scope 1	GHG emissions from owned or controlled sources
Scope 2 (Location-based)	GHG emissions of indirect emissions from the generation of purchased energy.
Scope 3	All indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions

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

GHG Emissions - Scope 1, 2 and 3



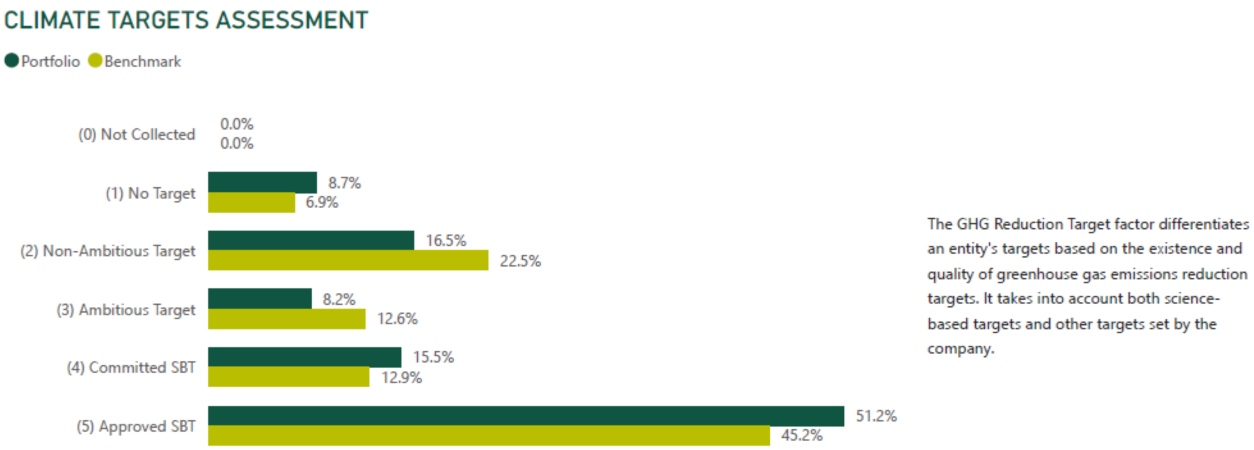
Scope 1	▪ Fuel combustion ▪ Company vehicles ▪ Company facilities ▪ Fugitive emissions (emissions from unintentional or intentional release of GHGs to the atmosphere)
Scope 2	▪ Purchased electricity, heat and steam
Scope 3	▪ Purchased goods and services ▪ Business travel ▪ Employee commuting ▪ Waste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

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

Carbon Footprinting Analysis Results - Summary

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

Metric	Results		Comments
Total Carbon Emmissions (tCO2e)	Scope 1 & 2	72,371.50	The absolute greenhouse gas emissions associated with a portfolio, expressed in tons CO2e.
	Scope 1, 2 & 3	1,044,166.80	
Carbon Footprint (tCO2e) / GBP Invested	Scope 1 & 2	41.1	Total carbon emissions for a portfolio normalized by the market value of the portfolio, expressed in tons CO2e / millions invested.
	Scope 1, 2 & 3	593.4	
Carbon Intensity (tCO2e) / GBP Revenue	Scope 1 & 2	97.30	This metric combines the total emissions / millions invested approach with a similar logic to determine an investor's share of revenue and subsequently dividing one by the other. By linking to revenue, the metric aims at describing the greenhouse gas efficiency of the underlying companies.
	Scope 1, 2 & 3	1,403.30	
Weighted Average Carbon Intensity (tCO2e) / GBP Revenue	Scope 1 & 2	81.60	Portfolio's exposure to carbon-intensive companies, expressed in tons CO2e / millions of revenue.
	Scope 1, 2 & 3	1,131.60	



The key takeaways are that:

1) Where disclosures were made, the Fund's investee companies emitted 72,371.50 tCO_2e

2) The Fund's share of the GHG emissions made by its investee companies is just over 41.1 (tCO2e) / GBP Invested;

3) Over 51% of the Fund's investee companies have Greenhouse gas reuction targets that have been approved as science based targets.

Absolute Emissions

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

Manager	Value £m	Scope 1	Scope 2	Scope 1 & 2	Scope 3	Scope 1,2 & 3
All	3,136.7	58,906.2	13,465.3	72,371.5	971,795.3	1,044,166.8
Equity						
Ballie Gifford	217.3	6,454.7	1,155.1	7,609.8	91,016.6	98,626.4
Longview	521.6	1,926.3	1,508.4	3,434.7	80,870.1	84,304.7
Osmosis	397.6	4,378.9	2,119.0	6,497.9	128,314.8	134,812.7
Storebrand	465.3	4,665.4	2,983.4	7,648.8	238,767.2	246,416.0
Wellington	247.3					
WHEB	238.0	1,422.3	761.0	2,183.4	169,984.6	172,168.0
Fixed Income						
M&G Corporate Bonds	131.1	2,300.5	590.3	2,890.8	29,151.7	32,042.5
Absolute return						

Newton	368.2	7,759.8	1,366.3	9,126.2	125,877.7	135,003.9
Ruffer	450.4	10,496.8	814.6	11,311.4	78,357.3	89,668.7
Listed Infrastructure						
Atlas	99.9	19,501.4	2,167.1	21,668.5	29,455.3	51,123.8

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

Carbon Footprint

The following table shows the total carbon footprint for the Fund and for each investment manager mandate included in the scope of work:

Manager	Value £m	Scope 1	Scope 2	Scope 1&2	Scope 3	Scope 1,2 &3
All	3,136.7	33.5	7.7	41.1	552.2	593.4
Equity						
Ballie Gifford	217.3	35.6	6.4	42	501.9	543.9
Longview	521.6	4.9	3.8	8.7	205.9	214.6
Osmosis	397.6	14.8	7.2	21.9	433.2	455.2
Storebrand	465.3	13.1	8.4	21.5	671.3	692.8
Wellington	247.3					
WHEB	238.0	7.7	4.1	11.8	915	926
Fixed Income						
M&G Corporate Bonds	131.1	52.2	13.4	65.6	661.7	727.3
Absolute return						
Newton	368.2	51.1	9	60.1	828.7	888.8
Ruffer	450.4	168.5	13.1	181.6	1,257.80	1,439.30
Listed Infrastructure						
Atlas	99.9	217.3	24.2	241.5	328.3	569.7

The Fund's current carbon footprint - i.e., its 'share' of the emissions made by its investee companies - equates to c. 72,371 tonnes of CO2e emissions. Again, the figures shown are clearly connected to the size of the individual portfolio, and also the size of investment held in each investee company.

Emissions Intensity

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

Manager	Value £m	Scope 1	Scope 2	Scope 1&2	Scope 3	Scope 1,2 &3
All	3,136.7	79.2	18.1	1306.0	97.3	1403.3
Equity						
Ballie Gifford	217.3	104.8	18.8	123.6	1478.0	1601.5
Longview	521.6	11.2	8.8	20.0	470.7	490.6
Osmosis	397.6	33.8	16.3	50.1	989.1	1039.2
Storebrand	465.3	29.8	19.1	48.9	1525.6	1574.4
Wellington	247.3					
WHEB	238.0	25.0	13.4	38.3	2985.2	3023.6
Fixed Income						
M&G Corporate Bonds	131.1	102.1	26.2	128.3	1294.3	1422.6
Absolute return						
Newton	368.2	152.5	26.9	179.3	2473.7	2653.0
Ruffer	450.4	156.2	12.1	168.3	1166.1	1334.4
Listed Infrastructure						
Atlas	99.9	725.2	80.6	805.8	1095.4	1901.2

The Fund's current carbon intensity - i.e., its 'share' of the emissions made by its investee companies - equates to c. 1306.0 tonnes of CO2e emissions. Again, the figures shown are clearly connected to the size of the individual portfolio, and also the size of investment held in each investee company.

Data Quality

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

DATA QUALITY

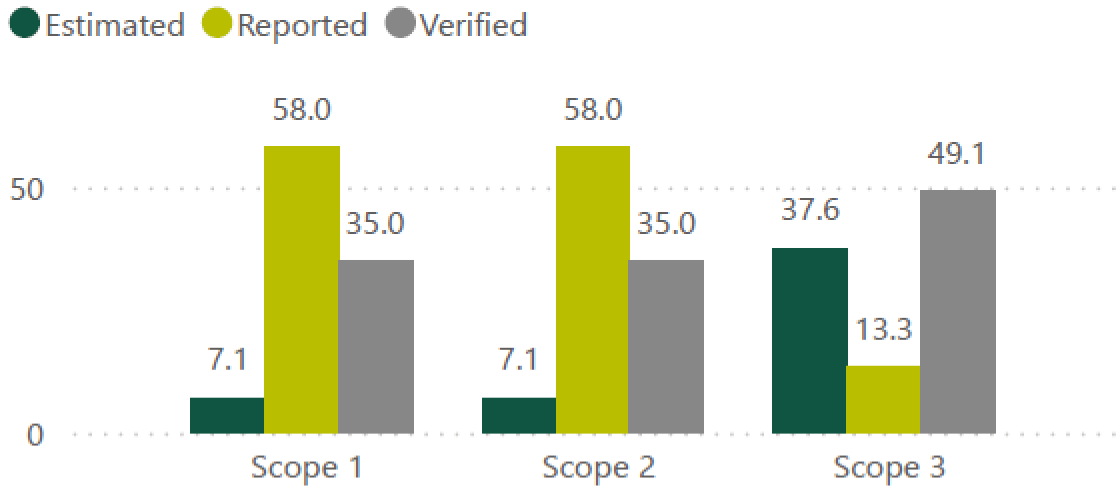


Chart values are shown in percentage (%) format

Percentages may not total 100 due to rounding

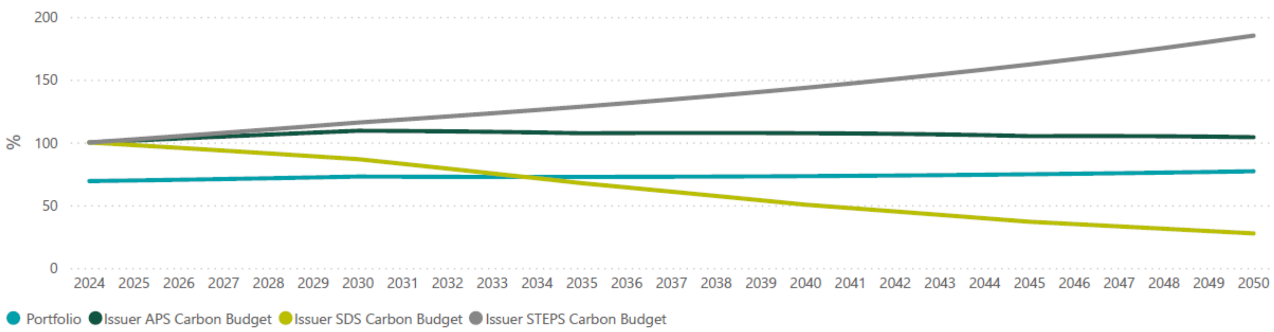
The results show that almost 50% of the Fund's investee companies are disclosing GHG emissions that have been verified by a third party in line with the GHG Protocol. This is an encouraging result for the first time that this metric has been measured, since all investee companies need to disclose their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

CLIMATE SCENARIO ALIGNMENT

The scenario alignment analysis compares current and future portfolio greenhouse gas emissions with the carbon budgets for the IEA Sustainable Development Scenario (SDS), Stated Policies Scenario (STEPS) and the Announced Pledges Scenario (APS).

Performance is shown as the percentage of assigned budget used by the portfolio.

PORTFOLIO EMISSION PATHWAYS VS. CLIMATE SCENARIOS BUDGETS



The ISS ESG portfolio temperature score is calculated by comparing the portfolio owned projected emissions in 2050 with the available owned carbon budgets for SDS, STEPS and CPS. The score is an interpolation between the two nearest scenario temperature thresholds based on the respective overshoot. The temperature score has a range between 1.5 and 6.

Portfolio Temperature Score 2.3

Liquid Asset Classes excluded in Carbon Footprinting

Fixed Income – 14.2% of Fund Assets

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

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

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

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

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

The passive index linked gilts mandate comprising 4.8% of the Fund this is not covered by the carbon footprinting analysis. As these are United Kingdom government bonds there is not currently an agreed way to consider the carbon footprint of these investments.

Illiquid Asset Classes

Outside of the Minerva's carbon footprinting the Fund have tried to obtain information directly from the investment managers as to their cabon emissions and footprint. Illiquid assets constitute 23.6% of the Fund's portfolio. The following information has been obtained by asset class. The Fund will engage with managers over the next year to aim for increased exposure and more detailled metrics for futrure reporting.

Private Equity – 7.6% of Fund Assets

The Fund have two private equity managers, which make up 7.6% of the portfolio as at 31 March 2024. Neither of these managers have published any metrics under TCFD however both are members of the Initiative Climat International (iCI) which is a General Partner led initiative to collaborate on risk analysis tools to aid private equity action on climate change. Members of iCI commit to recognising the risks and opportunities that climate change presents to their investments, contribute to the Paris Agreement's objectives, and actively engage with portfolio companies to reduce their greenhouse gas emissions. Members work collaboratively across a variety of working groups to implement their commitments.

In addition to this, one of the private equity funds, currently weighted at 3.7% of the portfolio (Harbourvest) has aligned its climate strategy with TCFD. As part of the Metrics and Targets commitment, they have partnered with a carbon accounting platform to produce fund-level reporting on greenhouse gas emissions data, using proxy data based on industry average. As part of their commitment to continue to improve data quality within reporting, the manager has joined the ESG Data Convergence Initiative (EDCI), hosted by ILPA, which seeks to standardize ESG metrics and provide a means of comparative reporting and benchmarking on ESG for private markets.

One of the Fund's Private Equity funds, which is currently 3.9% of the portfolio value has been able to provide a Weighted Average Carbon Intensity (WACI) of your portfolio as an Emissions Intensity metric as at 31/03/2024.

Company Scope 1 + Scope 2 (tCO2e/USDmn)	88.25
Company Direct + First Tier (tCO2e/USDmn)	125.18

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

Property – 6.8% of Fund Assets

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

The carbon emissions have been calculated by multiplying the percentage ownership by client in each of the underlying fund investments by the respective fund's carbon emission output in tonnes as reported by each Fund Manager. The output of each fund is summed to create an emissions total. Actual Emissions have been reported on 61% of the portfolio. Where we do not have 100% data coverage in any one fund, we have extrapolated the data up to 100% coverage by assuming those assets with missing data produce the same emissions as the average of all assets where data has been reported. The actual emissions have been extrapolated to provide an estimated emissions of the portfolio with coverage of 79.9%.

The emissions data in the table below is provided to the Investment Manager by third party fund managers through the annual GRESB submissions made in July 2023 and accessed in October 2023 and has not been audited by Schroders.

	Coverage of portfolio	Scope 1&2 emissions (carbon tonnes)	Scope 3 emissions (carbon tonnes)	Total Emissions (scope 1,2 &3)	Carbon tonnes per £m
Actual Emissions Reported	**61.0%**	**590**	**1,700**	**2,290**	**11.5**
Emissions Estimated & Actual	**79.9%**	**719**	**2,579**	**3,299**	**12.7**

Infrastructure – 8.5% of Fund Assets

The Fund have four Infrastructure managers which comprise 8.5% of Fund assets at 31 March 2024. One of the infrastructure managers (IFM) comprising 5.0% of the portfolio have reported the following:

	Total scope 1 emissions [ktCO2e]	Total scope 2 emissions [ktCO2e]	Scope 3 emissions [ktCO2e]	Portfolio net attributable emissions [ktCO2e]
Total Portfolio	**17,053**	**2,674**	**165,137**	**3,100**

Another manager (UBS) which comprises 0.7% of the portfolio has provided the following table:

2023	Scope 1 emissions (CO_2e tonnes)	Scope 2 emissions (CO_2e tonnes)	Scope 3 emissions (CO_2e tonnes)	Total Emissions (scope 1,2 &3)
Emissions Reported for Fund 1	1,509,998	95,430	254,506	1,859,934
Emissions Reported for Fund 3	551	4,873	94	5,518

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

A third manager (M&G Infracapital) comprising 1.0% of the portfolio has provided the following table:

2023	Scope 1 emissions (CO_2e tonnes)	Scope 2 emissions (CO_2e tonnes)	Scope 3 emissions (CO_2e tonnes)	Total Emissions (scope 1,2 &3)
Emissions Reported	226,701	40,321	65,613	332,636

The last manager (Pantheon) comprising 1.8% of the portfolio has confirmed there is no carbon emission data currently available for our investment with them, however are currently working on emissions reporting. Since 2023, Sustainability data has been one of four core projects of the managers Sustainability Committee, with the goal of being able to automate the generation of ESG reports by Q4 2024.

Private Credit – 0.7% of Fund Assets
The Fund have one Private Credit manager which comprises 0.7% of Fund assets at 31 March 2024. There is no carbon emission data currently available for this investment.

RI implementation Statement for 2024/25

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

Commitment	Progress	Further Action
To continue to measure and report on carbon-equivalent	The Fund has undertaken an analysis of the Equity and Fixed Income investments with a third-party provider for the	Develop further understanding of the different metrics.

Commitment	Progress	Further Action
emissions throughout the equity portfolios	fifth year bringing in a new provider to give information that will be more aligned to the anticipated LGPS Carbon reporting requirements.	Review the Carbon-equivalent emission provider market. Work with Investment managers of other asset classes to improve asset class coverage.
To continue our work with IIGCC and Climate Action 100+	The Fund has been an active participant in the IIGCC corporate program with the Chair of the Pension Committee sitting on the IIGCC Corporate Programme Advisory Group. The Fund attends training items and research webinars provided by IIGCC.	The Fund is looking for more options within IIGCC to support further development and implementation of IIGCC research into the Fund's strategy.
To continue to research and support the deployment of new impact capital into projects set to benefit from the transition to a low carbon economy	75% of the Fund's equity mandates have been invested into specific climate conscious investments. With 10% of the Fund's total portfolio with active managers into impact managers, 5% actively managed in Paris Aligned portfolio, 7.5% into climate risk passive product and 7.5% into a resource efficiency weighted index. The Fund has moved a further 3.5% of Fund assets into a sustainable multi asset credit fund in Q1 of 2024/25 financial year.	The Fund will continue to assess the alignment of the remaining equity position to ensure it is invested in a compatible way to our RI policies. The Fund will review the characteristics of the equity investments to ensure these mandates are investing inline with the investment rationale of the Fund. The Fund will continue evaluating the fixed income options to ensure that where we are able to identify sustainable investment practices. Working with ACCESS to develop a suitable passive like equity offering and promote suitable solutions within the Pool.

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

Commitment	Progress	Further Action
	during meetings with the Fund managers.	
Implement processes that adhere to Taskforce for Climate-related Financial Disclosures (TCFD) recommendations on mandatory reporting and governance requirements related to climate risk as they are expected to apply to the LGPS.	The Fund is incorporating as much of aspects of the TCFD guidance for private pensions schemes into its Annual Report. This is building on the report provided last year, allowing the Fund to identify and enhance the report year on year and provide readers with better understanding of emissions and climate strategy. Along with this the Fund has received 4 years of ESG assessments of its investment Managers from its conducted by its investment consultant. We continue to engage with our investment managers over their own reporting and are encouraging them to report in line with TCFD where they are not already doing. We undertake carbon foot printing of the Fund. We have been producing a quarterly engagement reports detailing the work the Fund has been undertaking. The Fund responded to the consultation on the TCFD reporting in the LGPS and is a supporter of this being implemented.	The Fund is awaiting the outcome to the consultation on the TCFD reporting in the LGPS and is a supporter of this being implemented. The Fund will look to implement the guidance once this is published and continue to develop its reporting. The Fund will continue to work with Third parties to develop and implement enhancements to its current reporting. Including PRI and UK Stewardship reporting. The Fund will investigate how climate scenario analysis can help define its climate strategy and how this can be implemented.
To report annually in accordance with TCFD recommendations.	The Fund provide a TCFD section within its Annual Report covering all elements where sufficient data is held	We are awaiting the response to the consultation from DLUHC on TCFD reporting and when the regulations are

Commitment	Progress	Further Action
	and identifying areas which are not yet complete. There is currently no guidance for LGPS Funds on TCFD reporting.	set out and there is clarity on the final requirements, the Fund will implement a fully compliant report within the guidelines set out for the LGPS.
Signatory to the United Nations Principles for Responsible Investment (PRI)	The Fund has signed up to the PRI and has provided its first set of information to the PRI for assessment. The Fund received the results of the assessment and received at least 4 stars in each category.	During Q3 2024 the Fund will prepare and submit the necessary information to maintain our signatory status to the PRI. We anticipate receiving our second assessment report in Q4 2024 and look forward to improving our responsible investment activities based on the findings.
Encourage the Fund's investment managers to provide transparency by reporting relevant and accessible ESG-related information. This includes their commitments to and alignment with the UK Stewardship Code 2020, the TCFD, the PRI and GRESB, where appropriate.	The Fund have been requesting quarterly information from the managers on engagement and voting and have been publishing a quarterly report detailing our monitoring of the managers. Alongside this the Fund also provide information on the managers engagements and commitments such as to which organisations they are signatories. The Fund receive an impact assessment of the Fund managers from its Investment Consultant annually to ensure that they are stewards our assets in line with their policies and our expectations. As part of our engagement with managers is to request that they consider signing up to UK Stewardship Code	We will be maintaining the engagement and voting information capture and are working to improve the information that is published as part of our engagement report. Look to improve communication with stakeholders of the Fund. The Fund continues to monitor the investments managers through carbon foot printing and ESG reviews by our investment consultant. The Fund is committed to working with ACCESS to improve the RI function within the pool and provide better reporting. Ensuring that the Fund's managers sign up to relevant commitments with TCFD and

Commitment	Progress	Further Action
	2020, IIGCC, TCFD, the PRI and GRESB. ACCESS has been doing a lot of work within the RI space and has revised it guidelines we continue to work with ACCESS to develop the report framework around the RI guidelines.	UK stewardship code 2020 being priorities.
Working collaboratively to increase the reach, efficiency, and effectiveness of RI. We work with a host of like-minded partner funds, service providers and related organisations striving to attain best practice in the industry and to improve industry standards.	ACCESS has set up a RI working group to build upon the RI guidelines of which we are an active member. The Fund was a founding sponsor for the current active National LGPS Framework Stewardship framework. We have been engaged with IIGCC and have signed up to some of the initiatives coming from this collaboration. The Fund is an active participant in the LAPFF Executive Committee.	We shall be looking to continue to explore opportunities with ACCESS to improve the RI opportunities. Increase the involvement in collaborative RI initiatives and look to be signatories to shareholder resolutions where appropriate.
Report annually in accordance with the UK Stewardship Code requirements, and we are committed to adhering with the requirements of the new UK Stewardship Code 2020.	The Fund submits its annual Stewardship Report to the FRC in October and has maintained its signatory status.	Work to improve the submission to the FRC in 2024 to maintain signatory status and improve our processes based on the outcomes of the previous report.

Collaboration

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

https://www.unpri.org/

Principles for Responsible Investment (PRI). We have been a signatory to the PRI since 2020 and are working on our first submission on how we implement the six Principles of Responsible Investment into our everyday work to be good stewards of capital, which has been submitted for 2024. PRI is an important partner, providing excellent guidance on responsible investment and we work closely with them on the future direction of the organisation

https://www.iigcc.org

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

LAPFF | The leading voice for local authority pension funds across the UK (lapfforum.org)

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

Home | Pensions For Purpose

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

[Home | Financial reporting council]

The Financial reporting council sets UK Accounting, Audit and Actuarial standards. The fund has committed to report under the FRC's Stewardship code, pledging to manage capital in a way that creates long term value and leads to sustainable benefits for the economy, the environment and society. The Fund's has submitted its report form the past 2 years and have been accepted as a signatory.

[Home | Task Force on Climate-Related Financial Disclosures]

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

Pooling

Background

ACCESS (A Collaboration of Central, Eastern and Southern Shires) has its origins in 2016 when 11 Local Government Pension Scheme (LGPS) Authorities agreed to begin working collectively to address the requirements of the Government's agenda for pooling LGPS investments. .The first ACCESS Inter Authority Agreement was signed in late June 2017.

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

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

Collectively the pool has assets of £64.6 billion (of which 70% £44.7bn has been pooled) serving over 3,500 employers with over 1.2 million members.

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

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

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

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

Governance

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

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

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

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

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

The ACCESS Support Unit (ASU) provides the day-to-day support for running the ACCESS Pool and has responsibility for programme management, contract management and supplier relationship, administration and technical support services. 2020/21 saw the approval of two additional roles to increase support capacity of the ASU which is hosted by Essex County Council. Appointments were made to these positions in March 2021 and July 2021.These roles are also supplemented with additional technical support from Officers within the ACCESS Authorities.

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

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

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

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

The Operator

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

Pool Aligned Assets

UBS were appointed following a joint procurement in 2017, and act as the ACCESS Authorities' investment manager for passive assets. JP Morgan and IFM were approved in 2024 to provide open ended infrastructure investments to the Pool. Aviva were appointed in 2024 to provide long lease real estate investments and CBRE have been appointed to provide UK and Global Property investments.

Progress

ACCESS submitted its pooling proposal to Government in July 2016 with detailed plans for establishing and moving assets into the pool. Included in the proposal was an indicative timeline of when assets will be pooled, and ACCESS has continued to make excellent progress .against the principal milestones set out. ACCESS currently has £44.724 billion assets pooled, and net savings of £92.4 million by March 2024. An additional £1.250 billion has been committed to investments in the Pool for 2024/25. As at 31 March 2024, almost 70% of assets have been pooled.

Pooled Assets

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

Asset Class	£ billion
Global Equity Funds	**16.2**
UK Equity Funds	**2.0**
Emerging Markets Equity Funds	**0,8**
Fixed Income	**8.7**
Diversified Growth	**1.2**
Passive investments	**11.9**
Infrastructure	**1.7**
Real Estate	**2.2**
Total Pooled Investments	**44.7**

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

The investment return on active listed assets annualised over 5 years was 9.8% against benchmark returns of 8.9% and outperformance of 0.9% annualised over 5 years.

Business Plan

The key milestones achieved from activities within last year's 2023/24 Business Plan, are shown below:

- Approval and launch of sub-funds reflecting the strategic asset allocation needs of the ACCESS Funds.
- Work with CBRE to implement the property mandates.
- Pool alignment of infrastructure funds.
- Procurement and implementation of long lease real estate.
- Procurement of timberlands mandate.
- Preparation for, and the commencement of the procurement of the operator services.
- Implementation of outcomes from third party review.
- Commencement of Responsible Investment reporting support for the Pool.
- Additional resources appointed to the ASU to support the activities of the ACCESS Pool.

ACCESS is well placed to continue to develop the pool and progress will continue. It is anticipated that 2024/25 will see key activities within the following themes:

- Reprocurement of the operator services.
- Implementation of private equity and private debt solutions established by Apex.
- Submission of UK Stewardship code application.
- Implementation of reviewed voting guidelines.
- Complete the implementation of outcomes from third party review.
- Review the arrangements of Local Pension Board observes at Joint Committee meetings.

Financial Management Expected v Actual Costs and Savings

The table below summarises the financial position for 2023/24 along with the cumulative position since the commencement of ACCESS activity in early 2016.

A budget for ongoing operational costs is set by the Joint Committee and is financed equally by each of the eleven Authorities. 2023/24 saw a slight overspend, primarily due to higher than anticipated costs of external advice combined with an underspend in the technical lead recharge costs.

	2023-2024		2016-2024	
	Actual In Year £'000	**Budget In Year £'000**	**Actual Cumulative to date £'000**	**Budget Cumulative to date £'000**
Set Up Costs	-	-	1,824	1,400
Transition Costs	-	-	3,338	6,907
Ongoing Operational Costs	1,608	1,559	6,900	9,254
Operator & Depository Costs	5,264	5,771	23,392	26,709
Total Costs	6,872	7.330	35,454	44,270
Pool Fee Savings	(30,794)	(19,900)	(129,739)	(85,450)
Net (Savings Realised)/Costs	(23,922)	(12,570)	(94,285)	(41,180)

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

The 2023/24 fee savings have been calculated using the CIPFA price variance methodology and based on the average asset values over the year. This approach highlights the combined level of investment fee savings, across all ACCESS Authorities stemming from reduced charges.

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

Investment management costs split between pooled and non-pooled assets

	ACCESS Pool*	ACCESS Pool*	Non-ACCESS Pool	Non-ACCESS Pool	Total
	Direct	Indirect	Direct	Indirect	
	£000	£000	£000	£000	£000
Management Fee	585	9,299	2,407	9,462	21,753
Performance Fee	-	(485)	-	(36)	(521)
Transaction Costs	-	387	-	577	964
Custody	-	-	107	-	107
Other Costs	-	-	-	-	-
Total	585	9,201	2,514	10,003	22,303

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

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

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

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

ACCESS has reviewed its own ESG/RI guidelines to reflect both the requirements of the Authorities and the expectations associated with this fundamental aspect of institutional investment.

PIRC have been appointed to provide advice on future appropriate reporting requirements to provide transparency to stakeholders, monitor adherence to the Guidelines and inform discussion on ESG/RI matters.

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

The voting guidelines sets out the principles of good corporate governance and the means by which ACCESS will seek to exercise its influence on companies. During the year, votes on behalf of ACCESS Authorities were cast at 2,614 meetings on 37,483 resolutions and UBS voted at 11,577 meetings on 134,800 resolutions on ACCESS investments held with them.

Administration

Service Delivery

During 2023/24, East Sussex County Council as Administering Authority for the East Sussex Pension Fund undertook the day-to-day pensions administration via its in-house pensions team.

The Pensions Administration team were responsible for:

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

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

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

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

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

With effect from 1 September 2023 most of the Fund printing and postage services were transferred to the ESCC Post Hub. From 1 April 2024 the support for the pensioner payroll and pensions helpdesk were also bought in-house.

Key administration performance indicators

Performance Indicator	Impact	Measure	Target %	Achieved by Fund %
Death notification acknowledged, recorded and documentation sent	Medium	Within 2 days	95%	100%
Award dependent benefits (Death Grants)	High	Within 5 days	95%	98%
Retirement notification acknowledged, recorded and documentation sent	Medium	Within 7 days	95%	95%
Payment of lump sum made	High	Within 5 days	95%	99%
Calculation of spouses' benefits	Medium	Within 5 days	90%	100%
Transfers In - Quote (Values)	Low	Within 10 days (Aggregation 15 d)	90%	96%
Transfers In - Payments	Low	Within 5 days (Aggregation 25 d)	90%	99%
Transfers Out - Quote	Low	Within 10 days (Aggregation 15 d)	90%	95%
Transfers Out - Payments	Low	Within 10 days (Aggregation 25 d)	90%	90%
Employer estimates provided	Medium	Within 15 days	95%	99%
Employee projections provided	Low	Within 15 days	95%	99%
Refunds (inc frozen refunds wef Aug 22)	Low	Within 10 days	95%	90%
Deferred benefit notifications	Low	Within 15 days	95%	93%
Aggregation Quote	Medium	Within 15 days	95%	36%
Aggregation Actual	Medium	within 10 days	95%	75%

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

Number of complaints

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

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

Financial indicators of administrative efficiency

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

Investment management expenses	ESPF Unit costs per member 2022/23	ESPF Unit costs per member 2023/24	Benchmark unit costs 2022/23
Excluded	**£41.2**	**£46.5**	**£43.1**
Included	**£366.0**	**£307.6**	**£309.0**

Key staffing indicators

During 2023/24, staffing numbers within the Pensions Administration area remained at 26 FTE. The team was carrying 3 vacancies.

This provides the Fund with a staff (26) to fund member (85,417) ratio of 1:3,285

With average reportable KPI cases (16,294) per member of staff (26) ratio of 1:627

Membership

During 2023/24 the number of "Active" contributing members within the Pension Fund increased by 0.80% from 24,691 to 24,888. In summary, the number of members contributing to the Scheme is:

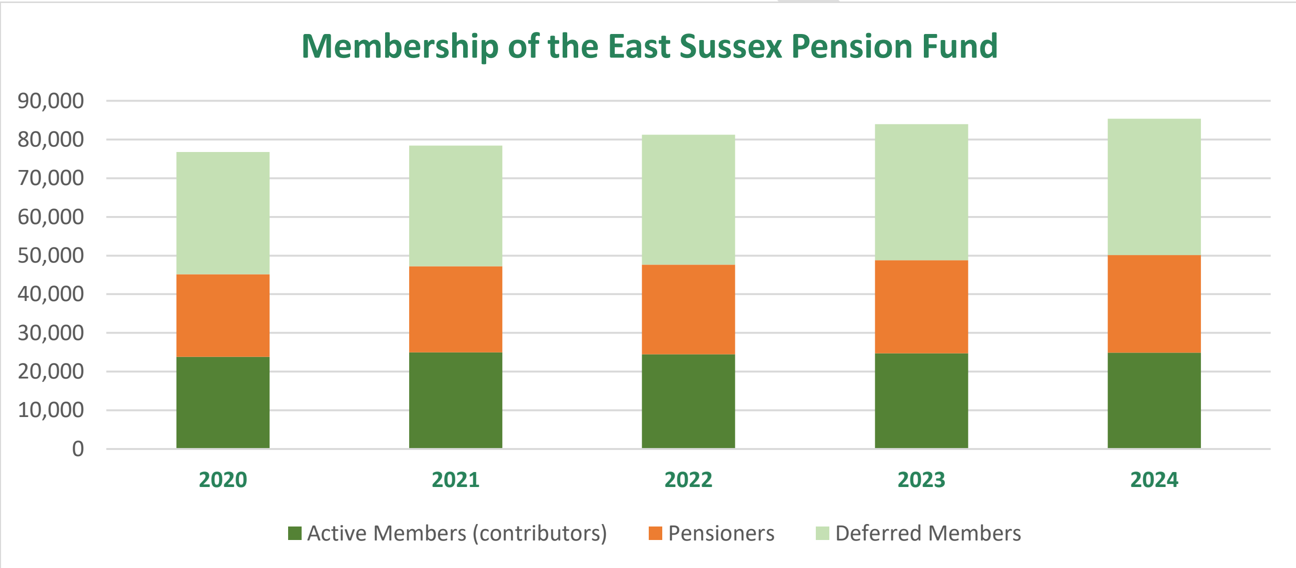
	Number of members 2022/23	Number of members 2023/24
East Sussex County Council	**8,123**	**8,003**
Brighton & Hove City Council	**7,412**	**7,564**
Academies	**3,738**	**3,998**
Colleges	**2,740**	**2,703**
Other	**2,678**	**2,620**
Total	**24,691**	**24,888**

The number of pensioners in receipt of payments from the Fund increased from 24,124 to 25,288 (or 4.83%).

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

	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Active Members (contributors)	23,835	25,002	24,514	24,691	24,888
Pensioners (inc dependents)	21,335	22,230	23,131	24,124	25,288
Deferred Members	31,622	31,234	33,646	35,213	35,240
Total	76,792	78,466	81,291	84,028	85,416

Under the Local Government Pension Scheme (LGPS) (Administration) Regulations 2013, the East Sussex County Council administers the Pension Fund for approximately 85,000 individuals employed by 144 different organisations. Underpinning everything we do is a commitment to putting our members first, demonstrating adherence to good practices in all areas of our business and controlling costs to ensure we provide outstanding value for money.



New pensioners by pensioner type

Pensioner type	Number
Normal Retirements	**606**
Redundancies	**53**
Ill Health	**26**
Employee's Choice of Early Pension	**756**
Total New Pensioners	**1,441**

2023 Annual Benefit Statement

The ABS statutory deadline was 31 August 23 and the results of statements issued for eligible members were as follows:

Member category	2021	2022	2023
Actives	96.31%	96.70%*	**95.90%**
Deferred	99.69%	99.79%	**99.72%**

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

Employers

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

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

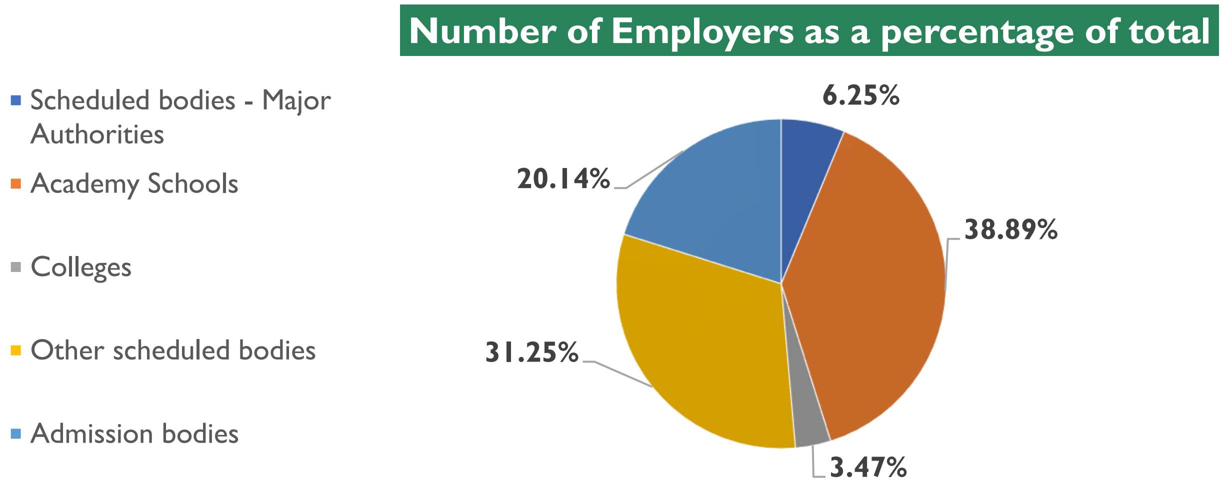
Below is a summary of the number of employers in the fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some deferred members and pensioners).

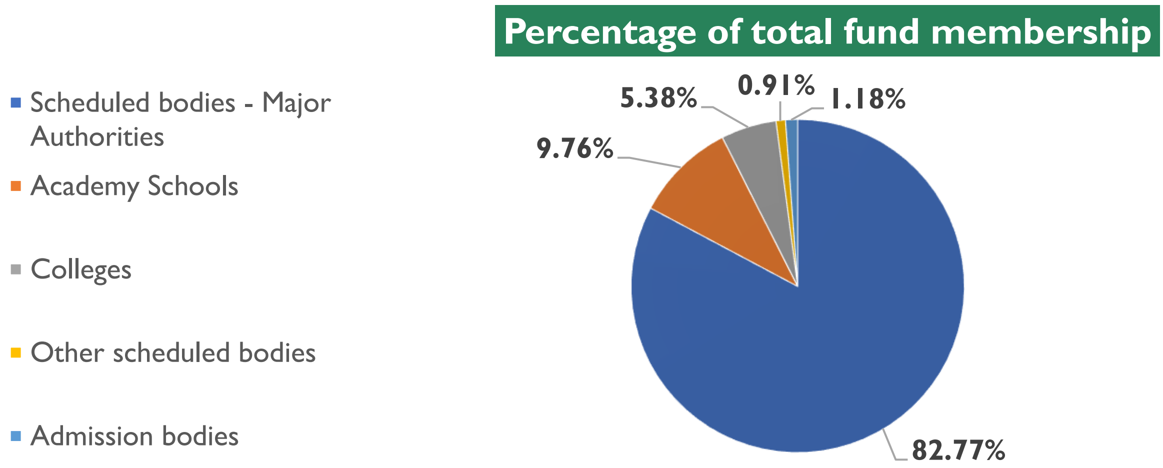
	Active	Ceased	Total
Scheduled body	115	20	135
Admitted body	29	45	74
Total	**144**	**65**	**209**

Employer statistics by Employer type

Employer Type	Number of Employers as a percentage of total	Percentage of total fund membership	Number of Employers in Group
Scheduled Bodies – Major Authorities	6.25%	82.77%	9
Academy Schools	38.89%	9.76%	56
Colleges	3.47%	5.38%	5
Other Scheduled Bodies	31.25%	0.91%	45
Admission Bodies	20.14%	1.18%	29

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





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

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

In particular it sets out:

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

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

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

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

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

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

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

Employers have a responsibility that they must meet as part of the East Sussex Pension Fund. The table below provides details on monthly/annual deadlines that must be met.

Employer deadlines

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

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

Communications Policy

The Communication Strategy sets out how the East Sussex Pension Fund will engage, educate, and fulfil the needs of its stakeholders including members and employers. This is in line with Regulation 61 of the Local Government Pension Scheme (LGPS) Regulations 2013.

The Fund uses a range of methods for members and employers to provide key information.

Newsletters

The Fund will publish newsletters via email which will generally direct members/employers to the website. The newsletter will cover current pension topics linked to the LGPS and the wider pensions industry, along with important messages. Further articles may be sent highlighting issues of importance, such as changes in scheme regulation or operation as they arise.

Active members – two newsletters a year. In April 2023 the Fund produced (for the 1st time) a postal booklet for members with essential information about the Scheme. This was well received and attracted high call volume from members. A subsequent e-newsletter was issued in March 2024.

Deferred and Pensioner members – one newsletter a year. This was by way of a member booklet issued by post.

Employer newsletters – three newsletters were issued in 2023/24.

Website

The Fund has its own website (https://www.eastsussexpensionfund.org/) which provides extensive information and guides about the LGPS, factsheets, forms and up to date news about the Fund's activities and achievements. This should be members main source of scheme information. There are specific sections dedicated to different types of members.

- Joining the scheme
- No longer paying in
- Paying in
- Pensioners

In addition, members have access to the LGPS website. This site is for members of the Local Government Pension Scheme (LGPS) in England and Wales and their families. The website has recently been transformed to improve the user experience.

Employers also have their own dedicated page within the website with information specific to them.

Please note that we use electronic communication as our primary means of contacting members, but they do have the right to opt out and receive information by post.

Annual benefit statements

Annual Benefit Statements are provided to all active and deferred members (by the 31st of August each year) which details members current pension accrued to date and a projection to their Normal Retirement Age (actives only). The statements are made available online via member self-service or posted to members who have opted out of electronic communications (where addresses are known).

'My Pension' - member self-service website

Members have online access (once registered) to their current LGPS pension record held by East Sussex Pension Fund. Members can update their expression of wish nomination(s), email address, home address and communication preferences. The Fund started to promote a new version of 'My Pension' ahead of a proposed launch in quarter 2, 2024.

Training

In the second half of 2023 the Fund began to pilot LGPS training to employees within ESCC. The feedback from those who have attended the sessions was extremely positive. We will look to roll this training out wider in the future.

In 2023 the Employer Engagement team have provided support and in-person training for employers.

Examples of these:

- Full day in house training covering all sections of the fund.
- Roadshows
- Schools
- On site with employers
- Online virtual sessions
- Employer Forum

Pensioners / dependants

Annual Pension Increase statements are sent to all pensioners informing them of the percentage rate their pension will increase by and their revised pension payment for the

Pensioners are also issued with payment advice slips in March, April and May. P60 notifications are issued annually (usually in April or May) and provide members with a breakdown of the payments they have received over the last financial year. P60s and payslips are provided by default online via our member self-service website or issued in the post for others.

Prospective Members - Employer engagement

The Fund works with scheme employers to assist them in the joining arrangements for the LGPS. The Fund will also ensure that the benefits available to are highlighted regularly to employers through mention in conversations, newsletters and the employer forum.

Internal Dispute Resolution Procedure

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

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

Dispute category – First stage	Number in 2023/24
First Stage	10
Upheld	7
Declined	1
Ongoing	2

Dispute category – Second Stage	Number in 2023/24
New at Second Stage	**1**
Upheld – outcome change	**0**
Upheld – no outcome change	**0**
Declined	**1**
Ongoing	**0**

This table reflects the position for the 2023/24 financial year and is not the current position. Not all complaints resolved in this timeframe were raised in the same financial year and the numbers quoted include complaints raised in 2022/23 but were not resolved in the same financial year.

Actuarial report

East Sussex County Council Pension Fund

Actuary's statement as at 31 March 2024

Barnett Waddingham LLP

30 October 2024

Introduction

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

Asset value and funding level

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

- The smoothed value of the Fund's assets for funding purposes as at 31 March 2022 was £4.619m.
- The Fund had a funding level of 122.8% i.e. the value of assets for funding purposes was 122.8% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a surplus of £858m.

Contribution rates

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

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

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

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

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

Assumptions

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

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

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

Updated position since the 2022 valuation

Assets

Investment returns on the Scheme's assets over the year to 31 March 2024 have been strong, estimated at 8% p.a. The Fund also has a positive cash flow, and so the market value of assets at 31 March 2024 has increased since the formal valuation.

Liabilities

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As at 31 March 2024, the real discount rate is estimated to be higher than at the 2022 valuation due to a reduction in the long term rate of CPI inflation and an increase in the discount rate.

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

The 2024 pension increase order is 6.7%. The increase in liabilities associated with this has however been partially offset by the reduction in the long-term inflation assumption. This short-term high inflation and longer-term lower inflation is broadly consistent with what was assumed at the 2022 formal valuation.

Overall position

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

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

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

Barry McKay FFA

Partner, Barnett Waddingham LLP

External Audit Opinion

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

Opinion on financial statements

To Follow

Additional Information

Freedom of information requests

In the financial year 2023/24 the Fund received 10 Freedom of Information requests covering 11 topics.

The topics covered were:

- 1 request relating to climate risk;
- 1 request relating to a report covering divestment and engagement when dealing with; companies exposed to fossil fuels;
- 1 request related the divestment report and also enquired about staff salaries; and
- 7 requests were about Fund investments

All the Freedom of Information requests received were responded within the required timeframe.

The Fund also received 13 other requests for personal information. Of these, 9 were received from representatives of members or former members of the Fund and the remaining 4 were received by the Financial Services Compensation Scheme.

10 of these requests had been responded to by the end of the financial year, with one request withdrawn. Of the outstanding requests, one has since been resolved with the other request not being fulfilled as the person raising the request did not verify their identity to show they are entitled to the data.

The statement of compliance with the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills

Evidence to demonstrate compliance with the Knowledge Code of Practice

The role played by Internal Audit in providing assurance and managing risk, and a summary of assurance activity undertaken during the year

The role of Internal Audit in relation to the East Sussex Pension Fund is to provide assurance on the Fund's governance, risk management and internal controls. An annual Internal Audit Strategy and Plan is developed, following discussions with the Fund's management and the chairs of the Committee and Board. The plan is prioritised around the key risks to the Fund and, following scrutiny by the Board, is approved by the Committee, incorporating any changes they may require, prior to the beginning of the year.

The plan is delivered during the year, providing an audit opinion on each of the areas identified for review. Our reports highlight any areas where controls could be strengthened and include management actions to address them. We present our reports to both the Board and the Committee and give members the chance to raise any questions they may have.

In 2023/24, we provided assurance in the following areas:

- Cash management
- The administration of pension benefits
- Investment and accounting
- The collection of contributions

Report to:	**Pension Board**
Date of meeting:	**07 November 2024**
By:	**Chief Finance Officer**
Title:	**Training Report**
Purpose:	**To provide an update on training needs, opportunities undertaken and planned events**

RECOMMENDATIONS

The Pension Board is recommended to note this Report

1. Background

1.1 This report is brought to the Pension Board to:

- provide results of the annual knowledge and skills survey.
- give details of training completed in the past year by Pension Board and Committee members, and
- provide details of training planned for the year ahead for Pension Board and Committee members.

2. Knowledge and understanding levels

2.1 Members of the Pension Board have a legal duty to develop and maintain appropriate knowledge and understanding of pension matters to fulfil their role. Whilst this duty does not extend to members of the Pension Committee, in their role as decision makers, Committee members should have an equivalent level of knowledge. This is in line with Section 248A of the Pensions Act 2004 and inserts to the Pensions Act 2013.

2.2 In August 2024, members of the Pension Board and Pension Committee were invited to complete a self-assessment which tested their knowledge and understanding of pension matters, based on guidance provided by CIPFA and the Pensions Regulator.

2.3 At the time of writing this report (14th October 2024), responses have been received from five of the seven Pension Board members plus the independent Chair and three of the five Pension Committee members.

2.4 The completed questionnaires allow officers to assess the training needs of the Board and Committee as a whole and individually. It is instrumental in helping define subjects that should be covered by bespoke training (outside of those made available through third party organisations). Where responses are not received this leads to a risk that training needs may not be identified. This in turn could mean that members of the Pension Board and Pension Committee do not meet their legal obligation to have the required level of knowledge and understanding deemed essential to fulfil their role.

2.5 Two new Pension Board members have joined the Fund within the last year, meaning that Officers struggled to compare year-on-year trends in overall knowledge. Where comparisons were available individual members of both Board and Committee scored marginally higher than in 2023.

Subjects where all members would benefit from refresher training included:

- Understanding the role of external stakeholders, for example the Government Actuary's Department.
- How the Fund ensures it is meeting good governance standards.

The Pension Committee can benefit from training on best practice in pensions administration, e.g. performance and cost measures and the Fund's communications strategy.

2.6 Some Board and Committee members' understanding of specific subjects where training has been provided in the last year have not improved (based on the score which they have provided). This is unexpected and highlights the importance of providing feedback on suggested improvements to training events.

3. Training undertaken in the past year

3.1 Training made available in the past year to Pension Board and Committee members include:

- In-house training, such as the General Code of Practice and LGPS & Tax and Cyber training;
- Guest presentations, such as sessions on Funding Update and Cessation Approach from our Actuary and another on Private Equity; and
- External events, for example the LGA's LGPS Governance Conference;
- Other training was provided on Climate Change and Government Bond Markets & Diversified Growth Funds (DGFs).

3.2 As part of last year's training report, officers discussed the need for training on transfers in and out of the Fund, the role of internal audit and measuring governance standards. Work is progressing to create a training event on these areas, with delivery taking place in November/December 2024.

3.4 Since the self-assessment, members of the Pension Committee have had presentations on Gilts (including Index Linked) and Government Bond Markets, which may have helped to developed knowledge in this area.

4. Training plans for the year ahead

4.1 Based on the findings of this year's training needs assessment, together with specific areas requested by the Board and Committee, officers will source training in the following areas:

- Additional Voluntary Contribution (AVCs) and Additional pension contributions (APCs)
- Transfers in and out of the Fund.
- Valuation - legislative and/or benefit uncertainty and the impact of this on the funding strategy; work carried out by GAD and the impact this has on the valuation process (i.e., the cost management process/Section 13 report).
- LGPS discretions and how the formulation of the discretionary policies impacts on the fund, employers and scheme members.
- Update on Procurement Regulations.
- LGPS regulations' main features and requirements relating to: Communication strategies, administration; the delivery of administration and communications (including associated guidance).
- Any new areas where a training need is specified by the Board and Committee (Pension Board and Committee members are reminded that if they have a particular training need, they should contact the Training Co-Ordinator).
- Officers will monitor the market for pertinent training opportunities and notify members of both the Pension Board and Committee monthly.

In addition to the above external training, CIPFA provides annual training specifically designed for Board members which is offered to all ESPF Board members. The Local Government Association (LGA) offers yearly Fundamentals Trainings for new members of Boards and Committees.

4.2 When training takes place, feedback is encouraged on both content and delivery. This will help officers improve the training sessions provided and ensure both Pension Board and Committee members get value from the time invested.

5. Training Survey

5.1 At the start of 2024 officers conducted an anonymous survey which requested training feedback from Board and Committee Members. Seven out of twelve members responded. The results showed that all responders were happy with the content and format of the training information provided and most (if not all) fully explore the content of the 'monthly training opportunities' emails sent by the training coordinator. A copy of the results is included at Appendix 1 of this report.

6. Conclusion and Recommendations

6.1 The Pension Board is recommended to note the report which includes the outcome of the self-assessment knowledge and skills survey; the training made available in the past year; the type of events planned for the year ahead and areas where Board members would like priority training.

IAN GUTSELL
Chief Finance Officer

Contact Officer: Dave Kellond, Compliance & Local Improvement Partner
Email: Dave.Kellond@eastsussex.gov.uk

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Do you explore all emails with training opportunities sent by the Training Coordinator each month?	Are the format and details of information in the monthly training opportunities emails sufficient?	How can we improve the format and details of information in the monthly training opportunities emails?	Do you find the blogs, podcasts and the short articles links useful?	How staisfied are you with the officer led training sessions?	What can we do to make the officer led sessions more effective?	What topics would you like to hear more about?	Any additional comments you would like to make?
				rate from 1 to 5			
All	Yes	They serve their purpose. No issues from me.	Somewhat	4	Keep them succinct, focus on key messages and information that you need people to take away.	Looking ahead to forthcoming changes in regulations or fund structure.	
Most	Yes	Maybe give more advice about which would definitely be advisable to attend	Somewhat	5	More interaction maybe	- future plans for taking into account climate scenarios for valuation -	generally training is very good
All	Yes		Somewhat	4	I appreciate everyone is time constrained but I think allocating more time might be of benefit. It is often the case that sessions are too compressed and do not allow full consideration of topics.	Presentation of fund policies, with presentation of the rationale why particular policy decisions have been made and the relevant context. Currently it is left to members to read policies individual and consider and understand their content somewhat in the abstract.	
Most	Yes		Yes	4	Could be recorded to look back on	Unsure	
All	Yes	I am happy with them as they are.	Yes	4	Maybe consider an Officer blog, with what is going on each week to keep Committee and Board up-to-date.	Fund specific developments	
Most	Yes		Yes	4	I think that they are fairly effective as is.	Upcoming regulatory changes Upcoming changes to LGPS investment criteria/requirements	
A few	Yes		No	3	why is my national insurance number printed here? >	can't say	

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Report to: **Pension Board**

Date of meeting: **07 November 2024**

By: **Chief Finance Officer**

Title: **Pension Fund Risk Register**

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

RECOMMENDATIONS

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

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1 Background

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

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

1.3 Since the last meetings 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 Given the relatively short time between this meeting and the previous Board meeting, there have been minimal amendments to the risk register. However, regarding Risk G1, it is important to highlight that since the last meeting, the Fund has successfully recruited an Interim Deputy Head of Pensions, and an offer has been made for the permanent Deputy Head of Pensions role. While these developments could have potentially reduced the key person risk, the risk score has been maintained at its current elevated level due to the recent resignation of the Head of Pensions. The two new appointees are experienced and once settled into their respective roles, the risk will be reviewed.

3.2 At the Pension Committee meeting on 25 September 2024 two questions were raised around risk G3 - Cyber Security. These were whether system back-ups were immutable and assessment of third-party provider backs up. The other question was relating to legacy systems being decommissioned, as it had been highlighted as a serious issue to other organisations. The Fund can confirm that the legacy Pensions Administration systems have been fully decommissioned. The Fund are in liaison with the Information Security team on the query about back-ups and will continue to assess the risk. At this time the risk has not been amended.

4 Conclusion

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

IAN GUTSELL
Chief Finance Officer

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

Appendix 1

Summary Post Mitigation Risk scores

Reference	Strategic Risk	Sep-23	Nov-23	Feb-24	Jun-24	Sep-24	Nov-24	Change from Sept
Employer								
E1	**Contributions Funding** Failure to collect contributions from employers in line with Funding strategy requirements and Rates and Adjustment Certificate	4	4	4	4	4	4	↔
E2	**Employer data** Employers fail to provide accurate and timely data to the PAT team	9	9	9	9	9	9	↔
E3	**Employer Covenant** Delay in employers agreeing Admission Agreement, risk of insufficient security	4	4	6	6	6	6	↔
Administration								
A1	**Pensions service Delivery** Inadequate delivery of Pensions Administration	6	6	6	6	6	6	↔
A2	**Regulatory Change** Risk that new benefit structures can not be set up correctly or in time	6	6	6	6	6	6	↔
A3	**Production of Statutory member returns** Risk of failure to produce ABS, annual allowance and event reports	6	6	6	6	4	4	↔
A5	**Transfer Scams** Failure to comply with CETV anti scam checks	2	2	2	2	2	2	↔
A7	**MBOS Project** Failure to deliver the new ERP system to effectively deliver for Pension Fund accounting and payroll requirements	6	6	6	6	6	6	↔
Governance								
G1	**Key Person risk** Risk of loss of key / senior staff resulting in lost knowledge and skills with in the Pensions Team	4	4	6	6	8	8	↔
G2	**Committee / Board Member** Lack of decision making caused by loss of Pension Committee/Pension Board members or insufficient knowledge and skills of members	9	6	6	6	6	6	↔
G3	**Cyber Security** Risk of Loss of data or systems breaches through cyber attacks	8	12	12	12	12	12	↔
G4	**Governance and Compliance** Inadequate governance arrangements and controls to discharge powers & duties	6	3	3	3	3	3	↔
G5	**Data Breach** Failure to comply with General Data Protection Regulations	4	4	4	4	4	4	↔
G6	**Fraud** Internal and External fraud risk	4	4	2	2	2	2	↔
Investment/Funding								
I1	**Funding risk - poor investment returns** Risk that investment strategy fails to result in performance required to meet the needs of the Funding strategy discount rate	4	4	4	4	4	4	↔
I3	**Regulatory risk** Failure to comply with regulations, legislation and guidance from an accounting and investment perspective	2	2	2	4	4	4	↔
I4	**Investment Pooling** Inability to comply with government direction on pooling, insufficient sub funds to implement investment strategy, poor management of the pool	12	9	9	9	9	9	↔
I5	**Funding risk - higher inflation** Risk of inflation leading to increased liabilities, lower asset returns and a funding gap	6	6	6	6	6	6	↔
I6	**Environmental, Social and Governance** Risk of ESG factors within Investment strategy, underlying holdings and implementations of investment decisions	4	4	6	6	6	6	↔
I7	**Climate change** Risk to assets and liabilities associated with Climate Change	4	4	6	6	6	6	↔
I8	**Liquidity** Insufficient cash to pay benefits as they fall due	4	4	4	4	4	4	↔
I9	**Money Purchase Additional Voluntary Contributions** Inadequate offering to Scheme Members	2	2	2	2	2	2	↔

Ref	Strategic Risks	Pre-mitigation RAG	Risk Control / Response	Post-mitigation RAG	Risk Owner
Employer Risk					
E1	Contributions Funding Failure to collect contributions from employers in line with Funding strategy requirements and Rates and Adjustment Certificate	9	•Monthly Employer contribution monitoring completed •Monitoring of late payments by Employer engagement team to address breaches for late payment. Chasers are sent out during the lead up to the deadline to prompt employers providing information and payment on time •Contributions recorded in Finance system for each employer to track employer cashflows in line with actuarial requirements for Valuation and FRS17/IAS19 reporting requirements. Also enables ability to see trends in contributions collected •Pension Administration strategy in place from January 2021 clearly outlining ability to charge employers for late payment, late receipt of remittance advice or poor quality of data. Late payment charges are now being administered as a deterrent and to cover the impact on the Fund for late payment. This strategy was refreshed in February 2023 •Implementation of i-Connect is improving the quality of contribution data received to better aid reconciliation of payments and drill into the accuracy of employers' contribution payments, however functionality is still being improved by the software provider •Regular reporting to Pensions Board on any late payment of contributions •Covenant review undertaken helps identify employers most likely to have financial difficulties. This will be renewed in 2025 as part of th valuation process. •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 engagement team are confirming the correct signatories for contribution submissions to ensure they are signed off at an appropriate management level •Regular communication with Employers through Employer engagement team •Cash Management covered by internal audit in 2022/23 and 2023/24 looking at contribution collection and cash management strategy with substantial assurance	4	Head of Pensions
E2	Employer data Employers fail to provide accurate and timely data to the PAT team	12	•Pension Administration Strategy in place and last reviewed in 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 •i-Connect system limits 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. Work will ommence on data clensing for both Dashboard and the 2025 triennial valuation.	9	Head of Pensions

E3	Employer Covenant Delay in employers agreeing Admission Agreement, risk of insufficient security	8	•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 •Guide to outsourcing is publicly available and distributed to all employers. 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 data flow and process map is in place 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
Administration					
A1	Pensions service Delivery The scheme is not administered correctly resulting in the wrong benefits being paid or benefits not being paid, including the result of poor data	9	•The PAT team is in-house provision 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 bringing inhouse with no red recommendations. •Quarterly Reports to Pension Board and Committee on areas of work and KPIs •New service level KPI's now reportable within the Administration software •Awareness of the Pension Regulator Guidance by all team members, with training provided at team meetings or through provision of courses •Task workflow is managed by the Senior Pension Officers to all PAT staff and helpdesk add all tasks to the workflow system, to ensure all tasks completed as planned and to a high standard. PAT staff also add tasks as appropriate. •Checklists in place and all activity impacting members recorded on member records for other teams members to access •All tasks are peer reviewed. Constant monitoring / checking by team managers and senior officers for more junior staff members •In house risk logs covering projects •SAP / Altair reconciliation monthly to ensure pension payment records complete and correct •Most calculations automated to reduce manual error risk •Task management systems built into Altair to ensure activity is completed and monitored •Regular meetings with payroll, HR, ICT and PAT •Pensions Admin working group in place to discuss service delivery issues on a regular basis •Pensions Admin Team has skills matrix to identify training needs for particular processes	6	Head of Pensions Administration
A2	Regulatory Change Risk that new benefit structures can not be set up correctly or in time	9	•Projects and/or working groups in place to deal with current regulatorily benefit changes •Attendance at networks and officer groups to stay on top of upcoming changes in regulation •Reports to Pension Board and Committee to ensure knowledge is shared to decision makers •Oversight via Pension Admin Working Group	6	Head of Pensions Administration

A3	Production of Statutory member returns Risk of failure to produce ABS, annual allowance and event reports	15	•Regular contact with employers to get data •Clear project plan with early communications and planning with milestones to ensure Statements created in time to allow time for distribution to staff •Roll out of I-Connect for employer roll out as monthly interfaces system, to ease year end requirements and correct errors throughout the year. Currently many leavers are not being notified until year-end. This will also cleanse data relating to Annual Allowance •Structure of Pensions team includes Employer Engagement team to support Pensions Administration Team with end of year returns liaising and supporting employers through the process •Breaches policy in place and Breach reporting to Committee and Board quarterly to raise and consider breach reporting levels	4	Head of Pensions Administration
A5	Transfer Scams Failure to comply with CETV anti scam checks	6	•Process in place for making checks required by law and/or recommended by TPR. Appropriate training to be identified and offered to staff to build understanding of risk and appropriate mitigations •Process mapping process has taken place to ensure transfers are fully documented with clear guidance to staff in carrying out this activity •Member informed of "red flags" identified •Scorpion campaign material provided to members seeking a CETV •Quality assurance checks ensure appropriate checks carried out	2	Head of Pensions Administration
A7	Implementation of Oracle Failure to deliver the new ERP system to effectively deliver for Pension Fund accounting and payroll requirements	9	•Officers are part of the project roll out and involved in testing. Needs of the Pension Fund are therefore being considered •Officers produced process mapping for all functions within the existing finance system •A specific stream of planning has been identified in the project for the interface with Altair •S151 officer on the programme board and will make go/no go decision •Heywood's paid to produce a scheme specific payroll data output report for transfer to Oracle	6	Head of Pensions
Governance					
G1	Key Person risk Risk of loss of key / senior staff resulting in lost knowledge and skills with in the Pensions Team	12	•Diversified staff / team •Attendance at pension officers' user groups to network and exchange information •Procedural notes which include new systems, section meetings / appraisals •Succession planning within team structure, building from within the team •Robust business continuity processes in place around key business processes, including a disaster recovery plan •Knowledge of all tasks shared by at least two team members within PAT and in addition can be covered by senior staff in all areas •Training requirements are set out in training strategy, job descriptions and reviewed prior to recruitment processes •Training officer post •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 •Officers are working to bring in an interim to fill a senior leadership gap to keep the impact of not recruiting to post minimal	8	Head of Pensions / Head of Pensions Administration
G2	Committee / Board Member Lack of decision making/functionality caused by loss of Pension Committee/Pension Board members or insufficient knowledge and skills of members	9	•Record kept of terms of Office •Pension Board terms of Office staggered •Vice Chairs in place to cover chair absence •Officers aware of election cycles and request for officers as a prefernce over elected members is communciated to employers •Robust Terms of reference in place that is clear and comprehensive •Training plans in place for new members to build knowledge to required levels	6	Head of Pensions

G3	Cyber Security Risk of Loss of data or systems breaches through cyber attacks	16	• ICT defence - in-depth approach. • Utilising firewalls, passwords and ICT control procedures including system access and account deletion protocols. Network activity is monitored to identify security threats. • Email and content scanners • Using anti-malware which is regularly updated, together with other protective software • ICT performs penetration and security tests on regular basis • Encryption used on all data transfers • Service level agreement with termination clause • Regular reports SAS 70/AAF0106 • Industry leaders providing services to the fund with data protection and cyber defence systems • Risk assessment completed with all new contracts with data transfer and new associated systems including penetration testing at outset • Pensions Team specific BCP beig finalised and rolled out • 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 • Officers undertook a war games training session with IT in August 2024	12	Head of Pensions
G4	Governance and Compliance Inadequate governance arrangements and controls to discharge powers & duties	9	•Training strategy in place which covers Pension Committee, Pensions Board and officers •75 days of internal audit commissioned for each calendar year 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 General Code requirements to identify any governance gaps •Specialist legal advisers and governance advisers to provide clear and accurate advice to the Fund on point of law or regulation •Publication of annual Governance and Compliance Statement explaining governance arrangements and reviewed and approved by Board / Committee •Training coordinator appointed. This officer liaises with chair of Pension Board and Committee to identify training needs •Working groups in place, with own terms of reference, which report findings to full Board and Committee •Governance of meetings supported by Democratic Services •Governance structures held within ESCC constitution •Conflict of interest policy in place	3	Head of Pensions
G5	Data Breach Failure to comply with General Data Protection Regulations and Disclosure Regulations	9	•Contracts with external parties where there is a data role have clear terms and conditions as part of the data processing agreements •Data Impact assessment is carried out on all new tenders where data is involved •DPO is in place via ESCC •Privacy notice is on the website - the privacy statements have been refreshed 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
G6	Fraud Internal and External fraud risk	12	•Quarterly review of log in credentials •Senior officers have sight of bank account •Senior officers are signatories to bank account •Multiple sign off needed to make payment, with appropriate seniority levels •Mortality checks, Tell us once and NFI data •Contract in place with a third party to support with mortality and address training •Journals over £1m have to be signed off by Head of Pensions	2	Head of Pensions

Investment/Funding

I1	Funding risk - poor investment returns Risk that investment strategy fails to result in performance required to meet the needs of the Funding strategy discount rate	9	•Strategy is supported by expert Investment consultants. Challenge to Consultants through Independent Adviser •Triennial valuation ensures funding position is known and contribution rates are stabilised •Quarterly Performance monitoring, investment manager monitoring from consultants and Link for ACCESS sub funds. Officers have a rolling programme to meet and challenge investment managers •Annual Investment Strategy Review, with interim rebalancing •Quarterly Reporting to Pensions Committee, with decisions approved by committee, including Fund Manager performance •Training strategy in place to ensure officers and committee members have sufficient knowledge and skills to implement and change the investment strategy •Investment decisions are made in compliance with the ISS/FSS •All investment decisions made, based on proper advice •Diversified strategy to reduce correlation of manager volatility •Changes to investment strategy are discussed with the actuary to ensure anticipated implications on funding aligned •Revision of the Asset Liability Model to support a viable Strategic Asset Allocation for the new valuation	4	Head of Pensions
I3	Regulatory risk Failure to comply with regulations, legislation and guidance from an accounting and investment perspective	9	•Pensions Officers are kept up to date with changes to legislative requirements via network meetings, professional press, training and internal communication procedures •Pension Fund financial management and administration processes are maintained in accordance with the CIPFA Code of Practice, International Financial Reporting Standards (IFRS), and the ESSC Financial Regulations •Regular reconciliations are carried out between in-house records and those maintained by the custodian and investment managers •Internal Audits - carried out in line with the Pension Audit strategy •External Audit review the Pension Fund's accounts annually •Specialist legal advisers to provide clear and accurate advice to the Fund on point of law or regulation •Breaches policy in place to ensure breaches mapped and reported	4	Head of Pensions
I4	Investment Pooling Inability to comply with government direction on pooling, insufficient sub funds to implement investment strategy, poor management of the pool	16	•ACCESS Support Unit team provide support to the pool •Operator contract provided by Waystone for assets held within the ACS. Operator novation imminent. •The ACCESS Contracts Manager will monitor Waystone's progress closely. •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 activities for the pool •Illiquid assets are in progress for pooling •Fund has responded to key government consultations to ensure its view is shared with policy makers on recommended future changes in pooling.	9	Head of Pensions

I5	Funding risk - higher inflation Risk of inflation leading to increased liabilities, lower asset returns and a funding gap	12	•Investment strategy include weighting to index linked gilts, infrastructure and real estate which are all inflation correlated to mitigate increases in liabilities from inflation •Potential to further increase infrastructure weightings •Fund monitor portfolio sensitivity to inflation via expert investment consultants •Triennial Valuation assumptions include local knowledge of the Administering authority on anticipated pay inflation •Flexibility in the DGF mandates to react to the market and adapt the investment portfolio •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	8	•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 •Stewardship code submission approved in February 2024 for the 2022 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
I7	Climate change Risk to assets and liabilities associated with Climate Change	12	•Statement of Responsible Investment Principles (SRIP) outlines investment beliefs including Climate Risk. The Fund take the SRIP into account for implementation of decisions and monitoring of investment managers, carbon emissions and climate risk to the Fund •Restructuring of the equity portfolio removed structural exposure to fossil fuel companies to avoid high risk companies from a climate perspective and minises stranded asst risk from direct holdings in underlying portfolios. •The Fund are able to exploit opportunities from the low energy transition by investing in climate impact funds and resource efficient companies •The Fund has trimmed unconscious exposure to companies with high Carbon emission, poor energy transition plans and or fossil fuel companies, through removal of traditional index funds •Member of Institutional Investors group on climate change (IIGCC), the Fund also expects its managers to be IIGCC members •The Fund carries out annual carbon foot printing to better understand the carbon exposure and energy transition plans within the portfolio. Additionally, the Fund carries out ESG impact assessment of all investment managers which includes a climate score. •Signatory to UN PRI •Report in line with the TCFD farmework •The Fund is investigating climate scenario modelling which will help better understand this risk and allow further consider approaches in tackling these risks •Where exposed to fossil fuels, the Fund uses its vote to drive engagement and improved practices. A number of Fund managers are Climate 100+ engagement partners, leading on this work with top emitting companies, while all managers are IIGCC members for collaborate weighting of AUM to influence action. Managers have escalation plans for when engagement is not effective which includes disinvesting from the high carbon or fossil fuel company. •Focus on Climate change through training to committee and officers •Focus on Climate Change in decision making and strategy changes •Limited impact to the Fund value from direct exposure to fossil fuel companies in the instance of carbon taxes, valuation falls or stranded assets due to the underweight, very low exposure to this sector and no structural allocation of these companies.	6	Head of Pensions

I8	Liquidity Insufficient cash to pay benefits as they fall due	8	•Contributions monitored on monthly basis •Monitoring of members close to retirement •Daily cash position monitored •Distributing investments to ensure stream of income from investment activity •Income from investments is considered as a key risk in all investment strategy decisions and the income profile managed •Liaison between administration and investment team on cash requirements •Cash Management internal audit completed in Q3 2022/23 and will be picked up in the 2023/24 IA plan for further review •Cash Management strategy in place	4	Head of Pensions
I9	Money purchase AVC Inadequate offering for the scheme members on cost, return and/or risk grounds	4	•A range of fund options provided, catering for different levels of member risk and return so they can design investment strategy for own circumstances •Continuing suitability of AVC offering is reviewed regularly	2	Head of Pensions

Risk Register Risk Scores

The risk scores are calculated using the risk matrix below:

90-100%	This week	Very High	LIKELIHOOD	5	5	10	15	20
60-90%	This Month	High		4	4	8	12	16
40-60%	This year	Medium		3	3	6	9	12
10-40%	Next 5 years	Low		2	2	4	6	8
0-10%	Next 10 years	Very Low		1	1	2	3	4
					1	2	3	4
					IMPACT			
					Negligible No noticeable impact	Minor Minor impact, Some degradation of service	Major Significant impact, disruption to core services	Critical Disastrous impact, Catastrophic failure
				SERVICE DELIVERY	Handled within normal day-today routines.	Management action required to overcome short-term difficulties.	Key targets missed. Some services compromised.	Prolonged interruption to core service. Failure of key Strategic Project
				FINANCAL	Little loss anticipated.	Some costs incurred. Handled within management responsibilities.	Significant costs incurred. Service level budgets exceeded.	Severe costs incurred. Statutory intervention triggered.
				REPUTATION	Little or no publicity. Little staff comments.	Limited local publicity. Mainly within local government community. Causes staff concern.	Local media interest. Comment from external inspection agencies. Noticeable impact on public opinion.	National media interest seriously affecting public opinion

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Report to:	**Pension Board**
Date of meeting:	**07 November 2024**
By:	**Chief Finance Officer**
Title:	**Work Programme**
Purpose:	**To note the Board and Committee work programme**

RECOMMENDATIONS

The Pension Board is recommended to:

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

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1 Background & Supporting information

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

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

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

2 Conclusion and reasons for recommendations

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

IAN GUTSELL
Chief Finance Officer

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

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Pension Board and Committee – Work Programme

Future Pension Board Agenda		
Item	**Description**	**Author/Owner**
Standing items (items that appear on each agenda)		
Pension Committee Update	A consideration of the draft agenda of the Pension Committee and summary minutes of the last Pension Committee meeting decisions.	Head of Pensions
Governance Report	A report on governance issues effecting the fund, developments in the LGPS and regulatory environment, policy amendments and ACCESS pool updates	Deputy Head of Pensions
Employer Engagement and Communications Report	A report on Employer Engagement matters to note, Employer Contributions update and Communications from the Fund	Deputy Head of Pensions
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

Appendix 1

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	Deputy Head of Pensions
Employer Admissions and Cessations	A report on the admission and cessation of employers to the Fund	Deputy Head of Pensions
13 February 2025		
External Audit Plan for the East Sussex Pension Fund 2024/25	Draft External Audit Plan for 2024/25 Pension Fund Financial Statements	Pensions Manager – Investment and Accounting
Business Plan and Budget 2025/26	Report to set the Budget for the Pension Fund for the Financial Year 2025/26 including the Business Plan with key deliverables for the year.	Pensions Manager – Investment and Accounting
5 June 2025		
Governance and Compliance Statement	Annual Review of Governance and Compliance Statement	Deputy Head of Pensions

Communications Strategy	3 Year review of the Funds Communications Strategy	Communications 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.	Deputy Head of Pensions
11September 2025		
Supplier Update	Update on supplier contracts and procurements	Head of Pensions
4 November 2025		
Independent Auditors Report on the Pension Fund Accounts 2024/25	A report on the External Audit findings of the Pension Fund financial Statements for 2024/25	Pensions Manager – Investment and Accounting
Pension Fund Annual Report and Accounts 2024/25	2024/25 Annual Report and Accounts for approval	Pensions Manager – Investment and Accounting
Employer Forum Agenda	Discussion on Pension Fund Employer Forum Agenda topics	Deputy Head of Pensions
2025 Actuarial Valuation and Funding Strategy Statement	Report from the Fund Actuary on the March 2022 triennial valuation process, methodology and assumptions with a draft Funding Strategy Statement for approval prior to consultation	Head of Pensions

Annual Training Plan	Report on Training completed in the year and training recommendations for the up-coming year	Deputy Head of Pensions
4 February 2026		
Business Plan and Budget 2026/27	Report to set the Budget for the Pension Fund for the Financial Year 2026/27 including the Business Plan with key deliverables for the year.	Head of Pensions
External Audit Plan for the East Sussex Pension Fund 2025/26	Draft External Audit Plan for 2025/26 Pension Fund Financial Statements	Pensions Manager – Investment and Accounting
2025 Valuation report and results and Final Funding Strategy Statement (FSS)	Final report and results from the Fund Actuary of the 31 March 2025 triennial valuation with the final FSS for approval post consultation.	Head of Pensions
Additional Funding Strategies	Triennial review of policies that support the FSS and funding position. This includes the Exit Credit Policy, Contribution Rate review Policy and Deferred Debt and Debt Spreading agreement policies.	Deputy Head of Pensions

Actions requested by the Pensions Board

Subject Area	**Detail**	**Status**
Ill Health insurance review	The Board requested a review to be carried out on the Ill Health Insurance provision in place in terms of commercial arrangements.	TBC - 2025
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

AVC – Default fund	Further investigation into the best default option for AVC investors through the Pru.	Report in progress – to be finalised for February 2025 meetings

Future Pension Committee Agenda		
Item	**Description**	**Author**
Standing items (items that appear on each agenda)		
Governance Report	A report on governance issues effecting the fund, developments in the LGPS and regulatory environment, policy amendments and ACCESS pool updates	Deputy Head of Pensions
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	Deputy Head of Pensions
Investment Report	A Quarterly performance report of the investment managers	Pensions Manager – Investment and Accounting 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.*	Deputy 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.*	Deputy 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	Pensions Manager – Investment and Accounting
Pension Fund Annual Report and Accounts 2023/24	2023/24 Annual Report and Accounts for approval	Pensions Manager – Investment and Accounting
Employer Forum Agenda	Discussion on Pension Fund Employer Forum Agenda topics	Deputy Head of Pensions
Annual Training Plan	Report on Training completed in the year and training recommendations for the up-coming year	Deputy Head of Pensions
27 February 2025		

External Audit Plan for the East Sussex Pension Fund 2024/25	Draft External Audit Plan for 2024/25 Pension Fund Financial Statements	Pensions Manager – Investment and Accounting
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
24 June 2025		
Governance and Compliance Statement	Annual Review of Governance and Compliance Statement	Deputy Head of Pensions
Communications Strategy	3 Year review of the Funds Communications Strategy	Communications 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.	Deputy Head of Pensions
24 July 2025 – Strategy training day		
25 September 2025		
External Audit Report for the East Sussex Pension Fund 2024/25	Draft External Audit Report for 2024/25 Pension Fund Financial Statements	Pensions Manager – Investment and Accounting
Carbon Footprinting	A report on the carbon footprint of the portfolio of ESPF including whether investments are in line with transition pathways.	Pensions Manager – Investment and Accounting

ESG Impact Assessment	Annual assessment by Investment consultants on the ESG standing of Investment managers with action plan	Pensions Manager – Investment and Accounting
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.	Pensions Manager – Investment and Accounting
Stewardship Reporting	Update on status for submitting annual submission to FRC for Stewardship activities for calendar year 2024	Pensions Manager – Investment and Accounting
Supplier Update	Update on supplier contracts and procurements	Head of Pensions
18 November 2025		
Independent Auditors Report on the Pension Fund Accounts 2024/25	A report on the External Audit findings of the Pension Fund financial Statements for 2024/25	Pensions Manager – Investment and Accounting
Pension Fund Annual Report and Accounts 202/25	2024/25 Annual Report and Accounts for approval	Pensions Manager – Investment and Accounting
Employer Forum Agenda	Discussion on Pension Fund Employer Forum Agenda topics	Deputy Head of Pensions
2025 Actuarial Valuation and Funding Strategy Statement	Report from the Fund Actuary on the March 2022 triennial valuation process, methodology and assumptions with a draft Funding Strategy Statement for approval prior to consultation	Head of Pensions
Annual Training Plan	Report on Training completed in the year and training recommendations for the up-coming year	Deputy Head of Pensions

26 February 2026		
External Audit Plan for the East Sussex Pension Fund 2025/26	Draft External Audit Plan for 2025/26 Pension Fund Financial Statements	Pensions Manager – Investment and Accounting
2025 Valuation report and results and Final Funding Strategy Statement (FSS)	Final report and results from the Fund Actuary of the 31 March 2025 triennial valuation with the final FSS for approval post consultation.	Head of Pensions
Additional Funding Strategies	Triennial review of policies that support the FSS and funding position. This includes the Exit Credit Policy, Contribution Rate review Policy and Deferred Debt and Debt Spreading agreement policies.	Deputy Head of Pensions
Business Plan and Budget 2026/27	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

Actions requested by the Committee

Subject Area	Detail	Status
Training	Requests were made, following the July 2023 investment workshop day for various training items The items still to arrange are • 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 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	In progress

	• 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.	

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, Paul Punter, Sian Kunert, Ian Gutsell

Training and Development – attendance at recent events			
Date	**Topic**	**Committee**	**Board**
27 Sep	**TPR - General Code of Practice - 6 months on in the LGPS…** Attendees gained an understanding into: • How LGPS funds have approached their General Code self-assessment, including the timescale, effort and output from that work. • The insights our governance team has uncovered in the last six months working with LGPS funds. • What a TPR visit could mean for your Fund and how to be prepared.	Cllr Redstone	Trevor R, Zoe O'S
16 Oct	**Fundamentals Day 1** The course provides a scheme overview and covers current issues in relation to administration, investments and governance of the LGPS. All sessions are delivered by experts in their field.		Linda H
Training and Development – members registered to attend future events			
22-Oct	**Local Authority Pension Funds' ESG & Current Issues** With responsible and ESG Investment reports now a requirement for LGPS investors, this conference will enable local authority pension funds and pools, as well as other public authority pension investors, to explore a range of investment approaches, opportunities and new ideas in the ESG space. We will consider the latest trends and the outlook for various ESG investments in the prevailing regulatory and macroeconomic environment as well as some of the key current issues and practicalities.	Cllr Taylor	
21 Nov	**Local Pensions Board Autumn Training - Dealing with Change** Delegates will benefit from: • Fulfilling their Knowledge and Skills Requirements • A chance to liaise with peers in a relaxed but discreet atmosphere • An opportunity to take stock of what they have achieved since boards came into being • A chance to ask the question "Where next?" • Hearing from several key stakeholders, including the LGA, MHCLG and CIPFA. • - An opportunity to ask the experts in a discussion forum.		Trevor R

21&28 Nov	**Fundamentals Day 2** The course provides a scheme overview and covers current issues in relation to administration, investments and governance of the LGPS. All sessions are delivered by experts in their field.		Linda H
10 Dec	**Fundamentals Day 3** The course provides a scheme overview and covers current issues in relation to administration, investments and governance of the LGPS. All sessions are delivered by experts in their field.		Linda H

Training and Development – Future Training Offered to Pension Board	
October	**Topic**
15-17 Oct Organisation: PLSA Location: Liverpool Cost: Free	**PLSA Annual Conference – At the forefront of Pensions** The event will provide: **Comprehensive industry insights**: Gain valuable insights from a wide range of industry experts discussing everything that matters in pensions: member communications, new regulation, politics, the economy and innovation. **Networking opportunities**: Connect with a diverse group of professionals including scheme CEOs, pension fund managers, consultants, policymakers, trustees and service providers. Policy and regulatory updates: Stay up-to-date with the latest regulatory changes and policy developments that impact pension funds. **Innovative solutions and trends:** Learn about the latest innovations, hot topics and trends in pensions. Discover new tools, technologies, and approaches to get the most for pension scheme members. **Influence and advocacy**: Participate in discussions that shape the future of the pensions industry and advocate for changes that benefit members and stakeholders.
November	
21 Nov Organiser: CIPFA Location: Hybrid (in-person or online) Time: 09:30 – 15:45 Cost: £190	**Local Pension Boards Autumn Training -** Dealing with change The keynote session at this year's training will try to answer the question: Where have Boards been? Where are they now? And where are they going? Elsewhere, change is the only constant we all have to deal with in the Public Services. Is it different this time though? With a decisive election result and suggestions that the new government could go further and faster with the LGPS consolidation agenda, we will look at what that could mean for Boards. Delegates will benefit from: • Fulfilling their Knowledge and Skills Requirements • A chance to liaise with peers in a relaxed but discreet atmosphere • An opportunity to take stock of what they have achieved since boards came into being • A chance to ask the question "Where next?" • Hearing from several key stakeholders, including the LGA, MHCLG and CIPFA. • An opportunity to ask the experts in a discussion forum
27-28 Nov Organiser: DG Publishing	**Private and Public Pensions Summit - A new dawn: global markets, politics and pensions – what it all means for pension schemes**

Location: Surrey Time: 27th start at 11:15 28th ends at 18:30 Cost: Free	The Summit gathers the most senior executives and trustees from leading corporate and local government pension plans, together with master trust and IGC chairs, senior government officials, regulators, members of influential trade bodies, and key advisers to the industry, to debate the implications of the tectonic shifts taking place across the UK pensions landscape
28 Nov Organiser: PLSA Location: London Time: 09:30 - 16:00 **Cost: Free**	**Pensions Policy Summit – Shaping the future of UK pensions policy** Pensions are once again at the forefront of political discourse. A two-part pensions review is underway and there are big questions on the role schemes can play in growing the UK economy and how to improve retirement adequacy. A growth-focused Budget could well impact schemes.
Looking ahead	
3 Dec Organiser: PLSA Location: London Time: 09:30 - 14:30 Cost: Free	**Local Authority Forum - Shaping tomorrow's pensions landscape** This is a new one-day event where we'll discuss the shape of the future after several significant political developments for pensions. The programme will cover: • The Pensions Review – We discuss progress with the Government's pensions review, which aims to boost investment, increase returns for savers, and tackle waste. • The Pension Schemes Bill – we explore the latest on the Pension Schemes Bill, covering decumulation, small pots, superfunds, and LGPS consolidation. • Pensions policy implications – how funding and investment will be impacted by the Budget and plans for pension schemes to generate growth.

Training and Development – Future Training Offered to Pension Committee	
October	**Topic**
9 Oct Organiser: SPS Location: London Time: 09:30 – 15:00 Cost: Free	**Sustainable Investments and Current Issues Conference** At the event will be discussed: • The Role of Next-Gen Investors in Shaping Sustainable Finance • Green Bonds • Are we Making Real Progress Toward Net-Zero Emissions? • Investor Perspectives • Insurance ready investment strategies and engaging with insurers on responsible investment

15-17 Oct Organisation: PLSA Location: Liverpool Cost: Free	**PLSA Annual Conference – At the forefront of Pensions** The event will provide: **Comprehensive industry insights**: Gain valuable insights from a wide range of industry experts discussing everything that matters in pensions: member communications, new regulation, politics, the economy and innovation. **Networking opportunities**: Connect with a diverse group of professionals including scheme CEOs, pension fund managers, consultants, policymakers, trustees and service providers. Policy and regulatory updates: Stay up-to-date with the latest regulatory changes and policy developments that impact pension funds. **Innovative solutions and trends:** Learn about the latest innovations, hot topics and trends in pensions. Discover new tools, technologies, and approaches to get the most for pension scheme members. **Influence and advocacy**: Participate in discussions that shape the future of the pensions industry and advocate for changes that benefit members and stakeholders.
22 Oct Organiser: SPS Location: London Time: 09:00 – 16:30 Cost: Free	**Local Authority Pension Funds' ESG & Current Issues** With responsible and ESG Investment reports now a requirement for LGPS investors, this conference will enable local authority pension funds and pools, as well as other public authority pension investors, to explore a range of investment approaches, opportunities and new ideas in the ESG space. We will consider the latest trends and the outlook for various ESG investments in the prevailing regulatory and macroeconomic environment as well as some of the key current issues and practicalities.
November	
7 Nov Organiser: IFM Location: London Time: 09.30 am – 5:00 pm 5:00 pm – drinks reception 6:30 pm – dinner Cost: Free	**Infrastructure seminars for Local Government Pension Schemes** The full day seminars will include some of the following highlights: • Infrastructure Outlook and landscape: Experience and insights gathered from asset allocators around the world • CEO fireside discussion: Hear about heading up a leading UK infrastructure company • UK Energy transition Blueprint: Recommendations and learnings from working with the Australian government • Investing in the UK Panel discussion: Peers and advisers discuss challenges and opportunities faced by LGPS
19 Nov Organiser: Professional Pensions Location: London	**Investment Conference 2024: Foundations for Future** The new Labour government has pledged to undertake a review of the pensions system and it remains to be seen whether this signals a sea change in legislation, or a continuation of the reforms made under the previous

Time: 09:00 – 16:30 Cost: Free	Conservative government. However, Labour has highlighted that it will consider the further steps needed to increase investment in UK markets in pursuit of the holy grail of economic growth. DB surpluses have continued to climb and reach new records whilst DC schemes have increasingly taken advantage of initiatives aimed at increasing investment into more illiquid assets in private markets. With all these developments it is now critical for trustees to understand how to best position their schemes to take advantage of the changing market conditions and pension funding in order to secure long term benefits for members.
27-28 Nov Organiser: DG Publishing Location: Surrey Time: 27th start at 11:15 28th ends at 18:30 Cost: Free	**Private and Public Pensions Summit -** A new dawn: global markets, politics and pensions – what it all means for pension schemes The Summit gathers the most senior executives and trustees from leading corporate and local government pension plans, together with master trust and IGC chairs, senior government officials, regulators, members of influential trade bodies, and key advisers to the industry, to debate the implications of the tectonic shifts taking place across the UK pensions landscape
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Looking ahead	
3 Dec Organiser: PLSA Location: London Time: 09:30 - 14:30 Cost: Free	**Local Authority Forum -** Shaping tomorrow's pensions landscape This is a new one-day event where we'll discuss the shape of the future after several significant political developments for pensions. The programme will cover: • The Pensions Review – We discuss progress with the Government's pensions review, which aims to boost investment, increase returns for savers, and tackle waste. • The Pension Schemes Bill – we explore the latest on the Pension Schemes Bill, covering decumulation, small pots, superfunds, and LGPS consolidation. • Pensions policy implications – how funding and investment will be impacted by the Budget and plans for pension schemes to generate growth.

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

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Appendix 1

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
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Appendix 1

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Appendix 1

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Appendix 2

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Appendix 3

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