



# PENSION COMMITTEE

THURSDAY, 25 SEPTEMBER 2025

10.00 AM COUNCIL CHAMBER, COUNTY HALL, LEWES

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

## A G E N D A

1. Minutes of the last meeting held on 24 July 2025 (*Pages 3 - 6*)
2. Apologies for absence
3. Disclosure of Interests  
Disclosures by all Members present of personal interests in matters on the agenda, the nature of any interest and whether the Members regard the interest as prejudicial under the terms of the Code of Conduct.
4. Urgent items  
Notification of items which the Chair considers to be urgent and proposes to take at the appropriate part of the agenda.
5. Pension Board Minutes (*Pages 7 - 20*)
6. Pension Reform Agenda (*To Follow*)
7. Governance Report (*Pages 21 - 68*)
8. Pension Administration - updates (*Pages 69 - 84*)
9. Communications Report (*Pages 85 - 90*)
10. Internal Audit Report (*Pages 91 - 100*)
11. External Audit Draft Audit Findings Report (*Pages 101 - 150*)
12. Pension Fund Risk Register (*Pages 151 - 162*)
13. Investment Report (*Pages 163 - 262*)
14. Work programme (*Pages 263 - 280*)
15. Any non-exempt items previously notified under agenda item 4
16. Exclusion of the public and press  
To consider excluding the public and press from the meeting for the remaining agenda item on the grounds that if the public and press were present there would be disclosure to them of exempt information as specified in paragraph 3 of Part 1 of the Local Government Act 1972 (as amended), namely information relating to the financial or

business affairs of any particular person (including the authority holding that information).

17. Pension Reform Agenda - Exempt Information (*To Follow*)
18. Actuarial Valuation Report (*To Follow*)
19. Ill-Health Benefits (*To Follow*)
20. Investment Report - Exempt Information (*Pages 281 - 318*)
21. Governance Report - Exempt Information (*Pages 319 - 324*)
22. Pension Fund Breaches Log and Internal Dispute Resolution Procedure Case Report (*Pages 325 - 330*)
23. Employer Admissions and Cessations (*Pages 331 - 336*)
24. Any other exempt items previously notified under agenda item 4

PHILIP BAKER  
Deputy Chief Executive  
County Hall, St Anne's Crescent  
LEWES BN7 1UE

17 September 2025

Contact Sophie Webb, Governance and Democracy Manager,  
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## PENSION COMMITTEE

MINUTES of a meeting of the Pension Committee held at Committee Room, County Hall, Lewes on 24 July 2025.

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PRESENT                      Councillors Gerard Fox (Chair) Councillors Ian Hollidge, Paul Redstone and David Tutt

ALSO PRESENT            Ian Gutsell, Chief Finance Officer  
Susan Greenwood, Head of Pensions  
Russell Wood, Pensions Manager: Investments and Accounting  
James Sweeney, Pensions Investment Officer  
Bekki Freeman, Solicitor  
Sophie Webb, Governance and Democracy Manager

David Moreton, Partner and Head of LGPS Investment - Barnett Waddingham  
Barry McKay, Partner and Head of Public Sector Consulting - Barnett Waddingham  
Karen Jamieson, Actuarial Consultant - Barnett Waddingham

Ray Martin, Pension Board Independent Chair  
Philippa Buckingham, Pension Board Employer Representative  
Zoe O'Sullivan, Pension Board Scheme Member Representative  
Trevor Redmond, Pension Board Scheme Member Representative  
Neil Simpson, Pension Board Scheme Member Representative  
Councillor Andrew Wilson, Pension Board Employer Representative

Councillor Nick Bennett, Lead Member for Resources and Climate Change

### 24.    MINUTES OF THE MEETING HELD ON 19 JUNE 2025

24.1    The Committee RESOLVED to agree the minutes of the meeting held on 19 June 2025 as a correct record.

### 25.    APOLOGIES FOR ABSENCE

25.1    Apologies for absence were received from Councillor Taylor.

### 26.    DISCLOSURE OF INTERESTS

26.1    Ray Martin, Independent Chair of the Pension Board declared a personal interest in item 7. The detail of this declaration has been withheld as it would reveal exempt information as specified in paragraph 3 of Part 1 of Schedule 12A 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). He did not take part in the discussion for this item.

27. URGENT ITEMS

27.1 There were no urgent items.

28. REPORTS

28.1 Reports referred to in the minutes below are contained in the minute book.

29. EXCLUSION OF THE PUBLIC AND PRESS

29.1 The Committee RESOLVED to exclude the public and press from the meeting for the remaining agenda item on the grounds that if the public and press were present there would be disclosure to them of exempt information as specified in paragraph 3 of Part 1 of Schedule 12A 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) and that the public interest in withholding the exempt information outweighs the public interest in disclosing it.

30. PENSION REFORM AGENDA

30.1 The Committee considered a report by the Chief Finance Officer introduced by Susan Greenwood, Head of Pensions.

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

30.3 The Committee RESOLVED to agree the recommendations set out in the exempt report.

The meeting ended at 11.40 am.

Councillor Gerard Fox (Chair)



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## PENSION BOARD

MINUTES of a meeting of the Pension Board held at Council Chamber, County Hall, Lewes on 11 September 2025.

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PRESENT Ray Martin (Chair), Zoe O'Sullivan, Trevor Redmond, Neil Simpson, Philippa Buckingham, Councillor Andrew Wilson and Linda Hughes

### ALSO PRESENT

Ian Gutsell, Chief Finance Officer  
Susan Greenwood, Head of Pensions  
Dave Kellond, Governance and Compliance Manager  
Hayley Deeley, Employer Engagement Officer  
Paul Linfield, Pensions Communications Manager  
Paul Punter, Head of Pensions Administration  
Danny Simpson, Principal Auditor  
Sophie Webb, Governance and Democracy Manager  
  
Councillor Gerard Fox  
Councillor Paul Redstone

## 20. MINUTES OF THE MEETING HELD ON 5 JUNE 2025

20.1 The Board approved the minutes of the meeting held on 5 June 2025 as a correct record.

## 21. APOLOGIES FOR ABSENCE

21.1 There were no apologies for absence.

21.2 The Chair welcomed Philippa Buckingham as a newly appointed Employer Representative on the Pension Board.

## 22. DISCLOSURE OF INTERESTS

22.1 Philippa Buckingham declared an interest in item 16. The detail of this declaration has been withheld as it would reveal exempt information as specified in paragraph 3 of Part 1 of Schedule 12A 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). She did not take part in the discussion for this item.

## 23. URGENT ITEMS

23.1 There were no urgent items.

## 24. REPORTS

24.1 Reports referred to in the minutes below are contained in the minute book.

## 25. PENSION COMMITTEE AGENDA AND SUMMARY OF PREVIOUS MINUTES

25.1 The Board considered a report by the Chief Finance Officer introduced by Susan Greenwood, Head of Pensions.

25.2 The report provided an opportunity for the Board to comment on the draft agenda for the Pension Committee meeting due to be held on 25 September 2025 together with a summary of the minutes of the previous Pension Committee meetings held on 19 June and 24 July 2025.

25.3 The Board noted that in addition to the reports considered by the Pension Board, the Pension Committee will receive an External Audit findings report, Investment report and Triennial Valuation report.

25.4 It was noted that 2 items on the Pension Committee agenda were not being presented to the Board for consideration. The Chair asked that wherever possible non-investment items to be considered at Pension Committee be presented to the Board at the preceding meeting.

25.5 The Board RESOLVED to note the draft agenda for the next Pension Committee meeting and the summary of the minutes for the previous Pension Committee meetings.

## 26. PENSION REFORM AGENDA

26.1 The Board considered a report by the Chief Finance Officer introduced by Susan Greenwood, Head of Pensions.

26.2 The following points were highlighted to the Board:

- 1) East Sussex Pension Fund officers have been working in conjunction with officers from West Sussex and Barnett Waddingham to assess the options available in terms of pooling.
- 2) The Pension Committee considered an options analysis undertaken by Barnett Waddingham who presented the options at a meeting on 24 July 2025 and resolved to focus all further due diligence on the Border to Coast LGPS asset pool.
- 3) Officers have subsequently carried out further due diligence along with West Sussex and Barnett Waddingham while communicating with key stakeholders about the focus on the Border to Coast asset pool.
- 4) In September, the Pension Committee will consider a report setting out the results of the due diligence work and recommendations around approvals to move forward with Border to Coast and leaving ACCESS.
- 5) The Pension Committee will consider a proposed updated Terms of Reference ahead of consideration of Full Council to approve. The proposed updates to the Pension Committee Terms of Reference will facilitate the Committee to take decisions in relation to pooling in the future.
- 6) ACCESS as a collective will disband following the announcement of 7 Funds within ACCESS expressing a preference for Border to Coast and the remaining 4 Funds expressing a preference for LGPS Central.
- 7) There is a focus on governance to ensure that the Fund is a member of an approved pool by 1 April 2026 while the organisation of assets and disbanding of ACCESS will likely take longer.

26.3 The Board discussed the 1 April 2026 deadline and what the expectations are in terms of what needs to be achieved ahead of that date and what is expected to be ongoing work following 1 April 2026.

26.4 The Board noted the collaborative work undertaken across the 7 Funds who have expressed a preference for Border to Coast in terms of legal processes.

26.5 The Board discussed the key objectives of the asset pool transfer process and how governance considerations are prioritised against being cost-effective.

26.6 The Board discussed the implication of consultancy contracts noting that investment advice will eventually be provided by asset pools noting that this transition will likely take years to establish fully.

26.7 The Board discussed ACCESS resource available to manage the transition noting the risk of key officer loss as the ACCESS pool is disbanded.

26.8 The Board noted that there is no definition of 'local' in terms of investment and how this term could be interpreted differently at the Fund level and asset pool level. It was noted that local investment' is not asset class and that local investment overlaps with other allocations such as infrastructure or property and Local Government Pension Scheme investment strategies are likely to include an allocation for 'local investment' in the range of 0 to 5%.

26.9 The Board RESOLVED to note the updates in relation to next steps for the East Sussex Pension Fund in terms of pension fund pooling as set out in the report.

## 27. GOVERNANCE REPORT

27.1 The Board considered a report by the Chief Finance Officer introduced by Dave Kellond, Governance and Compliance Manager, together with exempt information contained in a later agenda item.

27.2 The following points were highlighted to the Board:

- 1) Governance changes following the Government's 'Fit for Future' Consultation include appointment of a senior officer, policies and strategies which will need to be in place, training of Pension Committee members and requirement for an independent governance review every 3 years.
- 2) Following the submissions of Local Government Pension Scheme responses on the Government's consultation on inheritance tax provisions, there have been some significant changes including exclusion of death in service benefits from the value of an individual's estate for inheritance tax purposes.
- 3) The Fund's response to the Government's access and fairness consultation which relates to a number of changes to administrative processes.
- 4) The Governance and Compliance Statement has been reviewed and updated in light of recent legislative updates however a full review of the statement is expected to be undertaken following the release of new legislation around investment pooling reforms.

27.3 The Board discussed the expected timeframe for the laying of the new legislation regarding pension reforms.

27.4 The Board discussed the 'Conflict of Interest' section within the Governance and Compliance statement and noted the importance preventing conflicts of interest which are likely to prejudice a person's exercise of their duties as a member of the Pension Board or Pension Committee.

27.5 The Board RESOLVED to:

- 1) Note the legal and regulatory changes together as set out in the report; and
- 2) Note the updated Governance and Compliance Statement as set out in Appendix 2 of the report.

## 28. EMPLOYER ENGAGEMENT AND COMMUNICATIONS REPORT

28.1 The Board considered a report by the Chief Finance Officer introduced by Hayley Deeley, Employer Engagement Officer and Paul Linfield, Pensions Communications Manager.

28.2 The following points were highlighted to the Board:

- 1) In terms of employer contributions, there was only one late payment in the last quarter and new templates that have been sent to employers have had a positive impact on employer contributions.
- 2) The 3-part member training will be repeated in October 2025.
- 3) Work has been undertaken on the digital assistant to assist with commonly asked questions and the project has moved into User Acceptance Testing.
- 4) The employer forum agenda has been agreed for 2025.
- 5) The East Sussex Pension Fund website has been updated to improve security.
- 6) A communications plan around Border to Coast has been delivered.
- 7) Almost all Annual Benefit Statements for 2025 have been sent out before the Statutory deadline using 24 individual templates to reflect members' McCloud status.
- 8) Since Annual Benefit communications have been sent out, there have been 1,750 extra registrations on My Pensions resulting in around 51% of all eligible active members now being registered on the new self-service system.
- 9) A feedback mechanism will be implemented to gain member feedback regarding 'My Pension'.

28.3 The Board discussed how the East Sussex Pension Fund website compares to other Local Government Pension Scheme (LGPS) websites in terms of performance and whether a benchmarking exercise could be undertaken.

28.4 The Board discussed that while 51% of active members registered on 'My Pension' meets the figure registered on the previous system, it would be interesting to understand how that figure compares with other LGPS self-service websites noting the challenges in communicating with members who have opted out of online communication or not provided an email address.

28.5 The Board RESOLVED to note employer engagement and communications updates detailed in the report.

## 29. PENSION ADMINISTRATION - UPDATES

29.1 The Board considered a report by the Chief Finance Officer introduced by Paul Punter, Head of Pensions Administration.

29.2 The following points were highlighted to the Board:

- 1) The performance for quarter 2 showed an improvement from quarter 1 with June showing as the first green rated month and the July and August performance figures also showing improvement.
- 2) There will be an influx in administrative tasks following the backdated local government pay award which is likely to affect the performance of the administration team.

- 3) There are no staff vacancies in the Pension Administration team.
- 4) The Helpdesk is due to be set up with a new call-centre technology.
- 5) After the communication of the Annual Benefit Statements, the Helpdesk saw an influx of enquiries and over 60 transfer requests were received within one day.
- 6) McCloud data needs to be loaded within the system this year and support from Heywood is ongoing regarding rectifying errors as data is loaded and reviewed.
- 7) At the end of July 2025 most of the McCloud data was loaded into the system and data was provided to actuaries for the valuation (excluding and including McCloud).
- 8) The McCloud underpin protection was turned on in August 2025 and had an impact of running through every record to try and create a McCloud underpin where one exists or where someone is eligible. Any change in status can no longer be done without McCloud where McCloud applies.
- 9) The Annual Benefit Statements were run in August and a review of how the underpin had affected the statements was conducted looking at any underpin greater than £1,000 and greater than 20% change due to the underpin.
- 10) Annual Benefit Statements had to include the McCloud data which was broken down into 4 McCloud categories.
- 11) For active and deferred, 99.13% of Annual Benefit Statements were issued and the remaining will be issued over the next month.
- 12) McCloud Category 3 tells the member that they are in scope however they have not been assessed to determine if their pension is protected by the underpin. There are 400 active members and 233 deferred members in that position and therefore has been logged as a breach.
- 13) Backdated calculations for deaths and retirements in scope regarding the underpin are being undertaken following training of the team and will be completed by the statutory deadline of 31 August 2026.
- 14) The Pension Dashboard is on track for the statutory deadline of 31 October 2025.
- 15) The Annual Allowance is on track to be completed by the end of October and there are only 8 employers the administration team are actively seeking data from.
- 16) With regard to the review of the AVC funds, the last member who was in the index-linked fund has self-selected to move the assets to equity fund meaning there are now no remaining assts in the index-linked fund.
- 17) Work is ongoing with Barnett Waddingham to draft communications for all Additional Voluntary Contributions (AVC) investors.

29.3 The Board discussed the benefit of Board Member, Philippa Buckingham attending the Admin Working Group bringing experience from working in Human Resources.

29.4 The Board discussed the communications for AVCs and emphasised the importance of engagement with employers in respect of awareness of AVC changes noting that communications will go out to everyone who is an AVC policy holder and those who still have money attached to an existing AVC along with information being provided on the website to all members.

29.5 The Board discussed the Transfer In- Quote activity as shown in Appendix 1 of the report and noted the challenges regarding the complexity of this activity, noting that a consultation will be launched in quarter 4 to look at changing the target around that activity and a review of the admin strategy will be taking place.

29.6 The Board RESOLVED to note the updates within the report.



### 30. INTERNAL AUDIT REPORT

30.1 The Board considered a report by the Chief Internal Auditor introduced by Danny Simpson, Principal Auditor.

30.2 The following points were highlighted to the Board:

- 1) A substantial assurance opinion was provided for governance arrangements with just one low risk finding.
- 2) This opinion reflects the ongoing strengthening of governance arrangements over the previous 5 years.

30.3 The Board requested that the target implementation date of the action relating to risk appetite is amended to be sooner than 31 August 2026 considering pension reforms and the need to ensure a strong governance framework.

30.4 The Board RESOLVED to note the Pension Fund Governance Arrangements audit report as set out at Appendix 1 of the report.

### 31. PENSION FUND RISK REGISTER

31.1 The Board considered a report by the Chief Finance Officer introduced by Susan Greenwood, Head of Pensions.

31.2 The following points were highlighted to the Board:

- 1) The post-mitigation score has been increased for Risk A3 'Production of Statutory Member Returns' on the account of the added complication of displaying the McCloud remedy in Annual Benefit Statements.
- 2) The post-mitigation score has been increased for Risk G1 'Key Person Risk' to reflect that the loss of the Interim Deputy Head of Pensions whose fixed term contract ended in July 2025.
- 3) The risk control and response details have been expanded for Risk G3 'Cyber Security' following work carried out to improve the resilience of the Fund to cyber risks.
- 4) The preference expressed for the Fund to join Border to Coast Pension Partnership investment pool has been reflected in Risk I5 'Funding risk – higher inflation'.

31.3 The Board RESOLVED to note the Pension Fund Risk Register.

### 32. WORK PROGRAMME

32.1 The Board considered a report by the Chief Finance Officer introduced by Susan Greenwood, Head of Pensions.

32.2 The following points were highlighted to the Board:

- 1) The Work Programme will need to be reviewed as part of the governance review process.
- 2) It is important for Board members to attend regular training and there are some members yet to complete the knowledge and skills questionnaire which was circulated and the TPR Toolkit certificate either for the first time or renewal of certification.

32.3 The Board noted the importance of completing the TPR Toolkit and that certification of Board members is reported.

32.4 The Board RESOLVED to note the work programme.

### 33. EXCLUSION OF THE PUBLIC AND PRESS

33.1 It was RESOLVED to exclude the public and press for the remaining agenda items 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 Schedule 12A 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).

### 34. GOVERNANCE REPORT - EXEMPT INFORMATION

34.1 The Board considered a report by the Chief Finance Officer introduced by Dave Kellond, Governance and Compliance Manager which contained exempt information in relation to an earlier item on the agenda.

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

34.3 The Board RESOLVED to note the exempt information with the report.

### 35. PENSION FUND BREACHES LOG AND INTERNAL DISPUTE RESOLUTION PROCEDURE CASE REPORT

35.1 The Board considered an exempt report by the Chief Finance Officer introduced by Dave Kellond, Governance and Compliance Manager regarding the Breaches Log and update on outstanding or new Internal Dispute Resolution Procedure (IDRP) cases.

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

35.3 The Board RESOLVED to note the report.

36. EMPLOYER ADMISSIONS AND CESSATIONS REPORT

36.1 The Board considered an exempt report by the Chief Finance Officer introduced by Dave Kellond, Governance and Compliance Manager regarding an update on the latest admission and cessations of employers within the Fund.

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

36.3 The Board RESOLVED to note the report.

(The meeting ended at 12.36 pm)

CHAIRMAN

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Report to:	Pension Committee
Date of meeting:	25 September 2025
By:	Chief Finance Officer
Title:	Governance Report
Purpose:	To provide an update on governance workstreams and changes affecting Local Government Pension Schemes and the East Sussex Pension Fund

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## RECOMMENDATION:

The Pension Committee is recommended to:

- 1) Note the legal and regulatory changes together as set out in this report; and
  - 2) Approve the updated Governance and Compliance Statement as set out in Appendix 2 of this report.
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## 1 Background

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

## 2 Legal and regulatory changes

2.1 On 29 May 2025, the Government published its [response to the 'Local Government Pension Scheme \(England and Wales\): Fit for the future' consultation](#). The response sets out the core proposals that will be taken forward. A more comprehensive review of the investment and pooling reforms is provided at agenda item 6. However, a summary of the confirmed changes relating to investment pooling are:

- All assets to be managed by the new pool from April 2026.
- The Administering Authority will retain control of strategic asset allocation though advice should be provided by the pool and not from investment consultancy firms.
- Pools must be registered with the Financial Conduct Authority.
- Funds will need to set out their aspiration for local investments and work with local authorities and, in particular, with Mayoral Combined County Authorities to identify opportunities. It would be then up to the pool to assess and implement local investments.

The primary governance reforms that will be taking include:

1. **appointing a senior Local Government Pension Scheme (LGPS) officer with overall delegated responsibility for the management and administration of the Scheme.** – *ESPF will await clarity in the legislation that will follow on this point, specifically around the definition of a 'Senior LGPS Officer'. However, it is expected that such a role could be filled by either the Section 151 Officer or Head of Pensions.*
2. **a requirement to prepare strategies on governance, knowledge and training (replacing the governance compliance statement), and administration.** – *Again, similar to all provisions at this stage, ESPF will await further details in the legislation but at present officers believe this does not represent a requirement for extensive work in creating new*

*fund policies, but instead the reformatting and in some areas consolidation of existing fund documentation.*

3. **the knowledge and training strategy will be required to include a conflicts of interest policy.** – *Similar to the above, it is anticipated that this will simply require the consolidation of existing Fund policies.*
4. **a requirement to take part in an independent governance review (IGR) every 3 years.** – *This was extended from an initially proposed biennial review. ESPF welcomed this proposal in its consultation response on the basis that such a review would provide a structured mechanism for identifying strengths, addressing weaknesses, and promoting best practices. Officers also accept that the extension of the required frequency from 2 to 3 years also has merit in alleviating the demands on cost and resources generated by such an exercise. There will be a requirement to submit Independent Governance Reports to the Ministry of Housing, Communities and Local Government (MHCLG), and administering authorities will be expected to progress recommendations made in the reports. Where Government have concerns, they may bring the issue to the attention of The Pensions Regulator and in extreme cases may directly intervene.*
5. **ensuring pension committee members meet new knowledge and understanding standards.** – *This was a provision also welcomed by ESPF in its response to the consultation. Requiring Pension Committee members to have appropriate knowledge and understanding is critical and ESPF have the same requirements on Pension Committee members to those required under the Pensions Act for Local Pension Board members. Effective decision-making in the LGPS context requires committee members to navigate complex investment, governance and funding challenges confidently. Aligning knowledge requirements with those of local pension boards will enhance overall governance consistency and ensure that all decision-makers operate with a baseline level of competency. However, officers have remaining concerns regarding how this may impact the use of substitutes and the issue of non-compliance but anticipate both to be addressed in the legislation.*
6. **appointing an independent adviser (non-voting) to the Pension Committee.** – *Government have clarified that such an independent adviser, when appointed would not have voting rights on the Committee. Officers welcome the additional scrutiny such an appointment would bring, and the expert advice that can be offered in aiding Committee members to make better informed decisions. Again, officer are awaiting clarity in the legislation before actioning this.*

2.2 The Pensions Scheme Bill was introduced in Parliament and given its first reading in the House of Commons on 5 June 2025. The Bill will provide powers to the Secretary of State to:

- direct LGPS funds to join or leave a pool company;
- provide guidance to pool companies;
- direct a pool company in 'prescribed circumstances' on how it manages its activities or the decisions it makes or to follow guidance.

2.3 Included within the Autumn Budget 2024, the Government announced that for deaths occurring after April 2027:

- the majority of unused pension funds and death benefits will be included in assessing the value of a deceased person's estate for inheritance tax purposes.
- Pension scheme administrators will be responsible for reporting and paying any inheritance tax due on pensions to HM Revenue and Customs (HMRC).



2.4 This was followed by the launch of a consultation from HM Treasury titled [‘Inheritance Tax on Pensions: liability, reporting and payment’](#). At the February 2025 meeting of the Pension Committee, officers provided members with a copy of the Fund’s response.

2.5 On 21 July 2025, HM Treasury published a [response to the consultation](#), and confirmed the following key amendments to the proposals made:

- All death-in-service benefits from the LGPS will be excluded from the value of an individual’s estate for inheritance tax purposes.
- It will be the responsibility of the personal representative to the estate to report and pay any inheritance tax liability to HMRC and not that of pension scheme administrators. However, pension scheme administrators will have a duty to support personal representatives in doing so.
- To support personal representatives and beneficiaries unable to pay inheritance tax on pensions, the Government will provide a range of payment options, including an option for pension beneficiaries to instruct pension scheme administrators to pay inheritance tax in respect of pensions on their behalf. Albeit that the liability for the inheritance tax remains with the beneficiaries.

2.6 HM Treasury has now published [draft clauses for inclusion in the Finance Bill 2025-26](#). These are open for technical consultation until 15 September 2025. These clauses will amend the Inheritance Tax Act 1984. Officers do not propose to respond to the consultation.

2.7 As reported to the Pension Committee at its meeting on 5 June 2025, on 15 May 2025 Government launched a consultation titled [‘Local Government Pension Scheme in England and Wales: Access and fairness’](#). The consultation relates to a range of proposals including the gender pensions gap, forfeiture concerns, and opt out rates. Having consulted with Chairs of both the Pension Committee and Pension Board, officers submitted a response to the consultation on 1 August 2025, a copy of which is provided at Appendix 1 to this report.

### **3 Governance and Compliance Statement**

3.1 Regulation 55 of The Local Government Pension Scheme Regulations 2013 requires administering authorities to prepare, publish and keep under review a Governance Compliance Statement. The Pension Committee last approved a statement in June 2024, and this was due for review in June 2025. However, officers recommended that such a review be delayed given the significantly changing environment as a consequence of proposals stemming from the ‘Fit for the Future’ consultation.

3.2 However, given that further legislation and detail is to date unavailable, in order to meet with both the regulatory requirement and that of the Fund’s policy itself requiring an annual review, Officers have updated the existing policy without making any substantive amendments, reflecting the arrangements as they stand. The Governance and Compliance Statement will undergo a full review incorporating both investment pooling reforms following their conclusion.

3.3 The Governance and Compliance Statement will require a full overhaul, not only in relation to the requirements of the ‘Fit for the Future consultation’, but also in relation to the references to the powers of the Pension Committee in relation to pooling and the ACCESS pool, as the Fund will cease to be a member of the ACCESS investment pool in 2026. Officers are fully cognisant of the need to update this document in its current or revised form in due course once officers have the required detail and guidance.

3.4 The updated Governance and Compliance Statement is provided at Appendix 2.

## **4 Conclusion**

4.1 The Committee is recommended to note the legal and regulatory changes detailed within this report and approve the updated Governance and Compliance Statement.

**IAN GUTSELL**  
**Chief Finance Officer**

Contact Officer: Susan Greenwood, Head of Pensions  
Email: [Susan.Greenwood@eastsussex.gov.uk](mailto:Susan.Greenwood@eastsussex.gov.uk)

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.

### **Equalising survivor benefits**

***Q1: Do you agree with the government's proposed amendment of survivor benefits rules?***

We support the proposed amendments to remove the discrimination.

***Q2: Do you have any comments on the intended approach to equalising survivor benefits?***

We believe it is appropriate to change the LGPS Regs so that all pensions to the survivor of a marriage or civil partnership is calculated the same way irrespective of their sex/sexual orientation or either the member or survivor. The benefits should be backdated to dates set out in the consultation and amount payable at the rate due to the higher of male/female entitlement.

***Q3: Do you have any comments on the administrative impact, particularly in identifying cases where calculations of past benefits would need to be revisited?***

Whilst we fully support the proposals, we hope that Ministers have learnt from other recent projects that have spanned a decade or more (such as GMP and McCloud) and ensure that the implementation period for the remedy is more realistic and reasonable. This will be a complex and challenging project just to identify (relatives can be upset and offended by late questioning, which may not lead to additional benefits) and find the survivors (via archived files, tracing agencies, very hard where no pension being paid), let alone performing the calculations. We need to recognise that some pension administration software providers development time is already tied up with automating McCloud calculation routines for the next two years. That said, we also need to appreciate the likely age profile of the affected survivors, is such that this should be prioritised amongst the wider benefit changes identified in the consultation. The administrative impact of this undertaking will be very significant as historical pension changes tend to have to be calculated manually.

***Q4: Do you have any further comments on the proposed changes?***

We would appreciate more detailed guidance from MHCLG on more opaque areas such as how to deal with situations where the survivor has subsequently died, possibly recovery of an overpaid child pension where a backdated partner's pension becomes payable, impact on trivial commutation values, levels of interest on retrospective benefits due, tax implications,

impact on transfer out values (which include value of survivor benefits), define reasonable attempts to find a survivor and most importantly timescales to work towards.

#### **Cohabitee survivor benefits**

***Q5: Do you agree with the government's proposals to formalise the removal of the nomination requirement?***

Yes, it's logical to remove the requirement for a cohabitee to be nominated.

***Q6: Do you have any comments on the government's proposals to formalise the removal of the nomination requirement?***

We don't believe there is any administrative impact of this change.

***Q7: Do you have any comments on the proposed approach to backdating?***

We agree that the decision not to backdate cohabiting partner's pensions for leavers before 1 April 2008 is the correct and fair thing to do. Similar process to be followed and resulting administrative burden as per Q3 above, ( more so to identify death between 2008 and 2014 with no spouse or equivalent pension is payable then decide any cohabiting status at date of death – manual process).

#### **Death grants – removing age 75 limit**

***Q8: Do you agree with the proposed amendments to death grants?***

Yes, we have concerns that an age cap could be classed as age discrimination.

***Q9: Do you have any comments on the government's proposals to remove the age 75 cut-off from the LGPS Regulations?***

We believe identifying deaths in scope will be easy but determining beneficiaries for some cases will be much more difficult and time consuming – thus to repeat that retrospective changes are complex from an administrative perspective.

***Q10 – Do you have any comments on the proposed approach to backdating?***

We accept the change should be backdated to 6 April 2011 when legislation changed.

***Q11 – Do you have any comments on the administrative impact, particularly in identifying historic cases where death grants that were not paid would now be paid?***

Should this change be implemented and historic payments made, we would appreciate, the removal of, or more guidance on, the need to use the special lump sum death benefits tax charge of 45% and if it should be paid to the personal representative (see Q12). There may also be tax implications if the survivor's pension is being commuted under triviality whilst other benefits remain. This has the potential to become a very complex area.

**Death grants – personal representatives**

***Q12: Do you agree with the proposal to remove the two-year limit?***

Yes, we agree paying death grant benefits to personal representatives after two years (from date of death) should be removed.

***Q13 – Do you have any comments on the government's proposal to remove the two-year limit?***

No comment

**Gender pensions gap – authorised absences under 31 days**

***Q14: Do you agree that the LGPS Regulations should be updated so that any unpaid leave under 31 days is pensionable as a way to address the gender pension gap?***

We believe that the current need for members to make a positive election within a limited period of returning to work does lead to short gaps in service for members which will predominantly impact women due to childcare and caring responsibilities. Making short period of authorised unpaid leave pensionable will help resolve the issue. Most unpaid leave is for a few days covering child sickness so not clear why the proposal is not, say, 7 days?

***Q15: Do you agree the government should use the actual lost pay option when calculating contributions, or do you think APP should be the chosen option? Please explain the reasons for your view.***

Using actual pay lost is simple for members to understand and pension payroll software to automate.

## **Gender pensions gap – cost of buying back pension lost in an unpaid break of over 30 days**

### ***Q16 – Do you agree with the proposal to align the cost of buying back unpaid leave over 30 days with standard member contribution rates?***

We agree the cost of buying back additional pension should use the actual lost pay approach (not APP), it's the question of what the period of unpaid leave is being treated as pensionable. A longer period could potentially result in lower paid members (mainly woman) electing to opt-out of the scheme.

### ***Q17 – Do you agree with the proposal to change the time-limit for buying back unpaid leave pension absences from 30 days to 1 year?***

We agree 30 days is not long enough. The proposal should be within one year or date of leaving, if earlier.

### ***Q18 – Do you agree with removing the three-year limit on employer contributions in Regulation 15(6)?***

We are opened minded to the limit being removed. We think it very unlikely that employers will approve unpaid leave of absence of more than three years. The additional pension via APC is complex and requires more clarity – with annual limits on what can be bought, using age and sex related rates, used both for purchasing lost and extra pension, employers sometimes contribute in full or part, can have multiple regular contribution contracts. Should survivor's and children's benefits be included?

## **Gender pensions gap – pension contributions during child related leave**

### ***Q19 – Do you agree with updating the definition of child-related leave to include all periods of additional maternity, adoption and shared parental leave without pay?***

We agree with the proposal that all child-related leave becoming pensionable will have a positive impact in reducing the gender pensions gap.

## **Gender pensions gap – making reporting mandatory in the LGPS**

### ***Q20: Do you agree that gender pension gap reporting should be mandatory in the LGPS?***

Yes, we agree. Measuring the pensions gap over time will help determine if further changes are required

### ***Q21 – Do you agree that the 2025 valuation (and associated fund annual reports) is preferable?***

We agree that a three-year cycle for reporting is an appropriate timeframe that gives a better opportunity for a change in the gap to materialise. In addition, it minimalises the administrative burden of a more regular exercise.

***Q22 – Do you agree with the threshold of 100 employees for defining which employers must report on their gender pension gap?***

We agree small data sets should not be included, so agreed with a 100 threshold, but believe active LGPS members should be the measure.

***Q23 – Do you agree with the gender pension gap definition being ‘the percentage difference in the pension income for men and women over a typical working life’?***

We agree that the definition will capture pension gap data. MHCLG does need to specify the terms to be used by the 100 administering authorities (and their Actuaries) in the LGPS to ensure reporting consistency as regard future assumptions. Members can have multiple roles at different employers in the same or different Funds, as well as employments outside Local Govt (some transferred-in, others not), some will be paying additional contributions, throughout their working lifetimes. We appreciate the 2025 valuations are underway and data may already be provided to Fund Actuaries, so hopefully, they have agreed a joined-up way forward.

***Q24 – Do you agree with the gender pension savings gap being ‘the percentage difference in the pension savings accrued over one year for men and women’?***

We believe this measure may be a more meaningful measure to recognise the movement in the pensions gap and be more easily delivered. See our response to Q23.

**Opt-outs**

***Q25 – Do you agree that the annual report is the best method of reporting data on those who choose to opt-out of the scheme?***

We believe the annual report is an appropriate place for opt-out data to be reported but it would also be sensible to capture the data centrally, say via the Pension Regulator annual returns.

***Q26 – Do you foresee any issues with administering authorities’ ability to gather data on opt-outs?***

This data is not currently collected and administering authorities having to collect new data from employers will be challenging. The administering authorities do not know if non-member individuals involved in auto enrolment are still employed or left. Employers can also pay short-term refunds via employer payrolls that administering authorities have no sight off. Administering authorities have large numbers of scheme employers with differing engagement (some have employees whom will never be eligible to join the LGPS like Teachers & Fire staff [or

over age 75's] whilst other small employer often has no dedicated staff for pensions). It will be essential for payroll software suppliers to come up with automated solutions (an eligible for LGPS marker?). Employer responsibilities would need to be document in the Fund's administration strategy with consequences for non-compliance.

***Q27 – When updating the annual report guidance to reflect opt-out data collection, what information would be most useful to include?***

The guidance should set out clearly which employees should be in-scope (or excluded from scope). The format of the required data (at individual or role level, only reporting on position at year end? What to do with casual workers?) to evidence the opt-out rates.

***Q28 – Do you agree with the proposal to collect additional data about those opting out of the scheme?***

MHCLG has considered data protection legislation in that pension funds can only collect data required for a legitimate purpose – not sure collecting data about employees not in the scheme is appropriate? However, if collected using a secure, anonymous form they we would support the approach to collecting “additional data” when a member opts out.

***Q29 – Are you an employer, part of an administering authority or member of a pensions board?***

An officer of an administering authority acting on behalf of both the pensions board and committee.

***Q30 – Do you have any comments on the collection of additional information?***

We would expect and support the reason for opt-out (from a possible drop-down option of reasons). We would be cautious about trying to determine if employers are encouraging opt-outs at an individual level and some data items may be contentious. We understand the MHCLG desire to understand if particular groups are disproportionately represented in opt-outs at administering authority level.

**Forfeiture**

***Q31 – Do you agree that the government should amend regulations 91 and 93 of the 2013 Regulations to remove the requirement that the member must have left employment because of the offence in order for an LGPS employer to be able to make an application for a forfeiture certificate or to recover against a monetary obligation?***

Yes, an individual election to leave employment when knowingly being investigated can create an avoidance loophole.



**Q32 – Do you agree that the three-month time limit for an LGPS employer to make an application for a forfeiture certificate should be removed?**

We also support removing the time limit for an employer to make a forfeiture application.

**Q33 – Do you agree that Regulation 92 of the 2013 Regulations should be revoked?**

We don't see that Regulation 92 adds much value as it appears to be the same as the default position. It may be helpful for MHCLG to clarify what action the Administering Authority is supposed to take if the member requests to retire with the maximum retirement grant or transfer-out when the employer has applied for a forfeiture certificate.

**Q34 – Do you agree that in order to give full effect to the proposed amendments equivalent modifications should apply to earlier schemes?**

Yes, the change needs to apply to all members.

**Q35 – Do you agree that there should be forfeiture guidance to assist employers in making applications?**

Yes, as employers rarely use the process.

**McCloud**

**Q36 – Do you agree with the government's proposal for pension debits and credits?**

Yes. Statutory Guidance for divorce pension debit/ pension credit members is outstanding, impacting the 2025 ABS and the McCloud remedy. The proposals set out in the consultation seem reasonable and are consistent with how the wider remedy works and will presumably be impacted by the 31 August 2026 implementation deadline. Given the MHCLG delay in providing any guidance have potentially exasperated any overpayments, it would good to have some clarity if the debits are to be reclaimed or written-off?

**Q37 – Do you agree with the government's proposal to cover deaths on 30 September 2023?**  
Yes.

**Q38 – Do you agree with the government's proposal to clarify if interest applies on Club Transfers?**  
Yes.

**Q39 – Do you agree with the government's proposal to include part 4 tax losses in the 2023 regulations?**  
Yes.

***Q40 – Do you agree with the government’s proposal for transfers from other public service schemes for members over 65 years old?***

We believe the proposal described is reasonable, but we would need to see and understand the GAD guidance. The change would mean that members transferring remediable service from other public service pension schemes over the age of 65 would receive underpin protection when they transfer to the LGPS. It is not clear if MHCLG expects administering authorities to retrospectively revisit transfers-in since 1<sup>st</sup> April 2014?

**Lifetime Allowance**

***Q41 – Do you agree with the proposal to omit Regulation 50 and the equivalents to it (to the extent that they have been preserved) in the 1997 and 2008 Regulations?***

Yes.

***Q42 – Do you agree with the proposal to withdraw the actuarial guidance linked to Regulation 50?***

Yes.

***Q43 – Do you agree with the proposal to amend the definition of BCE in the 2013 Regulations?***

Yes.

***Q44 – Do you agree with the proposed approach to PCELSs?***

Yes.

***Q45 – Do you agree with the proposed approach to issue updated actuarial guidance on the treatment of PCELSs?***

Yes.

***Q46 – Do you agree with the proposed amendments to the Regulations?***

Yes. We believe these proposals will bring the regulations up to date and in line with some overriding legislation.

***Q47 – Do you have any comments on the proposals in this chapter?***

We applaud the spirit of the proposals but clarity on detail is important. We agree with the loosening of the five year refund rules but not that a member should lose their right to a refund if not paid before age 75. We remain concerned about the disruption and administrative impact of implementing the proposals.

## **Administrative impact of proposals**

### ***Q48 – Do you have any comments about the impact the combined proposals in this document will have on administration?***

We understand the good intentions of the proposals from which will result in positive outcomes for some members and survivors. However, we expect there will be a significant impact on administrators who have limited and overstretched resources. Administering Authorities are already struggling to keep up with other large/complex pension projects, often driven by Government changes, such as McCloud, Pensions Dashboard, GMP reconciliation/rectification, Unitarisation, Pooling changes/Fit for the Future reform. There is also the matter of keeping pace with technological improvements in AI and automating processes/procedures and creating online workflow and interaction with both employers and members. What we need is a realistic implementation period, particularly for the retrospective aspects such as even identifying and finding survivors to pay. We will have to revisit death estates that were closed years ago and may then make no additional payments, potentially creating many complaints about lack of unnecessary interference and lack of empathy.

### ***Q49 – Are there any areas where you believe the proposals are significantly more complex and would benefit from a later implementation date?***

We think the proposals could be split into phases/stages and areas within prioritised. MHCLG should recognise some areas of change are long standing areas of inequity and retrospective that need to be addressed first. There are other proposals that, whilst important, are forward looking and can be implemented later.

### ***Q50 – Do you have any comments on the proposed approach to cost?***

Not at this stage – pension administration and payroll software costs (and third party consultancy support) can be significant but the most important aspect is the timing and cost to the Administering Authorities.

## **Public Sector Equality Duty**

### ***Q51 – Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so, please provide relevant data or evidence.***

No.

### ***Q52 – Do you agree to be contacted regarding your response if further engagement is needed?***

Yes.

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# Governance and Compliance Statement

September 2025



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## Governance Policy Statement

### Introduction

This is the Governance Policy Statement of the East Sussex Pension Fund (the Fund). The Fund is managed by East Sussex County Council (ESCC) who is the Administering Authority (Scheme Manager) on behalf of all the relevant scheme employers. All Local Government Pension Scheme (LGPS) Funds in England and Wales are required to publish and keep under review a Governance Compliance Statement.

The Public Services Pensions Act 2013 (The Act) introduced a new framework for the governance and administration of public service pension schemes. The Act has a material impact on existing governance arrangements in the Local Government Pension Scheme (LGPS), which are enforced by changes to the LGPS regulations.

As a result of the Act, The Pensions Regulator introduced codes of practice covering specific areas relating to public sector pension schemes. The Code of Practice which previously applied to Public Service Pension Schemes, Code of Practice 14, was superseded by the General Code in March 2024.

As Administering Authority, ESCC is the designated statutory body responsible for administering the Fund on behalf of the constituent Scheduled and Admitted Bodies in the relevant area. The LGPS regulations specify that, in investing the Fund's money, regard must be given to the need for diversification and for proper advice obtained at reasonable intervals.

### Governance of East Sussex Pension Fund

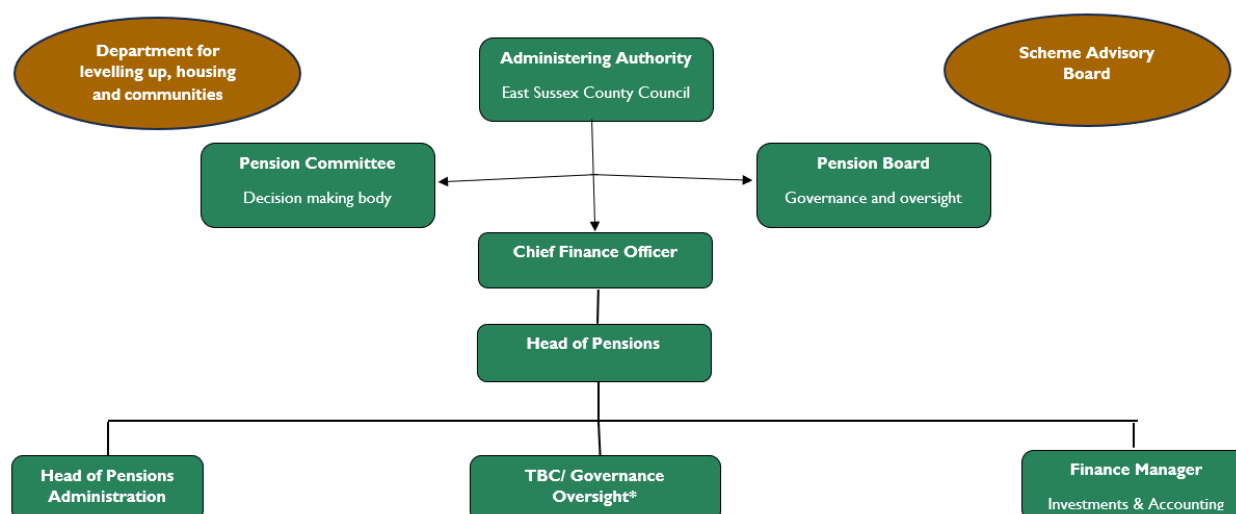
ESCC operates a Cabinet style decision-making structure. Under the Constitution, the Pension Committee has delegated authority to exercise the powers of the County Council in respect of all powers and duties in relation to its functions as the Scheme Manager and Administering Authority for the Fund, including the approval of the Fund admission agreements.

Delegations by the administering authority are published in the Council's constitution which can be accessed [here](#)

The Fund governance focuses on:

- The effectiveness of the Pension Committee, the Local Pension Board (Pension Board) and Officers to which delegated function has been passed, including areas such as decision-making processes, knowledge and competencies.
- The establishment of policies and their implementation.
- Clarity of areas of responsibility between Officers and Pension Committee/Board members.
- The ability of the Pension Committee/Board and Officers to communicate clearly and regularly with all stakeholders.
- The ability of the Pension Committee/Board and Officers to ask for the appropriate information and advice and to interpret that information in their supervision and monitoring of the Scheme in all areas.
- The management of risks and internal controls to underpin the framework.

## East Sussex Pension Fund Governance & Compliance Statement 2025



\*Senior Team structure currently under review by Head of Pensions as at August 2025.

The Overall responsibility for the governance of the Local Government Pension Scheme and for the approval of this document resides with the Pension Committee. To aid the decision making process, a decision making and responsibilities matrix has been developed.

### Responsibilities of the East Sussex Pension Committee

The Pension Committee is established as the Fund's delegated scheme manager and is responsible for arrangements for the investment, administration funding, communication, risk management and the overall governance process surrounding the Fund. It acts with the delegated authority of ESCC, which is the formal scheme manager.

The Pension Committee is responsible for setting all Fund policies including the setting of the appropriate funding target.

The Pension Committee will exercise its functions in accordance with fiduciary duties, safeguarding the interests of the beneficiaries of the Fund.

Committee Members must take decisions in accordance with their public law obligations, including the obligations of reasonableness, rationality and impartiality.

Committee Members are required to be rigorous about conflicts of interest and potential conflicts of interest, actual or perceived, as laid out in the Conflict of Interest Policy.

The Committee is subject to the statutory obligation of political balance in the membership of the Committee. Whilst all Committee Members bring with them their own knowledge and experience, political views should form no part of the consideration of issues or of the decision-making process.

Detailed terms of reference for the Committee are included as **Appendix A**.

Attendance of Committee meetings is reported in the Annual Report.



## Responsibilities of the East Sussex Pension Board

The Pension Board's primary role is to assist the Fund in ensuring that the Fund is managed and administered effectively and efficiently.

The Pension Board will provide assistance to ESCC as the Administering Authority and the LGPS Scheme Manager in securing compliance with:

- LGPS Regulations and any other legislation relating to the governance and administration of the LGPS.
- requirements imposed in relation to the LGPS by TPR.
- ensure effective and efficient governance and administration of the LGPS; and
- any other matters as the LGPS regulations may specify.

The role of the Pension Board is to provide oversight of these matters and it is not a decision-making body. The Board seeks assurance that due process is followed by the Fund.

Detailed terms of reference for the Board are included as **Appendix B**.

Attendance of Board meetings is covered in the Annual Report.



## **Operational Procedures of the Pension Committee & Pension Board**

The Pension Committee and Pension Board is advised by the Chief Finance Officer (in their capacity as section 151 Officer) and a number of external expert advisors including but not limited to the Fund Actuary, Legal Adviser, Investment Consultant and Independent Adviser, as required by the Pension Committee or Pension Board.

The Pension Committee and Pension Board receive full reports on all necessary matters as decided by the Chief Finance Officer, along with matters as requested by the Pension Committee or Pension Board for detailed reports and discussion. Provision exists for the calling of special meetings if circumstances demand.

The work plan of both Pension Board and Pension Committee is set out in a work program agreed at each quarterly meeting. This helps the stakeholders understand what will be discussed at future meetings. The Pension Board and Pension Committee consider reports on administration of the Fund, the Risk Register and any breaches of the law at all core meetings.

Agendas and reports for both the Board and Committee are published on the ESCC website at least 5 working days in advance of the meeting. All meetings are open to the public except where the Board and Committee resolve to exclude the press and public due to the consideration of information that is exempt under section 12A of the Local Government Act 1972. Meetings are held in person with some capacity for attendance online. The meetings of both the Pension Board and Pension Committee are made available to the public through a webcast.

The Pension Committee receives and reviews quarterly reports in relation to Investment matters including all its Investment Fund Managers through its Investment Consultant, Isio. The Pension Committee is also advised by an additional Independent Advisor, Linchpin Advisory Ltd, to help balance the advice providing additional challenge and debate to decision making.

The Pension Board meets around two weeks in advance of the Pension Committee to enable the Board to consider and comment on the reports due to be considered by the Committee. The Pension Board also have sight of the last Pension Committee minutes for completeness on discussions and decisions made by the Pension Committee. The Board's minutes are included as part of the Pension Committee agenda pack and the independent chair of the Board attends the Committee meetings commenting on discussion points raised by the Board on each item. This ensures the Committee takes into account the comments of scheme member and scheme employer representatives of the Board, ahead of the Committee making decisions.

The Fund produces a Funding Strategy Statement which sets out the approach to funding related matters. The strategy takes into account advice from the Fund Actuary and seeks to ensure a consistent approach to all employers, including the Council where it acts as an employer rather than the Administering Authority.

## **Frequency of meetings of the East Sussex Pension Committee**

The Pension Committee is scheduled to meet at least 4 times a year with an additional meeting scheduled to discuss the investment strategy. Attendance at these meetings is reported in the annual report.

## **Frequency of meetings of the East Sussex Pension Board**

The Pension Board is scheduled to meet at least 4 times a year. Attendance at these meetings is reported in the annual report.

## **Membership of the Pension Committee**

ESCC appoints five members to the Pension Committee in accordance with political balance provisions contained in s.15 Local Government and Housing Act 1989. These provisions require that the make-up of the Committee is in line with the political balance of the Local Authority – ESCC.

The Pension Committee is currently made up of 3 Conservative, 1 Liberal Democrat and 1 Green Councillor. All members of the Committee have voting rights.

Whilst ESCC is also a scheme employer, the appointment of the Pension Committee is under the capacity of ESCC as Administering Authority and, as such, the Committee members are not appointed as scheme employer representatives but representatives of the Administering Authority to act on behalf of all Scheme members and Scheme employers.

This is made expressly clear in the Pension Committee Terms of Reference where it states “No matters relating to East Sussex County Council's responsibilities as an employer participating within the East Sussex Pension Fund are delegated to the Pension Committee”. The members of the Pension Committee are required to consider “views expressed by employing organisations and staff representatives in relation to the operation of the East Sussex Pension Fund” but are not permitted to take decisions to benefit any particular employer ahead of the overall interests of the Fund.

The Local Government Association (LGA) obtained legal opinion from James Goudie QC in January 2015 where it was confirmed that a Pension Committee with investment decision making powers is a Finance Committee and is, therefore, restricted in its membership, excluding non-elected members onto the Committee unless there is a separate subcommittee for investment decisions, which consists solely of elected members of the Administering Authority. For the Fund, investment decisions are taken by the Pension Committee.

The current roles and responsibilities set out in the Terms of Reference of the Pension Committee, indicate that this Pension Committee is appointed to regulate and control the finance of the Fund. As such non-ESCC Councillors would not be permitted to be allowed to be members of the Pension Committee via section 102(3) of the Local Government Act 1972.

The Pension Committee is required under the 2016 LGPS Investment Regulations to take ‘proper advice’ – meaning the advice of a person whom the authority reasonably considers to be qualified by their ability in and practical experience of financial matters in formulating its investment strategy. Whilst all Committee Members bring with them their own knowledge and experience, political views should form no part of the consideration of issues or of the decision-making process. Committee Members must act as fiduciaries, safeguarding the interests of those to whom they owe their duties. Committee Members must take decisions in accordance with their public law obligations, including the obligations of reasonableness, rationality and impartiality.

## **Membership of the Pension Board**

In accordance with Regulation 107 of the LGPS Regulations 2014, a Pension Board must include an equal number of employer and member representatives with a minimum requirement of no less than four in total. In considering the size of the East Sussex Pension Board, the Administering Authority has taken into consideration number of factors including:

## East Sussex Pension Fund Governance & Compliance Statement 2025

- The size of the Fund governing arrangement and decision-making process.
- The number of scheme members, number and size of employers within the Fund and any collective arrangements in place for them to make decisions or provide input in relation to Fund matters.
- The direct and indirect cost of establishing and operating the Board.

The Pension Board consists of 7 members as follows:

- Scheme Employer representative x 3 (to represent all employers within the scheme)
- Scheme Member representative x 3 (to represent all members of the scheme; active, deferred and pensioners)
- Independent Chair x 1

Employer representatives and scheme member representatives have voting rights. The Independent Chair does not have voting rights.

In accordance with the 'Guidance on the creation and operation of Local Pension Boards in England and Wales' issued by the Scheme Advisory Board all employers and members are encouraged to make a nomination for the role of an Employer or Member Representative on the Board.

An independent chair is appointed to enhance the experience, continuity, knowledge, impartiality and performance of the Board. The chair of the Board is invited to attend Pension Committee meetings where they are able to report back on discussions and recommendations from the Board, to represent the views of the employer and member representatives into Fund decision making. All Pension Board members are welcome to attend the Pension Committee meetings.

The term of office for Board members is 4 years. This can be extended following reselection by 2 years.

### Pension Board Representatives nomination/appointment

The methodology for appointing employer and member representatives is not prescribed by the Regulations. It is therefore up to the Administering Authority to establish an appropriate process, which has been included within the Pension Board terms of reference. For details see Appendix B to this statement.

Pension Board representatives are normally appointed for a term of 4 years. Appointments are made by the Governance Committee. The Governance Committee can also agree a temporary extension of up to 2 years. In the case of multiple appointments and re-appointments the Governance Committee may choose to appoint members on a mixture of full and 2-year terms to minimise the number of vacancies needing simultaneous appointments in the future.

Where a Pension Board Representative has their term extended this can only happen once before a full appointment process will be run.

Since April 2024 it has been necessary make two appointments to the role of employer representatives.

The vacancies for employer representatives arose following the resignation of a former member in May 2024 and the retirement of another in March 2025. For the first of these vacancies, a nomination was made The Southfield Learning Trust. This nominee was approved and formally appointed to the

Pension Board by the Governance Committee at its meeting on 25 June 2024. The second of the two vacancies was filled following a nomination by Beacon Academy, MARK Education Trust. This appointment was formally approved by the Governance Committee at its meeting on 15 July 2025.

There have been no member representative vacancies, since April 2024, however officers requested that the term of office for one member representative on the Board was extended. This was approved by the Governance Committee at its meeting on 15 July 2025.

### **Vice Chair appointment**

Meetings of the Pension Board cannot go ahead without the Chair or Vice Chair present, so there is a risk that a meeting of the Board would not be able to proceed if the Chair is unable to attend for any reason.

The Pension Board agreed that in order to maintain the balance between scheme members and employer representation that a scheme member vice chair and an scheme employer vice chair would be nominated from the existing Pension Board members, and that the role of vice chair would alternate between scheme member and employer at each meeting.

### **Consultation with Employing Authorities**

All employing bodies are kept informed of current pension issues, such as proposed changes in the regulations and their implications, by a regular newsletter. They are encouraged to get in touch if they have questions.

In addition to these electronic briefings, the Fund holds an annual Employers' Forum to which all scheduled and admitted bodies of the Fund are invited. The meeting held in November 2024 was held online. The forum covers both actuarial and investment issues and has historically contained a presentation from the Fund's Actuary. In 2023 Employers received information about a range of topics including admissions and cessations to and from the Fund, an update on the administration and communications of the Fund, details of the then forthcoming 2025 triennial valuation and a presentation on the payment of additional voluntary contributions to the Fund's chosen provider, Prudential.

An annual survey is carried out with employers to obtain input into the administration of the Fund.

Where there are proposed changes to the Administration Strategy or to the Funding Strategy Statement, employers are consulted prior to implementation of the revisions.

The Fund has an Employer Engagement team to specifically focus on improving the information sharing and support to scheme employers. This team works in consultation with other Fund Officers to ensure an effective, joined up service is provided.

### **Consultation with Scheme Members**

#### **Newsletters**

The Fund will promote newsletters via email which will direct members to our website to view content. The newsletter will cover current pension topics linked to the LGPS and the wider pensions industry. Further communications may be sent to members highlighting issues of importance, such as changes in Scheme regulation or operation as they arise. Active members – two newsletters a year  
Deferred and Pensioner members – one newsletter a year.

### Website

The Fund has its own website (<https://www.eastsussexpensionfund.org/>) which provides extensive information about the LGPS, guides, factsheets, forms and up to date news about the Fund's activities. The website will act as the bedrock and basis of the content of many of the Fund's other communication channels. There are specific sections dedicated to different types of members. For example...Joining the Scheme/Paying in/No longer paying in/Retirement/Pensioners.

### Annual Report and Accounts

The audited accounts of the Fund are prepared as of 31 March each year and published on our website, usually in early December. The report details the management and financial performance of the Pension Fund during the year.

### Annual benefit statement

Annual benefit statements are provided to active and deferred members by 31st August each year. The statements are made available online via 'My Pension' the Fund's member self-service website or posted to members who have opted out of electronic communications.

Active members - Statements are provided which details a pension forecast to the member's normal pension age (assuming they continue to contribute to the LGPS), a pension breakdown of benefits accrued over the last Scheme year (to 31st March) and benefits payable on death.

Deferred members - Statements are provided which detail member's current deferred pension (to 31st March) and benefits payable on death

### 'My Pension' - member self-service website

Members have online access (once registered) to their East Sussex Pension Fund records through 'My Pension' - a secure online self-service website.

Substantial improvements were made in July 2024 including:

- Simple registration and log in.
- Enhanced security including multi-factor authentication, ensuring safe access to pension information.
- Updated look and design – making the site easier to understand and navigate around.
- Online annual benefit statements (active and deferred members only) – broken down into simpler chunks using visual aids to help members understand their pension benefits.
- View the latest estimated pension valuation (active and deferred members only).
- The ability to update personal details such as email address, home address, expression of wish nomination(s) and communication preferences.
- New retirement planner - which allows members to set retirement goals and identify whether they are on track to reach them (active and deferred members only).
- A range of benefit calculators.

Active members only - The deferred benefit calculator details estimated benefits if a member leaves the LGPS. The voluntary retirement calculator details benefits payable based a specified retirement date (early, normal or late). There's also a death in service calculator.

Deferred members only – The deferred pension payment calculator details the benefits payable to members based on them taking retirement (early, normal or late). There is also a calculator which provides an illustration of death benefits payable.

- Online access to pay slips and P60s - Pensioners can view and print all pay slips\* and P60s and access a calculator showing what their pension would be worth if they were to die whilst in receipt of a pension (Pensioner members only).



\* Pensioners who have opted out of electronic communication will only receive pay slips in the post in March, April and May or when net pay changes by more than £5.

The Fund will be looking to implement further developments to 'My Pension' including allowing members to carry out administrative processes online, thereby making processes quicker, simpler and more secure.

### **Member training – active members only**

East Sussex Pension Fund offer free online Local Government Pension Scheme training to contributing members. This is promoted via Scheme employers with courses run three times per year. There are three courses available:

- 1) Introduction to the LGPS – this session covers the benefits of being in the LGPS.
- 2) Your Pension MOT – A course designed to help members keep up to date and engaged with their pension.
- 3) Preparing for retirement -This course will help members who are thinking ahead to retirement and want to know more about the process, how benefits are calculated and answers to key retirement questions.

### **Pension increase statements – pensioner members only**

A letter is made available via 'My Pension' each year to all pensioners informing them of changes to their pensions in payment (pensions are adjusted each April in line with the cost of living). For pensioners who have opted out of electronic communications, this will be sent by post. The pension increase percentage is also posted on the pensioner page of our website.

### **Prospective member communication**

The Fund works with Scheme employers to assist in the joining arrangements for the LGPS. We hold general information and literature for prospective pension Fund members on the ESPF website. There is a specific section dedicated to new joiners - Joining the Scheme. Upon joining the Fund, members are sent a welcome letter confirming their membership in the LGPS. This includes links to a Scheme guide, details of how to access 'My Pension' – our member self-service website and encourages members to complete a nomination form and consider transferring in any pensions from elsewhere within a 12-month window.

More detail on the approach to communication is covered in the separate [Communications Strategy](#), which is available on the website.

## **Working Groups**

The Fund has set up a number of working groups to help progress specific projects or areas of focus. The Pension Board are able to initiate working groups to focus on areas that would benefit from focus of the employer or member representatives.

An update is provided at each Pension Board and Pension Committee meeting to report back on the activities of each working group as appropriate.

In 2024/25 the Fund had two working groups. An investment implementation working group and an administration working group.

Each working group has its own terms of reference and membership which is firstly discussed at Pension Board and approved by Pension Committee.

The Chair of the Pension Committee is invited to join the Investment Implementation Working Group, while membership of the group is Officers and Advisers. All other working groups consist of a mix of Officers, Pension Board members and Pension Committee members.

## Conflicts of interest

**A conflict of interest is a financial or other interest which is likely to prejudice a person's exercise of their duties as a member of the Pension Board or Pension Committee.**

To prevent conflicts of interest members of the Pension Board, Committee and Officers are required to disclose interests. Potential conflicts are also disclosable as a standing item on the agenda for Board and Committee meetings. Interests which may lead to a potential conflict are additionally reviewed annually. The policy equally applies to advisers, suppliers and contractors who are required to disclose information about potential conflicts of interest as part of their contractual terms, with this being part of the procurement process.

Where a potential conflict of interest is identified the person with the potential, or perceived, conflict is not able to take part in discussions on the topic; excluded from voting; or otherwise has the conflict managed at the discretion of the Chair or Vice Chair as appropriate.

The Fund has a conflict of interest policy which is published on its website - [Conflict of interest policy - East Sussex Pension Fund](#). This policy is due for its triennial review in September 2027.

A register of interests is maintained for the Fund by the Democratic Services Team.





## **Knowledge and understanding**

It is a requirement that members of the Pension Board have sufficient knowledge and understanding to carry out their function. Where a new member joins the Pension Board, they are to develop this level of knowledge as soon as possible.

Whilst the law does not stipulate a timeframe for gaining this knowledge, it does for a new trustee of a private occupational scheme and an inference can be drawn that the same six-month time period should apply.

The Scheme Advisory Board's (SAB) Good Governance Report says that Officers and Committee members should also have sufficient knowledge and understanding to carry out their functions. The Fund's Training Strategy is in line with this recommendation and applies to Pension Board and Pension Committee members as well as officers. It is linked to the CIFPA Knowledge and Skills matrix.

The Fund has a Pensions Training Co-Ordinator. This Officer engages with the Chairs of both the Pension Board and Pension Committee to establish the individual needs of members, as well as liaising with Officers, to develop a detailed training plan. This plan will be in line with the published Training Policy. Details of the events individuals attend are recorded.

New members of the Pension Board and Pension Committee, along with those already in role and relevant Officers, are invited to induction training. Some of this training is provided by the Fund's legal, actuarial and investment advisors.

The Fund carries out an annual training needs analysis with Committee and Board members by means of a self-assessment questionnaire. The results of these training needs lead to the creation of the annual training plan for Board and Committee members and is being used to develop the content of training events which will be offered to Pension Board and Pension Committee members over the forthcoming year.

Training attendance is covered in detail as part of the Annual Report.

The Fund invite members of both the Pension Board and Pension Committee to a range of in-house and external training sessions and conferences to help develop their knowledge and skills relevant to their roles. In addition, officers attend training sessions and conferences in compliance with the training strategy and their professional CPD requirements to stay current. Notification of forthcoming training opportunities is provided at least once per month. The Fund have a budget assigned for training to ensure this is a priority of the Fund and sufficient resources available.

## **Interaction with Officers**

Fund Officers carry out the day-to-day work involved with running the Fund. They are divided into Accounting and Investment, Pensions Administration, Employer Engagement, Governance and Compliance and Projects. All teams are overseen by the Head of Pensions who reports to the Chief Finance Officer.

The Chief Finance Officer has two roles as the s.151 Officer for the Pension Fund and, separately, the s.151 Officer for the Council acting in its capacity as Local Authority.

Officers provide papers for both the Pension Board and Pension Committee in advance of meetings. The content consists of information to bring to the attention of the Pension Board and Pension Committee, together with information requested by the Pension Board and Pension Committee through the quarterly agreed workplan.

Where the Pension Board has concerns that the Pension Committee is not acting in line with the principles of good governance it can raise the matter with the Chief Monitoring Officer and, by extension, the Governance Committee.

### **Good Governance report**

In February 2021 the SAB published an updated version of its report following its review of good governance across the LGPS. This report covers representation, conflicts of interest and knowledge and understanding.

The SAB made several recommendations in the areas of service delivery along with compliance and improvement.

The Government has now consulted on making changes to the scheme's governance as part of the 'Fit for the future' consultation. and these proposals are largely in line with the 2021 recommendations of the SAB

### **Admissions to the Fund**

Where a new employer seeks to join the Fund a policy is in place to smooth the admission process. When the Fund becomes aware of a new employer, the new employer is sent a copy of the relevant documentation to help guide it through the process.

### **Pension Administration Strategy**

The Fund operates a Pension Administration Strategy in accordance with Regulation 59 Local Government Pension Scheme Regulations 2013. This document considers the relationship between the Fund and participating employers, setting out expectations for both the delivery of services and detailing the employers' obligations.

The Administration Strategy is kept under review and scheduled to be updated in the Autumn/Winter of 2025. After a period of consultation with all relevant stakeholders, an updated version will be presented to the Pensions Committee for formal approval.

### **Audit review of service provision**

The ESCC Internal Audit team carries out independent appraisals of the County Council's systems under the direction of the Chief Operating Officer. The Pension Fund has commissioned 70 days of audit to review various aspects of its service provision. An annual audit plan is reviewed and approved at the start of the year with all audit findings reports being considered and discussed at each Pension Board and Pension Committee meeting once the reports are finalised.

In 2024/25 the internal audit team carried out audits on Pension Fund Investments and Accounting, Administration of Pension Benefits and Pension Fund Compliance with Regulatory Requirements

## Business planning

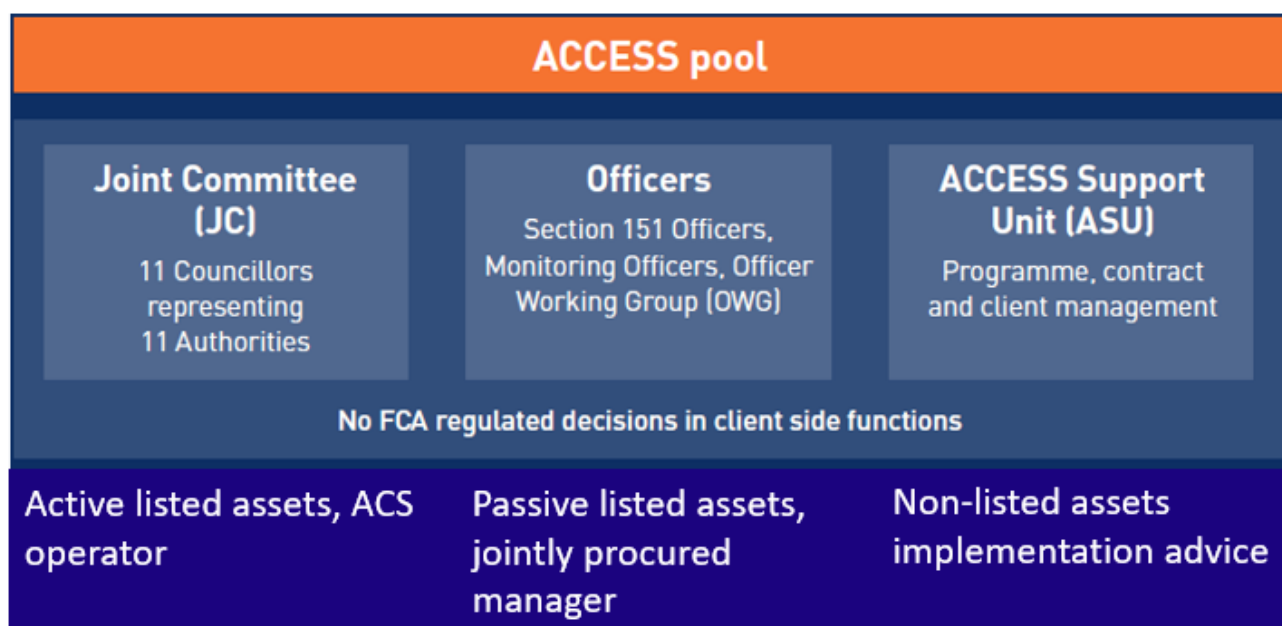
The Fund maintains a business plan annually. At each Committee and Board meeting there is a discussion of the work to be conducted in each quarterly meeting over the next 12 months, allowing members of both the Board and Committee to request additional tasks be added as needed.

The Fund budget is approved by the Pension Committee on an annual basis.

Key Performance Indicators are reported against each quarter. The relevant documents are published as part of the Board and Committee meeting packs, which can be located at [Browse meetings - Pension Board | East Sussex County Council](#) and [Browse meetings - Pension Committee | East Sussex County Council](#).

## LGPS Asset Pooling Governance - ACCESS Pool

ACCESS (A Collaboration of Central, Eastern and Southern Shires) is made up of 11 Local Government Pension Schemes (LGPS) Administering Authorities, which are committed to working together to optimise benefits and efficiencies on behalf of their individual and collective stakeholders, operating with a clear set of objectives and principles that drives the decision-making process.



## **ACCESS Pool Governance**

The diagram above sets out the overarching ACCESS structure.

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

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 S151 Officers, Officer Working Group and the ACCESS Support Unit. The Officer Working Group are Officers identified by the Administering Authorities whose role is to provide a central resource for advice, assistance, guidance and support for the Joint Committee.

The ACCESS Support Unit (ASU) provides the day-to-day support for running the ACCESS Pool and has responsibility for program management, contract management, administration and technical support services.

The Section 151 Officer of each Pension Fund provide advice to the Joint Committee and in response to decisions made by the Joint Committee ensure appropriate resourcing and support is available to implement the decisions and to run the ACCESS Pool.

Strategic oversight and scrutiny responsibilities remain with the Administering Authorities as does all decision-making power to their own Funds asset allocation and the pooling of assets that each Fund holds within the arrangements developed by the ACCESS Pool.

At its meeting on Monday 7 March 2022, the ACCESS Joint Committee agreed proposals enabling each ACCESS Authority's Local Pension Board to send two observers, on a rotational basis, to Joint Committee meetings. In practice, observers from three ACCESS Authority Local Pension Boards at a time will attend JC meetings in person, allowing each Pension Board to be represented at least once a year.

The observers can be drawn from scheme member representatives, employer representatives or independent members. This arrangement was continued for 2024/25.

## **ACCESS Operator**

Waystone Group were appointed to provide a pooled operator service. Waystone is responsible for operating an authorised contractual scheme (ACS) along with the creation of a range of investment sub-funds to meet the needs of the investing authorities enabling them to execute their asset allocation strategies and the appointment of the investment managers to those sub-funds. The operator role is FCA regulated.

## **ACCESS Implementation Adviser for illiquid assets**

The ACCESS Pool has appointed APEX, the specialist service provider to the asset management industry, as implementation advisor for the pooling of illiquid assets, including private equity, infrastructure, private debt and real estate. As implementation advisor, APEX will provide support to the Pool in selecting individual investment opportunities and investment managers to build portfolios in a range of illiquid assets.

## Review of Governance Policy Statement

Responsibility for this document resides with the Chief Finance Officer and will be reviewed by no less frequently than annually.

This document will be reviewed if there are any material changes in the administering authority's governance policy or if there are any changes in relevant legislation or regulation.

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## Delegation of Functions

The following functions are delegated by the Administering Authority:

### Scheme Administration

**Governance Principles: Effective committee delegation; appropriate accountability; rigorous supervision and monitoring**

Including, but not exclusively or limited to, record keeping, calculation of and payment of benefits, reconciliation and investment of contributions, preparation of annual accounts, and provision of membership data for actuarial valuation purposes.

The Administering Authority has responsibility for “Scheme Administrator” functions as required by HM Revenues and Customs (HMRC) under the Finance Act 2004.

#### Delegated to:

Pension Committee (monitoring)

Chief Finance Officer (Pension Fund Governance and Investment implementation)

### Funding

**Governance Principles: Effective committee delegation; appropriate accountability; written plan policies**

Including, but not exclusively or limited to, setting of the appropriate funding target for the Local Government Pension Scheme. The Chief Finance Officer shall be responsible for maintaining the Funding Strategy Statement (FSS) and business plan. The Pension Committee shall be responsible for approving the FSS and business plan.

#### Delegated to:

Pension Committee (policy approval)

Chief Finance Officer (maintaining FSS and policy implementation)

### Investment

**Governance Principles: Effective committee delegation; appropriate accountability; written plan policies**

Including, but not exclusively or limited to, setting of an appropriate investment strategy or strategies, selection of investment managers, setting of performance benchmarks and regular monitoring of performance. The Pension Committee shall be responsible for agreeing the Investment Strategy Statement (ISS).

#### Delegated to:

Pension Committee (strategy approval, manager selection, benchmarks, monitoring)

Chief Finance Officer (Pension Fund investment implementation)

## Communications

### **Governance Principle: Effective information flow; written plan policies**

Including, but not limited to, setting of a communication strategy, issuing of benefit statements, newsletters, and annual report. The Pension Committee shall be responsible for agreeing the Communications Policy.

#### **Delegated to:**

Pension Committee (policy approval)

Chief Finance Officer (Pension Fund policy implementation)

## Risk Management

### **Governance Principle: Effective committee delegation; appropriate accountability; written plan policies**

Including the identification, evaluation and monitoring of risks inherent within the Local Government Pension Scheme. The Pension Committee shall be responsible for approving the Risk Register. The Chief Finance Officer shall be responsible for maintaining the risk register.

#### **Delegated to:**

Pension Committee (pension fund risk register approval)

Chief Finance Officer (maintaining the pension fund risk register)

Delegations by the administering authority are published in the Council's constitution which can be accessed in full [here](#).



## Compliance Statement

The Fund fully complies with the best practice guidelines on governance, issued by the Department for Levelling Up, Housing and Communities, for details see the table below.

### A - Structure

Task	Compliance status
The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Fully Compliant
That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Fully Compliant
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Fully Compliant
That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Fully Compliant

### B – Committee membership and representation

Task	Compliance status
That all key stakeholders are afforded the opportunity to be represented. within the main or secondary committee structure. These include: - i) employing authorities (including non-scheme employers, eg, admitted bodies). ii) scheme members (including deferred and pensioner scheme members), iii) where appropriate, independent professional observers, and iv) expert advisors (on an ad-hoc basis).	Fully Compliant
That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision-making process, with or without voting rights.	Fully Compliant

### C – Selection and role of lay members

Task	Compliance status
That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Fully Compliant
That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	Fully Compliant



## **D – Voting**

<b>Task</b>	<b>Compliance status</b>
The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Fully Compliant

## **E – Training/Facility time/expenses**

<b>Task</b>	<b>Compliance status</b>
That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Fully Compliant
That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Fully Compliant
That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	Fully Compliant

## **F – Meetings (frequency/quorum)**

<b>Task</b>	<b>Compliance status</b>
That an administering authority's main committee or committees meet at least quarterly.	Fully Compliant
That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Fully Compliant
That an administering authority who does not include lay members in their formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Fully Compliant

## **G – Access**

<b>Task</b>	<b>Compliance status</b>
That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Fully Compliant

## H – Scope

Task	Compliance status
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Fully Compliant

## I – Publicity

Task	Compliance status
That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Fully Compliant



## Appendix A

### Pension Committee terms of reference and membership

#### Membership

The East Sussex Pension Committee will be composed of five members of East Sussex County Council, determined by the Council at the Council's Annual Meeting. (N.B. When making nominations Members should have regard to the need to ensure a balance of experience and continuity).

Named substitutes are permitted for East Sussex County Council members.

#### Terms of Reference

The Pension Committee's will exercise on behalf of East Sussex County Council all of the powers and duties in relation to its functions as the Scheme Manager and Administering Authority for the East Sussex Pension Fund except where they have been specifically delegated to another Committee. The Pensions Committee will exercise its functions in accordance with the fiduciary duties of the Council as the administering authority of the East Sussex Pension Fund.

The Pension Committee will have the following specific roles and functions, taking account of advice from officers and the Fund's professional advisers:

- Ensuring the Fund is administered, managed and pension payments are made in compliance with the regulations and having regard to statutory guidance that govern the operation of the Local Government Pension Scheme from time to time, and other legislation.
- Determining the Fund's aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund, including but not limited to funding, investment, administration, communication and governance.
- Determining how the various administering authority discretions are operated for the Fund.
- Monitoring the implementation of all Fund policies and strategies on an ongoing basis.
- In relation to the LGPS ACCESS Pension Fund Pool:
  - Considering pooling matters including recommendations made by the ACCESS Joint Committee;
  - determining the transition of the assets held by East Sussex Pension Fund in relation to the Pool and the funds or sub-funds operated by the Operator;
  - recommending to the Governance Committee a member of the East Sussex County Council Pension Committee to the Joint Committee as and when required, having regard to the advice of the Head of Pensions;
  - appointing an East Sussex County Council officer to working groups such as the Officer Working Group as and when required;

- advising the representative on the Joint Committee and Officer Working Group on such matters as may be required;
  - monitoring the performance of the LGPS ACCESS Pool and its Operator and recommending actions to the ACCESS Joint Committee, Officer Working Group or ACCESS Support Unit, as appropriate;
  - receiving and considering reports from the LGPS ACCESS Joint Committee, Officer Working Group and the Operator;
  - undertaking any other decisions or matters relating to the operation or management of the LGPS ACCESS Pool as may be required, including but not limited to appointment, termination or replacement of the Operator and approval of the strategic business plan.
- Making arrangements for actuarial valuations, ongoing monitoring of liabilities and undertaking any asset/liability and other relevant studies.
- Making decisions relating to employers joining and leaving the Fund. This includes approving which employers are entitled to join the Fund, and any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.
- Agreeing the policy for exit credits and terms on which employers may leave the Fund.
- Approving decisions on cessations, post cessation arrangements, guarantees and bonds.
- Agreeing the terms and payment of bulk transfers into and out of the Fund.
- Ensuring robust risk management arrangements are in place, considering and making recommendations in relation to the internal audit strategy and internal audit report pertaining to the management of the fund and reviewing its findings.
- Agreeing the Fund's annual business plan and annual and medium term budgets, and monitoring progress against them.
- Selection, appointment and dismissal of the Fund's advisers and suppliers, including actuary, benefit consultants, investment consultants, global custodian, fund managers, lawyers, pension fund administrator, Additional Voluntary Contribution providers and independent professional advisors. This includes determining the services to be provided and monitoring those services, including where this relates to shared services arrangements.
- Agreeing the Fund's Knowledge and Skills Policy and monitoring compliance with the policy.
- Agreeing the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.
- Considering views expressed by employing organisations and staff representatives in relation to the operation of the East Sussex Pension Fund.
- Considering the Fund's financial statements and approving an Annual Report on the activities of the Fund in line with legislation and guidance.

- Considering the Breaches Register at every quarterly Pension Fund meeting and reviewing recommendations from the Pensions Board.



Notes: 1. No matters relating to East Sussex County Council's responsibilities as an employer participating within the East Sussex Pension Fund are delegated to the Pension Committee.

Notes: 2 As a Non-Executive Committee, no matters relating to the Pension Fund's non-executive responsibilities as Scheme Manager are delegated to an Executive of East Sussex County Council.

Notes: 3 The Committee's primary contacts will be the Head of Pensions, Chief Finance Officer and its retained advisors

### Training

The East Sussex Pension Fund has a dedicated Knowledge and Skills Policy which applies to all members of the Committee, and which includes the expectation to attend regular training sessions in order they may maintain an appropriate level of knowledge and skills to perform their role effectively.

## Appendix B

# Constitution and terms of reference of the East Sussex Pension Board

### Introduction

The Pension Board is established by East Sussex County Council (ESCC) under the powers of Section 5 of the Public Services Pensions Act 2013 and regulation 106 of the Local Government Pension Scheme (LGPS) Regulations 2013 ("the LGPS regulations" which includes such regulations as govern the Local Government Pension Scheme from time to time). ESCC is the scheme manager (and administering authority) to the East Sussex Pension Fund (ESPF).

The East Sussex Pension Fund Board was appointed by East Sussex County Council (the Scheme Manager and Administering Authority to East Sussex Pension Fund) as its Local Pensions Board in accordance with section 5 of the Public Service Pensions Act 2013 and Part 3 of the Local Government Pension Scheme Regulations 2013. As such, Parts 4 Rules of Procedure (Council's procedural Standing Orders) sub-parts 1, 2, 3, 4, 5 and 6 of the Constitution of East Sussex County Council do not apply to this Pension Fund Board unless expressly referred to within and permitted by these Terms of Reference and Rules of Procedure.

The Board will exercise all its powers and duties in accordance with legislation and these Terms of Reference and Rules of Procedure. The Board shall have the power to do anything which is considered to facilitate, or is conducive or incidental to, the discharge of its functions.

### Powers of the Pension Board

The Pension Board will exercise all its powers and duties in accordance with the law and this Terms of Reference.

ESCC considers this to mean that the Pension Board is providing oversight of these matters and, accordingly, the Pension Board is not a decision-making body in relation to the management of the Fund but instead can make recommendations to assist in such management. The Fund's management powers and responsibilities which have been, and may be, delegated by ESCC to committees, sub-committees and officers of ESCC, remain solely the powers and responsibilities of those committees, subcommittees and officers including but not limited to the setting and delivery of the Fund's strategies, the allocation of the Fund's assets and the appointment of contractors, advisors and fund managers. The Pension Board operates independently of the ESPF Pension Committee.

The Pension Board will ensure that in performing their role it:

- is done effectively and efficiently and
- complies with relevant legislation and
- is done by having due regard and in the spirit of The Pensions Regulator's Code of Practice and any other relevant statutory or non-statutory guidance.

## Objectives and role of the Pension Board

The role of the Pension Board is defined by the LGPS Regulations as being to assist the Scheme Manager (ESCC as Administering Authority) to:

- secure compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the LGPS and requirements imposed in relation to the LGPS by the Pensions Regulator;
- ensure the effective and efficient governance and administration of the LGPS. This should be interpreted as covering all aspects of governance and administration of the LGPS including funding and investments.

In doing this the Pension Board:

- Shall assist the Scheme Manager with such matters as the LGPS Regulations and guidance may specify.
- Shall seek assurance that due process is followed with regard to the Pension Committee and may review any decisions made by or on behalf of the Scheme Manager or action taken by the Scheme Manager.
- Shall seek assurance that any identified issues raised by Pension Board members are considered.
- Shall comment on and assist in identifying and managing breaches of the law in relation to ESPF matters.
- Shall make representations and recommendations to the Pension Committee as appropriate and shall consider and, as required, respond to any Government / Responsible Authority or Scheme Advisory Board requests for information or data concerning the Fund.
- May also undertake other tasks, including (but not limited to):
  - assisting the Pension Committee by reviewing aspects of the performance of the ESPF – for example by reviewing the risk management arrangements within ESPF (although the Pension Committee will remain accountable for risk management);
  - reviewing administration standards or performance or review efficacy of ESPF member and employer communications;
  - reviewing published policies to ensure they remain fit for purpose and are complete;
  - reviewing ESPF annual reports; or being part of any consultation process with the purpose of adding value to that process based on, for example, their representation of employers and ESPF members;
  - discussing strategic matters such as communications where requested by the Pension Committee.
- Will produce an annual report which is shared with the Scheme Manager. It will outline the work of the Pension Board throughout the scheme year, which will help to –
  - inform all interested parties about the work undertaken by the Pension Board
  - assist the Pension Board in reviewing its effectiveness and identifying improvements in its future operations.
- Shall carry out an annual self-assessment of the effectiveness of the Pension Board, and produce a report on this which will be shared with the Pension Committee.
- Must provide a record of each meeting to the following Pension Committee meeting and may make reports and recommendations to the Pension Committee insofar as they relate to the role of the Pension Board.
- Shall assist in considering whether the East Sussex Pension Fund is being managed in accordance with the LGPS and other relevant legislation, including consideration of cases that have been referred to the Pension Regulator and/or the Pension Ombudsman; recommending changes to processes, training and/or guidance where necessary.
- Shall monitor administrative processes and support continuous improvements.



- Will ensure the scheme administrator supports employers to communicate the benefits of the LGPS to scheme members and potential new members.

## Membership

The Pension Board shall consist of:

- 3 employer representatives - employer representatives that can offer the breadth of employer representation for the ESPF.
- 3 scheme member representatives – member representatives nominated to ensure a broad representation of scheme membership (active, deferred, and pensioners). Two will be nominated by the trade unions, and the rest will be drawn from the total ESPF active, deferred and pensioner membership.
- Independent Chair - The Pension Board shall be chaired by an Independent Chair.

Substitutes for Board members are not permitted.

The Quorum of the Board will be 3 Members, excluding the Independent Chair. To be quorate the meeting must include at least one employer representative and one scheme member representative.

The Board has the power to set up working groups

## Appointment of members of the Pension Board

The appointment process has been approved by the Governance Committee.

All appointments to the Pension Board shall be by the Governance Committee under delegated authority from the County Council, including the Independent Chair.

The Vice Chair will alternate between scheme member representatives and employer representatives at each meeting. The Vice Chairs will be nominated from the existing Board members whenever one of the existing Vice Chairs is replaced.

Appointments to the Pension Board shall be managed, wherever possible, so that appointment and termination dates are staggered such that there remains continuity for one meeting to the next.

## Term of office

Employer representative appointments will expire after a 4-year period from their date of appointment by the Governance Committee or such time as resolved by the Governance Committee. The Governance Committee may agree an extension to this period by up to a further 2 years after which there shall be a further appointment process. Reappointment of existing members is permitted. Appointment will automatically cease if the individual is no longer in the employment of that employer, no longer holds office in relation to that employer or is no longer an elected member of that employer, as appropriate.

Scheme member representative appointments will expire after a 4-year period from their date of appointment by the Governance Committee or such time as resolved by the Governance Committee. The Governance Committee may agree an extension to terms of office up to a further 2 years after which there shall be a further appointment process. Reappointment of existing



members is permitted. Appointment will automatically cease if the individual is no longer a trade union representative or representative of ESPF members (in accordance with the criteria set by the Governance Committee).

The Independent Chair appointment will expire after a period of 4 years from their date of appointment by the Governance Committee. The Governance Committee may agree an extension to terms of office by up to a further 2 years after which there shall be a further appointment process. Reappointment of the Independent Chair is permitted.

Term dates may not be exact due to the period of the appointment process. The term of office may therefore be extended for this purpose or other exceptional circumstances by up to three months with the agreement of the Governance Committee.

A Pension Board member who wishes to resign shall submit their resignation in writing to the Independent Chair. A suitable notice period must be given, of at least 1 month, to enable a replacement member to be found.

The role of the Pension Board members requires the highest standards of conduct and the ESCC Code of Conduct for Members will apply to the Pension Board's members. ESCC Standards Committee will monitor and act in relation to the application of the Code.

Poor performance will result in corrective action being taken, and in exceptional circumstances the removal of the Pension Board member by the Governance Committee.

Removal of the Independent Chair will be by the Governance Committee.

## Chairing

It will be the role of the Chair to:

- Settle with officers the agenda for a meeting of the Pension Board.
- Manage the meetings to ensure that the business of the meeting is completed.
- Ensure that all members of the Pension Board show due respect for process and that all views are fully heard and considered.
- Strive as far as possible to achieve a consensus as an outcome.
- Ensure that the actions and rationale for decisions taken are clear and properly recorded.
- Uphold and promote the purpose of the Pension Board, and to ensure that meetings are properly conducted and professional advice is followed.
- To use their expertise and experience and liaise with the Head of Pensions to arrange such advice as required subject to agreement by the Head of Pensions on such conditions as that officer determines.
- Sign the minutes of each Pension Board meeting following approval by the Board.
- Prepare with the Head of Pensions an appropriate budget for the Pension Board's consideration before being formally considered by the Scheme Manager along with the ESPF Annual Budget.

## East Sussex Pension Fund Governance & Compliance Statement 2025

- Liaise with officers and advisors on the requirements of the Pension Board, including advanced notice for Scheme Manager officers to attend and arranging dates and times of Board meetings.
- Provide guidance on all points of procedure and order at meetings having regard to advice from officers.

Other tasks which may be deemed appropriate by the Scheme Manager for the Independent Chair of the Pension Board.

- Liaise with the Chair of the Pension Committee as deemed appropriate.

Other tasks that may be requested by the Board, within the remit of these Terms of Reference and subject to agreement with the Head of Pensions.

- Annually review and report on the activities of the Pension Board.
- Commission a triennial review of LGPS & public pension fund non-statutory best practice guidance (referencing the SAB & other relevant bodies deemed relevant by the Board) which then brings recommendations to the Committee (when appropriate) for amendments to the operation of the Fund. Support arrangements and administration.

ESCC officers will provide governance, administrative and professional support to the Pension Board, and ESCC Member Services will provide secretariat support to the Pension Board, and as such will ensure that:

- Meetings are timetabled for at least four times per year.
- Adequate facilities are available to hold meetings.
- An annual schedule of meetings is produced.
- Suitable arrangements are in place to hold additional meetings if required.
- Papers are distributed 5 clear working days before each meeting except in exceptional circumstances.
- Draft minutes of each meeting are normally circulated 7 working days following each meeting including all actions, decisions and matters where the Pension Board was unable to reach a decision will be recorded.
- Final reports, minutes and agendas relating to the Pension Committee are shared appropriately with the Board.

The records of the meetings may, at the discretion of the Board, be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A (2) of that Act.

The minutes and any consideration of the Pension Board shall be submitted to the Pension Committee.

The Pension Board must comply with the General Data Protection Regulation and the Scheme Manager's data protection policy. It must also adhere to the Scheme Manager's requirements, controls and policies for Freedom of Information Act compliance.

## Expert advice and access to information, including the Pension Committee

The Pension Board will have access to professional advice and support provided by officers of ESCC and, via them and where appropriate, advisers to the ESPF. In addition, Pension Board members will receive the final reports, minutes and agendas relating to the Pension Committee, save where the Committee expressly decides otherwise such as where an item is exempt, although this is anticipated to be in exceptional cases.

Insofar as it relates to its role, the Pension Board may also:

- Request information and reports from the Pension Committee or any other body or office responsible for the management of the Fund.
- Examine decisions made or actions taken by the Pension Committee or any other body or officer responsible for the management of the Fund.
- Access independent professional advice from actuaries, other independent advisers, and investment managers as required, where there are major matters being considered, i.e., investment strategy, triennial valuation, etc.
- Access to professional advice regarding non-major decisions will require the approval of the Pension Committee for additional resources.
- Attend all or any part of a Pensions Committee meeting unless they are asked to leave by the Committee or as a result of a conflict of interest.

ESCC officers will provide such information as is requested that is available without incurring unreasonable work or costs.

## Knowledge and Skills

Pension Board members will be required to have the ‘capacity’ to carry out their duties and to demonstrate a high level of knowledge and of their role and understanding of:

- The scheme rules (i.e., regulations).
- The schemes administration policies.
- The Public Service Pensions Act (i.e., being conversant with pension matters relating to their role) and the law relating to pensions.

A program of updates and training events will be organised by ESPF officers.

It is for individual Pension Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board.

In line with this requirement, Pension Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Pension Board members are therefore required to:

- Participate in training events (a written record of relevant training and development will be maintained).
- Undertake a personal training needs analysis or other means of identifying any gaps in skills, competencies and knowledge relating to Pension Board matters.
- Comply with the Fund's Knowledge and Skills Policy insofar as it relates to Pension Board members.

## Standards and Conflicts of Interest

A conflict of interest is defined in the Public Service Pensions Act 2013 as: “in relation to a person, means a financial or other interest which is likely to prejudice the person’s exercise of functions as a member of the Pension Board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme).”

The Public Service Pensions Act 2013 requires that members of the Pension Board do not have conflicts of interests. As such all members of the Pension Board will be required to declare any interests and any potential conflicts of interest in line with legal requirements in the Public Service Pensions Act 2013 and the Pension Regulator’s code. These declarations are required as part of the appointment process, as well as at regular intervals throughout a member’s tenure.

The Pension Board shall adopt a policy for identifying and managing potential conflicts of interest.

Members of the Pension Board must provide, as and when requested by the Scheme Manager, such information as the Scheme Manager requires to identify all potential conflicts of interest and ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest at appointment or whilst a member of the Pension Board.

Part 5(1) of ESCC Code of Conduct shall apply in relation to the standards of conduct of Pension Board members, insofar as they can be reasonably considered to apply to the role of members of the Board, including the non-disclosure of confidential information.

Members of the Pension Board must adhere to the requirements of the ESPF Procedure for Monitoring and Reporting Breaches of the Law and should be mindful of the individual legal requirements in Section 70 of the Pensions Act 2004 relation to reporting breaches of the law in relation to ESPF matters.

## Access to the Public and Publication of Pension Board information

Members of the public may attend the Pension Board meeting and receive papers, which will be made public in accordance with the Access to Information Rules in ESCC's Constitution.

In accordance with the Public Service Pensions Act 2013, ESCC is required to publish information about the Pension Board and up-to-date information will be posted on the ESPF website showing:

- a. Names of and information regarding the Pension Board members
- b. How the scheme members and employers are represented on the Pension Board
- c. Responsibilities of the Pension Board as a whole
- d. Full terms of reference and policies of the Pension Board and how it operates.

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In accordance with good practice, ESPF may publish other information relating to the Pension Board as considered appropriate from time to time, and which may include:

- a. the agendas and meeting records
- b. training and attendance logs
- c. an annual report on the work of the Pension Board.

All or some of this information may be published using the following means or other means as considered appropriate from time to time:

- a. on the ESPF website – [East Sussex Pension Fund](#)
- b. on the ESCC website – <http://www.eastsussex.gov.uk>,
- c. within the ESPF Annual Report and Accounts,
- d. within the ESPF's Governance Policy and Compliance Statement.

Information may be excluded on the grounds that it would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act.

## Expense reimbursement, remuneration and allowances

All Pension Board members will be entitled to claim travel and subsistence allowances for attending meetings relating to Pension Board business (including attending training) at rates contained in the Members' Allowances Scheme in the ESCC's Constitution. In addition, scheme member representatives may be paid an allowance equivalent to the co-optees' allowance in the ESCC Scheme of Members' Allowances in relation to time spent at meetings and training events relating to their role as a ESPF Pension Board member, unless they are attending they are attending during their normal working day without a reduction in pay or leave (in which case no allowance will be paid for that time). The Independent Chair's remuneration will be approved by the Governance Committee following consultation with the Chair of the Pension Committee. All costs will be recharged to the Fund.

## **Accountability**

The Pension Board collectively and members individually are accountable to the Scheme Manager (ESCC), the Pensions Regulator, and the Local Government Pension Scheme Advisory Board. The Local Government Pension Scheme Advisory Board will advise the Responsible Authority (in the case of the LGPS the MHCLG) and the Scheme Manager. The Pensions Regulator will also be a point of escalation for whistle blowing or similar issues.

## **Decision Making Process**

Employer representatives and scheme member representatives have voting rights, albeit the Pension Board is expected to operate on a consensus basis. The Independent Chair does not have voting rights.

In the event of an equal number of votes being cast for or against a proposal there shall be no casting vote, but the proposal shall be considered to have been rejected. The Scheme Manager shall be alerted when a decision is reached in this manner.

## **Reporting and escalation**

The Pension Board must provide minutes of each meeting to the following Pension Committee meetings and may make reports and recommendations to the Pension Committee insofar as they relate to the role of the Pension Board. Any such reports or recommendations must be provided in advance of the next Pension Committee meeting to the S151 Officer.

An annual report of the Pension Board must be provided to the S151 Officer and the Pension Committee and be published in the Fund's Annual Report and Accounts.

Where the Pension Board considers that a matter brought to the attention of the Pension Committee has not been acted upon or resolved to their satisfaction, the Pension Board will provide a report to the Monitoring Officer.

The Breaches Register will be presented at each meeting and considered by the Pension Board who may make recommendations to the Pension Committee.

## **Review, Interpretation and Publication of Terms of Reference and Rules of Procedure**

These Terms of Reference have been agreed by ESCC. The Council will monitor and evaluate the operation of the Pension Board and may review these Terms of Reference and Rules of Procedure from time to time.

These Terms of Reference are incorporated into the Council's Constitution and published on the Council's website and may be amended by the same means as permitted for the Constitution. It will also form part of the ESPF's Governance Policy and Compliance Statement which will be made available in accordance with the requirements of the LGPS Regulations.

**Report to:** Pension Committee

**Date of meeting:** 25 September 2025

**By:** Chief Finance Officer

**Title:** Pension Administration - updates

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

## RECOMMENDATION:

The Pension Committee is recommended to note the updates.

### 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 April, May and June 2025 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
Jan 25	1,719	3,126	2,279	2,078	91.2%	201	1,892	1,069
Feb 25	2,372	2,368	2,148	1,793	83.5%	355	2,557	1,034
Mar 25	2,283	2,364	2,355	1,977	83.9%	378	2,251	740
<b>Q1, 25</b>		<b>7,858</b>	<b>6,782</b>	<b>5,848</b>	<b>86.2%</b>	<b>934</b>		
Apr 25	2,066	1,949	2,015	1,705	84.6%	310	1,979	470
May 25	1,828	1,772	1,803	1,647	91.3%	156	1,759	356
Jun 25	1,637	1,810	1,674	1,556	93.0%	118	1,729	351
<b>Q2, 25</b>		<b>5,531</b>	<b>5,492</b>	<b>4,908</b>	<b>89.4%</b>	<b>584</b>		

\*o/s = outstanding      \*\*SLA = Service Level Agreement

2.2 On 29 July 2025, the Admin Working Group ("AWG") were provided with a performance history since April 2024 when the current monthly performance format was introduced. It showed for the 12 months before this quarter; 9 months were red and 3 amber. The AWG also looked at the detailed reasons for tasks that missed their SLA for June 2025 and saw much improvement. It was noted that the June 2025 performance has exceeded 92% for the first time and is therefore green against the agreed target levels. In addition, the number of cases that are showing as missing targets is at its lowest level.

2.3 To aid visibility of the work being undertaken by the PAT team, Appendix 4 provides a high-level view of performance achieved (as previously presented to Pension Board and Pension Committee) over several years. The volume of tasks received being reported has increased – 9,629 in 2022, 15,411 in 2023 and 23,898 in 2024.

2.4 The Fund aims to achieve a gold standard service provision for the Pensions Helpdesk and the results for April to June 2025 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 East Sussex County Council (ESCC) telephony upgrade was completed mid-May 2025. As a result, the Helpdesk was expecting access to call centre technology but that has yet to be installed. It is anticipated that call centre technology will be installed from October 2025 so the PAT will again review the format and type of Management Information data available.

### 3. Pension Administration Staffing Update

3.1 There have been no resignations since the last meeting, but a Project Officer has moved from PAT to the Fund team in August 2025. The PAT has appointed a new Pensions Administrator and Helpdesk Operator to replace last quarter's leavers. An offer has been accepted for a replacement Projects Officer from an internal candidate.

### 4. Projects update

#### McCloud remedy

##### Part time hours history data loading to Altair

4.1 Work on part time hours history data loading to Altair has proven much more complex and time consuming than expected. The PAT started to load data in May 2025 broken into 5 batches:

- Employers with active members
- Brighton and Hove City Council (BHCC)
- Concurrent Combinings – simple
- Concurrent Combinings – complex
- Employers with members but no actives

4.2 The data had to be loaded through 4 stages – provisional and actual in the test system and then repeated in the live system. Between each load for each batch, officers have been correcting and reducing errors and issues.

4.3 The “**employers with active members**” and “**BHCC**” data loaded 104,243 lines of data but failed to load 12,585 lines that generated errors. Officers have resolved all the errors relating to active (on 31 July 2025) and deferred members (19 August 2025). The remaining 1,889 errors relate to cases not requiring an ABS and will be investigated at a later date.

4.4 The “**employers with members but no actives**” and “**concurrent combinings – simple**” loaded 3,062 lines of data but failed to load 375 lines that generated errors. These were investigated and resolved on 8 August 2025.

4.5 There are 136 members in the “**Concurrent Combinings – complex**” category that will need a thorough manual review and most likely further support and data input from employers. These will not be investigated in time for the 2025 ABS runs.

##### Service Breaks history data loading to Altair

4.6 The service break data was collated for all members in a single file which contained 22,659 lines of data in respect of 7,388 members. The provisional results on 1 August 2025 created 3,091 errors and this was down to 558 errors on the actual live run on 8 August 2025. There remain 102 errors to still be investigated as at 23 August 2025.

##### McCloud underpin applies (bites)



4.7 The McCloud underpin protection was turned on 7 August 2025 which created new documents when running a Benefit Calculation (including a new document called UNDERPINLG – if the current guaranteed amounts shown on this document are zero [the overwhelming majority of cases are expected to be zero] no underpin applies). If a member is not eligible for McCloud underpin the existing documents will be produced.

4.8 The position as at 11 August 2025 was as follows:

Status	Count for live bulk McCloud underpin calculation	Provisional ABS run
1 = Active	155/24,871 = 0.62%	446*
2 = Undecided Leaver	9/953 = 0.94%	9
4 = Deferred	292/34,045 = 0.86%	285
5 = Pensioner	205/23,781 = 0.86%	205
7 = Death	3/NA	3
<b>Total</b>	664/83650 = 0.79%	948

\* The calculation looks at the amounts for CARE & Final Salary as at 31 March 2022

### **Annual Benefit Statements**

4.9 The ongoing delay has resulted due to the Altair records with the McCloud Underpin data and running the underpin calculations in readiness. As Officers correct errors on Altair records, the underpin calculations need to be re-run resulting in cases being both added and excluded so numbers are fluctuating daily.

4.10 The week commencing 19 August 2025, Officers were finalising the usual random ABS calculations matrix to ensure manual check for members with as many different scenarios as reasonably possible. The last check was to manually review the accrued pensions for the cases with the largest provisional underpin position as at 31 March 2025. Final checks showed there were 25 correct cases where the provisional underpin amount is greater than £1k on the annual pension, with the highest being £4,848.51). Further checks were to be done on a further 18 where the % change is > 20%.

4.11 The final guaranteed figures will only be known at normal retirement date. The ABS do include projected provisional figures, and these will potentially change the position considerably as the Career Average Revalued Earnings (CARE) figures are unchanged, but the Final Salary comparator is payable at age 65 so given the CARE benefits are due at State Pension Age (SPA) (67 or 68 for some members), the Final Salary numbers have a late retirement factor applied. Officers have found the impact can be significant. An example case found showed at 31 March 2025 the provisional underpin was £0 (Final Salary was -£83.17) but at CARE normal retirement age the provisional underpin had increased to £1,204.14.

4.12 Statutory guidance states the McCloud underpin should be included for all members, where appropriate, as at 31 March 2025 and therefore failure to do so should be deemed as a breach. This was discussed at great length at the AWG meeting on 22 August 2025 and, based on the estimated numbers available at that time, AWG were minded to log and report the breach to the Pensions Regulator (TPR) shortly after the 31 August 2025 statutory deadline.

## 4.13

McCloud Group	Status			% of membership		
	Active	Deferred	Total	Active	Deferred	Total
1	790	254	1,044	3.4%	0.8%	1.8%
2	3,432	4,369	7,801	14.6%	13.0%	13.7%
3	364	199	563	1.6%	0.6%	1.0%
4	18,876	28,726	47,602	80.5%	85.6%	83.5%
<b>Grand Total</b>	<b>23,462</b>	<b>33,548</b>	<b>57,010</b>			

A description of each group is below:

## GROUP 1

Your estimated final guaranteed amount is included in the annual pension figure(s) shown on your statement.

## GROUP 2

Your pension is protected by the underpin under the McCloud remedy. However, your estimated final guaranteed amount is £0. This is because your career average pension is more than the pension you would have built up in the final salary scheme.

## GROUP 3

Your pension is protected by the underpin under the McCloud remedy. However, it was not possible for us to reflect your protection in this year's statement.

## GROUP 4

Some members are protected by the McCloud remedy, but not all. Members who are protected would have their pension increased if they would have built up a bigger pension in the final salary scheme than the career average. We have checked your records, and you are not protected under the McCloud remedy.

4.14 ABS were run on 26 August 2025 and communications issued by 31 August 2025. The final numbers are:

Count of ABS Run Status	McCloud Groups					ABS
	Group 1	Group 2	Group 3	Group 4	Grand Total	Not Run
Active	758	3,444	400	18,903	23,505	231
Deferred	119	4,455	233	28,405	33,212	267
<b>Grand Total</b>	<b>877</b>	<b>7,899</b>	<b>633</b>	<b>47,308</b>	<b>56,717</b>	

Count of ABS Run Councillors	Count	ABS Not Run	% Run
Deferred	39	0	100

4.15 The AWG also determined that the retrospective McCloud underpin recalculation cases (prioritising post 30 September 2023 deaths and retirements) must be done without undue delay. All calculations must be complete by the end of the extended implementation period i.e. 31 August 2026.

## **Pensions Dashboard**

4.16 Heywood are the Fund's Integrated Service Provider (ISP), and the project remains on track:

Phase 1 – created the ISP data console and data transfer tested. Additional testing of the “view” and “find” data completed. Officers have documented a new process on how to resolve a “partial” match.

Phase 2 – Meeting 28 August 2025 to discuss the implementation and onboarding before the deadline on 31 October 2025.

4.17 Officers are looking to create a new Prudential Additional Voluntary Contribution (AVC) data screen on Altair to hold the annual data that can be submitted to the ISP via a single source.

4.18 A training session for Pension Board and Pension Committee members has been arranged for 16 September 2025.

## **Annual Allowance (AA) for 2024/25**

4.19 Officers identified 300+ potential cases in scope in August 2025. Given the AA limit increased from £40k to £60k in the previous year, fewer members were expected to be impacted. Further investigation showed 270 members could be descoped from the data collection stage. Some additional salary data will be required from a few employers for a small number of members in early September. All the necessary calculations and letters will be issued before the statutory deadline 06 October 2025.

## **Additional Voluntary Contributions implementation of approved changes**

4.20 At the 27 February 2025 Pension Committee meeting, the following decisions were made:

- Change the default investment fund for new members from “With Profits” to the Lifestyle approach “Dynamic Growth Targeting Cash”.
- Retain the “With Profits” fund as the default for existing investors including their future contributions. The fund will also remain a self-select option for new members.
- Hard Close funds where no assets remain – “Fixed Interest” and consider closing the “Index-Linked” that had one deferred member.
- Allow soft Close funds to be used by existing investors.
- Introduce a Sharia compliant equity option.
- not to look for a self-select Bond fund.

4.21 These decisions were implemented by the Chief Finance Officer and Officers after co-ordination with Barnett Waddingham (BW) and the Prudential (Pru). The expectation was it would take several months to communicate and implement.

4.22 The priority was to determine if the “Index-Linked” fund could be closed. Recognising that it would be a costly exercise (selecting an alternative) and this would give rise to transaction costs and potential out of market risk. The member has now self-selected to move the assets from the “Index-Linked” to “Equity” fund on 15 August 2025. As there are now no remaining assets in the

“Index-Linked” fund, it can be hard closed.

4.23 BW are drafting the communications for all AVC investors so there can a single announcement of all the changes. The effective date is still to be determined (likely October 2025) noting that the Pru need at least 6 weeks’ notice.

## **5 Conclusion and reasons for recommendation.**

5.1 The Pension Committee is recommended to note the report.

**IAN GUTSELL**  
**Chief Finance Officer**

Contact Officer: Paul Punter, Head of Pensions Administration  
Email: [paul.punter@eastsussex.gov.uk](mailto:paul.punter@eastsussex.gov.uk)

# APPENDIX 1

## East Sussex Pensions Administration - Member Experience / Performance Indicators

Apr-25

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	121	173	186	136	73.10%	50	9.1	49	108	35
Aggregation- Quote	183	86	89	60	67.40%	29	11.4	48	180	152
APC/AVC's	28	67	47	47	100.00%	0	0.2	N/A	48	11
Deaths – initial letter acknowledging death of member	1	26	26	25	96.20%	1	0.1	1	1	0
Deaths- With Benefits	127	57	62	55	88.70%	7	4.1	25	122	17
Deaths-No Further Benefits	23	28	23	21	91.30%	2	3	16	28	4
Deferred Benefits	304	203	248	189	76.20%	59	13.1	143	259	67
Divorce Quotes	4	2	2	2	100.00%	0	2	N/A	4	2
Divorce - Proceeding	4	17	14	14	100.00%	0	4	N/A	7	3
General Enquiries	89	246	243	238	97.90%	5	2	11	92	19
Interfund in- Payment	120	63	25	25	100.00%	0	0.7	N/A	141	8
Interfund In- Quote	359	17	24	19	79.20%	5	6.4	16	352	14
Interfund Out- Payment	28	22	15	15	100.00%	0	7.7	N/A	35	11
Interfund Out- Quote	22	28	24	21	87.50%	3	13.3	85	26	16
Refunds- Frozen	155	122	197	118	59.90%	79	17.5	97	80	28
Refunds- Payment	20	65	70	54	77.10%	16	3.4	17	15	9
Retirements – letter notifying actual retirement benefits	37	187	180	153	85.00%	27	3.7	9	44	31
Retirements – letter notifying estimate of retirement benefits	17	223	232	230	99.10%	2	5.2	3	8	4
Retirements – process and pay pension benefits on time	234	200	218	205	94.00%	13	2.4	44	216	19
Transfer In- Payment	38	14	9	9	100.00%	0	2.8	N/A	39	3
Transfer In- Quote	104	35	13	5	38.50%	8	30.4	143	126	7
Transfer Out- Payment	25	8	9	9	100.00%	0	3.2	N/A	24	4
Transfer Out- Quote	21	55	54	50	92.60%	4	5	7	22	6
Trivial Commutation	2	5	5	5	100.00%	0	1.4	N/A	2	0
Grand Totals	2,066	1,949	2,015	1,705	84.6%	310			1,979	470

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%+
87%+
<87%

<1K
1k to 1.5k
>1.5k

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## APPENDIX 2

### East Sussex Pensions Administration - Member Experience / Performance Indicators

May-25

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	94	98	113	104	92.00%	9	4.1	29	79	16
Aggregation- Quote	150	93	128	66	51.60%	62	37.7	74	115	87
APC/AVC's	47	11	24	24	100.00%	0	1.5	N/A	34	5
Deaths – initial letter acknowledging death of member	0	23	23	23	100.00%	0	0	N/A	0	0
Deaths- With Benefits	111	59	66	64	97.00%	2	2	4	104	9
Deaths-No Further Benefits	28	51	43	42	97.70%	1	1.7	2	36	5
Deferred Benefits	250	233	242	219	90.50%	23	5	174	241	55
Divorce Quotes	4	0	1	1	100.00%	0	2	N/A	3	1
Divorce - Proceeding	7	11	14	14	100.00%	0	2.5	N/A	4	2
General Enquiries	82	205	208	207	99.50%	1	0.9	30	79	16
Interfund in- Payment	142	60	48	48	100.00%	0	1.5	N/A	123	11
Interfund In- Quote	333	31	25	17	68.00%	8	9.1	36	339	20
Interfund Out- Payment	32	22	17	14	82.40%	3	8.3	14	37	11
Interfund Out- Quote	23	42	38	37	97.40%	1	7.7	4	27	18
Refunds- Frozen	75	114	122	111	91.00%	11	3.3	28	67	12
Refunds- Payment	14	53	60	52	86.70%	8	2.1	5	7	3
Retirements – letter notifying actual retirement benefits	42	161	163	144	88.30%	19	2.8	10	40	24
Retirements – letter notifying estimate of retirement benefits	8	176	172	172	100.00%	0	2.7	N/A	12	9
Retirements – process and pay pension benefits on time	185	230	208	203	97.60%	5	1.4	14	207	32
Transfer In- Payment	39	20	13	13	100.00%	0	1.3	N/A	39	5
Transfer In- Quote	117	19	13	10	76.90%	3	9.8	37	123	5
Transfer Out- Payment	23	8	8	8	100.00%	0	3.6	N/A	23	4
Transfer Out- Quote	21	36	39	39	100.00%	0	2.9	N/A	18	5
Trivial Commutation	1	16	15	15	100.00%	0	0.3	N/A	2	1
Grand Totals	1,828	1,772	1,803	1,647	91.3%	156			1,759	356

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%+
87%+
<87%

<1K
1k to 1.5k
>1.5k

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# APPENDIX 3

## East Sussex Pensions Administration - Member Experience / Performance Indicators

Jun-25

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	71	131	111	98	88.30%	13	3.4	13	91	33
Aggregation- Quote	87	161	148	97	65.50%	51	19.8	168	100	74
APC/AVC's	35	63	64	63	98.40%	1	0.7	3	34	4
Deaths – initial letter acknowledging death of member	0	26	26	26	100.00%	0	0.1	N/A	0	0
Deaths- With Benefits	103	46	51	49	96.10%	2	2.2	15	98	7
Deaths-No Further Benefits	34	35	40	35	87.50%	5	3.6	15	29	4
Deferred Benefits	224	112	146	137	93.80%	9	5.4	72	190	27
Divorce Quotes	3	1	1	1	100.00%	0	2	N/A	3	1
Divorce - Proceeding	3	11	13	13	100.00%	0	2	N/A	1	0
General Enquiries	72	203	194	190	97.90%	4	1.4	106	81	13
Interfund in- Payment	125	59	41	41	100.00%	0	1.2	N/A	112	5
Interfund In- Quote	317	73	28	20	71.40%	8	11	65	362	21
Interfund Out- Payment	34	23	19	18	94.70%	1	9.2	1	38	19
Interfund Out- Quote	23	40	34	32	94.10%	2	6.9	1	29	20
Recalculations - NEW JUNE 2025	14	53	51	51	100.00%	0	4.2	N/A	16	7
Refunds- Frozen	61	73	77	76	98.70%	1	3.5	1	57	6
Refunds- Payment	6	46	38	35	92.10%	3	1.3	4	14	9
Retirements – letter notifying actual retirement benefits	39	148	149	135	90.60%	14	2.8	12	38	26
Retirements – letter notifying estimate of retirement benefits	12	172	168	167	99.40%	1	2.7	2	16	13
Retirements – process and pay pension benefits on time	183	201	183	181	98.90%	2	1.1	4	201	27
Transfer In- Payment	41	21	16	16	100.00%	0	2.5	N/A	33	1
Transfer In- Quote	113	37	10	9	90.00%	1	4.7	1	140	17
Transfer Out- Payment	20	10	11	11	100.00%	0	1.6	N/A	19	4
Transfer Out- Quote	15	57	46	46	100.00%	0	1.9	N/A	26	13
Trivial Commutation	2	8	9	9	100.00%	0	1.2	N/A	1	0
Grand Totals	1,637	1,810	1,674	1,556	93.0%	118			1,729	351

Priority 1
Priority 2
Priority 3
Priority 4
Priority 5

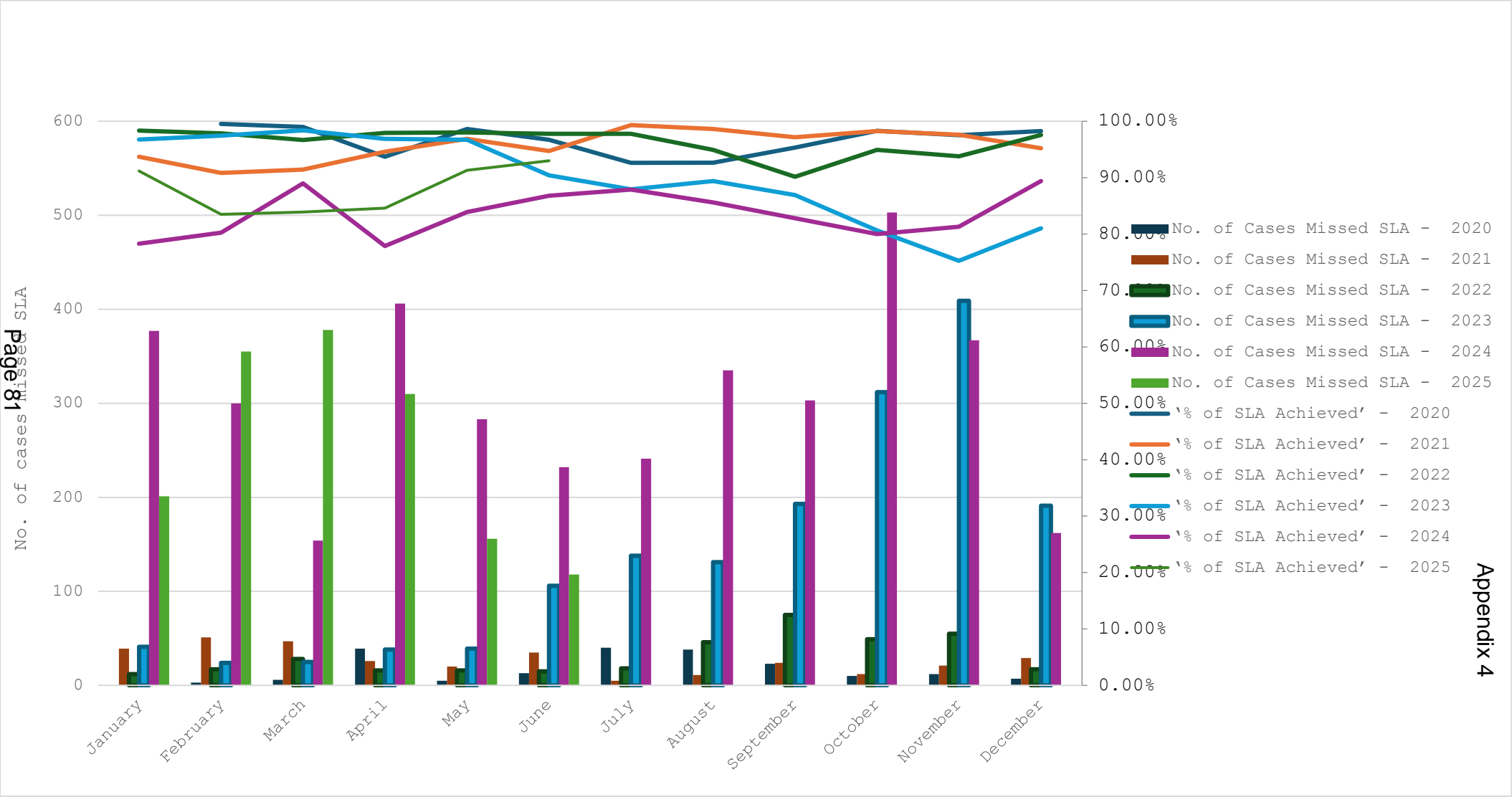
The Admin Strategy is a mixture of 90% or 95% KPI targets and these can vary within the task list

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

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APPENDIX 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. On 17 May 25 ESCC telephony went live - the helpdesk was NOT treated as a Contact Centre (and still awaiting to be set up – project with IT).

#### Combined Main & Website Helpline for ESPF

Service level	% enquires dealt with at 1 <sup>st</sup> 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 1 <sup>st</sup> point of contact	Email response time
Apr 25	81%	100% < 3 Days
May 25	83%	75%+ < 10 days
Jun 25	80%	75%+ < 3 days

#### Monthly transaction volumes

Month	Telephone Calls	Email's Processed	Call Back's	Tasks	Total
Apr 25	1,081	1,097	46	399	2,623
May 25	983	1,030	36	203	2,252
Jun 25	805	1,316	24	220	2,365

#### Top five reasons for calls

Month	MSS login / issues	Receipt of Claim form	Claim form guidance	Tax, Payslip P60	Document / Form enquiry	Progress Update	Update address	Leaver Forms
Apr 25		3 <sup>rd</sup>	1 <sup>st</sup>		5 <sup>th</sup>	2 <sup>nd</sup>	4 <sup>th</sup>	
May 25	1 <sup>st</sup>		3 <sup>rd</sup>	2 <sup>nd</sup>		5 <sup>th</sup>		4 <sup>th</sup>
Jun 25	1 <sup>st</sup>	4 <sup>th</sup>	2 <sup>nd</sup>		3 <sup>rd</sup>		5 <sup>th</sup>	

#### Telephone survey

Apr to Jun 2025	1 Star	2 Star	3 Star	4 Star	5 Star
1. How easy was it for you to contact the Pensions Helpdesk today?	3	2	8	39	292
2. How confident are you that your question was resolved or will be resolved in the relevant timelines?	11	11	12	45	256
3. Based on your recent experience how strongly would you recommend using the Helpdesk to a colleague?	6	8	13	30	277
4. How satisfied were you with your overall experience today?	9	6	15	33	271
5. How many times have you called the helpdesk about the request / issue?	Zero/Once = 264	Twice = 51	Three = 15	Four+ = 11	

#### Customer Thermometer (email feedback)

Month	Excellent	Good	OK	Poor
Apr 25	56	14	11	8
May 25	46	6	0	11
Jun 25	47	11	5	9

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**Report to:** Pension Committee

**Date:** 25 September 2025

**By:** Chief Finance Officer

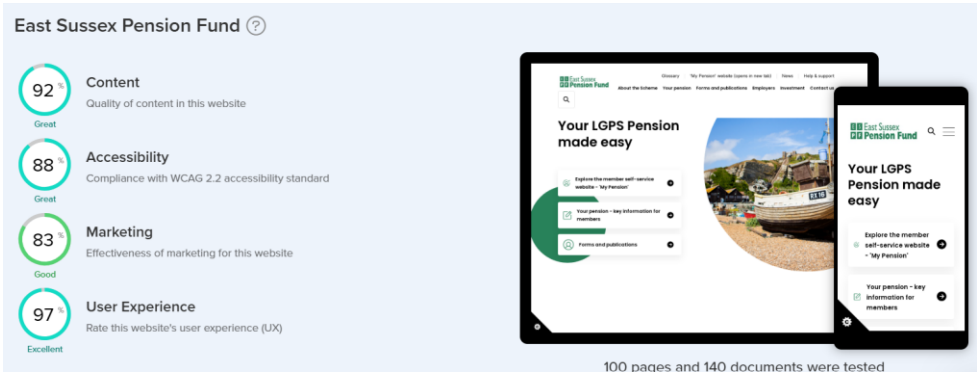
**Title:** Communications Report

**Purpose:** This report provides an update on Fund Communication.

**RECOMMENDATION:**

The Pension Committee is recommended to note the report.

1. Background
- 1.1 This report is presented to the Pension Committee to provide an update on the Communication activity of the Fund.
- 1.2 The Fund has a [Communications Strategy](#) (updated in June 2025) which defines the main methods of communication provided for key stakeholders.
2. Scheme Member training
- 2.1 The communications team continue to work closely with the Employer Engagement team in putting together a booking process, promotion via Scheme employers, updating scripts, YouTube videos and sending out and collating feedback.
- 2.2 The Employer Engagement team will be repeating the 3-part member level training series in October 2025. Each of the three sessions will be run twice. [Training dates for 2026](#) are now on the website.
3. East Sussex Pension Assistant (ESPA)
- 3.1 The Communications team have been integral in building a knowledge base of over 200 questions and answers as part of a new digital assistant (this will sit on designated pages of the website as an automated tool to support member queries). The project is now moving onto user acceptance testing.
4. Employer Forum
- 4.1 The agenda for the 2025 Employer Forum (face to face) has been finalised. To date there are approximately 63 registrations (including Fund staff). Further promotion will happen.
5. East Sussex Pension Fund main website
- 5.1 The website continues to be updated with relevant and engaging information for members and employers. The following guides have been updated: HR guide, Payroll guide, annual allowance fact sheet, Councillors’ guide.
- 5.2 The Communications team continue to monitor the website (including all PDF documents) to check accessibility. The primary tool used is ‘Silktide,’ a web governance platform that helps improve website quality and user experience by identifying and fixing issues related to accessibility. A snapshot of the Silktide results (as of 15 August 2025) is shown below.



- 5.3 Website analytics data are detailed in Appendix 1.
- 5.4 Security improvements have been added to our website including Snyk Enterprise, reporting and analysis. This provides proactive, integrated security throughout the website development process. There have been minor upgrades to Umbraco (the Content management system – to the latest available). This was to address potential security vulnerabilities identified as part of routine monitoring.

**6 Border to Coast Pensions Partnership pooling communications**

- 6.1 The Communications team delivered a full communications plan to support the ‘Border to Coast’ pooling preference (working closely with West Sussex).

Communications included:

- An internal email to all East Sussex County Council (ESCC) staff
- An email to all employers in the Fund
- Call to actions on the homepage, investment, employer pages of the website
- An [official statement on the website](#) (which the above linked to)

**7 Annual Benefit Statements 2025**

- 7.1 All communications (letters or emails) were issued by 31/8/2025 for the 2025 Annual Benefit Statement (ABS) exercise. There were twenty-four individual templates to reflect members’ McCloud status (for example if they don’t qualify/do qualify with an uplift etc). Where possible, members were pointed to the online ABS on ‘My Pension’ – the member self-service website.

**8 ‘My Pension’ - member self-service website**

- 8.1 An updated version of ‘My Pension’ went live on the 17 July 2024. Shown below (as of 8<sup>th</sup> of September 2025) are current registration levels:

Type of member	On Engage (number)	% registered for ‘My Pension’	Old MSS % registered
Contributing	10750	50.7%	51
No longer contributing	8234	37.6%	46
Pensioners	8114	61.7%	50
Widow/dependant	587	36.3%	19

Since the launch of the annual benefit statement communications, an extra 1,705 members have registered (at 9.9.25) with further sign-ups expected.

**9 Pension Awareness Campaign 2025**

- 9.1 Pension Awareness\* Day is a time for people to reflect on personal retirement goals and understand the significance of engaging with one’s pension scheme. The Fund built a [bespoke website page](#) to promote the campaign.

**10 Conclusion and reasons for recommendation**

- 10.1 The Pension Committee is recommended to note the updates provided in the report.

**IAN GUTSELL**  
**Chief Finance Officer**

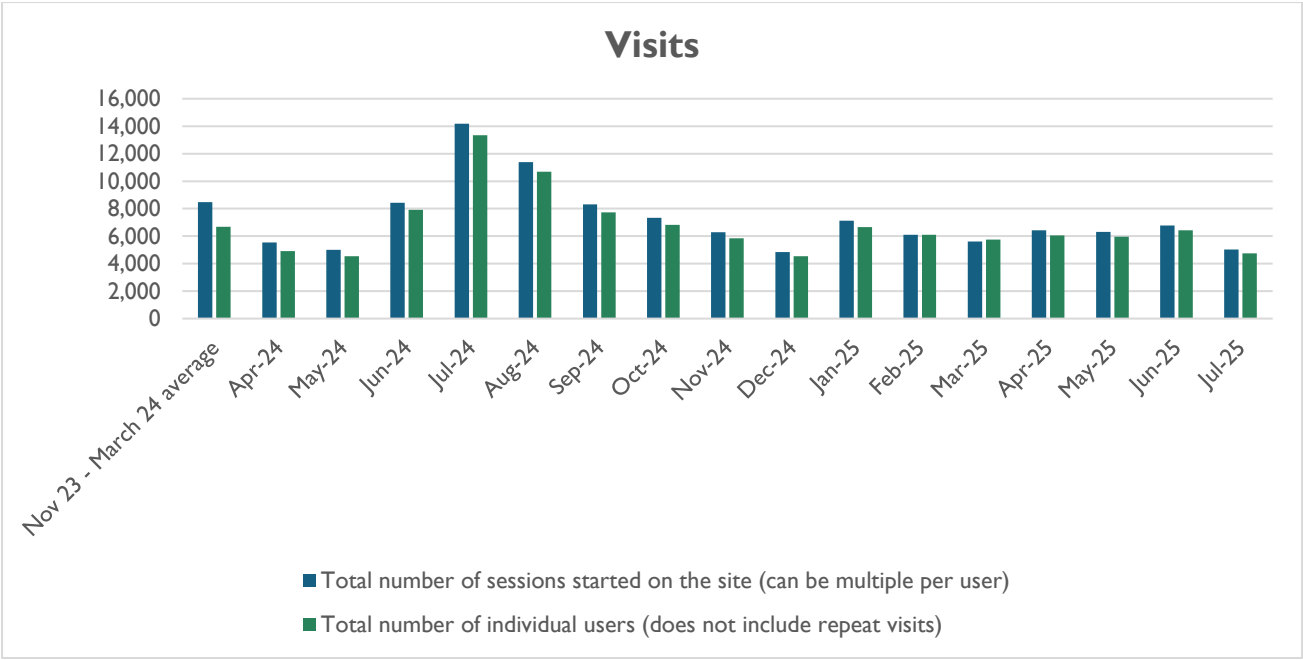
Contact Officer: Susan Greenwood, Head of Pensions  
Email: [Susan.Greenwood@eastsussex.gov.uk](mailto:Susan.Greenwood@eastsussex.gov.uk)



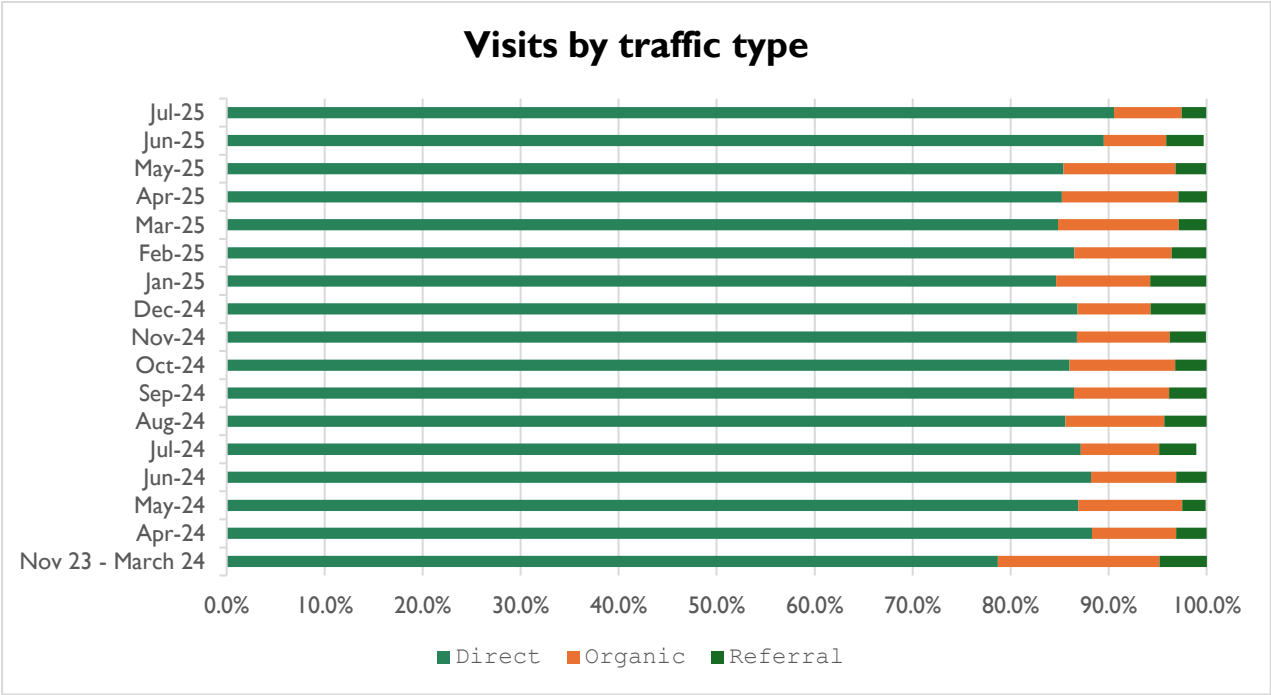


Appendix I – [East Sussex Pension Fund website](#)

Total number of visitors to the website

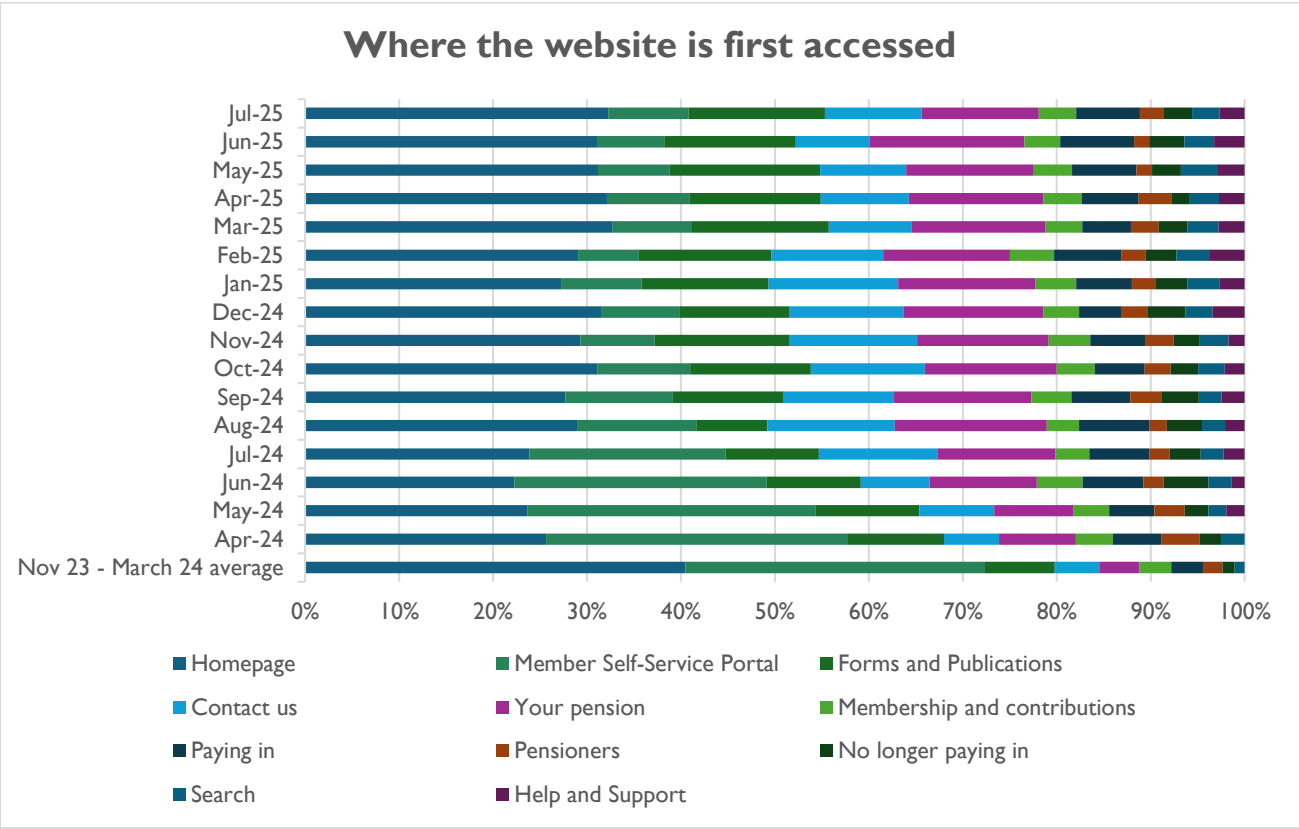


How do people reach the website

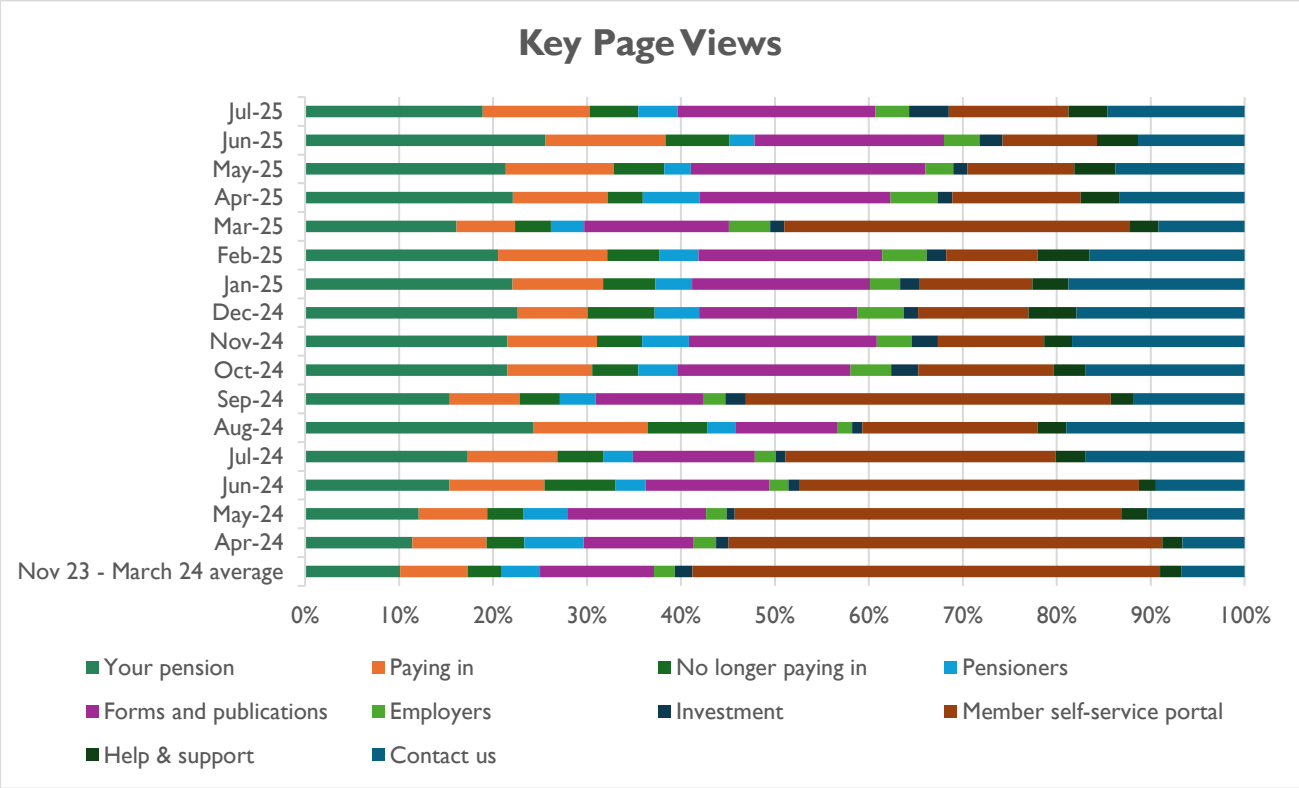


- Direct** Visited the site by typing the URL directly into their browser or clicked on links
- Organic** Visitors referred by an unpaid search engine listing, e.g. a Google.com search.
- Referral** The number of people who click external links to visit your site (for example employer intranet sites).

Where the website is first accessed

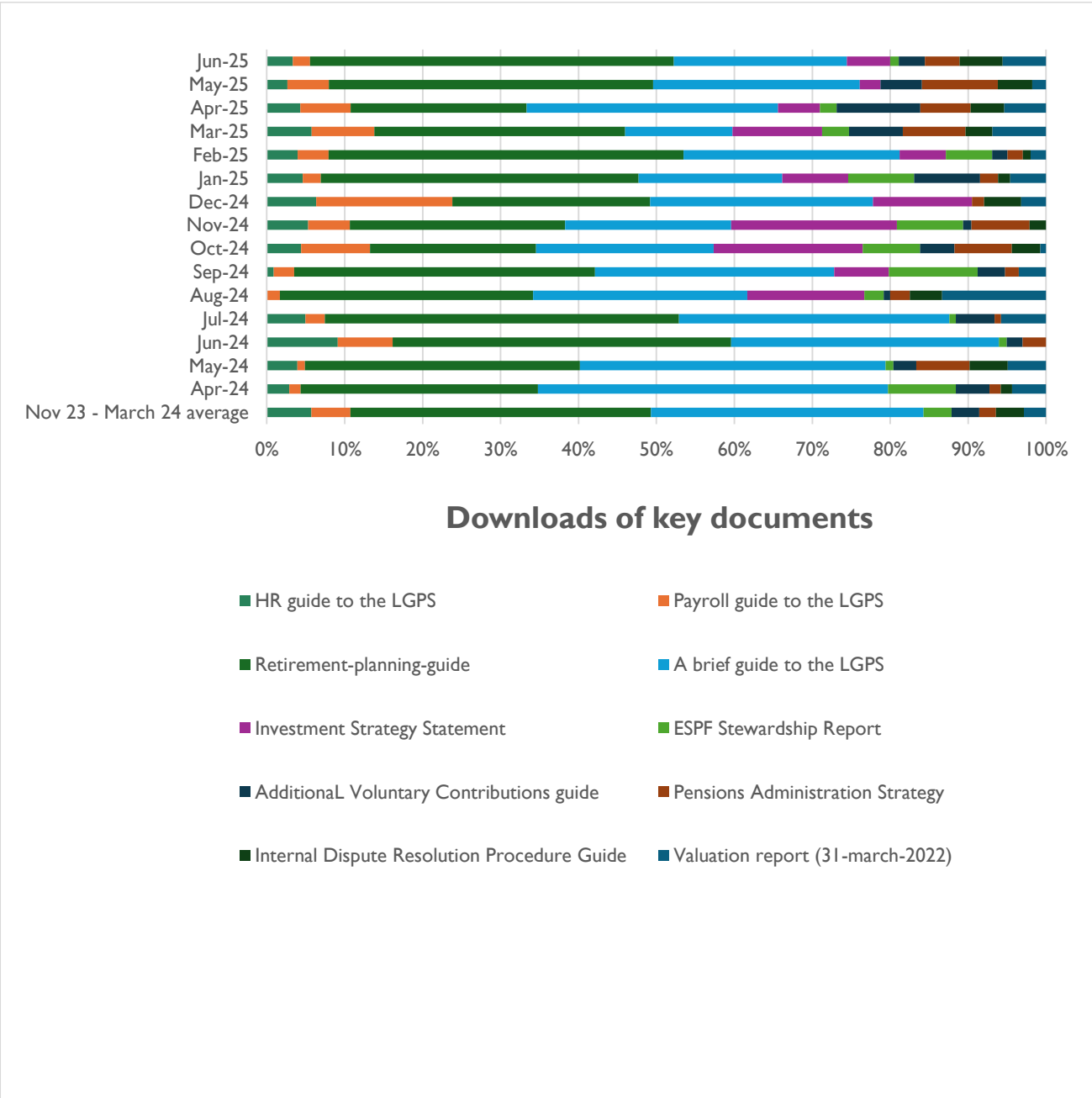


Key page views



Shown above is a graph which shows how a selection of key website pages are being used month on month.

Usage of key documents



The graph above concentrates on the main guides we promote via members and employers.

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**Report to:** Pension Committee

**Date of meeting:** 25 September 2025

**By:** Chief Internal Auditor

**Title:** Internal Audit Report

**Purpose:** This report advises the Committee of the outcome of the Pension Fund Governance Arrangements audit.

---

## RECOMMENDATION:

The Pension Committee is recommended to note the Pension Fund Governance Arrangements audit report (Appendix 1)

---

### 1. Background

1.1 The review of Pension Fund Governance Arrangements was completed as part of the Internal Audit Strategy for Pensions 2025/26 and provides assurance on the overall effectiveness of the system's controls. This is the first audit completed for 2025/26.

1.2 As a result of our work on Pension Fund Governance Arrangements, we were able to provide an opinion of **Substantial Assurance** over the controls in place.

1.3 The Internal Audit Report on Pension Fund Governance Arrangements can be found at Appendix 1.

### 2. Conclusions and Recommendation

2.1 The Pension Committee is recommended to note the Internal Audit report.

RUSSELL BANKS  
Orbis Chief Internal Auditor

Contact Officer: Nigel Chilcott, Audit Manager  
Email: [nigel.chilcott@eastsussex.gov.uk](mailto:nigel.chilcott@eastsussex.gov.uk)

Contact Officer: Danny Simpson, Principal Auditor  
Email: [danny.simpson@eastsussex.gov.uk](mailto:danny.simpson@eastsussex.gov.uk)

BACKGROUND DOCUMENTS:  
None

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# Internal Audit Report

## Pension Fund Governance Arrangements

### Final

Assignment Lead: Amanda Craig, Principal Auditor

Assignment Manager: Danny Simpson, Principal Auditor

Prepared for: East Sussex County Council

Date: August 2025

### Report Distribution List

#### Draft Report

- Susan Greenwood, Head of Pensions
- Dave Kellond, Compliance and Local Improvement Partner

#### Final Report

As draft report with the inclusion of:

- Ros Parker, Chief Operating Officer
- Ian Gutsell, Chief Finance officer
- Paul Linfield, Communications Manager
- Paul Punter, Head of Pensions Administration
- Pension Board
- Pension Committee

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

**Chief Internal Auditor:** Russell Banks, ☎ 07824 362739, ✉ [Russell.Banks@eastsussex.gov.uk](mailto:Russell.Banks@eastsussex.gov.uk)  
**Audit Manager:** Nigel Chilcott, ☎ 07557 541803, ✉ [nigel.chilcott@eastsussex.gov.uk](mailto:nigel.chilcott@eastsussex.gov.uk)  
**Anti-Fraud Hotline:** ☎ 01273 481995, ✉ [fraudhotline@eastsussex.gov.uk](mailto:fraudhotline@eastsussex.gov.uk)



### 1. Introduction

- 1.1. Governance is the combination of processes and structures put in place by an organisation to inform, direct and monitor activities in order to achieve its objectives. Both governance and internal control arrangements must be kept under review to ensure that they continue to operate effectively, meet legislative needs and reflect best practice.
- 1.2. The East Sussex Pension Fund (ESPF) provides retirement benefits for employees of the County Council and 140 other employer organisations, including Brighton & Hove City Council, district and borough councils and academic institutions.
- 1.3. ESPF pools with another 10 funds as part of the ACCESS Pool, a collaboration of central, eastern and southern shires.
- 1.4. This review has focused on the controls in place to ensure that ESPF roles and responsibilities are sufficiently well defined, documented and understood to ensure that the accountability and resilience of the Fund are maintained in the face of loss of key personnel.
- 1.5. This review is part of the agreed Internal Audit Plan for 2025/26 and has been delivered in compliance with the Global Internal Audit Standards and the Local Government Application Note.
- 1.6. This report has been issued on an exception basis whereby only weaknesses in the control environment have been highlighted within the detailed findings section of the report.

### 2. Scope

- 2.1. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives.
  - Roles and responsibilities, including delegations for decision-making, are clear to ensure timely decisions, including those on investments.
  - Robust arrangements are in place to ensure continuity and knowledge sharing if Committee Members or officers were to leave their positions.
  - All agreed actions from the 2022/23 Governance Arrangements have been implemented in full.

### 3. Audit Opinion

- 3.1 **Substantial assurance is provided in respect of Pension Fund Governance Arrangements.** This opinion means controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives. *Appendix A provides a summary of the opinions and what they mean and sets out management responsibilities.*

### 4. Basis of Opinion

- 4.1. Based on the testing undertaken, we have been able to provide an opinion of Substantial Assurance over the controls in place because:
- 4.2. The roles and responsibilities of the Pension Board and Pension Committee are known, understood and documented, and there are terms of references setting out their remits. The Board and Committee meet regularly, and minutes of meetings are published online.
- 4.3. There is adequate representation on the Board to allow for employers to contribute to decisions, without undue influence.
- 4.4. The Board and Committee have effective oversight of the Fund through information received in order to scrutinise, provide challenge and, where appropriate, make decisions. As there are clear policies, procedures and protocols in place and the Board and Committee receive reports on risk management, breaches, communication, investments, and performance, to name a small sample.
- 4.5. Members and officers declare any actual or perceived conflicts of interest and are not permitted to vote or be involved in decision making in any areas where they may be considered to have a personal or prejudicial interest.
- 4.6. However, there are opportunities to further strengthen the control environment, which are summarised below. These include findings raised as part of the 2024/25 Pension Fund Compliance with Regulatory Requirements review; however, we have not raised additional findings, and these have not fed into the assurance opinion for this audit.
- 4.7. Whilst there is a comprehensive Risk Management Policy in place, there is not a detailed definition of the Fund's risk appetite contained within this, to ensure that any decisions taken and mitigating actions are within the risk tolerances of the Fund.
- 4.8. The following findings had been identified, in the 2024/25 Compliance with Regulatory Requirements review:
- Whilst Members of the Board and Committee have sufficient knowledge and experience to execute their duties effectively, the training available and circulated to officers, Board and Committee members is not always well attended and there is no mandatory training. This will need to be considered in relation to any changes in governance required as part of the 'Fit for the Future' consultation launched by the government regarding pension reforms. This was also raised as a finding in the 2022/23 Pension Fund Governance audit.
  - Some policies on the Pension Fund website still refer to the previous Head of Pensions, who is no longer in post. We are aware some policies have been updated in this time, and this is a work in progress.

### 5. Action Summary

- 5.1. The table below summarises the actions that have been agreed together with the risk rating in the context of the area under review:

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

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

### 6. Acknowledgement

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

## Internal Audit Report – Pension Fund Governance Arrangements

### Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
1	<p><b>Risk Appetite</b></p> <p>The East Sussex Pension Fund (ESPF) website contains the current Risk Management Policy for the Fund. The policy sets out the Fund's approach to risk, including roles and responsibilities.</p> <p>The policy states: "<i>Whilst all of these strategies [terminate, treat, tolerate, and transfer] are available, there will be some areas of risk which the Fund will not tolerate and will always seek to reduce to an acceptable level. These areas are based on the Fund's risk appetite which is defined as 'the amount of risk an organisation is willing to accept'.</i>"</p> <p>From the statement above, there is clear definition of the principle of risk appetite; however, there is no specific definition of the Fund's own risk appetite.</p>	Without defining the Fund's risk appetite, it is difficult to determine an appropriate level of control to manage potential risks.	Low	<p>We shall consider how to capture the Fund's risk appetite, given the many forms of risk the Pension Fund takes, and how we define, record and monitor these risks, particularly for investments</p> <p>We shall review how this fits into the governance framework in the future.</p>
<b>Responsible Officer:</b>		Susan Greenwood, Head of Pensions	<b>Target Implementation Date:</b>	1 April 2026

# Appendix A

## Audit Opinions and Definitions

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

## Management Responsibilities

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

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

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

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<b>Report to:</b>	<b>Pension Committee</b>
<b>Date:</b>	<b>25 September 2025</b>
<b>By:</b>	<b>Chief Financial Officer</b>
<b>Title of report:</b>	<b>Draft External Audit Report</b>
<b>Purpose of report:</b>	<b>To present the External Auditor's report on the 2024/25 East Sussex Pension Fund Accounts</b>

---

**RECOMMENDATION: The Pension Committee is recommended to note the draft External Auditor's (Grant Thornton - GT) report.**

---

## **1. Background**

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

1.2 The accounts for the Pension Fund are incorporated within the East Sussex County Council's Statement of Accounts. The final audit opinion of the Pension Fund financial statements will not be issued until the completion of the East Sussex County Council audit later in the year.

## **2. Supporting Information**

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

2.2 It is the role of the Governance Committee to approve the Pension Fund annual accounts and report having considered whether appropriate accounting policies have been followed and any issues raised by GT from the audit. The Pension Committee will receive the accounts and annual report at its meeting on 18 November 2025.

2.3 The draft GT report to those charged with governance is attached at Appendix 1. Whilst the report identifies one misstatement that impacts on the Net Assets Statement and the Fund Account, through the valuation of level 3 investments, at £8.2m the error is not material and, therefore, does not require an adjustment to the accounts. There are no specific management actions identified within the report, and it is anticipated that an unqualified audit opinion will be issued.

2.4 The 2024/25 Proposed Audit Fee for the audit is £106,515, this will be reviewed and confirmed by Public Sector Audit Appointments Ltd.

### **3. Conclusion and reasons for recommendation**

3.1 The Pension Committee is recommended to note the draft 2024/25 Audit Findings Report for the East Sussex Pension Fund.

**IAN GUTSELL**  
**Chief Finance Officer**

Contact Officer: Ian Gutsell: Chief Finance Officer

Email: [ian.gutsell@eastsussex.gov.uk](mailto:ian.gutsell@eastsussex.gov.uk)



# **Audit Findings (ISA 260) Report for East Sussex Pension Fund**

Year ended 31 March 2025

September 2025



## East Sussex Pension Fund

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

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London  
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Dear Members of the Audit Committee,

### Audit Findings for East Sussex Pension Fund for the 31 March 2025

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 and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with Management, the Pensions Board, Audit Committee and the Pensions Committee.

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.

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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 manage risk, quality and internal control particularly through our Quality Management Approach. 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-2024-.pdf](#).

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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**Chartered Accountants**

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# Headlines and status of the audit

# Headlines

## Financial statements

### Introduction

These are 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 2025 for the attention of those charged with governance and both the Pensions Board and Committee.

### ISA Requirements

Under 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 2025 and of the amount and disposition at that date of the fund's assets and liabilities.
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

### Audit Work

Our audit work commenced as planned on the 16<sup>th</sup> June. Your pension fund team produced a good set of financial statements accompanied by a full suite of working papers in line with the agreed timetable. It is worth noting that our timetable was 2 weeks before the statutory deadline of the end of June.

The aimed completion of the work, as per our audit plan, is the end of September 2025 and we are currently on track for this. Similar to our experience in prior years, both the quality of information provided and the communication from your pension fund team has been exemplary, and we would therefore like to extend our gratitude to management for their continued efforts and cooperation during the audit.

As at the date of drafting this report, we have identified 1 misstatement that impacts the Net Assets Statement and the Fund Account. The misstatement relates to the valuation of level 3 investments where our testing identified a circa £8.2m understatement.

The error is a result of timing rather than any underlying control deficiency. Investment managers provide estimated values to enable management to produce the accounts. Since publication of the draft accounts, some investment managers revised their estimated values with better information. This is not something unique to your pension fund and is a common finding in many of our LGPS audits.

As the difference of £8.2m is not material, management have not updated their financial statements and we are therefore required to report this to you as an unadjusted misstatement as the difference exceeds triviality. See page 36 for more information.

We have also, identified a small number of presentation and disclosure misstatements which management have adjusted for, and these are set out on pages 38-39.

As at the date of drafting this report we have also raised 1 control recommendations for management, to ensure best practice which is detailed on page 40.

*Continued overleaf . . .*

# Headlines

## Audit Work - continued

Our work is currently in progress, however to date 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:

- [Items in progress with audit team:](#)

- completion of service auditor report reviews;
- completion of our IAS 19 work, including sending assurance letters to relevant bodies; and
- completion of IT Audit procedures.

- [Items awaiting responses from pensions admin team:](#)

- response to follow up queries raised during testing of Benefits Payable - Lump Sum samples.

- [Items awaiting responses from pensions fund team:](#)

- responses to queries in relation to Disclosure notes; and
- publishing of the Draft Annual Report to allow for the annual report consistency check.

- [Items relating to the conclusion of the audit:](#)

- receipt and review of the Pension Fund Annual Report;
- senior engagement quality review;
- receipt of management representation letter; and
- review of the final set of financial statements.

## Audit Opinions

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 Administering Authority is complete.

We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements.

The statutory deadline for the Pension Fund Annual Report to be published is 1 December 2025. As the Administering Authority audit will not be finalised until after this date, we are unable to issue our final audit opinion on the Pension Fund financial statements until it is and therefore our consistency report has also not yet been produced. The Fund will publish the Annual Report without our report but with an explanation for the delay on its website. We intend to issue our consistency opinion on the annual report once the Administering Authority audit is finalised.

# Headlines

## Local & National Context

### Local Context

#### 'Fit for Future' impact

As per the Government's response to 'Fit for Future Consultation', the ACCESS Pool, in which the Fund has significant investment in, is confirmed as not continuing beyond March 2026. The Fund are therefore required to transfer their investments to an alternative pool.

Since the Government's announcement, we are aware that the Fund has carried out significant work to move forward with this. As the letter provided by the Government required authorities to respond and to be cognisant of Local Government Devolution and Reorganisation, East Sussex has been working with West Sussex to provide a "Sussex" recommendation. The Funds have been supported in this work by Barnett Waddingham and the culmination of this has been a report to the 24<sup>th</sup> July Pensions committee and announcement of the Funds preferred option being the Border to Coast Pensions Partnership.

Although this change has not impacted our current year audit work, we expect significant movements towards the end of the 25/26 year into 26/27.

#### Triennial valuation – 31 March 2025

Within the year the Pensions Admin Team have been progressing the Triennial Valuation for the 31<sup>st</sup> March 2025. To date the fund has submitted the appropriate data to Barnett Waddingham and they are now awaiting the formal results expected in early 2026.

This Triennial valuation has no impact on the current year statement of accounts and audit work; however, we expect the conclusion to impact both actuarial disclosures in the next year and the IAS 19 reports for Administering, Admitted and Scheduled Bodies.

### National context

#### Government proposals around the backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- For years ended 31 March 2025 by 27 February 2026
- For years ended 31 March 2026 by 31 January 2027
- For years ended 31 March 2027 by 30 November 2027

The statutory instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

We are pleased to report that we anticipate issuing our opinion on the pension fund financial statements alongside that of the administering authority in December ahead of the statutory deadline.



# Financial statements

# 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 and the Pensions Committee to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the NAO Code of Audit Practice (the 'Code'). Its contents will be discussed with management and both the Audit and Pensions Committee's.

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 Pensions Committee which considers the draft financial statements and audit findings report and is part of the overall member oversight process.

## Audit approach

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

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

We have had to alter our audit plan, as detailed later in this report on [pages 12-13](#). This is due to a revision of materiality for the Fund Account and some changes to assertions on the significant classes of transactions upon consideration of the final account balances.

## 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 19<sup>th</sup> September 2025. For the list of outstanding items and items still in progress, see the detailed list noted on Page 7.

# Materiality

# Our approach to materiality

As communicated in our Audit Plan dated 28<sup>th</sup> March 2025, we determined materiality at the planning stage as £63.8m based on 1.3% of Gross Investment Assets as at 31 March 2024. At year-end, we have reconsidered planning materiality based on the 2024/25 figures in the draft financial statements and concluded that we have not had to revise the materiality from the planned level. We have, however, revised our specific materiality for the Fund Account, this is detailed below.

A recap of our approach to determining materiality is set out below.

## Basis for our determination of materiality

- We have determined materiality at £63.8m based on professional judgement in the context of our knowledge of the Fund, including consideration of factors such as Business Environment and Other Sensitivities.

We have used 1.3% of gross investment assets as at 31 March 2024 as the benchmark for our materiality.

- This figure was initially set during our planning phase. We have since compared it to the 2024/25 figures and concluded that there has been no significant change that would require an adjustment to the levels established at planning.
- In line with the approach taken in the previous year, materiality for the PF financial statements as a whole should not exceed the admitted body auditor's materiality once the share of assets is taken into account, we have therefore taken into account the materiality of the PF admitted bodies in determining materiality which has resulted in the value being capped at 1.3%.

## Performance materiality

- We have determined performance materiality at £47.9m, this is based on 75% of headline materiality. We have not had to revise performance materiality from the planned level.

## Reporting threshold

- We will report to you all misstatements identified in excess of £3.1m, in addition to any matters considered to be qualitatively material.

## Specific materiality for the Fund Account

- We have determined a lower separate materiality for the fund account at £22.3m, this is based on 10% of gross expenditure (in the fund account) as at March 2025.
- We have also determined a performance materiality for the fund account at £16.7m, this is based on 75% of the lower headline materiality.
- The lower specific materiality for the fund account will be applied to the audit of all fund account transactions, except for investment transactions, for which headline materiality will be applied. We have revised the fund account materiality as a result of an increase in gross expenditure within the 2025 financial year.

# Our approach to materiality (continued)

A summary of our approach to determining materiality is set out below.

Description	Final (£)	As per audit plan (£)	As per Prior Year (£)	Qualitative factors considered
Materiality for the financial statements	63,800,000	63,800,000	59,000,000	<p>In determining materiality, we have considered the following key factors:</p> <ul style="list-style-type: none"> <li>- Business environment: the Pension Fund operates in a generally stable, regulated environment.</li> <li>- Other sensitivities: there has been no change in key stakeholders, and no other sensitivities have been identified that would require materiality to be reduced.</li> </ul> <p>This benchmark is determined as a percentage of the Fund's Net Assets, and headline materiality equates to 1.3% of the Gross Net Assets per the prior year audited financial statements. Note that our firm approach is that materiality for the PF financial statements as a whole should not exceed the admitted body auditor's materiality once the share of assets is taken into account, we have therefore taken into account the materiality of the PF admitted bodies in determining materiality which has resulted in the value being capped at 1.3%.</p>
Performance materiality	47,900,000	47,900,000	44,250,000	<p>We determine a lower performance materiality as an amount less than materiality for the financial statements as a whole (i.e., planning materiality) to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. In determining performance materiality, the main considerations are our view and understanding of the pension fund control environment, whether there have been significant levels of errors in prior year audits. There is not a history of significant deficiencies or a high number of deficiencies in the control environment, and in prior years there have not been a large number or significant misstatements identified. Our performance materiality is therefore calculated at 75% of our headline materiality.</p>
Trivial matters - reporting threshold	3,100,000	3,100,000	2,950,000	<p>We are obliged to report uncorrected omissions or misstatements other than those which are "clearly trivial" to those charged with governance. We have calculated our "clearly trivial" threshold as 5% of the headline materiality.</p>
Specific materiality for the fund account	22,300,000	19,500,000	19,580,000	<p>This benchmark is determined as a percentage of the Fund's expenditure, which has been determined as 10%.</p>
Specific Performance materiality for the fund account	16,700,000	14,600,000	14,685,000	<p>Performance materiality is based on a percentage (75%) of the overall materiality of the fund account. The key considerations in determining this percentage are the same as those for our headline performance materiality</p>

# Overview of audit risks

# Overview of audit risks

This section provides a high-level overview of the Significant and SCOT+ risks within our audit work.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Status of work
Management override of controls	Significant	↔	✓	●
Valuation of Level 3 Investments	Significant	↔	✗	●
Valuation of level 2 investments	SCOT+	↔	✗	●
Actuarial present value of promised retirement benefits disclosure – IAS 26	SCOT+	↔	✗	●
Cash and cash equivalents	SCOT+	↔	✗	●
Benefits payable	SCOT+	↔	✗	●
Contributions receivable	SCOT+	↔	✗	●
Financial instrument disclosures	SCOT+	↔	✗	●

- ↑

Assessed risk increased since audit plan
- ↔

Assessed risk consistent with audit plan
- ↓

Assessed risk decrease since audit plan
- Work complete, subject to senior engagement quality review, not likely to result in material adjustment or change to disclosures within the financial statements
- Work not yet complete, potential to result in material adjustment or significant change to disclosures within the financial statements
- Issues with work completed to date, likely to result in material adjustment or significant changes to disclosures within the 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.

Risk identified	Audit procedures performed	Key observations
<div>Page 18 of 240</div> <div>Management override of controls</div> <div>In accordance with ISA (UK) 240, we have identified a risk of fraud in respect of management override of controls.</div> <div>Significant</div>	<div>As part of our audit procedures, we have:</div> <div><div>1. Evaluated the design and implementation effectiveness of management relevant controls over journals;</div><div>2. Analysed the journals listing and determine the criteria for selecting high risk unusual journals;</div><div>3. Tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</div><div>4. Gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and</div><div>5. Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</div></div>	<div>Key observations</div> <div>We have noted no material adjustments or findings in relation to management override of controls.</div> <div>We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology.</div> <div>Having assessed management judgements and estimates individually and in aggregate we are satisfied that there is no material misstatement arising from management bias across the financial statements.</div> <div>Conclusion</div> <div>There are no matters to bring to your attention in relation to this risk.</div>



# Significant risks (continued)

Risk identified	Audit procedures performed	Key observations
<p><b>Valuation of level 3 investments (£1,120m)</b></p> <p>The valuations of level 3 investments are based on unobservable inputs and hence there is a risk of material misstatement due to error and/or fraud.</p> <p><b>Significant</b></p> <p>Relevant assertion(s) Valuation, Existence</p> <p>Applicable assertion(s) Rights &amp; Obligations, Presentation, Completeness</p> <p>Planned level of control reliance None</p>	<p>As part of our audit procedures, we have:</p> <ol style="list-style-type: none"><li>1. Obtained an understanding of management's processes for valuing Level 3 investments;</li><li>2. Evaluated the design and implementation effectiveness of the associated relevant controls;</li><li>3. Obtained and reviewed the corresponding investment manager report as at 31 March 2025 comparing the balance with the Fund's financial statements;</li><li>4. For a sample of Level 3 investments, tested the valuation by obtaining and reviewing the audited accounts, (where available these are predominantly private equity and infrastructure funds) at the latest available date for individual investments and compared these to the fund manager reports and accounts stated valuations;</li><li>5. Note that the latest audit accounts for the individual investments are often not at the balance sheet date and so are not a satisfactory comparable for the valuation. In these cases, we have reconciled those values to the values at 31 March 2025 with reference to known movements in the intervening period (such as purchases and sales, and other cash movements on the fund) in order to arrive at an appropriate comparable to test against;</li><li>6. Reviewed purchase and sale transactions of the investment near the reporting date where appropriate;</li><li>7. Reviewed the guidelines under which the investment has been valued at the date of the investment accounts and the Fund accounts;</li><li>8. Reviewed the methods and assumptions applied by the Fund managers;</li><li>9. Reviewed management's classification of the assets; and</li><li>10. Obtained and reviewed investment manager service auditor report on design and operating effectiveness of internal controls where appropriate.</li></ol> <p>There were no instances where no audited statements were available to test therefore, we did not have to devise alternative procedures to obtain an appropriate comparable to test the valuation.</p>	<p>From the work completed to date we have noted no material adjustments or findings in relation to the valuation of level 3 investments.</p> <p>We have noted a non-trivial £8.18m understatement in respect of the valuation of level 3 investments. This is due to timing differences between the production of the accounts and investment manager confirmations, which come through later. Further information can be found on page 36.</p> <p>We are satisfied that judgements made by management are appropriate and the valuations have been determined using consistent methodology.</p> <p><b>Conclusion</b></p> <p>Subject to the satisfactory completion of the outstanding matters set on page 7, there are no matters to bring to your attention in relation to this risk.</p>

# Significant Classes of Transactions

Significant classes of transactions, account balances, and disclosures (SCOT+s), are associated with risks of material misstatement but are not linked to a significant risk. This section provides commentary on the SCOT+ risks communicated in the Audit Plan.

Risk identified	Audit procedures performed	Key observations
<p><b>Valuation of level 2 investments (£3,328m)</b></p> <p>The valuation of level 2 investments can be judgemental where they cannot be valued directly, as a result the valuation of level 2 investments has been identified as a significant class of transactions.</p> <p><b>SCOT+</b></p> <p><b>Relevant assertion(s)</b> Existence, Valuation</p> <p><b>Applicable assertion(s)</b> Rights &amp; Obligations, Presentation, Completeness</p> <p><b>Planned level of control reliance</b> None</p>	<p>As part of our audit procedures, we have:</p> <ol style="list-style-type: none"><li>1. Gained an understanding of the Fund’s process for valuing Level 2 investments;</li><li>2. Reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments;</li><li>3. Agreed the valuation to the confirmation received from the investment manager;</li><li>4. Agreed the valuation to the confirmation received from the custodian;</li><li>5. Reviewed the reconciliation of information provided by the individual fund manager’s custodian and the Pension Scheme’s own records and seek explanations for variances;</li><li>6. Tested a sample of the underlying investments to independent sources of pricing information; and</li><li>7. Obtained and review a service auditor’s report on internal controls for the custodian;</li><li>8. Reviewed management’s classification in the fair value hierarchy for a sample of level 2 investments.</li></ol>	<p>From the work completed to date we have noted no material adjustments or findings in relation to level 2 investments. We are also satisfied that the judgements made by management are appropriate and have been determined using consistent methodology.</p> <p><b>Conclusion</b></p> <p>Subject to the satisfactory completion of the outstanding matters set on page 7, there are no matters to bring to your attention in relation to this risk.</p>

# Significant Classes of Transactions (continued)

Risk identified	Audit procedures performed	Key observations
<p><b>Actuarial present value of promised retirement benefits disclosure – IAS 26 (£4,990m)</b></p> <p>The disclosure of the Fund’s actuarial present value of promised retirement benefits is an accounting estimate and is sensitive to changes in key assumptions. As a result, it has been identified as a significant class of transactions.</p> <p><b>SCOT+</b></p> <p>Relevant assertion(s) Valuation, Presentation</p> <p>Applicable assertion(s) None</p> <p>Planned level of control reliance None</p>	<p>As part of our audit procedures, we have:</p> <ol style="list-style-type: none"> <li>1. Updated our understanding of the processes put in place by management to ensure that the Fund’s Actuarial Present Value of Promised Retirement Benefits is not materially misstated;</li> <li>2. Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary’s work;</li> <li>3. Assessed the competence, capabilities and objectivity of the actuary who carried out the Fund’s valuation;</li> <li>4. Reviewed the judgements made by management and confirmed that the application of the roll forward method in the intervening year within the triennial valuation cycle has remained appropriate, and ensured we have sufficient assurance from our cyclical triennial membership testing.</li> <li>5. Assessed the accuracy and completeness of the information provided by the Fund to the actuary to estimate the liability;</li> <li>6. Tested the consistency of disclosures with the actuarial report from the actuary;</li> <li>7. Undertook 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.</li> </ol>	<p>As part of our technical review of the accounts we noted that the presentation of this note should be updated, see page 38 for details. This is disclosure only and has no impact on the net reported position of the Pension Fund.</p> <p>Audit work within this area is ongoing, however we are not yet aware of any material adjustments or findings in relation to the actuarial present value of promised retirement benefits disclosure (IAS 26).</p> <p>As the work is ongoing, we are yet to conclude on if we are satisfied that the judgements made by management are appropriate and have been determined using consistent methodology.</p> <p><b>Conclusion</b></p> <p>Subject to the satisfactory completion of the outstanding matters set on page 7, there are no matters to bring to your attention in relation to this risk.</p>

# Significant Classes of Transactions (continued)

Risk identified	Audit procedures performed	Key observations
<p>Cash and cash equivalents</p> <p>(Cash Deposits with Custodian £111m, Cash held by ESCC £2m)</p> <p>The receipt and payment of cash represents a significant class of transactions occurring throughout the year, culminating in the year-end balance for cash and cash equivalents reported on the Net Asset Statement.</p> <p>SCOT+</p>	<p>As part of our audit procedures, we have:</p> <ol style="list-style-type: none"><li>1. Obtained direct confirmations for all bank accounts</li><li>2. Obtained monthly bank reconciliations as at the year-end and for one month post year-end, and</li><li>3. We have not noted any material reconciling items, therefore no testing to confirm clearance through the bank account after the year-end was required.</li></ol>	<p>We have noted one recommendation in relation to a HSBC account which is used for foreign payment for benefits payable. Although audit team have confirmed that all transaction and charges are appropriately accounted for in relation to the account, the balance does not sit on the Pension Fund balance sheet. The balance in there is highly trivial (£1k), but we recommend this balance should sit on the Balance Sheet for completeness.</p> <p>We have noted no material adjustments or findings in relation to the cash and cash equivalents balance.</p> <p>Conclusion</p> <p>Aside from the recommendation above, there are no matters to bring to your attention in relation to this risk.</p>

Relevant assertion(s)  
Completeness, Existence, Accuracy

Applicable assertion(s)  
Rights & Obligations, Presentation

Planned level of control reliance  
None

# Significant Classes of Transactions (continued)

Risk identified	Audit procedures performed	Key observations
<p><b>Benefits Payable</b></p> <p><b>(£177m)</b></p> <p>Pension benefits payable represents a significant percentage of the Fund's expenditure. As a result, it has been identified as a significant class of transactions.</p> <p><b>SCOT+</b></p> <p>Relevant assertion(s)</p> <p>Completeness, Accuracy, Occurrence</p> <p>Applicable assertion(s)</p> <p>Presentation</p> <p>Planned level of control reliance</p> <p>None</p>	<p>As part of our audit procedures, we have:</p> <ol style="list-style-type: none"><li>1. Evaluated the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness;</li><li>2. Gained an understanding of the Fund's system for accounting for pension benefits expenditure and evaluated the design of the associated controls;</li><li>3. Tested relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained.</li><li>4. Selected a sample of lump sums and associated individual pensions in payment by reference to member files, for which we are awaiting final query responses for.</li></ol>	<p>Our work in this area is awaiting evidence to be provided by the Pensions Admin Team, ahead of us being able to conclude in this area.</p> <p><b>Conclusion</b></p> <p>Subject to the satisfactory completion of the outstanding matters set on page 7, there are no matters to bring to your attention in relation to this risk.</p>

# Significant Classes of Transactions (continued)

Risk identified	Audit procedures performed	Key observations
<p><b>Contributions receivable</b></p> <p><b>(£164m)</b></p> <p>Contributions from employers and employees represents a significant percentage of the Fund’s revenue. As a result, it has been identified as a significant class of transactions.</p> <p><b>SCOT+</b></p> <p>Relevant assertion(s)</p> <p>Completeness, Accuracy, Occurrence</p> <p>Applicable assertion(s)</p> <p>Presentation</p> <p>Planned level of control reliance</p> <p>None</p>	<p>As part of our audit procedures, we have:</p> <ol style="list-style-type: none"><li>1. Evaluated management’s accounting policy for the recognition of contributions.</li><li>2. Evaluated the design and implementation of relevant controls around management’s process for the contributions receivable balance.</li><li>3. Tested a sample of contributions to source data to gain assurance over their accuracy and occurrence.</li><li>4. 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.</li></ol>	<p>From the work completed to date we have noted we have noted no material adjustments or findings in relation to the contributions receivable balance.</p> <p><b>Conclusion</b></p> <p>Subject to the satisfactory completion of the outstanding matters set on page 7, there are no matters to bring to your attention in relation to this risk.</p>

# Significant Classes of Transactions (continued)

Risk identified	Audit procedures performed	Key observations
<div>Financial instrument disclosures</div> <div>Financial instrument disclosures provide crucial information to allow users to understand and evaluate:</div> <div><ul style="list-style-type: none"><li>The entity’s financial position and performance;</li></ul></div> <div>The nature and extent of risks from financial instruments during, and at the close of, the reporting period; and how the Fund manages these risks.</div> <div>SCOT+</div> <div>Relevant assertion(s)</div> <div>Accuracy, Completeness, Valuation, Presentation</div> <div>Applicable assertion(s)</div> <div>None</div> <div>Planned level of control reliance</div> <div>None</div>	<div>As part of our completed audit procedures, we have:</div> <div><ol style="list-style-type: none"><li>Updated our understanding of the processes and controls put in place by management to prepare the financial instrument disclosures</li><li>Documented and evaluated the Fund’s accounting policies for appropriateness and consistency</li><li>Evaluated the instructions issued by management to their management expert/information provider for these disclosures</li><li>Tested the consistency of disclosures with the actuarial report from the actuary;</li><li>For all material financial instrument disclosures confirm they are disclosed in accordance with IFRS 7, measured in accordance with IFRS 9 and classified in accordance with CIPFA guidance on IFRS 9 Financial Instruments</li></ol></div>	<div>As part of our technical review of the accounts one non-trivial adjustment has been noted in relation to the financial instrument disclosures.</div> <div>From the work completed to date, we have noted no material adjustments or findings in relation to the financial instrument disclosures.</div> <div>Conclusion</div> <div>Subject to the satisfactory completion of the outstanding matters set on page 7, there are no matters to bring to your attention in relation to this risk.</div>

# Other findings



# Other findings – key judgements and estimates

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

## Summary of management's approach

### Level 3 investments - £1,120m

The Pension Fund has Level 3 investments in the following:

- Pooled Investment Fund totalling £28m of the net assets statement at year-end.
- Pooled Property Investments which make up £314m of the net assets statement at year-end.
- Private Equity/Infrastructure giving £778m of the net assets statement at year-end.

Management receive quarterly performance reports which are reviewed and subsequently presented to the Pension Board, providing scrutiny of estimates. Investment managers will periodically provide update reports for committee meetings – providing an opportunity for officers and members to challenge unusual movements or assumptions.

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. To determine the value, management rely on the valuations provided by the investment managers.

## Audit comments

In response to management's approach, for a sample of Level 3 investments we have:

1. Reviewed the audited financial statements of the investment accounts. Where there were different reporting dates, cashflows have been considered in the comparison.
2. Ensured consistency of the investment management report with the financial statements
3. Obtained and reviewed investment manager service auditor reports on design and operating effectiveness of internal controls (where appropriate)
4. Reviewed the guidelines under which the investment has been valued at the date of the investment accounts and fund accounts

*continued overleaf*

# Other findings – key judgements and estimates (continued)

## Audit comments (continued)

5. Considered the completeness and accuracy of the underlying information used to determine the estimate
6. Considered the impact of any changes to valuation method from the prior period
7. Evaluated the reasonableness of any increase/decrease in valuation of the estimate, using relevant indices (where appropriate)

We are yet to finalise our procedures for all level 3 assets sampled; however, no significant errors have been brought to our attention in the work completed to date.

From the work that we have completed we are satisfied with the sensitivities disclosed in the notes to the accounts and believe that once finalised we can provide assurance that they are reasonable and in line with the Code, and the estimate is adequately disclosed in the financial statements.

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## Assessment

We are yet to finalise the procedures for all level 3 assets sampled; therefore, we are not yet able to provide an assessment.

## Assessment Key

- [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

# Other findings – key judgements and estimates (continued)

## Summary of management's approach

### Level 2 investments - £3,328m

The Pension Fund has Level 2 investments in Unquoted bonds, Forward foreign exchange derivatives, Overseas bond options and Pooled investments (Equity, Fixed Income and Diversified Growth Funds), which total £3,328m on the net assets statement at year-end.

Management receive quarterly performance reports which are reviewed and subsequently presented to the Pension Board, providing scrutiny of estimates. Investment managers will periodically provide update reports for committee meetings – providing an opportunity for officers and members to challenge unusual movements or assumptions.

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. To determine the value, management rely on the valuations provided by the investment managers.

## Audit comments

*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.*

In response to management's approach, for a selection of Level 2 investments we have:

1. Reviewed the audited financial statements of the investment accounts. Where there were different reporting dates, cashflows have been considered in the comparison.
2. Ensured consistency of the investment management report with the financial statements
3. Compared the valuation to quoted prices at year-end where available.
4. Obtained and reviewed investment manager service auditor reports on design and operating effectiveness of internal controls (where appropriate)

**continued overleaf**

# Other findings – key judgements and estimates (continued)

## Audit comments (continued)

5. Reviewed the guidelines under which the investment has been valued at the date of the investment accounts and fund accounts
6. Considered the completeness and accuracy of the underlying information used to determine the estimate
7. Considered the impact of any changes to valuation method from the prior period
8. Evaluated the reasonableness of any increase/decrease in valuation of the estimate, using relevant indices (where appropriate)

We are yet to finalise our procedures for all level 2 assets sampled; however, no significant errors have been brought to our attention in the work completed to date.

Additionally, we have not yet concluded on the sensitivities disclosed in the notes to the accounts and cannot yet provide assurance that they are reasonable and in line with the Code, and the estimate is adequately disclosed in the financial statements.

## Assessment

We are yet to finalise the procedures for all level 2 assets sampled; therefore, we are not yet able to provide an assessment

## Assessment Key

- [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

# Other findings – Information Technology

This section provides an update of the work being carried out on Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit.

IT application	Level of assessment to be performed	Update on work in progress
SAP	ITGC assessment (design effectiveness only)	Work in this area is set to be completed in September in line with the Administering Authority.
Altair	ITGC assessment (design effectiveness only)	Work in this area is ongoing and mostly complete, subject to one enquiry with the Pensions Admin and Payroll Teams. From the work completed so far, the conclusions are expected to be in line with previous years.

Assessment:

- [Red] Significant deficiencies identified in IT controls relevant to the audit of financial statements
- [Amber] Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- [Green] IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- [Black] Not in scope for assessment

# Communication requirements and other responsibilities

# Other communication requirements

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Issue	Commentary
1 Matters in relation to fraud	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period, and no other issues have been identified during the course of our audit procedures</li> </ul>
2 Matters in relation to related parties	<ul style="list-style-type: none"> <li>We are not aware of any related parties or related party transactions which have not been disclosed, however our work in this area is yet to be finalised.</li> </ul>
3 Matters in relation to laws and regulations	<ul style="list-style-type: none"> <li>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.</li> </ul>
4 Written representations	<ul style="list-style-type: none"> <li>We are awaiting the completion of the Administering Authority Audit to issue the Letter of Representation; this will be taken to committee with our Audit Opinion, alongside the Administering Authority's.</li> </ul>
5 Confirmation requests from third parties	<ul style="list-style-type: none"> <li>We requested from management permission to send confirmation requests to their custodian and investment managers. This permission was granted, and the requests were sent.</li> </ul>
6 Disclosures	<ul style="list-style-type: none"> <li>From review to date we are satisfied that there are no material unadjusted omissions in the final set of accounts.</li> </ul>
7 Audit evidence and explanations	<ul style="list-style-type: none"> <li>Audit work is still in progress; however, to date we are satisfied all information and explanations requested from management have been provided.</li> </ul>

# Other communication requirements (continued)

## Going Concern

### 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).

### Commentary

In performing our work on going concern, we will reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). 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.

**continued overleaf**



# Other communication requirements (continued)

## Going Concern

### Commentary (continued)

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.

# Other responsibilities

Issue	Commentary
Other information	<p>The Pension Fund is administered by East Sussex County Council (the ‘Council’), and the Pension Fund’s accounts form part of the Council’s financial statements. We are required to read any other information published alongside the Council’s financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.</p> <p>The audit of the Administering Authority is yet to conclude therefore we cannot give an opinion on these procedures at this point in time.</p>
Matters on which we report by exception	<p>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.</p> <p>The statutory deadline for the Pension Fund Annual Report to be published is 1 December 2025. As the Administering Authority audit will not be finalised until after this date we are unable to issue our final audit opinion on the Pension Fund financial statements until it is and therefore our consistency report has also not yet been produced. The Fund has will publish the Annual Report without our report but with an explanation for the delay on its website.</p> <p>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.</p>

# Audit adjustments

# Adjusted & Unadjusted Misstatements

We are required to report all non-trivial misstatements to those charged with governance.

## Impact of adjusted misstatements

From our audit work to date we have not identified any adjusted misstatements for year ending 31<sup>st</sup> March 2025.

## Impact of unadjusted misstatements

From our audit work to date we have identified the following unadjusted misstatements for year ending 31<sup>st</sup> March 2025.

Detail	Pension Fund Account		Net Asset Statement £'000		Impact on total net assets £'000	Reason for not adjusting
	Debit £'000	Credit £'000	Debit £'000	Credit £'000		
Total net assets per final accounts					4,988,539	
Level 3 Misstatement – Key Value						
Within the Level 3 investment testing, £927,434k of Key Items have been selected for testing, within that there was a net difference of £8,183k, leading to an understatement of Level 3 Investments in the accounts.						
This is due to the timing differences between the production of the accounts and the receipt of the finalised investment managers statements for 31/03/2025. The finalised statements are not available until after the accounts have been produced and are therefore unable to be factored in.	Nil	(8,183)	8,183	Nil	8,183	Immaterial difference, due to timing.
Total net assets – recalculated to include unadjusted misstatements					4,996,722	

# Impact of Prior Year Unadjusted Misstatements

This is a summary of unadjusted misstatements identified during the prior year audit, which impact the current year financial statements.

Detail	Pension Fund Account		Impact on total net assets £'000	Reason for not adjusting
	Debit £'000	Credit £'000		
Level 3 Misstatement – Key Value				
In 23/24 as part of the Level 3 investment testing as part of the £731,825k Key Items selected for testing there was a net difference of £7,649k, due to timing, between balances in the accounts and those confirmed by Investment Managers Leading to an immaterial but reportable understatement in the PY Financial Statements.	Gain/Loss on valuation of investments	Nil	Nil impact on net asset statement as at 31 March 2025	Immaterial impact on Statement of Accounts
In year we note that this has no impact on the total net assets as valued at 31 <sup>st</sup> March 2025, however, it will lead to an equivalent overstatement of the Gain/Loss on Valuation as the PY impact of this is included in the CY movement.	7,649			
Level 3 Misstatement – Extrapolation				
In 23/24 as part of the Level 3 investment testing within the residual population of £413,288k selected for sampling there was an extrapolated net difference of £5,604k, due to timing, between balances in the accounts and those confirmed by Investment Managers. This led to an immaterial, but reportable understatement in the PY Financial Statements.	Gain/Loss on valuation of investment	Nil	Nil impact on net asset statement as at 31 March 2025	Immaterial impact on Statement of Accounts and the misstatement was extrapolated
In year we note that this has no impact on the total net assets as valued at 31 <sup>st</sup> March 2025, however, it will lead to an equivalent overstatement of the Gain/Loss on Valuation as the PY impact of this is included in the CY movement.	5,604			
Total Impact:	13,253	Nil	Nil	Immaterial Impact

# Disclosure misstatements

This is a summary of disclosure misstatements identified for the misstatements for year ending 31<sup>st</sup> March 2025. These have been adjusted for as part of the audit process.

Disclosure misstatement	Detail	Auditor recommendations
Actuarial Disclosure	As per code 6.5.2.9, within Note 3.12 and the narration under the net asset statement Option B of disclosing the actuarial present value of promised retirements benefits in the notes to the accounts has been used. However, within note 20 it has been disclosed as per Option C.	<p>The initial disclosure of this note was not in line with the CIPFA code and therefore it has been recommended that this note should be updated to ensure <b>Option B</b> has been presented consistently across the accounts.</p> <p><b>Management response</b></p> <p>The Fund accepts that the disclosure in Note 20 was not clear and that the change provides greater clarity to the users of the accounts.</p>
Financial Instruments	<p>The debtors balance disclosed in Note 17 - financial instruments includes "Contributions receivable" of £13,394k (PY: £13,068kk).</p> <p>Also, the creditors balance disclosed in note 15 includes benefits payable (Pension Payments) of £744k (PY: £549k).</p> <p>These areas are not contracted and therefore should not have been included as a financial instrument.</p>	<p>As this is a non-trivial balance within the accounts, the audit team have recommended this note should be updated.</p> <p><b>Management response</b></p> <p>The is s technical accounting definition and the Fund had been reporting this in line with other LGPS Pension Funds, we recognise that the technical definition requires the removal of this item from the Note 17 disclosure and have removed this.</p>

# Disclosure misstatements

Disclosure misstatement	Detail	Auditor recommendations
Audit Fees	<p>There is an error identified, which the Fund had incorrectly included the additional £7,840 in relation to the audit which had already been included within the GT Scale Fee, which had already been recognised appropriately as of £101,515.</p> <p>The initial disclosure also omitted balances relating to the Audit related non-audit services for NAO IAS19 assurance letters outside the scope of the PSAA Contract.</p>	<p>As per GT’s independence within the Audit it is crucial that the Audit Fees disclosed in the accounts are in line with our AFR, therefore it has been recommended that this note should be updated in the final version of accounts.</p> <p><b>Management response</b></p> <p>There was a change in the way this particular fee item was charged between 23/24 and 24/25 which was not identified during the year end process when this was identified it was agreed that we would amend this item.</p>
Various	<p>Detailed review of the financial statements during the audit identified some trivial typographical errors within the disclosure notes of the accounts.</p>	<p>These have been taken to management for their decisions as to if they would like to update these throughout.</p> <p><b>Management response</b></p> <p>The Fund will amend trivial typographical errors when identified to ensure that the accounts are as clear as possible for the user.</p>

# Action plan

To date we have not identified 1 recommendation for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management, and we will report on progress on these recommendations during the course of the 2025/26. Any matters to be reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

	Assessment	Issue and risk	Recommendations
1	● [Green]	HSBC bank account for which international holds trivial amount of 1k is not recorded in the GL. Although this amount is highly trivial, as it is not being recorded within the GL, if it grew to that of a non-trivial nature it would be missed.	<p>Audit team recommends that an account code is set up on the balance sheet for this account, so ensure that any assets or liabilities in relation to it are captured within the General Ledger.</p> <p><b>Management response</b></p> <p>The Fund has not in the past needed to hold a trivial balance within the HSBC bank account as it is required to facilitate foreign pension payments HSBC have started charging fees on the account, so a small balance is placed here to ensure that the fees are covered. We accept that this now changes the nature of this account and will look to include this on the balance sheet.</p>

Assessment key:

- [Red] High – Significant effect on financial statements
- [Amber] Medium – Limited effect on financial statements
- [Green] Low – Best practice

Follow up of prior year recommendations

There were no recommendations for the Pension Fund to follow up in year in relation to 23/24, as there were no issues identified during the prior year audit,



# Independence considerations

# 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 there are no independence matters that we would like to report to you.
- We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard
- Further, we have complied with the requirements of the National Audit Office’s Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

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

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the 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 Fund or investments in the 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 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 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 Fund’s committees, 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 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.

# Fees and non-audit services

The following tables overleaf set out the total fees for non-audit services that we have been engaged to provide or charged from the beginning of the financial year to December 2025, to ensure inclusion of the expected fees in relation to known IAS 19 Assurance letters required for Admitted Bodies outside of the NAO Code of Audit Practice for the 24/25 FY. It also includes the threats to our independence and safeguards have been applied to mitigate these threats.

The non-audit services are consistent with the Fund's policy on the allotment of non-audit work to your auditor.

None of the services were provided on a contingent fee basis

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to East Sussex Pension Fund. The table overleaf summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees in that the level of this recurring fee taken on its own is not considered a significant threat to independence as the total fee.

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Our firm also provides audit and non-audit services to the Administering Authority. The fees in relation to these services and the related ethical considerations are reported in the Audit Findings Report issued to 'Those Charged With Governance' (TCWG) for that entity. Consequently, such fees are disclosed in the Council's financial statements rather than the Pension Fund's.

# Fees and non-audit services

Audit fees	Proposed fee for 2024/25 (£)	Audit Fee for 2023/24 (£)
Audit of Pension Fund (Scale Fee)	101,515	90,337
ISA 315	Included in scale fee	7,530
Audit related non-audit services (see aside)	5,000	0
Total	106,515	97,867

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The above fees are exclusive of VAT and out of pocket expenses.

The fees reconcile to the financial statements as follows:

- Updated fees as per financial statements: **127,515**
  - £17k: Non-accrued additional approved PSAA fee payable in respect of external audit for 2021/22
  - £4k: Non-accrued additional additional approved PSAA payable in respect of external audit for 2022/23
- Total fees per above: **106,515**

Audit related non-audit services	£	Threats identified	Safeguards applied
23/24 FY - IAS 19 Assurance letters for Admitted Bodies outside of the NAO Code of Audit Practice	2,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the total fee for this work is £2,500 per year and £5,000 in total, in comparison to the total proposed fee for the audit of £101,515 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
24/25 FY - IAS 19 Assurance letters for Admitted Bodies outside of the NAO Code of Audit Practice	2,500	Self-Interest (because this is a recurring fee)	As at this stage NAO have not formally requested this letter, however we have had communication with them as to this being their intention so are including for completeness.
Total	5,000		

This covers all services provided by us and our network to the Fund, its directors and senior management, that may reasonably be thought to bear on our integrity, objectivity or independence.





# Appendices

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# A. Communication of audit matters with 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	●	
Planned use of internal audit	●	
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 matters in relation to going concern	●	●
Views about the qualitative aspects of the Fund's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
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		●

# A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
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, as a minimum a requirement exists for our findings to be distributed to all the company directors and 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 those charged with governance.



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**Report to:** Pension Committee  
**Date of meeting:** 25 September 2025  
**By:** Chief Finance Officer  
**Title:** Pension Fund Risk Register  
**Purpose:** To consider the Pension Fund Risk Register

---

## **RECOMMENDATION:**

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

---

## **1 Background**

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

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

1.3 Since the last meeting of the Pension Committee and Pension Board, 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 A summary of the risk register of the Fund is included as Appendix 1. The full Risk Register is not published with this report but is available to Pension Committee members upon request.

## **3 Changes to the Risk Register**

3.1 There have been three amendments to the Risk Register since the last meeting of the Pension Committee.

3.2 Risk A3, 'Production of Statutory Member Returns' - The post-mitigation score has been increased on account of the added complication of displaying the McCloud remedy in annual benefit statements as at 31 March 2025 and other statutory documents such as pension savings statements.

3.3 Risk G1, 'Key Person Risk' – The post-mitigation score has been increased on account of the Interim Deputy Head of Pensions having completed the fixed term contract and left in July 2025. The Head of Pensions is currently evaluating the available options for the most effective way to proceed to manage the Fund, which includes recruitment and/or reorganisation and will conclude this process in September 2025.

3.4 Risk G3, 'Cyber Security' – Whilst the pre and post mitigation scores have remained constant, the Risk Control/Response details have been expanded to reflect the work carried out and planned to improve the resilience of the Fund to cyber risks.

3.5 Risk I5, 'Funding risk – higher inflation' has been updated to reflect the preference expressed for the Fund to join Border to Coast Pension Partnership investment pool from 1 April 2026, to ensure compliance with prevailing pooling legislation from that date and the work and risks around completing this.

## **4 Conclusion**

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

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**Chief Finance Officer**

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# Appendix 1

Reference Strategic Risk		Sep-23	Nov-23	Feb-24	Jun-24	Sep-24	Nov-24	Feb-25	Jun-25	Sep-25	Change from June 2025
<b>Employer</b>											
E1	<b>Contributions Funding</b> Failure to collect contributions from employers in line with Funding strategy requirements and Rates and Adjustment Certificate	4	4	4	4	4	4	4	4	4	↔
E2	<b>Employer data</b> Employers fail to provide accurate and timely data to the PAT team	9	9	9	9	9	9	9	9	9	↔
E3	<b>Employer Covenant</b> Delay in employers agreeing Admission Agreement, risk of insufficient security	4	4	6	6	6	6	6	6	6	↔
<b>Administration</b>											
A1	<b>Pensions service Delivery</b> Inadequate delivery of Pensions Administration	6	6	6	6	6	6	6	6	6	↔
A2	<b>Regulatory Change</b> Risk that new benefit structures can not be set up correctly or in time	6	6	6	6	6	6	6	6	6	↔
A3	<b>Production of Statutory member returns</b> Risk of failure to produce ABS, annual allowance and event reports	6	6	6	6	4	4	4	4	6	↑
A5	<b>Transfer Scams</b> Failure to comply with CETV anti scam checks	2	2	2	2	2	2	2	2	2	↔
A7	<b>MBOS Project</b> Failure to deliver the new ERP system to effectively deliver for Pension Fund accounting and payroll requirements	6	6	6	6	6	6	6	6	6	↔
<b>Governance</b>											
G1	<b>Key Person risk</b> Risk of loss of key / senior staff resulting in lost knowledge and skills with in the Pensions Team	4	4	6	6	8	8	6	6	9	↑
G2	<b>Committee / Board Member</b> 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	6	6	6	↔
G3	<b>Cyber Security</b> Risk of Loss of data or systems breaches through cyber attacks	8	12	12	12	12	12	12	12	12	↔
G4	<b>Governance and Compliance</b> Inadequate governance arrangements and controls to discharge powers & duties	6	3	3	3	3	3	3	3	3	↔
G5	<b>Data Breach</b> Failure to comply with General Data Protection Regulations	4	4	4	4	4	4	4	4	4	↔
G6	<b>Fraud</b> Internal and External fraud risk	4	4	2	2	2	2	2	2	2	↔
<b>Investment/Funding</b>											
I1	<b>Funding risk - poor investment returns</b> Risk that investment strategy fails to result in performance required to meet the needs of the Funding strategy discount rate	4	4	4	4	4	4	4	4	4	↔
I3	<b>Regulatory risk</b> Failure to comply with regulations, legislation and guidance from an accounting and investment perspective	2	2	2	4	4	4	4	4	4	↔
I4	<b>Investment Pooling</b> 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	9	9	9	↔
I5	<b>Investment Pooling</b> Existing arrangements agreed via ACCESS do not meet the needs of East Sussex Pension Fund								9	9	↔
I6	<b>Funding risk - higher inflation</b> Risk of inflation leading to increased liabilities, lower asset returns and a funding gap	6	6	6	6	6	6	9	6	6	↔
I7	<b>Environmental, Social and Governance</b> Risk of ESG factors within Investment strategy, underlying holdings and implementations of investment decisions	4	4	6	6	6	6	6	6	6	↔
I8	<b>Climate change</b> Risk to assets and liabilities associated with Climate Change	4	4	6	6	6	6	6	6	6	↔
I9	<b>Liquidity</b> Insufficient cash to pay benefits as they fall due	4	4	4	4	4	4	6	4	4	↔
I10	<b>Money Purchase Additional Voluntary Contributions</b> Inadequate offering to Scheme Members	2	2	2	2	2	2	2	2	2	↔

Ref	Strategic Risks	Pre-mitigati on RAG	Risk Control / Response	Post-mitigati on RAG	Risk Owner
<b>Employer Risk</b>					
E1	Contributions Funding Failure to collect contributions from employers in line with Funding strategy requirements and Rates and Adjustment Certificate	9	<ul style="list-style-type: none"> <li>•Monthly Employer contribution monitoring completed</li> <li>•Monitoring of breaches re. late payments by Employer engagement team (via escalation process). Chasers sent out near deadlines to prompt employers to provide prompt information and payment.</li> <li>•Contributions recorded in Finance system for each employer to track employer cashflows in line with actuarial requirements for Valuation and FRS17/IAS19 reporting requirements (can also see trends in contributions collected)</li> <li>•Pension Administration strategy: updated Feb 2023, outlining ability to charge employers for late payment, late receipt of remittance advice or poor data quality. Late payment charges as deterrent (&amp; cover Fund for late payment).</li> <li>•i-Connect: allows Fund to a)better reconcile payments &amp; b)gain more accurate employer contribution payments (i-connect functionality being improved by software provider).</li> <li>•Regular reporting to Pensions Board on late payments of contributions</li> <li>•Covenant review helps identify employers most likely to have financial difficulties (to be reviewed in 2025).</li> <li>•Triennial valuation process tries to stabilise contribution rates. 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.</li> <li>•Guide to Employers on implications of Pensions on Outsourcing published and issued to all employers</li> <li>•Contribution deferral policy approved by Committee (June 2020)</li> <li>•Deferred debt and debt spreading policies approved (June 2023)</li> <li>•Employer engagement team confirms correct signatories for contribution submissions (so signed off at appropriate management level)</li> <li>•Regular communication with Employers through Employer engagement team</li> <li>•Cash Management covered by internal audit in 2022/23 and 2023/24 looking at contribution collection and cash management strategy with substantial assurance</li> </ul>	4	Head of Pensions
E2	Employer data Employers fail to provide accurate and timely data to the PAT team	12	<ul style="list-style-type: none"> <li>•Pension Administration Strategy: in place (last reviewed 2023)</li> <li>•Employing authorities contacted for outstanding/accurate information</li> <li>•User Guide and Training provided to Employers for outsourcing implications with LGPS</li> <li>•Regular communication and meeting with administration services regarding service updates etc.</li> <li>•Employer engagement team established Jan 2021 to support employers and provide training where required</li> <li>•Quarterly employer newsletter helps employers to understand ESPF current issues and activity</li> <li>•Data cleansing plan completed June 2020 (led by Hymans). PAT and other teams regularly improve Data quality</li> <li>•i-Connect system limits employer ability to submit incorrect data. Data is received monthly (not annually) to allow regular cleansing and discussion with employers</li> <li>•Meetings held between senior pensions Management team and employers where there are current or historic data concerns</li> <li>•2022 triennial valuation data cleansing: Actuary worked with PAT to check data (data cleansing ongoing for both Dashboard and 2025 triennial valuation).</li> </ul>	9	Head of Pensions

E3	Employer Covenant Delay in employers agreeing Admission Agreement, risk of insufficient security		<ul style="list-style-type: none"> <li>• Admission agreements ensure the Fund can provide comprehensive admission agreements when negotiating in line with the risk sharing arrangements agreed with the letting employer. New templates developed for pooling rate. Fixed rate template and Bond template in place (shared with the employers early in the process to speed up agreement of new admission agreements)</li> <li>• Outsourcing Guide to publicly available and distributed to all employers (guide tells employers what to consider/plan when making an outsourcing arrangement with TUPE staff). New employers are given a copy (part of Admission Agreement process)</li> <li>8 • Officers meet regularly to review status and progress on admissions. Updates at monthly team meetings ensure admissions are always complete and effective</li> <li>• Data flow and process map ensures officers request and communicate all required information promptly (and that on execution of the agreements data is supplied in line with the Administration strategy)</li> <li>• Admissions in progress reported quarterly to Board and Committee to share status updates</li> <li>• Security obtained for new admissions in form of bond or a guarantee from an appropriate body which can support the guarantee</li> </ul>	6	Head of Pensions
<b>Administration</b>					
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		<ul style="list-style-type: none"> <li>• In-house PAT team gives management team complete control over service delivery</li> <li>• Annual internal audit reports on pension administration (incl. regular reporting and monitoring of "red" recommendations to ensure Fund continues best practice). Fund received reasonable assurance since bringing in-house (no red recommendations).</li> <li>• Quarterly Reports to Pension Board and Committee on areas of work and KPIs, New service level KPIs now reportable within the Administration software</li> <li>• Pension Regulator Guidance acknowledged by all team members (training provided via team meetings or courses)</li> <li>• Task workflow from Senior Pension Officers to PAT staff . Helpdesk add all tasks to their workflow to ensure all tasks completed well as planned. PAT staff add tasks as appropriate.</li> <li>9 • Checklists in place. Activity impacting members recorded on member records for other teams members to access</li> <li>• All tasks peer reviewed. Constant monitoring / checking by team managers and senior officers for more junior staff members</li> <li>• In house risk logs cover projects</li> <li>• SAP / Altair reconciliation monthly to ensure pension payment records complete and correct</li> <li>• Calculations generally automated to reduce manual error risk</li> <li>• Task management systems in Altair ensure activity is completed and monitored</li> <li>• Regular meetings with payroll, HR, ICT and PAT</li> <li>• Pensions Admin working group discusses service delivery issues on a regular basis</li> <li>• Pensions Admin Team- skills matrix identifies training needs for processes</li> </ul>	6	Head of Pensions Administration
A2	Regulatory Change - Risk that new benefit structures can not be set up correctly or in time. - LTA replaced with max cash limits. - Introducing inheritance tax. - Change in minimum retirement age		<ul style="list-style-type: none"> <li>• Projects and/or working groups in place to deal with current regulatorily benefit changes</li> <li>9 • Attendance at networks and officer groups to stay on top of upcoming changes in regulation</li> <li>• Reports to Pension Board and Committee to ensure knowledge is shared to decision makers</li> <li>• Oversight via Pension Admin Working Group</li> </ul>	6	Head of Pensions Administration

A3	Production of Statutory member returns Risk of failure to produce ABS, annual allowance and event reports	15	<ul style="list-style-type: none"> <li>•Regular contact with employers to get data</li> <li>•Clear project plan with early communications and planning with milestones to ensure Statements created in time to allow time for staff distribution</li> <li>•Under 10 employers still to be onboarded to i-Connect, ensuring better quality &amp; speedy data including joiners/leavers. Annual Allowance data continues for cases in scope (with limit increased to £60k, cases impacted are significantly reduced)</li> <li>•Breaches policy in place. Breach reporting to Committee and Board quarterly to discuss breach reporting levels</li> <li>•McCloud remedy regularly reviewed by the Admin Working Group (and via regular meetings of Fund and software provider).</li> </ul>	6	Head of Pensions Administration
A5	Transfer Scams Failure to comply with CETV anti scam checks	6	<ul style="list-style-type: none"> <li>•Process for making checks required by law and/or recommended by TPR. Appropriate training identified and offered to staff so they understand risk and mitigate accordingly</li> <li>•Process mapping process to ensure transfers are fully documented with clear guidance to staff in carrying out this activity</li> <li>•Member informed of "red flags" identified</li> <li>•Scorpion campaign material provided to members seeking a CETV</li> <li>•Quality assurance checks ensure appropriate checks carried out</li> <li>•Reinstatement of deferred benefits for scammed cases</li> </ul>	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	<ul style="list-style-type: none"> <li>•Officers are part of the project roll out and involved in testing. Needs of the Pension Fund are therefore considered</li> <li>•Officers produced process mapping for all functions within the existing finance system</li> <li>•Specific stream of planning identified in project for interface with Altair</li> <li>•S151 officer on programme board will make go/no go decision</li> <li>•Heywood's paid to produce a scheme specific payroll data output report for transfer to Oracle</li> </ul>	6	Head of Pensions
<b>Governance</b>					
G1	Key Person risk Risk of loss of key / senior staff resulting in lost knowledge and skills with in the Pensions Team	9	<ul style="list-style-type: none"> <li>•Diversified staff / team</li> <li>•Attendance at pension officers' user groups to network and exchange information</li> <li>•Procedural notes (include new systems, section meetings / appraisals)</li> <li>•Succession planning within team structure, building from within the team</li> <li>•Robust business continuity processes in place around key business processes (including disaster recovery plan)</li> <li>•Knowledge of all tasks shared by at least two team members within PAT (and can be covered by senior staff in all areas)</li> <li>•Training requirements set out in training strategy, job descriptions and reviewed prior to recruitment processes. Training officer in post.</li> <li>•Training strategy in place and regularly reviewed with training log where required</li> <li>•Recruitment project to fill vacant positions (nearly all posts now filled)</li> <li>•Apprenticeships bring new staff in to train in advance of vacancies</li> <li>•Team responsibilities reviewed to ensure appropriate coverage of workstreams</li> <li>• Fixed term contract for Interim Deputy Head of Pensions finished July 2025. Head of Pensions is considering options (recruitment or reorganisation)</li> </ul>	9	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	<ul style="list-style-type: none"> <li>•Record kept of terms of Office</li> <li>•Pension Board terms of Office staggered</li> <li>•Vice Chairs in place to cover chair absence</li> <li>•Officers aware of election cycles and request for officers as a preference over elected members is communicated to employers</li> <li>•Robust Terms of reference (clear and comprehensive)</li> <li>•Training plans in place for new members to build knowledge to required levels</li> </ul>	6	Head of Pensions
G3	Cyber Security Risk of Loss of data or systems breaches through cyber attacks	16	<ul style="list-style-type: none"> <li>• ICT defence - in-depth approach.</li> <li>• Utilising firewalls, passwords and ICT control procedures including system access and account deletion protocols. Network activity is monitored to identify security threats.</li> <li>• Email and content scanners</li> <li>• Anti-malware etc. regularly updated. ICT performs penetration and security tests on regular basis. Encryption used on all data transfers</li> <li>• Service level agreement with termination clause</li> <li>• Regular reports SAS 70/AAF0106</li> <li>• Industry leaders provide data protection and cyber defence systems</li> <li>• Risk assessment completed with all new contracts with data transfer and new associated systems including penetration testing at outset</li> <li>• Pensions Team specific BCP: being finalised and rolled out</li> <li>• Information security report no material vulnerabilities. Recommendations to be implemented.</li> <li>• Cyber training is provided to all staff around techniques and methods used to launch cyber attacks</li> <li>• Officers did war games training session with IT (Aug 2024) and are in procurement discussions to improve the cyber risk policy of the Fund.</li> </ul>	12	Head of Pensions
G4	Governance and Compliance Inadequate governance arrangements and controls to discharge powers & duties	9	<ul style="list-style-type: none"> <li>•Training strategy in place which covers Pension Committee, Pensions Board and officers</li> <li>•75 days of internal audit commissioned for each calendar year with regular reporting from IA to committee and board, including areas Governance and Compliance</li> <li>•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</li> <li>•Investment regulations require proper advice</li> <li>•Procurement processes in place to ensure quality within replacement advisers</li> <li>•Review carried out against TPR General Code requirements to identify any governance gaps</li> <li>•Specialist legal advisers and governance advisers to provide clear and accurate advice to the Fund on point of law or regulation</li> <li>•Publication of annual Governance and Compliance Statement explaining governance arrangements and reviewed and approved by Board / Committee</li> <li>•Training coordinator appointed. This officer liaises with chair of Pension Board and Committee to identify training needs</li> <li>•Working groups in place, with own terms of reference, which report findings to full Board and Committee</li> <li>•Governance of meetings supported by Democratic Services</li> <li>•Governance structures held within ESCC constitution</li> <li>•Conflict of interest policy in place</li> </ul>	3	Head of Pensions

G5	Data Breach Failure to comply with General Data Protection Regulations and Disclosure Regulations	9	<ul style="list-style-type: none"> <li>•Contracts with external parties (where data role) have clear terms and conditions as part of the data processing agreements</li> <li>•Data Impact assessment carried out on all new tenders where data is involved</li> <li>•DPO in place via ESCC</li> <li>•Privacy notice on website (privacy statements refreshed yearly)</li> <li>•Memorandum of Understanding in place with employers within the fund</li> <li>•All staff complete information governance training on joining the Council (refreshed annually)</li> <li>•Information governance Internal audit completed in Q4 2020/21 with a reasonable assurance level and all recommendations were completed</li> <li>•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</li> </ul>	4	Head of Pensions
G6	Fraud Internal and External fraud risk	12	<ul style="list-style-type: none"> <li>•Quarterly review of log in credentials</li> <li>•Senior officers have sight of bank account</li> <li>•Senior officers are signatories to bank account</li> <li>•Multiple sign off needed to make payment, with appropriate seniority levels</li> <li>•Mortality checks, Tell us once and NFI data</li> <li>•Contract in place with a third party to support with mortality and address training</li> <li>•Journals over £1m have to be signed off by Head of Pensions</li> </ul>	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	<ul style="list-style-type: none"> <li>•Strategy is supported by expert Investment consultants (challenged via Independent Advisor)</li> <li>•Triennial valuation ensures funding position is known and contribution rates are stabilised</li> <li>•Quarterly Performance monitoring, investment manager monitoring from consultants and Link for ACCESS sub funds. Officers: regularly meet and challenge investment managers</li> <li>•Annual Investment Strategy Review, with interim rebalancing</li> <li>•Quarterly Reporting to Pensions Committee, with decisions approved by committee (including Fund Manager performance)</li> <li>•Training strategy ensures officers and committee members have sufficient knowledge and skills to implement and change the investment strategy</li> <li>•Investment decisions comply with the ISS/FSS (and based on proper advice)</li> <li>•Diversified strategy to reduce correlation of manager volatility</li> <li>•Changes to investment strategy discussed with the actuary to ensure anticipated implications on funding aligned</li> <li>•Revision of the Asset Liability Model to support a viable Strategic Asset Allocation for the new valuation</li> </ul>	4	Head of Pensions
I3	Regulatory risk Failure to comply with regulations, legislation and guidance from an accounting and investment perspective	9	<ul style="list-style-type: none"> <li>•Pensions Officers are up-to-date with changes to legislative requirements via network meetings, professional press, training and internal communication procedures</li> <li>•Pension Fund financial management and administration processes meet the CIPFA Code of Practice, International Financial Reporting Standards (IFRS), and the ESSC Financial Regulations</li> <li>•Regular reconciliations between in-house records and those maintained by the custodian and investment managers</li> <li>•Internal Audits - carried out in line with the Pension Audit strategy. External Audits- review the Pension Fund's accounts annually</li> <li>•Specialist legal advisers provide clear and accurate advice to the Fund on points of law or regulation</li> <li>•Breach policy ensures breaches mapped and reported</li> </ul>	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	<ul style="list-style-type: none"> <li>•ACCESS Support Unit team provide support to the pool</li> <li>•Operator contract provided by Waystone for assets held within the ACS. Operator novation imminent.</li> <li>•ACCESS Contracts Manager monitors Waystone's progress closely.</li> <li>•KPIs introduced within revised operator agreements</li> <li>•Consultants involved in analysing the creation of sub-funds and transitioning of assets into the pool, under a variety of scenarios</li> <li>•Opportunities to transfer securities in 'specie'. Reducing cost on transition</li> <li>•Transition manager preserves asset values, manages risk and project manages the transition process to ensure that costs are monitored and controlled</li> <li>•Due Diligence completed by legal advisers to ensure no hidden costs or governance issues not known at time of decision to invest</li> <li>•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</li> <li>•Regular meetings between officers and ACCESS pool with officers in working groups to ensure involvement in decision making</li> <li>•ACCESS governance review completed. ACCESS stewardship consultant to support development in RI activities for the pool</li> <li>•Illiquid assets in progress for pooling</li> <li>•Fund responds to key government consultations to ensure views shared with policy makers on recommended future changes in pooling.</li> </ul>	9	Head of Pensions

15	Investment Pooling Existing arrangements agreed via ACCESS do not meet the needs of East Sussex Pension Fund (confirmed following the Fit for the Future Review) and Fund moves to another Investment Pool to ensure compliance with prevailing legislation by 1st April 2026	12	Senior officers have worked extensively with officers from West Sussex and external advisors to identify a preferred pooling partner, given the government's confirmation that it does not support the proposals put forward by ACCESS in relation to the Fit for the Future consultation. Borders to Coast Pension Partnership has been identified as the Fund's preferred pooling partner going forward and officers are working with offices from West Sussex and 5 other partner funds from ACCESS that have also identified Borders to Coast Pension Partnership as the preferred pool to ensure documentation is in place to ensure the Fund complies with the legislation from 1st April 2026 and joins an investment pool supported by the government.	9	Head of Pensions
16	Funding risk - higher inflation Risk of inflation leading to increased liabilities, lower asset returns and a funding gap	12	<ul style="list-style-type: none"> <li>•Investment strategy weights to index linked gilts, infrastructure and real estate which (inflation-linked to mitigate inflation risk)</li> <li>•Potential to further increase infrastructure weightings</li> <li>•Fund monitor portfolio sensitivity to inflation via expert investment consultants</li> <li>•Triennial Valuation assumptions include local knowledge of the Administering authority on anticipated pay inflation</li> <li>•Flexibility in the DGF mandates to react to the market and adapt the investment portfolio</li> <li>•Quarterly monitoring of funding position helps identify risk early</li> <li>•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 alignment with changing liabilities</li> </ul>	6	Head of Pensions
17	Environmental, Social and Governance Risk of ESG factors within Investment strategy not being properly considered affecting underlying holdings and implementations of investment decisions	8	<ul style="list-style-type: none"> <li>•Statement of Responsible Investment Principles outline responsible investment beliefs, implementation of decisions and monitoring of ESG factors</li> <li>•ESG at heart of all investment decisions (not a separate function or working group)</li> <li>•Fund has reduced exposure to companies with poor ESG rating via removal of traditional index funds (ensuring active managers have a strong conviction in the underlying companies including on ESG matters. Passive indexes / smart beta funds have robust screening processes in place to include ESG principles)</li> <li>•Track portfolio (underweight in fossil fuel exposure to benchmarks)</li> <li>•Produce annual reports on Fund's carbon footprint. Review of managers from ESG perspective (incl. transition pathway of underlying companies)</li> <li>•Stewardship code submission approved in February 2024 for the 2022 reporting year</li> <li>•Membership of collaborative groups to help drive policy change</li> <li>•Officers challenge managers on holdings regarding ESG issues and query voting decisions.</li> <li>•Annual ESG impact assessment for all managers, including improvement actions on ESG methodology, reporting or collaboration.</li> <li>•Engage via managers and investor groups (including LAPFF). Drive them to comply with key ESG concerns using combined investment power</li> <li>•ESG factors incorporated into all decision making</li> </ul>	6	Head of Pensions

I8	Climate change Risk to assets and liabilities associated with Climate Change	12	<ul style="list-style-type: none"> <li>•Statement of Responsible Investment Principles (SRIP) outlines investment beliefs including Climate Risk. Fund takes SRIP into account in decisions or when monitoring investment managers, carbon emissions or climate risk</li> <li>•Restructuring equity portfolio removes structural exposure to fossil fuel companies (avoiding high risk companies from climate perspective) and minimises stranded asset risks).</li> <li>•Fund can exploit opportunities from low energy transition by investing in climate impact funds and resource efficient companies</li> <li>•Fund has trimmed unconscious exposure to companies with high Carbon emission, poor energy transition plans &amp;/or fossil fuel companies, through removal of traditional index funds</li> <li>•IIGCC (Institutional Investors group on climate change): Fund is a member and expects its managers to be members</li> <li>•Annual carbon footprinting to understand carbon exposure and energy transition plans. ESG impact assessments of all investment managers (includes climate scoring).</li> <li>•Signatory to UN PRI</li> <li>•Report in line with the TCFD framework</li> <li>•Fund investigates climate scenario modelling to better understand and allow further consider approaches in tackling these risks</li> <li>•Where exposed to fossil fuels, Fund votes to improve practices. Some Fund managers are Climate 100+ engagement partners. All managers are IIGCC members. Managers can escalate ineffective engagement eg. disinvest from the high carbon or fossil fuel company.</li> <li>•Focus on Climate change in a)Training for committee and officers b)Decision making and strategy changes</li> <li>•Limited impact to the Fund value from direct exposure to fossil fuel companies (reducing exposure to carbon taxes, valuation falls or stranded assets)</li> </ul>	6	Head of Pensions
I9	Liquidity Insufficient cash to pay benefits as they fall due	8	<ul style="list-style-type: none"> <li>•Contributions monitored on monthly basis</li> <li>•Monitoring of members close to retirement</li> <li>•Daily cash position monitored</li> <li>•Distributing investments to ensure stream of income from investment activity</li> <li>•Income from investments is considered as a key risk in all investment strategy decisions and the income profile managed</li> <li>•Liaison between administration and investment team on cash requirements</li> <li>•Cash Management internal audit completed in Q3 2022/23 and will be picked up in the 2023/24 IA plan for further review</li> <li>•Cash Management strategy in place</li> </ul>	4	Head of Pensions
I10	Money purchase AVC Inadequate offering for the scheme members on cost, return and/or risk grounds	4	<ul style="list-style-type: none"> <li>•Range of fund options provided, so members can design investment strategy for own circumstances and risk profile</li> <li>•Continuing suitability of AVC offering reviewed regularly</li> <li>•Implementation plan in place with regular monitoring and oversight. Escalation process for any delays or operational issues arising during implementation</li> </ul>	2	Head of Pensions

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**Report to:** Pension Committee

**Date:** 25 September 2025

**By:** Chief Finance Officer

**Title of report:** Investment Report

**Purpose of report:** This report provides Pension Committee with an update on the investment activities undertaken by the East Sussex Pension Fund.

---

## **RECOMMENDATIONS:**

The Pension Committee is recommended to:

- 1) note the report;
  - 2) approve the amended asset allocation set out in paragraph 4.11; and
  - 3) approve the Investment Strategy Statement as set out in Appendix 4.
- 

## **1. Background**

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

1.2 The ACCESS Joint Committee was established as the result of changes implemented in the 2016 LGPS Investment Regulations to facilitate the arrangements relating to the collective investment vehicles, to allow the administering authorities to pool their respective investments. The Fit for the Future consultation has resulted in ACCESS no longer being a supported pool by government new pooling arrangements are being considered.

## **2. Investment Workplan**

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

2.2 The focus over the next 12 months is:

- LGPS Pooling
  - Finalising decision on new Pool
  - Shareholder Agreement
  - Client Agreements
  - Transition of assets
- UK Stewardship code submission
- Engage with investment managers on the engagement priorities defined in the Statement of Responsible Investment Principles.

### **3. Quarterly Performance Report**

3.1 The Quarterly Performance Report for Q2 2025 is attached as Appendix 2. Since the last reported position, the valuation of the Fund has increased from £5.0bn as at 31 March 2025 to £5.1bn as at 30 June 2025 (an increase of £0.1bn). This performance reflects a positive absolute return of 2.1% in the quarter to June. The Fund underperformed the benchmark over the period by -1.1%. Performance of Fund assets is similarly behind benchmark over longer time periods. Over the past 12 months and 3 years, to 30 June 2025 the Fund has relative returns of -3.6% and -3.6% p.a. respectively.

3.2 The asset allocation has an overweight position to Growth and Protection of +2.8%, and +3.1% respectively with Income being underweight by -7.6%. This is mostly driven by the unfulfilled private debt allocation.

3.3 On a relative basis, the stand-out detractors were:

- The Longview Global Equity strategy underperformed its MSCI World benchmark by 6.7% over Q2 2025. Relative underperformance can be attributed to the strategy having no exposure to the surging semiconductor sector (+41% return over the quarter), stock-specific weakness at UnitedHealth and Fiserv, and de-ratings across its life sciences holdings. These three factors contributed roughly equally to the shortfall.
- The Fund's private equity mandates, Admas Street and HarbourVest, returned -3.8% and -4.0% respectively, compared with a positive 5.4% return from their benchmark (MSCI ACWI +1.5% p.a.). Although public equity markets rallied over the quarter, private equity performance can reflect subjective or stale valuations therefore diverge over the short term. In addition, private equity is typically exposed to additional risk factors such as liquidity risk, concentration risk, and exit risk, which can make shorter-term comparisons to public indexes inappropriate.

3.4 The Fund's infrastructure mandates delivered highly contrasting performance over Q2 2025, with returns ranging from +8.0% to -5.8% across the 5 mandates. While these strategies all target infrastructure assets, their performance can diverge significantly due to differences in portfolio composition, sector focus, and valuation methodologies. In addition, the timing of revaluations and the use of discount rates can create short-term dispersion in reported returns, even where underlying assets share similar long-term characteristics.

### **4. Strategy Review**

4.1 The Fund is currently working on its March 2025 triennial valuation of the Fund to ensure that the Fund's investment strategy is suitable in relation to the funding expectations of the actuary. Hymans Robertson LLP (Hymans) have undertaken a review of the Fund's overall investment strategy in order to quantify the inherent risks and to consider options for the evolution of the asset allocation.

4.2 Hymans presented initial considerations for the investment strategy to the Pension Committee at the July strategy day where collaborative discussions took place to identify the preferred direction of travel for the strategy. A summary is included as Appendix 3.

4.3 The objectives of the Investment Strategy is to deliver a return that improves the funding level over time (to achieve future lower employer contribution rates), with as little volatility in the funding level as possible (to maintain stability of contributions as far as possible) and maintain sufficient assets to meet liabilities i.e. a minimum funding level of 100%.

4.4 The assumptions underlying the Actuary's funding basis are important factors in determining the return requirement. As the Fund grows, it will also be important to ensure that stability, relative to sponsor budgets, is maintained.

4.5 The Fund's current strategy is shown below:

Table 1: Current long term strategic benchmark

Asset	Strategic asset allocation (%)
Listed equity	40.0
Private equity	5.5
Diversified growth funds	17.0
Property	7.0
Infrastructure	11.0
Private credit	5.0
Credit	10.5
Index linked gilts	4.0
<b>Total</b>	<b>100.0</b>

4.6 The current investment strategy is expected by Hymans to have an 89.4% probability of remaining fully funded by 2045. The downside funding risk for this strategy was assessed by looking at the worst 5% of outcomes for the funding level over a 5 year period and was calculated to be 77.4% funded. These percentages are high and reflects the robustness of the current strategy in place, as well as the Fund's current strong funding position.

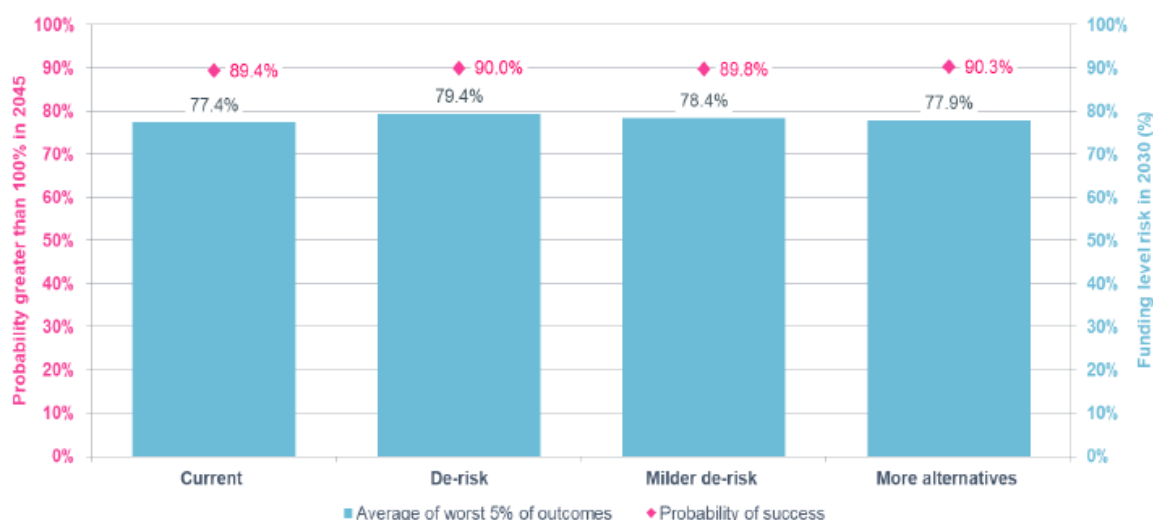
4.7 Whilst acknowledging that the current strategy is a robust strategy, Hymans proposed 3 alternative strategies to consider if the Fund's strategy could be enhanced by making strategic changes. The 3 alternate strategies are described below:

- **De-risk** – This strategy involves reallocating 6.0% of the Fund's holdings from diversified growth funds into index-linked gilts. It should be noted that the Fund's diversified growth fund allocation provides income, whereas the index-linked gilts currently do not, which will affect the Fund's cashflow position.
- **Milder de-risk** – Similar to the de-risked strategy reported above, this strategy involves a 3.0% reduction of the Fund's holding from diversified growth funds into index-linked gilts. Due to a number of preset 'triggers' being hit during 2024 and early 2025, whereby 3% of Fund assets were sold from diversified growth funds and transferred into index-linked gilts as yields rose, the Fund's actual holdings are already close to this strategy.
- **More alternatives** – This strategy focuses on new commitments to alternative investments by reallocating 8.5% of assets from diversified growth funds to private equity, private credit and infrastructure. However, when assessing the results of the alternative strategies modelled, there is a modest increase in the

likelihood of the funding level being greater than 100%. This modest increase is greatest under the 'more alternatives' strategy due to an increased return expectation, followed by the 'de-risk' strategy.

4.8 The outcomes of the Hymans analysis are set out in the chart below:

**Chart 1: Probability of success versus risk**



4.9 When assessing the results of the alternative strategies modelled, there is a modest increase in the likelihood of the funding level being greater than 100%. This modest increase is greatest under the 'more alternatives' strategy due to an increased return expectation, followed by the 'de-risk' strategy.

4.10 In assessing the impact on funding level risk in 5 years' time (i.e. in 2030), funding level risk is expected to be modestly higher under the alternative strategies modelled in comparison to the current strategy. Funding level risk in 2030 is expected to be lowest under the 'de-risk' strategy, as would be expected. However, the impacts are again relatively small.

### Strategy recommendations

4.11 As discussed in the results of the modelling, and at the Investment Strategy Day, Hymans recommended the Committee implement the 'milder de-risk' investment strategy. This strategy involves a 3.0% decrease in the Fund's allocation to diversified growth funds with the proceeds invested into index-linked gilts (as illustrated in Table 2 below).

**Table 2: Recommended long term strategic benchmark**

Asset	Strategic asset allocation (%)
Listed equity	40.0
Private equity	5.5
<b>Diversified growth funds</b>	<b>14.0</b>
Property	7.0
Infrastructure	11.0
Private credit	5.0
Credit	10.5
<b>Index linked gilts</b>	<b>7.0</b>
<b>Total</b>	<b>100.0</b>



4.12 This strategy is attractive due to:

- The risk metrics, which improves slightly compared to the current strategy.
- Given the significant uncertainty created by pooling, Hymans do not believe making large changes to the strategy at this time would be sensible.
- This strategy is easy and low cost to implement. The Fund is already at its recommended target allocation to index-linked gilts and therefore, this change will require a simple adjustment to the target allocation to reflect this.

## **5. Investment Strategy Statement**

5.1 The Fund is required to produce an Investment Strategy Statement (ISS) under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

5.2 The Investment Strategy Statement required under Regulation 7, must include:

- a) A requirement to invest money in a wide variety of investments;
- b) The authority's assessment of the suitability of particular investments and types of investments;
- c) The authority's approach to risk, including the ways in which risks are to be measured and managed;
- d) The authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
- e) The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
- f) The authority's policy on the exercise of rights (including voting rights) attaching to investments.

5.3 The 'Fit for the Future' consultation sets out clear expectations from the government as to what constitutes strategic decision-making and what the responsibility of the Pension Committee will be going forward. Notably that implementation will be conducted by what the Fund's LGPS Pool does and that a Strategic Asset Allocation should be restricted to high-level asset classes. This will impact what is currently required under Regulation 7a, b, and c within the ISS.

5.4 7d will also be impacted as due to the consultation and resultant Pension Schemes Bill, the Fund's pooling arrangements will change substantially with the withdraw of support for the continuation for ACCESS. Until the Fund has finalised its joining of another LGPS Pool it is not clear what the Fund's approach to pooling investments can and will take. Particularly as the Pools themselves are changing to meet the requirements.

5.5 The regulations are currently silent on other aspects of the requirements, such as local investment. This aspect will require the Fund to consider not only what the LGPS Pool will provide but also what other Funds are going to do in this space. It is not clear what regulations might require the Fund to do with these aspects.

5.6 Taking into consideration the various unknown aspects of what will be required by new regulations and delivery of a new LGPS Pool. It was considered that a full review of the ISS would not be the most effective use of Officer time, whilst the Fund is waiting for the Pensions Schemes Bill to be passed and for the publication of new regulations. As it is expected that these would likely require a substantial revision when they are provided, the

decision has been taken to only amended the Strategic asset allocation proposed in the Investment Strategy Review and amend the rebalancing policy to align this with the revised strategic asset allocation. The revised ISS can be found at Appendix 4 to this report.

5.7 A thorough review of the content of the ISS will be undertaken once new regulations have been provided and confirmation of new pooling arrangements have been confirmed.

## 6. Carbon footprinting

6.1 The Fund appointed Northern Trust to conduct a carbon footprint measurement on its liquid investments as at 31 March 2025 (Appendix 5). This is the second year of that Northern Trust has provided this information previously this had been provided by Minerva in 2023 and by Vigeo Eiris/Moody's in prior years.

6.2 The results from this sixth year are not directly comparable to the first 4 years as there is a different methodology behind the calculations. It is also worth noting that this is an area where additional disclosure improves the data and it is an area where the industry is still developing, so even with the same supplier there will be differences in the data year on year.

6.3 The rationale for this analysis allows the Fund to monitor the progress of its investment decisions in relation to climate change. This also provides the Committee with information to assist them in their duties in ensuring the Fund's managers are reflecting Committee's stated beliefs when implementing their investment mandates on behalf of the Fund.

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

### Carbon Footprinting Analysis Results – Summary

6.5 The high-level results of the carbon footprinting exercise are shown below along with comparator figures for the prior year:

31 Mar 25	Coverage		Scope 1	Scope 2	Scope 3	Scope 1 + 2	Scope 1 + 2 + 3
	Number	% Weight					
Total Carbon Emissions (tCO <sub>2</sub> e)							
Portfolio	86.1	97.1	53,539.0	14,315.8	745,687.5	67,854.8	813,542.3
Benchmark	99.8	100.0	147,777.9	29,207.6	2,085,483.6	176,985.6	2,262,469.2
Carbon Footprint (tCO <sub>2</sub> e) / GBP Invested							
Portfolio	86.1	97.1	22.4	6.0	311.4	28.3	339.7
Benchmark	99.8	100.0	61.7	12.2	870.9	73.9	944.8
Carbon Intensity (tCO <sub>2</sub> e) / GBP Revenue							
Portfolio	86.1	97.1	71.2	19.0	991.4	90.2	1,081.6
Benchmark	99.8	100.0	120.7	23.9	1,703.8	144.6	1,848.4
Weighted Average Carbon Intensity (tCO <sub>2</sub> e) / GBP Revenue							
Portfolio	91.3	98.5	51.4	21.0	897.0	72.4	969.4
Benchmark	99.8	100.0	99.3	22.4	1,290.6	121.7	1,412.3

31 Mar 24	Coverage		Scope 1	Scope 2	Scope 3	Scope 1 + 2	Scope 1 + 2 + 3
	Number	% Weight					
Total Carbon Emissions (tCO <sub>2</sub> e)							
Portfolio	70.6	78.0	58,906.2	13,465.3	971,795.3	72,371.5	1,044,166.8
Benchmark	99.9	100.0	156,294.7	28,078.3	1,917,527.5	184,373.1	2,101,900.6
Carbon Footprint (tCO <sub>2</sub> e) / GBP Invested							
Portfolio	70.6	78.0	33.5	7.7	552.2	41.1	593.4
Benchmark	99.9	100.0	88.8	16	1,089.7	104.8	1,194.4
Carbon Intensity (tCO <sub>2</sub> e) / GBP Revenue							
Portfolio	70.6	78.0	79.2	18.1	1,306.0	97.3	1,403.3
Benchmark	99.9	100.0	136.2	24.5	1,670.9	160.7	1,831.5
Weighted Average Carbon Intensity (tCO <sub>2</sub> e) / GBP Revenue							
Portfolio	92.5	98.5	57	24.5	1,050.0	81.6	1,131.6
Benchmark	99.9	100.0	91.6	21.4	1,267.8	113.1	1,380.9

### Absolute Emissions

6.6 The figures shown in the report at Appendix 5 reflect the actual disclosures made by the Fund's investee companies that Northern Trust were able to identify and collect. The table reflects the actual Greenhouse Gas (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.

### Emissions Intensity

6.7 The Fund's current carbon footprint - i.e., its 'share' of the emissions made by its investee companies - equates to circa 90.2 (circa 97.3 in March 2024) tonnes of CO<sub>2</sub>e emissions per GBP (pound sterling) revenue generated by the companies. Again, the figures shown are connected to the size of the individual portfolio, and also the size of investment held in each investee company.

### Data Quality

6.8 In undertaking this assessment, Northern Trust used the following criteria:

Categorization	Description
<b>Verified</b>	Reported GHG emissions calculated in line with the <a href="#">GHG Protocol</a> and verified by a third-party
<b>Reported</b>	Reported GHG emissions calculated in line with the <a href="#">GHG Protocol</a> without verification by a third-party
<b>Estimated</b>	Reported GHG emissions where the company has explicitly stated that they are 'estimated'

31 March 2025

## DATA QUALITY

Estimated Reported Verified

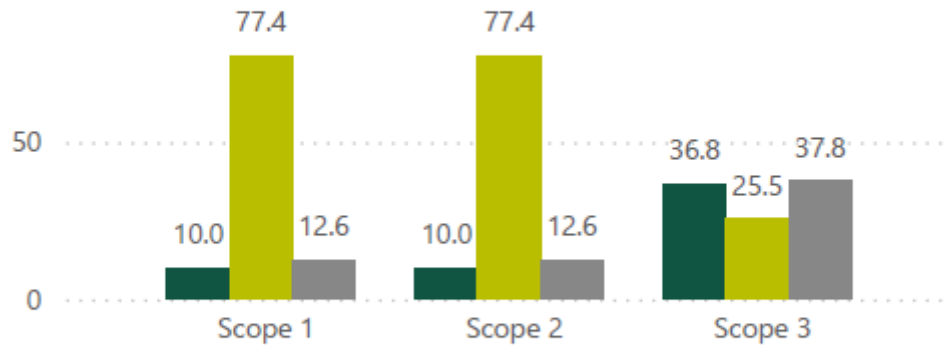


Chart values are shown in percentage (%) format  
Percentages may not total 100 due to rounding

31 March 2024

## DATA QUALITY

Estimated Reported Verified

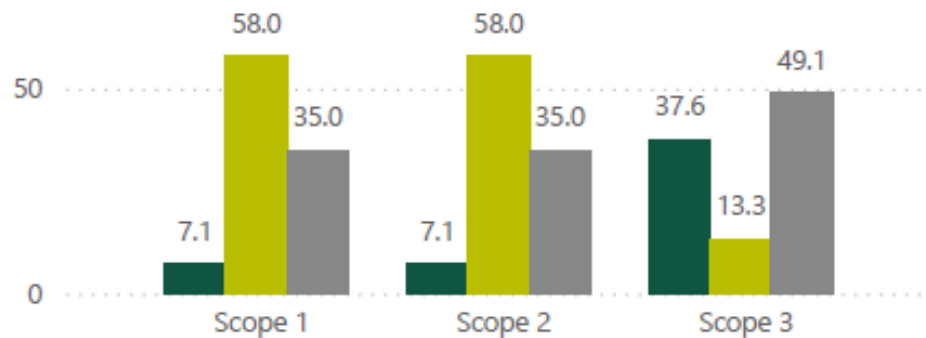


Chart values are shown in percentage (%) format  
Percentages may not total 100 due to rounding

6.9 The results show that around 86% of investee companies (71% at 31 March 2024) are covered by Northern Trust with 90% of those disclosing GHG emissions are doing so on a reported or verified basis in line with the GHG Protocol (93% at 31 March 2024). However there is a decline in the verified data of 22.4% over the year.

### Climate Scenario Alignment

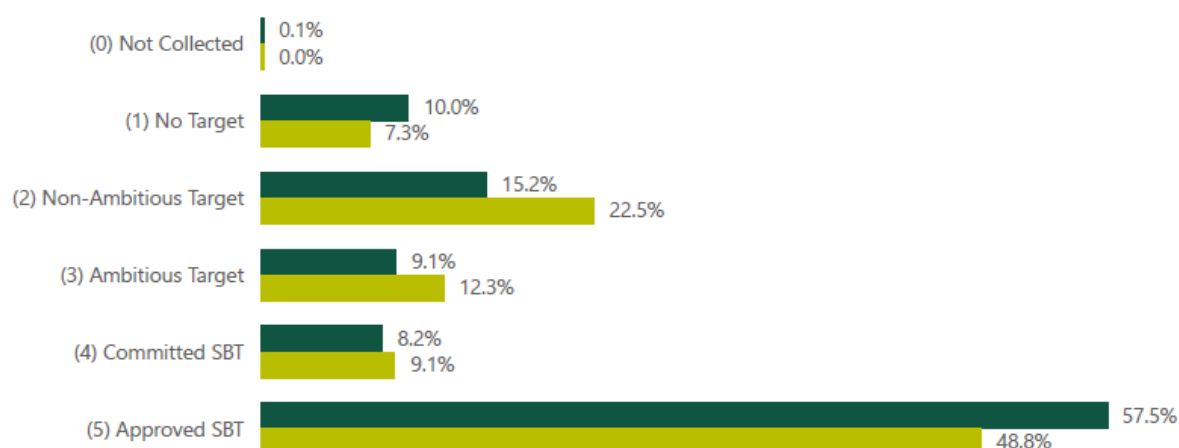
6.10 In undertaking this assessment, Northern Trust have assessed the Portfolio temperature score to be 1.9 degrees (2.3 degrees in March 2024). This score is calculated

by comparing the portfolio owned projected emissions in 2050 with the available owned carbon budgets for Sustainable Development Scenario (SDS) and Stated Policies Scenario (STEPS). 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 degrees.

6.11 The climate targets assessment considers an entity's targets based on the existence and quality of greenhouse gas emissions reduction targets. It takes into account both science-based targets and other targets set by the company. From this it shows that over 57% (over 51% in March 2024) of the Fund's invested companies have an approved science-backed target.

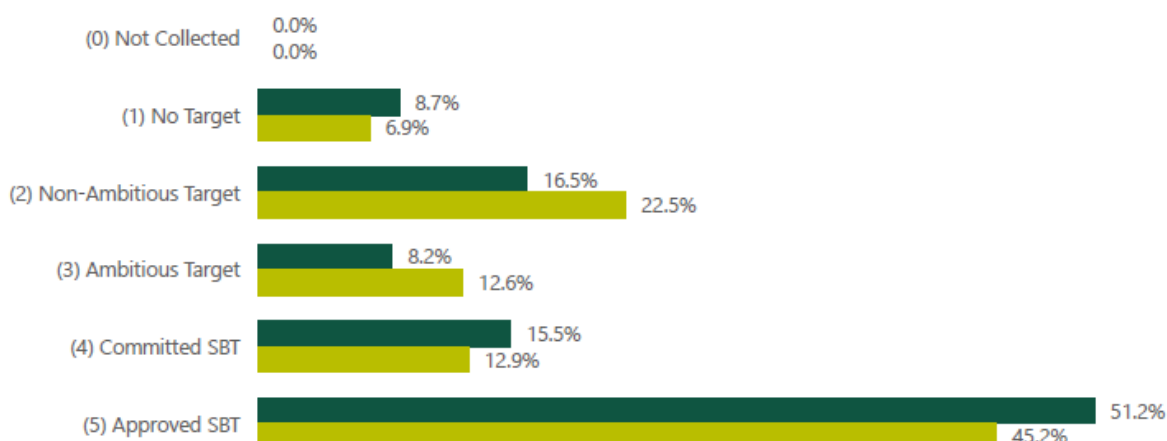
## CLIMATE TARGETS ASSESSMENT

● Portfolio ● Benchmark



## CLIMATE TARGETS ASSESSMENT

● Portfolio ● Benchmark



## **7. Conclusion and reasons for recommendation**

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

7.2 The Pension Committee is recommended to note this report, approve the recommendation to the amended asset allocation set out in paragraph 4.11 and approve the Investment Strategy Statement as set out in Appendix 4.

**IAN GUTSELL**  
**Chief Finance Officer**

Contact Officer:  
Email:

Russell Wood, Pensions Manager Investments and Accounting  
[Russell.Wood@eastsussex.gov.uk](mailto:Russell.Wood@eastsussex.gov.uk)

# 12 month workplan

September 2025

- LGPS Pooling Finalise Submission
- Q2 2025 monitoring report
- Formalise strategy day outcomes
- ESG Implementation assessment
- Carbon Footprinting

October 2025

- Stewardship Code submission

February 2026

- LGPS Pooling Updates
- Q4 2025 monitoring report
- PRI Submission results
- Stewardship Code Submission results
- CMA submission

July 2026

- Strategy Day

November 2025

- LGPS Pooling Updates
- Q3 2025 monitoring report
- TCFD Report

June 2026

- LGPS Pooling
- Q1 2026 monitoring report

July 2026

- PRI submission

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# East Sussex Pension Fund

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## Q2 2025 Investment Monitoring Report

Iain Campbell – Senior Investment Consultant

The person responsible for this advice is Iain Campbell. Members of the East Sussex client team who contributed to the production of this paper but are not responsible for the advice are Arfah Jawid and Luke Long.

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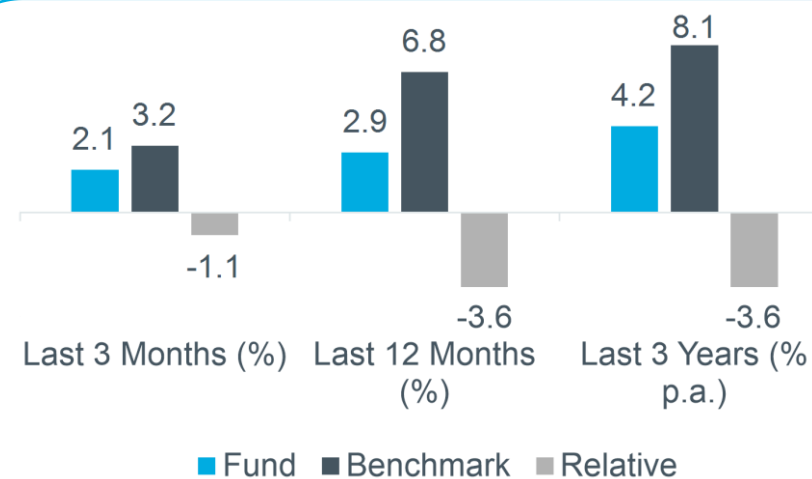
**Fund Value**  
**£5,073,576,403**

Over the quarter, the Fund's asset value increased by c.£97.1m.

**Total Net Return**  
**2.1%**

Over the quarter, the Fund returned 2.1% against its benchmark of 3.2%.

### Total fund performance



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### High-level asset allocation

	Actual	Benchmark	Relative
<b>Growth</b>	48.3%	45.5%	2.8%
<b>Income</b>	42.9%	50.5%	-7.6%
<b>Protection</b>	7.1%	4.0%	3.1%

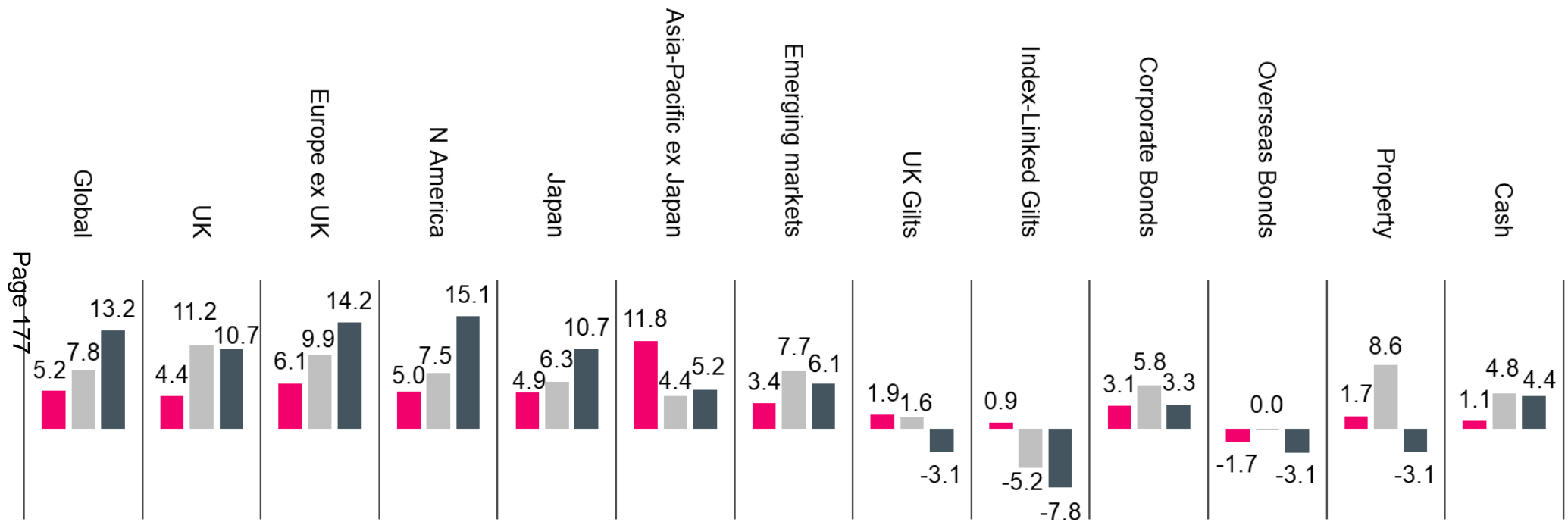
### Commentary

- Total Fund performance was 2.1% in absolute terms, underperforming the composite benchmark by 1.1%.
- Performance of Fund assets is similarly behind benchmark over longer time periods. Over the past 12 months and 3-years, the Fund has relative returns of -3.6% p.a.
- The Fund's income portfolio remains under-weight relative to the strategic asset allocation.

## Market Background

### Historical returns for world markets

■ 3 Months (%) ■ 12 Months (%) ■ 3 Years (% p.a.)



Data source: LSEG DataStream. [1] FTSE All World Indices. Commentary compares regional equity returns in local currency. [2] Returns shown in Sterling terms and relative to FTSE All World. [3] Returns shown in Sterling terms. Indices shown (from left to right) are: FTSE All World, FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, FTSE Emerging, FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx Corporates All Investment Grade All Maturities, ICE BofA Global Government Index, MSCI UK Monthly Property; UK SONIA.

# Market Background

## Market update

US GDP contracted 0.5% in Q1 2025, down from 2.4% in Q4. However, this figure was distorted by surging imports before April's tariff announcement, with underlying domestic demand and investment still growing. US companies rushed to buy foreign goods, boosting Q1 GDP data for many economies.

UK annual CPI inflation rose to a greater-than-expected 3.4% in May, driven partly by Ofgem's energy-price-cap hike. US inflation held steady at 2.4%, while the eurozone's rate dipped below the European Central Bank's (ECB) 2% target. Core inflation remained higher at 3.5%, 2.8% and 2.3% in the UK, US and eurozone, respectively.

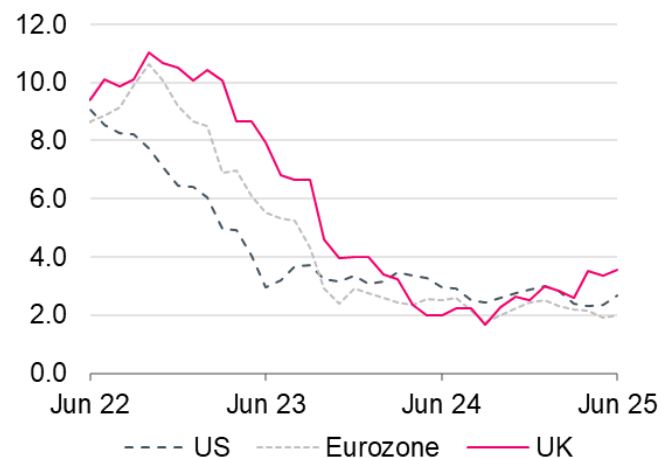
Given ongoing disinflation signs, the ECB cut rates twice more in Q2, to 2.0% pa. The Bank of England (BoE) lowered rates by 0.25% pa, to 4.25% pa, and appears to be looking past the energy-price-driven uptick in inflation. The US Federal Reserve (Fed) held rates at 4.5% pa amid robust employment and growth data. Markets expect a couple more 0.25% pa cuts from the BoE and Fed this year.

On 2 April, the US administration announced larger-than-expected reciprocal tariffs, triggering a drop in global equities and a surge in bond yields as US Treasuries were sold. In response, the US paused tariffs for 90 days and agreed a trade deal with China.

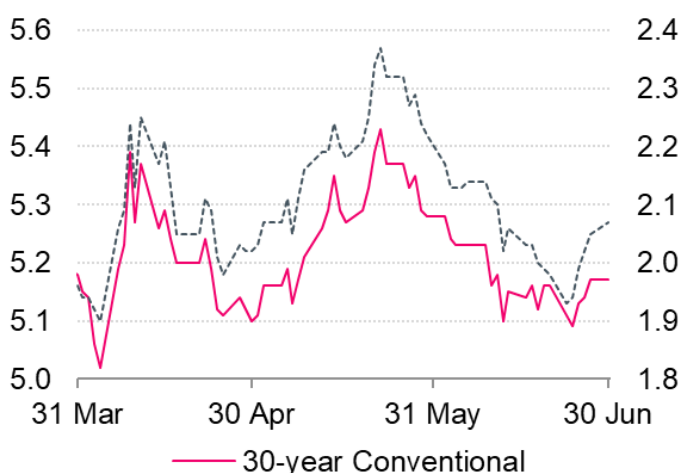
Global equities recovered their losses, rising 9.4% in local-currency terms. Renewed investor confidence and strong earnings supported mega-cap tech stocks. Growth outperformed value, but the former is behind over the year to date.

With its high technology exposure, the US outperformed the global benchmark. Asia Pacific ex Japan outperformed, benefiting from easing trade tensions and a falling US dollar. All other regions delivered positive returns but more markedly underperformed.

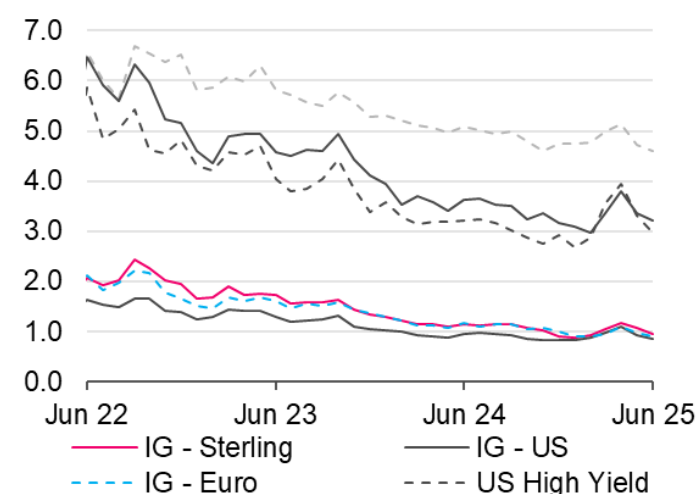
Annual CPI Inflation (% year on year)

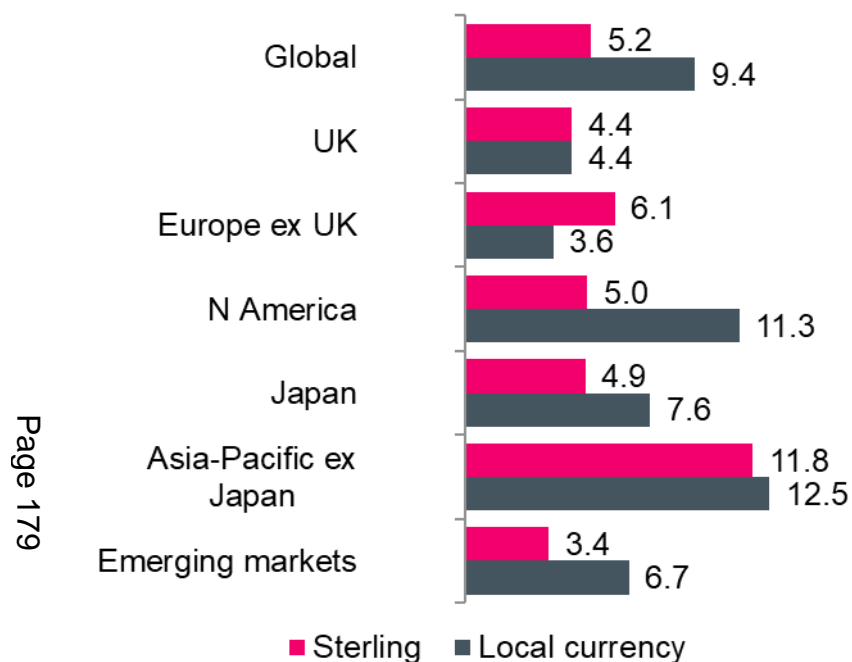
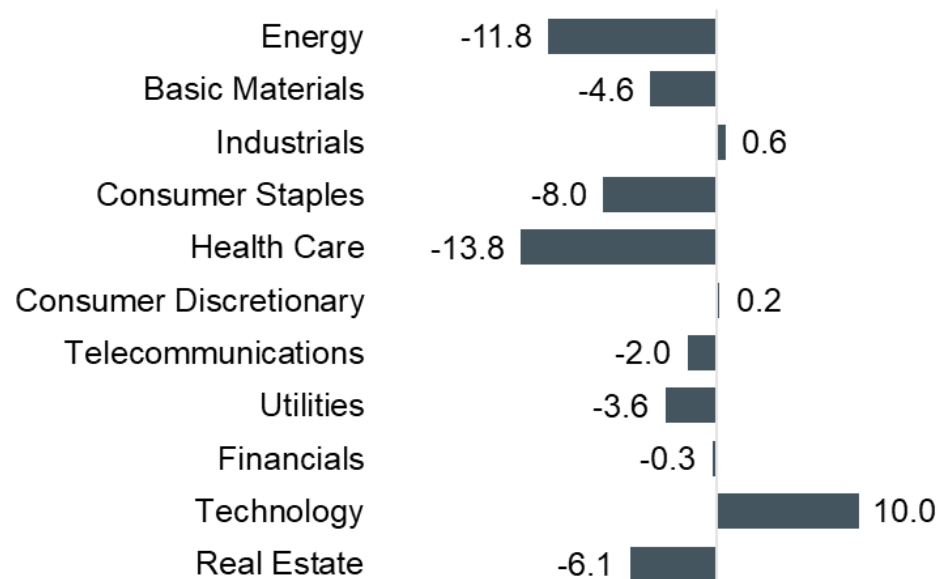


Gilt yields chart (% p.a.)



Investment and speculative grade credit spreads (% p.a.)



Regional equity quarterly returns <sup>[1]</sup>Global equity sector quarterly returns <sup>[2]</sup>

## Market commentary

Ten-year gilts yields fell 0.2% pa amid downside economic surprises and interest-rate cuts. However, longer-dated gilt yields were little changed, due to concerns about rising bond issuance and waning institutional demand. Thirty-year US and Japanese yields rose 0.2% pa and 0.4% pa, respectively.

Despite trade ructions, sterling investment-grade spreads ended the quarter only marginally wider, while equivalent US and euro spreads ended lower. Highlighting improved sentiment, US and euro speculative-grade bond spreads ended 0.6% and 0.2% pa tighter, respectively.

The trade-weighted US dollar fell a further 5.0% in Q2 on trade and fiscal policy concerns, while equivalent euro and sterling measures rose 4.0% and 1.2%, respectively. Oil prices spiked amid conflict in the Middle East but fell when a ceasefire was agreed. Oil ended down 9.5% as demand forecasts were lowered and OPEC+ announced production increases. Gold prices rose further, up 5.1% in Q2, amid geopolitical uncertainty and the dollar's decline.

The MSCI UK Property Total Return Index rose 1.7% in Q2 and 8.6% over 12 months, supported by steady income and 2.6% capital growth. Industrial and retail capital values rose 5.3% and 3.0%, respectively, in the 12 months to June, while offices fell by 1.8%.

## Asset allocation

	Valuation (£m)		Actual Proportion	Benchmark	+ / -
	Q1 25	Q2 25			
Longview Global Equity	510.2	499.6	9.8%	40.0%	1.7%
Storebrand Smart Beta And ESG	450.3	476.4	9.4%		
UBS Osmosis	415.7	436.7	8.6%		
Baillie Gifford Global Alpha	213.5	235.7	4.6%		
WHEB Active Impact Equity	200.7	202.8	4.0%		
Wellington Active Impact Equity	253.4	264.5	5.2%	5.5%	1.1%
Adams Street Private Equity	174.1	162.3	3.2%		
HarbourVest Private Equity	185.5	174.3	3.4%		
<b>Total Growth</b>	<b>2,403.3</b>	<b>2,452.3</b>	<b>48.3%</b>	<b>45.5%</b>	<b>2.8%</b>

## Asset allocation

	Valuation (£m)		Actual Proportion	Benchmark	+ / -
	Q1 25	Q2 25			
Bluebay Total Return	171.4	176.3	3.5%	10.5%	-0.6%
M&G Corporate Bonds	124.5	127.6	2.5%		
M&G Alpha Opportunities	195.1	196.9	3.9%		
M&G Real Estate Debt VI	28.4	24.9	0.5%	5.0%	-4.5%
Newton Real Return Fund	292.8	304.4	6.0%	17.0%	-1.8%
Prudential Absolute Return	455.2	466.7	9.2%		
Atlas Infrastructure	104.4	112.7	2.2%		
IFM Global Infrastructure Fund	267.9	274.6	5.4%	11.0%	-0.4%
M&G Infrastructure	42.8	42.7	0.8%		
Pantheon Infrastructure	77.3	72.1	1.4%		
UBS Infrastructure	35.3	33.3	0.7%		
CBRE Real Estate Fund	340.1	337.9	6.7%	7.0%	-0.3%
Schroders Property	3.5	3.9	0.1%		
<b>Total Income</b>	<b>2,138.8</b>	<b>2,174.1</b>	<b>42.9%</b>	<b>50.5%</b>	<b>-7.6%</b>
UBS Index Linked Gilts	357.5	359.6	7.1%	4.0%	3.1%
<b>Total Protection</b>	<b>357.5</b>	<b>359.6</b>	<b>7.1%</b>	<b>4.0%</b>	<b>3.1%</b>
Cash	76.9	87.5	1.7%	-	1.7%
<b>Total Fund</b>	<b>4,976.5</b>	<b>5,073.6</b>	<b>100.0%</b>	<b>100.0%</b>	

## Asset allocation commentary

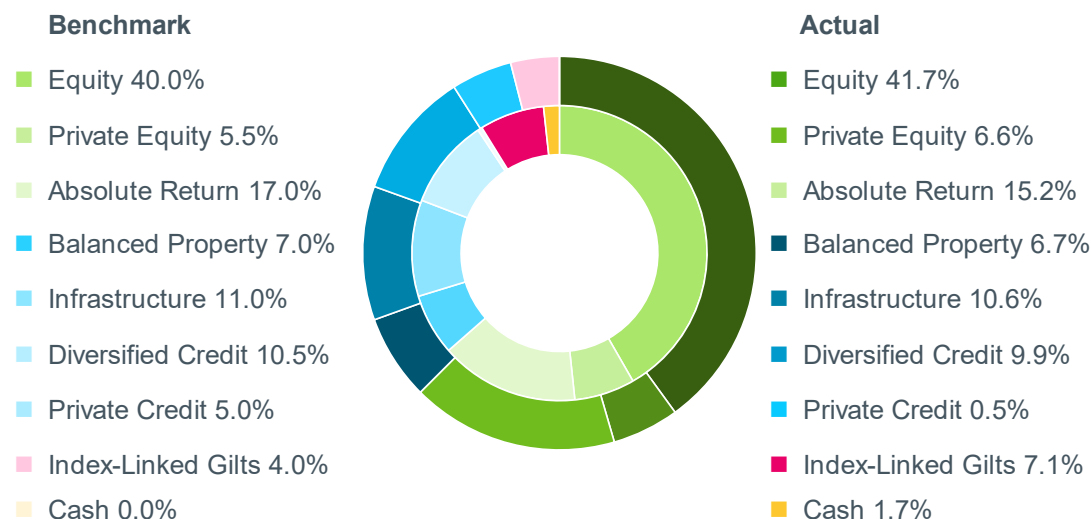
This quarter saw limited asset allocation activity within the Fund, with no transitions taking place over Q2 2025. As a result, the Fund's overall positioning remained broadly consistent with the previous quarter, with changes in asset allocation driven primarily by mandate-level performance.

The only material asset allocation movement not attributable to performance was within cash, which increased by £10.6m over the quarter. Although dampened by negative performance, the cash balance was bolstered by the following activity:

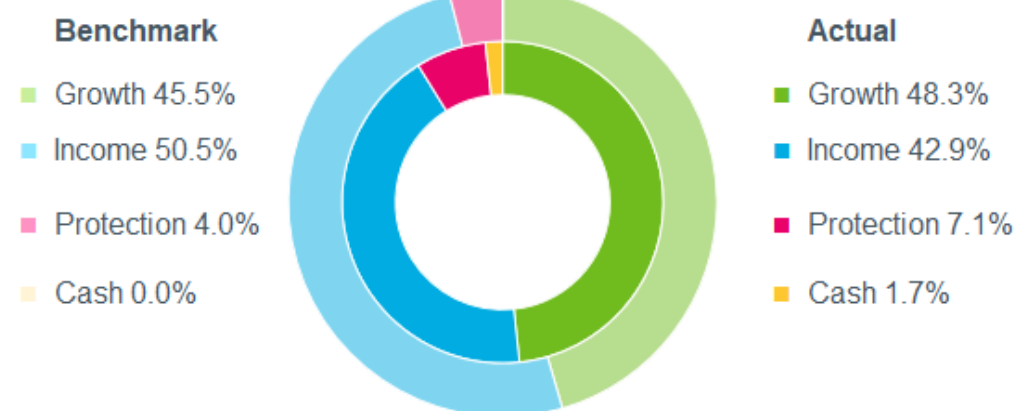
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- c. £4.3m net distribution from M&G Real Estate Debt
- c. £5.3m net distribution from Adams Street Private Equity.
- c.£3.9m net distribution from Harbour Vest Private Equity.
- c.£2.2m net distribution from Pantheon Infrastructure.
- c.£2.7m net distribution from CBRE Real Estate.

## Asset allocation vs benchmark (agreed long-term allocation)



## Asset allocation vs benchmark (GrIP)





## Manager performance vs benchmark

	Last 3 Months (%)			Last 12 Months (%)			Last 3 Years (% p.a.)			Since Inception (% p.a.)		
	Fund	B'mark	+ / -	Fund	B'mark	+ / -	Fund	B'mark	+ / -	Fund	B'mark	+ / -
Longview Global Equity	-2.1	5.0	-6.7	-2.5	7.2	-9.1	8.0	13.6	-4.9	11.5	11.3	0.2
Storebrand Smart Beta And ESG	5.8	5.0	0.8	6.2	7.2	-1.0	12.4	13.6	-1.1	9.7	11.2	-1.3
UBS Osmosis	5.1	5.0	0.0	7.1	7.2	-0.2	13.7	13.6	0.1	10.5	10.8	-0.2
Baillie Gifford Global Alpha	10.4	5.1	5.1	7.7	7.2	0.5	10.8	12.7	-1.7	0.8	8.0	-6.7
WHEB Active Impact Equity	1.1	5.0	-3.7	-11.7	7.2	-17.7	0.4	13.6	-11.6	-1.7	11.0	-11.4
Wellington Active Impact Equity	4.4	5.1	-0.6	7.2	7.2	0.0	8.5	12.7	-3.7	4.5	9.8	-4.8
Adams Street Private Equity	-3.8	5.4	-8.7	-2.9	8.6	-10.6	-5.8	14.3	-17.6	10.2	10.7	-0.5
HarbourVest Private Equity	-4.0	5.4	-8.9	-2.6	8.6	-10.3	-4.4	14.3	-16.3	8.7	11.2	-2.3

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## Manager performance vs benchmark

	Last 3 Months (%)			Last 12 Months (%)			Last 3 Years (% p.a.)			Since Inception (% p.a.)		
	Fund	B'mark	+ / -	Fund	B'mark	+ / -	Fund	B'mark	+ / -	Fund	B'mark	+ / -
M&G Corporate Bonds	2.5	3.1	-0.5	2.7	2.7	0.0	0.3	0.2	0.1	5.9	5.1	0.8
M&G Alpha Opportunities	0.9	1.8	-0.9	7.0	7.6	-0.6	8.1	7.5	0.6	4.5	2.7	1.8
M&G Real Estate Debt VI	2.6	2.0	0.5	8.5	8.6	-0.1	6.6	8.5	-1.7	4.3	6.4	-2.0
Bluebay Total Return	2.8	1.8	1.1	6.7	7.7	-0.9	-	-	-	7.2	7.7	-0.5
Newton Real Return Fund	4.0	1.6	2.3	5.7	7.1	-1.3	3.9	7.0	-2.9	4.1	2.5	1.6
Prudential Absolute Return	2.5	1.6	0.9	4.9	7.1	-2.0	1.1	7.0	-5.5	4.6	2.5	2.0
Prudential Atlas Infrastructure	8.0	-1.9	10.1	16.2	10.4	5.2	5.5	3.1	2.4	7.9	6.7	1.2
Prudential Global Infrastructure Fund	2.5	2.2	0.3	10.5	5.6	4.7	-	-	-	7.6	5.6	1.9
M&G Infrastructure	-0.4	2.2	-2.6	-3.7	5.6	-8.8	-4.2	6.5	-10.0	1.8	6.0	-4.0
Pantheon Infrastructure	-3.9	2.2	-6.0	-2.1	5.6	-7.3	6.4	6.7	-0.3	8.2	5.9	2.2
UBS Infrastructure	-5.8	2.2	-7.8	-8.4	5.6	-13.2	-1.9	6.5	-7.9	3.9	3.0	0.8
CBRE Real Estate Fund	0.1	1.5	-1.4	-	-	-	-	-	-	-0.3	5.5	-5.5
<b>Income</b>												
UBS Index Linked Gilts	0.6	0.7	-0.1	-7.2	-7.2	0.0	-10.1	-10.0	-0.1	-4.4	-4.4	0.0
<b>Protection</b>												
<b>Total Fund</b>	2.1	3.2	-1.1	2.9	6.8	-3.6	4.2	8.1	-3.6	7.9	-	-

## Manager performance commentary

- Total Fund performance over Q2 2025 was 2.1%, underperforming the composite benchmark of 3.2%.
- On a relative basis, the stand-out detractors include:
  - The Longview Global Equity strategy underperformed its MSCI World benchmark by 6.7% over Q2 2025. Relative underperformance can be attributed to the strategy having no exposure to the surging semiconductor sector (+41% return over the quarter), stock-specific weakness at UnitedHealth and Fiserv, and de-ratings across its life sciences holdings. These three factors contributed roughly equally to the shortfall.
  - The Fund's private equity mandates, Admas Street and Harbour Vest, returned -3.8% and -4.0% respectively, compared with a positive 5.4% return from their benchmark (MSCI ACWI +1.5% p.a.). Although public equity markets rallied over the quarter, private equity performance can reflect subjective or stale valuations therefore diverge over the short term. In addition, private equity is typically exposed to additional risk factors such as liquidity risk, concentration risk, and exit risk, which can make shorter-term comparisons to public indexes inappropriate.
- The Fund's infrastructure mandates delivered highly contrasting performance over Q2 2025, with returns ranging from +8.0% to -5.8% across the 5 mandates. While these strategies all target infrastructure assets, their performance can diverge significantly due to differences in portfolio composition, sector focus, and valuation methodologies. In addition, the timing of revaluations and the use of discount rates can create short-term dispersion in reported returns, even where underlying assets share similar long-term characteristics.

## Manager ratings

Mandate	Performance vs target	Manager developments	Hymans manager ratings	Hymans RI ratings
Longview Global Equity			Preferred	Acceptable
Storebrand Smart Beta And ESG			Preferred	Strong
UBS Osmosis			Not Rated	Good
Baillie Gifford Global Alpha			Preferred	Good
WHEB Active Impact Equity			Not Rated	Not Rated
Wellington Active Impact Equity			Preferred	Good
M&G Corporate Bonds			Preferred	Good
M&G Real Estate Debt VI			Preferred	Good
Hymans Street Private Equity			Preferred	Acceptable
HarbourVest Private Equity			Preferred	Acceptable
Bluebay Total Return			Positive	Not Rated
M&G Alpha Opportunities			Not Rated	Good
Newton Real Return Fund			Not Rated	Good
Ruffer Absolute Return			Positive	Acceptable
Atlas Infrastructure			Positive	Not Rated
IFM Global Infrastructure Fund			Preferred	Good
M&G Infrastructure			Not Rated	Good
Pantheon Infrastructure			Not Rated	Good
UBS Infrastructure			Suitable	Good
CBRE Real Estate Fund			Suitable	Good
UBS Index Linked Gilts			Preferred	Good

## Performance RAG key

Green	broadly in line with/ahead of Hymans' expectations
Amber	slightly behind expectations over an appropriate time horizon
Red	significantly behind expectations over an appropriate time horizon

## Manager developments RAG key

Green	no ongoing concerns to raise to the Committee
Amber	moderate concerns over recent developments with further investigation required
Red	material concern where action (client discussion) required

## Manager business updates

**Newton** - In June 2025, James Lydotes, Deputy CIO - Equity and Head of Equity Inc., left the firm to pursue other opportunities. In May, Therese Niklasson, Global Head of Sustainable Investment and a member of the Executive Management Committee, departed as part of a redundancy programme, alongside four Real Return portfolio managers (Andrew Warwick, Chris King, Matt Brown and Phil Shucksmith) with responsibilities reallocated to other senior investors.

**M&G** - In Q2, Jacqui Hughes joined as Interim Chief Client Officer and member of the Asset Management Executive Committee, replacing Jeff Cotton who left in April. The firm continued to execute on its growth strategy with the acquisition of a majority stake in P Capital Partners, a European private credit business, and by forming a long-term strategic partnership with Dai-ichi Life Holdings. As part of this partnership, Dai-ichi intends to acquire around 15% of M&G plc via on-market purchases (subject to regulatory approval), with the right to appoint a director to M&G's board should this threshold be met.

**Baillie Gifford** - In Q2, as planned, the four new partners announced last quarter were officially appointed in Q2 2025. These include Investment Managers Kirsty Gibson and Mike Taylor, as well as Client Relationship Directors Grant Walker and Ryan Fitzpatrick. With these additions, the total number of partners at Baillie Gifford now stands at 59.

**CBRE** - In Q2, Adam Gallistel (formerly of GIC) joined in Q2 as Co-CEO and CIO, replacing Kim Hourihan, and joined the Executive Committee. Maurice Voskuilen was appointed CFO with responsibility for Indirect's financial operations, while Su Patel (who joined as Senior Director in Corporate Finance at the end of 2024) now leads corporate finance matters following the retirement of COO Gill Roantree in Q1. Manu Chopra, General Counsel, has assumed oversight of Indirect board governance in addition to his ongoing responsibility for regulatory and legal compliance. Separately, CBRE Group restructured its corporate organisation into four segments: Real Estate Investments (which includes CBRE IM), Advisory Services, Building Operations & Experience, and Project Management.

## Current issues in LGPS – August 2025 edition

The summer holidays don't mean a rest for national level changes which will likely affect LGPS funds. And there's no rest for those involved with the valuation or accounting exercises.

**Access and fairness consultation – our response** - We have [published](#) our draft response ahead of the closure of MHCLG's 'Access and fairness' consultation on 7 August. This sets out our thoughts on the proposals and highlights some of the practical issues which we believe will need to be considered. As many of the amendments would require retrospective changes, we believe clear and practical implementation expectations would need to be set out by the government so that LGPS funds can deliver the changes in an efficient and effective way. Our prior Briefing Note, providing a detailed overview of the proposals, can be read [here](#).

**A tool to tackle English devolution** - The deadlines for councils in the priority devolution areas to submit final proposals to the government will soon be here, with submissions due by 26 September. For those not in priority areas, it will soon be your turn, with submissions due by 28 November. To help funds navigate through this significant exercise, we're developing a Devolution Toolkit. As well as identifying all the activities you'll need to keep an eye on, it will help to structure workloads and pick out times when your fund's resources may become stretched. Our dedicated Project Manager team can help you through the changes, no matter what form devolution takes in your local area. Please speak to your usual Hymans contact for further details.

**Inheritance tax on pensions** - In some rare welcome news for busy LGPS administrators, the government has [announced](#) a new approach to the inheritance tax (IHT) charge on death benefits that is due to take effect from 6 April 2027. It has decided to switch tack and make personal representatives (not scheme administrators) liable for reporting and paying any IHT due. Our [blog](#) provides an overview of the key changes that were contained in the announcement.

**LGPS benchmarking salary survey** - We have recently launched our salary and benefits benchmarking survey. Our aim is to build a comprehensive and LGPS-specific data set to ensure that LGPS funds have the evidence and data they need when undertaking workforce planning. Alongside salaries for around 20 roles across the breadth of LGPS pensions teams, we will also be asking for information relating to other benefits offered (e.g. cycle to work scheme), training or additional qualifications and working from home policy. All funds who take part will receive a free summary report, detailing Current issues in LGPS 2 salary benchmarks for a few of the roles. There will also be the opportunity to receive a more detailed report which covers all of the roles and additional information collected in the survey. The survey will remain open until the end of August. Funds can sign up now, by registering an interest [here](#).

**Pensions adequacy: the Gender Pensions Gap in the LGPS** - Awareness and discussion of the Gender Pensions Gap (GPG) in the LGPS space has been picking up at pace. With the Access and Fairness Consultation being followed by the UK Government announcing a new Pensions Commission to improve future pension outcomes, GPG and pensions adequacy are now rightly receiving the attention they deserve. Our first [briefing note](#) in our Pensions Adequacy series explores the results from analysis we have carried out into the GPG for a number of LGPS funds.

## Current issues in LGPS – August 2025 edition

### Spotlight on Responsible Investment:

**CTAP-ping into the desire for climate resilience** - The UK government is [consulting](#) on making 'Climate Transition Plans' mandatory for UK financial firms, including providers/asset managers and pension funds. The idea is to improve the availability of decision-useful information to help asset owners and companies decarbonise and improve climate resilience. There are no timescales outlined in this first consultation phase, but if you'd like to take action, you might consider developing your own climate transition action plan (CTAP) ahead of the regulatory requirement. Our recent [webinar](#) has some practical guidance. And of course, you can engage with asset managers on their climate risk plans.

**What does effective engagement look like?** - In a landscape where asset manager activity is changing, it's vital to ensure investors' expectations and long term interests are met – and now is an important time to refocus those efforts. Investor resource is finite, so engagement should be focused to best fulfil responsibilities. We encourage investors to focus on building and implementing an effective stewardship framework. What does that framework look like? Some ideas are [here](#).

**Fiduciary duty and sustainability – what do you need to know?** - When it comes to making decisions relating to climate change, local investment and sustainability, the question of fiduciary duty often comes up. We know that funds should take account of financial factors, but to what extent do ESG considerations count as such? To start with, many issues that initially seem non-financial are, on closer examination, in fact financial. There's also an emerging view that pension schemes can (but are not required to) take account of issues such as member standards of living, broader best interests and the impacts of firms in which schemes invest. We explore this issue in more depth here.

### Spotlight on the actuarial valuations:

**2025 valuations (England & Wales)** - It's all systems go for English & Welsh valuations with funds submitting data throughout July. We have our first cab off the rank with initial fund results being issued and we expect many more to follow in the coming weeks. Current issues in LGPS 3 2025 promises to be an interesting valuation year and we will be discussing initial results, early insights and the big themes from our view across the LGPS in our upcoming webinar on 2nd September. Look out for the invites coming soon. Consulting on the updated Funding Strategy Statement (FSS) is an important part of the valuation exercise. As well as communicating this to employers in the fund, the recent [LGPC bulletin](#) reminded funds to consider whether the Department for Education (DfE), as guarantor for Academies and Further Education bodies, should be included in the consultation exercise. The DfE has set up a specific email address for this purpose: [LGPS.WORKINGGROUP4@education.gov.uk](mailto:LGPS.WORKINGGROUP4@education.gov.uk).

**2026 valuations (Scotland)** - It's now only 8 months until the Scottish 2026 valuations officially kick off and preparations are ramping up. As funds finalise year end processes, now is the perfect time to turn attention to the upcoming valuation to get all your ducks in a row. We will be working closely with our funds to cleanse data and put plans together for a successful valuation. Look out for more information coming soon or speak to your Hymans contact for further information on what to expect and when.



## Current issues in LGPS – August 2025 edition

### Accounting surpluses on the horizon

Having just passed the 31 July FRS102 reporting date for colleges and universities, early indications suggest that net asset (surplus) positions will be even more common at 2025 than 2024. The biggest driver of this is the increase in the corporate bond yield, which is used to determine the discount rate for financial reporting. This higher discount rate means that obligations (liabilities) at this year-end will likely be lower than last year. However, the overall net position will depend on individual pension fund (and individual investment strategy) performance over the year. To speak to our accounting experts about dealing with net asset (surplus) positions, please reach out to [LGPSCentralAccountingTeam@hymans.co.uk](mailto:LGPSCentralAccountingTeam@hymans.co.uk).

**And now for something completely different...Design Thinking** - In the next [blog](#) in his series about Design Thinking, our LGPS digital expert Chris shows how defining the right problem to solve is the most critical – but often most overlooked – step in the design process. Moving beyond empathy, he explores the ‘Define’ stage, and how we can turn user insights into clear, actionable problem statements that align teams, focus decisions, and prevent wasted effort.

### Events, webinars & training

**Reset Connect, London Climate Action Week 2025** - As London Climate Action Week got underway, we joined the [Reset Connect](#) conference, which brought together sustainability leaders, innovators and decision-makers to address climate change and drive impactful transformation. We have collated some of the [key highlights](#) we took from the day. Our Biodiversity Lead, André Ranchin, also contributed his views in two insightful talks on issues impacting the ocean and marine biodiversity.



## Manager details

Mandate	Date appointed	Benchmark description
Longview Global Equity	30/04/2013	MSCI World
Storebrand Smart Beta And ESG	03/12/2020	MSCI World
UBS Osmosis	03/03/2022	MSCI World
Baillie Gifford Global Alpha	11/08/2021	MSCI ACWI
WHEB Active Impact Equity	01/12/2020	MSCI World
Wellington Active Impact Equity	02/12/2020	MSCI ACWI
M&G Corporate Bonds	31/12/1996	Composite Benchmark
M&G Real Estate Debt VI	11/04/2019	3 Month SONIA +4% p.a.
Adams Street Private Equity	31/03/2003	MSCI ACWI +1.5% p.a.
HarbourVest Private Equity	31/01/2003	MSCI ACWI +1.5% p.a.
Bluebay Total Return	17/04/2024	3 Month SONIA +3% p.a.
M&G Alpha Opportunities	30/11/2009	3 Month SONIA +3% p.a.
Newton Real Return Fund	30/04/2010	3 Month SONIA +2.5% p.a.
Ruffer Absolute Return	30/04/2010	SONIA 3 Month +2.5% p.a.
Atlas Infrastructure	02/12/2020	FTSE Developed Core Infrastructure 50/50
IFM Global Infrastructure Fund	03/01/2023	CPI +2% p.a.
M&G Infrastructure	31/10/2018	CPI +2% p.a.
Pantheon Infrastructure	04/05/2018	CPI +2% p.a.
UBS Infrastructure	31/01/2008	CPI +2% p.a.
CBRE Real Estate Fund	01/10/2024	MSCI UK All Balanced
UBS Index Linked Gilts	31/01/2018	FTSE Index-Linked Over 5 years
Cash	31/12/2002	1 Month SONIA

## Hymans manager ratings

Page 192	<b>Preferred</b>	Our highest-rated managers in each asset class. These should be the strategies we are willing to put forward for new searches.
	<b>Positive</b>	We believe there is a strong chance that the strategy will achieve its objectives, but there is some element that holds us back from providing the product with the highest rating.
	<b>Suitable</b>	We believe the strategy is suitable for pension scheme investors. We have done sufficient due diligence to assess its compliance with the requirements of pension scheme investors but do not have a strong view on the investment capability. The strategy would not be put forward for new searches based on investment merits alone.
	<b>Negative</b>	The strategy is not suitable for continued or future investment and alternatives should be explored.
	<b>Not Rated</b>	Insufficient knowledge or due diligence to be able to form an opinion.

## Hymans Responsible Investment ratings

<b>Strong</b>	Strong evidence that the manager consistently demonstrates leading practices across all criteria assessed.
<b>Good</b>	Manager demonstrates that they surpass acceptable standards but fall short of leading practices.
<b>Acceptable</b>	Manager demonstrates that they meet acceptable standards.
<b>Weak</b>	Manager does not meet acceptable standards.
<b>Not Rated</b>	Insufficient knowledge to be able to form an opinion on.

## Glossary – equity manager styles

‘Style’ refers to the type of stocks a manager will typically research and select for portfolios. It is important to diversify these ‘styles’ in order to manage concentration risks.

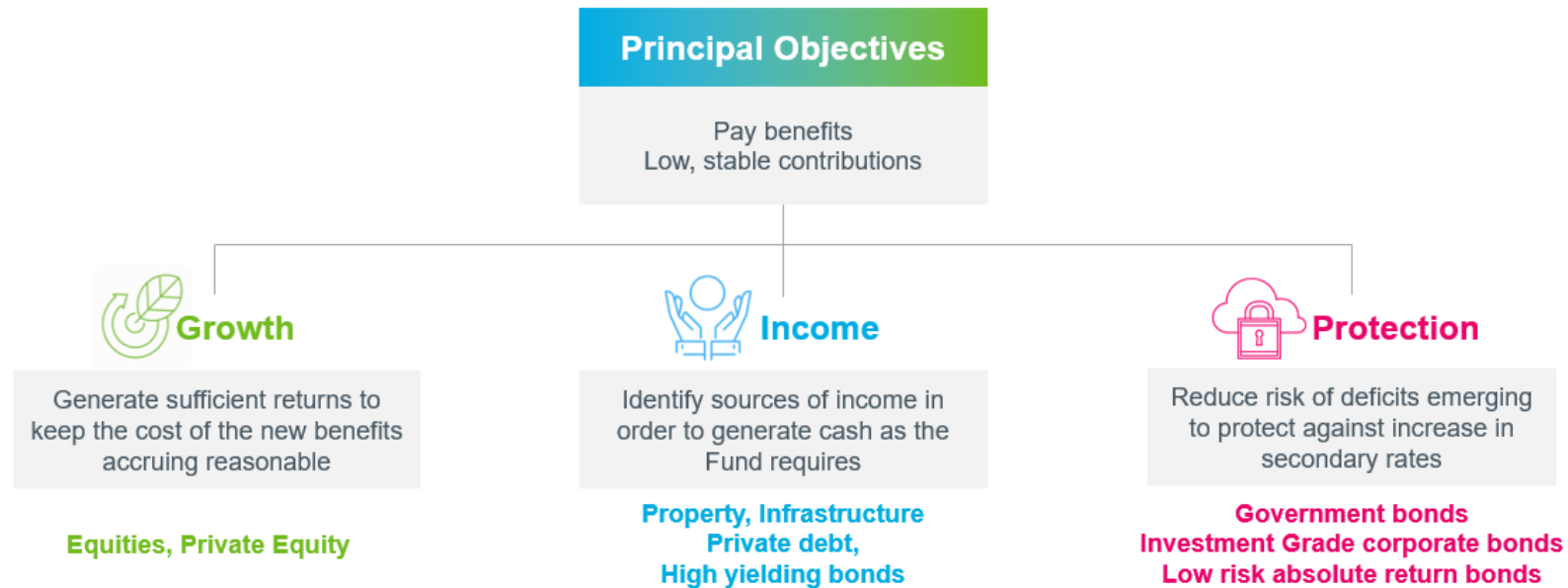
- **Value** – this style tilt considers whether stocks held within the portfolio are discounted relative to their fundamentals, i.e. whether stocks have low market valuations versus current earnings or book value.
- **Growth** – this style tilt considers companies earning potential relative to its industry and the overall market. The key consideration within this factor is a company’s potential for growth and therefore commonly used metrics include historical earnings growth and forward earnings growth.
- **Quality** – this style tilt considers companies financial stability. A company’s quality can be evaluated using various metrics including: profitability, earnings quality, financial leverage and corporate governance.
- **Volatility** – this style tilt considers the systematic risk of the portfolio relative to the market.
- **Momentum** – this style tilt is based on the premise that stocks that have recently risen or fallen in price will continue to do so in the future.
- **Low volatility** – A low volatility equity manager will aim to construct a portfolio that exhibits significantly lower volatility than the benchmark index (low volatility is a relative, not absolute, term). A low volatility manager will generally target a volatility of around 15% p.a. versus a benchmark that exhibits a 20% p.a. volatility. A low volatility portfolio will generally be constructed through a quantitative assessment of past stock performance and correlation to select stocks that have historically exhibited low levels of volatility.
- **Neutral** - A neutral manager will aim to construct portfolios that have no significant sector or style biases relative to the benchmark index. This is more common in bottom up, in-depth research, managers (sometimes referred to as ‘stock pickers’) who aim to isolate stocks that are undervalued relative to their peers whilst avoiding taking a position on whether a country or industry itself will out or underperform. For example they might take an overweight position in BP if they believe the stock is fundamentally undervalued but remove their exposure to the more general oil market by compensating with an underweight position in Shell.

## Glossary - other

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- **Buy-out** – purchase of a more mature company usually as part of a private equity deal.
- **Capital structure** – how a company is financed through equity and debt.
- **Closed-ended** - When an investment fund has a finite lifecycle, money is invested and returned in full to the investor over a defined period (usually 5 – 8 years for private debt)
- **Commitment** – The investment amount initially made to a fund, this is then drawn by the manager over time and invested.
- **Dividend** – Annual income paid through holding an equity.
- **Duration** – A measure of the average expected life of an investment that indicates sensitivity to interest rate changes.
- **Indirect** – Access and asset via other funds rather than directly.
- **Information ratio** - This measures the risk-adjusted returns of a fund relative to its respective benchmarks. For active funds, a higher information ratio is better.
- **IRR** - a measure of performance taking into account cashflow.
- **Liquidity** – ability to sell a stock quickly at a known price.
- **MAC** – Multi Asset Credit, an investment fund made up of a mix of different types of debt/credit.
- **Mid-market** – focus on mid-sized companies.
- **Open (closed) ended investment** – Open ended investments have no end date and can be traded. Closed ended cannot usually be traded and have a finite life.
- **Senior secured** - Debt issued at a high level in a company's capital structure secured against company assets.
- **Sub-investment grade** – bond assets rated below investment grade (and therefore higher risk).
- **Tracking error** – This shows the difference in actual performance between a fund and its respective benchmark. This should be lower for passive funds tracking an index compared to active funds where the manager is trying to outperform a benchmark.
- **TVPI** - Total value (distributions plus residual values) divided by paid-in capital. An alternative measure of the return on investment for closed-end funds
- **Volatility** – a measure of risk based on 'ups and downs' of stock/portfolio over a period of time.

## Growth, Income and Protection



## Geometric v arithmetic performance

Hymans Robertson are among the investment professionals who calculate relative performance geometrically as follows:

$$\frac{(1 + \text{Fund Performance})}{(1 + \text{Benchmark Performance})} - 1$$

Some industry practitioners use the simpler arithmetic method as follows:

$$\text{Fund Performance} - \text{Benchmark Performance}$$

The geometric return is a better measure of investment performance when compared to the arithmetic return, to account for potential volatility of returns.

The difference between the arithmetic mean return and the geometric mean return increases as the volatility increases

## Risk warning

This report is provided to the Pension Fund Investment Panel ('the Panel') and Officers of the East Sussex Pension Fund ('the Fund') in our capacity as your investment adviser. Its purpose is to assist the Committee with their monitoring of the Fund's investments. The report shows how the assets have performed over various time periods, on an absolute basis and relative to the agreed benchmarks, in the context of general market movements. It also shows how the asset allocation compares with the Fund's strategic target allocation. The report may contain fund and fund manager specific research ratings and comments based on the views of our investment research team. Please speak to your investment adviser before taking any investment decisions or actions. They will advise whether formal investment advice is necessary, including a risk assessment and investment suitability information where appropriate. No investment decisions should be taken based solely on the contents of this report.

The report should not be released or otherwise disclosed to any third party except as required by law or regulatory obligation or without our prior written consent. We accept no liability where the report is used by, or released or otherwise disclosed to, a third party unless we have expressly accepted such liability in writing. Where this is permitted, the report may only be released or otherwise disclosed in a complete form which fully discloses our advice and the basis on which it is given.

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investment in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

In some cases, we have commercial business arrangements/agreements with clients within the financial sector where we provide services. These services are entirely separate from any advice that we may provide in recommending products to our advisory clients. Our recommendations are provided as a result of clients' needs and based upon our independent research. Where there is a perceived or potential conflict, alternative recommendations can be made available.

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## East Sussex Pension Fund – Investment Strategy review

This paper has been prepared for the Officers and Pensions Committee (the “Committee”) of the East Sussex Pension Fund (the “Fund”) for the purpose of summarising the results of the investment strategy modelling and recommended changes, as discussed in the Investment Strategy Day on 24 July 2025. This advice is being provided as our role as Investment Advisors to the Fund.

It has not been prepared for use for any other purpose and should not be so used. The paper should not be disclosed to any third party except as required by law or regulatory obligation or with our prior written consent. We accept no liability where the paper is used by or disclosed to a third party unless we have expressly accepted such liability in writing. Where this is permitted, the paper may only be released or otherwise disclosed in a complete form which fully discloses our advice and the basis on which it is given.

Where the subject of this note refers to legal or tax matters, please note that Hymans Robertson LLP is not qualified to give such advice therefore we recommend that you seek independent advice on these matters.

### Background

On 24 July 2025, the annual Investment Strategy Day was held to discuss the suitability of the current investment strategy and to compare it against possible alternatives.

As part of this work, Hymans Robertson conducted an Asset Liability Modelling (“ALM”) exercise that projects the future evolution of the Fund’s assets and liabilities under a range of different scenarios. This determines the likelihood of reaching the long-term objectives (and associated risk metrics) under the current investment strategy and different potential investment strategies.

The table below shows the current long-term strategic benchmark for the Fund:

**Table 1: Current long term strategic benchmark**

Asset class	Strategic asset allocation
Listed equity	40.0%
Private equity	5.5%
Diversified growth funds	17.0%
Property	7.0%
Infrastructure	11.0%
Private credit	5.0%
Credit	10.5%
Index linked gilts	4.0%
<b>Total</b>	<b>100.0%</b>

The Fund has a strong allocation to return generating assets such as equities and diversified growth funds. These assets are expected to deliver long-term capital gains. Income assets such as the property, infrastructure and private credit allocation are expected to provide a steady stream of income and contribute to the overall stability of

the portfolio by offering returns with less volatility and diversification benefits. Lower-risk assets, such as the index-linked gilts, are held to protect the Fund during adverse market conditions and periods of high inflation. Whilst the Fund currently holds a wide range of assets which are expected to provide sufficient levels of return and diversification, the aim of the strategy review is to test whether this remains optimal, given the changes in the funding position and contribution rates as part of the actuarial valuation, as well as the market outlook.

### Strategies modelled

The Fund's current long-term strategic benchmark is shown in Table 2 below along with three alternative strategies. These alternative strategies consider a position in which de-risking is conducted and a position in which new commitments to alternative funds is made. The changes to the strategy are not particularly significant. This is due to the significant uncertainty driven by pooling currently, with the Fund needing to join a new pool. This means that the implementation options for the Fund's strategy are currently unknown, meaning we do not want to consider large changes to the target asset allocation at this time.

**Table 2: Current and modelled investment strategies**

Asset class	Current	De-risk	Milder de-risk	More alternatives
Listed equity	40.0%	40.0%	40.0%	40.0%
Private equity	5.5%	5.5%	5.5%	6.5%
Diversified growth funds	17.0%	11.0%	14.0%	8.5%
Property	7.0%	7.0%	7.0%	7.0%
Infrastructure	11.0%	11.0%	11.0%	14.5%
Private credit	5.0%	5.0%	5.0%	9.0%
Credit	10.5%	10.5%	10.5%	10.5%
Index linked gilts	4.0%	10.0%	7.0%	4.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

A summary of each strategy is as follows:

- 1) **Current investment strategy** – the current strategy is diversified in nature with allocations to public and listed equity, property, infrastructure and credit (amongst other asset classes). The largest allocation is to listed equities which comprises 40.0% of the total portfolio.
- 2) **De-risk** – This strategy involves reallocating 6.0% of the Fund's holdings from diversified growth funds into index-linked gilts. It should be noted that the Fund's diversified growth fund allocation provides income, whereas the index-linked gilts currently do not, which will affect the Fund's cashflow position.
- 3) **Milder de-risk** – Similar to the de-risked strategy reported above, this strategy involves a 3.0% reduction of the Fund's holding from diversified growth funds into index-linked gilts. Due to a number of preset 'triggers' being hit during 2024 and early 2025, whereby 3% of Fund assets were sold from diversified growth funds and transferred into index-linked gilts as yields rose, the Fund's actual holdings are already close to this strategy.



- 4) **More alternatives** – This strategy focuses on new commitments to alternative investments by reallocating 8.5% of assets from diversified growth funds to private equity, private credit and infrastructure.

In all of the alternative strategies mentioned above, assets are taken from the Fund's holdings in diversified growth funds. When looking for sources to take money from to fund the increases in other asset classes in order to de-risk the strategy, the Fund's only viable options were diversified growth funds and equities. As a long-term investor in need of strong returns, we would not necessarily like to see the Fund's equity allocation fall much below 40% - they provide strong long-term returns, liquidity and income. To a lesser extent, while diversified growth funds provide downside protection and support tactical asset allocation during periods of market volatility, the broader investment universe has generally underperformed relative to return expectations.

For the 'de-risk' and 'milder de-risk' strategy, the increased allocation to index-linked gilts is designed to take advantage of the Fund's strong funding position and the currently attractive real yields. Index-linked gilts also provide inflation protection and act as a safe haven asset, offering stability during periods of market stress.

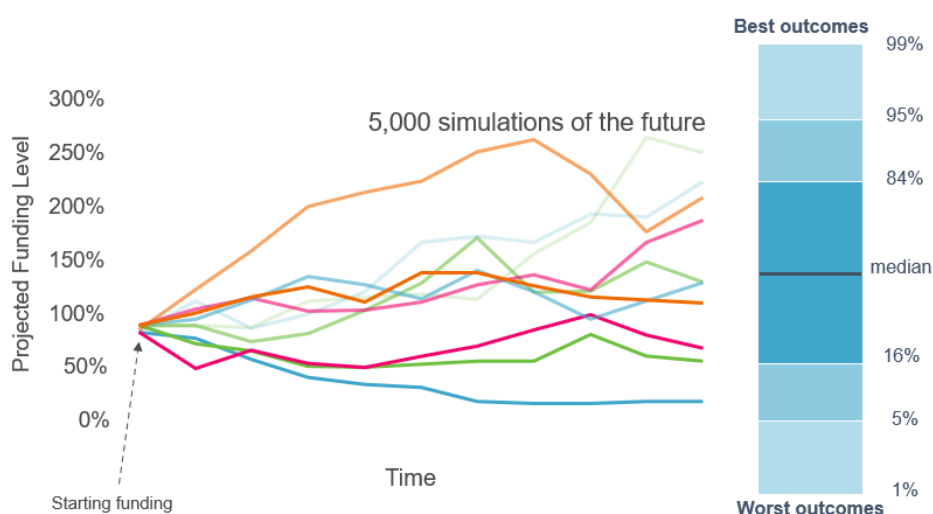
For the 'more alternatives' strategy, the timing of movement in assets under this strategy is not yet known and is dependent on the Fund's new pool arrangement and whether suitable investment funds are available for investment. Delays can be expected in implementing this strategy in the absence of suitable investment funds being available.

### ALM modelling

#### What is a stochastic ALM?

We run 5,000 simulations of the future for each strategy. The modelling uses market-consistent rates of return and volatilities and long-term characteristics of major asset classes. We rank the 5,000 simulations from best to worst to give a range of potential outcomes and focus on:

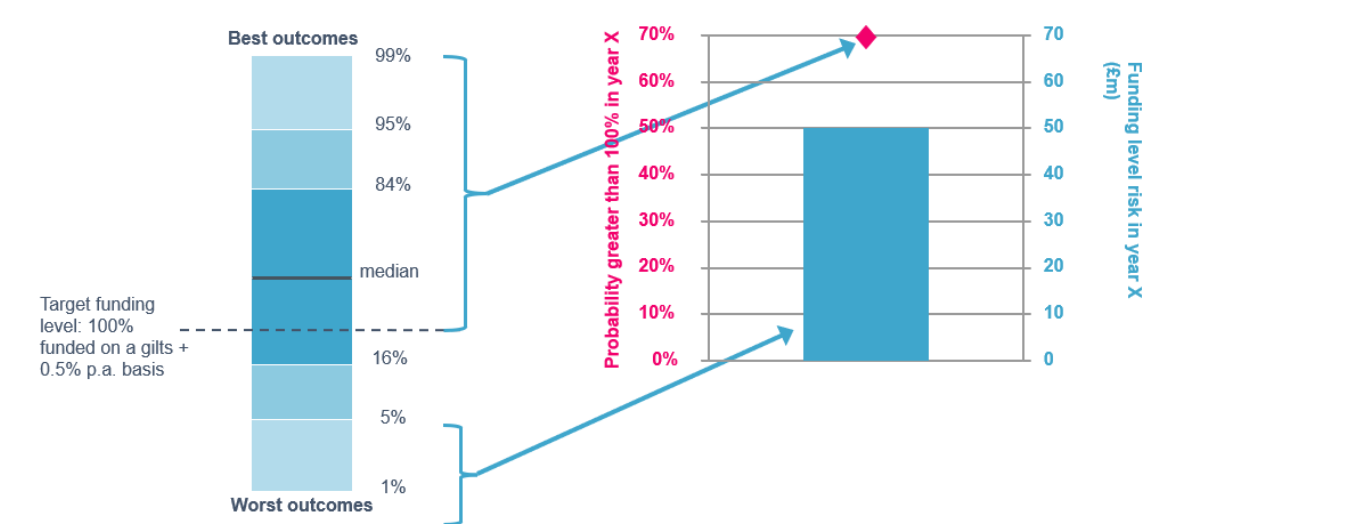
- **Probability of success** – of being 100% funded level over the long term.
- **Funding level risk** – how bad could it get by next valuation. We consider the worst outcomes over 3 years.



#### Understanding the output

The outputs from the simulations are translated into probabilities and a measure of risk, as shown in the chart on the right below. The primary axis shows the **probability of success**, whereas the secondary axis shows the

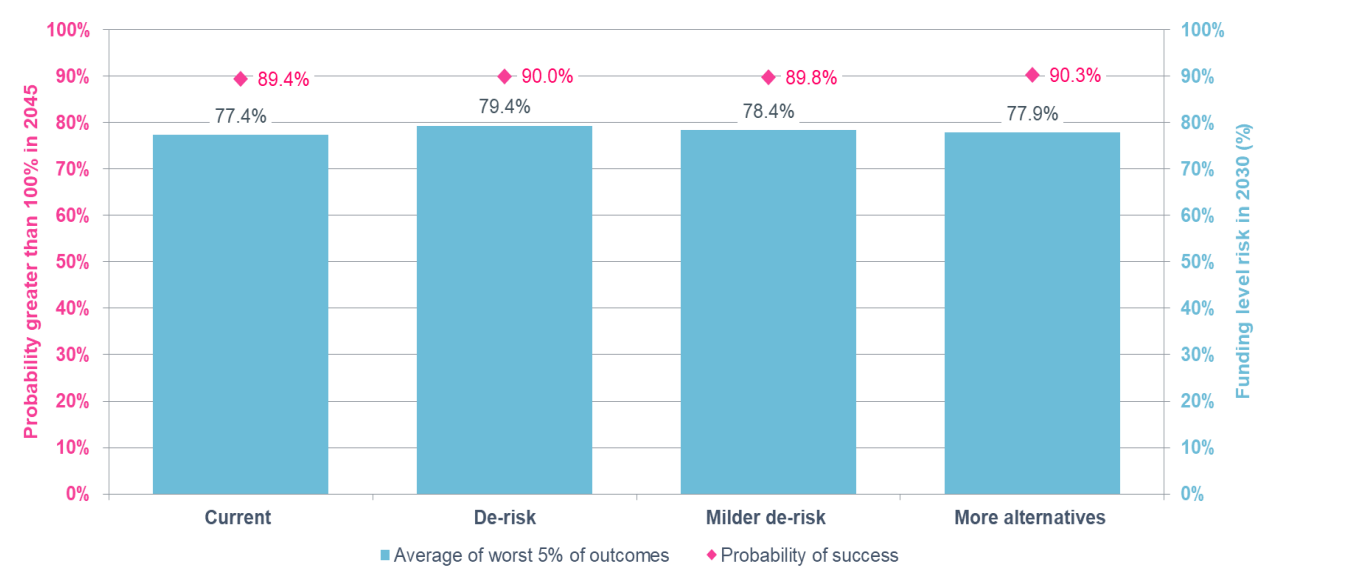
**funding level risk.** In the example below, the probability of success is 70%, which means that 3,500 out of the 5,000 simulations are above the target funding level. Funding level risk is the average of worst 5% of outcomes over x years, typically 3 years as a short-term risk measure.



**ALM modelling results**

When assessing the results of the modelling, we consider the probability of success of each strategy considered, overlayed with funding level risk. The probability of success is considered for a 20-year period whilst we assess funding level risk over a 5-year period. Chart 1 below plots the results of each modelled strategy.

**Chart 1: Probability of success versus risk**



The modelling results indicate that the current strategy gives the Fund an 89.4% probability of remaining fully funded by 2045. This percentage is high and reflects the robustness of the current strategy in place, as well as the Fund's current strong funding position. However, when assessing the results of the alternative strategies modelled, there is a modest increase in the likelihood of the funding level being greater than 100%. This modest increase is

greatest under the 'more alternatives' strategy due to an increased return expectation, followed by the 'de-risk' strategy.

In assessing the impact on funding level risk in 5 years' time (i.e. in 2030), funding level risk is expected to be modestly higher under the alternative strategies modelled in comparison to the current strategy. Funding level risk in 2030 is expected to be lowest under the 'de-risk' strategy, as would be expected. However, the impacts are again relatively small.

When reviewing these results, we are looking for the best balance of risk, return and ease of implementation. Of all of the strategies modelled, an appropriate balance can be found with the alternative strategy 'milder de-risk'. The reasoning is as follows:

- The strong risk metrics of the current strategy, with only minor impacts of the alternative strategies, suggests there is no strong need to make significant changes to the Fund's investment strategy.
- This 'milder de-risk' strategy provides slightly improved risk metrics compared to the current strategy and would not require money to be moved as the Fund is already at this allocation. This change would simply be changing the target allocations to move in line with the Fund's actual current holdings.
- Whilst the other strategies provide slightly improved metrics compared to 'milder de-risk', they would take more work to implement at a time of great uncertainty, given the changes in pooling.
- The 'more alternatives' strategy would significantly impact the Fund's cashflow position in the short-to-medium-term. Whilst alternative assets do generate income, a large amount of cash will first be required to be invested to build up the Fund's allocations, and it will take time for those assets to then begin producing income.

### Assessment of a stagflation environment

We also tested the alternative strategies under a stagflationary environment to see if any fared better and provided more protection. Stagflation is characterised by a period of low or stagnant economic growth occurring simultaneously with high levels of inflation. To assess the impact of stagflation on the strategies outlined in Table 2, we assume a scenario in which stagflation is witnessed in global markets over a three-year period.

In the United Kingdom, this stagflation environment is driven by a combination of structural and cyclical pressures including rising energy costs, climate related damage to infrastructure and food supplies, labour shortages and institutional malaise. Throughout the period, inflation is assumed to remain persistently above the Bank of England's 2% target. The impact of stagflation on the modelled strategies is shown in Table 3 overleaf.

**Table 3: Impact of stagflation**

	Difference in 20-year 'Likelihood of Success' metric from base case scenario	Difference in 5-year 'Average of Worst 5% of Outcomes' metric from base case scenario
Current	-9.1%	-10.9%
De-risk	-8.8%	-10.8%
Milder de-risk	-9.1%	-10.8%
More alternatives	-9.1%	-11.2%

Note: Modelled as at 31 March 2025.

As expected, the results of the modelling show the risk metrics to worsen for each strategy in an environment with stagflation, with broadly similar impacts across all the four strategies modelled. Among them, the 'de-risk' strategy offers the best protection, all-be-it marginally, by allocating more to index-linked gilts, which helps mitigate the effects of falling equity returns and rising inflation. However, the advantages of this marginal difference over the other strategies remains minimal.

### Strategy recommendations

As discussed in the results of the modelling, and at the Investment Strategy Day, **we recommend the Committee implement the 'milder de-risk' investment strategy**. This strategy involves a 3.0% decrease in the Fund's allocation to diversified growth funds with the proceeds invested into index-linked gilts (as illustrated in Table 4 below).

**Table 4: Strategy recommendations**

Asset class	Current	Proposed 'Milder de-risk'
Listed equity	40.0%	40.0%
Private equity	5.5%	5.5%
Diversified growth funds	17.0%	14.0% ↓
Property	7.0%	7.0%
Infrastructure	11.0%	11.0%
Private credit	5.0%	5.0%
Credit	10.5%	10.5%
Index linked gilts	4.0%	7.0% ↑
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

This strategy is attractive due to:

- **The risk metrics**, which improves slightly compared to the current strategy.

- Given the significant **uncertainty created by pooling**, we do not believe making large changes to the strategy at this time would be sensible.
- This strategy is **easy and low cost to implement**. The Fund is already at its recommended target allocation to index-linked gilts and therefore, this change will require a simple adjustment to the target allocation to reflect this.

### Summary and next steps

We have modelled three alternative strategies using the ALM. The results of the modelling show modest improvements in the strategies expected funding level, 20 years from now.

We recommend the Committee implement the 'milder de-risk' strategy. This strategy is easy to implement and is expected to modestly improve the Fund's probability of remaining fully funded by 2045.

Going forward, the Committee will also need to consider the Investment Beliefs for the Fund, as well as the implementation options within the Fund's new pool, in order to meet the government's new requirements regarding pooling in the best interests of the Fund.

We look forward to discussing this paper with you.

Report Author:

Iain Campbell, Senior Investment Consultant

Contributing Author:

Arfah Jawid, Associate Investment Consultant

August 2025

For and on behalf of Hymans Robertson LLP

## Appendix

### Modelling assumptions, limitations and risks

This modelling is based upon benefit cashflows as at 31 March 2024, adopting assumptions and methodology set out by the Fund Actuary in the provision of benefit cashflows as at 31 March 2024. The ESS reflects the latest calibration at 31 March 2025.

### Cashflows

We have used cashflows provided by Barry McKay of Barnett Waddingham with summarised details about the membership, benefits and valuation assumptions in order to create a set-up for the Fund. The level of detail and accuracy in the modelling of the Fund's benefit cashflows is therefore lower than if full individual membership data had been used. The materiality of the approximations used depend on the type of analysis undertaken and the context of that analysis. It is therefore very important that no inferences are drawn from the modelling without getting written confirmation from us that the approximations will not be misleading. No allowance is made in the modelling for any deviations away from the demographic assumptions implicit in the cashflows.

We have not sought to validate or check any inputs independently and have relied on the accuracy of the cashflows, email correspondence and documents provided by the Fund Actuary.

Except where stated, we do not allow for any variation in actual experience away from the demographic assumptions underlying the cashflows. Variations in demographic assumptions (and experience relative to those assumptions) can result in significant changes to the funding level and contribution rates. We allow for variations in inflation (RPI or CPI as appropriate), inflation expectations (RPI or CPI as appropriate), interest rates and asset class returns. Cashflows into and out of the Scheme are projected forward in annual increments, are assumed to occur in the middle of each year and do not allow for inflation lags. Investment strategies are assumed to be rebalanced annually.

There are a number of different types of increases applied before and after retirement to benefits payable from the Scheme. We have made some assumptions when modelling the various types of increases.

We have estimated future service benefit cashflows and projected salary roll for new entrants after the valuation date such that payroll remains constant in real terms (i.e. full replacement). There is a distribution of new entrants introduced at ages between 25 and 65, and the average age of the new entrants is assumed to be 40 years. All new entrants are assumed to join and then leave service at SPA, which is a simplified set of assumptions compared to the modelling of the existing membership. The base mortality table used for the new entrants is an average of mortality across the LGPS and is not client specific, which is another simplification compared to the modelling of existing members. Nonetheless, we believe that these assumptions are reasonable for the purposes of the modelling given the highly significant uncertainty associated with the level of new entrants.

In modelling some of the LGPS benefits, we have assumed:

- Salary growth is assumed to have a floor of 0% and to be modelled in line with inflation plus (or minus) any additions applied.
- S148 salaries / national average earnings is assumed NOT have a floor and is projected in line with our projections of national average earnings and valued in line with inflation plus any additions applied.
- Non-accruing and accruing CARE benefits increase in line with CPI (no floor).

### Economic Scenario Service (ESS)

The distributions of outcomes depend significantly on the Economic Scenario Service (ESS), our (proprietary) stochastic asset model. This type of model is known as an economic scenario generator and uses probability distributions to project a range of possible outcomes for the future behaviour of asset returns and economic variables. Some of the parameters of the model are dependent on the current state of financial markets and are updated each month (for example, the current level of equity market volatility) while other more subjective parameters do not change with different calibrations of the model.

Key assumptions include:

- The average excess equity returns over the risk-free asset and its volatility which affects growth asset returns
- The level and volatility of yields, credit spreads, inflation and expected (breakeven) inflation, which affect the projected value placed on the liabilities and bond returns.
- The gap between CPI and RPI. The market for CPI-linked instruments is not well developed and this is based on our judgement. Expected long-term RPI and CPI rates are in line with the current Bank of England targets. The RPI-CPI wedge, that is the average difference between projected RPI and CPI rates, is set to 1% p.a. over the short-term ultimately transitioning to zero after early 2030, when the RPI measure will switch to CPIH.
- The output of the model is also affected by other more subtle effects, such as the correlations between economic and financial variables.
- Real interest rates are assumed to (on average) gradually trend towards a long-term rate. This is based on a selection of yield normalisation levels (which can be interpreted as representing low, medium and high economic growth scenarios) reflecting the fundamental uncertainty around long-term average yield levels. Higher long-term yields would mean a lower value placed on liabilities and hence an improvement in the current funding position (and vice versa) unless the Scheme is fully hedged. The Expected Rate of Returns and Volatilities table below details the direction of interest rate movements based on the current calibration of the ESS.
- While the model allows for the possibility of scenarios that would be extreme by historical standards, including very significant downturns in equity markets, large systemic and structural dislocations are not captured by the model. Such events are unknowable in effect, magnitude and nature, meaning that the most extreme possibilities are not necessarily captured within the distributions of results.

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# Investment Strategy Statement

September 2025

## Introduction and background

This is the Investment Strategy Statement (ISS) of the East Sussex Pension Fund (the Fund), which is administered by East Sussex County Council, (the Administering Authority). The ISS is made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the Regulations).

The ISS has been prepared by the Pension Committee (“the Pension Committee”) having taken advice from the Fund’s investment adviser, Isio. The Pension Committee acts on the delegated authority of the Administering Authority. The ISS, which was approved by the Pension Committee on 28 September 2021, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Pension Committee has consulted on the contents of the Fund’s investment strategy with such persons it considers appropriate.

The Pension Committee seeks to invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Funding Strategy Statement.

## Investment Principles

The Fund has set the following Investment Principles

**Long-term investors** We are long-term investors with a focus on ensuring we can pay pensions to our beneficiaries now and into the future. We will invest in a wide range of assets to ensure strong diversification and can be defensive to market changes.

**Responsible investors** We are responsible investors and believe we can reduce risk and generate enhanced returns by investing in companies and assets that are sustainable and well governed. We strive to be active stewards of our investments and hold our investment managers and underlying companies to account.

**Evidence based approach** We ensure all investment decisions are based on evidence and expert advice to ensure we can protect the interest of the Funds beneficiaries and comply with our fiduciary duties.

**Collaborative** We are keen collaborators with our peers and industry partners to drive forward best practice and improve efficiencies.

**Robust Governance** The Fund has a robust governance framework and ensures that all decisions within the Fund are made with appropriate oversight and we are transparent and accountable.

**Risk and return** The Fund recognises that it needs to balance risk with return and ensures Environment Social and Governance (ESG) factors are taken into account in determining risk.

## The suitability of particular investments and types of investments

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, on a defined benefits basis. This funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.

The Pension Committee aims to manage the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions are agreed by the Fund employers to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary and/or inflation increases in line with the relevant LGPS scheme rules.

The Pension Committee has translated its objectives into a suitable strategic asset allocation benchmark for the Fund. This benchmark is consistent with the Pension Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities. The Pension Committee discusses the appropriateness of the Fund's strategic asset allocation at least once a year.

The Fund carries out an asset liability modelling exercise in conjunction with each actuarial valuation. A number of different contribution and investment strategies are modelled and the future evolution of the Fund considered under a wide range of different scenarios. The Pension Committee considers the chances of achieving their long term funding target and also considers the level of downside risk in the various strategies by identifying the low funding levels which might emerge in the event of poor outcomes.

This approach helps to ensure that the investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members), together with the level of disclosed surplus or deficit (relative to the funding basis used).

In addition, the Pension Committee monitors investment strategy on an ongoing basis, focusing on factors including, but not limited to:

- Suitability given the Fund's level of funding and liability profile
- The level of expected risk
- Outlook for asset returns
- Environmental Social and Governance factors

## Investment of money in a wide variety of investments

### Asset classes

The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities, fixed interest and index linked bonds, cash, property, credit and infrastructure, either directly or through the ACCESS LGPS pool. The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks.

The Pension Committee reviews the nature of Fund investments on a regular basis, with particular reference to suitability and diversification. The Pension Committee seeks and considers written advice from a suitably qualified person in undertaking such a review, in line with the LGPS

(Management and Investment of Funds) Regulations 2016. If, at any time, investment in a security or product not previously known to the Pension Committee is proposed, appropriate advice is sought and considered to ensure its suitability and diversification and training is provided, if relevant.

The Fund's target investment strategy is set out below. The table also includes the maximum percentage of total Fund value that it will invest in these asset classes. In line with the 2016 Regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of Fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007.

The maximum invested figures can be seen in the rebalancing ranges agreed by the Pension Committee within its rebalancing policy. Whilst strategy allocation changes are to be implemented or commitments made and yet to be called, some positions may be out of the anticipated ranges.

**Table 1: Fund allocation**

Asset Type	Asset Allocation %	Role within the strategy
Listed equity	40.0%	Growth
Private equity	5.5%	Growth
Private credit	5.0%	Income
Property / Real estate	7.0%	Income
Infrastructure	11.0%	Income
Other alternatives	14.0%	Income
Credit	10.5%	Income
UK Government bonds	7.0%	Protection
Cash	0.0%	Protection
<b>Total</b>	<b>100.0%</b>	

## Flexibility and Evolution

To enable to the Fund to implement the investment strategy and move flexibility in response to risk and opportunities, the Fund has a range of acceptable positions in each asset class which is laid out in the rebalancing policy in Appendix 1. By monitoring the actual allocation on a regular basis the Fund can ensure it does not notably deviate from the target allocation. Where appropriate the Fund will set trigger limits in which investment should be made to benefit from market opportunities. The S151 officer has the delegated authority to make investment decisions outside of the approved strategy of up to 5% to respond quickly to market opportunities and risks.

## Managers

The Pension Committee has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

Each investment manager has an agreed benchmarks to compare returns against, so that in aggregate, they are consistent with the overall asset allocation for the Fund. As the Fund does not invest in any segregated mandate these benchmarks are considered when assessing the appropriateness of a sub fund within the LGPS pool or on selection of a new pooled fund. The

Fund's investment managers will hold a mix of underlying holdings which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles.

When the Pension Committee approves a change to the investment strategy, the Pension Committee instruct officers and the Investment consultants to implement the strategic asset allocation investment decision. This can be by accessing a suitable sub fund from the ACCESS LGPS pool, where manager selection sits at pool level; or where there is no solution to implement the strategy through the LGPS pool, officers will carry out a manager selection process led by the Investment Consultant to short list the options available and assess these against the best strategic fit for the Fund. A recommendation is then laid out to the Pension Committee as to the most suitable implementation solution to meet the approved investment strategy.

## The approach to risk, including the ways in which risks are to be measured and managed

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

The principal risks affecting the Fund are set out below.

### Funding risks

- Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.
- Changing demographics – The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits.
- Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities.

The Fund measures and manages financial mismatch in two ways. As indicated above, the Pension Committee has set a strategic asset allocation benchmark for the Fund, which is reviewed on at least an annual basis. This benchmark was set taking into account asset liability modelling which focused on probability of success and level of downside risk.

The results from the 2023 valuation highlighted that the Fund is fully funded and has a good chance of retaining this fully funded position in future without adopting an over prudent approach towards its investment strategy. The Pension Committee assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns quarterly. The Pension Committee also assesses risk relative to liabilities by monitoring the funding position regularly.

The Pension Committee reviews the demographic assumptions of the Fund every three years as part of its triennial valuation, to mitigate the risk that changes to longevity and other factors would have on the Fund. In addition, Fund officers meet regularly with the Fund Actuary to ensure any major swings in longevity assumptions due to environmental or medical changes can be identified early.

The Pension Committee seeks to mitigate systemic risk through a diversified portfolio; across asset classes, sectors, geographical region, investment manager styles and considers correlation of risk and return across different asset classes in construction of the investment strategy. It is not possible to make specific provision for all possible eventualities that may arise under this heading.

## Asset risks

- Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- Illiquidity - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.
- Currency risk – The risk that the currency of the Fund’s assets underperforms relative to Sterling (i.e. the currency of the liabilities).
- Environmental, social and governance (“ESG”) – The risk that ESG related factors reduce the Fund’s ability to generate the long-term returns. The Fund believes that climate change poses material risks to the Fund but that it also presents positive investment opportunities.
- Climate Risk – The risk to asset values and liabilities in response to climate change from physical or transition risk including regulatory changes.
- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.
- Pooling risk – The risk that the LGPS investment pool is unable to offer suitable investment opportunities or the risk around the ability to liquidate assets to meet liabilities.

The Fund measures and manages these assets risks through the Fund’s investment performance monitoring processes including through the strategic asset allocation benchmark which invests in a diversified range of asset classes. The Pension Committee has put in place rebalancing arrangements to ensure the Fund’s “actual allocation” does not deviate substantially from its target. The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund’s asset concentration risk. By investing across a range of assets, including liquid quoted equities and bonds, as well as property, the Pension Committee has recognised the need for access to liquidity in the short term.

The Fund invests in a range of overseas markets which provides a diversified approach to currency markets; the Pension Committee also assesses the Fund’s currency risk during their risk analysis.

Details of the Fund’s approach to managing ESG risks are set out later in this document.

The Pension Committee has considered the risk of underperformance by any single investment manager and have attempted to reduce this risk by appointing more than one manager for various asset classes. In addition, the Fund has an allocation to passive mandates which have a lower tracking error to the market; the Fund accesses these through products that have an ESG tilt. The Pension Committee assess the Fund’s managers’ performance on a regular basis, and will take steps, including potentially replacing one or more of their managers, if underperformance persists or there are other concerns with the investment management or philosophy.

## Other provider risk

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Pension Committee seeks suitable professional advice.
- Custody risk - The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- Credit default - The possibility of default of a counterparty in meeting its obligations.
- Stock Lending- The Fund will participate in any stock-lending arrangements in the future as part of the LGPS ACCESS pool. The Fund will ensure that robust controls are in place to protect the security of assets before entering into any stock lending arrangements. The manager(s) of pooled funds may undertake a certain amount of stock lending on behalf of unit-holders. Where a pooled

fund engages in this activity the extent is fully disclosed by the manager (unless the assets are invested in LGPS pooled arrangements in which case this will be delegated to the Pool Operator).

The Fund monitors and manages risks in these areas through a process of regular scrutiny of its providers, and audit of the operations it conducts, or has delegated such monitoring and management of risk to the appointed investment managers or ACCESS LGPS pool as appropriate (e.g. custody risk in relation to pooled funds). The Pension Committee has the power to replace a provider should serious concerns exist.

## The approach to pooling investments, including the use of collective investment vehicles and shared services

The Fund is a participating scheme in the ACCESS Pool. The ACCESS pool was set up following the 2015 Investment reform criteria and pooling guidance published in 2015.

### Assets to be invested in the Pool

The Fund's intention is to invest its assets through the ACCESS Pool as and when suitable Pool investment solutions become available. The ACCESS Pool has launched numerous sub-funds in which the East Sussex Pension Fund now participates and there are further launches in the pipeline, which the Fund plan to be involved with. As the ACCESS pool is managed through a procured operator service there will be a pause in new asset sub fund launches while the operator re-procurement activities take place.

The Fund holds investments with Longview, Ruffer, Newton, Baillie Gifford and M&G through the ACCESS Authorised Contractual Scheme (ACS). In addition, the Fund has passive exposure to UBS who administer the Osmosis index for the Fund which was procured and is governed through the ACCESS pool.

An indicative timetable for investing through the Pool was set out in the July 2016 submission to Government. The key criteria for assessment of Pool solutions will be as follows:

1. That the Pool enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund
2. That there is a clear financial benefit to the Fund in investing in the solution offered by the Pool, should a change of provider be necessary.

At the time of preparing this statement the Fund has elected not to invest the following assets via the ACCESS Pool for the following reasons:

**Table 2 – Assets held outside the Pool**

Asset class	Manager	Target % of Fund assets	Benchmark	Reason for not investing via the ACCESS Pool
<b>ESG tilted passive equity</b>	Storebrand	7.50%	MSCI All Countries World	This strategy is not currently available through the ACCESS funds platform. This should be a temporary position outside the pool. The ACCESS Joint Committee agreed in September 2023 that a sub fund meeting these criteria should be added to the ACS. This has now been passed to the pool operator to consider how this will be implemented.
<b>Active Sustainable Equity</b>	WHEB /Wellington	10.00%	MSCI All Countries World	Currently, there are no impact funds available through the ACCESS funds platform that satisfy the Funds Responsible Investment requirements for active sustainable equity. These will be held outside the pool temporarily until the pool is able to launch RI investment options that meets the Fund impact criteria. The pool is continually amending sub funds and providing new opportunities which may provide an option for these to be moved to the pool in the near future The Fund will work with the Pool to try and add products of this nature to the offerings through the Pool
<b>Private Equity</b>	Harbourvest Partners / Adam Street Partners	5.50%	MSCI All Countries World	Existing illiquid asset programmes will run off at normal lifecycle to avoid crystallising exit costs and loss of illiquidity premium earned. The Fund will work with the Pool to offer this asset class for new investments.



<b>Infrastructure</b>	M & G Infracapital / UBS Infrastructure / Pantheon / Atlas	6.00%	GBP 3 Month LIBOR	Existing illiquid asset programmes will run off at normal lifecycle to avoid crystallising exit costs and loss of illiquidity premium earned. The Fund will work with the Pool to offer this asset class for new investments.
<b>Private Debt</b>	M & G	1.00%	GBP 3 Month LIBOR	Existing illiquid asset programmes will run off at normal lifecycle to avoid crystallising exit costs and loss of illiquidity premium earned. The Fund will work with the Pool to offer this asset class for new investments.
<b>Operational cash</b>	East Sussex County Council	0.00%	N/A	East Sussex Pension Fund needs to manage its cash flow to meet statutory liabilities, including monthly pension payroll payments, therefore, a reasonable level of operational cash will be required to maintain efficient administration of schemes and would be held outside the Pool.

Any assets not currently invested in the Pool will be reviewed at least every three years to determine whether the rationale remains appropriate, and whether it continues to demonstrate value for money. The next such review will take place no later than 2026.

## Structure and governance of the ACCESS Pool

East Sussex is a member of the ACCESS pool along with the following 10 other pension funds:

Cambridgeshire  
Kent  
Essex  
Norfolk  
Hampshire  
West Northamptonshire  
Hertfordshire  
Suffolk  
Isle of Wight  
West Sussex

All eleven funds are committed to collaboratively working together to meet the criteria for pooling and have signed an Inter Authority Agreement to underpin their partnership. ACCESS is working to a business plan in order to create the appropriate means to pool investments.

The ACCESS Funds have set out how they meet the pooling criteria, the pool's structure, governance arrangements and services to be shared in the submission made to the Government in July 2016, which is available on ACCESS's website <http://www.accesspool.org/>. The pool make further representations to the Government annually to report savings achieved by the LGPS pool.

The "ACCESS Pool" is not a legal entity. However, a Joint Committee (JC), comprising elected Pension Committee representative from each Administering Authority and supported by the Officer Working Group has been established via an Inter Authority Agreement. Papers from previous and future ACCESS JC meetings papers can be found using the following link:  
<https://democracy.kent.gov.uk/mgOutsideBodyDetails.aspx?ID=898>

ACCESS has taken advice on its sub-fund design and development of investment opportunities available. The pool appointed Link Fund Solutions to establish and operate the ACS carrying out all the FCA regulated aspects of the pool on liquid assets. Link are responsible for the overall management of the ACS including the creation of investment sub funds and the appointment of Investment managers on this platform. A thorough due diligence process is undertaken before the Investment Managers are appointed and robust monitoring and governance is applied to the managers on an ongoing basis including an annual assessment of value. The ACS manages a significant portion of participating Authorities' liquid assets.

Passive assets are pool aligned Investments managed under the Pool Governance processes. The value of assets held within the Pool includes passively managed assets which are held in Life Policies. The Life Policies themselves will necessarily remain an agreement between the participating Authority and the appointed external investment manager. This was acknowledged as an acceptable outcome by Government. All passive assets will therefore be held outside the ACS and will not be managed or administered by the Pool Operator.

## How social, environmental or corporate governance (ESG) considerations are taken into account in the selection, non-selection, retention and realisation of investments

To clearly define the approach adopted by the Pension Committee to these issues, the Pension Committee approved a Statement of Responsible Investment Principle (SRIP) which is available in Appendix B. Within this statement it is recognised that environmental, social and corporate governance factors can influence long term investment performance and the ability to achieve long term sustainable returns.

The Fund's responsible investment (RI) principles are:

- a. We will apply **long-term thinking** to deliver **long-term sustainable returns**.
- b. We will seek **sustainable returns** from **well-governed assets**.
- c. We will use an **evidence-based** long term investment appraisal to inform **decision-making** in the implementation of RI principles and consider the costs of RI decisions consistent with our fiduciary duties.
- d. We will evaluate and manage **carbon exposure in order to mitigate risks to the Fund from climate change**.
- e. We will be **active stewards** of our assets to ensure **value to our beneficiaries**
- f. We will achieve ESG improvements through **collaborate engagement**
- g. We will be **transparent** in our RI reporting

The Committee takes RI matters very seriously with a designated policy which is reviewed annually. In addition the Fund conducts a review its investment managers' approach to RI and discusses a range of ESG issues at each manager review meeting.

ESG policies are reviewed before investments are made with a detailed set of ESG criteria for manager selection, to ensure the longevity of the investment portfolio. Managers are then assessed annually through carbon foot printing and an annual impact assessment where each manager is allocated an ESG score and a climate score with an action plan set out.

The Committee have made a number of sustainable investments as part of the Investment strategy which address environmental and societal challenges while generating competitive financial returns. These investments seek to generate return through climate opportunities. These include for example, energy efficiency companies, renewable energy projects, companies or products that improve access to basic life essentials, companies that reduce inequality and companies or products that mitigate the effects of climate change.

At the present time the Committee does not take into account non-financial factors when selecting, retaining, or realising its investments.

## The exercise of rights (including voting rights) attaching to investments

### Voting rights

The Pension Committee has delegated the exercise of voting rights to the investment manager(s) on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, the Fund's managers have produced written guidelines of their process and practice in this regard, which is considered as part of the appointment of an investment manager process. The managers are strongly encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies under Regulation 7(2)(f). The Fund's investment managers are also expected to file or co-file shareholder resolutions on important issues at the investee companies in the interests of agitating for better governance. For investments held through the ACCESS pool in a segregated sub-fund, investment managers are required to vote in line with the ACCESS pool voting guidelines, whereas where investments are in a pooled vehicle the Pension Fund accepts the investment manager will vote in line with its own policy. There is a requirement for the investment manager to explain the rationale for its decisions and ultimately the Pension Committee has the option to disinvest from the investment fund if it is dissatisfied with the manager's decisions and actions.

The Fund believes that Collaboration with other asset owners and Investment Managers is an effective way to help improve the effectiveness when exercising their rights and responsibilities on engagement with the invested companies; to this end the Fund are members of the LAPFF, IIGCC and the PRI. The Fund encourages all of its Investment Managers to be signed up to the PRI and IIGCC collaborations and to demonstrate effective stewardship through submissions of the UK Stewardship Code 2020.

As a member of the Local Authority Pension Fund Forum (LAPFF) the Fund send Investment managers voting alerts from LAPFF to take into consideration on their voting for the Fund and to either vote in line with the recommendations or explain why they have voted differently based on their specific research considerations. The Fund recognise that the research teams of the investment managers may have a different insight to the research team at LAPFF and they may not always agree on the best approach, so an explanation is expected in these cases.

The Fund produce and publish a voting and engagement report, quarterly, to demonstrate implementation of the Funds exercise of rights and engagement activities. The ACCESS pool collate and report the voting of all the managers within the pool and advise of any votes against the ACCESS voting guidelines. This information is then discussed as part of the investment performance report at each Joint Committee meeting.

### Stewardship

The Fund understands that stewardship aims to promote the long term success of companies in such a way that the ultimate providers of capital also prosper. The Pension Committee has formally agreed to adhere to the Stewardship Code as published by the Financial Reporting Council, and was approved as a signatory under 2020 Stewardship code requirements in February 2023. The Stewardship Code sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them. Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. A copy of the Funds Stewardship Report

can be found on the Funds website <https://www.eastsussexpensionfund.org/forms-and-publications/>  
The Fund seeks to retain status every year.

In addition to its own commitment to the Stewardship code the Fund expects its investment managers to also be signatories or comply with the Stewardship Code.

In addition to the Fund's views on the Stewardship Code, the Fund believes in collective engagement and is a member of the LAPFF, the UN Principles of Responsible Investment (PRI) and the Institutional Investors Group on Climate Change (IIGCC), to collectively exercise a voice across a number of ESG principles including climate change benefiting from the scale of investment compared to engaging alone. The Fund expects as a minimum, all its liquid investment managers to also be signatories of IIGCC and PRI.

The Fund expect Investment Managers to engage with investee companies on material ESG issues and discusses engagement issues with Investment Managers at each review meeting. Investment Manager engagement is reported in the Funds quarterly report alongside activities that the Fund has achieved through its collaborative groups or own action.

#### Investment Management Stewardship Code and collaborative engagement membership

Manager	PRI Signatory date	Stewardship Code 2020	IIGCC
Longview Global Equity	08/04/2010	Yes - 2021	Yes
Baillie Gifford - Paris Aligned Fund	26/06/2007	Yes - 2021	Yes
Wellington – Global Impact Fund	26/04/2012	Yes - 2021	Yes
WHEB - Sustainability Fund	31/05/2012	Yes - 2021	Yes
Storebrand – Global ESG Plus Fund	27/04/2006	Yes - 2022	Yes
UBS - Osmosis	22/04/2009	Yes - 2021 (both UBS and Osmosis)	Yes
M&G Absolute Return	11/01/2013	Yes - 2021	Yes
M&G Corporate Bonds	11/01/2013	Yes - 2021	Yes
Newton Absolute Return	13/02/2007	Yes - 2021	Yes
Ruffer Absolute Return	15/01/2016	Yes - 2021	Yes
Pantheon Infrastructure	05/10/2007	No	No
ATLAS Global Infrastructure Equity Fund	18/03/2019	No	Yes
Harbourvest – Private Equity	25/11/2013	No	No
Adams Street – Private Equity	29/10/2010	No	No
Schroders – Property	29/10/2007	Yes - 2021	Yes
M&G Infrastructure	11/01/2013	Yes - 2021	Yes

#### Appendices

Appendix A – Rebalancing Policy

Appendix B – Statement of Responsible Investment Principle.



# Rebalancing Policy

September 2025

## Introduction

This is the policy outlining the parameters and process for Rebalancing of the East Sussex Pension Fund (the Fund) investment portfolio in line with the Funds Investment Strategy Statement (ISS).

## Regulatory Basis

The ISS is made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (“the Regulations”) and prepared by the Pension Committee (“the Committee”) having taken advice from the Fund’s investment adviser.

The Committee seeks to invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund. This Re-Balancing policy will be used to ensure excess Fund money is invested in line with the ISS and that the investment portfolio continues to follow the Committee’s strategic asset allocation.

## Rebalancing

The Committee has set a strategic benchmark for the Fund that identifies three main classes of investment strategy, which the Committee considers has the appropriate risk and reward characteristics for the employers in the Fund. These high level strategic benchmarks are Growth, Income and Protection. These are then underpinned by a strategic asset allocation, for the asset classes the Fund invests in to gain diversification and manage the risk appropriately. The asset class targets are subsequently met by the appointments of individual managers who are set a portfolio to provide exposure to the asset classes in the strategic benchmark. The managers are expected to provide the market return (beta) for the asset classes in their mandates plus (for the actively managed mandates) additional returns from their active management (alpha) of the investments.

Over time the differential of relative performance between the asset classes and managers results in actual asset allocations (both at a strategic and portfolio level) which deviates from the agreed targets. Deviations from the targets result in tracking error, and a shift in the risk/return profile of the Fund which can have an impact on the Funding level as calculated by the Fund Actuary. Therefore, rebalancing is required to ensure that the appropriate risk is being taken by the Fund.

Rebalancing of asset weightings, entails portfolio transactions, so the benefit has to be weighed against the costs incurred, both in trading and indirectly in the market. Costs of rebalancing are broadly linear (selling twice as much of an asset will cost roughly twice as much). The net benefit of rebalancing is therefore the impact of tracking error less the costs of rebalancing. The exception to this is certain pooled funds where a dilution levy may be triggered if a seller is liquidating a significant holding in the Fund.

The trigger point for a rebalance should be when the benefits of the switch outweigh the costs involved.

The trigger determines when to rebalance, but not by how much. To rebalance all the way to the target allocation is not considered to be cost effective, as the costs of rebalancing all the way tend to outweigh the benefits. The Fund’s policy is therefore to rebalance to midpoint from the target allocation and the trigger point in graduated steps were possible.

## In normal market conditions

The key risk being run within a pension fund is the proportion invested between the growth, protection and income generating assets. Then to a lesser extent the mix of asset classes that makes up these strategic positions. The Fund’s rebalancing procedures will work on the basis that if a trigger

point is passed on the strategic positions, this will result in a rebalancing event to take place, following the rules set out below.

If a trigger point is reached by an asset class this will then trigger a rebalance, which may or may not be within the same strategic level looking to bring the most underweight position back in line. The rebalancing will take into consideration if this needs to be done on multiple asset classes to offer the best cost effective rebalancing is actioned.

This policy does not go into the lower level of detail in terms of which investment manager money will be moved from or provide triggers for these as this may cause too much unwanted movements that are not beneficial to the Fund.

### In periods of heightened market volatility

The rebalancing policy will be temporarily suspended or slowed if market conditions enter a period of heightened market volatility or other uncertainty as this could force the Fund to sell positions that it does not want to at a price that is not of benefit to the Funds members. That is to say that the cost benefit calculation that this policy is set on may not be valid in these situations and no rebalancing will take place until more certainty on the cost benefit can be derived.

In the situation where the market moves into an advantageous position which enables the Fund to invest outside the Investment Strategy Statement or this rebalancing policy. This would be where the Fund is able to lower the risk in the portfolio whilst maintaining the appropriate the return profile, the Chief Finance Officer will have the ability to invest 5% of the Fund outside the ISS and rebalancing policy.

### Liquidity

Rebalancing decisions will be made with due consideration of the liquidity of the underlying assets. In the case of illiquid assets the total commitment will be considered as part of the rebalancing calculation as these can take several years to manifest into actual investments. The uncalled commitments will often be held in a low volatility liquid asset classes in the interim and these funding arrangements will not be subject to rebalancing. Details of liquidity arrangements of the Funds' investments are held in a separate operational document.



## Rebalancing Ranges

The following ranges have been agreed by the Committee to set as points at which rebalancing should take place.

Strategic Area	Strategic target (%)	Range (%)
Growth	45.5	35.5 – 55.5
Income	47.5	37.5 – 57.5
Protection	7.0	4.0 – 11.0
<b>Total</b>	<b>100.0</b>	

Asset class	Liquid/Illiquid	Strategic target (%)	Range (%)
Listed Equities	Liquid	40.0	35.0 – 45.0
Private Equity	Illiquid	5.5	2.5 – 8.5
<b>Total Growth</b>		<b>45.5</b>	<b>35.5 – 55.5</b>

Asset class	Liquid/Illiquid	Strategic target (%)	Range (%)
Private Credit	Illiquid	5.0	3.0 – 7.0
Property / Real estate	Illiquid	7.0	5.0 – 9.0
Infrastructure	Illiquid	11.0	8.0 – 14.0
Other alternatives	Liquid	14.0	9.0 – 19.0
Credit	Liquid	10.5	7.0 - 12.0
<b>Total Income</b>		<b>47.5</b>	<b>37.5 – 57.5</b>

Asset class	Liquid/Illiquid	Strategic target (%)	Range (%)
UK Government bonds	Liquid	4.0	2.0 – 6.0
Cash	Liquid	0.0	0.0 – 2.0
<b>Total Protection</b>		<b>10.5</b>	<b>7.0 – 14.0</b>

## Principles of Rebalancing

The following principles will determine how the rebalancing process for the Fund will operate.

- **Rebalancing would be monitored on a quarterly basis via the investment monitoring report** - Authority to rebalance will be delegated to, and implemented by, Head of Pensions in liaison with the Investment Implementation Working Group. The Officers and advisers will consider transaction costs and current market conditions ahead of implementation.
- **Quarterly rebalancing will apply only to liquid assets** - Due to the transaction costs and illiquidity associated with the other investments such as property, infrastructure, private debt and private equity rebalancing for those asset classes will be considered on an annual/ad hoc basis;
- **Each benchmark allocation would have a weighted tolerance range** – A tolerance range will be defined for growth and matching assets and each underlying mandate; these tolerance ranges will be used in determining when rebalancing will be considered;
- **Cash holdings to be used for rebalancing** - Where possible any net investments or disinvestments should be used to manage allocations, for example, by investing any surplus cash into the most underweight asset class.
- **Rebalancing will occur at two levels; at the growth, income and protection level, and at the mandate level** – The rebalancing process will determine if rebalancing is required between growth, income and protection assets, and separately if rebalancing is required between asset classes. However, it is more important to be willing to incur transaction costs if necessary to rebalance between bonds and equities, for example, than switching between managers with similar mandates (e.g. active and passive global equities).
- **Rebalancing transactions will aim to rebalance allocations out with their tolerance ranges to the midpoint (at least) of the tolerance range** – The mid-point of the tolerance range is the mid-point between a benchmark allocation and its upper or lower tolerance limit. Assuming an asset class with a 40% allocation and a 35%-45% tolerance range, the upper mid-point would be the halfway point between 40-45% (i.e. 42.5%). The lower mid-point would be the halfway point between 35% and 40% (i.e. 37.5%). Historical analysis suggests that this is the best way of balancing the impact of transaction costs against returns.
- **Illiquid asset rebalancing** - The allocations to illiquid assets such as private equity and infrastructure will vary with general market movements and are not easily altered, due to the illiquid nature of the asset classes. Therefore, we will also consider commitments made and cashflows to drive any rebalancing being carried out in relation to the Fund's illiquid investments. Due to the nature of illiquid assets with timeliness of access to the market and long commitment call down periods, the illiquid assets will often be adrift of the strategic asset allocation while money is awaiting to be called by the investment managers, so these allocations will often be held in a low volatility liquid asset classes in the interim.
- **The long-term strategic target allocation implementation** – where a long-term strategic target allocation has been agreed but not yet fully implemented we will not look to rebalance any current asset class allocation that is in breach of the defined tolerance ranges if the breach is in the desired direction of travel of the Fund's long-term target allocation. This will avoid unnecessary transaction costs.
- **5% allowance to the Chief Finance Officer** – With advice provided by the Investment Implementation Working Group the Chief Finance Officer has the delegation to invest 5% of the Fund outside of the ISS, implementation plan and rebalancing policy. Any investment made through this delegation will be reported to the Committee at the next available opportunity. This will also trigger a review of the investment strategy of the Fund.
- Beyond this rebalancing policy and in line with the Council Constitution the Chief Finance officer has the delegated authority to take action or decide any other Pension Fund related matter

on behalf of the Administering Authority in special or emergency situations, in consultation with the Chair of the Pension Committee, including but not limited to where delay in the purchase or sale of investments might be detrimental to the interests of the East Sussex Pension Fund.



# Statement of Responsible Investment Principles

September 2025

## Introduction

At East Sussex Pension Fund (**ESPF, the Fund**), we believe that Responsible Investment (**RI**) supports the purpose of the Local Government Pension Scheme (**LGPS**) to provide retirement income for individuals. We believe that RI can reduce the risk associated with the invested assets that the Fund owns to allow it to pay pensions when they are due. Responsible investment is therefore a significant factor driving returns alongside other investment considerations.

This Statement of Responsible Investment Principles (**SRIP**) complements ESPF's Investment Strategy Statement (**ISS**). The SRIP explains the Funds approach to the oversight and monitoring of the Fund's investment activities from an RI and Stewardship perspective.

## What is 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.

While acknowledging the potential benefits of incorporating ESG factors into the investment process, the Fund recognises that there are many different approaches, there is no universally agreed standard of ESG measurement or assessment, and some methodologies may enhance returns while others may not. There may also be inherent conflicts between the Environmental, Social and Governance factors forming the ESG framework.

As a consequence, while acknowledging the opportunities for ESG factors to reduce risk and provide opportunity, careful attention is required in manager or index selection to methodologies which incorporate both qualitative, quantitative and forward-looking approaches.

RI is not the same as Ethical Investment. Ethical Investment is an approach determined by an investor's specific views, usually based on a set of personal values. These values can take precedence over financial considerations of an individual. The power to invest the assets of the Fund must be made for the investment purpose of ensuring that benefits can be paid to members and their contingent beneficiaries when due, as a result the Fund will identify and mitigate material financial risk when making decisions and not based on personal or political values. Instead of being considered as either an "Ethical" or an "Unethical" investor, the Fund will be a responsible steward of capital. At ESPF, we are guided in our roles as quasi-trustees, executive officers and investment managers by the legal principle of fiduciary duty.

The Pension Committee (**the Committee**), comprising five East Sussex County Council councillors, is the decision-making body of the Fund and is responsible for Fund oversight and policy setting. In carrying out its obligations, this group of quasi-trustees must take into consideration the views of its main stakeholders, members and employers.

As a global long-term investor, ESPF recognises that climate change presents significant long-term risks to the value and security of pension scheme investments and capital markets more broadly. As a result, the Fund recognises climate risk to be a significant financial risk and addresses climate risk separately to wider ESG factors.

## About this document

East Sussex Pension Fund's Statement of Responsible Investment Principle was approved by the Fund's Pension Committee in September 2023. It will be reviewed and updated at least every three years.

The objectives of this Statement of Responsible Investment Principles are to:

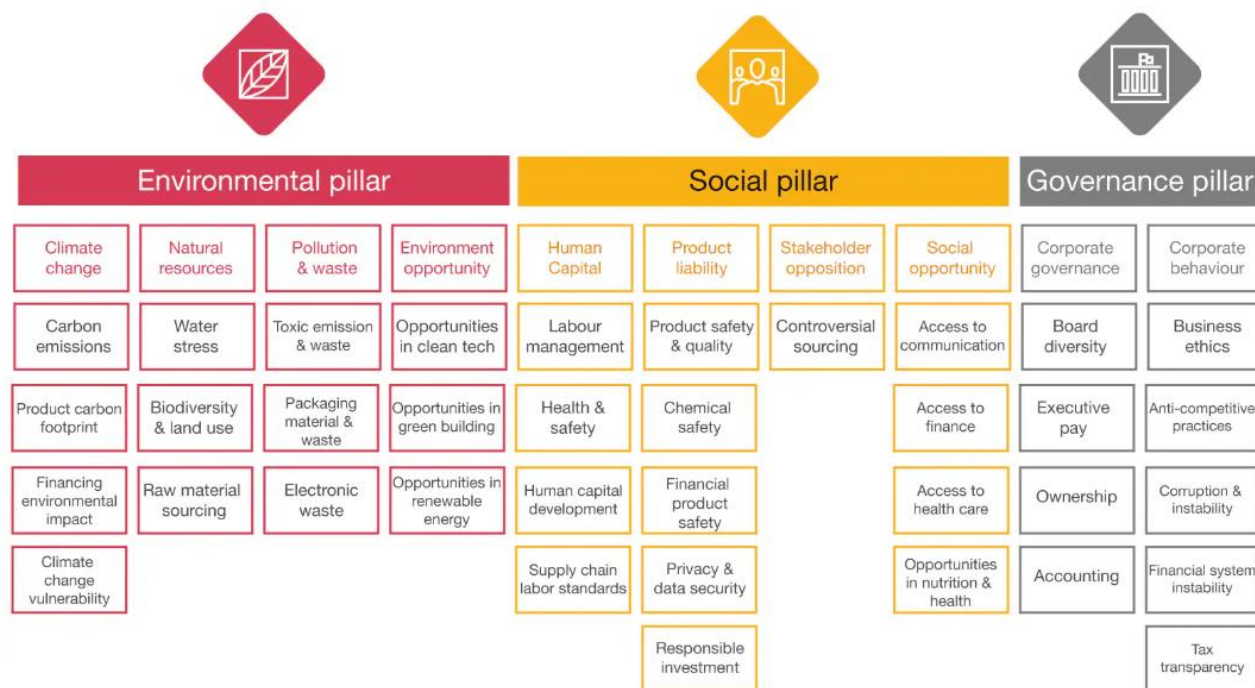
- reduce the likelihood that ESG factors, including climate risk, will negatively impact asset values and returns;
- set out a framework to inform stakeholders on the action ESPF is taking to address and manage ESG and climate risks.

The Fund will report on its progress against the principles in our Annual Report against the Taskforce on Climate Related Financial Disclosures framework.



## Pillars of ESG

Sustainability is about creating long-term value by implementing strategies that incorporate environmental, social and governance (ESG) factors as well as financial factors. ESG is wider than just environmental issues which are often a key focus, sustainability requires the social and governance factors to also be considered. ESG reporting requires disclosure of information, data and metrics to represent the long term added value across the three pillars.



Source: [www.pwc.com/mt/en/publications/sustainability/esg-what-is-it-all-about.html](http://www.pwc.com/mt/en/publications/sustainability/esg-what-is-it-all-about.html)

## 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.

## ESG Themes

### Climate Change

As an LGPS Fund we are long-term investors with liabilities reaching beyond the year 2100. The objective of the Fund is to meet the current and future pension benefits of our members now and when they fall due. The Committee believe that, over the expected lifetime of the Fund, climate change presents both risks and opportunities with the potential to be financially material to the performance of the investment portfolio; recent trends in climate indicate an increasing physical risk to some assets and geographical regions. As such, we consider climate change issues across the Fund and specifically in areas such as Strategic Asset Allocation, Investment Strategy, Investment Manager Selection and Risk Management with the aim of minimising adverse financial impacts and maximising the opportunities for long-term economic returns on our assets.

Climate change risks and opportunities are a primary focus of the Fund's investment strategy with strategic asset allocations to sustainable impact funds and funds with alignment to the Paris Agreement. The Fund engages with Investment Managers on holdings where there are high emissions or climate physical or transition risks to ensure there is a robust rationale for investment and an understanding of transition plans of the investee company and where relevant a clear engagement plan. The Fund expects investment managers to have clear escalation strategies in place for stewardship of the Fund's assets.

### Human Rights

As a responsible institutional investor, the Fund uses its influence to encourage the promotion and protection of human rights around the world. This is achieved through regular direct engagement with a variety of stakeholders including policy makers, investment managers, and investee companies to ensure that corporate practices are in line with the Fund's human rights commitments.

The Fund remains diligent in its responsibility to ensure effective oversight and governance surrounding human rights in all companies in which it invests. With a view towards ending practices such as forced labour and human trafficking, ESPF pushes for supply chain transparency across its investment portfolio. By directly engaging with companies and investment managers, the Fund aims to drive the improvement of corporate human rights practices around the world.



As detailed in the Fund's Stewardship Report, human rights stewardship is directly integrated into our investment strategies. To this end, ESPF continually assesses and reports on its underlying exposure to companies with human rights concerns. An example of this can be found in the Fund's Statement on Israel and the Occupied Territories, which annually reviews the human rights situation in the Occupied Palestinian Territories in relation to our investment strategies.

## Biodiversity

Amid the ongoing climate crisis, the Fund recognises the strong interlinkages between climate change and biodiversity. As such, ESPF considers it a priority to enhance biodiversity and contribute towards the regeneration of wildlife habitats. With nearly a third of all monitored species currently under threat of extinction due to human pressures, the importance of biodiversity regeneration is unmistakable.

Engagement on the topic of biodiversity is a vital tool in the Fund's broader strategy to combat environmental risks. Through direct engagement with investment managers, the Fund has started to see increasing focus of biodiversity strategies within the investment managers approaches and in its investee companies. Additionally, the Fund carefully considers sustainability practices (including strategies for biodiversity regeneration) in its manager selection processes.

The Fund remains steadfast in its commitment to tackle the loss of biodiversity and considers this to be a priority in the focus of environmental issues. As a member of IIGCC, the Fund will utilise the work of nature action 100 and will adopt the framework from the Taskforce for Nature related Financial Disclosures (TNFD) when it is able.

## Corporate Governance

As one of the key pillars of ESG, the Fund is committed to the promotion of good corporate governance practices across its portfolio. These practices include (but are not limited to) board diversity, fair pay, tax transparency, corruption, money laundering and business ethics.

ESPF views good corporate governance as the root of responsible investment. The Fund incorporates these beliefs into its broader investment approach, making use of voting, shareholder resolutions, corporate engagement, and manager monitoring to ensure good governance practices are being implemented across its portfolio.

Through its investment managers, the Fund encourages and facilitates investee companies to meet targets in areas such as gender representation, diverse recruitment, and financial transparency. Additionally, the Fund encourages its investee companies to improve their reporting standards on governance strategies.

ESPF continually reviews the corporate governance practices of its investee companies to ensure compliance with our core values of good governance.

## Sustainable Production and Consumption

With climate concerns being at the forefront of the Fund's responsible investment strategy, ESPF is devoted to encouraging practices of sustainable production and consumption across its portfolio. At its core, this entails the prevention of pollution, reduction of waste, and the promotion of a circular economy.

To provide a comprehensive approach to the various sustainability challenges that the earth faces, the Fund heavily invests in climate impact funds which aim to encourage sustainable methods of production and consumption. In line with these priorities, the Fund is invested in critical infrastructure to support the shift to sustainable production and consumption such as water recycling centres and renewable energy solutions.

Through direct and collective engagement through the Local Authority Pension Fund Forum (LAPFF), the Fund encourages investee companies to implement sustainable business practices in their operations. ESPF remains committed to tackling climate risk in all forms, which includes the promotion of sustainable production and consumption practices.

## Obligations of the Pension Committee and duty to our members

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.

To ensure the Pension Committee can do this, the Fund recognises that ESG issues can positively and negatively impact on financial performance. In addition, the Fund recognise that climate risk is a financial risk and support the view that limiting global warming to 1.5 degree could help curb the catastrophic impacts to the financial standing of the Fund and our members wellbeing of climate change. The Fund want its members to be proud that it has a focus on climate change and the actions it has, and will continue to take, to work towards a better future.

The Fund will aim to understand the evidence in light of research and policy developments to inform the investment approach applying long-term thinking to integrate ESG, including climate risk and opportunities, into investment decision making.

## ESPF and the ACCESS pool

The Fund is a participating scheme Fund in the ACCESS LGPS Pool alongside 10 other partner Funds. Individually and collectively the Councils that make up the ACCESS pool believe that investments made on behalf of scheme members should be sustainable in the short, medium and long-term through the fundamental identification and integration of ESG factors into the investment selection, monitoring and deselection process. The ACCESS pool has published a set of RI guidelines for the pool to follow and implement reporting at the pool level.



While ESPF and the other ACCESS Councils 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, the 11 Funds collectively recognise that RI considerations increasingly reflect real financial risks, and so these factors should also be embedded in the investment decision-making process.

There are four levels where the ACCESS pool will consider how RI issues can be addressed both through the pool and individually -

- Investment level Integration: Incorporating ESG & RI issues into the everyday individual investment selection, monitoring and engagement processes.
- Manager level Expectations: Setting explicit expectations at the investment manager mandate level.
- Council level Policy: Setting an overarching policy, generated from core investment beliefs, which shapes the direction of travel.
- Pool level Guidelines: Incorporating the common policies and beliefs of the Councils to create a set of Guidelines summarising the Pool's approach.

ESPF remains responsible for deciding which asset classes it wants to invest in and the size of the allocation. This is set out in the Investment Strategy Statement (ISS). The ACCESS pool, invest our money in line with our strategy by selecting Investment Managers to implement the risk and return criteria of the Fund's investment strategies. Where investment options to implement the ISS, are not on the ACCESS pool platform, ESPF will work with the pool to provide investable products that meet the Funds ISS requirements.

ESPF will work with the pool to drive improvements in the stewardship activities of the pool, aim for a best in class voting policy and ensure the pool can support the underlying Funds in their reporting requirements, through participation in the ESG working group, decision making through the ACCESS Joint Committee representation and other opportunities within the pool that arise.

## Integrating RI into Strategy Implementation

At ESPF we are committed to acting as responsible investors and fully integrating our approach to ESG, including climate risk, into investment processes.

The Fund's approach is to invest in companies that have a high and sustainable return on investment. The Fund does not exclude sectors from its investible universe based on their participation in certain industries, instead the emphasis is on assessing the sustainability and financial risk of a holding.

Fully integrating ESG into the Fund's investment process means that the Pension Committee, is in possession of all the facts to determine how ESG impacts the investment case, including valuation and is in a position to engage with the investment managers.

ESPF will review annually all strategy mandates and managers against climate metrics (e.g. impact on portfolio, manager compliance, exposure to certain sectors). For all new mandates we will consider climate-related risks and objectives explicitly as part of the selection criteria.

The Fund is committed to carrying out engagement with Investment Managers on specific issues and risks identified by the climate related data and engagement priorities.

The Fund will consider options for scenario analysis and how this will provide an enhanced understanding of portfolio risk to integrate into investment decision making. All decision making, and investment monitoring, considers climate related risk and opportunities. We will develop regular reporting of ESG and CR metrics to inform decision making and help assess and monitor progress towards our RI objectives.

## Principles for Responsible Investment Approach

The Fund is a signatory to the United Nations Principles for Responsible Investment (**PRI**), an organisation which supports and enables asset owners and asset managers to work collaboratively towards RI best practice.

As a signatory, ESPF has committed to implement the six principles with the aspiration of contributing to the development of a more sustainable global financial system. We outline the ESPF approach to the six principles.

### Principle 1 - We will incorporate ESG issues into investment analysis and decision-making processes.

The implementation of ESPF's investment strategy is delegated by the Pension Committee to officers and external investment managers (IMs) to invest the Fund's assets. How ESG factors are incorporated into investment analysis and decision-making processes varies according to the asset category and manager. All investments are externally managed through pooled vehicles, either directly with the Investment Manager or through the LGPS ACCESS pool. Investment Managers are expected to report to the Taskforce for Climate related Financial Disclosures (TCFD) framework and support the Funds production of its climate reporting.

As part of the governance arrangements with the IM's, where the manager carries out scenario analysis, the Fund will ask for details of the scenarios as well as the output of the analysis in relation to the Fund's portfolio. Where portfolio-level analysis is not available, the Fund will ask for the results of any other analysis that the asset manager is using to identify and assess climate-related risks in relation to the portfolio, such as carbon footprint data. The Fund will ask what the asset managers are doing differently as a result of the analysis, to mitigate the risks. Where no scenario analysis is taking place, the Fund will ask about asset managers' plans for adopting scenario analysis and encourage faster action if this is not ambitious enough.

The Fund gains its exposure to equity markets by recourse to a combination of Active managers and Passive index funds. The holdings of Active Managers are by their nature transitory and subject to continual change through the manager's stock selection process. Managers of passive index funds replicate an index and so have a longer run exposure to companies and sectors over which limited due diligence is performed. The choice of passive index is therefore an important deliberation. Where possible, the Fund seeks to acquire exposure to indices that are tilted in favour of companies that benefit from greener revenues, are less carbon intensive, and are better positioned than their peers to adapt to the Energy Transition. In some markets this option is not possible.

The ESPF have the following categories of asset managers:

**Active Equity managers (pooled funds):** As a part of the appointment process, we ensure that Managers demonstrate that they incorporate ESG filters into their investment analysis and asset acquisition processes. We monitor the managers' performance on a quarterly basis alongside all other investment matters, and review the PRI transparency reports of

external managers, where available. Managers are encouraged to join PRI, IIGCC and Climate Action 100+ as signatories, where they are not already members.

**Passive Index Funds with ESG tilts:** Passive indices offer a low-cost complement to Active Managers. We select Passive indices based on the index's ability to reduce exposure to climate risks and to capture opportunities for investment in companies that are forward looking, generating green revenues, and better aligned to navigating the Energy Transition.

**Corporate Credit managers:** during the appointment process, we assess the approach of managers to incorporating ESG issues into their investment analysis and decision-making processes. We monitor the managers' implementation of the approach on a quarterly basis alongside all other investment matters, and review the PRI transparency reports of external managers, where available. It is our ambition to appoint managers who devote greater focus in providing finance to companies or projects that are more compatible with the aims of the Paris Agreement.

**Property managers:** The capacity for Managers to incorporate ESG factors into the investment process alongside other key investment criteria will be required, monitored, and regularly reviewed. Managers will be encouraged to adopt PRI Transparency and GRESB reporting and take an active approach in assessing physical climate risks to the portfolio assets, retrofitting costs and biodiversity challenges of the sector.

**Real Asset management (infrastructure) managers:** during the appointment process, we assess the approach of managers to incorporating ESG issues into their investment analysis and decision-making processes. We monitor the managers' implementation of the approach on a quarterly basis alongside all other investment matters, and review PRI transparency and GRESB reports of external managers, where available. The Fund expects its infrastructure managers to ensure all investment assets are future proofed from a climate change perspective with assessment of physical climate risk and decarbonisation of existing infrastructure assets.

**Principle 2 - We will be active owners and incorporate ESG issues into our ownership policies and practices.**

The Fund implements this principle through a range of activities –

**Voting:** The Fund's asset managers vote on resolutions at the Annual General Meetings (AGM) and Extraordinary General Meetings (EGM) of the Fund's equity holdings.

**Shareholder resolutions:** The Fund's asset managers also file or co-file shareholder resolutions on important issues at the Fund's investee companies in the interests of agitating for better governance.

**Stock lending:** ESPF does not participate in direct stock lending but may invest in investment funds which use stock-lending.

**Corporate engagement:** The Fund's managers engage with our investee companies on material ESG issues. The Fund are members of the LAPFF, IIGCC and PRI.

**Government engagement:** we engage with government through responding to government consultations and aim to influence policy makers through the Funds collaborative engagement groups initiatives.

**Manager monitoring:** we actively and regularly monitor the approach of our investment managers to ESG issues including escalation strategies, and what portfolio activity has occurred as a result of managing ESG risks. In addition, the Fund considers its ESG impact assessment report annually and propose initiatives or actions for managers to consider as enhancements to their ESG practices.

**Principle 3 - We will seek appropriate disclosure on ESG issues by the entities in which we invest.**

As an indirect investor, investing into pooled investment vehicles through the ACCESS pool or directly with Investment managers it will approach this principle through its relationship with the Investment managers. The approach we take on disclosure at the company and manager level is -

**Investee companies:** through our investment managers we encourage the companies, whose shares the Fund owns, to report on relevant ESG metrics. These include the reporting of greenhouse gas emissions in line with the recommendations of TCFD. Company weighting in the Resource Efficient passive index will be skewed to those companies who do report ESG information.

**Investment Managers:** we encourage the Fund's investment managers to provide transparency by reporting relevant and accessible ESG-related information. This includes their commitments to and alignment with the UK Stewardship Code, TCFD, PRI and GRESB, where appropriate.

**Principle 4 - We will promote acceptance and implementation of the Principles within the investment industry.**

The Fund aims to be transparent about being a signatory to the PRI and about how we implement the Principles. The Pension Committee monitors its carbon footprint and energy transition at portfolio level and asset manager level. ESPF also review asset manager voting and engagement on a quarterly basis. The quarterly reports on voting and engagement activity are published on the Fund's website to demonstrate implementation of the Principles and to promote them.

**Investment Managers:** we endorse the PRI Principles to our managers and encourage them to become full signatories to PRI. Where this is not possible, we encourage our managers to use the six principles to guide their RI approach.

**Partnership with PRI:** we partner with PRI to promote the universal use of the principles, and work with PRI during any consultations to improve the effectiveness of the principles and further improve RI adherence across the industry.

## Principle 5 - We will work together to enhance our effectiveness in implementing the Principles.

The Fund are committed to working collaboratively to increase the reach, efficiency and effectiveness of RI. We work with a host of like-minded partner funds, service providers and related organisations striving to attain best practice in the industry and to improve industry standards. A list of the collaborative groups we work with are included later in this document.

## Principle 6 - We will each report on our activities and progress towards implementing the Principles.

The Fund have committed to reporting through several routes including –

**PRI Assessment:** we will provide extensive details of our investment activities annually to the PRI for its independent assessment of our approach to RI.

**PRI Reports:** we will publish our PRI transparency report annually on our website and publish our PRI assessment results on our website and in our annual report.

**TCFD:** we are committed to report annually in accordance with Taskforce for Climate-related Financial Disclosures (TCFD) recommendations.

**Stewardship Code:** we are a signatory to the FRC Stewardship Code, and we are committed to reporting and retaining this status annually.

## Engagement

The Fund scrutinises governance at every stage of the investment process and aims to influence governance through voting and engagement. This is an integral part of what makes a business sustainable, successful and a suitable investment target.

The Fund carry out engagement through its investment managers where Fund officers provide challenge to manager decisions, engagement actions and policy. The Investment Manager carries out the direct engagement investee companies. Where material risks remain following engagement activity, managers retain the ability to divest, since the failure to engage destroys value in the longer term. The issue of engagement is a vital aspect of ownership. In addition, the Fund engages through its collaborative partnerships including LAPFF who carry out direct engagement with the underlying companies across the LGPS investment portfolios.

The Fund entrusts its assets to investment managers whose duty it is to represent the Fund's interest. Representing the Fund's interests, as owners, through engagement increases knowledge and understanding of the company and leads to more accurate assessment of the firm's risks and opportunities and therefore the valuation assumption. Engagement through voting can effect corporate change and improve businesses to derive a broader social benefit.



The Fund are committed to review the weakest mandates based on the carbon data, metrics and analysis and determine what action will be taken in engagement with investment managers.

The engagement priorities for the Fund are -

#### Environmental

1. Climate change –emission reporting and reduction, sector transition pathways and investment in renewable energy and technical solutions
2. Enhancing biodiversity, regeneration and protection of forests and conservation of oceans and marine resources
3. Sustainable consumption and production. Preventing pollution and waste including plastic waste and promoting circular economy
4. Agriculture, food security and Food Waste

#### Social

1. Human rights including forced labour, companies operating in conflict zones and destruction to communities
2. Promoting gender equality and social inclusion
3. Inclusive and equitable education
4. Water security and access to sanitation
5. Eradicate poverty and hunger

#### Governance

1. Executive pay or dividend linked to sustainable and growth performance
2. Business / Company leadership with experts on boards
3. Company board focus on providing products, goods or a service through effective and sustainable corporate governance
4. Diversity of boards, workforce and policies
5. Anti-bribery and corruption

## Escalation

The Fund expects Investment Managers to disclose their policies and procedures for escalation in their own Stewardship Code reporting. We expect Investment Managers to conduct robust and continual research on underlying holdings; engage with the company's management team; collaborate with other institutional shareholders; vote at AGM's; file shareholder resolutions; or partially/entirely disinvest from holdings where there is financial risk. The Investment Manager will seek to add value to their clients through improved company share performance following such escalation. Engagement and divestment can work together as part of escalation. Engagement is a long process however the Fund expects managers to have time limits on when engagement is not working or the ability to acknowledge when Boards of companies are not interested in engaging with investors.

Escalation activities in the Fund are also approached through voting alerts from LAPFF to Investment Managers on how to vote for shareholder resolutions, and managers removing companies as they no longer meet the expected standard for investment. These activities ensure the Fund is not holding assets where there is a material financial risk of future failure, reputational damage or other penalties a company may incur.

Where the Fund believes an Investment Manager to be holding assets bearing financial risk to the Fund and outside of the Fund's long term Investment Beliefs and Investment Strategy, the Fund will take the following escalating actions:

- Communicate with the Manager and ask them to explain the position of the holding in the portfolio.
- Request information on any engagement or escalation activity undertaken, engagement outcomes, transition plan analysis and an assessment of financial risk.
- Pension Committee will write to the Manager to outline its concerns. This may be followed up with a meeting with the Manager and Pension Committee.
- Engage with its Investment Consultant and Independent adviser to understand financial risks for continuing investment with a view on risk and return of the Investment methodology and approach.
- Managers' activities will be considered in light of the Investment Management Agreement (IMA) where relevant, Subscription documents and due diligence or Prospectus if invested by the ACCESS Pool, and manager section paperwork.
- Engage with other invested pool members and pool operator if investment is via the ACCESS pool to understand wider concerns and risk.

## View on Voting rights

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

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

The Fund carry out meetings with investment managers in addition to the ongoing review and engagement that the investment consultant carries out for the Fund to ensure the Investment 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.

For investments held through the ACCESS pool in a segregated sub-fund the expectation is that investment managers will vote in line with the pool's RI policy, whereas, where investments are in a pooled vehicle the Pension Fund accepts the investment manager will vote in line with its own policy. Under both approaches the Fund requires for the investment manager to explain the rationale for its decisions.

As a member of LAPFF the Fund share voting alerts from the research team of LAPFF to ask Investment Manager to consider the view and recommendations in their voting on behalf of the Fund. Where IM's vote differently to the LAPFF recommendations the Fund ask for explanations and basis of the voting decision.

## Collaboration

We work individually, and with our collaborative partners, to drive for openness and transparency on climate related issues affecting our investments.

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 including



<https://www.unpri.org/>

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



<https://www.iigcc.org>

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



[lapfforum.org](http://lapfforum.org) [LAPFF | The leading voice for local authority pension funds across the UK](http://lapfforum.org)

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



[Home | Pensions For Purpose](#)

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



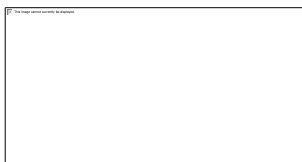
The Financial reporting council sets UK Accounting, Audit and Actuarial standards. The Fund is a signatory to the FRC's Stewardship code, pledging to manage capital in a way that creates long term value and leads to sustainable benefits for the economy, the environment and society.



[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.



We are a member of the UK Sustainable Investment and Finance Association (UKSIF) - the leading membership organisation for sustainable and responsible finance in the UK.

## Climate Change Commitments and Reporting

ESPF recognises the importance of the Paris Agreement of the United Nations Framework Convention on Climate Change. The central aim of the agreement is to strengthen the response to the global threat of climate change by:

- keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius;
- strengthening the ability of countries to deal with the impacts of climate change through appropriate financial flows, a new technology framework and an enhanced capacity building framework;
- enhancing transparency of action and support through a more robust transparency framework.

ESPF understands that the Paris Agreement is creating change that represents both significant risks to, and opportunities for, the Fund.

As such we make the following commitments to climate monitoring and action:

- To continue to measure and report on carbon-equivalent emissions throughout the listed portfolios and illiquid asset classes where possible.
- To continue our work with IIGCC and Climate Action 100+ indirectly via our IIGCC membership and Investment Managers.
- To continue to research and support the deployment of new impact capital into projects set to benefit from the transition to a low carbon economy.
- To assess the carbon intensity of all assets (using estimates if necessary) supported by external managers and GPs.
- Using data from the Transition Pathway Initiative (TPI) to help assess company transition plans to engage with our Investment Managers and alongside our collaborative partners to encourage companies to adopt business models and strategies that are in line with the aims of the Paris agreements.
- Climate reporting in line with 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 a signatory to the FRC Stewardship Code and commits to annually publishing its Stewardship Report to maintain its signatory status. The Stewardship Report monitors the stewardship activities and outcomes of the Fund's management of its investment portfolio and active ownership of the Fund assets. This includes reporting on RI issues and specific climate-related risks and opportunities.

The Pension Committee:

- affirms the Fund's commitment to integrate ESG factors, such as carbon efficiency trends into its decision-making.
- delegates scrutiny and engagement with investment managers to Fund officers, with advice from the Investment Working Group, to ensure that they take ESG issues, including climate change and carbon risk, into account;
- affirms the Fund's policy of not divesting solely on the grounds of non-financial factors;
- notes that the Fund will monitor research on the link between climate risk and financial performance to inform future investment strategy, such as stock selection criteria for quantitative strategies;
- agrees that the Fund will use its shareholdings in companies that perform poorly on carbon efficiency measures to influence engagement activity.

## Data Metrics and Targets

The Fund subscribe to data services and analytical tools, including company and industry specific data, to help understand and manage the climate risk within the Fund. The Fund commit to an assessment of all existing mandates against quantitative risk metrics based on carbon footprinting reports annually.

The Fund have committed to select at least one absolute Green House Gas (GHG) emission metric and as far as able, report Scope 1, 2 and 3 GHG emissions, one emissions intensity metric, if able, this will be the carbon footprint, a Data Quality metric, reporting the proportion the value of its assets for which its total reported emissions were Verified, Reported, Estimated or Unavailable and one non-emissions metric, if able, this will Paris Alignment Metric, reporting the percentage of the value of their assets for which there is a public net zero commitment by 2050 or sooner against which to assess Fund assets on climate related risks and opportunities. At least annually, we will set one target to manage climate related risk with respect to the chosen metrics and measure performance against this target.

We note that carbon-equivalent foot printing produces simple metrics that can be misinterpreted. It encourages selective divestment of the shares of high emission companies as some investors 'greenwash' their portfolios. Rather than divesting, we encourage our managers to incorporate an analysis of carbon output into their risk assessment of individual companies and their stocks. In addition, we actively engage with companies to align their business strategies with the targets of the Paris Agreement. Where analysis of carbon risk (or any other risk) points to poor financial outcomes, divestment is, of course, an option.

## Energy Transition

The Fund recognises that an Energy Transition is under way. It seeks to balance the reality that the transformation of the global energy sector from fossil fuel-based systems to a system of energy from renewable sources is underway, with the understanding this will take time and that the world's energy demand will continue to grow. Where viable opportunities arise, the Fund will seek to increase its exposure to renewable infrastructure assets. Where the Fund's investment managers hold exposures to fossil fuel assets, it expects its managers through escalating engagement to elicit transition plans from those companies such that their engineering expertise, cashflows, and capital convening powers are increasingly deployed in support of the energy transition.

The Fund is aware that there are a range of possible transition scenarios, evolving physical climate related risks and potential opportunities. There are also many uncertainties. This makes portfolio construction around such scenarios very challenging. Instead, the Fund seeks to broadly align its investment approach with the objectives of IIGCC and Climate Action 100+ initiatives.

## Training and Resources

The work on Responsible Investment and climate change is led at Pension Committee level as decision makers in setting ambitious aims and targets. Addressing the financial risks from

climate change is a constant in our approach and in all Pension Committee meetings and is included in the Funds risk register that is considered at each committee meeting. Responsible Investment implementation and reporting responsibilities sit within the Investments Team with full oversight by the Head of Pensions.

Pension Committee and Pension Board are committed to undertake a comprehensive CPD programme on RI issues and climate change-related risks and opportunities to ensure decision makers and those implementing decisions are knowledgeable in ESG matters including climate change. A training plan is in place for the Fund and reported on annually. Once a year a specific climate change training session will be provided; Committee Members and Officers will be provided with access to a range of training, webinars and conferences throughout the year, as set out in monthly training communications from the training coordinator.

The Pension Committee consistently challenge advisers and officers on issues of climate change to ensure that due process and attention is given to this issue by the Fund. Officers ensure that ESG methodology and implementation is challenges at all Investment manager meetings.

Budget is allocated for RI consultancy and data services annually. Where possible these will be procured through the LGPS Stewardship framework.

## Conflicts of Interest

The Fund has a Conflicts of Interest Policy that sets out how we manage conflicts of interest in our day-to-day business. The Policy is applicable to Committee Members, Board Members, Fund Officers and suppliers and advisers to the Fund, setting out the necessary principles to manage and mitigate key risks and safeguard the Fund. A copy of the Conflicts of Interest policy is available on the Fund website. All Fund officers undertake regular training, conflicts of interest forms a core part of the annual corporate training requirements. The Fund recognises the importance of managing potential conflicts of interest. Declaration of conflict of interests is a standing agenda item at the start of all Pension Committee meetings. A public register of Pension Committee members' declaration of interests is also maintained and audited annually. We also record any outside business interests that officers may have, and where these may cause of conflict with business decision making these are monitored closely.

With respect to Stewardship, it is possible that actual or perceived conflicts of interest may arise through the normal course of business in relation to the execution of our Stewardship activity. The more we engage with managers and investee companies, vote at AGMs, vote on shareholder resolutions and engage or communicate with policy makers and governments in jurisdictions within which we invest, the greater the potential for conflicts of interest or the perception of them to arise. These conflicts relate to potential tensions between our fiduciary duties as asset owners on behalf of our members, our role as a public sector pensions service provider, the responsibility of East Sussex County Council as Administering authority and individual political or personal views of the Pension Committee members or officer team.

As laid out in the obligations of the Pension Committee section above, the Fund's primary responsibility is to act in the interests of its beneficiaries, who are the members of the scheme on whose behalf we invest their pension contributions. As a Stewardship Code signatory, the Fund are aligned and report against the 12 stewardship principles with the aim to enhance the quality of engagement between investors and companies to help improve long-term risk-adjusted returns to shareholders.

The day-to-day delivery of the voting and engagement activity is delegated to the Investment Managers. Where the investment is made through the ACCESS pool the Investment Managers will follow the ACCESS voting guidelines.

From time to time the Fund responds to consultations from the UK government and UK regulators in relation to corporate governance and stewardship activity. This is part of the Fund's active stewardship priorities in supporting the efficient functioning of markets and promoting higher standards of corporate governance, reporting and transparency. Engagements and representations will be in line with Fund policies and major consultation responses will be approved at the Committee level.

The Fund will only partake in open letters to governments where these are researched and lead by the Fund's collaborative partners where there is no political bias or conflict from the wider political pressure on the County Council as Administering Authority.

There will be instances where the interests of the Fund's scheme employers, scheme members and wider County Council beliefs will diverge, in these instances when exercising our stewardship responsibilities only the interests the Fund's beneficiaries will be taken into account in line with the Fund's fiduciary duties and under advice from its consultants or advisers.



## East Sussex Pension Fund - Aggregate

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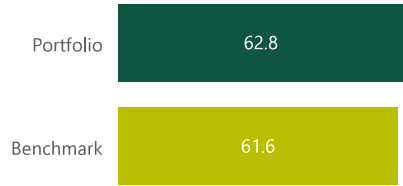
# Investment Risk & Analytical Services

ESG Insights: Climate Focus

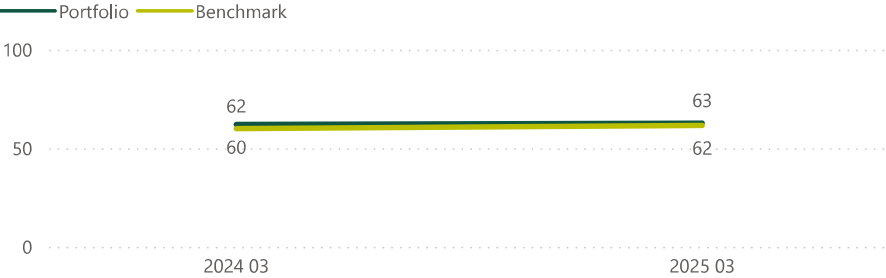
March 31, 2025

# CARBON METRICS SUMMARY

## CARBON RISK RATING



## CARBON RISK RATING



## DATA QUALITY

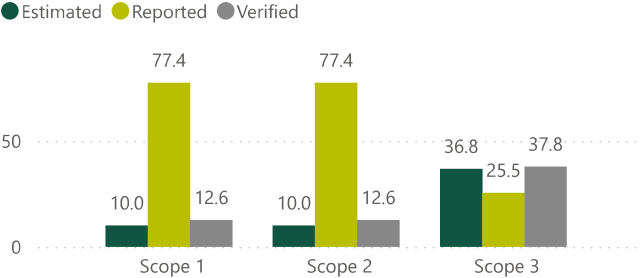


Chart values are shown in percentage (%) format  
Percentages may not total 100 due to rounding

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## CARBON EMISSIONS

	Coverage %		Total Carbon Emissions (tCO2e)				
	Number	Weight	Scope 1	Scope 2	Scope 3	Scope 1+2	Scope 1+2+3
Portfolio	86.1	97.1	53,539.0	14,315.8	745,687.5	67,854.8	813,542.3
Benchmark	99.8	100.0	147,777.9	29,207.6	2,085,483.6	176,985.6	2,262,469.2

Coverage %		Carbon Footprint (tCO2e) / GBP Invested				
Number	Weight	Scope 1	Scope 2	Scope 3	Scope 1+2	Scope 1+2+3
86.1	97.1	22.4	6.0	311.4	28.3	339.7
99.8	100.0	61.7	12.2	870.9	73.9	944.8

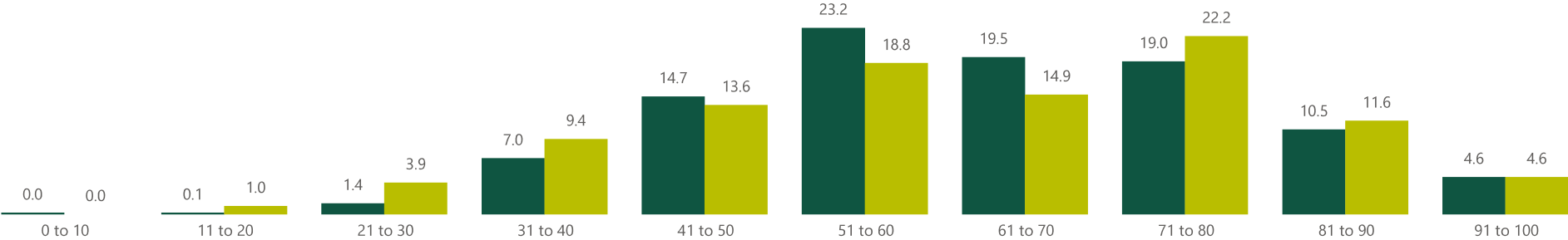
Coverage %		Carbon Intensity (tCO2e) / GBP Revenue				
Number	Weight	Scope 1	Scope 2	Scope 3	Scope 1+2	Scope 1+2+3
86.1	97.1	71.2	19.0	991.4	90.2	1,081.6
99.8	100.0	120.7	23.9	1,703.8	144.6	1,848.4

Coverage %		Weighted Average Carbon Intensity (tCO2e) / GBP Revenue				
Number	Weight	Scope 1	Scope 2	Scope 3	Scope 1+2	Scope 1+2+3
91.3	98.5	51.4	21.0	897.0	72.4	969.4
99.8	100.0	99.3	22.4	1,290.6	121.7	1,412.3

# CARBON RISK RATING SUMMARY

## RISK DISTRIBUTION %

Portfolio Benchmark



## BREAKDOWN BY MANAGER

Manager	% of Portfolio	Carbon Risk Rating
Atlas Infrastructure	4.0	53.8
Link Baillie Gifford Global Alpha	8.7	63.5
Link Longview Global Equity	21.0	69.4
Link M&G Corporate Bonds	2.3	53.3
Link Newton Real Return Fund	5.8	57.6
Link Ruffer Absolute Return	4.5	52.7
Storebrand Smart Beta and ESG	18.5	66.7
UBS Osmosis	17.1	65.4
Wellington Active Impact Equity	10.2	55.7
WHEB Active Impact Equity	8.0	55.7

## BREAKDOWN BY SECTOR

Sector	% of Portfolio	Carbon Risk Rating
Communication Services	7.1	74.3
Consumer Discretionary	11.4	61.1
Consumer Staples	5.6	58.7
Energy	0.5	35.6
Financials	18.7	60.4
Health Care	15.1	70.1
Industrials	12.6	53.6
Information Technology	18.7	69.8
Materials	4.4	53.2
Real Estate	1.6	55.0
Utilities	4.4	53.8

## BREAKDOWN BY COUNTRY

Country	% of Portfolio	Carbon Risk Rating
Canada	1.6	52.8
Denmark	0.8	81.7
France	2.9	59.2
Germany	2.0	57.7
Italy	0.9	54.6
Japan	3.6	49.6
Netherlands	3.7	66.9
Switzerland	1.3	64.5
United Kingdom	8.6	60.2
United States	67.7	64.5

Top 10 countries by '% of portfolio' only

# CARBON METRICS BY MANAGER

## TOTAL CARBON EMISSIONS (tCO2e)

Manager	Coverage %							
	% of Portfolio	Number	Weight	Scope 1	Scope 2	Scope 3	Scope 1+2	Scope 1+2+3
Atlas Infrastructure	3.9	95.2	90.5	10,533.5	1,552.5	24,126.1	12,086.0	36,212.1
Link Baillie Gifford Global Alpha	8.5	97.8	97.7	3,208.2	661.0	52,779.0	3,869.2	56,648.2
Link Longview Global Equity	20.5	100.0	100.0	1,301.4	1,188.8	36,354.7	2,490.2	38,844.9
Link M&G Corporate Bonds	3.7	50.5	48.4	1,254.9	358.8	23,129.0	1,613.7	24,742.7
Link Newton Real Return Fund	5.9	92.1	97.1	2,179.9	617.1	43,914.3	2,797.1	46,711.3
Link Ruffer Absolute Return	4.5	99.2	99.8	21,969.8	2,526.7	97,053.6	24,496.5	121,550.1
Storebrand Smart Beta and ESG	18.2	98.4	99.8	3,913.3	2,226.0	188,575.9	6,139.3	194,715.2
UBS Osmosis	16.7	99.6	100.0	3,430.3	1,697.2	131,421.7	5,127.5	136,549.2
Wellington Active Impact Equity	10.1	98.4	98.6	2,678.5	1,322.9	91,820.9	4,001.4	95,822.3
WHEB Active Impact Equity	8.0	97.6	98.5	3,069.1	2,164.8	56,512.3	5,233.9	61,746.2

## CARBON FOOTPRINT (tCO2e) / GBP Invested

	Coverage %							
	% of Portfolio	Number	Weight	Scope 1	Scope 2	Scope 3	Scope 1+2	Scope 1+2+3
	3.9	95.2	90.5	119.5	17.6	273.8	137.1	410.9
	8.5	97.8	97.7	15.6	3.2	256.7	18.8	275.5
	20.5	100.0	100.0	2.6	2.3	71.8	4.9	76.7
	3.7	50.5	48.4	28.7	8.2	528.5	36.9	565.4
	5.9	92.1	97.1	15.5	4.4	311.3	19.8	331.2
	4.5	99.2	99.8	200.0	23.0	883.6	223.0	1,106.7
	18.2	98.4	99.8	8.7	5.0	421.2	13.7	434.9
	16.7	99.6	100.0	8.3	4.1	318.4	12.4	330.8
	10.1	98.4	98.6	10.9	5.4	373.4	16.3	389.7
	8.0	97.6	98.5	15.9	11.2	292.3	27.1	319.4

## CARBON INTENSITY (tCO2e) / GBP Revenue

Manager	Coverage %							
	% of Portfolio	Number	Weight	Scope 1	Scope 2	Scope 3	Scope 1+2	Scope 1+2+3
Atlas Infrastructure	3.9	95.2	90.5	503.2	74.2	1,152.5	577.3	1,729.8
Link Baillie Gifford Global Alpha	8.5	97.8	97.7	64.5	13.3	1,060.4	77.7	1,138.1
Link Longview Global Equity	20.5	100.0	100.0	8.8	8.0	244.5	16.7	261.3
Link M&G Corporate Bonds	3.7	50.5	48.4	69.9	20.0	1,288.5	89.9	1,378.4
Link Newton Real Return Fund	5.9	92.1	97.1	73.6	20.8	1,481.7	94.4	1,576.1
Link Ruffer Absolute Return	4.5	99.2	99.8	326.4	37.5	1,441.9	363.9	1,805.9
Storebrand Smart Beta and ESG	18.2	98.4	99.8	26.1	14.8	1,257.9	41.0	1,298.8
UBS Osmosis	16.7	99.6	100.0	24.3	12.0	930.4	36.3	966.8
Wellington Active Impact Equity	10.1	98.4	98.6	35.8	17.7	1,226.9	53.5	1,280.4
WHEB Active Impact Equity	8.0	97.6	98.5	59.1	41.7	1,089.0	100.9	1,189.9

## WEIGHTED AVERAGE CARBON INTENSITY (tCO2e) / GBP Revenue

	Coverage %							
	% of Portfolio	Number	Weight	Scope 1	Scope 2	Scope 3	Scope 1+2	Scope 1+2+3
	3.9	100.0	100.0	425.7	84.5	980.4	510.3	1,490.6
	8.5	100.0	100.0	40.2	15.3	798.1	55.5	853.6
	20.5	100.0	100.0	4.5	5.5	207.8	10.0	217.8
	3.7	68.9	70.8	68.7	31.6	1,506.0	100.3	1,606.3
	5.9	92.1	97.1	85.8	27.5	1,125.9	113.4	1,239.3
	4.5	99.2	99.8	195.6	38.0	1,364.5	233.5	1,598.1
	18.2	99.0	99.9	19.4	12.4	1,031.6	31.8	1,063.4
	16.7	100.0	100.0	20.3	15.5	933.2	35.8	969.1
	10.1	98.4	98.6	32.9	17.1	1,373.1	50.0	1,423.1
	8.0	97.6	98.5	49.7	54.7	1,138.7	104.4	1,243.1

CARBON METRICS BY COUNTRY

TOTAL CARBON EMISSIONS (tCO2e)

Country	Coverage %*							
	% of Portfolio	Number	Weight	Scope 1	Scope 2	Scope 3	Scope 1+2	Scope 1+2+3
Canada	1.6	100.0	100.0	1,598.4	400.8	14,032.6	1,999.2	16,031.7
Denmark	0.8	100.0	100.0	209.0	13.1	2,321.9	222.1	2,544.0
France	2.4	80.6	80.5	9,993.8	872.7	50,971.8	10,866.5	61,838.4
Germany	2.0	96.4	98.4	981.8	540.4	36,044.3	1,522.1	37,566.4
Italy	0.9	95.5	99.9	507.8	514.9	22,584.4	1,022.7	23,607.1
Japan	3.7	99.3	99.8	698.6	864.2	59,291.8	1,562.8	60,854.6
Netherlands	3.7	73.2	97.2	481.2	142.1	15,199.2	623.2	15,822.5
Switzerland	1.4	100.0	100.0	85.4	63.1	20,388.2	148.5	20,536.7
United Kingdom	8.5	49.7	85.2	2,839.7	636.2	62,704.7	3,475.9	66,180.6
United States	68.3	97.4	99.4	28,982.1	8,619.7	382,962.2	37,601.7	420,563.9

CARBON FOOTPRINT (tCO2e) / GBP Invested

	Coverage %*							
	% of Portfolio	Number	Weight	Scope 1	Scope 2	Scope 3	Scope 1+2	Scope 1+2+3
	1.6	100.0	100.0	40.6	10.2	356.3	50.8	407.0
	0.8	100.0	100.0	11.0	0.7	121.8	11.7	133.5
	2.4	80.6	80.5	172.4	15.1	879.1	187.4	1,066.5
	2.0	96.4	98.4	20.8	11.5	764.2	32.3	796.4
	0.9	95.5	99.9	23.9	24.2	1,061.2	48.1	1,109.3
	3.7	99.3	99.8	7.9	9.8	671.5	17.7	689.2
	3.7	73.2	97.2	5.4	1.6	171.5	7.0	178.5
	1.4	100.0	100.0	2.6	1.9	626.2	4.6	630.7
	8.5	49.7	85.2	13.9	3.1	307.7	17.1	324.8
	68.3	97.4	99.4	17.7	5.3	234.1	23.0	257.1

CARBON INTENSITY (tCO2e) / GBP Revenue

Country	Coverage %*							
	% of Portfolio	Number	Weight	Scope 1	Scope 2	Scope 3	Scope 1+2	Scope 1+2+3
Canada	1.6	100.0	100.0	113.2	28.4	994.1	141.6	1,135.7
Denmark	0.8	100.0	100.0	49.4	3.1	548.5	52.5	600.9
France	2.4	80.6	80.5	398.6	34.8	2,032.8	433.4	2,466.1
Germany	2.0	96.4	98.4	40.3	22.2	1,480.5	62.5	1,543.0
Italy	0.9	95.5	99.9	98.5	99.9	4,381.6	198.4	4,580.0
Japan	3.7	99.3	99.8	18.0	22.3	1,528.5	40.3	1,568.7
Netherlands	3.7	73.2	97.2	16.9	5.0	534.7	21.9	556.7
Switzerland	1.4	100.0	100.0	7.5	5.6	1,797.4	13.1	1,810.5
United Kingdom	8.5	49.7	85.2	37.5	8.4	828.0	45.9	873.9
United States	68.3	97.4	99.4	61.5	18.3	812.0	79.7	891.7

WEIGHTED AVERAGE CARBON INTENSITY (tCO2e) / GBP Revenue

	Coverage %*							
	% of Portfolio	Number	Weight	Scope 1	Scope 2	Scope 3	Scope 1+2	Scope 1+2+3
	1.6	100.0	100.0	100.7	20.0	988.7	120.7	1,109.4
	0.8	100.0	100.0	38.4	4.0	369.8	42.4	412.1
	2.9	94.0	98.8	88.3	20.3	1,271.7	108.6	1,380.2
	1.9	96.4	98.4	29.2	17.4	1,436.1	46.6	1,482.7
	0.9	95.5	99.9	120.7	194.2	2,153.6	314.9	2,468.5
	3.6	99.3	99.8	13.5	19.5	1,255.9	33.0	1,288.9
	3.7	82.9	98.3	10.7	4.0	561.9	14.6	576.5
	1.3	100.0	100.0	10.7	7.9	1,913.1	18.7	1,931.8
	8.9	67.3	90.6	42.2	13.3	830.6	55.5	886.1
	67.4	98.6	99.5	52.4	19.8	776.2	72.2	848.4

\*Holdings without required country classification data are excluded from the reported values  
Top 10 countries by '% of portfolio' only

CARBON METRICS BY SECTOR

TOTAL CARBON EMISSIONS (tCO2e)

Sector	Coverage %*							
	% of Portfolio	Number	Weight	Scope 1	Scope 2	Scope 3	Scope 1+2	Scope 1+2+3
Communication Services	6.6	95.4	92.7	144.5	406.4	3,834.9	550.9	4,385.8
Consumer Discretionary	11.4	98.6	99.2	956.2	1,052.8	56,542.4	2,008.9	58,551.4
Consumer Staples	5.6	98.6	100.0	3,247.6	1,222.9	64,169.9	4,470.5	68,640.4
Energy	0.5	100.0	100.0	2,697.6	129.8	28,320.4	2,827.4	31,147.8
Financials	18.8	98.4	99.8	64.2	157.3	65,880.8	221.4	66,102.2
Health Care	15.1	100.0	100.0	1,034.7	944.8	36,974.8	1,979.5	38,954.4
Industrials	12.8	98.8	97.7	7,184.8	1,145.5	333,962.8	8,330.3	342,293.1
Information Technology	18.8	98.6	100.0	307.2	983.4	26,298.8	1,290.6	27,589.4
Materials	4.4	97.3	99.6	24,708.3	6,025.7	79,880.7	30,734.0	110,614.7
Real Estate	1.7	98.6	99.5	68.3	118.7	8,703.8	187.0	8,890.8
Utilities	4.4	96.9	98.7	12,825.4	2,014.2	32,395.3	14,839.6	47,234.9

CARBON INTENSITY (tCO2e) / GBP Revenue

Sector	Coverage %*							
	% of Portfolio	Number	Weight	Scope 1	Scope 2	Scope 3	Scope 1+2	Scope 1+2+3
Communication Services	6.6	95.4	92.7	4.4	12.3	116.4	16.7	133.2
Consumer Discretionary	11.4	98.6	99.2	10.2	11.3	605.9	21.5	627.4
Consumer Staples	5.6	98.6	100.0	36.9	13.9	729.4	50.8	780.3
Energy	0.5	100.0	100.0	199.7	9.6	2,096.2	209.3	2,305.5
Financials	18.8	98.4	99.8	0.7	1.7	694.2	2.3	696.5
Health Care	15.1	100.0	100.0	6.4	5.8	228.8	12.3	241.1
Industrials	12.8	98.8	97.7	68.8	11.0	3,197.5	79.8	3,277.2
Information Technology	18.8	98.6	100.0	4.4	14.1	377.8	18.5	396.4
Materials	4.4	97.3	99.6	449.1	109.5	1,452.0	558.7	2,010.7
Real Estate	1.7	98.6	99.5	10.7	18.6	1,365.6	29.3	1,395.0
Utilities	4.4	96.9	98.7	493.8	77.6	1,247.4	571.4	1,818.8

CARBON FOOTPRINT (tCO2e) / GBP Invested

	Coverage %*							
	% of Portfolio	Number	Weight	Scope 1	Scope 2	Scope 3	Scope 1+2	Scope 1+2+3
	6.6	95.4	92.7	0.9	2.6	24.4	3.5	27.9
	11.4	98.6	99.2	3.5	3.9	208.6	7.4	216.1
	5.6	98.6	100.0	24.4	9.2	482.1	33.6	515.7
	0.5	100.0	100.0	219.5	10.6	2,303.9	230.0	2,533.9
	18.8	98.4	99.8	0.1	0.4	147.8	0.5	148.3
	15.1	100.0	100.0	2.9	2.6	102.7	5.5	108.2
	12.8	98.8	97.7	23.7	3.8	1,101.6	27.5	1,129.0
	18.8	98.6	100.0	0.7	2.2	58.9	2.9	61.8
	4.4	97.3	99.6	238.3	58.1	770.3	296.4	1,066.6
	1.7	98.6	99.5	1.7	3.0	220.5	4.7	225.2
	4.4	96.9	98.7	121.6	19.1	307.0	140.6	447.7

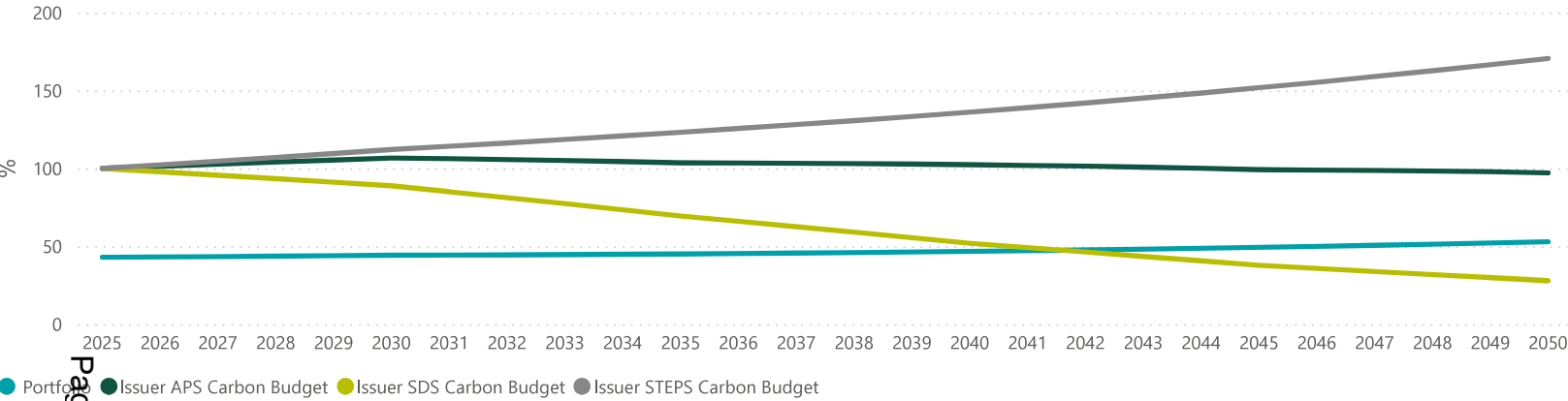
WEIGHTED AVERAGE CARBON INTENSITY (tCO2e) / GBP Revenue

	Coverage %							
	% of Portfolio	Number	Weight	Scope 1	Scope 2	Scope 3	Scope 1+2	Scope 1+2+3
	7.1	100.0	100.0	2.7	9.3	104.5	12.0	116.5
	11.4	100.0	100.0	11.3	10.2	420.6	21.5	442.1
	5.6	100.0	100.0	34.3	11.0	887.5	45.2	932.7
	0.5	100.0	100.0	220.7	10.9	2,738.4	231.7	2,970.0
	18.7	100.0	100.0	0.7	1.7	611.2	2.3	613.6
	15.0	100.0	100.0	8.9	8.3	269.0	17.2	286.2
	12.7	98.8	97.7	58.0	11.5	3,508.4	69.4	3,577.8
	18.7	98.6	100.0	3.4	13.4	238.9	16.8	255.8
	4.3	98.7	100.0	348.6	176.6	1,384.0	525.2	1,909.3
	1.6	98.6	99.5	11.6	27.6	714.3	39.2	753.5
	4.4	96.9	98.7	496.8	103.5	1,211.1	600.3	1,811.4

\*Holdings without required sector classification data are excluded from reported values

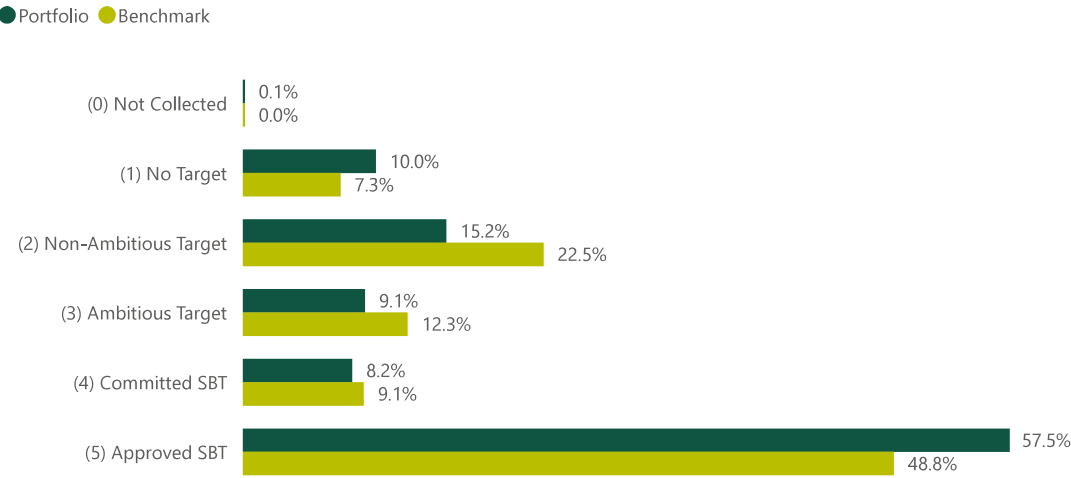
# CLIMATE SCENARIO ALIGNMENT

## PORTFOLIO EMISSION PATHWAYS VS. CLIMATE SCENARIOS BUDGETS



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.

## CLIMATE TARGETS ASSESSMENT



The GHG Reduction Target factor differentiates an entity's targets based on the existence and quality of greenhouse gas emissions reduction targets. It takes into account both science-based targets and other targets set by the company.

## PORTFOLIO TEMPERATURE SCORE

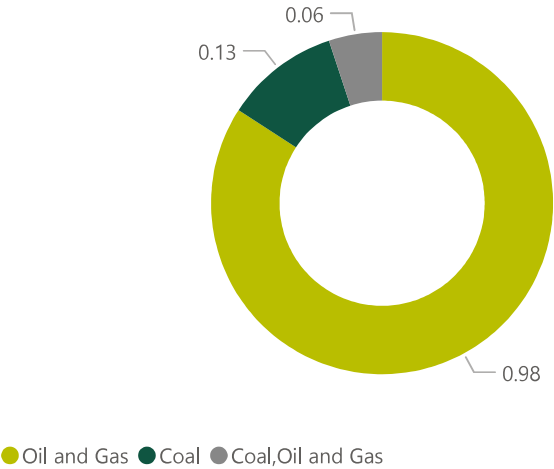
1.9

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.

TRANSITION RISK ASSESSMENT

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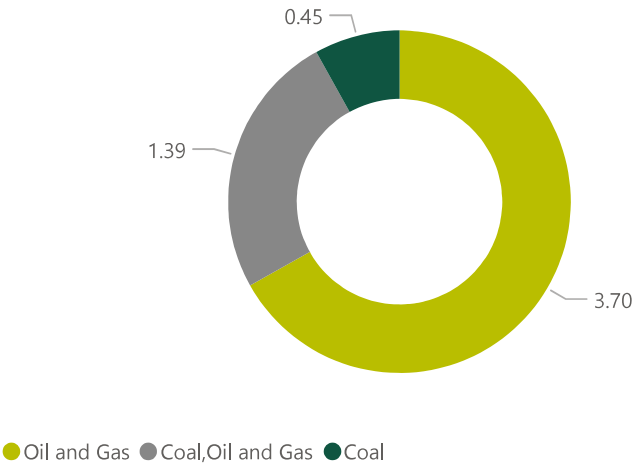
PORTFOLIO = 1.17%



TOP 5 FOSSIL FUEL RESERVE HOLDINGS (%)

Issuer	Portfolio	Category
BP Plc	0.46	Oil and Gas
Dominion Energy, Inc.	0.12	Oil and Gas
Electricite de France SA	0.10	Oil and Gas
ArcelorMittal SA	0.09	Coal
Manulife Financial Corporation	0.07	Oil and Gas

BENCHMARK = 5.54%



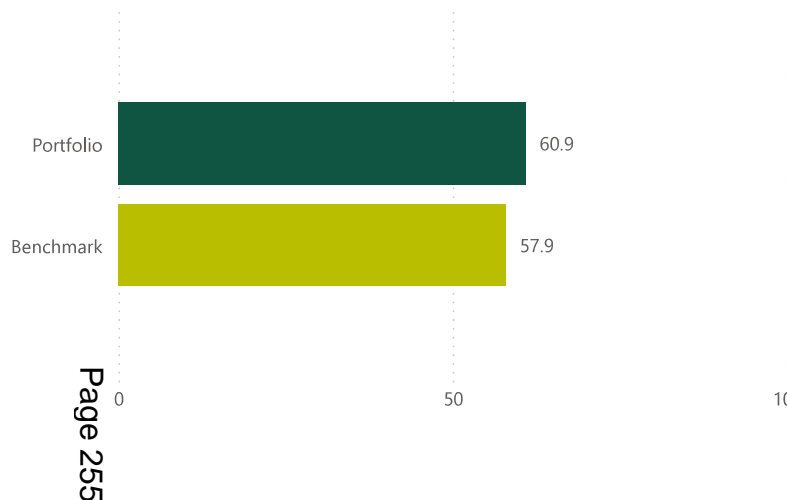
BUSINESS INVOLVEMENT EXPOSURES (%)

Category	Portfolio	Benchmark
Arctic Drilling	0.00	0.00
Carbon Reserves	1.17	5.54
Hydraulic Fracturing	3.37	6.13
Oil Sands	2.26	3.70
Shale Oil and/or Gas	2.93	5.94

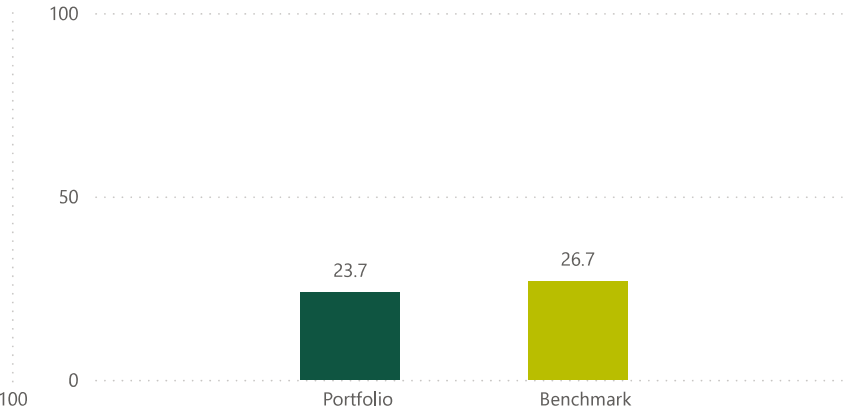


# PHYSICAL RISK ASSESSMENT

## PHYSICAL RISK SCORE

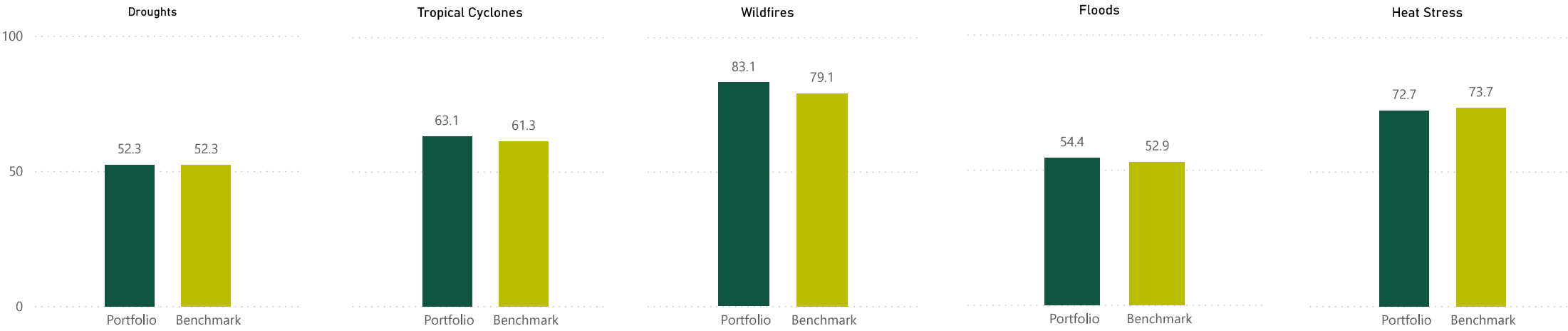


## ISSUERS AT RISK (%)



The 'Issuers At Risk' factor shows the proportion of issuers in the portfolio that are considered at risk. An issuer is considered at risk if it has a Physical Risk Score of 49 or lower. The Physical Risk Score measures the change in an issuer's financial risk relative to the GICS sector median in the likely scenario (RCP 4.5).

## PHYSICAL RISK HAZARD SCORES



# PHYSICAL RISK ASSESSMENT

## BREAKDOWN BY SECTOR

Sector	% of Portfolio	Physical Risk Score	Drought Score	Tropical Cyclone Score	Wildfire Score	Flood Score	Heat Stress Score
Communication Services	7.1	49.5	50.8	52.0	77.2	48.3	67.7
Consumer Discretionary	11.5	67.0	52.4	64.1	90.2	58.5	67.3
Consumer Staples	5.6	64.6	51.5	61.7	84.3	52.9	70.1
Energy	0.5	51.2	50.0	53.8	46.5	42.8	50.8
Financials	18.8	55.6	51.6	64.8	91.3	54.0	77.0
Health Care	15.0	54.4	51.5	62.6	90.8	55.7	71.2
Industrials	12.4	67.8	50.9	67.9	84.5	56.1	68.1
Information Technology	18.7	60.0	52.7	61.7	77.4	51.6	76.1
Materials	4.3	68.5	52.5	62.3	64.6	51.4	73.4
Real Estate	1.7	82.6	59.1	68.2	85.2	72.6	68.0
Utilities	4.4	72.1	60.7	66.3	51.9	57.5	88.0

## BREAKDOWN BY COUNTRY

Country	% of Portfolio	Physical Risk Score	Drought Score	Tropical Cyclone Score	Wildfire Score	Flood Score	Heat Stress Score
Canada	1.7	72.9	53.2	67.5	79.8	49.9	83.6
Denmark	0.8	66.4	66.8	68.0	93.5	62.7	90.8
France	2.9	65.0	45.7	66.9	68.3	51.9	75.7
Germany	2.0	62.1	50.1	72.1	76.3	53.4	77.3
Italy	0.9	83.6	42.0	94.5	49.6	57.1	87.6
Japan	3.7	52.5	58.8	54.5	97.4	55.4	66.5
Netherlands	3.7	73.0	48.9	78.1	89.7	63.1	78.2
Switzerland	1.2	55.5	50.9	71.4	93.7	54.2	82.7
United Kingdom	8.3	69.3	62.7	72.9	92.5	63.4	85.0
United States	68.1	59.3	51.4	59.7	83.3	52.9	69.8

Holdings without required country/sector classification data are excluded from reported values

Top 10 countries by % weight of portfolio

PHYSICAL RISK ASSESSMENT

BREAKDOWN BY MANAGER

Manager	% of Portfolio	Physical Risk Score	Drought Score	Tropical Cyclone Score	Wildfire Score	Flood Score	Heat Stress Score
Atlas Infrastructure	4.1	72.9	59.2	66.9	50.5	56.5	85.8
Link Baillie Gifford Global Alpha	8.8	57.5	51.2	60.2	83.5	54.2	71.1
Link Longview Global Equity	21.3	62.2	50.9	61.5	92.8	54.2	68.0
Link M&G Corporate Bonds	1.5	73.6	59.7	75.7	79.0	60.0	86.9
Link Newton Real Return Fund	5.8	58.8	53.6	61.1	83.3	52.6	79.7
Link Ruffer Absolute Return	4.6	58.5	54.6	59.6	72.7	52.3	72.1
Storebrand Smart Beta and ESG	18.7	59.5	52.4	63.5	82.4	53.6	73.0
UBS Osmosis	17.3	58.3	52.4	63.1	83.2	54.6	75.9
Wellington Active Impact Equity	10.2	63.5	50.9	66.8	81.0	58.2	69.9
WHEB Active Impact Equity	7.8	61.0	51.4	64.2	83.4	52.6	69.4

POSITIONS DETAIL

TOP 10 POSITIONS BY WEIGHT

Issuer	% Portfolio	Carbon Risk Rating
Microsoft Corporation	2.71%	83.00
Apple Inc.	1.98%	74.00
NVIDIA Corporation	1.80%	95.00
Alphabet Inc.	1.72%	88.00
Amazon.com, Inc.	1.72%	71.00
Visa Inc.	1.19%	74.00
Meta Platforms, Inc.	1.13%	78.00
UnitedHealth Group Incorporated	1.13%	72.00
Thermo Fisher Scientific Inc.	1.09%	67.00
S&P Global Inc.	1.03%	90.00

BOTTOM 10 CARBON RISK RATING

Issuer	% Portfolio	Carbon Risk Rating
Permian Resources Corporation	0.01%	9.00
Fortescue Ltd.	0.04%	18.00
Magnolia Oil & Gas Corporation	0.01%	18.00
Wessex Water Services Finance Plc	0.01%	18.00
Beyond Meat, Inc.	0.00%	20.00
Consolidated Water Co. Ltd.	0.00%	20.00
Coterra Energy Inc.	0.01%	20.00
Dorman Products, Inc.	0.01%	20.00
Dutch Bros Inc.	0.06%	20.00
Northwest Pipe Company	0.00%	20.00

TOP 10 CARBON INTENSITY (SCOPE 1+2)

Issuer	% Portfolio	Carbon Intensity
CF Industries Holdings, Inc.	0.03%	2,790.98
Portland General Electric Company	0.19%	2,511.77
Pinnacle West Capital Corporation	0.19%	2,298.58
Dominion Energy, Inc.	0.12%	2,189.66
Air Products and Chemicals, Inc.	0.02%	2,150.90
ArcelorMittal SA	0.09%	1,675.48
United States Steel Corporation	0.04%	1,633.20
REC Silicon ASA	0.00%	1,605.88
CK Infrastructure Holdings Limited	0.02%	1,553.38
Linde Plc	0.57%	1,161.02

BOTTOM 10 CARBON INTENSITY (SCOPE 1+2)

Issuer	% Portfolio	Carbon Intensity
HA Sustainable Infrastructure Capital, Inc.	0.13%	0.00
Infratil Limited	0.00%	0.00
Kempower Oyj	0.00%	0.00
Royalty Pharma Plc	0.12%	0.00
Tritax Big Box REIT plc	0.00%	0.00
Macquarie Group Limited	0.05%	0.02
DNB Bank ASA	0.02%	0.02
NASDAQ, INC.	0.05%	0.02
Brookfield Corporation	0.06%	0.02
Annaly Capital Management, Inc.	0.02%	0.03

# Glossary

Terms	Definition
Business Involvement Exposures	Exposure to controversial business practices using company revenue data. Shown as % weight of portfolio.
Carbon Footprint	Total carbon emissions for a portfolio normalized by the market value of the portfolio, expressed in tons CO2e / millions invested.
Carbon Intensity	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.
Carbon Risk Rating	The Carbon Risk Rating assesses how an issuer is exposed to climate risks and opportunities, and whether these are managed in a way to seize opportunities, and to avoid or mitigate risks. It provides investors with critical insights into how issuers are prepared for a transition to a low carbon economy and is a central instrument for the forward looking analysis of carbon-related risks at portfolio and issuer level. The rating assesses on a scale of 0 (very poor performance) to 100 (excellent performance).
Climate Targets Assessment	The GHG Reduction Target factor differentiates an entity's targets based on the existence and quality of greenhouse gas emissions reduction targets. It takes into account both science-based targets and other targets set by the company.
Data Quality	The percentage of portfolio assets under analysis for which Scope 1, 2 and 3 emissions are verified, reported, estimated or unavailable, in line with the GHG Protocol.
Fossil Fuel Reserves	% Investment Exposed to Fossil Fuels - Sum of weights of companies where Carbon Reserves Involvement = "Coal", "Oil & Gas" of "Coal, Oil and Gas".
Issuers At Risk	The 'Issuers At Risk' factor shows the proportion of issuers in the portfolio that are considered at risk. An issuer is considered at risk if it has a Physical Risk Score of 49 or lower. The Physical Risk Score measures the change in an issuer's financial risk relative to the GICS sector median in the likely scenario (RCP 4.5).
Physical Risk Total Score	The Physical Risk Score measures the change in an issuer's financial risk relative to its GICS sector for a specific scenario. A score of 0 reflects an increase in financial risk that is large relative to the sector median, and a score of 100 represents an increase in financial risk that is low relative to the sector median.
Portfolio Emission Pathways v. Climate Scenario Budgets	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 Temperature Score	A type of portfolio alignment metric, it is a climate risk metric represented as a single point-in-time value for a portfolio that sits within a range of 1.5°C (better) and 6.0°C (worse). The score examines the issuer's and portfolio's emissions over/undershoot in the SDS scenario in the year 2050. The score includes the relationship between an increase in emissions versus an increase in temperature for the IEA's SDS, STEPS and CPS scenarios. For example, a company/portfolio aligned with the SDS in year 2050 is expected to have a temperature score of 1.5°C.
Scope 1 Emissions	Scope 1 emissions are direct emissions from owned or controlled sources.
Scope 2 Emissions	Scope 2 emissions are indirect emissions from the generation of purchased energy.
Scope 3 Emissions	Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.
Total Carbon Emissions	The absolute greenhouse gas emissions associated with a portfolio, expressed in tons CO2e.
Weighted Average Carbon Intensity	Portfolio's exposure to carbon-intensive companies, expressed in tons CO2e / millions of revenue. Metric recommended by the TCFD.

# Glossary

Terms	Definition
Physical Risk Hazard Scores	The portfolio is exposed to different natural hazards in different geographies that can affect the value of the portfolio. The charts represent the scored effect on the portfolio's value from the most impactful hazards under the "most likely" scenario in 2050. A score of 1 corresponds to highest relative risk exposure while a score of 100 corresponds to null or negligible physical risk exposure. A portfolio score of 50 indicates that an aggregation of each issuer's physical risk exposure is close or equal to the sector median.
Wildfires Hazard Score	A wildfire is defined as an unplanned fire that burns in a natural area such as a forest, grassland, or prairie, according to the World Health Organization. Impact models generate financial loss estimations for assets in each mapped grid point covered by the model.
Tropical Cyclones Hazard Score	A tropical cyclone is a rapidly rotating storm originating over tropical oceans from where it draws the energy to develop, according to the World Meteorological Organization. According to ISS ESG, it is the costliest weather-related hazard in terms of the damages and impacts that it generates.
Heat Stress Hazard Score	The heat stress factor assesses the impact of rising temperatures, humidity, wind speed, cloud cover, and amount of direct sunlight on the labour force. Resulting productivity changes and impacts are simulated based on a categorised set of work intensities.
Flood Hazard Score	Assesses the estimated impact of river floods on assets. If the amount of water surpasses manageable levels, for example, via intense precipitation, a flood can occur. ISS ESG uses third-party projection tools to estimate asset damage.
Drought Hazard Score	A drought is defined as a long period of below-average net water supply to a specific area. Droughts can result in reduced agricultural crop yields on a large scale, e.g., countrywide, resulting in significant financial impacts.

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**Report to:** Pension Committee

**Date of meeting:** 25 September 2025

**By:** Chief Finance Officer

**Title:** Work Programme

**Purpose:** To consider the Pension Board and Pension Committee work programme.

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## **RECOMMENDATIONS:**

**The Pension Committee is recommended to:**

- 1) Consider and comment on 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 Pension Board and Pension Committee's main meetings, including working groups, upcoming training and a list of any information requested by the Pension Board or Pension Committee that is circulated via email.

1.3 This item also provides an opportunity for Pension Board and Pension 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 Pension Board and Pension Committee's work both during formal meetings and outside of them. The Pension Committee is recommended to consider the updated work programme including regularity of agenda items to ensure effective governance of the Fund at the scheduled meetings; advise of training completed, not recorded in the training log.

**IAN GUTSELL**  
**Chief Finance Officer**

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## Pension Board and Committee – Work Programme

Future Pension Board Agenda		
Item	Description	Author/Owner
<b>Standing items (items that appear on each agenda)</b>		
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
Pension Reform Agenda	A report on progress of the Fund with regard to the reforms set out in the governments' "Fit for the Future" consultation with regard to asset pooling and consideration of the potential future impact of local democratic reforms on the Fund.	Head of Pensions
Governance Report	A report on governance issues affecting the fund, developments in the LGPS and regulatory environment, policy amendments and ACCESS pool updates	Governance and Compliance Manager
Employer Engagement and Communications Report	A report on Employer Engagement matters to note, Employer Contributions update and Communications from the Fund	Communications Manager
Pensions Administration report	An update on the performance of the Pensions Administration Team covering KPI's and projects.	Head of Pensions Administration

Internal Audit reports	All internal audit reports on the Fund are reported to the Board	Head of Internal Audit
East Sussex Pension Fund (ESPF) Quarterly budget report	An update on the Funds budget. This is reported in Q2-4 only.	Pensions Manager – Investment and Accounting
East Sussex Pension Fund (ESPF) Risk Register	A report on the Funds Risk Register	Head of Pensions
Work programme	A report on the Board and Committee's work programme	Head of Pensions
East Sussex Pension Fund (ESPF) Breaches Log	A report on the Funds breaches log	Governance and Compliance Manager
Employer Admissions and Cessations	A report on the admission and cessation of employers to the Fund	Governance and Compliance Manager
<b>11 September 2025</b>		
Supplier Update	Update on supplier contracts and procurements	Governance and Compliance Manager
Governance and Compliance Statement	Annual Review of Governance and Compliance Statement	Governance and Compliance Manager

<b>4 November 2025</b>		
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	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	Head of Pensions
<b>12 February 2026</b>		
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.	Head of Pensions
<b>4 June 2026</b>		
Governance and Compliance Review	Governance Review to ensure compliance with Fit for the Future requirements	Governance and Compliance Manager

<b>Actions requested by the Pensions Board</b>		
<b>Subject Area</b>	<b>Detail</b>	<b>Status</b>
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.	Ongoing 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.	Completed in March 2025
AVC – Default fund/ review of option	Further investigation into the best default option for AVC investors through the Prudential.	Report completed and presented in February 2025. Work to implement recommend changes ongoing.

Future Pension Committee Agenda		
Item	Description	Author
<b>Standing items (items that appear on each agenda)</b>		
Governance Report	A report on governance issues effecting the fund, developments in the LGPS and regulatory environment, policy amendments and requirement to ensure compliance with the governance changes proposed in the 'Fit for the Future' consultation.	Governance and Compliance Manager
Pension Reform Agenda	A report on progress of the Fund with regard to the reforms set out in the governments' "Fit for the Future" consultation with regard to asset pooling and consideration of the potential future impact of local democratic reforms on the Fund.	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 - <i>reported Q2-4 only</i>	Pensions Manager – Investment and Accounting
East Sussex Pension Fund (ESPF) Risk Register	A report on the Funds Risk Register	Head of Pensions

Work programme	A report on the Board and Committee's work programme	Head of Pensions
Investment Report	A Quarterly performance report of the investment managers	Pensions Manager – Investment and Accounting and Investment Consultant
East Sussex Pension Fund (ESPF) Breaches Log	A report on the Funds breaches log – <i>reported only when a new breach is recognised, or status changed. Report goes quarterly to Board.</i>	Governance and Compliance Manager
Employer Admissions and Cessations	A report on the admission and cessation of employers to the Fund - <i>reported only when outstanding admissions or cessations.</i>	Governance and Compliance Manager
<b>25 September 2025</b>		
Governance and Compliance Statement	Annual Review of Governance and Compliance Statement/ Consideration of governance requirements under 'Fit for the Future' consultation.	Governance and Compliance Manager
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 2025	Pensions Manager – Investment and Accounting
Supplier Update	Update on supplier contracts and procurements	Governance and Compliance Manager
<b>18 November 2025</b>		
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	Head of Pensions
2025 Actuarial Valuation and Funding Strategy Statement	Report from the Fund Actuary on the March 2025 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	Head of Pensions
<b>26 February 2026</b>		
External Audit Plan for the East Sussex Pension Fund 2025/26	Draft External Audit Plan for 2025/6 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.	Head of Pensions
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.	Pensions Manager – Investment and Accounting
<b>18 June 2026</b>		
Governance and Compliance Statement	Annual Review of Governance and Compliance Statement	Governance and Compliance Manger
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

Governance Review	Review of all Governance approaches to ensure compliance with requirement of 'Fit for the Future' consultation.	Governance and Compliance Manager
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### Actions requested by the Committee

Subject Area	Detail	Status
Training	<p>Requests were made, following the July 2023 investment workshop day for various training items</p> <p>The items still to arrange are</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Cost benefit implications of de-risking the portfolio</li> <li>• 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.</li> </ul>	In progress

Current working groups		
Title of working group	Detail and meetings since last Pensions Board and Committee meetings	Membership
Investment Implementation Working Group (IIWG)	<p>The Investment Working Group and ESG working group have been amalgamated, as agreed at Pensions Committee 21 September 2020.</p> <p>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.</p>	<p>William Bourne, Russell Wood, Susan Greenwood, James Sweeney, Representatives from Investment Consultant</p> <p>Cllr Fox or substitute committee member is invited to attend</p>
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, Susan Greenwood, Ian Gutsell

Training and Development – attendance at recent events			
Date	Topic	Committee	Board
Training and Development – members registered to attend future events			
Date	Topic	Committee	Board
16-Sep	<b>ESPF Pension Dashboard data and member experience</b> To cover the connection of East Sussex Pension Fund data to the Pension Dashboard ecosystem and the member experience.	Accepted invitation - Cllrs Swansborough, Taylor, Hollidge, Redstone	Accepted invitation - Neil, Zoe, Ray,
16-17 Sep	<b>DB Strategic Summit</b> Delegates will gain privileged insights into how the leading practitioners in the industry are resolving the main challenges in the dominant sector of the pensions marketplace. Topics for discussion: <ul style="list-style-type: none"> <li>• Securing benefits and investing for growth: the changing nature of defined benefit pensions</li> <li>• A year on from the US election. What is the outlook for fixed income?</li> <li>• How to enhance your passive equity portfolio</li> <li>• Delivering patient, mission impact investment to the Scottish economy</li> <li>• Delivering better pensions and investment through effective collaboration</li> <li>• Delivering better performance while also creating a positive societal impact: housing</li> <li>• Digital real estate</li> <li>• Dashboard masterclass: Looking under the bonnet – making sure you're ready for pensions dashboards</li> <li>• Managing currency risk</li> <li>• Playing the (anti) Trump card: the future of Sustainability and ESG in pensions investing</li> </ul>		Ray

	<ul style="list-style-type: none"><li>• Infrastructure (natural capital)</li><li>• Consolidation reprised – where are we at and where are we going?</li><li>• The future of defined benefit pensions</li></ul>		
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## Training and Development – Future Training Offered to Pension Board

16-Sep	<p><b>Pensions Age Autumn Conference 2025</b></p> <p>It's no secret that the UK pensions sector continues to face its fair share of challenges, but there are also opportunities on the horizon, as the landscape experiences a potential period of unprecedented change – consolidation and productive finance are key priorities for the UK government; pensions dashboards are close than ever; DB surpluses are forcing schemes and employers to consider a wider range of end-game options, while volatile markets continue to keep pension funds on their toes; value for money continues to run like a red line through all aspects of pensions management and design; and areas such as pensions inadequacy and lack of engagement continue to cause concern throughout the industry.</p>
16-Sep	<p><b>ESPF Pension Dashboard data and member experience</b></p> <p>To cover the connection of East Sussex Pension Fund data to the Pension Dashboard ecosystem and the member experience.</p>
16-17 Sep	<p><b>DB Strategic Summit</b></p> <p>Delegates will gain privileged insights into how the leading practitioners in the industry are resolving the main challenges in the dominant sector of the pensions marketplace. Topics for discussion:</p> <ul style="list-style-type: none"> <li>• Securing benefits and investing for growth: the changing nature of defined benefit pensions</li> <li>• A year on from the US election. What is the outlook for fixed income?</li> <li>• How to enhance your passive equity portfolio</li> <li>• Delivering patient, mission impact investment to the Scottish economy</li> <li>• Delivering better pensions and investment through effective collaboration</li> <li>• Delivering better performance while also creating a positive societal impact: housing</li> <li>• Digital real estate</li> <li>• Dashboard masterclass: Looking under the bonnet – making sure you're ready for pensions dashboards</li> <li>• Managing currency risk</li> <li>• Playing the (anti) Trump card: the future of Sustainability and ESG in pensions investing</li> <li>• Infrastructure (natural capital)</li> <li>• Consolidation reprised – where are we at and where are we going?</li> <li>• The future of defined benefit pensions</li> </ul>

14-16 Oct	<b>Annual Conference - 2030 Ready</b> The full programme is coming in summer 2025 and will include: <ul style="list-style-type: none"> <li>• Future-focused discussion across key themes including regulatory reform, member outcomes engagement, investment and risk management, consolidation, and DE&amp;I</li> <li>• 10 plenaries, 24 stream sessions, 6 fireside chats, 2 roundtables</li> <li>• Major names including Torsten Bell MP, IGG, Legal &amp; General, USS and Zedra</li> <li>• Diverse perspectives, from leaders to early career professionals, from governance, investment and legislation to member engagement</li> <li>• Unique networking</li> </ul>
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## Training and Development – Future Training Offered to Pension Committee

02-Sep	<b>2025 LGPS Valuations: unveiling initial results and early insights</b> To be covered - the outcomes and themes emerging from the 2025 English & Welsh valuations, including: <ul style="list-style-type: none"> <li>• Initial whole fund results from the 2025 LGPS valuations.</li> <li>• Insights into trends since the 2022 valuation.</li> <li>• What all this means for funds.</li> </ul>
09-Sep	<b>Evolving ESG practices in UK Fiduciary Management</b> This event will delve into insights gathered from the latest industry survey conducted by the EY-Parthenon team, focusing on how fiduciary managers are navigating the complexities of sustainability while fulfilling their fiduciary duties.
16-Sep	<b>Pensions Age Autumn Conference 2025</b> It's no secret that the UK pensions sector continues to face its fair share of challenges, but there are also opportunities on the horizon, as the landscape experiences a potential period of unprecedented change – consolidation and productive finance are key priorities for the UK government; pensions dashboards are close than ever; DB surpluses are forcing schemes and employers to consider a wider range of end-game options, while volatile markets continue to keep pension funds on their toes; value for money continues to run like a red line through all aspects of pensions management and design; and areas such as pensions inadequacy and lack of engagement continue to cause concern throughout the industry.
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16-17 Sep	<p><b>DB Strategic Summit</b></p> <p>Delegates will gain privileged insights into how the leading practitioners in the industry are resolving the main challenges in the dominant sector of the pensions marketplace. Topics for discussion:</p> <ul style="list-style-type: none"> <li>• Securing benefits and investing for growth: the changing nature of defined benefit pensions</li> <li>• A year on from the US election. What is the outlook for fixed income?</li> <li>• How to enhance your passive equity portfolio</li> <li>• Delivering patient, mission impact investment to the Scottish economy</li> <li>• Delivering better pensions and investment through effective collaboration</li> <li>• Delivering better performance while also creating a positive societal impact: housing</li> <li>• Digital real estate</li> <li>• Dashboard masterclass: Looking under the bonnet – making sure you're ready for pensions dashboards</li> <li>• Managing currency risk</li> <li>• Playing the (anti) Trump card: the future of Sustainability and ESG in pensions investing</li> <li>• Infrastructure (natural capital)</li> <li>• Consolidation reprised – where are we at and where are we going?</li> <li>• The future of defined benefit pensions</li> </ul>
23-Sep	<ul style="list-style-type: none"> <li>• <b>Climate in 2025 - What are the best next actions for asset owners and trustees?</b></li> </ul> <p>This in-person masterclass will examine the realities of climate risk, stewardship and fiduciary responsibility in today's investment landscape. The event will consider:</p> <ul style="list-style-type: none"> <li>• Where are we now on the climate journey?</li> <li>• What's working – and what's not?</li> <li>• And crucially, how can asset owners, trustees and advisers drive better alignment between risk, stewardship and long-term sustainability?</li> </ul>
30-Sep	<p><b>Achieving local impact by investing in renewable energy in the UK</b> - Online roundtable with Capital Dynamics</p> <p>In this session, we will explore how these two powerful trends converge – highlighting the compelling opportunity to finance critical clean energy infrastructure while aiming for stable, attractive returns. Beyond financial outcomes, such investments are vital in accelerating the transition to a greener economy, supporting local job creation and generating long-lasting benefits for communities across the UK.</p>
01-Oct	<p><b>ESG Club Conference 2025: Sustainable strategies for a divided world</b></p> <p>So given the political climate, have the net zero and social justice challenges adopted by many pension schemes and insurers become harder to achieve? To be discussed:</p> <ul style="list-style-type: none"> <li>• Transition Investing: Evolving investment opportunities</li> <li>• ESG compliance: Driving change or a growing governance burden?</li> <li>• Biodiversity – Turning theory into real-world outcomes</li> <li>• Net-Zero investments: Challenges and opportunities</li> </ul>

14-16 Oct

**Annual Conference - 2030 Ready**

The full programme is coming in summer 2025 and will include:

- Future-focused discussion across key themes including regulatory reform, member outcomes engagement, investment and risk management, consolidation, and DE&I
- 10 plenaries, 24 stream sessions, 6 fireside chats, 2 roundtables
- Major names including Torsten Bell MP, IGG, Legal & General, USS and Zedra
- Diverse perspectives, from leaders to early career professionals, from governance, investment and legislation to member engagement
- Unique networking

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