

PENSION COMMITTEE

THURSDAY, 26 FEBRUARY 2026

10.00 AM COUNCIL CHAMBER, COUNTY HALL, LEWES

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

AGENDA

1. Minutes of the meeting held on 18 November 2025 (*Pages 3 - 14*)
2. Apologies for absence
3. Disclosure of Interests
Disclosures by all Members present of personal interests in matters on the agenda, the nature of any interest and whether the Members regard the interest as prejudicial under the terms of the Code of Conduct.
4. Urgent items
Notification of items which the Chair considers to be urgent and proposes to take at the appropriate part of the agenda.
5. Pension Board Minutes (*Pages 15 - 26*)
6. Pension Reform Agenda (*Pages 27 - 30*)
7. Application for a Combined Pension Committee and Pension Board (*Pages 31 - 34*)
8. Triennial Valuation 2025 and Funding Strategy Statement (*Pages 35 - 202*)
9. Governance Report (*Pages 203 - 272*)
10. East Sussex Pension Fund Quarterly Budget Report (*Pages 273 - 288*)
11. Communications Report (*Pages 289 - 296*)
12. Pensions Administration - updates (*Pages 297 - 310*)
13. Internal Audit Reports and Strategy for Pensions 2026/27 (*Pages 311 - 342*)
14. Pension Fund Risk Register (*Pages 343 - 354*)
15. Investment Report (*Pages 355 - 402*)
16. Work programme (*Pages 403 - 422*)
17. Any other non-exempt items previously notified under agenda item 4

18. 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).
19. Pension Reform Agenda - Exempt Information (*Pages 423 - 460*)
20. Investment Report - Exempt Information (*Pages 461 - 476*)
21. Governance Report - Exempt Information (*Pages 477 - 480*)
22. Pension Fund Breaches Log and Internal Dispute Resolution Procedure case report (*Pages 481 - 486*)
23. Employer Admissions and Cessations (*Pages 487 - 492*)
24. Any other exempt items previously notified under agenda item 4

PHILIP BAKER
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18 February 2026

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

PENSION COMMITTEE

MINUTES of a meeting of the Pension Committee held at Council Chamber, County Hall, Lewes on 18 November 2025.

PRESENT Councillors Gerard Fox (Chair), Paul Redstone, Georgia Taylor, Penny di Cara and Colin Swansborough

ALSO PRESENT Ian Gutsell, Chief Finance Officer
Susan Greenwood, Head of Pensions
Paul Punter, Head of Pensions Administration
Paul Linfield, Pensions Communications Manager
Danny Simpson, Principal Auditor
Russell Wood, Head of Pension Investments and Accounting
James Sweeney, Pensions Investment Officer
Sophie Webb, Governance and Democracy Manager

Iain Campbell, Head of LGPS Investment, Hymans Robertson
William Bourne, Independent Investment Adviser

Mya Khine, Pensions Accountant
Hayley Deeley, Employer Engagement Officer
Steph Fernando, Employer Engagement Officer
Brendan O'Brien, Pensions Support Officer
Joshua Baker, Pension Support Officer
Dillon Piggott, CIPFA Trainee / Apprentice
Harry Philip, CIPFA Accounts and Investments Apprentice

Philippa Buckingham, Pension Board Employer Representative
Trevor Redmond, Pension Board Scheme Member Representative
Neil Simpson, Pension Board Scheme Member Representative
Councillor Andrew Wilson, Pension Board Employer Representative

54. MINUTES OF THE MEETING HELD ON 25 SEPTEMBER 2025

54.1 The Committee RESOLVED to agree the minutes of the meeting held on 25 September 2025 as a correct record.

55. APOLOGIES FOR ABSENCE

55.1 Apologies for absence were received from Councillors Hollidge and Tutt.

55.2 It was noted that Councillor di Cara was in attendance as a substitute for Councillor Hollidge and Councillor Swansborough was in attendance as a substitute for Councillor Tutt.

56. DISCLOSURE OF INTERESTS

56.1 There were no disclosures of interests.

57. URGENT ITEMS

57.1 There were no urgent items.

58. REPORTS

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

59. PENSION BOARD MINUTES

59.1 The Committee considered the minutes of the Pension Board meeting held on 4 November 2025 noting the Board's comments regarding the potential risks associated with the transition to Border to Coast Pensions Partnership.

59.2 The Committee RESOLVED to note the minutes of the Pension Board meeting held on 5 November 2025.

60. PENSION REFORM AGENDA - PROPOSED MOVE TO BORDER TO COAST PENSION PARTNERSHIP POOL

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

60.2 The following points were highlighted to the Committee:

- 1) In relation to the governance process for the Fund to join Border to Coast Pensions Partnership (BCPP) and leave the ACCESS pool, a review of the Pension Committee's terms and reference has been completed, and officers are satisfied that there is suitable delegation for the Pension Committee to take decisions in relation to the transition.
- 2) There remains a focus on governance and a number of documents which are required to be signed on behalf of East Sussex County Council in order for the Fund to become a member. These documents are set out in more detail in an exempt report later in the agenda.
- 3) Work is ongoing for all Funds to leave ACCESS in order to join a new asset pool and the timeframe of 1 April 2026 is achievable in terms of signing of required documentation to join BCPP noting that the movement of assets will take place following this date.
- 4) It is anticipated that a plan for asset transition will be established and this will be reported to the Committee at a future meeting.
- 5) A Memorandum of Understanding is in place to ensure that there is an agreed protocol for partner funds to move forward and work on the dissolution of ACCESS.

60.3 The Committee discussed the timeframes surrounding asset transition and the Committee's investment decision-making responsibilities during the transition period noting that the Fund will always remain sovereign and will retain powers in terms of setting the investment strategy. It was noted that from 1 April 2026, the pool will have more control over investment managers and mandates and the implementation of investments and therefore investment decisions by the Committee in the transition period may need have consideration of the new pooling partner as part of its decision-making.

60.4 The Committee discussed BCPP's position in terms of [responsible investment](#) and noted the opportunities for strengthening responsible investment as the pool evolves to include the 7 new partner Funds from ACCESS.

60.5 The Committee RESOLVED to:

1) note the updates in relation to next steps for the East Sussex Pension Fund in terms of pension fund pooling;

2) approve, subject to the completion of the Inter Authority Agreement, the move to the Border to Coast Pensions Partnership Pool; and

3) delegate authority to the Chief Finance Officer to take any action they consider necessary to give effect to the above resolutions, including, but not limited to, agreeing the terms of and entering the agreements set out in the report.

61. GOVERNANCE REPORT

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

61.2 The following points were highlighted to the Committee:

- 1) There are 4 key legislation changes arising from the Government's consultation on pension scheme improvements: Normal Minimum Pension Age, pension access for councillors and mayors, academies in the LGPS and New Fair Deal.
- 2) An updated Pension Administration Strategy has been drafted following an annual review however it is anticipated further updates will be required in relation the governance changes expected following the Government's 'Fit for the Future' consultation.
- 3) The Pension Administration Strategy has been updated following comments from the Pension Board and following approval by the Committee, will be consulted on with employers.
- 4) Training and development opportunities continue to be offered to Pension Board and Pension Committee Members. While Pension Board Members have a legal duty to develop and maintain appropriate knowledge and understanding of pension matters, it is encouraged that Pension Committee Members as decision-makers also engage with the training offer.
- 5) To assess the knowledge and understanding of pension matters, a self-assessment questionnaire was circulated to both Pension Board and Pension Committee Members and 7 of the 11 self-assessments are yet to be returned to officers who will review to assess future training needs.
- 6) Future training opportunities are outlined at paragraph 4.7 of the report and both Pension Board and Pension Committee members are encouraged to attend upcoming sessions.

61.3 The Committee discussed the updates in the Pension Administration Strategy noting the strengthening of the Fund's position in terms of i-Connect being the default for employer submission of data.

61.4 The Committee requested that the opening section of the Pension Administration Strategy is reviewed ahead of going out to consultation to ensure that it provides sufficient clarity in terms of the purpose of the document.

61.5 The Committee RESOLVED to:

- 1) note the legal and regulatory changes as set out in the report;
- 2) approve the updated Pension Administration Strategy as set out in Appendix 2 of the report prior to the launch of consultation with employers; and
- 3) note the updates in relation to Pension Board Member training.

62. PENSIONS ADMINISTRATION - UPDATES

62.1 The Committee considered report by the Chief Finance Officer introduced by Paul Punter, Head of Pensions Administration.

62.2 The following points were highlighted to the Committee:

- 1) The administration team performance in terms of Service Level Agreements (SLAs) has increased from 89.4% in quarter 1 to 94.2% in quarter 2 and is rated green each month within quarter 2 and will remain green for October within quarter 3.
- 2) There are currently 2 vacancies in the Pension Administration team and a temporary vacancy due to maternity leave and vacancies are being managed through current staff resource.
- 3) The Pensions Dashboards project work is complete, and the digital assistant project is progressing following completion of the first 2 phases of testing and it is anticipated that the digital assistant goes live in early 2026.

62.3 The Committee discussed the progress in utilising call centre software for the Pension Helpdesk noting that work is ongoing to assess the needs of the service, and it is anticipated that call centre technology will be used by the Helpdesk in early 2026 which will provide more detailed Helpdesk data and information for future analysis.

62.4 The Committee RESOLVED to note the update.

63. COMMUNICATIONS REPORT

63.1 The Committee considered a report by the Chief Finance Officer introduced by Paul Linfield, Pension Communication Manager.

63.2 The following points were highlighted to the Committee:

- 1) Training for scheme members in 2025 has completed and a total of 1,100 active members attended a session.
- 2) The feedback received by those who attended the sessions was positive with 94% rating the session as excellent or good and most attendees indicating that their knowledge improved from the session.
- 3) Other feedback in terms of timing of sessions being difficult for some scheme members to attend such as those who work in schools has been taken on board and will be addressed in the training offer to scheme members in 2026.

- 4) The 2025 Employer Forum took place on 13 November 2025 and the main focus for the Forum was the 2025 valuation and interim employer contribution reports. Feedback from the Forum saw an average score of 8.9 out of 10 in terms of effectiveness.
- 5) Registrations to 'My Pension' member self-service website are increasing steadily with approximately 50% of scheme members now registered. Over 2,000 of these registrations have been since August 2025 when the Annual Benefit Statements were sent out.
- 6) Communications were sent out to anyone with an existing Additional Voluntary Contribution to inform them of the change of default fund.

63.3 The Committee RESOLVED to note the communications updates detailed in the report.

64. EAST SUSSEX PENSION FUND QUARTERLY BUDGET REPORT

64.1 The Committee considered a report by the Chief Finance Officer introduced by Russell Wood, Head of Pension Investments and Accounting.

64.2 The following points were highlighted to the Committee:

- 1) The latest outturn position for quarter 2 shows an increase of £110k from the approved budget due to impacts from the 'Fit for the Future' consultation, revised ACCESS Support Unit costs and the cost of additional support provided by Barnett Waddingham in selecting a new pool.
- 2) There is an expected increase of £50k to the Actuarial Fund Work costs for the year in relation to Local Government Reorganisation and an increase of £50k one-off cost in commissioning consultancy for the Guaranteed Minimum Pension (GMP) rectification project.
- 3) The reduction to staff costs driven by the departure of the interim Deputy Head of Pensions, restructuring of senior management and current vacancies has offset the unexpected additional costs.

64.3 The Committee discussed the potential costs to the Fund in relation to joining Border to Coast Pensions Partnership (BCPP) and noted that some costs such as legal fees will be shared between the 7 authorities moving from ACCESS to BCPP however costs in terms of work with BCPP to meet the 'Fit for the Future' requirements and transferring of assets is not yet known.

64.4 The Committee noted that updated budget reports will be presented at each meeting of the Pension Committee to allow for oversight of the budget as it evolves to reflect the requirements of the transition to BCPP.

64.5 The Committee RESOLVED to note the second quarter projected 2025/26 outturn position.

65. DRAFT ANNUAL REPORT AND ACCOUNTS 2024/25

65.1 The Committee considered a report by the Chief Finance Officer introduced by Ian Gutsell, Chief Finance Officer.

65.2 The following points were highlighted to the Committee:

- 1) The East Sussex Pension Fund Annual Report for 2024/25 is due for publication by 1 December 2025.
- 2) As the report is for the 2024/25 financial year, work around moving to Border to Coast Pensions Partnership is only noted within the report and will be covered more extensively in the Annual Report for the 2025/26 financial year.
- 3) Grant Thornton's audit will be concluded in February 2026 together with the audit of the County Council's accounts.
- 4) The draft findings report from the external audit which was considered at the previous meeting of the Committee does not highlight any outstanding matters and anticipates an unqualified audit opinion.

65.3 The Committee discussed the comments within the Independent Advisor's Report 2025 in relation to changes to pooling and Local Government Reorganisation and their potential impacts on the Fund's Administration Authority and scheme Members.

65.4 It was suggested that wording is added to the Annual Report ahead of publication to clarify that the policies and strategies referenced within or appended to the Annual Report were approved in 2024/25.

65.5 The Committee RESOLVED to:

- 1) approve the Pension Fund Accounts 2024/25; and
- 2) approve the draft Pension Fund Annual Report and Accounts 2024/25 for publication prior to the deadline of 1 December 2025.

66. PENSION FUND RISK REGISTER

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

66.2 The following points were highlighted to the Committee:

- 1) Risk G1, Key Person Risk has a decreased post-mitigation score following the abolition of the Deputy Head of Pensions and Governance and Compliance Manager roles.
- 2) Work is ongoing regarding Risk G3, Cybersecurity following appointment of a contractor to look at cyber risk in relation to the Fund and further updates will be provided to the Committee as the work progresses.

66.3 The Committee RESOLVED to note the Pension Fund Risk Register.

67. INVESTMENT REPORT

67.1 The Committee considered a report by the Chief Finance Officer introduced by Russell Wood, Head of Pension Investments and Accounting and Iain Campbell, Head of Local Government Pension Scheme Investment (Hymans Robertson) together with exempt information set out in a later agenda item.

67.2 The following points were highlighted to the Committee:

- 1) The investment work plan shows a key focus on Local Government Pension Scheme pooling in terms of joining a new pool and transition of assets.

- 2) The quarter 3 performance report shows an increase in the valuation of total Fund assets of £200 million.
- 3) The Fund is underweight to Income but overweight to Growth and Protection with the imbalance is primarily due to the unfulfilled private debt allocation.
- 4) Diversified growth mandates provided resilience seeing positive returns for Newton, BlueBay and Ruffer.
- 5) In terms of market conditions, inflation remains below 4% while both fixed and index linked gilt yields remain volatile. The impacts of the Artificial Intelligence (AI) sector have led to further market volatility.
- 6) All investment managers underperformed their benchmark in quarter 3 with Longview lagging by 5.9% and both impact equity mandates (WHEB and Wellington) behind.

67.3 The Committee discussed the Fund being underweight in terms of AI and the magnificent 7 and the impact of being underweight in these sectors on performance stability and resilience to major market changes.

67.4 The Committee discussed private equity mandates which underperformed again in quarter 3 and have underperformed in the last 3 years. It was noted that although private equity mandates are experiencing a period of negativity, they have performed strongly over a longer period of time (decades).

67.5 The Committee highlighted the importance of considering actual returns together with performance in relation to benchmarks when analysing investment success and decision-making.

67.6 The Committee RESOLVED to note the report.

68. WORK PROGRAMME

68.1 The Committee considered a report by the Chief Finance Officer.

68.2 The Committee RESOLVED to note the work programme.

69. EXCLUSION OF THE PUBLIC AND PRESS

69.1 The Committee RESOLVED to exclude the public and press from the meeting 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) and that the public interest in withholding the exempt information outweighs the public interest in disclosing it.

70. PENSION REFORM AGENDA - EXEMPT INFORMATION

70.1 The Committee considered a report by the Chief Finance Officer introduced by Susan Greenwood, Head of Pensions which contained exempt information in relation to an earlier item on the agenda.

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

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

71. INVESTMENT REPORT - EXEMPT INFORMATION

71.1 The Committee considered a report by the Chief Finance Officer introduced by Russell Wood, Head of Pension Investments and Accounting and Iain Campbell, Head of Local Government Pension Scheme Investment (Hymans Robertson) which contained exempt information in relation to an earlier item on the agenda.

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

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

72. GOVERNANCE REPORT - EXEMPT INFORMATION

72.1 The Committee considered a report by the Chief Finance Officer which provided exempt information in relation to an earlier item on the agenda.

72.2 The Committee RESOLVED to note the report.

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

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

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

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

74. EMPLOYER ADMISSIONS AND CESSATIONS

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

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

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

The meeting ended at 1.09 pm.

Councillor Gerard Fox (Chair)

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PENSION BOARD

MINUTES of a meeting of the Pension Board held at Committee Room, County Hall, Lewes on 12 February 2026.

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

ALSO PRESENT Ian Gutsell, Chief Finance Officer
Susan Greenwood, Head of Pensions
Dave Kellond, Head of Governance and Compliance
Russell Wood, Head of Pension Investments and Accounting
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

Barry McKay, Partner and Head of Public Sector Consulting – Barnett Waddingham

Brendan O'Brien, Pensions Support Officer
Dillon Piggot, CIPFA Trainee / Apprentice
Joshua Baker, Pension Support Officer
Mariana Obetzanova, Pensions Training Coordinator
Michael Gillingham, CIPFA Accounts and Investments Apprentice
Mya Khine, Pensions Accountant

Councillor Nick Bennett, Lead Member for Resources and Climate Change, East Sussex County Council

57. MINUTES OF THE MEETING HELD ON 4 NOVEMBER 2025

57.1 The Board approved the minute of the meeting held on 4 November 2025 as a correct record.

58. APOLOGIES FOR ABSENCE

58.1 There were no apologies for absence.

59. DISCLOSURE OF INTERESTS

59.1 There were no disclosures of interests.

60. URGENT ITEMS

60.1 There were no urgent items.

61. REPORTS

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

62. PENSION COMMITTEE AGENDA AND SUMMARY OF PREVIOUS MINUTES

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

62.2 The report provided an opportunity for the Board to comment on the draft agenda for the Pension Committee meeting due to be held on 26 February 2026 together with a summary of the minutes of the previous Pension Committee meeting held on 18 November 2025.

62.3 The Board noted that in addition to the reports considered by the Pension Board, the Pension Committee will receive an Investment report and an exempt report in support of the Pension Reform item.

62.4 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 meeting.

63. PENSION REFORM AGENDA

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

63.2 The following points were highlighted to the Board:

- 1) All final documentation in relation to joining Border to Coast Pensions Partnership has been issued, signed and executed ahead of the 1 April 2026 deadline.
- 2) Officers of the Fund continue to meet regularly with Border to Coast Pensions Partnership and other Funds moving from ACCESS.
- 3) Draft documentation has been received in relation to Border to Coast Pensions Partnership having power of attorney over the Fund's assets and the Fund receiving investment advice from Border to Coast Pensions Partnership and the document is currently being reviewed
- 4) A detailed Heads of Terms is close to being agreed between the ACCESS authorities in relation to the dissolution of ACCESS which will form the basis of the updated Inter Authority Agreement which is being drafted.
- 5) The Terms of Reference for the Pension Committee will need to be updated to reflect the new pooling arrangements.

63.3 The Board discussed the timeframe whereby East Sussex can attend the Joint Committee meetings for Border to Coast Pensions Partnership as an observer and as a member and how East Sussex is anticipated to be represented on the Joint Committee, working groups and boards.

63.4 The Board discussed what influence the Fund may have over the transition of assets and control of costs in relation to the transfer process which is likely to take approximately a year from 1 April 2026 to complete.

63.5 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.

64. APPLICATION FOR A COMBINED PENSION COMMITTEE AND PENSION BOARD

64.1 The Board considered a report by the Chief Finance Officer introduced by Ian Gutsell, Chief Finance Officer.

64.2 The following points were highlighted to the Board:

- 1) Pension reforms have led to changes to pooling, investment and governance for Local Government Pension Funds which will result in Pension Committees having less investment decision-making functions on behalf of the Fund.
- 2) Having regard to the upcoming changes and the retirement of the Board's independent chair at the end of 2026, the Fund has explored the option of combining the Pension Board and Pension Committee together with the required independent adviser to form a larger single committee to provide oversight and governance of the Fund.
- 3) The proposal if supported by the Pension Board, Pension Committee and Administering Authority would require approval from the Secretary of State.

- 4) Hampshire and Haringey Councils operate a combined model following approval from the Secretary of State and have been a source of example in drafting the proposal for East Sussex.
- 5) A combined Pension Board and Committee would provide a more efficient governance process in a changing landscape where the scope of the Pension Board and Pension Committee will become more similar due to upcoming changes to legislation resulting from the 'Fit for the Future' consultation.

65.3 The Board discussed the potential timeframes between writing to the Secretary of State and a combined body being established and noted that the timing may be premature having regard to the unknowns in relation to the remit of the proposed Investment Sub-Committee of the combined body after the move to Border to Coast Pension Partnership and effect of Local Government Organisation. It was suggested that it may be beneficial to explore the option at the time of the required triennial independent governance review.

65.4 The Board discussed the proposed membership of the combined body and suggested that 15 members may be ineffective noting that guidance suggests committees are most effective when membership is between 8 and 12 members.

65.5 The Board RESOLVED to note the report and that feedback outlined in the minutes above will be provided to the Pension Committee.

65. TRIENNIAL VALUATION 2025 AND FUNDING STRATEGY STATEMENT

65.1 The Board considered a report by the Chief Finance Officer introduced by Susan Greenwood, Head of Pensions and Barry McKay, Partner and Head of Public Sector Consulting – Barnett Waddingham.

65.2 The following points were highlighted to the Board:

- 1) The 2025 valuation process is nearing its conclusion and a draft actuarial valuation report is due to be completed by the end of March 2026.
- 2) The Funding Strategy Statement has been adjusted to reflect feedback from employers and the Department for Education.
- 3) One employer challenged its contribution rate during the consultation stage of the valuation process and the Fund has provided a detailed written response.
- 4) The Valuation Report and Funding Strategy Statement is due to be considered by the Pension Committee on 26 February for approval.

65.3 The Board discussed wording within the Funding Strategy Statement relating to the guarantee for Local Government Pension Scheme liabilities provided by the Department for Education to clarify the position of whether the guarantee includes any admission bodies participating under a pass-through arrangement and relating to the approach for cessation valuations in terms of clarifying the transfer of liabilities for pensioners and deferred members.

65.2 The Board RESOLVED to:

- 1) note the draft 2025 Valuation report as set out at Appendix 1 of the report; and
- 2) note the revised Funding Strategy Statement as set out at Appendix 3 of the report.

66. GOVERNANCE REPORT

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

66.2 The following points were highlighted to the Board:

- 1) The Fund submitted its response to the Government's consultation on Access and Protections on 22 December 2025.
- 2) It is expected that the first Independent Governance Review (a requirement for administering authorities under The Local Government Pension Scheme (Amendment) Regulations 2026) in plenty of time before the deadline of 31 March 2028. The resulting report must be prepared and submitted to the Secretary of State and published by the Administering Authority.
- 3) Actions are being undertaken to address the requirements under Local Government Pension Scheme (Amendment) Regulations 2026 to publish a Governance Strategy, Training Strategy and Conflict of Interest Policy, appoint a Senior Officer, appoint an Independent Person to the Pension Committee and carry out an Independent Governance Review.
- 4) The draft Pension Administration Strategy was sent to scheme employers and other stakeholders for consultation, which ended on 16 January 2026. Responses were received and minor amendments to the strategy based on feedback have been incorporated into the final version which will be presented to the Pension Committee for approval on 26 February 2026.
- 5) Neil Simpson's term as a Scheme Member Representative on the Pension Board has been extended for a further 2 years until 28 February 2028.
- 6) The Fund Actuary has prepared the indicative quarterly funding update as at 31 March 2025, rolling forward assumptions from the valuation and reflecting actual experience since March 2022.

66.3 The Board discussed how an independent adviser will be appointed to the Pension Committee.

66.4 The Board acknowledged the strengthened wording within the Pension Administration Strategy regarding i-Connect being the default system for employers and discussed whether charges could be applied to the remaining employers who have not onboarded with i-Connect to recuperate any additional administration costs incurred in relation to contributions being received outside of i-Connect.

66.5 The Board RESOLVED to:

- 1) note the legal and regulatory changes set out in the report; and
- 2) note the updates in relation to the Pension Administration Strategy, Pension Board membership and funding position.

67. EAST SUSSEX PENSION FUND QUARTERLY BUDGET REPORT

67.1 The Board considered a report by the Chief Finance Officer introduced by Russell Wood, Head of Pension Investments and Accounting.

67.2 The following points were highlighted to the Board:

- 1) The forecast outturn position at quarter 3 for the 2025/26 financial year has increased by £0.280m from the last projected position and reflects an overspend to the approved budget.
- 2) This increase is due to an increase in the investment advice line in relation to moving from ACCESS to Border to Coast Pensions Partnership Pool an increase in actuarial costs associated with the valuation and work in relation to ill health benefits and employer risk assessments.
- 3) A draft budget for the 2026/27 financial year incorporates costs associated with the governance arrangements involved in moving to Border to Coast Pensions Partnership and the outcome of the Government's Fit for the Future consultation.
- 4) The draft budget recognises re-procurement of the actuarial contract, the expected pay award which will increase staff costs and actuarial work expected in response to Local Government Reorganisation.

67.3 The Board discussed the increase to the Overheads line noting that costs associated with operational and administrative services provided by East Sussex County Council have increased to more accurately reflect the increased costs associated with overheads such as the postal service.

67.4 The Board discussed the potential changes to costs associated with investment advice as the Fund moves into the Border to Coast Pensions Partnership model and the potential increase to costs associated with training for Pension Board and Pension Committee members.

67.5 The Board RESOLVED to note the third quarter projected 2025/26 outturn position.

68. EMPLOYER ENGAGEMENT AND COMMUNICATIONS REPORT

68.1 The Board considered a report by the Chief Finance Officer introduced by Hayley Deeley, Employer Engagement Officer and Paul Linfield, Pension Communication Manager.

68.2 The following points were highlighted to the Board:

- 1) There were just 5 late payments of employer contributions between October and December 2025 and support is ongoing in terms of engagement with employers.
- 2) The employer engagement team have completed a number of projects such as submission of the pension regulator return and supporting the Employer Forum.
- 3) Scheme member training has completed for the 2025/26 year and sessions for the 2026/27 year have been scheduled in May and October 2026 incorporating feedback from the previous year's sessions.

68.3 The Board discussed potential opportunities to work collaboratively with other neighbouring Pension Funds in terms of communicating the benefits of the Local Government Pension Scheme to employers.

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

69. PENSION ADMINISTRATION - UPDATES

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

69.2 The following points were highlighted to the Board:

- 1) The Service Level Agreements for quarter 3 have improved to 95.8% and performance has shown a green every month since June 2025.
- 2) The majority of the Key Performance Indicators show as green however Transfer In and Out activity remains as red.
- 3) The Helpdesk Key Performance Indicators will need to be reviewed to reflect the different level of work expected of the Helpdesk staff as simple enquiries have decreased following the launch of 'My Pension' and are likely to continue to decrease following implementation of the Digital Assistant.
- 4) Further review of the Helpdesk data will be undertaken following the implementation of call-centre technology and transfer of the Helpdesk telephone number which is currently owned by Surrey County Council.
- 5) The Pension Administration Team is holding a number of vacancies and are either actively recruiting into the vacancy or monitoring activity to manage the vacancy.
- 6) Annual Benefit Statements for active and deferred members have now been issued to those who did not receive them in August following the application of the McCloud remedy and there are recalculations still required for non-active and requirements.
- 7) Pension Dashboards have gone live and work is ongoing in relation to Additional Voluntary Contributions and how data is pulling through from Prudential.
- 8) The number of existing employers yet to go live with i-Connect has decreased to 4 however there have been some challenges regarding changes to payroll software suppliers.

- 9) The mortality and address tracing service contract ceased in January 2026 and the service will be moving to Heywoods from April which will operate on a monthly basis to ensure data is accurate and up to date.

69.3 The Board discussed the challenges regarding transfer ins and outs and noted that manual updates in relation to the McCloud remedy have contributed to the performance of these tasks.

69.4 The Board discussed the types of tasks that the Helpdesk are receiving have changed over time noting that the method of measuring Helpdesk performance is likely to change to reflect the current work of the Helpdesk and further changes expected with the launch of the digital assistant which is expected to go live by the end of March 2026.

69.5 The Board RESOLVED to note the updates within the Pension Administration report.

70. INTERNAL AUDIT REPORTS AND STRATEGY FOR PENSIONS 2026/27

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

70.2 The following points were highlighted to the Board:

- 1) The three reports presented to the Board concluded the internal audit work for the Fund in the 2025/26 financial year.
- 2) Internal Audits on Pension Fund Investments and Administration of Pension Benefits were given an audit opinion of Substantial Assurance.
- 3) A review of the Preparedness for Pooling Reform was undertaken by internal audit and provided a positive position statement instead of a formal audit opinion due to there not being enough known information at the time of the audit activity.
- 4) There are 75 audit days proposed within the Council's Internal Audit Strategy for Pensions 2026/27.

70.3 The Board noted that receiving an audit position statement around pooling rather than a formal audit opinion highlights both how much is still unknown and the limited control environment the Fund has regarding the changes arising from pooling reform.

70.4 The Board acknowledged that the Fund has a robust internal control environment and officers of the Fund are engaging at all levels to ensure compliance with the pension reforms as they emerge.

70.5 The Board RESOLVED to:

1) note the Internal Audit reports as set out at Appendix 1 (Pension Fund Investments), Appendix 2 (The Administration of Pension Benefits) and Appendix 3 (Pension Fund - Preparedness for Pooling Reforms) of the report; and

2) note the Internal Audit Strategy for Pensions and Annual Plan 2026/27 as set out at Appendix 4 of the report.

71. PENSION FUND RISK REGISTER

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

71.2 The following points were highlighted to the Board:

- 1) A new risk has been added to the risk register, Risk G7 - Governance Compliance with the Requirements of the Fit for the Future Consultation.
- 2) Risk E2, Employer Data, Risk A2, Regulatory Change and Risk I3, Regulatory Risk have updated post-mitigation risk scores.
- 3) In relation to Risk G3, Cyber Risk, the Fund has provided its advisor, Mercer, with a copy of the Fund's Business Continuity Plan. Mercer are reviewing this document and will provide advice on any potential improvements, including cyber-risk specific comments.

71.3 The Board discussed the RAG (red, amber, green) ratings for each risk and whether the boundary between green and amber should be increased.

71.4 The Board discussed whether risks around Local Government Reorganisation should be included in the Pension Fund risk register and noted that while risks may emerge after the government announces which proposal for unitary authorities across Sussex has been approved, there is still too much unknown to include in the risk register at this stage of the process.

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

72. WORK PROGRAMME

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

72.2 The Board noted that the work programme will incorporate draft revised policies in compliance with the 'Fit for the Future' consultation outcomes.

72.3 The Board discussed the importance of attending regular training and requested that the Pensions Training Coordinator provides a training update to the Board at its next meeting.

72.4 The Board RESOLVED to note the work programme.

73. EXCLUSION OF THE PUBLIC AND PRESS

73.1 The Board RESOLVED to exclude the public and press from the meeting 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) and that the public interest in withholding the exempt information outweighs the public interest in disclosing it.

74. GOVERNANCE REPORT - EXEMPT

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

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

74.3 The Board RESOLVED to note the report.

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

75.1 The Board considered a report by the Chief Finance Officer introduced by Dave Kellond, Head of Governance and Compliance.

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

75.3 The Board RESOLVED to note the report.

76. EMPLOYER ADMISSIONS AND CESSATIONS REPORT

76.1 The Board considered a report by the Chief Finance Officer introduced by Dave Kellond, Head of Governance and Compliance.

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

76.3 The Board RESOLVED to note the report.

(The meeting ended at 12.35 pm)

CHAIRMAN

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Report to: Pension Committee

Date of meeting: 26 February 2026

By: Chief Finance Officer

Title: Pension Reform Agenda

Purpose: To provide an update on changes affecting Local Government Pension Schemes and the East Sussex Pension Fund

RECOMMENDATIONS:

The Pension Committee is recommended to:

- 1) note the update in relation to next steps for the East Sussex Pension Fund in terms of pension fund pooling;**
 - 2) approve, as part of the further requirements under the ‘Fit for the Future’ consultation changes of delegation of oversight of the Fund’s assets to the Border to Coast Pensions Partnership Ltd Pool, the agreement to enter into the Investment Management Agreement with Border to Coast Pensions Partnership Ltd; and**
 - 3) delegate authority to the Chief Finance Officer to take any action they consider necessary to give effect to the above recommendation, including, but not limited to, agreeing the terms of and entering the Investment Management Agreement.**
-

1. Background

1.1 The report has been prepared to update the Pension Committee on the government’s proposed changes to pension fund pooling, highlighting the key proposals and the government’s response to the proposal put forward by the ACCESS pool.

1.2 The background to the ‘Fit for the Future’ consultation and the requirements the Fund must comply with by 31 March 2026, have been extensively covered in previous Pension Committee meetings. Full details can be found in [previous reports at agenda item 6](#).

1.3 Committee members will be aware that, following the decision by government not to support the proposal put forward by the ACCESS pool to comply with the requirements of the ‘Fit for the Future’ consultation, officers worked extensively with advisors and officers from the West Sussex Pension Fund (recognising the impact of proposed devolution and new Mayoral Combined County Authority for Sussex and Brighton) to identify a new pooling partner for the Fund. The new pooling partner was identified as Border to Coast Pensions Partnership Ltd pool.

1.4 As part of the process of joining the new pool the following documentation must be agreed to entered into on behalf of the Fund:

- Shareholders’ Agreement
- Supplemental Shareholders’ Agreement
- Articles of Association
- Inter-Authority Agreement
- Pension Cost Recharge Agreement
- Pension Guarantee

1.5 At its meeting on 18 November 2025, the Pension Committee provided final approval to join Border to Coast Pensions Partnership, subject to finalisation of the required governance documentation. Pension Committee delegated authority to the Chief Finance Officer to finalise and enter into the agreements necessary to ensure the Fund is a member of the Border to Coast Pensions Partnership Pool from 1 April 2026.

2 Update on joining Border to Coast Pensions Partnership Ltd Pool

2.1 A review of Pension Committee delegations has been undertaken to ensure the required delegations are in place to approve the actions required to both join Border to Coast Pensions Partnership Ltd pool and exit the ACCESS investment pool. This has been confirmed.

2.2 There are 3 key documents from a governance perspective that are required to be completed and signed on behalf of East Sussex County Council in order for the Fund to become a member of the Border to Coast Pensions Partnership Ltd pool: The Shareholder Agreement, Inter-Authority Agreement and the Articles of Association. The pension re-charge costs must also be agreed but are not part of the key suite of documents required for the Fund to become a shareholder in the new pool.

2.3 A review of these three key documents has been completed by Squire Patten Boggs on behalf of the 7 ACCESS funds looking to join Border to Coast Pensions Partnership and the final draft of the documentation has now been agreed by all partner funds (existing and incoming Border to Coast Pensions Partnership funds). The documentation has now been signed and executed.

2.4 The Fund is also in receipt of a paper setting out initial detail in relation to pension cost sharing, however further actuarial advice will be required in relation to this area. Given the limited number of staff impacted by this arrangement and the already well funded position of the existing pension funds, officers believe the costs associated with pension provision will be limited when split across the 18 partner funds post 1 April 2026. Further detail on the can be found under exempt agenda item 19.

2.5 Officers from the Fund continue to attend regular weekly meetings with the 6 other ACCESS funds and Border to Coast Pensions Partnership to review progress on a weekly basis. The Head of the Fund, the Chief Finance Officer and the Monitoring Officer also meet regularly to oversee progress.

2.6 It remains the view of officers that it will take some time post 1 April 2026 to reorganise the Fund's assets and the Fund will remain invested in ACCESS pooled investment funds for some time to come. The priority is to carry out any reorganisation in the most efficient manner possible to protect the members of the Fund. Further detail on the can be found under exempt agenda item 19.

2.7 The draft Regulations set out that within 21 days of first participating in an asset pooling company, administering authorities must ensure that all the assets of their fund (other than cash needed to pay benefits and expenses) are held on behalf of the relevant administering authority by the relevant asset pool company and properly managed by that company with a view to implementing the administering authority's investment strategy.

2.8 ACCESS authorities will each be legally obliged to join a new pool and to delegate effective "control" over all their fund assets to their new pool – including assets currently in the ACCESS Authorised Contractual Scheme (ACS). Officers have now received a copy of the Investment Management Agreement ("IMA") the Fund will be required to enter into with Border to Coast Pensions Partnership Ltd in order to delegate this authority to the new pool and further detail on this

document can be found within an exempt report at Agenda Item 19.

2.9 The IMA sets out the terms on which investment services will be provided to the Fund by the Border to Coast pool and contains a wide-ranging Power of Attorney to achieve this. This documentation is currently being reviewed on behalf of all 18 Border to Coast partner funds by Burgess Salmon and officers are currently awaiting this advice. In order to comply with the prevailing regulations there is a requirement to enter into the agreement and confirm the oversight of the pool by 1st April 2026.

2.10 The Fund is also aware of the need to implement an agreement with the Border to Coast Pensions Partnership pool that allows the Fund to receive investment advice from Border to Coast Pensions Partnership. Detail in relation to this is also contained within the IMA and officers have attended meetings where the approach has been outlined by the Pool.

2.11 The Fund has also now received a detailed appraisal of the costs associated with becoming shareholder in the new pool and officers are currently working through this detail to understand the full cost implications before costs are reported to the Pension Board and Pension Committee. Further detail on the can be found under exempt agenda item 19.

3 Dissolution of the ACCESS Partnership

3.1 With 7 ACCESS partner funds moving to Border to Coast Pensions Partnership Ltd and 4 ACCESS partner funds moving to the LGPS Central Pool, ACCESS will dissolve and fragment between the 2 destination pools.

3.2 As it will take some time to revise the current Inter-Authority Agreement (IAA) to deal with all the consequences of the current circumstance, a Memorandum of Understanding has been agreed and signed to act as a bridge between the current and new IAA and provide an agreed protocol for partner funds to move forward and work on the dissolution of the ACCESS Partnership.

3.3 As at the date of writing, the position is that a Head of Terms document is close to being agreed between the ACCESS authorities. The Heads of Terms document will set out the principles upon which the ACCESS pool will be dissolved and the basis upon which the costs will be shared. The aim is then to finalise a revised IAA in line with the Heads of Terms document by 1 April 2026. However, Squires Patton Boggs have confirmed that if the revised IAA is not finalised and signed by 1 April 2026, the current IAA combined with the MOU document is sufficient to continue to operate the ACCESS pool from a legal perspective.

3.4 At a high level, the agreed cost sharing principles are:

- Based on holdings at 30 June 2025
- General costs continue to be split equally
- Transition costs borne by relevant fund, except where additional costs arise to achieve a split of sub-funds with participants going to both pools – those will be shared in line with Assets Under Management (AUM) holdings and some equal splits of annual fees
- Commitment to transparency about method and timing of transitions
- Any changes to principles will require unanimous decision (delegated to officers)

3.5 The current draft of the revised Heads of Terms document recognises that the remaining functions for ACCESS authorities will be much more limited with all day-to-day operational matters for the ACCESS ACS being delegated to the new pools via power of attorney. The Joint Committee

will have full delegated authority to terminate the IAA and Operator Agreement (by majority decision), and meetings will be on an “as required” basis with a simpler quorum.

3.6 There are ongoing discussions between ACCESS, Border to Coast Pensions Partnership, LGPS Central, Northern Trust (Custodian to ACCESS) and Waystone (Operator for ACCESS) to establish a protocol for the transfer of investment. The aim is to develop an approach to safely dissolve and reorganise the assets of the partner funds in ACCESS. This is complex and challenging process for which there is no precedent.

4 Pension Committee

4.1 Whilst the current Terms of Reference (“ToR”) for the Pension Committee do contain all the necessary powers and delegations for the Committee to oversee and authorise the process of leaving ACCESS and joining Border to Coast Pensions Partnership Ltd, the current ToR will need updating to make specific reference to the new pooling arrangements.

5. Conclusion

5.1 The Pension Committee is therefore recommended 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 this report and approve as part of the further requirements under the ‘Fit for the Future’ consultation changes of delegation of oversight of the Fund’s assets to the Border to Coast Pension Partnership Ltd Pool the agreement to enter in to the Investment Management Agreement with Border to Coast Pension Partnership Ltd. The Pension Committee is also recommended to delegate authority to the Chief Finance Officer authority to take any action they consider necessary to give effect to the above recommendation, including, but not limited to, agreeing the terms of and entering the Investment Management Agreement as set out in this report.

IAN GUTSELL
Chief Finance Officer

Contact Officer: Susan Greenwood, Head of Pensions
Email: Susan.Greenwood@eastsussex.gov.uk

Report to:	Pension Committee
Date of meeting:	26 February 2026
By:	Chief Finance Officer
Title:	Application for a Combined Pension Committee and Pension Board
Purpose:	To advise and seek views from the Board on the proposal to request from the Secretary of State approval for the pursuit of a Combined Pension Committee and Pension Board

RECOMMENDATION:

The Pension Committee is recommended to:

- 1) consider the proposal to apply for a Combined Pension Board and Committee together with the views of the Pension Board as set out in this report; and**
 - 2) delegate to the Chief Finance Officer, in consultation with the Monitoring Officer, authority to request Secretary of State approval for a Combined Pension Board and Committee.**
-

1. Background

1.1 It is a requirement under the Public Service Pension Scheme Act 2013 for local pension boards to be in place to assist administering authorities with the effective and efficient management and administration of the Scheme and compliance with the LGPS.

1.2 East Sussex County Council currently has a Pension Board which comprises 3 employer and 3 scheme member representatives, as well as a non-voting, independent chair. Its role is to assist the scheme manager in its management of the East Sussex Pension Fund (ESPF).

1.3 The responsibility for scheme management is delegated to the Pension Committee, which is a non-executive committee of East Sussex County Council, the administering authority of the ESPF. The Committee is responsible for arrangements for the investment, administration and management of the Fund. The Committee comprises 5 elected councillors.

1.4 The provisions contained in Regulation 106(2) of the Local Government Pension Scheme Regulations 2013 (LGPS) allow for, subject to Secretary of State approval, the establishment of a combined Pension Committee and Board.

1.5 The upcoming retirement of the Pension Board Chair later in 2026, along with the proposed changes to the scheme governance brought about under the 'Fit for the Future' consultation, including the requirement to move all Fund assets under the management of the Border to Coast Pensions Partnership Ltd pool (as described under agenda items 6 and 8) makes it an appropriate time to review more fundamentally the arrangements that are currently in place for the Pension Committee and Board, including providing consideration of whether to combine both.

1.6 The changes provide East Sussex County Council with the chance to enhance the robustness and efficiency of its overall pension governance.

2. Combined Pension Committee and Board

2.1 A combined Pension Committee and Board in practice would involve instead of the current provision of a Pension Committee with a focus on decision making, investment and administration and a Pension Board responsible for compliance and oversight, there would be one legally constituted body performing both sets of responsibilities. This combined body would make decisions on issues such as funding employer admissions, governance and administration. It would also scrutinise and oversee decisions and processes to maintain compliance with LGPS and pensions law. These arrangements would be supported by an investment sub-committee which would also be in place to oversee investment decisions and management.

2.2 The combined body could potentially comprise 15 members, including 8 County Councillors, 3 scheme member representatives, 3 employer representatives and a non-voting independent adviser. Members will be required to meet both LGPS Board and LGPS Committee training standards, maintain training logs and demonstrate ongoing knowledge under the Pension Regulator's requirements. These requirements will increase under the 'Fit for the Future' proposals.

2.3 The proposed amendments to the LGPS regulations allow for the preservation of the oversight function if Committee and Board are merged through:

- The inclusion of an independent adviser who adds external challenge.
- The statutory triennial governance reviews act as a check on the body.
- The inclusion of scheme member and employer representatives also provide an internal mechanism of challenge through the ensuring diverse scrutiny.

2.4 Under the Local Government Act 1972 Section 102(3) a committee that makes investment decisions becomes a finance committee and cannot legally include non-councillors. To allow a combined arrangement to legally exist under these criteria, an Investment Sub Committee composed only of elected councillors which holds all formal investment decision making powers would need to be established. This would ensure the combined body itself is not designated a finance committee, allowing non councillors to serve legally. The combined body would set investment strategy, principles, beliefs, scrutinise investment performance and review risks and policy. However, formal investment decisions would sit with the councillor only Investment Sub Committee.

2.5 There are a number of benefits that a joint Committee and Board will deliver including:

- Enhancing the efficiency and effectiveness of pension governance.
- Offering compelling management and oversight roles will help the Pension Fund attract top scheme and employer representatives to its combined Committee and Board.
- Promoting thorough comprehension of Pension Fund issues and facilitate decisions that adhere to regulatory standards, due to members of both the combined

Committee and Board being introduced to every aspect of the Pension Fund's operations.

- Avoiding any duplication and confusion in roles between a separate Committee and Board, in light of new proposed amendments to the LGPS legislation.

2.6 The process of establishing a combined Committee and Board involves writing to the Secretary of State to obtain initial approval followed by requesting the approval Full Council to establish the body and approve the proposed Terms of Reference.

2.7 The implementation of the Combined Committee and Board structure has been successfully completed by Haringey Council and Hampshire County Council respectively and indicates that the Government is prepared to approve joint boards.

3 Potential Challenges

3.1 The process of scrutiny and review could be challenging. However, this can be mitigated through the new triennial governance reviews suggested in the LGPS amendments (2026). Additionally, the requirement for both an independent adviser on any pension committee and an LGPS Officer provide sources of scrutiny and review for the combined body.

3.2 To avoid conflicting with legislation surrounding committee membership and financial responsibility within a committee, an investment sub-committee will need to be established to allow for scheme employee and employer representatives to sit on the combined committee and board.

3.3 There are no set criteria to work towards of what will need to be met for a successful application.

4 Terms of Reference

4.1 Should the Secretary of State agree to a combined Pension Board and Committee, the Terms of Reference would need to be agreed which incorporates both the responsibilities placed on the Pension Committee and the Pension Board.

5 Administrative Changes

5.1 In line with the proposed amendments, a designated Senior Officer will have oversight and accountability for a new Governance Strategy, Training Strategy and Conflict of Interest Policy that reflects the aims and terms of the Combined Pension Board and Committee.

6 Feedback from the Pension Board

6.1 The proposal contained within this report was presented to the Pension Board on 12 February 2026. The Pension Board was supportive of the proposal. There were comments made regarding the potential size of the membership of the Combined Pension Board and

Committee and comments as to whether it was premature to propose these changes or if it would be better suited to consider as part of a wider independent governance review that is proposed for later in 2026 (and must be carried out by March 2028 under the new Regulations).

7. Conclusion and Reasons for recommendations

7.1 Following the publication of the draft LGPS (Amendment) Regulations 2026 and the Government's clear direction of travel towards strengthened and streamlined governance arrangements, work has been undertaken to assess how these changes can best be implemented within the East Sussex Pension Fund. Reviews of different authorities' governance structures and of the regulatory amendments encourage a shift in pension governance. Previously, logistical challenges hindered combining the Pension Committee and Board, but recent regulatory changes have made this model more practical. Evidence suggests that the combined approach can improve efficiency and effectiveness, making it an appealing governance option.

7.2 A single legally constituted body would offer clearer governance pathways, reduce duplication of work and improve operation efficiency by bringing oversight, scrutiny and strategic decision-making together. Importantly, the updated and existing regulations create a practical route for implementing such a structure while preserving appropriate checks and balances through independent advice, equal representation and cyclical governance reviews.

7.3 If the Committee approve the delegation to the Chief Finance Officer in consultation with the Monitoring Officer as set out in the recommendations and approval is obtained by the Secretary of State, permission to abolish the Pension Committee and Pension Board, approval to establish a Combined Pension Board and Committee and approval of the Terms of Reference for the Combined Pension Board and Committee to be included in the Council's Constitution will be required from Full Council.

IAN GUTSELL Chief Finance Officer

Contact Officer: Susan Greenwood, Head of Pensions
Email: Susan.Greenwood@eastsussex.gov.uk

Report to:	Pension Committee
Date of meeting:	26 February 2026
By:	Chief Finance Officer
Title:	Triennial Valuation 2025 and Funding Strategy Statement
Purpose:	This report provides the results of the 2025 triennial Valuation and a revised Funding Strategy Statement

RECOMMENDATIONS:

The Pension Committee is recommended to:

- 1) approve the draft 2025 Valuation Report as set out at Appendix 1 of the report;**
 - 2) note the comments received from the consultation in relation to the Funding Strategy Statement; and**
 - 3) approve the revised Funding Strategy Statement as set out at Appendix 3 of the report.**
-

1. Background

1.1 It is the responsibility of East Sussex County Council, in its capacity as Administering Authority to the East Sussex Pension Fund (the Fund), to prepare, publish and maintain the Fund's Funding Strategy Statement. This document has been reviewed alongside the 2025 Valuation and went through formal consultation with employers following the draft strategy presented to this Committee in November 2025.

1.2 The 2025 Valuation of the Fund on a triennial basis is a regulatory requirement and is used to determine contribution rates payable by participating employers for the period commencing 1 April 2026. The valuation is carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 ("the Regulations"). The Fund Actuary has now prepared the 2025 Valuation report which records the high-level outcomes of the actuarial valuation, following discussions and decisions made by the Pension Committee, Pension Board and Fund officers with advice from the Fund Actuary.

2. Triennial Valuation 2025 report

2.1 The Pension Board and Pension Committee received an update on the 2025 triennial valuation in November and September 2025 respectively, following a presentation to the Committee in June on the proposed assumptions. The initial presentation set out the 2025 whole Fund valuation results and draft whole fund primary rate along with the detailed assumptions, a climate scenario report and the draft Funding Strategy Statement (FSS). The initial results showed a current whole fund funding level of 117% down from 123% in 2022.

2.2 The whole fund primary rate reduced from 20.2% to 17.3% of payroll with an expectation that the vast majority of employers will see contribution rates fall.

2.3 The draft strategy and assumptions were approved by the Pension Committee on 25 September 2025 and a consultation commenced with employers on the draft FSS after the Employer Forum event that took place on 13 November 2025, at which a presentation was received from the Fund Actuary and those employers in attendance received their draft results and had the opportunity to speak to the Fund actuary.

2.4 The Fund Actuary has now drafted the 2025 Valuation report which records the high-level outcomes of the actuarial valuation, including the value of the assets and liabilities of the Fund as at 31 March 2025 and the required rate of employers' contributions to the Fund for the period from 1 April 2023 to 31 March 2026 (set out in the Rates and Adjustments certificate). The draft report is provided in Appendix 1.

3. Funding Strategy Statement (FSS)

3.1 Under the Regulations, all Local Government Pension Scheme (LGPS) funds have a statutory obligation to produce a Funding Strategy Statement (FSS). The Fund reviews the FSS at least every 3 years alongside the valuation but also from time-to-time when required. The current version of the FSS was approved by the Pension Committee on 22 February 2023 following the 2022 valuation.

3.2 The revised FSS was approved in draft form by the Pension Committee on 25 September 2025. Following this approval, the draft version was issued to all participating employers for consultation alongside their individual results and contribution rates. The consultation period with employers ran for 7 weeks from 20 November 2025 to 9 January 2026. The Fund asked for a response from every employer that could either be a nil return or comments or questions on the approach taken by the Fund to the 2025 valuation.

3.3 The Fund received 52 nil returns and 8 comments or queries (this represents a response rate of approximately 43% of employers). The feedback received is summarised below:

- (i) A Trust - Employer queried that their rate hasn't been reviewed. They believed that their pass-through arrangement should have been reviewable after 5 years. **Fund response:** The Fund contacted the employer and they have now accepted that because they are on a fixed rate pass-through arrangement the employer contribution rate will remain unchanged.
- (ii) An education body raised a query on the approach to surplus, specifically asking for further clarity around the funding approach to surplus set out in the table on page 13 of the FSS. **Fund response:** The Fund agreed that the line referred to in the "2025 funding approach – surplus" row is unclear and is actually misleading in this case. All employers (except those in the last column) were treated the same when setting contributions in terms of reductions and treatment of surplus. The Fund will reformat this section of the table to remove the implication that these bodies were treated differently.
- (iii) A school queried whether there would be a ceiling applicable to relating to the approach to self-insurance of ill health benefits? (i.e. "*The Administering Authority reserves the right to charge an additional premium where there is*

evidence to suggest that a materially higher than anticipated experience for that employer”)

Fund response: the Fund proposes to change the wording on page 52 to ‘The Administering Authority reserves the right to review the premium for any employer where there is evidence to suggest a materially higher than anticipated experience for an individual employer. Any decisions made based on the outcomes of these reviews would be communicated in advance to the affected employer(s) and any changes to premiums would be clearly evidenced’.

- (iv) A service raised 4 queries on the FSS. The first requested clarity on the ill health self insurance reserve (Appendix D), specifically whether the reserve is managed globally or if the reserve is specific to each employer, what happens if an employer’s drawdown exceeds the reserve and if there would be cross subsidy between employers in this eventually? **Fund response:** The reserve is managed globally and will include the premiums for all participating employers. As with any insurance arrangement, there will be cross-subsidies across participating employers in the Fund.
- (v) The second query from the service also queries the description of academies as schedule 1 bodies on page 9 of the FSS. **Fund response:** It is a naming convention to differentiate between government backed and DfE backed employers. Both are described as “Schedule 2 Part 1” bodies in the Regulations.
- (vi) The service also highlighted the queries described in (ii) and (iii) above and the Fund responded as per the details set out above. Finally, ESFRS queried if a move to a Mayoral Combined Authority (MCA) or County Combined Authority (CCA) control would impact contributions. **Fund response:** This would likely trigger a contribution review at the date of the change but more information would be required regarding the number of members affected and the impact the change in control would have before advising.
- (vii) The Department for Education also raised a number of actuarial queries that have been answered and this detail is included in Appendix 2 to this report.
- (viii) A University also raised a number of queries and has challenged why they had not received a contribution rate reduction. The Fund’s detailed written response to these queries is available upon request.

3.4 The Pension Board also reviewed the FSS and fed back some minor comments set out below:

- *Ensure that the wording around admission bodies and the DfE guarantee is strengthened from ‘we understand that’ to ‘the DfE have stated that’ or similar within the Funding Strategy Statement.*
- *Review and ensure that the wording around cessation valuations and transfer of liabilities is clear.*

- *Review and amend the wording under 'Section B' within the FSS is amended so that it reads correctly.*

3.5 Minor changes to the FSS have been implemented to reflect the feedback above from both employers and Pension Board members and the proposed final version of the FSS is set out at Appendix 3 to this report along with a version containing track changes at Appendix 4.

3.6 Following the consultation and Pension Board discussions, Fund officers will look at the accessibility and branding of the FSS to ensure it is aligned with the requirements and branding of the Fund for its published policies and strategies, so the appearance may change slightly to the version at Appendix 3.

4. Conclusion and reasons for recommendation

4.1 The Pension Committee is recommended to approve the draft 2025 Valuation report (Appendix 1) and the revised Funding Strategy Statement (Appendix 3).

IAN GUTSELL
Chief Finance Officer

Contact Officer:
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Susan Greenwood, Head of Pensions
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East Sussex Pension Fund

Actuarial valuation as at 31 March 2025

Barry McKay FFA | Partner

Karen Jamieson FFA | Actuary

Barnett Waddingham LLP

30 January 2026

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Executive Summary

Some of the key results contained within this report are set out below:

1. Funding position

- Using the agreed assumptions, the Fund had funding position of 117% as at 31 March 2025, which has increased from 123% at the 2022 valuation.

2. Contributions

- Individual employer contributions are set out in Appendix 8 in the Rates and Adjustments Certificate to cover the period from 1 April 2026 to 31 March 2029. No employer is permitted to pay their deficit over a period greater than 15 years from 1 April 2026.

3. Key assumptions and inflation experience

- The assumptions are set out in Appendix 2 and we believe they are appropriate for the 31 March 2025 valuation. The key assumptions used are a discount rate assumption of 5.0% p.a. and a CPI inflation assumption of 2.7% p.a.
- Inflation experience has been significant since the 2022 valuation, with pension increases of 10.1% in 2023 and 6.7% in 2024, increasing the liabilities materially.

4. Investment performance

- Investment returns have been volatile since the previous valuation. Fund returns were lower than the discount rate set at 2022, resulting in a lower funding level at 2025, all else being equal.
- An increase in future anticipated investment returns net of inflation (i.e. an increase in the real discount rate), has improved the funding position.

5. Regulatory developments

- There have been a number of important regulatory developments since the 2022 valuation which have impacted the valuation including McCloud, Climate risk and the additional reporting requirements on Gender Pensions Gap. Details of how we have approached each development and any relevant outcomes, is detailed in this report.

Comparison with other LGPS funds

The funding position and resulting contributions are based on assumptions about future factors such as investment returns, inflation and life expectancy. As these are uncertain, different assumptions and funding parameters are used by each LGPS fund to reflect their own views, circumstances and strategic objectives. These differences (amongst other factors including crucially the previous funding level and employer short and long-term affordability) will lead to differences in funding positions and contributions across LGPS funds.

To support comparison, LGPS funds are required to report a funding position on a consistent set of assumptions (called the "SAB funding level"). The Fund's SAB funding level at 31 March 2025 is **TBC**.

IMPORTANT NOTE: the SAB assumptions are to allow comparison only and are not intended to be appropriate for funding purposes or setting contribution rates. As such, this result has no impact on the Fund's funding strategy or employer contribution rates.

Compliance statements

This advice is provided in our capacity as Fund Actuary.

This report summarises the results of the valuation and is addressed to the administering authority of the Fund. It is not intended to assist any user other than the administering authority in making decisions or for any other purpose and neither we nor Barnett Waddingham LLP accept liability to third parties in relation to this advice.

This advice complies with Technical Actuarial Standards (TASs) issued by the Financial Reporting Council – in particular TAS 100: General Actuarial Standards and TAS 300: Pensions.

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Background

We have been asked by East Sussex County Council, the administering authority for the East Sussex Pension Fund (the Fund), to carry out an actuarial valuation of the Fund as at 31 March 2025. The Fund is part of the Local Government Pension Scheme (LGPS), a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 (the Regulations) as amended.

The purpose of the valuation is to review the financial position of the Fund and to set appropriate contribution rates for each employer in the Fund for the period from 1 April 2026 to 31 March 2029 as required under Regulation 62 of the Regulations.

This report is provided further to earlier advice dated 10 September 2025 which sets out the background to the valuation and explained the underlying methods and assumptions derivation.

We would be pleased to discuss any aspect of this report in more detail.

Valuation methodology

Setting contributions

The contribution rates consist of two elements, the primary rate and the secondary rate:

- The **primary rate** for each employer is the employer's future service contribution rate (i.e. the rate required to meet the cost of future accrual of benefits) expressed as a percentage of pay.
- The **secondary rate** is an adjustment to the primary rate to arrive at the total rate each employer is required to pay (for example, to allow for deficit recovery) over a specified "recovery period". The secondary rate may be expressed as a percentage of pay or a monetary amount.

Regulation 62 specifies four requirements that the actuary "must have regard" to:

- 1 The existing and prospective liabilities arising from circumstances common to all those bodies
- 2 The desirability of maintaining as nearly a constant a primary rate as possible
- 3 The current version of the administering authority's Funding Strategy Statement (FSS)
- 4 The requirement to secure the "solvency" of the pension fund and the "long-term cost efficiency" of the Scheme, so far as relating to the pension fund

The wording of the second objective is not ideal in that it appears to be aimed towards the primary rate rather than taking into account the surplus or deficit of the employer. We believe that if we achieve reasonably stable total individual employer rates (which seems like a preferable objective) then we will also meet the regulatory aim.



The FSS guidance includes further details in the glossary, as follows:

- **“solvency”** means contributions should be set at “such a level as to ensure that the scheme’s liabilities can be met as they arise”. It is not regarded that this means that the pension fund should be 100% funded at all times, and
- **“long-term cost efficiency”** means that contributions must not be set at a level that gives rise to additional costs, such that deferring costs will result in higher costs overall. The contributions set will be deemed to ensure long-term cost efficiency if the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual, with an appropriate adjustment to that rate for any surplus or deficit in the fund.

Secondary rate “recovery period”

The recovery period for individual employers varies across the Fund. The administering authority’s approach to setting recovery periods is set out in the FSS. Where there is a surplus, this may also be reflected in contribution rates in line with the Fund’s FSS.

The primary and secondary rate of the individual employer contributions payable are set out in the Rates and Adjustments Certificate in Appendix 8. These will differ from the whole Fund primary rate and differ from each other, as they are either based on the employer’s own membership and experience or they are the employer’s share of the contributions payable within a pool of employers.

Assumptions used

We have considered these four requirements when providing our advice and choosing the method and assumptions used.

A number of reports and discussions have taken place with the administering authority and, where required, its investment advisors before agreeing the assumptions to calculate the results and set contribution rates. In particular:

- The initial results report dated 10 September 2025 provides information and results on a whole fund basis as well as background to the method and derivation of the assumptions.
- The climate analysis report dated 31 October 2025 which considers climate risk in the context of the Fund’s 2025 actuarial valuation. It considers whether the 2025 valuation funding strategy is sufficiently robust in the context of this climate scenario analysis and any potential contribution impacts.
- The FSS which will confirm the approach in setting employer contributions.

Note that not all of these documents may be in the public domain and may be restricted to the administering authority which has no obligation to share them with any third parties.

The Fund’s FSS has been reviewed in collaboration with the administering authority to ensure that it is consistent with this approach. The FSS complies with the updated FSS guidance published in January 2025 by the Scheme Advisory Board’s Compliance and Reporting Committee, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Ministry of Housing, Communities and Local Government (MHCLG).

We confirm that in our opinion the agreed assumptions are appropriate for the purpose of the valuation. The assumptions in full are set out in Appendix 2.

Valuation of liabilities

To calculate the value of the liabilities, we estimate the future cashflows which will be made to and from the Fund throughout the future lifetime of existing active members, deferred benefit members, pensioners and their dependants. We then discount these projected cashflows using the discount rate assumption which is essentially a calculation of the amount of money which, if invested now, would be sufficient together with the income and growth in the accumulating assets to make these payments in future, using our assumption about investment returns.

This amount is called the present value (or, more simply, the value) of members' benefits. Separate calculations are made in respect of benefits arising in relation to membership before the valuation date (past service) and for membership after the valuation date (future service).

To produce the future cashflows or liabilities and their present value we need to formulate assumptions about the factors affecting the Fund's future finances such as inflation, salary increases, investment returns, rates of mortality and staff turnover etc.

The assumptions used in projecting the future cashflows in respect of both past service and future service are summarised in Appendix 2.

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Valuation of assets

We have been provided with Fund accounts for each of the three years to 31 March 2025. We understand that the audit for Fund accounts to 31 March 2025 has been completed but is yet to be finalised.

The market asset valuation as at 31 March 2025 was £4.97bn. Please note that this excludes members' additional voluntary contributions (AVCs).

For the purposes of the valuation, we use a smoothed value of the assets rather than the market value. The financial assumptions that we use in valuing the liabilities are smoothed around the valuation date so that the market conditions used are the average of the daily observations over the period 1 January 2025 to 30 June 2025. Therefore, we value the assets in a consistent way and apply the same smoothing adjustment to the market value of the assets.

The smoothed asset valuation as at 31 March 2025 was £5.07bn. This was based on a smoothing adjustment of 101.9%. More detail can be found in Appendix 1.

The Fund's long-term investment strategy has been taken into consideration in the derivation of the discount rate assumption. The investment strategy is set out in the Fund's Investment Strategy Statement (ISS) that is available on the Fund's website.

Results

Funding position

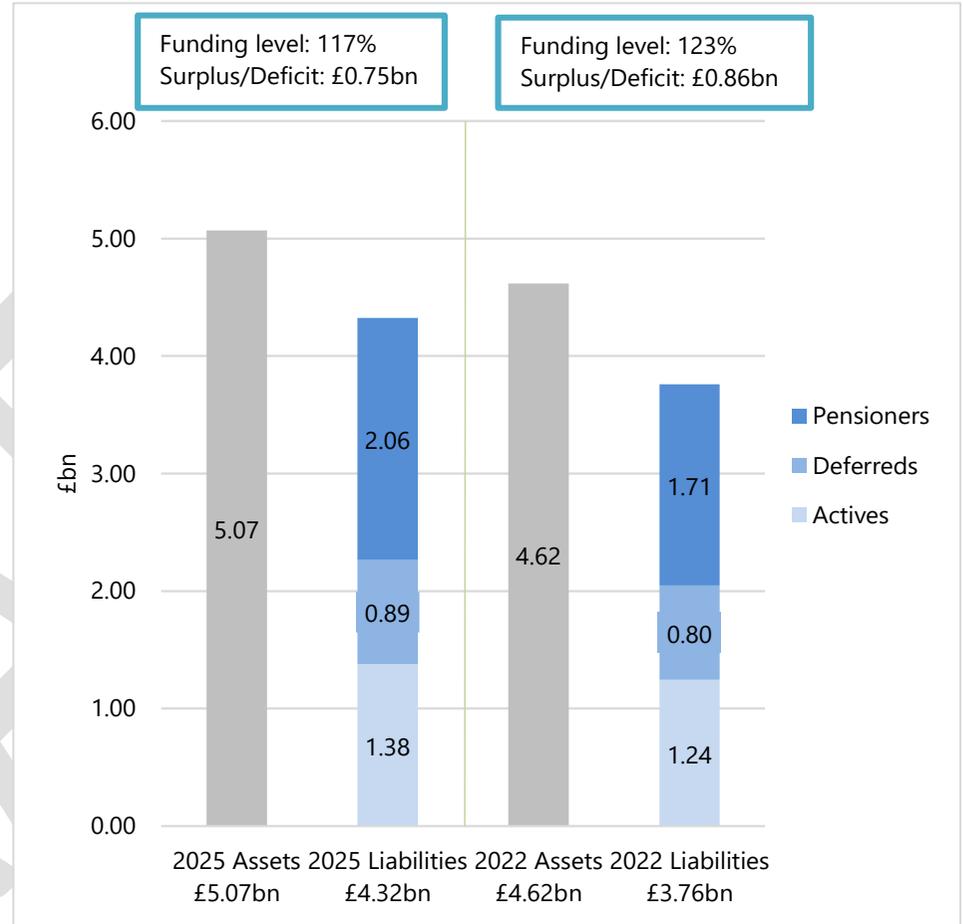
A comparison is made of the value of the existing assets with the value of the accrued liabilities. If there are more assets than liabilities, then there is a surplus. If the converse applies there is a deficit.

Using the assumptions summarised in Appendix 2, the funding position is set out in the graph below. This shows the funding position of the Fund at the current and previous valuation dates.

There was a surplus of £746m in the Fund at the valuation date, corresponding to a funding level of 117%.

Previous valuation results

The previous valuation was carried out as at 31 March 2022 by **Barnett Waddingham**. The results are summarised in the valuation report dated **31 March 2023** and reported a **surplus of 858m**.



Contribution rates

Primary rate

Using the assumptions summarised in Appendix 2, the resulting average primary rate across the whole Fund is set out in the table below (after allowing for member contributions). This includes a comparison to the primary rate at the previous valuation.

The primary rate for the whole Fund is the weighted average (by Pensionable Pay) of the individual employers' primary rates.

Primary rate	2025 valuation of payroll p.a.	2022 valuation of payroll p.a.
Average total future service rate	23.7%	26.7%
Less average member rate	6.4%	6.5%
Fund primary rate	17.3%	20.2%

Active members pay contributions to the Fund in line with the rates required under the Regulations.

Please note that expenses are allowed for in the derivation of the discount rate and therefore we make no explicit allowance in the primary rate for expenses.

In Appendix 8 we also disclose the sum of the secondary rates for the whole Fund for each of the three years beginning 1 April 2026.

Projected funding position

Based on the assumptions as set out in Appendix 2 and the contributions certified and set out in Appendix 8, we estimate that the funding position of the whole Fund will be 115% by 31 March 2028, the next valuation date. This projection is based on the assumptions made for this valuation and contributions being paid at the agreed amounts. This projection does not allow for any actual experience since 31 March 2025 nor any other risks or uncertainties. Some of these additional risks are set out later in this report and in Appendix 3.

Standardised basis

Following the funding valuation, a "Section 13" report (prepared under Section 13 of the Public Service Pensions Act 2013) will be prepared to report on whether the following aims are achieved: compliance, consistency, solvency and long-term cost efficiency, and to identify any funds that cause concerns.

As part of our calculations we have considered the results on a standardised basis as set by the Scheme Advisory Board (SAB). We are required to provide the SAB with the results for the Fund for comparison purposes.

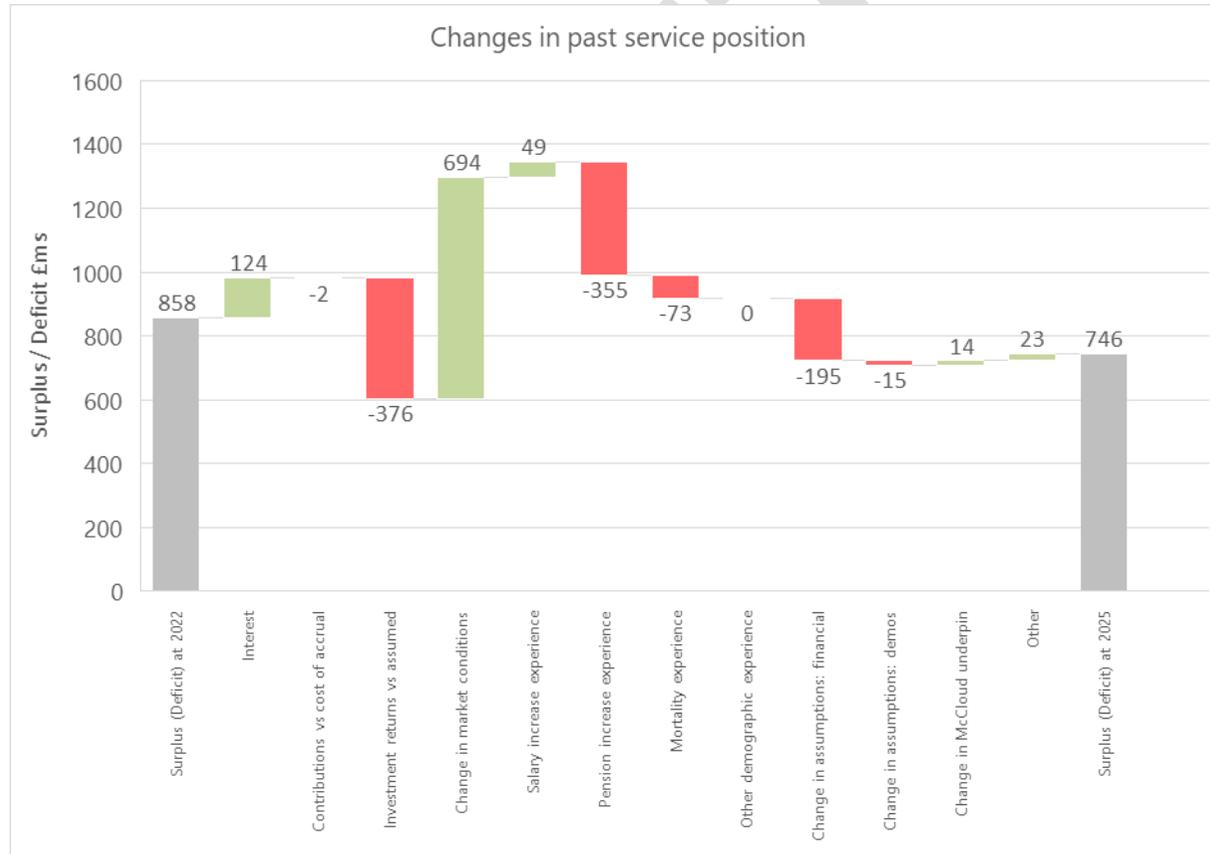
The standardised basis is set using assumptions advice from the Government Actuary's Department (GAD) with some of the assumptions used being set locally (such as mortality) and some are set at Scheme level (including all the financial assumptions). It is not used to set contributions as it does not reflect the Fund's investment strategy or the administering authority's attitude to risk; contributions are set using the funding basis.

The results on the standardised basis as at 31 March 2025 are set out in the dashboard in Appendix 7. The dashboard should assist readers in comparing LGPS valuation reports and the information will be used by GAD in their "Section 13" report.

Reconciliation to previous valuation

Funding position

The previous valuation revealed a surplus of £858m. The key factors that have influenced the funding level of the Fund over the period are illustrated in the chart below.



Experience

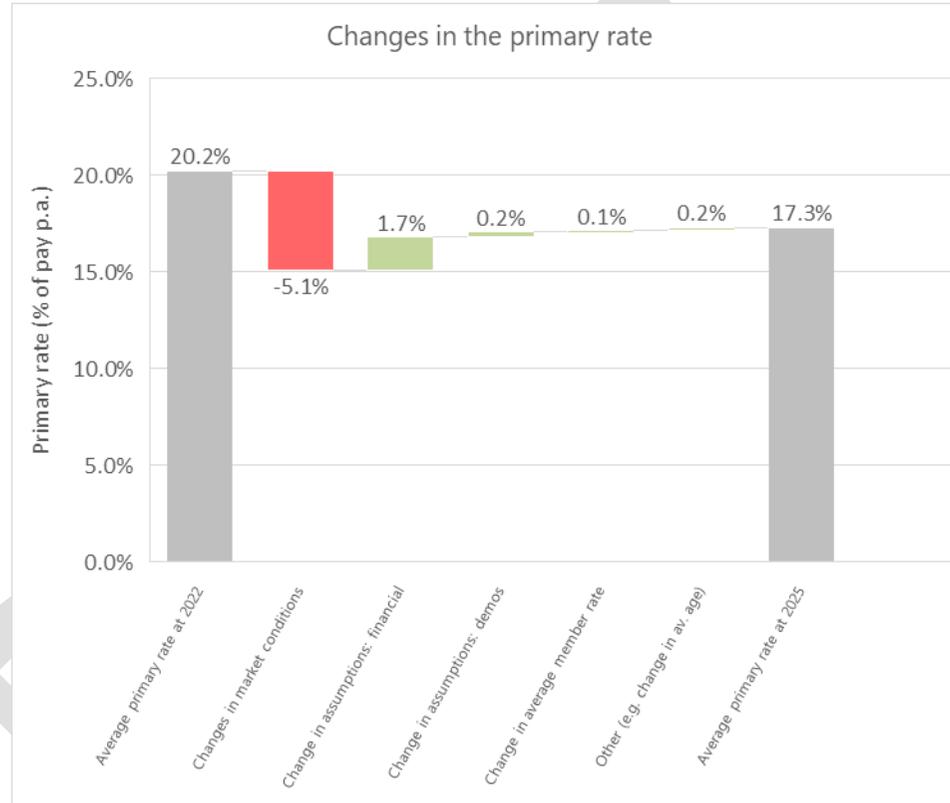
- Changes in market conditions has increased the Fund surplus by approximately £694m
- Lower investment returns than expected decreased the surplus by £376m
- Actual inflation over the previous three years has been higher than assumed leading to a decrease of the surplus by approximately £355m
- Lower salary increases than assumed has increased the surplus by approximately £49m

Assumptions

- The change in financial assumptions, including changes in market conditions, increased the surplus by approximately £499m.
- This was slightly offset by the change in demographic assumptions which led to a small increase in life expectancies and decreased the surplus by approximately £15m.

Primary contribution rate

The previous valuation resulted in a whole Fund primary rate of 20.2% of Pensionable Pay. The reasons for the change in the primary rate are set out in the reconciliation chart below.



Sensitivities to the liabilities

The results set out in this report are based on a particular set of assumptions. The actual cost of providing the benefits will depend on the actual experience, which could be significantly better or worse than assumed. The sensitivity of the results to some of the key assumptions is set out in the table below.

The figures in the table are shown relative to the surplus of £746m and funding level of 117% on the agreed funding basis as at 31 March 2025.

2025 sensitivity analysis of funding position	2025 Valuation basis	Decrease discount rate by 0.1% p.a.	Increase CPI inflation by 0.1% p.a.	Increase salary assumption by 0.5% p.a.	Increase long-term rate of mortality improvement by 0.25% p.a.
	£bn	£bn	£bn	£bn	£bn
Smoothed asset value	5.07	5.07	5.07	5.07	5.07
Total past service liabilities	4.32	4.39	4.39	4.34	4.41
Surplus / (Deficit)	0.75	0.68	0.68	0.73	0.66
Funding level	117%	115%	115%	117%	115%

Sensitivities to the primary rate

The calculated primary rate required to fund benefits as they are earned from year to year will also be affected by the particular set of assumptions chosen. The sensitivity of the primary rate to changes in some key assumptions is shown below. Please note that the primary rate set out below does not include any adjustment via the secondary rate. The total contribution rate payable by employers will be a combination of the primary rate and a secondary rate adjustment, further details can be found in Appendix 8.

The figures in the table are shown relative to the whole Fund primary rate of 17.3% of Pensionable Pay on the agreed funding basis as at 31 March 2025.

2025 sensitivity analysis of primary rate	2025 Valuation basis	Decrease discount rate by 0.1% p.a.	Increase CPI inflation by 0.1% p.a.	Increase salary assumption by 0.5% p.a.	Increase long-term rate of mortality improvement by 0.25% p.a.
	of payroll p.a.	of payroll p.a.	of payroll p.a.	of payroll p.a.	of payroll p.a.
Average total future service rate	23.7%	24.3%	24.3%	23.6%	24.1%
Less average member rate	6.4%	6.4%	6.4%	6.4%	6.4%
Fund primary rate	17.3%	17.9%	17.9%	17.2%	17.6%

Further comments

Funding Strategy Statement (FSS)

The assumptions used for the valuation have been documented in a revised Funding Strategy Statement agreed between the Fund Actuary and the administering authority.

Risks

There are many factors that affect the Fund's funding position and could lead to the Fund's funding objectives not being met within the timescales expected. Some of the key risks that could have a material impact on the Fund are:

- Employer covenant risk
- Investment risk
- Inflation risk
- Mortality risk
- Member options risk
- Regulatory risk
- Climate risk

The sensitivity of the funding results to some of these risks was set out in the sensitivities section of this report. Please note that this is not an exhaustive list. Further information on these risks and more can be found in our initial results report and will be set out in greater detail in the FSS.

Post valuation events

Our funding model is designed to help withstand short-term volatility in markets as it is a longer-term model. We use smoothed assumptions over a six-month period with the ultimate aim of setting stable contributions for employers. The valuation approach and assumptions are not based on gilt yields and the discount rate is derived from the long-term future expected returns on each asset class with a deduction for uncertainty and risk (our prudence adjustment).

We have considered whether there are any developments since 31 March 2025 that are significant enough to review our approach. At this stage, we do not feel that the anticipated effect on the long-term funding position of any market movements is significant enough to revise our approach.

Nevertheless, due to the ongoing uncertainty around the shorter-term impact of these issues, we have considered these issues with the administering authority in setting the employer contribution rates to ensure that contributions in to the Fund remain appropriate.

We will continue to monitor the Fund's funding position and raise any individual employer cases with the Fund that we consider need any special attention. The impact of these events will be fully considered as part of the 2028 valuation when we revisit employer contributions.

The next formal valuation is due to be carried out as at 31 March 2028 however we would recommend that the financial position of the Fund is monitored regularly during the period leading up to the next formal valuation.

Rates and Adjustments Certificate

The primary and secondary contributions payable by each employer have been set out in Appendix 8 in the Rates and Adjustments Certificate in accordance with Regulation 62 of the Regulations and cover the period from 1 April 2026 to 31 March 2029. In this certificate no allowance will be made for additional costs arising which need to be met by additional contributions by the employer such as non-ill health early retirements.

The contributions in the Rates and Adjustments Certificate are set so that each employer's assets (including future contributions) are projected to be sufficient to cover the benefit payments for their members, on the assumptions set out in this report. Where there is currently a deficit for an individual employer, recovery of this deficit is targeted in line with the Fund's FSS and all employers are projected to be fully funded after a recovery period length of no more than 15 years from 1 April 2026.

This document has been agreed between the administering authority and the Fund Actuary. Contributions have been set which in our opinion meet the regulatory requirements and the funding objectives set out in the Fund's FSS.

This report must be made available to members on request.



Barry McKay FFA
Partner
Barnett Waddingham LLP



Karen Jamieson FFA
Actuary
Barnett Waddingham LLP



Appendix 1 Summary of data and benefits

Membership data

The membership data has been provided to us by the administrators of the Fund. We have relied on information supplied by the administrator and the administering authority being accurate. The membership data has been checked for reasonableness and we have compared the membership data with information in the Fund's accounts. The numbers in the tables below relate to the number of records and so will include members in receipt of, or potentially in receipt of, more than one benefit.

Any missing or inconsistent data has been queried with the Fund and estimated where necessary. Whilst this should not be seen as a full audit of the data, we are happy that the data is sufficiently accurate for the purposes of the valuation.

Benefits

Full details of the benefits being valued are set out in the Regulations as amended and summarised on the [LGPS website \(https://www.lgpsmember.org/\)](https://www.lgpsmember.org/). We have made no allowance for discretionary benefits.

Membership summary

A summary of the membership data used in the valuation is as follows. The membership data from the previous valuation is also shown for comparison. Please note that the average ages are weighted by salary for active members and by pension for deferred and pensioner/dependant members.

Data used	Data at 31 March 2025			Data at 31 March 2022		
Active members	Number	Pensionable pay £m	Average age (salary-weighted)	Number	Pensionable pay £m	Average age (salary-weighted)
Males	6,436	200	47	6,508	170	53
Females	18,564	410	47	18,164	330	53
Total	25,000	610	47	24,672	500	53
Deferred members (including undecided)	Number	Pension £m	Average age (pension-weighted)	Number	Pension £m	Average age (pension-weighted)
Males	10,867	21	51	10,349	17	52
Females	30,834	41	51	29,644	32	52
Total	41,701	63	51	39,993	49	52
Pensioner and dependant members	Number	Pension £m	Average age (pension-weighted)	Number	Pension £m	Average age (pension-weighted)
Males	8,904	70	74	8,095	58	70
Females	17,937	78	72	15,088	58	69
Total	26,841	149	73	23,183	116	69

Projected retirements

In the table below we have set out the number of members who are assumed to reach retirement age over the period from 1 April 2025 to 31 March 2029 as required under the Regulations.

Members may retire for a number of reasons including reaching normal retirement age, retiring through ill-health or redundancy. The amounts set out in the table below are the new retirement benefit amounts, as at the current valuation date that are assumed to come into payment in each of the intervaluation years.

Projected new benefits			
Year to	Number of members	Retirement benefits	
		£m's	
31 March 2026	TBC	TBC	TBC
31 March 2027	TBC	TBC	TBC
31 March 2028	TBC	TBC	TBC
31 March 2029	TBC	TBC	TBC

Guaranteed Minimum Pension (GMP) equalisation and indexation

As with the previous valuation, we have assumed that the Fund will pay limited increases for members that have reached State Pension Age (SPA) by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that the Fund will be required to pay the entire inflationary increase. We are comfortable that our approach is consistent with the consultation outcome.

Appendix 2 Summary of assumptions

A summary of the assumptions adopted for the valuation at 31 March 2025 and as at 31 March 2022 is set out below.

Assumptions	2025 valuation	2022 valuation
Financial assumptions		
CPI inflation	2.7%	2.9%
Salary increases	3.7%	3.9%
Discount rate	5.0%	4.6%
Pension increases on GMP	Funds will pay limited increases for members reaching SPA by 6 April 2016, and full increases for others	
Demographic assumptions		
Post-retirement mortality		
	Base table	Club Vita
	Multiplier	n/a
	CMI Model	CMI 2021
	Long-term rate of improvement (p.a.)	1.25%
	Initial addition to improvement(p.a.)	0.0%
	Overlay half life parameter (p.a.)	n/a
	Retirement assumption	
	Weighted average	Weighted average
Pre-retirement decrements (M/F)	(115%/120%) GAD 2020 : no salary scale, 50% multiplier to ill-health rates	(115%/115%) GAD 2016 : no salary scale, 50% multiplier to ill-health rates
50:50 assumption	Member data	Member data
Commutation	50% of max	50% of max
Family statistics		
% with qualifying dependant	75% (M) / 65% (F)	75% (M) / 70% (F)
Age difference	3 years	3 years

Demographic assumptions – sample rates

The following tables set out some sample rates of the demographic assumptions used in the calculations. These sample rates are based on those set by the Government Actuary's Department (GAD) based on analysis of the Local Government Pension Scheme (LGPS) in England and Wales.

Allowance for ill-health early retirements

A small proportion of members are assumed to retire early due to ill health. In the table below we set out an extract of some sample rates from the GAD tables used:

Age	Males	Females
25	0.01%	0.00%
30	0.01%	0.01%
35	0.02%	0.01%
40	0.04%	0.03%
45	0.09%	0.06%
50	0.18%	0.13%
55	0.36%	0.28%
60	0.74%	0.62%
65	1.51%	1.34%

Please note the above rates are the raw decrements as set by GAD. Our assumption is that there will be 50% of the number of ill-health retirements assumed by GAD.

The proportion of ill-health early retirements falling into each tier category has been assumed to be as follows for both males and females:

Tier 1	Tier 2	Tier 3
75%	15%	10%

Death before retirement

A small number of members are assumed to die before reaching retirement age. In the table below we set out an extract of some sample rates from the GAD tables used:

Age	Males	Females
25	0.02%	0.01%
30	0.03%	0.01%
35	0.05%	0.02%
40	0.06%	0.03%
45	0.09%	0.05%
50	0.13%	0.08%
55	0.21%	0.12%
60	0.32%	0.19%
65	0.5%	0.29%

Allowance for withdrawals

This assumption is regarding active members who leave service to move to deferred member status. Active members are assumed to leave service at the following sample rates:

Age	Males	Females
25	14%	13%
30	10%	10%
35	8%	8%
40	6%	7%
45	5%	6%
50	4%	5%
55	3%	4%
60	3%	3%
65	2%	2%

Page 6
Please note the above rates are the raw decrements as set by GAD. We have applied a 115%/120% multiplier to the rates assumed by GAD.

Appendix 3 Regulatory uncertainties

There are currently a few important regulatory uncertainties surrounding the 2025 valuation as follows:

- Long-term impact of the McCloud and Sargeant cases;
- Cost management reviews which could affect future and historic LGPS benefits;
- Virgin Media case;
- Gender Pensions Gap reporting; and
- Climate change risks and opportunities;

Although it is unclear what impact these uncertainties will have on the future benefits of individual members, we have considered these issues in the assumptions used to set the contribution rates for employers.

McCloud

At the 2022 valuation we estimated the impact of the McCloud ruling for each active member based on the membership data available. This included looking back at historic valuation data to estimate a payroll history for each member which was then used to determine the equivalent service accrued in the final salary scheme had it not been discontinued. Due to the lack of sufficient data as well as direction from the Ministry of Housing, Communities and Local Government (MHCLG), no estimates were made for deferred and pensioner members.

The LGPS McCloud remedy regulations became law on 1 October 2023. Since the 2022 valuation Funds have been collecting additional data for each member to allow for a more data-driven approach at the 2025 valuation which relies less on actuarial and data estimates.

As part of the 2025 valuation, we calculated each member's liabilities which includes an allowance for the McCloud underpin for eligible members as determined by the remedy regulations. The liabilities calculated as part of the 2025 valuation reflects the fact that eligible members may receive a pension uplift at retirement if their benefits would have been higher had they continued to accrue service in the discontinued final salary scheme until 31 March 2022.

There still remains uncertainty over the long-term effects of the McCloud judgment but where data has been available, we have been able to estimate the impact of McCloud on individual employers and funding positions and contributions have been set accordingly.

Cost management reviews

Further cost control and cost management reviews will be carried out and may lead to future benefit changes. However, as the aim of this monitoring is to keep the cost of benefits within an affordable range, we can be relatively comfortable that future reviews will not have a significant impact on the value we placed on the liabilities and so did not make any explicit allowance for these.

Virgin Media case

This issue relates to a case where missing actuarial certification resulted in historic benefit changes being void. Concerns have been raised about this having wider implications for the LGPS, however we understand that HM Treasury do not agree and final confirmation of this is anticipated. We have not made any explicit allowance for this ruling within the valuation basis.

Appendix 4 Gender Pensions Gap

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Appendix 5 Climate risk analysis

Climate risk is an important consideration for the 2025 valuation. We have carried out scenario analysis on the assets and liabilities of the Fund in-line with the Key Principles drafted by the four actuarial firms who advise the LGPS funds and agreed with the Government Actuary's Department (GAD) for the purpose of the 2025 LGPS valuations in England and Wales. Further information can be found on the climate scenario analysis report dated 31 October 2025.

We have also considered the requirements under the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 although these regulations do not apply to the LGPS. This is because we anticipate that the equivalent regulations that could ultimately apply to the LGPS will contain similar requirements.

The analysis considered the projected funding level under various climate-related scenarios, alongside the agreed 2025 valuation basis for the Fund. The results thereby allow the administering authority to consider whether the 2025 valuation of funding strategy is sufficiently robust in the context of this climate scenario analysis and any potential contribution impacts.

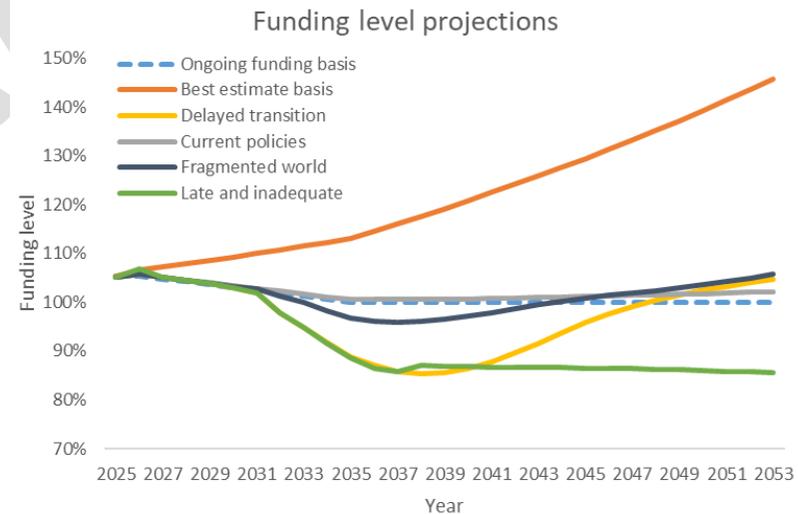
The climate scenarios within Barnett Waddingham's in-house climate scenario framework include three climate scenarios which have been provided by Moody's Analytics and are broadly based on scenarios from the Network for Greening the Financial System (NGFS). A brief description of these scenarios is set out below:

- 1 **Base case** – we have assumed the Fund's best estimate funding basis as the base case scenario. All other scenarios are considered relative to this base case, using the relative difference in returns and financial assumptions between Moody's own base case, and each climate scenario.
- 2 **Delayed transition** – additional policy implementation is delayed until 2030. Stronger policies are required (versus a scenario whereby policy implementation is not delayed), such as a higher effective carbon price, in

order to limit global temperature rises to below 2.0°C.

- 3 **Current policies** – no new climate policies are introduced beyond the current policies in place, resulting in a lower effective carbon price, but also a growing concentration of greenhouse gas emissions and a larger increase in global temperatures, relative to a transition scenario.
- 4 **Fragmented world** – additional policy implementation is delayed and diverges globally. Those countries with net-zero targets are assumed to meet c.80% of their target, whilst those without follow current policies.
- 5 **Late and inadequate action** – this scenario has been created by Barnett Waddingham, and takes the highest negative return impact, on an annual basis, across the other three scenarios. The scenario is assumed to exhibit a mixture of characteristics from the above scenarios (i.e. delayed transition and high temperature rises).

The impact on the funding position of each scenario is considered in the graph below.



Appendix 6 Decisions Log

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Appendix 7 Dashboard

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Appendix 8 Rates and Adjustments Certificate

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Post valuation employers

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The information in this report is based on our understanding of current taxation law, proposed legislation and HM Revenue & Customs practice, which may be subject to future variation.

Appendix 2 – Questions and response for Department of Education

Hi Joshua,

Thank you for consulting the Department for Education (DfE) on East Sussex Pension Fund's Draft Funding Strategy Statement (FSS).

As the guarantor for the academy and college sector within LGPS, DfE has a responsibility to ensure that funding strategies applied to these institutions are transparent, equitable, and consistent with those applied to other secure scheduled bodies. In considering individual pension fund FSS's, DfE's response to this consultation is from the position that there is:

- Full recognition of both DfE Guarantees: The DfE expects administering authorities to fully recognise the DfE guarantees when setting employer contribution rates and deficit recovery periods.
- Equitable treatment of academies and bodies in the FE sector: The DfE expects administering authorities to treat academies and colleges equitably with local authority-maintained schools, ensuring consistency in the approach to rate setting and deficit recovery periods.

Questions regarding East Sussex's FSS:

I. Removal of Stabilisation Rate

We note that in your 2022 FSS, Academies had a stabilisation rate of a maximum of 1% increase or 1% reduction in contributions over the next three years. In the 2025 FSS, this stabilisation rate no longer applies to academies. Please could you clarify the rationale for this change? In particular, we are interested to understand whether the removal of the stabilisation rate related to the level of surplus within the academies pool, and would the mechanism have affected the level of contributions in the absence of its removal?

ESPF response –*The stabilisation mechanism was an approach introduced by the previous actuary as this supports the model they use to set contributions. We kept this in place at 2022 to help us transition from the previous actuary's model to our current actuary's model smoothly to avoid too much volatility in the contribution rates being set at 2022. At the 2025 valuation we saw a decrease in the primary rate across all employers. Our preference was for employers to see the benefits of the reduced contributions immediately and so removing the stabilisation mechanism allowed us to move employers straight to the reduced total contribution rates, rather than stepping at 1% p.a. towards this rate.*

The removal of the stabilisation mechanism was removed for all employers, so this decision was not based on the surplus of the academy pool. If we had not removed the stabilisation mechanism, the academies would be paying higher contributions in the years 2026/27 and 2027/28 than we have proposed.

2. Target Funding Level

We note that your target funding level is set at 115%, which we consider both excessive and unnecessary in light of the two DfE Guarantees. The introduction of a 115% target comes at a time when employers are already in a stronger funding position than in 2022. Taken together with past instances where surpluses were not returned to academies, we believe this approach presents a significant concern.

ESPF response – *Taking each point in turn, the 115% referred to is not a funding target but is a mechanism used to keep contributions stable and to avoid unnecessary volatility. For example, if an employer was 105% funded the actuary would not be certifying a contribution rate with the aim to increase their funding level to 115%, they would simply pay the primary rate and this would continue until they either fell into deficit, in which case a positive secondary contribution would be certified, or the funding level increased to 115%, in which case we would certify a negative secondary contribution rate.*

This mechanism is used consistently across all employers in the Fund and so the DfE Guarantee protects the academies and FE bodies in the same way that a council guarantee protects contractors. Academies are not exempt from these protections solely because of the DfE guarantee.

To pick up on the second point, the East Sussex Pension Fund, and the Academy Pool in particular, are not in a stronger position at 2025 compared to 2022. The funding level of the Academy Pool has actually fallen from 120% to 111%. Furthermore, this buffer existed at the 2022 valuation and so is a continuation of an existing approach as opposed to a new approach being introduced.

On the third point, we would need more information on the past instances that you are referring to but:

- if you are referring to surpluses not being returned in instances of academy cessations this may have been the case because the cessation would be carried out on a stronger basis than that used at the funding valuation and so no surplus existing on that basis, or;*
- If the instance is regarding the return of surplus through negative secondary contributions, the Academy Pool, as a whole, was certified with negative secondary contributions at the 2022 valuation because the funding level of the Pool was 120% (i.e. in excess of 115%). Since the Academy Pool was only established at the 2022 valuation we had to step individual academies towards the Academy Pool, rate as per the stabilisation mechanism in place at the time, and so there was a range of rates certified for academies at 2022.*

3. Member contribution rate

We note that the 2025 member contribution rate is set at a minimum of 12.5%, with employer contributions aligned to this rate. In our view, employer contributions should be set based on achieving and maintaining appropriate funding levels, and there should therefore be no minimum, as it depends on funding level.

We are concerned that this structure may result in some employers paying more into the fund than required, simply because they must meet the 12.5% minimum. Could you confirm whether any education employers are therefore contributing more than is necessary to fund their pension obligations?

How will the fund address the issue of overfunding for employers subject to the 12.5% minimum contribution rate, where their assessed contribution rate would fall below this threshold?

ESPF response – *In response to your first question, no one knows if an employer is paying more than necessary to fund their pension obligations, as the cost of meeting these obligations won't be known until the last pension payment is made.*

We can confirm that neither the academies nor any of the FE bodies are impacted by this minimum employer contribution rate since all their proposed contribution rates are in excess of 12.5%.

4. Surplus upon Conversion

We note that according to your FSS, when a maintained school converts to an academy, its assets are capped at 100%.

Historically, when schools converted, Local Authorities often retained a significant portion of their assets to protect the authority's position. This meant that schools entered conversion in a weaker funding position, frequently carrying a deficit. As a result, they were disadvantaged at the point of conversion and, under the current approach, remain disadvantaged when the Fund is in surplus. We expect a proportionate share of any surplus to be allocated upon conversion. Since the converting school will have contributed to the Fund's surplus, it should reasonably benefit from the surplus generated by its prior contributions.

ESPF response – *This is an approach taken across the LGPS Funds and is not a funding strategy specific to East Sussex Pension Fund. The rationale is to protect the ceding local authority as they remain responsible for the risks associated with the deferred and pensioner members related to the school; the new academy does not bear any responsibility, and therefore no future risk, for these members going forward. These risks are significant and very long-term and the Fund would not be comfortable distributing any surplus to the converting school, as doing so would reduce the Local Authority's security in relation to the retained liabilities and the Local Authority would not be able to ask for further contributions to meet any future shortfall in the event of adverse experience.*

This approach of transferring assets equal to liabilities is consistent with any other new employer being established within the Fund and so academies are not disadvantaged in the context of other new employers. Furthermore, in the East Sussex Pension Fund each new academy converting begins with the funding level of the Academy Pool, which at 31 March 2025 was 111%, and so they are benefitting from the surplus that has been generated in the Academy pool.

We look forward to your response on our comments.



Department
for Education

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East Sussex Pension Fund Funding Strategy Statement 2026



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Section A – Purpose of the fund and the FSS

Introduction

This is the Funding Strategy Statement (FSS) for the East Sussex Pension Fund (the Fund), part of the Local Government Pension Scheme (LGPS). It has been prepared by East Sussex County Council in our capacity as Administering Authority of the Fund.

We have prepared this statement:

- in accordance with Regulation 58 of the LGPS Regulations 2013 as amended (the Regulations);
- with regard to the guidance ([Guidance for Preparing and maintaining a Funding Strategy Statement \(FSS\)](#)) jointly produced by the Scheme Advisory Board (SAB), the Chartered Institute of Public Finance and Accountancy (CIPFA) and Ministry of Housing, Communities and Local Government (MHCLG); and
- having taken advice from the Fund Actuary, Barnett Waddingham.

This statement should be read in conjunction with our Investment Strategy Statement (ISS) [here](#).

Employers and other relevant parties have been consulted during the development of this FSS.

This FSS will be presented to our Pension Committee for approval on 26 February 2026 on the recommendation of the Senior LGPS Officer and following consultation with our employers.

We have included an explanation of the key terminology used in this document in Annex F: Glossary.

Contact details

Any queries on this FSS should be directed by email to: employer.engagement@eastsussex.gov.uk.

Aims and objectives of the FSS

The aims and objectives of this FSS are to:

- Enable our Fund Actuary to undertake appropriate funding calculations for the Fund, whether as part of a triennial actuarial valuation exercise or otherwise, which also meet the requirements of the LGPS Regulations and guidance and their professional obligations;
- Establish a clear and transparent fund-specific strategy that will identify how our employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as nearly constant a primary contribution rate as possible, as defined in Regulation 62(6) of the Regulations;
- Ensure that the regulatory requirements to set employer contributions to ensure the solvency and long-term cost efficiency of the Fund are met in the context of fiduciary duty;
- Explain how we seek to balance the interests of different employers; and
- Explain how we deal with conflicts of interest and references other policies/strategies.

They have been set in the context of fiduciary duty and requirement to pay pension benefits according to the LGPS and wider regulations.

Our aims in relation to long-term funding are to:

- Achieve solvency by managing employers' liabilities effectively and ensuring that sufficient resources are available to meet all benefit payments as they arise;
- Achieve long-term cost efficiency by ensuring that employer contribution rates are not set at a level that gives rise to additional costs;
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to not taking undue risks) at reasonable cost to our employers; and
- Seek returns on investment within reasonable risk parameters.

Conflicts of interest

There is a potential conflict of interest in that the FSS is prepared by the Administering Authority which is itself an employer in the Fund. We will ensure that the contents of the FSS are not unduly influenced by any one employer by undertaking a consultation which is extended to all employers.

The Fund's Conflict of Interest Policy is available [here](#).

Monitoring and review of the FSS

The FSS will be monitored annually and it will be reviewed before the completion of the next actuarial valuation of the Fund unless circumstances suggest an earlier review would be desirable or required.

Examples of when we may wish to review the FSS include:

- Material changes to the LGPS benefit structure or regulations;
- Significant changes to our investment strategy;
- Significant changes to our membership profile;
- Such significant changes to the number, type, or individual circumstances of any employers to such an extent that they impact on the funding strategy (e.g. exit/restructuring/failure which could materially impact cashflow and/or maturity profile and/or covenant);
- A material change in the affordability of contributions and/or employer(s) financial strength which has an impact on the future solvency of the Fund;
- Recommendations from MHCLG/Government Actuary's Department (GAD); or
- On the advice of the Fund Actuary.

In a review of the FSS, we would consider whether an update to the FSS was required (and consequently whether an update to the ISS was also required). If we felt an update was required, we will consider communicating with those employers specifically impacted by any changes.

Section B: Key funding principles

Funding target

Employer contribution rates are required by Regulations to be set by an actuarial valuation exercise and securing the solvency and long-term cost efficiency of our Fund is a regulatory requirement. The Regulations also state it is desirable to maintain “as nearly constant a primary rate as possible” and the Fund aims to achieve this. A key principle in determining employer contribution rates is to establish a funding target, with employer contribution rates then set to meet that target over an agreed period.

The past service funding level (often referred to as simply the funding level) is the ratio of assets to liabilities in respect of accrued past service.

We define the funding target as having at least sufficient assets in the Fund to meet the accrued past service liabilities (i.e. a funding level of 100%). We may set different funding targets for different employers or groups (pools) of employers in the Fund.

The Fund Actuary can then assess how the value of the assets held by the Fund compares to the funding target and calculate the past service funding level.

We have many different employers in our Fund and our strategy seeks to strike the right balance between affordable, stable contributions whilst also recognising that failure of an employer to pay contributions, can lead to financial consequences for other employers. More information on the funding target for different employers is set out in the Summary of funding approach table.

How we set employer funding targets

- Members’ benefits are payable many years into the future and positive investment returns can help make the benefits more affordable for employers. Investment returns are not guaranteed or known in advance so the assumed future rate of investment return (also known as the discount rate) is the key assumption the Fund Actuary makes in calculating the liabilities. In general:
- the lower the investment return over a time period the higher the required contributions to the Fund over that time period and vice versa;
- the higher the assessed risk an employer (or group of employers) may cease to exist in future and be unable to meet their obligations to the Fund, the lower the assumed rate of future investment return may be, whilst recognising this must be balanced with affordability considerations; and
- the time period over which it is appropriate to consider the contributions and investment return may vary depending on the circumstances of an employer (or group of employers).

There are broadly three categories of employer according to the Regulations:

- Schedule 2 Part 1 (“Scheduled”) bodies which must admit eligible employees to the LGPS (for example County and District councils, police and fire bodies and academies);
- Schedule 2 Part 2 (“Resolution”) bodies which designate employees or posts as being eligible to join the LGPS (for example town and parish councils);

- Schedule 2 Part 3 (“Admission”) Bodies which
- participate by virtue of paragraph 1(d)¹ (generally where a service has been outsourced to a private sector contractor) – “Transferee Admission Bodies” and
- meet the criteria in paragraphs 1(a) to (c) or 1(e) are typically referred to as Community Admission Bodies (CABs) (for example Charities and Housing associations).

We aim to be fair and consistent across our employers, so for all employers within a category, unless justified by a covenant assessment or agreed with the Fund Actuary, we will:

- adopt the same maximum periods to recover any deficit or surplus;
- apply the same minimum employer contribution rate;
- use the same funding basis to set the employer contributions for the actuarial valuation;
- use the same cessation basis in the event of an employer exit;
- apply the same maximum terms for any deferred debt agreement and debt spreading arrangements.

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¹ of Part 3 of Schedule 2 to the Regulations

Summary of funding approach

Below we have summarised the funding approach to participating employers in the East Sussex Pension Fund. Please note that pass through employers are not covered as they pay a fixed contribution rate upon joining the Fund.

Employer category	Scheduled bodies 1	Scheduled bodies 2	Resolution bodies	Employers with security	Employers without security
Example employer within category	All Councils Police Fire Schools that have not opted to academise	Academies Further Education (FE) bodies falling under the guarantee of the Department for Education	Town and Parish Councils	Universities providing security* Transferee admission bodies with Letting Authority as guarantor Charities, Housing associations providing security*	Universities without security Transferee admission bodies without guarantor Charities, Housing associations without security
2022 funding approach	Stabilisation mechanism applied with maximum change of 1% of pay	Academies – pooled and stabilisation mechanism applied with maximum change of 1% of pay p.a. stepped towards the appropriate pool rate. FE bodies – Where the funding level is greater than 115% on the employer’s funding assumptions, the surplus in excess of 115% is amortised over the maximum recovery period. Deficit is amortised over an appropriate period up to the maximum recovery period of 15 years.	All pooled for contribution rate purposes, stabilisation mechanism applied with maximum change of 1% of pay	Admission bodies (ABs) – the funding target may differ by employer taking account of employer risk and other factors. Where the funding level is greater than 115%, the surplus in excess of 115% is amortised over the maximum recovery period. Recovery period in line with average working lifetime of actives. For contractors the recovery period is in line with the contract length.	FE bodies – where the funding level is greater than 115% on the employer’s funding assumptions, the surplus in excess of 115% is amortised over the maximum recovery period of 15 years. Deficit is amortised over an appropriate period up to the maximum recovery period of 15 years. Transferee admission bodies – recovery period in line with contract length Admission Bodies – as per FE bodies but recovery period of average future working lifetime

Employer category	Scheduled bodies 1	Scheduled bodies 2	Resolution bodies	Employers with security	Employers without security
2025 funding target	Achieve funding target over appropriate time horizon Allow for reduction of total contribution rate if appropriate Academies and Town and Parish Councils to be fully pooled to increase stability			Achieve funding target over appropriate time horizon Allow total contributions to be set at a low level as appropriate to avoid overfunding (exit credits) Security / guarantor protects Fund against default	Achieve funding target on the full cessation basis over appropriate time horizon Allow total contributions to be set at a low level to avoid overfunding (exit credits)
2025 valuation – funding basis	Ongoing basis				Cessation basis
2025 funding approach – deficit	Recovery period of 15 years (a lower recovery period may be used depending on an employer’s covenant)			Recovery period set as the lower of the contract length, EFWL, and 15 years (a lower recovery period may be used depending on an employer’s covenant)	Recovery period set as the lower of the contract length and, EFWL (a lower recovery period may be used depending on an employer’s covenant)
2025 funding approach – surplus	Possible reduction to the 2025 total rate Less than 115% funded – new primary rate More than 115% funded – new total contribution rate allowing for excess surplus (above 115%) to be amortised over 15 years				New total rate set to target 100% on a cessation basis at the end of either the contract end (if known) or EFWL. Excess surplus only allowed for where fully funded on cessation basis
2025 minimum contribution rate	12.5% in line with maximum member contributions			0% - nil contribution possible	0% - nil contribution possible
2025 cessation basis	No subsuming guarantor – full cessation basis With subsuming guarantor – ongoing basis				Full cessation basis

*The purpose of the security is to protect the Fund against a loss should the employer default. The financial value of the security should therefore be at least equal to the full cessation deficit as at 31 March 2025.

Some employers opt to pay an additional 0.75% of pensionable pay instead of meeting the costs of non ill-health retirements as they arise.

Managing risk

Whilst our funding strategy aims to satisfy the funding objectives of ensuring sufficient assets to meet liabilities and stable levels of employer contributions, there are risks that may impact on the ability of the strategy to meet our funding objectives.

The major risks to the funding strategy are financial, although there are other external factors including demographic risks, regulatory risks and governance risks.

We maintain a risk register where recent developments are reported (available on request). We also have a [Risk Management Policy](#). More detail of the various funding-specific risks can be found in Annex E: Managing Risks

Main actuarial assumptions

To value liabilities, the Fund Actuary needs to make assumptions about the factors affecting the Fund's future finances such as price inflation, pay increases, investment returns, rates of mortality, early retirement and employee turnover etc.

The assumptions adopted at the valuation can be considered as:

- The demographic (or statistical) assumptions which are essentially estimates of the likelihood or timing of benefits and contributions being paid, and
- The financial assumptions which will determine the estimated value of the amount of benefits and contributions payable.

A summary of our methodology to determine and monitor the actuarial assumptions is explained below. Financial assumptions are based on a particular date and consider average market yields over the six months straddling the relevant date. The relevant date may be the date of the valuation, or the date an employer joins or leaves the Fund.

Retail Prices Index (RPI) inflation

To measure the future level of price inflation over the long-term, we use the 20 year point on the Bank of England implied RPI inflation curve. A fixed inflation risk premium deduction of 0.3% p.a. is made to the assumption.

Consumer Prices Index (CPI) inflation (future revaluation and pension increases)

Pension increases, both in payment and the rate of revaluation applied to pension accounts, are linked to changes in the level of the CPI. Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods. Based on analysis undertaken by the Fund Actuary, a deduction of 0.4% p.a. is made to the RPI assumption to derive the CPI assumption as at 31 March 2025. This deduction will taper down to 0.2% p.a. by February 2030 when it is anticipated that the RPI will be aligned with the Consumer Prices Index including owner occupiers' housing costs (CPIH).

Pay increases

As some of the benefits are still linked to final pay, the Fund Actuary needs to make an assumption as to future levels of pay increases. Historically, there has been a close link between price inflation and pay increases with pay increases exceeding price inflation in the longer term. The long-term pay increase assumption adopted was CPI plus 1.0% p.a. which includes allowance for promotional increases.

Future investment returns/ discount rate

To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to present day values. The discount rate that is applied to all projected liabilities reflects an estimate of the rate of investment return that is expected to be earned from the underlying investment strategy by considering average market yields in the six months straddling the relevant date.

The discount rate is this rate of return with an adjustment for prudence. The adjustment for prudence has the effect of, all else being equal, increasing the value of liabilities.

The adjustment for prudence for the ongoing discount rate:

The level of prudence incorporated within the ongoing discount rate is a fixed deduction which has been set using modelling carried out by the Fund Actuary.

The level of “prudence” in the ongoing discount rate has been determined based on a success probability of 70% which translates to a fixed deduction of 1.4% p.a. for most employers. For some employers, a higher funding target is adopted allowing for their strength of covenant.

The adjustment for prudence is higher if the discount rate is used to value liabilities where the employer is leaving the fund. Further detail is given in Process for determining the position on termination section.

Demographic assumptions

The demographic assumptions adopted are based on Fund-specific experience and national statistics, adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers.

Valuation assumptions

The key assumptions used in the 2025 actuarial valuation as at 31 March 2025 are summarised below:

Assumptions	Assumptions used for the 2025 valuation	
Financial assumptions (p.a.)		
CPI inflation		2.7%
Salary increases		3.7%
Discount rate		5.0%
Demographic assumptions		
Post-retirement mortality	Base table	S4 Series
	Multiplier (male/female)	100% / 100% for pensioners and 100%/90% for dependants
	CMI Model / long-term rate	2024 / 1.5% p.a.
	Initial addition parameter	0%
	Overlay half-life	1 year
Retirement assumption		Weighted average
Pre-retirement decrements		GAD 2020 scheme val: no salary scale, 50% multiplier to ill-health rates and 110%/115% multiplier to pre-retirement mortality rates (M/F)
IH assumed proportion in each tier (T1/T2/T3)		75% / 15% / 10%
50:50 assumption		Member data
Commutation		50% Max
Family statistics		
	% with qualifying dependant	75% (M) / 65% (F)
	Age difference	Males 3 years older

Further information on the assumptions used is explained in the Fund's valuation report [[link](#)].

Actuarial methods

The actuarial method for open employers is the projected unit method and for closed employers is the attained age method. These are explained further in the section 'No discount will be offered in exchange for prepayment of either primary or secondary contributions.

Primary rate of employers' contribution'

Asset valuation

For the purpose of considering funding levels and setting contributions, the asset value used is the market value of the assets at the valuation date, adjusted to reflect average market conditions during the six months straddling the valuation date. This is referred to as the smoothed asset value and is calculated as a consistent

approach to the valuation of the liabilities. For the 2025 valuation this led to assets being taken into account for funding purposes at 101.9% of the market value.

The Fund’s assets are effectively unitised and notionally allocated to employers at an individual level by allowing for actual Fund returns achieved on the assets and cashflows paid into and out of the Fund in respect of each employer (e.g. contributions received and benefits paid). For funding pools, the assets and liabilities are pooled together and calculated as if the funding pool were a single employer.

Employer pooling and risk sharing

The Fund operates several funding pools where employers share risks. This may impact the calculation of an employer’s assets and is explained further in the section **Pooling of individual employers**.

Links to the Investment Strategy Statement (ISS)

Read our ISS [here](#).

The funding strategy and the investment strategy are strongly connected. The funding strategy relies on contributions to maintain financial stability, and the investment strategy aims to generate returns that support long-term sustainability.

The main link between the FSS and the ISS relates to the discount rate that underlies the funding strategy as set out in the FSS, and the expected rate of investment return anticipated to be achieved by the long-term strategy as set out in the ISS.

As explained above, the ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the long-term investment strategy. This ensures consistency between the funding strategy and investment strategy.

After employer and employee contributions, investment returns are the third key pillar of LGPS funding. We must be able to pay benefits when they are due. The payments of benefits are met from a combination of contributions (through the funding strategy) and asset return and income (through the investment strategy). Should investment performance or income fall below projected levels, it may be required to increase employer contributions to compensate to meet the cost of the benefits. Hence the required investment returns to meet the discount rate assumption set out in the FSS are considered in setting the strategic asset allocation.

A summary of the asset classes and allocation from the most recent ISS is shown below:

Asset class	Strategic allocation
Gilts	4.0%
Corporate bonds	15.5%
Equities	40.0%
Private equities	5.5%
Property	7.0%
Infrastructure	11.0%
Absolute return	17.0%

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.

How employer contributions are calculated

The total contribution rates an employer must pay is the primary contribution rate plus the secondary contribution rate. The primary and secondary contribution rates are discussed in the sections below. The table in section **Funding target** above summarises how the primary and secondary contribution rates are set including the bases used under different circumstances of the valuation or joining or leaving the fund.

The contribution rates that an employer must pay as calculated as part of the actuarial valuations will be communicated to the employers in October/November this year through an initial results report written by the Fund Actuary.

The contribution rates that an employer must pay when they join the Fund will be calculated by the Fund Actuary and communicated via the Fund upon joining.

Frequency of employers' contributions

Contributions must be paid monthly unless we agree to a special arrangement following discussion with the Fund Actuary. Where contributions are based on a percentage of pay, the amounts paid by employers will fluctuate in line with payroll each month.

For all employers, the primary and secondary contributions they are required to pay along with the frequency of payment will be certified by the Fund Actuary in the Rates and Adjustment Certificate.

Prepayment policy

No discount will be offered in exchange for prepayment of either primary or secondary contributions.

Primary rate of employers' contribution

The funding level considers past service, but the Fund Actuary must also calculate the cost of benefits which will be earned in the future by active members.

The primary rate of an employer's contribution, as defined in Regulation 62(5), is the level of contributions required, expressed as a percentage of the pay of active members, which, together with employee contributions, is expected to cover the cost of benefits accruing in future.

The calculation of the primary rate ignores any past service surplus or deficit but allows for any employer-specific circumstances such as whether an employer is open or closed and includes the employer's share of administration costs and any self-insurance arrangements. More detail on self-insurance is set out in the section Payment of additional contributions.

The primary rate for the whole fund is the weighted average (by payroll) of the individual employers' primary rates.

Our approach to setting the primary rate depends on specific employer circumstances, including the strength of the employer covenant and guarantor arrangements which determine the employer categorisation (as set out in the Funding target section above). If an employer has any risk sharing arrangements, then the primary rate will depend on the arrangement in place, and if the employer is part of a pooling arrangement, then the primary rate may be set to be the same as other employers in the pool. It may also depend on whether an employer is an “open” employer – one which allows new employees access to the Fund, or a “closed” employer – one which no longer permits new employees access to the Fund.

For open employers, in general, the actuarial funding method that is adopted is known as the Projected Unit Method. The key feature of this method is that, in assessing the future service cost, the primary rate represents the cost of one year’s benefit accrual only.

For closed employers, in general, the actuarial funding method adopted is known as the Attained Age Method. The key difference between this method and the Projected Unit Method is that the Attained Age Method assesses the average cost of the benefits that will accrue over a specific period, such as the length of a contract or the remaining expected working lifetime of active members.

Our Administration Strategy requires employers to tell us if they have stopped admitting new employees to the Fund so we can monitor the open or closed status of each employer. A new version of the administration strategy was approved by Pension Committee on 18 November 2025. This went out for employer consultation in early December 2025, with a closing date of 16 January 2026.

Secondary rate of the employers’ contribution

Whilst one of our funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, we know that at any particular point in time, the value of the assets is unlikely to be equal to the value of accrued liabilities, depending on how the actual experience of the Fund compares to the actuarial assumptions. This means there will be a past service surplus or deficit which can lead to an adjustment to employers’ contributions. This contribution adjustment is referred to as the secondary rate, as defined in Regulation 62(7).

The secondary rate is a positive or negative adjustment to the primary rate to arrive at the total contribution rate each employer is required to pay.

Secondary contributions can be certified as a percentage of payroll or as monetary amounts (which can be fixed or nominal amounts).

There is a potential conflict of interest whereby a single employer i.e. the Administering Authority of the Fund, is leading the process of setting the adjustments to the primary rate. The Fund manages this conflict of interest by consulting with all employers on the contents of the FSS which sets out how secondary contribution rates are set for all categories of employer.

Payment of additional contributions

Employers will usually be expected to make additional contributions into the Fund under the following circumstances:

- Where an employee under Regulation 30(7) becomes entitled to an immediate unreduced pension as a result of redundancy or business efficiency, we will request the Employer make a strain payment to cover the anticipated cost of the additional pension entitlement, unless the employer has opted to pay an additional 0.75% of pensionable pay over and above their certified employer contribution rate;
- Where an employee or former employee dies resulting in a death grant benefit becoming payable, we may request the Employer make a payment to the Fund to cover the incurred expense;

- Where an employee makes Additional Pension Contributions at the employer's discretion, they may make an additional payment to the Fund under a cost sharing arrangement with the member

The employer is required to inform the Fund if any of these situations occur, in line with our Administration Strategy Policy.

The Fund maintains a self-insurance pooling arrangement for ill-health. The risks are shared among the Fund's employers in proportion to their share of the Fund's salary roll.

When an ill-health retirement occurs, a funding strain (i.e. the difference between the value of the benefits payable to the ill-health member and the value that was assumed as part of the actuarial valuation) is generated in the employer's section of the Fund. As part of the self-insurance policy, assets equal to the funding strain are transferred from the segregated ill-health assets section of the Fund to the employer's section of the Fund to cover the funding strain. More information can be found in the Annex E: Managing Risks and the [Annex D: Self-insurance policy](#).

Actuarial valuation

As required by Regulation 62 (1) of the LGPS Regulations 2013, an actuarial valuation of all LGPS funds is carried out every three years.

The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund.

The most recent actuarial valuation of the Fund was undertaken as at 31 March 2025. The results of the 31 March 2025 valuation can be found in the Fund's valuation report, which includes:

- An actuarial valuation of the assets and liabilities of the Fund;
- The funding level of the Fund as at the valuation date;
- The primary rate for the whole fund which is the weighted average (by payroll) of the individual employers' primary rates
- The financial and demographic actuarial assumptions used to value the pension liabilities, including details of the sensitivity of the results to a small change in the assumptions used;
- The valuation report must demonstrate how the demographic assumptions have been set with reference to the actual events affecting Fund members since the previous valuation;
- A Rates and Adjustments certificate outlining the minimum contributions payable by employers in the Fund; specifying both the primary rate and secondary rate of the employer's contribution for each of the three years beginning on 1st April following the year in which the valuation date occurs; and
- Summarised information of the actuarial valuation in the form of a "dashboard" which is agreed between the actuarial firms and GAD.

The valuation documentation must be provided to the Administering Authority before the first anniversary of the valuation date.

Review of employer contributions between valuations

The Fund's Contribution review policy can be accessed in [Annex A: Contribution review policy](#).

Fund approach to managing surpluses and deficits

As set out in

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Section A – Purpose of the fund and the **FSS**, our aim is to ensure employers’ contributions are set to meet the Regulatory requirements of achieving solvency and long-term cost efficiency but also for the primary rate to be as stable as possible.

We aim to keep primary (and also total) contribution rates stable by:

- asking the Fund Actuary to adopt a discount rate (or assumed investment return) derived from the expected investment return on the Fund’s assets;
- reviewing the level of prudence, i.e. the gap between the discount rate (or assumed investment return) and the expected investment return, at each valuation; and
- operating funding pools which increases the stability of contribution rates compared to calculating individual contribution rates for each employer, particularly for small employers.

The period adopted for individual or groups of employers will depend on:

- The significance of the surplus or deficit relative to the liabilities;
- The Employer covenant of the employer/group (including any security in place) and any limited period of participation in the Fund;
- The remaining contract length of an employer in the Fund (if applicable); and
- The implications in terms of stability of future levels of employers’ contribution.

Employer covenant

The Pensions Regulator defines employer covenant as *“the extent of the employer’s legal obligation and financial ability to support the scheme now and in the future”*.

There is no prescribed way for an LGPS fund to assess and allow for employer covenant within their funding approach. In considering employer covenant as part of our funding strategy we will look to profile and better understand our participating employers, particularly by sector or size.

In reviewing the employer covenant, we look to:

- assess each employer’s obligation and ability to support their ongoing LGPS commitments, in the context of any guarantees or security in place,
- reappraise the “riskiness” of employers, given their updated funding position,
- further integrate covenant insights into funding and investment strategy,
- ensure contributions are set appropriately; and
- put in place pragmatic procedures to monitor employers going forward.

The Fund’s approach to allowing for employer covenant is set out below.

In certain circumstances, an employer is obliged to notify the Fund about any changes as set out in our Pension Administration Strategy. These include:

- an insolvency event
- a merger or acquisition with another employer
- a significant change in D&B score

The employer should contact the Fund via email at employer.engagement@eastsussex.gov.uk .

Allowance for employer covenant

As part of the 2025 valuation, we commissioned an employer covenant review from Barnett Waddingham LLP based on an analysis of credit risk reports obtained from Dun & Bradstreet (D&B). This analysis considered the potential size of deficit were an employer to leave the Fund alongside a risk score calculated using data from D&B. Where the review highlighted any concerns with regard to the default risk of an employer, particular attention was given to the deficit recovery period adopted for the employer and whether any security for the Fund was in place.

The Fund sought to engage with employers highlighted within the employer covenant review. Such engagement helped the Fund to better understand the financial position of our employers, and where appropriate, allowed us to seek further information from employers. Information that could be sought from employers could include, but not limited to, annual reports/accounts, audit opinions and any relevant financial supporting documentation.

Having identified employers posing a risk to the Fund, the Fund has considered a number of options to reduce the risk. These include;

- regular monitoring of financial position;
- consideration of any guarantee that could be obtained;
- review of any existing bond amounts, or consider putting bonds in place if not there already;
- obtaining security through a first charge on the employer's assets;
- establish contingency plans that would be triggered on certain events, such as certain funding levels being reached, the LGPS being replaced as the pensions vehicle for new employees, the LGPS's ranking on insolvency being reduced, or certain corporate transactions or decisions.

The outcome of the employer covenant review and subsequent employer engagement may influence setting the total contribution rate through, but not limited to:

- The level of prudence adopted in setting the discount rate used to calculate the contribution rate
- The length of the deficit recovery/surplus amortisation period
- The funding target

More detail on how employer covenant has been allowed for with individual employers (or groups of employers) is set out in the section Summary of funding approach.

The Fund will keep the employer covenant analysis under review and will seek to update this on a triennial basis.

Guarantors

A guarantor of an employer in the LGPS is a formal promise by a party other than the Scheme employer, to meet any pension obligations not met by the Scheme employer. There are different types of guarantee that can be provided:

- A "subsuming guarantor" will assume future responsibility for the pension liabilities and assets following the exit of the Scheme employer. The exiting employer is generally still expected to meet any exit payment due. This is the situation for private contractors where the letting authority will be the "subsuming guarantor".
- An "external guarantor," such as the Department for Education, provides a guarantee that the exit payment will be made to the Fund in the scenario that the exiting employer cannot make it.

This a one-off payment, the external guarantor does not assume future responsibility for the pension liabilities and assets of the exiting employer.

- A “physical guarantee”, often referred to as security. may provide the Fund the opportunity to call on the asset backing the guarantee in the event that the exiting employer cannot make the exit payment.
- A “guarantor of last resort” will be responsible for pension liabilities if the Scheme employer fails to meet its pension obligations to the Fund. The guarantor is liable to cover any exit payment and assume responsibility for pension obligations when all other avenues have been exhausted.

We will consult with guarantors on any proposed changes that significantly increase the risk of costs provided under the original guarantee.

Guarantor treatment for key funding activities

Guarantors will be treated consistently to other Scheme employers for funding purposes as follows:

- For new employers joining the Fund, the new employer should notify us of any guarantor in place and in the case of admission bodies, the existence and type of guarantor will be specified in the admission agreement;
- The guarantee for LGPS liabilities provided by the Department for Education for further education bodies and academy trusts is taken into account in setting the contribution rates for those employers covered by the guarantee (which we understand includes any admission bodies participating under a pass-through arrangement);
- The assessment of the covenant of any guarantors will be included in the covenant review exercise undertaken as part of the actuarial valuation;
- Guarantors are subject to the same notifiable events process as employers. Notifiable events are set out in the Contribution Review policy; and
- For exiting employers, we will carry out a cessation valuation of the employer’s liabilities and the existence of a guarantor will affect the actuarial valuation basis used to determine the final cessation valuation. More detail can be found in section Process for determining the position on termination.

Admission bodies

New admission bodies in the Fund are commonly a result of a transfer of employees from an existing employer in the Fund to another body (for example as part of a transfer of services from a council or academy to an external provider under Schedule 2 Part 3 of the Regulations). Typically, these transfers will be for a limited period (the contract length), over which the new admission body employer is required to pay contributions into the Fund in respect of the transferred members.

Further details on how to join the fund are provided in section [Joining the fund and employer contribution rate setting and monitoring](#) and in the [Outsourcing and Admission Agreements Guide](#).

Security required by admission bodies

Under the Regulations, the Administering Authority must assess the risk a proposed new admission body poses to the Fund should the admission body become insolvent or go out of business.

For any proposed new admission bodies who are not joining the Fund using a pass-through arrangement, the new admission body may be required to put in place a bond in accordance with Schedule 2 Part 3 of the Regulations, if required by the letting authority and Administering Authority.

If, for any reason, it is not desirable for a new admission body to enter into a bond, the new admission body may provide an alternative form of security which is satisfactory to the Administering Authority.

This security may cover some or all of the:

- strain costs of any early retirements if employees are made redundant when a contract ends prematurely
- allowance for the risk of assets performing less well than expected
- allowance for the risk of liabilities being greater than expected
- allowance for the possible non-payment of employer and member contributions
- admission body's existing deficit.

The Fund will agree with the employer the security required upon admission to the Fund.

Risk sharing arrangements

Subject to agreement with the Administering Authority where required, new admission bodies and the relevant letting authority may make a commercial agreement to deal with the pensions risk differently. For example, it may be agreed that all or part of the pensions risk remains with the letting authority.

Although pensions risk may be shared, it is common for the new admission body to remain responsible for pensions costs that arise from:

- above average pay increases, including the effect on service accrued prior to contract commencement; and
- redundancy and early retirement decisions.

The Administering Authority may consider risk sharing arrangements as long as the approach is clearly documented in the admission agreement, the transfer agreement or any other side agreement. The arrangement also should not lead to any undue risk to the other employers in the Fund.

Legal and actuarial advice in relation to risk sharing arrangements should be sought where required.

Pass-through arrangements

New admission bodies and the relevant letting authority may make a commercial agreement to deal with the pensions risk differently. For example, it may be agreed that all or part of the pensions risk remains with the letting authority. This is commonly known as a pass-through arrangement.

We may consider risk sharing arrangements as long as the approach is clearly documented in the admission agreement, the transfer agreement or any other side agreement. All information regarding risk sharing arrangements should be shared with the Fund. Legal and actuarial advice in relation to risk sharing arrangements should be sought where required.

As part of the risk sharing agreement, the following information should be documented:

- whether the new admission body remains responsible for pensions costs that arise from above average pay increases, including the effect on service accrued prior to contract commencement;
- redundancy and early retirement decisions; and
- treatment of the admission body on exit.

The arrangement should not lead to any undue risk to the other employers in the Fund.

For any new admission bodies as a result of an outsourcing by an academy trust or a further education body, the Department of Education have stated that where pass-through provisions are in place, the liabilities remain covered by the Department for Education Guarantee.

Links to administration strategy

The membership data provided by employers is used by the Fund to calculate the contributions due from the employers, on joining the fund, terminating the fund or between actuarial valuations. Membership data is required for the actuarial valuations, and also when the employer joins or terminates the Fund. The quality of the data could have an effect on the contributions that an employer is required to pay.

A new version of the administration strategy was approved by Pension Committee on 18 November 2025. This went out for employer consultation in early December 2025 and closed on 16 January 2026.



Section C: Employer events

Joining the fund and employer contribution rate setting and monitoring

When a new employer joins the Fund, the Fund Actuary is required to set the contribution rates payable by the new employer and allocate a share of Fund assets to the new employer as appropriate (unless the new employer joins under a pass-through arrangement). The most common types of new employers joining the Fund are admission bodies and new academies. These are considered in more detail below.

When a new employer wants to join the Fund, this should be approved by the Fund officer, as delegated to by the Pensions Committee. The new employer will automatically join the appropriate employer category or funding pool as set out in the table in the section Summary of funding approach, unless representations are made by the employer to the Fund via the Fund officer. The Fund's Outsourcing and Admission Agreements Guide can be found [\[here\]](#).

A new employer must provide membership data where the data is as at the date of joining the Fund. The data should be of good quality as it is used by the Fund Actuary to calculate the funding level and employer contribution rates on joining.

Admission bodies

New admission bodies in the Fund are commonly a result of a transfer of employees from an existing employer in the Fund to another body (for example as part of a transfer of services from a council or academy to an external provider under Schedule 2 Part 3 of the Regulations). Typically these transfers will be for a limited period (the contract length), over which the new admission body employer is required to pay contributions into the Fund in respect of the transferred members.

There are two main approaches available to the Fund when a new admission body is joining the Fund.

- 1) Full risk transfer
- 2) Pass-through arrangement

More detail around the full risk transfer approach and the pass-through approach are set out below.

Approach of the Fund

The default approach will be for admission bodies to join the Fund under a pass-through arrangement. Under a pass-through arrangement, the letting authority retains the pensions risk. The admission body is responsible for paying the agreed contribution rate and also additional costs as set out in each admission agreement e.g. redundancy and early retirement costs.

Alternatively, employers can join under a full risk transfer. Under a full risk transfer the admission body becomes responsible for all the pensions risk associated with the benefits accrued by transferring members and the benefits to be accrued over the contract length. The Administering Authority may consider requests for a full risk transfer from new admission bodies.

Funding at start of contract (full risk transfer only)

Under a full risk transfer, when a new admission body joins the Fund, they will become responsible for all the pensions risk associated with the benefits accrued by transferring members and the benefits to be accrued over the contract length. In these cases, it may be appropriate that the new admission body is allocated a share of

Fund assets equal to the value of the benefits transferred, i.e. the new admission body starts off on a fully funded basis. This is calculated on the relevant funding basis and the opening position may be different when calculated on an alternative basis (e.g. on an accounting basis).

However, there may be special arrangements made as part of the contract such that a full risk transfer approach is not adopted. In these cases, the initial assets allocated to the new admission body will reflect the level of risk transferred and may therefore not be on a fully funded basis or may not reflect the full value of the benefits attributable to the transferring members.

Contribution rate

The contribution rate may be set on an open or a closed basis. Where the funding at the start of the contract is on a fully funded basis then the contribution rate will represent the primary rate only; where there is a deficit allocated to the new admission body then the contribution rate will also incorporate a secondary rate with the aim of recovering the deficit over an appropriate recovery period.

For new employers participating under a pass-through arrangement, the default approach will be for the new employer to pay the future service rate of the transferring members for the period of the contract. Consideration will be given to a variable rate in line with the cost of benefit accrual where the contract is for a long period.

Depending on the details of any risk sharing arrangement, then additional adjustments may be made to determine the contribution rate payable by the new admission body. The approach in these cases will be bespoke to the individual arrangement and agreed between the new employer and the letting authority.

Pass-through arrangements

Pass-through arrangements are allowed for at the actuarial valuation by allocating any deficit/liabilities covered by the risk sharing arrangement to the relevant responsible employer.

New academies

When a school converts to academy status, the new academy (or the sponsoring multi-academy trust) becomes a Scheme employer in its own right.

Funding at start

On conversion to academy status, the new academy will be allocated assets based on the active cover of the relevant local authority at the conversion date. The assets allocated to the academy will be capped at 100% of the value of the liabilities. The active cover approach is based on the funding level of the local authority's active liabilities, after fully funding the local authority's deferred and pensioner liabilities. On conversion to academy status, the new academy will become part of the Academy Pool (or the STEP Academy Pool if they join the STEP Academy Trust), unless they opt-out, and will be allocated assets based on the funding level of the Pool at the conversion date.

Contribution rate

The contribution rate payable when a new academy joins the Fund will be in line with the contribution rate certified for the Academies funding pool at the 2025 valuation.

Pooling of individual employers

Each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances.

However, certain groups of individual employers are pooled for the purposes of determining contribution rates to recognise common characteristics or where the number of Scheme members is small.

The main purpose of pooling is to produce more stable employer contribution levels, although recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.

The funding pools adopted for the Fund are summarised in the table below:

Pool	Type of pooling	Notes
Town and Parish Councils	For funding level and contribution rate purposes	Funding level is determined for the pool at each triennial valuation
Academies including Free Schools	For funding level and contribution rate purposes	Funding level is determined for the pool at each triennial valuation

Treatment of employers in a pool (excluding pass-through arrangements)

When an employer joins a pool, it will be allocated a notional amount of assets so that the employer has the same funding level as the other employers in the pool at the date of joining. Any transferring assets more than this will get shared between the other employers in the pool.

When an employer leaves a pool, it will be allocated a notional amount of assets so that the employer has the same funding level as the other employers in the pool at the date of leaving.

Forming/disbanding a funding pool

Where the Fund identifies a group of employers with similar characteristics and potential merits for pooling, it is possible to form a pool for these employers. In this scenario, employers will be consulted with before this change is made. Advice should be sought from the Fund Actuary to consider the appropriateness and practicalities of forming the funding pool.

Conversely, the Fund may consider it no longer appropriate to pool a group of employers. This could be due to divergence of previously similar characteristics or an employer becoming a dominant party in the pool. Where this scenario arises, advice should be sought from the Fund Actuary.

Funding pools should be monitored on a regular basis, at least at each actuarial valuation, to ensure the pooling arrangement remains appropriate. The Fund will define the criteria for employers to be a part of a pool or not. There may be a scenario where an employer may request to be excluded from the pool, which may be allowed in exceptional circumstances and following discussion with the Fund Actuary.

Preparing for exit and events which may trigger termination

A cessation valuation may be required for many reasons, including:

- the last active member ceasing participation in the Fund
- the contract / admission agreement expiring
- Insolvency or wind up of the admission body
- Termination of a deferred debt agreement (DDA)
- A breach of the contract e.g. failure to pay contributions within the required period

If an employer wants to leave the Fund, they should email: employer.engagement@eastsussex.gov.uk.

An employer should provide membership data to the Fund at the date of termination. The Fund needs the membership data before it can calculate the termination position. An employer can provide data at an earlier date to obtain an indicative termination position. If the termination takes place at a different date or if there are any changes to the membership from the data supplied then the termination position should be recalculated. The membership data should be of good quality as it affects the termination position and the amount an employer needs to pay or receive when exiting the Fund.

When a Scheme employer exits the Fund they become an exiting employer, as required under the Regulations the Fund Actuary will be asked to carry out an actuarial valuation to determine the liabilities in respect of the benefits held by the exiting employer's current and former employees. The Fund Actuary is also required to determine the exit payment due from the exiting employer or the exit credit payable to the exiting employer. The exit position will be determined using membership data relating to the date of exit.

Process for determining the position on termination

The Fund needs to protect the security of the remaining employers when assessing the position of the exiting employer. In assessing the value of the liabilities attributable to the exiting employer, the Fund Actuary may adopt differing actuarial assumptions depending on the employer and the specific details surrounding the employer's termination.

Different valuation approaches are taken depending on the details surrounding the exit of the employer. This generally comes down to the following two questions:

What is happening to the active members?

For example, at the end of many outsourced contracts, the members may continue in employment with a new contractor. Alternatively, members may be made redundant or transferred to a defined contribution scheme with the same employer.

Is there an employer in the Fund willing to underwrite the future pension liabilities?

For example, there may be a guarantor that is compelled to or volunteers to be responsible for any future deficits, or the exiting employer may be entering into a deferred debt agreement (DDA) with the Fund.

The Fund classifies a termination into the following scenarios:

Cessation scenarios

Ongoing cessation Any remaining active employees are transferred to another employer in the Fund and the deferred and pensioner liabilities are also picked up by another employer in the Fund (which is usually the same employer as the destination for the active

members but may not be). The funding position under this scenario is essentially the current ongoing funding position.

Full cessation No employer in the Fund will be responsible for the Employer’s residual liabilities after the Employer’s exit from the Fund. Therefore, an approach using a relative high level of prudence is required to reduce the risk that the assets held in respect of the Employer’s liabilities are not sufficient to pay for the members’ benefits. Any members eligible for unreduced early retirement benefits on redundancy are assumed to become entitled to these.

For any employer exiting on the ongoing cessation scenario, their valuation will be carried out under the same method and assumptions as the ongoing funding basis. i.e. the funding basis as set out in section Main actuarial assumptions.

For any employer exiting under a full cessation scenario, a more prudent discount rate is adopted than for the ongoing basis. All other assumptions are as for the ongoing funding basis. The more prudent discount rate is determined as follows.

A stochastic analysis was used to assess the “success probabilities” of certain levels of prudence as part of the 2025 valuation. The default approach to calculating the cessation position will be to use a discount rate based on the success probability of 90%. This corresponds to a 4.0% prudence adjustment in the discount rate assumption. If we are satisfied that there is another employer willing to take on responsibility for the liabilities (or that there is some other form of guarantee in place) then the cessation position may be calculated on the ongoing funding basis.

As detailed above, the Fund Actuary may adopt differing approaches when assessing whether an exit debt is payable by the employer, depending on the specific details surrounding the employer’s cessation scenario. We consider it to be appropriate to allow for an additional level of prudence based on a higher success probability – i.e. the theoretical probability that the long-term fund returns exceed the assumed returns.

The success probability and the level of prudence will remain fixed over the inter-valuation period.

It may be appropriate for alternative success probabilities to be adopted, or different discount rate approaches to be taken, to reflect an individual employer’s situation. This may be, for example, to reflect an employer targeting a cessation event or to reflect our views on the level of risk that an employer poses to the Fund. The Fund Actuary will incorporate any such adjustments after consultation with the Administering Authority.

Any deficit in the Fund in respect of the exiting employer will be due to the Fund as a single lump sum payment, unless we agree with the other parties involved that an alternative approach is permissible. Alternative approaches are set out in the Fund’s policy for entering into, monitoring and terminating a DDA or DSA is set out in the DSA and DDA policy in **Annex B: Deferred debt agreement and debt spreading arrangement policies**.

Any surplus in the Fund in respect of the exiting employer may be treated differently to an exit payment, subject to the agreement between the relevant parties and any legal documentation. The LGPS (Amendment) Regulations 2018 allow administering authorities to make an exit credit payment to exiting employers. The Fund’s exit credit policy is here Annex C: Exit Credit Policy.

The decision made by the Administering Authority is final, however if the employer wishes to appeal the decision, then they should follow the [Internal Dispute Resolution Procedure](#).

Deferred debt agreements or debt spreading arrangements

Where a valuation reveals a deficit and an exit payment is due on termination, the expectation is that the employer settles this debt immediately through a single cash payment. However, should it not be possible for the employer to settle this amount, providing the employer puts forward sufficient supporting evidence to the Administering Authority, the Administering Authority may agree a deferred debt agreement (DDA) with the employer under Regulation 64(7A) or a debt spreading arrangement (DSA) under Regulation 64B.

The Fund's policy for entering into, monitoring and terminating a DDA or DSA is set out in the DSA and DDA policy in **Annex B: Deferred debt agreement and debt spreading arrangement policies**.

Suspension notices

When the last active member leaves an employer in the Fund, normally under Regulation 64A this would result in a termination event for the employer and an exit valuation produced by the Fund Actuary. However, Regulation 64(2A) allows the suspending of their liability to pay an exit payment.

We will grant a suspension notice if we reasonably believe the employer is likely to have one or more active members contributing into the Fund within three years of the original cessation date. Were a suspension notice issued to a Scheme employer, and after a three-year period no further active members are enrolled, then a cessation valuation should be undertaken by the Fund Actuary, at the date the last active member left the Fund.

Partial terminations

A partial termination is where an employer exits the fund for deferred and pensioner members but seeks to remain a participating employer for active members.

An employer should contact the Fund if they want to request a partial termination. There may also be a requirement for actuarial and legal advice, the costs of which will be met by the employer.

We have the discretion to permit employers to partially exit the Fund on a case-by-case basis. The employer would need to meet the following criteria before we consider a partial termination:

- A sufficient surplus on the valuation basis used to calculate the partial termination;
- Size of the employer relative to the remaining Fund is not unduly large;
- Consistent with the interests of other employers in the Fund;
- Approval from the Fund Actuary; and
- Legal advice that confirms that the partial termination is allowed within the Regulations.

The basis used to calculate the transfer of assets to cover the deferred and pensioner liabilities would be consistent with the approach used for the cessation valuation.

Bulk transfers (both to or from the LGPS)

Bulk transfers of employees into or out of the Fund can take place from other LGPS Funds or non-LGPS Funds.

A bulk transfer involves a group of employees changing to a new employer in a different Fund or moving along with their existing employer to a new Fund. It is usually triggered by a contract being transferred, a service being restructured, or a merger or acquisition involving an LGPS employer.

If ten or more members move from one LGPS Fund to another LGPS Fund they are covered by Regulation 103 of the Local Government Pension Scheme Regulations 2013.

A bulk transfer may be required by an issued Direction Order. This is generally in relation to an employer merger, where all the assets and liabilities attributable to the transferring employer in its original Fund are transferred to the receiving Fund.

The employer is responsible for making the Fund aware of any such bulk transfer as per the Fund's Administration Strategy.

The Fund Actuary for both Funds is responsible for negotiating the terms for the bulk transfer – specifically the terms by which the value of assets to be paid from one Fund to the other is calculated.

The agreement will be specific to the situation surrounding each bulk transfer but in general, we will look to receive the bulk transfer on no less than a fully funded transfer (i.e. the assets paid from the ceding Fund are sufficient to cover the value of the liabilities on the agreed basis). The terms must be acceptable to both Funds and if the Funds and their actuaries cannot reach an agreement then a third actuary is required to step in to determine a reasonable solution.

Membership data will be required in respect of members transferring and this will be agreed by both Funds involved.

The Fund actuaries will agree a calculation of the transfer amount and it is the original Fund's responsibility to facilitate payment of the transfer amount to the receiving Fund.

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Annex A: Contribution review policy

Introduction

This is the Contribution review policy for the East Sussex pension Fund (the Fund), part of the Local Government Pension Scheme (LGPS). It has been prepared by East Sussex County Council in our capacity as Administering Authority of the Fund.

This document sets out the Fund's policy on amending the contribution rates payable by an employer (or group of employers) between formal funding valuations.

Under Regulation 62 of the LGPS Regulations 2013 (the Regulations) we are required to obtain a formal actuarial valuation of the Fund and a rates and adjustments certificate setting out the contribution rates payable by each Scheme employer for three year period beginning 1 April following that in which the valuation date falls.

It is anticipated for most Scheme employers that the contribution rates certified at the formal actuarial valuation will remain payable for the period of the rates and adjustments certificate. However, there may be circumstances where a review of the contribution rates payable by an employer (or a group of employers) under Regulation 64A is deemed appropriate. This policy document sets out our approach to considering the appropriateness of a review and the process in which a review will be conducted.

This policy has been prepared following advice from the Fund Actuary and following consultation with the Fund's Scheme employers. In drafting this policy document, we have taken into consideration the statutory guidance on drafting a contribution review policy which was issued by the Ministry of Housing, Communities and Local Government, and the Scheme Advisory Board's guide to employer flexibilities.

Throughout this document, any reference to the review of a Scheme employer's contribution rates will also mean the single review of the contribution rates for a group of Scheme employers (for example if the employers are pooled for funding purposes).

Note that where a Scheme employer seems likely to exit the Fund before the next actuarial valuation then we can exercise our powers under Regulation 64(4) to carry out a review of contributions with a view to adjusting the contributions for the Scheme employer to exit on a fully funded basis. These cases do not fall under this contribution review policy.

The contribution review process

As part of the review process, within this policy we include detail on:

- Examples of events that may trigger a contribution review under Regulation 64(A)(1)(b).
- The general process for assessing and conducting a review.
- Timescales including a timeline to provide a rough guide of our general expectation.

Following completion of the review process, we may continue to monitor the Scheme employer's position in order to ensure the revised contribution rate remains appropriate (where a review was completed) or to ensure the Scheme employer's situation does not change such that a review previously deemed not appropriate becomes appropriate. As part of its participation in the Fund, any Scheme employer is expected to support any reasonable information requests made by us to allow effective monitoring.

Timelines

Once a review of contribution rates has been agreed, unless the impact of amending the contribution rates is deemed immaterial by the Fund Actuary, then the results of the review will be applied with effect from the agreed review date.

Where initiation is made by the Administering Authority

Where we initiate a review (i.e. under conditions (i) and (ii) of Regulation 64(A)(1)(b)), the first stage is to engage with the Scheme employer and provide written evidence for requiring the review.

The Scheme employer will be given 45 days from the later of the date of receipt of the evidence provided and the date of receipt of the results of the formal contribution review to respond to our proposal. Should no challenge be accepted within this period then we will treat the proposal as accepted and the revised contribution rates will come into effect from the proposed review date.

Should the Scheme employer challenge our proposal, then we will continue to engage with the Scheme employer in order to reach an agreeable decision. If no decision has been agreed within 3 months of the initial proposal, then we may proceed with the revised contribution rates. Further details of the appeals process for the Scheme employer is set out in the Appeals process section.

Although we will make the ultimate decision for a review, we are committed to engaging with any Scheme employer following the initial proposal to ensure that any change is agreeable to all relevant parties.

Where initiation is made by the Scheme employer

Where the review is initiated by the Scheme employer, the process begins once the Scheme employer has provided all the relevant documents required as set out in the Triggering a contribution review **section**.

We will aim to provide a response to the Scheme employer within 45 days from the date of receipt. This will depend on the quality of the documents provided and any need for us to request further information from the Scheme employer. We will provide a written response setting out the issues considered in reviewing the request from the Scheme employer, together with the outcome and confirming the next steps in the process.

Responsibility of costs

Where we have initiated the review of contributions, any costs incurred as part of the review in relation to the gathering of evidence to present to the Scheme employer and the actuarial costs to commission the contribution review will be met by the Fund. This is apart from any costs incurred as a result of extra information requested by the Scheme employer which is not ordinarily anticipated to be incurred by the Administering Authority as part of the review. These exception costs would be recharged to the Scheme employer.

Any costs incurred because of a review initiated by the Scheme employer will be the responsibility of the Scheme employer, regardless of the outcome of the review proceeding or not. This may include specialist adviser costs involved in assessing whether the request for review should be accepted and the costs in relation to carrying out the review.

Triggering a contribution review

As set out in Regulation 64(A)(1)(b), a review of an employer's contribution rate between formal actuarial valuations may only take place if one of the following conditions are met:

- (i) it appears likely to the Administering Authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;

(ii) it appears likely to the Administering Authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or

(iii) a Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review.

Conditions (i) and (ii) are triggered by the Administering Authority and (iii) by the Scheme employer. The key considerations under each of the conditions are detailed below.

It should be noted that the conditions above are as set out in the Regulations therefore do not allow for a review of contributions where the trigger is due to a change in actuarial assumptions or asset values.

(i) change in the amount of the liabilities arising or likely to arise

Examples of changes which may trigger a review under this condition include, but are not limited to:

- Restructuring of a council due to a move to unitary status;
- Restructuring of a Multi Academy Trust;
- A significant outsourcing or transfer of employees;
- Any other restructuring or event which could materially affect the Scheme employer's membership;
- Changes to whether a Scheme employer is open or closed to new members, or a decision which will restrict the Scheme employer's active membership in the Fund in future;
- Significant changes to the membership of an employer, for example due to redundancies, significant salary awards, ill health retirements or a large number of withdrawals;
- Establishment of a wholly owned company by a scheduled body which does not participate in the LGPS.

As part of its participation in the Fund, Scheme employers are required to inform us of any notifiable events as set out in the Fund's Pensions Administration Strategy, service agreements and/or admission agreements. Through this notification process, we may identify events that merit a review of contributions.

In addition, we may initiate a review of contributions if we become aware of any events that we deem could potentially change the liabilities of the Scheme employer. This also applies to any employers for whom a review of contributions has already taken place as a further change in liabilities may merit another review.

(ii) change in the ability of the Scheme employer to meet its obligations

Examples of changes which may trigger a review under this condition include, but are not limited to:

- Change in employer legal status or constitution;
- Provision of, or removal of, security, bond, guarantee or other form of indemnity by a Scheme employer;
- A change in a Scheme employer's immediate financial strength;
- A change in a Scheme employer's longer-term financial outlook;
- Confirmation of wrongful trading;
- Conviction of senior personnel;
- Decision to cease business;
- Breach of banking covenant;

- Concerns felt by the Administering Authority due to behaviour by a Scheme employer, for example, a persistent failure to pay contributions (at all, or on time), or to reasonably engage with the Administering Authority over a significant period of time.

We will monitor employer covenant of all Scheme employers as part of the actuarial valuation. We will commission an employer risk review report from the Fund Actuary. Through this analysis, we can identify any Scheme employers that might be considered as high risk and whether any Scheme employers have had a significant change in riskiness. This in turn may affect our views on whether the ability of a Scheme employer to meet its obligations to the Fund has changed significantly and therefore whether this change may merit a contribution review. This also applies to any employers for whom a review of contributions has already taken place as a further change in an employer's ability to meet its obligations may merit another review.

(iii) request from the Scheme employer for a contribution review

A request can be made by a Scheme employer for a review of contribution rates outside of the formal actuarial process. This may be triggered by one of the following two conditions:

- There has been a significant change in the liabilities arising or likely to arise; and/or
- There has been a significant change in the ability of the Scheme employer to meet its obligations to the Fund.

If a request is made for any other reason, then it will be considered by the Administering Authority on a case by case basis.

Requests by a Scheme employer are limited to one review per calendar year.

Apart from any cases where the Scheme employer is expected to cease before the next rates and adjustments certificate comes into effect, we will not accept a request for a review of contributions with an effective date within the 12 months preceding the next rates and adjustments certificate. It is expected in these cases that any requests can be factored into the formal review and any benefits of carrying out a review just prior to the commencement of a new rates and adjustments certificate are outweighed by the costs and resource required.

Information required from the Scheme employer

In order to submit a request for a review of contribution rates outside of the formal actuarial valuation process, a Scheme employer must provide the following to the Fund:

- Where a review is sought due to a potential change in the Scheme employer's liabilities:
 - Membership data or details of membership changes to evidence that the liabilities have materially changed, or are likely to change
- Where a review is sought due to a potential change in the ability of the Scheme employer to meet its obligations:
 - The most recent annual report and accounts for the Scheme employer;
 - The most recent management accounts;
 - Financial forecasts for a minimum of three years;
 - The change in security or guarantee to be provided in respect of the Scheme employer's liabilities.

We may require further evidence to support the request and this will be requested on a case by case basis.

Assessing the appropriateness of a review

We will take following general considerations into account in all scenarios:

- the expected term for which the Scheme employer will continue to participate in the Fund;
- the time remaining to the next formal funding valuation;
- the cost of the review relative to the anticipated change in contribution rates and the benefit to the Scheme employer, the Fund and/or the other Scheme employers; and
- the anticipated impact on the Fund and the other Fund employers, including the relative size of the change in liabilities and contributions and any change in the risk borne by other Fund employers.

Where the review has been requested by the Scheme employer, we will also consider the information and evidence put forward by the Scheme employer. This may be with advice from the Fund Actuary where required. We will include an assessment of whether there is a reasonable likelihood that a review would result in a change in the Scheme employer's contribution rates. We will also consider whether it is necessary to consult with any other Scheme employer e.g. where a guarantee may have been provided by another Scheme employer.

We will make the final decision of whether a review of contribution rates will be carried out after discussion with Fund Actuary. It is acknowledged that each Scheme employer's situation may differ and therefore each decision will be made on a case-by-case basis. Should a Scheme employer disagree with the decision, then details of the Appeals process is set out later in this document.

Appropriateness of a review due to change in liabilities

This will be subject to the following considerations in addition to the general considerations set out above and:

- the size of the Scheme employer's liabilities relative to the Fund and the extent to which they have changed;
- the size of the event in terms of membership and liabilities relative to the Scheme employer and/or the Fund; and
- the Administering Authority's assessment of the ability of the Scheme employer to meet its obligations.

Appropriateness of a review due to change in ability to meet its obligations to the Fund

This will be subject to the following considerations in addition to the general considerations set out above and:

- The results of any employer risk analysis provided by the Fund Actuary or a covenant specialist
- The perceived change in the value of the indemnity to the Administering Authority, relative to the size of the Scheme employer's liabilities

Further considerations to that set out above may be relevant and will be considered as required.

Method used for reviewing contribution rates

If a review of contribution rates is agreed, or if an indicative review is required to help inform the review process, we will take advice from the Fund Actuary on the calculation of the Scheme employer's revised contribution rates. This will take into account the events leading to the anticipated liability change and any impact of the changes in the Scheme employer's ability to meet its obligations to the Fund.

The table below sets out the general approach that will be used when carrying out this review.

	General approach
Member data	<p>The starting point for reviewing a Scheme employer's contribution rates will in some cases be the most recent actuarial valuation.</p> <p>In most cases, given the review is due to an anticipated change in membership, the Administering Authority and Scheme employer should work together to provide updated membership data for use in calculations. There may be instances where updated membership data is not required if it is deemed proportionate to use the most recent actuarial valuation data without adjustment.</p> <p>Where the cause for a review is due to a change in a Scheme employer's ability to meet its obligations to the Fund, updated membership data may not need to be used unless any significant membership movements since the previous valuation are known.</p>
Approach to setting assumptions	This will be in line with that adopted for the most recent actuarial valuation, as set out in the Fund's Funding Strategy Statement (FSS).
Market conditions underlying financial assumptions	Unless an update is deemed more appropriate by the Fund Actuary, the market conditions will be in line with those at the most recent actuarial valuation.
Conditions underlying demographic assumptions	Unless an update is deemed more appropriate by the Fund Actuary, the demographic assumptions will be in line with those at the most recent actuarial valuation.
Funding target	The funding target adopted for a Scheme employer will be set in line with the Fund's FSS, which may be different from the approach adopted at the most recent actuarial valuation due to a change in the Scheme employer's circumstances.
Surplus/deficit recovery period	The surplus/deficit recovery period adopted for a Scheme employer will be set in line with the Fund's FSS, which may be different from the approach adopted at the most recent actuarial valuation due to a change in the Scheme employer's circumstances.

The Fund Actuary will be consulted throughout the review process and will be responsible for providing a revised rates and adjustments certificate. Any deviations from the general approach set out above will be agreed by us and the Fund Actuary.

Appeals process

1. Any appeals process is left for the Administering Authority to determine in accordance with their own policy, but in its simplest form it would require an employer to evidence one of the following:

(i) A deviation from the published policy or process by the Administering Authority

And/or

(ii) Any further information (or interpretation of information provided) which could influence the outcome, noting new evidence to be considered at the discretion of the Administering Authority)

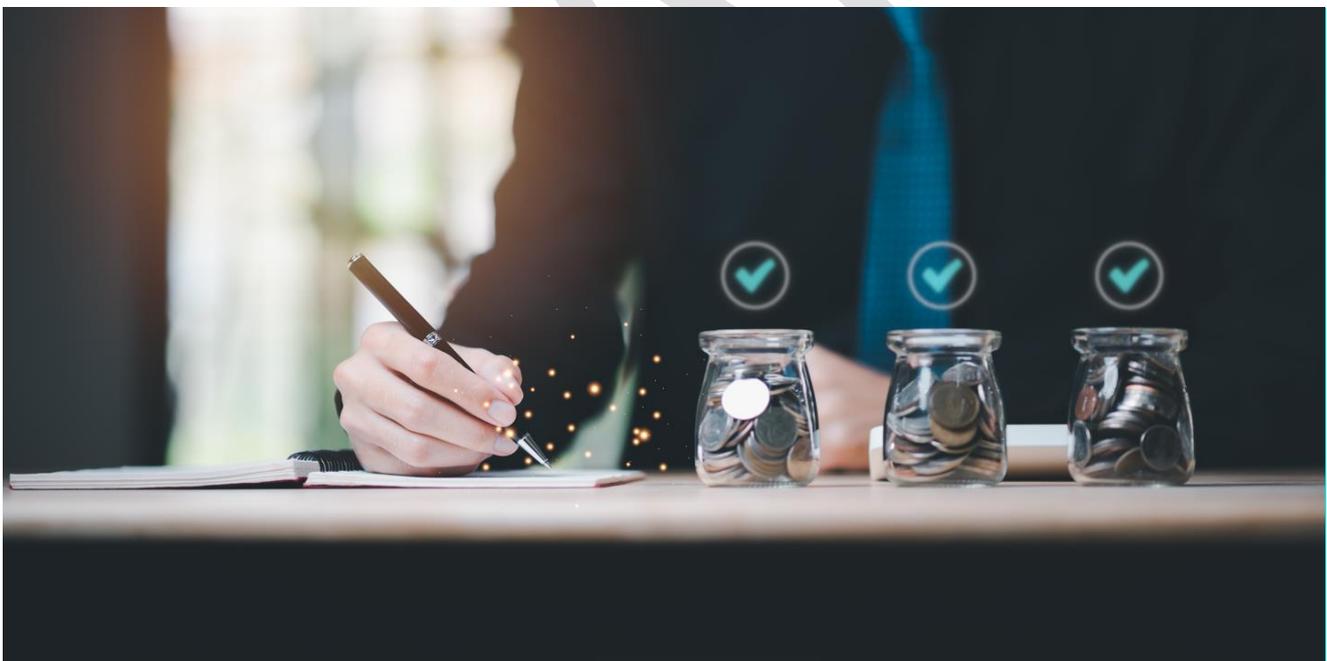
2. In setting out an appeal process the Administering Authority should have regard to the following principles:

(i) The process and any amendments to it should be subject to consultation with employers

(ii) The appellant should be granted a reasonable period of time both to make any appeal following a decision and to prepare the basis of their appeal

(iii) The process, including the timescales and requirements for evidence should be accessible, clearly signposted and transparent

(iv) Any review of a decision should be considered independently from those directly involved in the original decision



Annex B: Deferred debt agreement and debt spreading arrangement policies

Introduction

This is the policy on deferred debt agreements (DDAs) and debt spreading arrangements (DSAs) for the East Sussex Pension Fund (the Fund), part of the Local Government Pension Scheme (LGPS). It has been prepared by East Sussex County Council in our capacity as Administering Authority of the Fund.

When a Scheme employer becomes an exiting employer under Regulation 64, the Fund Actuary is required to carry out a valuation to determine the exit payment due from the exiting employer to the Fund, or the excess of assets in the Fund relating to that employer. Where an exit payment is due, the expectation is that the employer settles this debt immediately through a single cash payment. However, if the employer provides evidence that this is not possible, there are two alternatives available: Regulation 64(7A) enables the Administering Authority to enter into a DDA with the employer while Regulation 64B enables the Administering Authority to enter a DSA.

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit. The secondary rate of contributions will be reviewed at each actuarial valuation until the termination of the agreement.

Under a DSA, the cessation debt is crystallised and spread, with interest, over a period deemed reasonable by the Administering Authority having regard to the views of the Fund Actuary.

Whilst a DSA involves crystallising the cessation debt and the employer's only obligation is to settle this set amount, in a DDA the employer remains in the Fund as a Scheme employer and is exposed to the same risks (unless agreed otherwise with the Administering Authority) as active employers in the Fund (e.g. investment, interest rate, inflation, longevity and regulatory risks) meaning that the deficit will change over time.

This policy document sets out the Administering Authority's policy for entering into, monitoring and terminating a DDA or DSA.

These policies have been prepared by the Administering Authority following advice from the Fund Actuary, and following consultation with the Fund's Scheme employers. In drafting this policy document, the Administering Authority has taken into consideration the statutory guidance on preparing and maintaining policies on employer exit payments and deferred debt agreements which was issued on 2 March 2021 by the Ministry of Housing, Communities and Local Government, and the Scheme Advisory Board's guide to employer flexibilities dated 5 March 2021.

Approach for exiting employers

If an employer becomes an exiting employer and an exit payment is identified, the Fund should seek to receive a payment from the exiting employer equal to the exit payment in full.

The Administering Authority makes the exiting employer aware an exit payment is due by providing a revised rates and adjustments certificate in the form of a cessation valuation report produced by the Fund Actuary. Details of the Fund's cessation policy can be found in the Fund's Funding Strategy Statement (FSS).

The default position is that the employer is required to make an exit payment in full immediately. However, if required, the exiting employer can inform the Administering Authority, along with evidence, that they are unable

to do so and may request to enter either a DDA or DSA. If the Administering Authority is satisfied with the evidence provided, the DDA or DSA process may proceed.

Requests should be submitted to the Fund via email to employer.engagement@eastsussex.gov.uk within 21 days of receiving confirmation of the exit payment required, or otherwise the exit payment should be paid to the Fund in full within 60 days.

Where possible, the Administering Authority encourages employers who are approaching exit to engage with the Administering Authority in advance to understand the options that may be available. An indicative cessation report can be produced to form the basis of discussions.

Choosing a DDA or DSA

Consideration needs to be given as to which approach is the most appropriate in each case. A DDA may be appropriate if:

- the employer temporarily has no active members but expects it may return to active employer status in future. However, please note that if the plan is for active members to join within three years then a suspension notice may be more appropriate;
- the employer wants to minimise costs by potentially benefitting from the upside of the pensions risks it would remain exposed to and therefore does not want to crystallise its debt by becoming an exiting employer. In this case the Administering Authority may be willing to defer crystallisation of the cessation debt for an appropriately significant period of time, subject to the strength of the employer's covenant or security provided;
- initial affordability of the full exit payment is low but there is a prospect of increased affordability in the future, or the payment can only be afforded over a long period and therefore a DDA enables the position to be updated over time in light of changing funding positions; and/or
- the employer has a weak covenant but is not faced with imminent insolvency and must rely on future investment returns to fully or partially fund the exit payment. The Administering Authority may agree that doing so over an appropriate long period is better for the Fund than risking immediate insolvency of the employer.

On the other hand, it may be more appropriate to enter a DSA if:

- the employer does not intend to employ any more active members and therefore is not expected to resume active employer status;
- the employer wishes to crystallise its debt to the Fund and therefore not be subject to any of the pensions risks that could cause the amounts payable to the Fund increasing (or decreasing) in future;
- the employer has ample resources to make the payment within the near future but not immediately; and/or
- the employer is deemed to have a very weak covenant and so the Administering Authority will want to try to recoup as much of the exit payment as possible before the employer becomes insolvent.

The Administering Authority has the right to refuse a DSA or DDA request if they believe it is not in the best interests of the Fund or the other participating employers, for example if entering a DSA or DDA increases the risk of a deficit falling to the other employers.

In considering each request for a DDA or DSA from an exiting employer the Administering Authority will take actuarial, covenant, legal and other advice as necessary. Proposed DDAs/DSAs will always be discussed with the employer, whether the DDA or DSA was at the exiting employer's request or not.

Employers who may be party to either a DSA or a DDA are encouraged to discuss any potential impact on their accounting treatment with their auditors.

Management of costs

On receiving a request the Administering Authority will make the employer aware that any costs associated with setting up the DDA or DSA will be the responsibility of the Scheme employer, regardless of whether the Administering Authority agrees to enter into the agreement or not. This may include the cost of actuarial advice, legal advice, administrative costs and any additional advice required in relation to a covenant assessment or any other specialist adviser costs. If costs deviate from those initially anticipated the Administering Authority will keep the exiting employer up-to-date with any increases. The Administering Authority will provide information on how and when payments should be made.

Internal dispute resolutions

Whether a DDA or DSA is agreed or not is ultimately the decision of the Administering Authority. In the event of any dispute from the employer, please refer to the Fund's [internal dispute resolution procedures document](#).

Deferred Debt Agreements (DDAs)

Entering into a DDA

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit.

Information required from the employer

When making a request to enter a DDA, the employer should demonstrate that they are unable to settle their exit payment immediately and provide any relevant information to support their request e.g. in relation to their covenant/ability to continue to make payments to the Fund on a continuing basis. Examples of information the employer may provide as evidence include the exiting employer's:

- most recent annual report and accounts;
- latest management accounts;
- financial forecasts;
- details of position of other creditors.

This is not an exhaustive list and the Administering Authority may request further evidence. In particular, the Administering Authority may commission a covenant assessment if insufficient evidence is provided.

Assessing the proposal

The Administering Authority will decide on whether to enter into a DDA within 30 days of receiving a request but this may vary to reflect specific circumstances, for example if the Administering Authority chooses to request a covenant assessment then the process may take longer.

To reach a decision the Administering Authority will consider:

- the size of the exiting employer’s residual liabilities relative to the size of the Fund;
- the size of the exit payment relative to the costs associated with entering into a DDA;
- whether a debt spreading agreement or suspension notice would be more appropriate (see specific circumstances below);
- any information provided by the exiting employer to support their covenant strength, including any information on a guarantor or other form of security that the employer may be able to put forward to support their covenant;
- the results of any covenant review carried out by the Fund Actuary or a covenant specialist;
- the exiting employer’s accounts;
- the potential impact on the other employers in the Fund; and
- the opinion of the Fund Actuary.

The Administering Authority is not obliged to accept an exiting employer’s request for a DDA. For example, in the following circumstances the Administering Authority may consider a DDA not to be appropriate:

- the exiting employer could reasonably be expected to settle their exit payment in a single amount;
- it is known or likely that another active member will come into employment in the three years following the cessation date (in these cases a suspension notice would be considered more appropriate than a DDA); or
- the Administering Authority is concerned that where a DDA is entered, that the employer could not afford the impact of any negative experience which would result in an increase in the required secondary rate of contributions and an increase in the employer’s overall deficit (in these cases a debt spreading agreement would be considered more appropriate as the payments are fixed throughout the term of the agreement).

Once all information has been considered the Administering Authority will consult with the exiting employer as required under the Regulations. If the Administering Authority does not wish to enter into a DDA they will explain to the exiting employer their reasoning and any alternatives (e.g. a debt spreading agreement, suspension notice or indeed require the exit payment in full). If the Administering Authority accepts the request to enter into a DDA, they will notify their legal advisers and Fund Actuary. If the Administering Authority has concerns about the level of risk arising due to the DDA, the Administering Authority may only accept the request subject to a one-off cash injection being made by the exiting employer or security being provided as an additional guarantee.

Setting up a DDA

Once agreed that a DDA is permitted, the terms of the DDA will be agreed between the Administering Authority and the exiting employer and will be set out in a formal legal agreement.

The Administering Authority and the exiting employer (with the assistance of the Fund Actuary) will negotiate an appropriate duration of the agreement which will consider the exiting employer’s affordability and anticipated strength of covenant over the agreement period. If the exiting employer has sufficient reserves, the Administering Authority may require an immediate cash payment so that the DDA can start from an acceptably stronger funding position.

The Fund Actuary will calculate secondary contributions on an appropriate basis as agreed with the Administering Authority and following consultation with the exiting employer, taking into account any cash payments made in advance. The secondary contributions will be reviewed at each actuarial valuation and certified as part of the Fund's Rates and Adjustments Certificate until the termination of the agreement. Therefore payments throughout the agreement are not known in advance and may increase or decrease at each valuation to reflect changes in the employer's funding position.

The timeline from consultation with the exiting employer to entering into a DDA to the signing of the agreement will vary. Where possible all parties will aim to have the agreement signed within 3 months, although there may be circumstances where timings may vary.

Once finalised, the employer will become a deferred employer in the Fund and will have an obligation to pay their secondary contributions as certified by the Fund Actuary. The responsibilities of the deferred employer will be set out in the legal agreement and these will include the requirements to:

- comply with all the requirements on Scheme employers under the Regulations except the requirement to pay a primary rate of contributions but including any additional applicable costs, such as those arising from an employer discretion, or strain costs as a result of ill health retirements as employers will no longer be able to remain in the ill health pool;
- adopt the relevant practices and procedures relating to the operation of the Scheme and the Fund as set out in any employer's guide produced by the Administering Authority;
- comply with all applicable requirements of data protection law relating to the Scheme and with the provisions of any data-sharing protocol produced by the Administering Authority and provided to the deferred employer;
- promptly provide all such information that the Administering Authority may reasonably request to administer and manage the agreement; and
- give notice to the Administering Authority, of any actual or proposed change in its status, including take-over, change of control, reconstruction, amalgamation, insolvency, winding up, liquidation or receivership or a material change to its business or constitution.

The deferred employer should consult with their auditors about any impacts the DDA is expected to have on their accounting requirements.

Monitoring a DDA

A deferred debt agreement is subject to the ongoing approval of the Administering Authority. The Administering Authority reserves the right to terminate the agreement should they become concerned about a significant weakening in the deferred employer's covenant or a significant change in funding position. Conversely, if there was an improvement in the employer's circumstance then the Administering Authority and employer may agree to amend the terms of the agreement.

The Administering Authority will monitor a DDA in the following ways:

Changing funding position

The Administering Authority will request regular, and at least annual, updates of the deferred employer's funding position to review the progress of the DDA. The costs of the regular reviews will fall to the deferred employer as part of the terms for putting in place a DDA.

If the funding position changes by more than 10% (in absolute terms) from the previous review, then the Administering Authority may engage with the deferred employer to discuss a possible review of the DDA.

Changing employer covenant

The Administering Authority monitors the level of covenant of its Scheme employers on an ongoing basis. In particular, the Administering Authority commissions an employer risk review report from the Fund Actuary each actuarial valuation cycle which includes obtaining credit ratings from credit rating agencies.

Once an employer enters into a DDA, the Administering Authority will review the employer's covenant on a regular basis and details of this will be agreed for each DDA on an individual basis. If a deferred employer's covenant deteriorates, the Administering Authority may issue a notice to review and possibly terminate the agreements.

In addition, if a deferred employer requests an extension to the duration of the DDA the Administering Authority will consider an updated covenant review, amongst other factors, in assessing the proposal.

As a condition of entering into a DDA, the deferred employer is required to engage with the Administering Authority to assist with monitoring the level of covenant, for example by providing information requested by the Administering Authority in a timely manner.

Timeliness of payments

The agreement will set out whether payments are made on a monthly or annual basis, and the Administering Authority will monitor if contributions are paid on time. Successive late or in particular missing payments would contribute towards a notice being issued to the deferred employer to review and possibly terminate the agreement.

Strength of guarantee or security

If a particular funding basis has been used by the Fund Actuary on the understanding that there is a particular security in place (e.g. another employer in the Fund willing to underwrite the residual deferred and pensioner liabilities when the employer formally exits) then the Administering Authority will check there has been no change to the security at agreed regular intervals and as a minimum as part of each actuarial valuation. The Fund Actuary may change the funding basis used to set the deferred employer's contributions depending on the strength of the security in place.

Notifiable events from the deferred employer

The deferred employer has a responsibility to make the Administering Authority aware of any changes in their ability to make payments or of a change in circumstance (e.g. a change of the guarantee in place mentioned above). Information should be shared with the Administering Authority at any time throughout the agreement to enable the Administering Authority to consider whether a review of the agreement should be carried out.

Terminating a DDA

Events that may terminate a DDA

As set out in Regulation 64(7E), the DDA terminates on the first of the following events:

- the deferred employer enrolls new active members;
- the duration of the agreement elapses;
- the take-over, amalgamation, insolvency, winding up or liquidation of the deferred employer;
- the Administering Authority serves a notice on the deferred employer that it is reasonably satisfied that the employer's ability to meet the contributions payable under the DDA has weakened materially (or is likely to in the next 12 months); or

- a review of the funding position of the deferred employer is carried out at an updated calculation date and the Fund Actuary assesses that the deferred employer has paid sufficient secondary contributions to cover what would be due if the deferred employer terminated at the updated calculation date; in other words the review reveals no deficit remains on the relevant calculation basis.

The deferred employer can also choose to terminate the DDA at any point. Notice should be given to the Administering Authority at the earliest opportunity.

Termination clauses will be included in the formal DDA legal agreement.

Process of termination

Once a termination of the DDA has been triggered, the deferred employer becomes an exiting employer under Regulation 64(1). The Administering Authority will obtain from the Fund Actuary an exit valuation calculated at the date the DDA terminates, and a revised rates and adjustments certificate setting out the exit payment due from the exiting employer or the excess of assets in the Fund relating to the exiting employer (which would then be subject to the Fund's exit credit policy). All fees associated with the termination are to be paid by the exiting employer.

Once the exit payment and any associated fees have been made in full, the exiting employer has no further obligation to the Fund.

If the termination has been triggered because the deferred employer has enrolled new active members then the deferred employer becomes an active employer in the Fund and an immediate exit payment may not be required; this may instead be incorporated in the revised rates and adjustments certificate that will be provided in respect of the active employer. The employer remains responsible for all previously accrued liabilities and the revised contributions required from the active employer will be calculated in line with the Fund's FSS.

If the termination has been triggered because a review of the funding position of the deferred employer reveals that the secondary contributions paid to date by the deferred employer are sufficient to cover what would be due if the deferred employer terminated at the updated calculation date, then the deferred employer becomes an exiting employer and no further payments are required. The exiting employer has no further obligation to the Fund. Where there is a surplus, an exit credit may be payable as determined by the Administering Authority and in line with the Fund's exit credit policy.

Debt Spreading Arrangements (DSAs)

Entering a DSA

Under a DSA, the cessation debt is crystallised and spread, with interest, over a period deemed reasonable by the Administering Authority having regard to the views of the Fund Actuary and following discussion with the exiting employer. The payments are fixed and are not reviewed at each actuarial valuation.

Information required from the employer

When making a request to enter a DSA, the exiting employer should demonstrate that they are unable to settle their exit payment immediately and provide any relevant information to support their request e.g. in relation to their covenant/ability to continue to make payments to the Fund.

Examples of information the exiting employer may provide as evidence include the employer's:

- most recent annual report and accounts
- latest management accounts
- financial forecasts
- details of position of other creditors

This is not an exhaustive list and the Administering Authority may request further evidence. In particular, the Administering Authority may commission a covenant assessment if insufficient evidence is provided.

Assessing the proposal

The Administering Authority will make a decision on whether to enter into a DSA within 60 days of receiving a request but this may vary to reflect specific circumstances, for example if the Administering Authority chooses to request a covenant assessment then the process may take longer.

To reach a decision the Administering Authority will consider:

- the size of the exit payment relative to the exiting employer's business cashflow;
- the size of the exit payment relative to the costs associated with entering into a DSA;
- whether a deferred debt agreement or suspension notice would be more appropriate;
- any information provided by the employer to support their covenant strength;
- the results of any covenant review carried out by the Fund Actuary or a covenant specialist;
- the merit of any guarantees from another source and whether this is deemed sufficient to cover the outstanding payments should the exiting employer fail;
- the exiting employer's accounts;
- any legal advice as appropriate;
- the potential impact on the other employers in the Fund; and
- the opinion of the Fund Actuary.

The Administering Authority is not obliged to accept an exiting employer's request for a DSA. For example, in the following circumstances the Administering Authority may consider a DSA not to be appropriate:

- the exiting employer could reasonably be expected to settle their exit payment in a single amount;
- there is doubt that the exiting employer can operate as a going concern during the spreading period; or
- the exiting employer cannot afford the speeded payments over the maximum spreading period or is requesting a spreading period longer than the maximum (see below).

The structure of the DSA is at the discretion of the Administering Authority having taken advice from the Fund Actuary and consulted with the exiting employer. The structure should protect all other employers in the Fund whilst being achievable for the exiting employer. The structure of the DSA will take into consideration:

- the period that the payments will be spread. This is expected to be no more than 5 years. For longer periods it may be more appropriate to consider a DDA but the Administering Authority reserves the right to set whatever spreading period they deem appropriate provided they are satisfied with the exiting employer's ability to meet the payments over that period. The length of

the spreading period will be set as to be as short as possible whilst remaining affordable for the exiting employer;

- the interest rate applicable to the spread payments. In general, this will be set with reference to the discount rate in the exiting employer's cessation valuation report;
- the regularity of the payments and when they fall due;
- other costs payable; and
- the responsibilities of the exiting employer during the spreading period (for example, to make payments on time and to notify the Administering Authority of a change in circumstances that could affect their ability to make payments).

Once all information has been considered the Administering Authority will consult with the exiting employer as required under the Regulations. If the Administering Authority does not wish to accept the exiting employer's request to enter into a DSA they will explain their reasoning and any alternatives (e.g. a DDA, suspension notice or indeed require the exit payment in full). If the Administering Authority accepts the request to enter into a DSA, they will notify their legal advisers and Fund Actuary. If the Administering Authority has concerns about the level of risk arising due to the DSA, the Administering Authority may only accept the request subject to a one-off cash injection being made by the exiting employer or security being provided as an additional guarantee.

The decision on whether to enter into a DSA will be made by the S151 officer in conjunction with the Head of Pensions.

Setting up a DSA

The Administering Authority and the exiting employer, with the assistance of the Fund Actuary, will then negotiate the structure of the schedule of payments which takes into consideration the exiting employer's affordability and an appropriate period of the spreading.

The schedule of payments will be set out in a revised rates and adjustments certificate prepared by the Fund Actuary. There may be circumstances where timings may vary, however, in general the certificate will be prepared and provided to the exiting employer within 14 days of agreeing the structure of the schedule of payments with the exiting employer.

Monitoring a DSA

Over the term that the cessation debt payment is spread, the Administering Authority will monitor the ability and willingness of the exiting employer to pay the schedule of contributions in the revised rates and adjustments certificate. While it is expected the schedule of payments would be fixed for the spreading period, the Administering Authority may alter the structure of the schedule at any time if there is a change in the exiting employer's circumstances or indeed, if the exiting employer wanted to pay the remaining balance. This will be agreed on a case-by-case basis and set out in a side agreement as required.

The Administering Authority will be in regular contact with the exiting employer until their obligations to the Fund are removed when all payments set out in the schedule of payments are made.

Examples of factors which will be monitored are set out below. Should any of these raise any concerns with the Administering Authority then the DSA may be reviewed and/or terminated.

Changing employer covenant

The Administering Authority will monitor the ability of the exiting employer to make their set payments by monitoring publicly available information such as credit ratings and/or company accounts as well as keeping in regular contact, at least annually, with the exiting employer to ensure that the payments can be met.

As a condition of entering into a DSA, the exiting employer is required to engage with the Administering Authority to assist with monitoring the level of covenant, for example by providing information requested by the Administering Authority in a timely manner.

Timeliness of payments

The DSA will set out whether payments are made on a monthly or annual basis and how long for, and the Administering Authority will monitor if contributions are paid on time. Successive late or in particular missing payments would contribute towards further interest charges or the spreading agreement may be reviewed and/or terminated.

Strength of guarantee or security

If a particular schedule of payments has been agreed between the Administering Authority and the exiting employer on the understanding that there is a particular security in place (e.g. another employer in the Fund willing to pay the remaining balance or a fixed charge on property that covers the remaining balance) then the Administering Authority will check there has been no change to the security regularly. The frequency of these reviews may reduce as the level of outstanding debt reduces. The Administering Authority with advice from the Fund Actuary may change the schedule of payments depending on the strength of the security in place. The exiting employer would be consulted prior to any changes.

Notifiable events from the exiting employer

The exiting employer has a responsibility to make the Administering Authority aware of any changes in their ability to make payments or of a change in circumstance that affects their ability to make payments. Information should be shared with the Administering Authority at any time throughout the agreement to enable the Administering Authority to consider whether a review of the agreement should be carried out.

Terminating a DSA

Events that may terminate a DSA

On paying all the payments set out in the revised rates and adjustments certificate the exiting employer will no longer have any obligations to the Fund.

In the event that the Administering Authority believes that the exiting employer may not be able to make any of their remaining payments, the Administering Authority reserves the right to review and/or terminate the DSA to ensure it is appropriate for the Fund and does not adversely impact the other participating employers.

The exiting employer may also request to terminate the DSA early, in which case an immediate payment of the outstanding amounts set out in the contribution schedule should be paid.

Process of termination

In the event of a DSA being amended or terminated the Administering Authority will communicate this to the exiting employer along with reasons for the decision. Before the decision is made the Administering Authority will consult with the exiting employer about their change in circumstances and also take advice from the Fund Actuary.

If the DSA has to be terminated prematurely the Administering Authority will seek to obtain from the exiting employer as much of the outstanding exit payments as possible or look at alternative arrangements such as a DDA.

Once the exit payment has been made in full, the exiting employer has no further obligation to the Fund.

Annex C: Exit Credit Policy

This is the Exit Credit policy for the East Sussex Pension Fund (the Fund), part of the Local Government Pension Scheme (LGPS). It has been prepared by East Sussex County Council in our capacity as Administering Authority of the Fund.

The LGPS (Amendment) Regulations 2018 allow administering authorities to make an exit credit payment to exiting employers. This will be reviewed on a case-by-case basis before any payment is made. Considerations will be based on any previous agreements made and discussions between us, the exiting employer and the guaranteeing employer (if relevant).

Having regard to any relevant considerations, we will take the following approach to the payment of exit credits:

- Any employer who cannot demonstrate that they have been exposed to underfunding risk during their participation in the Fund will not be entitled to an exit credit payment. This is on the basis that these employers would not have been asked to pay an exit payment had a deficit existed at the time of exit.
- We do not need to enquire into the precise risk sharing arrangement adopted by an employer but we must be satisfied that the risk sharing arrangement has been in place before we will pay out an exit credit. The level of risk that an employer has borne will be taken into account when determining the amount of any exit credit. It is the responsibility of the exiting employer to set out why the arrangements make payment of an exit credit appropriate.
- Any exit credit payable may be subject to a maximum of the actual employer contributions paid into the Fund as certified in the Fund's rates and adjustments certificates, up to any cap arrangements that may have been in place and excluding any additional payments such as strain payments.
- We will pay out any exit credits within six months of the cessation date where possible. We may agree to a longer time with the exiting employer where necessary. For example, if the employer does not provide us with all the relevant information within one month of the cessation date, we will not be able to guarantee payment within six months of the cessation date.
- Under the Regulations, we have the discretion to take into account any other relevant factors in the calculation of any exit credit payable and we will seek legal advice where appropriate.

Applications for adjudication and disagreements

An exiting employer, or other employers affected by the decision (such as guarantors), will be able to make representations if there is any conflict or difference of opinion regarding the amount of an exit credit paid or the process by which it was determined. In this situation, the review and adjudication provisions set out in Regulations 74-78 of the LGPS Regulations 2013 will apply.

Review of policy

This policy will be reviewed at least every three years following triennial valuations or following changes in the Regulations pertaining to employers leaving the Fund. It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate. Any queries should be directed to the Head of East Sussex Pension Fund in the first instance at pensions@eastsussex.gov.uk

Annex D: Ill-health self-insurance policy

This is the Ill-health self-insurance policy for the East Sussex Pension Fund (the Fund), part of the Local Government Pension Scheme (LGPS). It has been prepared by East Sussex County Council in our capacity as Administering Authority of the Fund.

With effect from 1 April 2026 the Administering Authority, with assistance from the Fund Actuary, maintains a self-insurance policy to help mitigate the financial implications of unexpected additional costs that can arise following an ill-health early retirement.

This arrangement is subject to review at subsequent actuarial valuations and will operate as follows:

- The self-insurance arrangement applies to all employers (both existing and new and those within the Academy and Town and Parish Council pools).
- A defined percentage of pay contribution or “premium” is paid by the employers and held in a self-insurance reserve which is tracked separately by the Fund Actuary in the valuation calculations.
- These premiums are included in the employer’s primary rate. The premium for 1 April 2026 to 31 March 2029 is expected to be approximately 0.75% of pensionable pay p.a. and is already included within employer contribution rates. No additional contributions are required from employers.
- The self-insurance reserve is then used to meet strain costs emerging from Tier 1 & 2 ill-health early retirements in respect of active members.
- The increase in liabilities (i.e. the strain costs associated with Tier 1 and Tier 2 ill-health retirements of active members) is matched with a transfer of assets from the reserve so that there is no impact on the surplus or deficit position for employers participating in the self-insurance arrangement when the ill-health event occurs.
- Adjustments to employer assets (both in terms of premiums and strain payments) are made at each triennial valuation or on the employer’s exit if sooner.
- No adjustments for self-insurance are made to the employer cashflows used when producing IAS19/FRS102 disclosures.
- The premiums are set with the expectation that they will be sufficient to cover the costs in the three years following the valuation date. At each formal funding valuation, the reserve is reset so that any excess premiums over costs that are built up in the reserve are returned to employers at this time, in proportion to their employers’ payroll. The “premium” is reviewed as part of the valuation and premiums are paid into the self-insurance reserve. However, following introduction of this approach, experience will be reviewed annually over the three years from 1 April 2026.
- In the event of poor experience over a valuation period any shortfall in the reserve is effectively underwritten by the other employers within the arrangement. Future premiums will be adjusted to recover any shortfall over a reasonable period with a view to keeping premiums as stable as possible for employers. Over time the reserve is therefore intended to be self-funding and smooth out fluctuations in the contribution requirements for those employers in the arrangement.

- Premiums payable are subject to review at each valuation depending on experience and the expected ill-health trends. They will also be adjusted for any changes in the LGPS benefits. They will be included in employer rates at each valuation or on commencement of participation for new employers.

The Administering Authority reserves the right to review the premium for any employer where there is evidence to suggest a materially higher than anticipated experience for an individual employer. Any decisions made based on the outcomes of these reviews would be communicated in advance to the affected employer(s) and any changes to premiums would be clearly evidenced.



Annex E: Managing Risks

Investment risks

The main financial risk is that the investment strategy fails to deliver the discount rate or assumed rate of investment return (in real terms) that underlies the funding strategy. This could be due to several factors, including market returns being less than expected and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

The valuation results are most sensitive to the real discount rate (i.e. the difference between the discount rate assumption and the price inflation assumption). Broadly speaking an increase/decrease of 0.5% p.a. in the real discount rate will decrease/increase the valuation of the liabilities by 10%, and decrease/increase the required employer contribution by around 2.5% of payroll p.a.

The Pension Fund Committee regularly monitors the investment returns achieved and receives advice from the [investment consultants/independent advisers] and officers on investment strategy.

The Committee may also seek advice from the Fund Actuary on valuation related investment matters.

In addition, the Fund Actuary provides funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

Demographic risks

The Fund Actuary makes an allowance for future improvements in life expectancy when calculating the liabilities. The main demographic risk is that the assumptions underestimate future longevity, noting that the Fund Actuary has advised that an increase of one year to life expectancy of all members in the Fund will increase the liabilities by approximately 4%.

Information on pensioner deaths in the Fund is reviewed by the Fund Actuary at each actuarial valuation and the assumptions for how long members will live in retirement in future are adjusted as needed. For the past two funding valuations, we have commissioned a bespoke longevity analysis by Barnett Waddingham's specialist longevity team in order to assess the mortality experience of the Fund and help set an appropriate mortality assumption for funding purposes.

The liabilities of the Fund can also increase by more than planned as a result of the additional financial costs of early retirements, including ill-health retirements. We monitor the incidence of early retirements; and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

Self-insurance pool

We are currently implementing an ill-health self-insurance pool within the Fund whereby a portion of all employers' contributions into the Fund are allocated to a segregated ill-health section of the Fund. When an ill-health retirement occurs, a funding strain (i.e. the difference between the value of the benefits payable to the ill-health member and the value that was assumed as part of the actuarial valuation) is generated in the employer's section of the Fund. As part of the self-insurance policy, assets equal to the funding strain are transferred from the segregated ill-health assets section of the Fund to the employer's section of the Fund to cover the funding strain.

Climate risk

There are a large number of interlinked systemic long-term financial risks related to climate change which could potentially have a material impact on the assets and/or the liabilities of the Fund. The most obvious of these climate change risks will be the financial risks to the value of the Fund's assets, the potential increased volatility of markets and potential changes in life expectancy. It is possible that some of these factors will impact the assets and liabilities of the Fund in the same direction, although not necessarily by the same amount.

Our policy in this area is included in our [Investment Strategy Statement](#).

When considering funding issues related to climate change, we have regard to the key principles document for preparing climate scenario analysis, agreed by the actuarial firms who act as fund actuary for the LGPS funds and approved by GAD, MHCLG and SAB. The relevant information will then be provided to GAD by our Fund Actuary for the purpose of their reporting under Section 13 of the Public Service Pensions Act.

As part of the 2025 valuation, we have commissioned scenario analysis to assess the resilience of the funding strategy against climate change risk over the agreed period. The quantitative analysis will involve at least two alternate scenarios to test if the funding strategy is sufficiently robust and any potential contribution impacts. We will also undertake a qualitative analysis to identify any potential actions the Fund is taking to improve resilience to climate change. The Fund Actuary will produce a report on the climate analysis and will also summarise the analysis/commentary in the final valuation report.

The climate risk analysis is integrated into our funding strategy by having regard to the climate analysis when setting the prudence level to include in the discount rate assumptions. Our Actuary has also regards to climate change risk on life expectancy changes when setting demographic assumptions, and/or it has been considered as part of the employer covenant analysis which informed the employer contributions].

We will assess the implications of climate risk on funding strategy at least as part of each actuarial valuation.

Maturity risk

The maturity of a fund (or of an employer) is an assessment of the balance between active (contributing) members and pensioner members as well as how close on average the non-pensioner members are to retirement. The more mature the fund or employer, the greater proportion of its membership that is near or in retirement. For a mature fund or employer, the time available to generate investment returns is shorter and therefore the level of maturity needs to be considered as part of setting funding and investment strategies.

We consider the cashflow profile of the Fund alongside the level of maturity: as the Fund matures, the amount of pensions in payment increases compared to contributions being paid in for active members. This increases the risk of the Fund having to sell assets to meet its benefit payments.

The Fund Actuary provides us with cashflow projections at each triennial valuation to help to inform our investment strategy and to better understand our cashflow position.

As part of the employer covenant review process, we may ask individual employers about decisions that could affect the maturity profile (e.g. plans to close to new employees or redundancy exercises). This information may be used to inform the process in setting the contribution rates.

Regulatory and compliance risks

The benefits provided by the LGPS and employee contribution levels are set out in Regulations determined by central government. The tax status of the invested assets is also determined by the government.

The funding strategy is therefore exposed to the risks of changes in the Regulations governing the LGPS and changes to the tax regime which may affect the cost to individual employers participating in the LGPS as well as members, whose behaviour may change if tax relief on pension contributions is reduced/removed.

To mitigate this risk, we participate in any consultation process of any proposed changes in Regulations and seek advice from the Fund Actuary on the financial implications of any proposed changes.

There are a number of general risks to the Fund and the LGPS, including:

- As a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the government.
- Changes to the State Pension Age changing the benefits.

At the time of preparing this FSS, specific regulatory risks of particular relevance to our funding strategy are in relation to the McCloud/Sargeant judgments and recent consultations as discussed in the sections below.

McCloud/Sargeant judgments

Following the McCloud and Sargeant cases the transitional protections implemented when the new career average schemes were introduced to public service pension schemes, were found to constitute unlawful age discrimination. In the case of the LGPS, a new underpin was introduced for qualifying members, covering benefits relating to the period from 1 April 2014 to 31 March 2022. The McCloud remedy became law on 1 October 2023.

As part of the 2025 valuation, the Fund will determine an allowance for the McCloud underpin for eligible members as determined by the LGPS McCloud remedy regulations. An estimate for the McCloud ruling was included in the 2022 valuation for active members, but not for deferred or pensioner members. There is a risk that McCloud data provided for the 2025 valuation will not be good quality or be incomplete. However, the Fund Actuary can make informed estimates if sufficient data is not provided.

Devolution and Local Government Reorganisation

On 16 December 2024, the Government published the English Devolution White Paper. The paper invited proposals for reorganisation in areas where there are two tiers of local authority creating new unitary councils with final deadlines in September and November 2025. Whilst any changes are not expected before 2027, this falls within the period of the 2025 valuation Rates and Adjustments certificate so we will need to consider the cessation of some councils and the establishment of new employers which participate in the Fund as part of the 2025 valuation. The risk is that the new and ceasing employers are not treated appropriately for funding purposes, including the approach to exit valuations and setting contribution rates. To mitigate this risk, we will ensure we consult appropriately with employers, including officers elsewhere in the Council, during the 2025 valuation to understand the expected outcome and agree the approach to funding issues.

New Fair Deal

On 13 October 2025 the Government issued its Access and Protections consultation which includes proposals to implement New Fair Deal in the LGPS. As expected, the proposals will change how pensions are protected for outsourced workers. It is proposed that admission agreements will not be needed in future, through introduction of the concept of the letting authority being the “deemed employer” for LGPS members

employed by contractors and that the option for service providers to offer a broadly comparable scheme instead of continued LGPS membership for transferred employees will be removed other than in “exceptional circumstances”.

The consultation closed on 22 December 2025 and, as the new arrangements were not in place during the 2025 valuation process, we may need to revisit this FSS to ensure our approach to any new arrangements is appropriate.

Consultation: Fit for the Future

On 29 May 2025, the Government issued its response to the Fit for Future consultation. One requirement will be to move all listed assets to “under the management of the pool” by 31 March 2026. There is a risk that moving assets will result in a different (lower) net investment return to that assumed by the valuation. This risk is mitigated by our prudent approach to setting the discount rate, and use of various mechanisms to deliver greater stability in employer contributions if the funding position in 2028 is lower than expected due to higher investment costs/lower investment returns. The costs of moving pools is unknown and could be very high. The Pension Scheme Bill, published on 5 June 2025, introduced a directive that the Government has the power to force Funds to merge which could be used as a method of last resort if a Fund does not comply with moving all its assets under the management of a pool by the deadline.

Consultation: Access and Fairness

On 15 May 2025, the Government published a wide-ranging consultation. Key proposals include backdated equalisation of eligibility for survivor pensions and making some unpaid leave automatically pensionable at employers’ costs. Technical amendments are also proposed including changes to the McCloud remedy. There is a risk that outcomes from this consultation increase the cost benefits due under the LGPS which could worsen the Fund’s funding position. It is likely that back payments will need to be made to individual members and therefore individual employers may be affected differently. Implementing the changes will also increase administration costs and put further pressure on resource.

Employer risks

Many different employers participate in the Fund. Accordingly, we recognise that a number of employer-specific events could impact on the funding strategy including:

- Structural changes in an individual employer’s membership.
- An individual employer deciding to close the Scheme to new employees; and
- An employer ceasing to exist without having fully funded their pension liabilities.

The introduction of a Department for Education guarantee for further education bodies has helped reduce the overall level of employer risk. To further mitigate this risk, we monitor the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined and take advice from the Fund Actuary when required. In particular, the Fund will commission an employer risk review from the Fund Actuary on a regular basis, every three years as a minimum, to help identify the employers in the Fund that might be considered as high risk. In the case of admission bodies, the Fund has a policy of requiring some form of security from the employer, in the form of a guarantee or a bond, in case of employer default where the risk falls to the Fund. Where the risk of default falls on the liabilities of an original letting authority, the Fund provides advice to the letting authority to enable them to make a decision on whether a guarantee, some other form of security or a bond should be required.

In addition, we keep in close touch with all individual employers participating in the Fund to ensure that, as Administering Authority, we have the most up to date information available on individual employer situations. We also keep individual employers briefed on funding and related issues.

DRAFT

Economic risks

Economic risks due to global events such as the conflict in Ukraine and the Middle East and pandemics could lead to instability in the economy and lead to high inflation which could cause unaffordable contribution increases for employers. High unemployment could lead to reduced contributions to the Fund and a change in the maturity of the membership profile meaning that contribution rates were no longer appropriate. A valuation is carried out every three years using updated membership data, and updated assumptions based on market conditions at the time of the valuation. Using updated membership data for valuation ensures the maturity of employers is priced into the employer contributions and updated market conditions takes account of the collective views of investors in the financial markets of the expectation of future inflation due to global events.

Employer data quality risks

There is a risk that the member data provided to us is inaccurate and leads to employer contribution rates which are greater or lower than required to cover the liabilities being accrued and a longer or shorter period than intended to reach a target funding level. There is a risk that the administration software does not provide complete McCloud data for the 2025 valuation. To mitigate this risk, our Fund Actuary carries out a detailed analysis of the data provided for the valuation, and we agree an appropriate course of action where gaps or (potential) errors are identified, which includes measures to reduce the risk of underestimating the liabilities. The Fund Actuary has also advised that the effect of the absence of complete McCloud data should not have a material effect on the funding position at whole fund or employer level.

Governance risks

The Pension Regulator's (TPR's) General Code of Practice (the Code) merged ten of its existing codes of practice into one (including the public service pension code) and came into force on 28 March 2024. The Code covers TPR's expectations on governance and best practice. The Code itself does not create new legal obligations but is framed around legal obligations which funds must comply with. In not having a separate code for the public sector, there is a risk that Funds might not comply with all aspects of the Code intended to apply to the LGPS. However, Funds should already be complying with the majority of the Code which is framed around existing legal requirements. Schemes are not expected to comply with the Code from the date it came into force.

Orphan liabilities

Orphan liabilities do not have a specific employer responsible for their liabilities in the Fund. New orphaned liabilities can arise from existing employers in the Fund ceasing their participation, where the residual liabilities are not subsumed by another employer in the Fund. There is a risk that orphan liabilities cause a significant increase in the costs for the remaining employers in the Fund. To mitigate this risk, when an employer ceases to participate in the Fund and the liabilities become orphaned, a cessation valuation is likely to be carried out on a more prudent basis than the ongoing basis and the ceasing employer is liable to pay an exit payment if in deficit. In addition, our Fund Actuary reviews all orphan liabilities as part of the valuation and the assets notionally allocated to employers are adjusted to ensure that these are fully funded on an ongoing basis.

Long-term employer covenant alongside shorter-term affordability

When considering deficit payments or exit payments, there is a risk that the initial affordability is low but there is the prospect of increased affordability in future. In extreme cases the payments due to the Fund may cause the immediate insolvency of an employer. The Fund makes use of the employer flexibilities which came into force on 23 September 2020 as set out in its DSA and DDA policy, to work with employers exiting the Fund.

Annex F: Glossary

This Glossary has been copied from Annex D of the FSS guidance [here](#) but supplemented with some additional terms as used in this FSS.

Actuarial certificates/rates and adjustments certificate

A statement of the contributions payable by each scheme employer. A statement of the contributions payable by the employer. Following the actuarial valuation exercise, the effective date is 12 months after the completion of the valuation.

Actuarial valuation

An investigation by an actuary, appointed by an Administering Authority into the costs of the scheme and the ability of the fund managed by that authority to meet its liabilities. This assesses the funding level and recommended employer contribution rates based on estimating the cost of pensions both in payment and those yet to be paid and comparing this to the value of the assets held in the fund. Valuations take place every three years (triennial).

Administering Authority (referred to as ‘the fund’)

A body listed in Part 1 of Schedule 3 of the regulations who maintains a fund within the LGPS and a body with a statutory duty to manage and administer the LGPS and maintain a pension fund (the fund). Usually, but not restricted to being, a local authority.

Admission agreement

A written agreement which provides for a body to participate in the LGPS as a scheme employer.

Assumptions

Forecasts of future experience which impact the costs of the scheme. For example, pay growth, longevity of pensioners, inflation, and investment returns.

Code of Practice

The Pensions Regulator’s General Code of Practice.

Data

For GAD to carry out its function under Section 13 of the Public Service Pensions Act 2013, GAD will request data to be provided by the local administering authorities/local fund actuaries, and it is assumed that this data will be provided promptly and accurately.

Debt spreading arrangement

The ability to spread an exit payment over a period of time.

Deferred debt agreement

An agreement for an employer to continue to participate in the LGPS without any contributing scheme members.

Discount rate

A prudent estimate of the rate of investment return that is expected to be earned from the Fund's long-term investment strategy.

Employer covenant

The extent of the employer's legal obligation and financial ability to support its pension scheme now and in the future.

Funding level

The funding level is the value of assets compared with the liabilities.

Funding Pool

Where the Fund identifies a group of employers with similar characteristics, it is possible to form a pool for these employers. Employers within a pool will pay the same contribution rates and share risks.

Fund valuation date

The effective date of the triennial fund valuation.

GAD

Government Actuary's Department

Guarantee / guarantor

A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the fund can consider the employer's covenant to be as strong as its guarantor's.

Inflation Risk Premium

An adjustment to RPI inflation to reflect the view that investors are willing to pay a premium for inflation-linked products in return for protection against unexpected inflation.

Local Pension Board

The board established to assist the Administering Authority as the Scheme Manager for each fund.

MHCLG

Ministry of Housing, Communities and Local Government

Non-statutory guidance

Guidance which although it confers no statutory obligation on the parties named, they should nevertheless have regard to its contents.

Notifiable events

Events which the employer should make the Administering Authority aware of.

Past service liabilities

The cost of pensions already built up or in payment.

Pension Committee

A committee or sub-committee to which an Administering Authority has delegated its pension function.

Pensions Administration Strategy

A statement of the duties and responsibilities of scheme employers and administering authorities to ensure the effective management of the scheme.

Primary rate of the employers' contribution

The primary rate for each employer is that employer's future service contribution rate, which is the contribution rate required to meet the cost of the future accrual of benefits, expressed as a percentage of pensionable pay, ignoring any past service surplus or deficit but allowing for any employer-specific circumstances, such as the membership profile of that employer, the funding strategy adopted for that employer (including any risk sharing arrangements operated by the Administering Authority), the actuarial method chosen and/or the employer's covenant. The primary rate for the whole fund is the weighted average (by payroll) of the individual employers' primary rates.

SAB

Scheme Advisory Board

Secondary rate of the employers' contribution

The secondary rate is an adjustment to the primary rate to arrive at the rate each employer is required to pay. It may be expressed as a percentage adjustment to the primary rate, and/or a cash adjustment in each of the three years beginning with 1 April in the year following that in which the valuation date falls. The secondary rate is specified in the rates and adjustments certificate. For any employer, the rate they are required to pay is the sum of the primary and secondary rates. The actuary should also disclose the secondary rates for the whole scheme in each of the three years beginning with 1 April in the year following that in which the valuation date falls. These should be calculated as a weighted average based on the whole scheme payroll in respect of percentage rates and as a total amount in respect of cash adjustments. The purpose of this is to facilitate a single net rate of contributions expected to be received over each of the three years that can be readily compared with other rates and reconciled with actual receipts.

Scheme Manager

A person or body responsible for managing or administering a pension scheme established under section 1 of the 2013 Act. In the case of the LGPS, each fund has a Scheme Manager which is the Administering Authority.

Solvency

The notes to the Public Service Pensions Act 2013 state that solvency means that the rate of employer contributions should be set at “such level as to ensure that the scheme’s liabilities can be met as they arise”. It is not regarded that this means that the pension fund should be 100% funded at all times. Rather, and for the purposes of Section 13 of the Public Service.

Pensions Act 2013, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

- the rate of employer contributions is set to target a funding level for the whole fund (assets divided by liabilities) of 100% over an appropriate time period and using appropriate actuarial assumptions; and either
- employers collectively have the financial capacity to increase employer contributions, and/or the fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or
- there is an appropriate plan in place should there be, or if there is expected in future to be, no or a limited number of fund employers, or a material reduction in the capacity of fund employers to increase contributions as might be needed.

If the conditions above are met, then it is expected that the fund will be able to pay scheme benefits as they fall due.

Long-term cost efficiency

The notes to the Public Service Pensions Act 2013 state that Long-term cost-efficiency implies that the rate must not be set at a level that gives rise to additional costs. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the time.

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long-term cost efficiency if the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual, with an appropriate adjustment to that rate for any surplus or deficit in the fund.

In assessing whether the above condition is met, GAD may have regard to the following considerations:

- the implied average deficit recovery period
- the investment return required to achieve full funding over different periods, e.g. the recovery period
- if there is no deficit, the extent to which contributions payable are likely to lead to a deficit arising in the future
- the extent to which the required investment return above is less than the Administering Authority’s view of the expected future return being targeted by a fund’s investment strategy, taking into account changes in maturity/strategy as appropriate.

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East Sussex Pension Fund Funding Strategy Statement 2026



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Section A – Purpose of the fund and the FSS

Introduction

This is the Funding Strategy Statement (FSS) for the East Sussex Pension Fund (the Fund), part of the Local Government Pension Scheme (LGPS). It has been prepared by East Sussex County Council in our capacity as Administering Authority of the Fund.

We have prepared this statement:

- in accordance with Regulation 58 of the LGPS Regulations 2013 as amended (the Regulations);
- with regard to the guidance ([Guidance for Preparing and maintaining a Funding Strategy Statement \(FSS\)](#)) jointly produced by the Scheme Advisory Board (SAB), the Chartered Institute of Public Finance and Accountancy (CIPFA) and Ministry of Housing, Communities and Local Government (MHCLG); and
- having taken advice from the Fund Actuary, Barnett Waddingham.

Commented [KJ1]: Updated link as SAB launched new website

This statement should be read in conjunction with our Investment Strategy Statement (ISS) [here](#).

Commented [KJ2]: Think this link is going to the old ISS (2018), could you update to be 2023 please?

Employers and other relevant parties have been consulted during the development of this FSS, ~~in line with Annex E: Engagement Plan.~~

Commented [PL3R2]: PL - done

This FSS will be presented to our Pension Committee for approval on 26 February 2026 on the recommendation of the Senior LGPS Officer and following consultation with our employers.

We have included an explanation of the key terminology used in this document in [Annex F: Glossary](#) ~~Annex FG: Glossary.~~

Contact details

Any queries on this FSS should be directed by email to: employer.engagement@eastsussex.gov.uk.

Aims and objectives of the FSS

The aims and objectives of this FSS are to:

- Enable our Fund Actuary to undertake appropriate funding calculations for the Fund, whether as part of a triennial actuarial valuation exercise or otherwise, which also meet the requirements of the LGPS Regulations and guidance and their professional obligations;
- Establish a clear and transparent fund-specific strategy that will identify how our employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as nearly constant a primary contribution rate as possible, as defined in Regulation 62(6) of the Regulations;
- Ensure that the regulatory requirements to set employer contributions to ensure the solvency and long-term cost efficiency of the Fund are met in the context of fiduciary duty;
- Explain how we seek to balance the interests of different employers; and
- Explain how we deal with conflicts of interest and references other policies/strategies.

They have been set in the context of fiduciary duty and requirement to pay pension benefits according to the LGPS and wider regulations.

Our aims in relation to long-term funding are to:

- Achieve solvency by managing employers' liabilities effectively and ensuring that sufficient resources are available to meet all benefit payments as they arise;
- Achieve long-term cost efficiency by ensuring that employer contribution rates are not set at a level that gives rise to additional costs;
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to not taking undue risks) at reasonable cost to our employers; and
- Seek returns on investment within reasonable risk parameters.

Conflicts of interest

There is a potential conflict of interest in that the FSS is prepared by the Administering Authority which is itself an employer in the Fund. We will ensure that the contents of the FSS are not unduly influenced by any one employer by undertaking a consultation which is extended to all employers.

The Fund's Conflict of Interest Policy is available [here](#).

Monitoring and review of the FSS

The FSS will be monitored annually and it will be reviewed before the completion of the next actuarial valuation of the Fund unless circumstances suggest an earlier review would be desirable or required.

Examples of when we may wish to review the FSS include:

- Material changes to the LGPS benefit structure or regulations;
- Significant changes to our investment strategy;
- Significant changes to our membership profile;
- Such significant changes to the number, type, or individual circumstances of any employers to such an extent that they impact on the funding strategy (e.g. exit/restructuring/failure which could materially impact cashflow and/or maturity profile and/or covenant);
- A material change in the affordability of contributions and/or employer(s) financial strength which has an impact on the future solvency of the Fund;
- Recommendations from MHCLG/Government Actuary's Department (GAD); or
- On the advice of the Fund Actuary.

In a review of the FSS, we would consider whether an update to the FSS was required (and consequently whether an update to the ISS was also required). If we felt an update was required, we will consider communicating with those employers specifically impacted by any changes.

Section B: Key funding principles

Funding target

Employer contribution rates are required by Regulations to be set by an actuarial valuation exercise and securing the solvency and long-term cost efficiency of our Fund is a regulatory requirement. The Regulations also state it is desirable to maintain “as nearly constant a [Primary rate of employers’ contribution as possible primary rate as possible](#)” and the Fund aims to achieve this. A key principle in determining employer contribution rates is to establish a funding target, with employer contribution rates then set to meet that target over an agreed period.

The past service funding level (often referred to as simply the funding level) is the ratio of assets to liabilities in respect of accrued past service.

We define the funding target as having at least sufficient assets in the Fund to meet the accrued past service liabilities (i.e. a funding level of 100%). We may set different funding targets for different employers or groups (pools) of employers in the Fund.

The Fund Actuary can then assess how the value of the assets held by the Fund compares to the funding target and calculate the past service funding level.

We have many different employers in our Fund and our strategy seeks to strike the right balance between affordable, stable contributions whilst also recognising that failure of an employer to pay contributions, can lead to financial consequences for other employers. More information on the funding target for different employers is set out in the [Summary of funding approach](#) [Summary of funding approach](#) table.

How we set employer funding targets

- Members’ benefits are payable many years into the future and positive investment returns can help make the benefits more affordable for employers. Investment returns are not guaranteed or known in advance so the assumed future rate of investment return (also known as the discount rate) is the key assumption the Fund Actuary makes in calculating the liabilities. In general:
- the lower the investment return over a time period the higher the required contributions to the Fund over that time period and vice versa;
- the higher the assessed risk an employer (or group of employers) may cease to exist in future and be unable to meet their obligations to the Fund, the lower the assumed rate of future investment return may be, whilst recognising this must be balanced with affordability considerations; and
- the time period over which it is appropriate to consider the contributions and investment return may vary depending on the circumstances of an employer (or group of employers).

There are broadly three categories of employer according to the Regulations:

- Schedule 2 Part 1 (“Scheduled”) bodies which must admit eligible employees to the LGPS (for example County and District councils, police and fire bodies and academies);
- Schedule 2 Part 2 (“Resolution”) bodies which designate employees or posts as being eligible to join the LGPS (for example town and parish councils);

- Schedule 2 Part 3 (“Admission”) Bodies which
- participate by virtue of paragraph 1(d)¹ (generally where a service has been outsourced to a private sector contractor) – “Transferee Admission Bodies” and
- meet the criteria in paragraphs 1(a) to (c) or 1(e) are typically referred to as Community Admission Bodies (CABs) (for example Charities and Housing associations).

We aim to be fair and consistent across our employers, so for all employers within a category, unless justified by a covenant assessment or agreed with the Fund Actuary, we will:

- adopt the same maximum periods to recover any deficit or surplus;
- apply the same minimum employer contribution rate;
- use the same funding basis to set the employer contributions for the actuarial valuation;
- use the same cessation basis in the event of an employer exit;
- apply the same maximum terms for any deferred debt agreement and debt spreading arrangements.

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¹ of Part 3 of Schedule 2 to the Regulations

Summary of funding approach

Below we have summarised the funding approach to participating employers in the East Sussex Pension Fund. Please note that pass through employers are not covered as they pay a fixed contribution rate upon joining the Fund.

Employer category	Scheduled bodies 1	Scheduled bodies 2	Resolution bodies	Employers with security	Employers without security
Example employer within category	All Councils Police Fire Schools that have not opted to academise	Academies Further Education (FE) bodies falling under the guarantee of the Department for Education	Town and Parish Councils	Universities providing security* Transferee admission bodies with Letting Authority as guarantor Charities, Housing associations providing security*	Universities without security Transferee admission bodies without guarantor Charities, Housing associations without security
2022 funding approach	Stabilisation mechanism applied with maximum change of 1% of pay	Academies – pooled and stabilisation mechanism applied with maximum change of 1% of pay p.a. stepped towards the appropriate pool rate. FE bodies – Where the funding level is greater than 115% on the employer’s funding assumptions, the surplus in excess of 115% is amortised over the maximum recovery period. Deficit is amortised over an appropriate period up to the maximum recovery period of 15 years.	All pooled for contribution rate purposes, stabilisation mechanism applied with maximum change of 1% of pay	Admission bodies (ABs) – the funding target may differ by employer taking account of employer risk and other factors. Where the funding level is greater than 115%, the surplus in excess of 115% is amortised over the maximum recovery period. Recovery period in line with average working lifetime of actives. For contractors the recovery period is in line with the contract length.	FE bodies – where the funding level is greater than 115% on the employer’s funding assumptions, the surplus in excess of 115% is amortised over the maximum recovery period of 15 years. Deficit is amortised over an appropriate period up to the maximum recovery period of 15 years. Transferee admission bodies – recovery period in line with contract length Admission Bodies – as per FE bodies but recovery period of average future working lifetime

Employer category	Scheduled bodies 1	Scheduled bodies 2	Resolution bodies	Employers with security	Employers without security
2025 funding target	Achieve funding target over appropriate time horizon Allow for reduction of total contribution rate if appropriate Academies and Town and Parish Councils to be fully pooled to increase stability			Achieve funding target over appropriate time horizon Allow total contributions to be set at a low level as appropriate to avoid overfunding (exit credits) Security / guarantor protects Fund against default	Achieve funding target on the full cessation basis over appropriate time horizon Allow total contributions to be set at a low level to avoid overfunding (exit credits)
2025 valuation – funding basis	Ongoing basis				Cessation basis
2025 funding approach – deficit	Recovery period of 15 years (a lower recovery period may be used depending on an employer’s covenant)			Recovery period set as the lower of the contract length, EFWL, and 15 years (a lower recovery period may be used depending on an employer’s covenant)	Recovery period set as the lower of the contract length and, EFWL (a lower recovery period may be used depending on an employer’s covenant)
2025 funding approach – surplus	Possible reduction to the 2025 total rate Less than 115% funded – new primary rate More than 115% funded – new total contribution rate allowing for excess surplus (above 115%) to be amortised over 15 years				New total rate set to target 100% on a cessation basis at the end of either the contract end (if known) or EFWL. Excess surplus only allowed for where fully funded on cessation basis
2025 minimum contribution rate	12.5% in line with maximum member contributions			0% - nil contribution holiday possible	0% - nil contribution holiday possible
2025 cessation basis	No subsuming guarantor – full cessation basis With subsuming guarantor – ongoing basis				Full cessation basis

Commented [KJ4]: Updated this section in response to FSS consultation as it looked like we were treating employers differently but they are all treated the same

*The purpose of the security is to protect the Fund against a loss should the employer default. The financial value of the security should therefore be at least equal to the full cessation deficit as at 31 March 2025.

Some employers opt to pay an additional 0.75% of pensionable pay instead of meeting the costs of non ill-health retirements as they arise.

Managing risk

Whilst our funding strategy aims to satisfy the funding objectives of ensuring sufficient assets to meet liabilities and stable levels of employer contributions, there are risks that may impact on the ability of the strategy to meet our funding objectives.

The major risks to the funding strategy are financial, although there are other external factors including demographic risks, regulatory risks and governance risks.

We maintain a risk register where recent developments are reported (available on request). We also have a [Risk Management Policy](#). More detail of the various funding-specific risks can be found in [Annex E: Managing Risks](#).

Main actuarial assumptions

To value liabilities, the Fund Actuary needs to make assumptions about the factors affecting the Fund's future finances such as price inflation, pay increases, investment returns, rates of mortality, early retirement and employee turnover etc.

The assumptions adopted at the valuation can be considered as:

- The demographic (or statistical) assumptions which are essentially estimates of the likelihood or timing of benefits and contributions being paid, and
- The financial assumptions which will determine the estimated value of the amount of benefits and contributions payable.

A summary of our methodology to determine and monitor the actuarial assumptions is explained below. Financial assumptions are based on a particular date and consider average market yields over the six months straddling the relevant date. The relevant date may be the date of the valuation, or the date an employer joins or leaves the Fund.

Retail Prices Index (RPI) inflation

To measure the future level of price inflation over the long-term, we use the 20 year point on the Bank of England implied RPI inflation curve. A fixed inflation risk premium deduction of 0.3% p.a. is made to the assumption.

Consumer Prices Index (CPI) inflation (future revaluation and pension increases)

Pension increases, both in payment and the rate of revaluation applied to pension accounts, are linked to changes in the level of the CPI. Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods. Based on analysis undertaken by the Fund Actuary, a deduction of 0.4% p.a. is made to the RPI assumption to derive the CPI assumption as at 31 March 2025. This deduction will taper down to 0.2% p.a. by February 2030 when it is anticipated that the RPI will be aligned with the Consumer Prices Index including owner occupiers' housing costs (CPIH).

Pay increases

As some of the benefits are still linked to final pay, the Fund Actuary needs to make an assumption as to future levels of pay increases. Historically, there has been a close link between price inflation and pay increases with pay increases exceeding price inflation in the longer term. The long-term pay increase assumption adopted was CPI plus 1.0% p.a. which includes allowance for promotional increases.

Future investment returns/ discount rate

To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to present day values. The discount rate that is applied to all projected liabilities reflects an estimate of the rate of investment return that is expected to be earned from the underlying investment strategy by considering average market yields in the six months straddling the relevant date.

The discount rate is this rate of return with an adjustment for prudence. The adjustment for prudence has the effect of, all else being equal, increasing the value of liabilities.

The adjustment for prudence for the ongoing discount rate:

The level of prudence incorporated within the ongoing discount rate is a fixed deduction which has been set using modelling carried out by the Fund Actuary.

The level of "prudence" in the ongoing discount rate has been determined based on a success probability of 70% which translates to a fixed deduction of 1.4% p.a. for most employers. For some employers, a higher funding target is adopted allowing for their strength of covenant.

The adjustment for prudence is higher if the discount rate is used to value liabilities where the employer is leaving the fund. Further detail is given in [Process for determining the position on termination](#) ~~Process for determining the position on termination~~ section.

Demographic assumptions

The demographic assumptions adopted are based on Fund-specific experience and national statistics, adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers.

Valuation assumptions

The key assumptions used in the 2025 actuarial valuation as at 31 March 2025 are summarised below:

Assumptions	Assumptions used for the 2025 valuation										
Financial assumptions (p.a.)											
CPI inflation	2.7%										
Salary increases	3.7%										
Discount rate	5.0%										
Demographic assumptions											
Post-retirement mortality	<table border="0"> <tr> <td style="padding-right: 20px;">Base table</td> <td>S4 Series</td> </tr> <tr> <td style="padding-right: 20px;">Multiplier (male/female)</td> <td>100% / 100% for pensioners and 100%/90% for dependants</td> </tr> <tr> <td style="padding-right: 20px;">CMI Model / long-term rate</td> <td>2024 / 1.5% p.a.</td> </tr> <tr> <td style="padding-right: 20px;">Initial addition parameter</td> <td>0%</td> </tr> <tr> <td style="padding-right: 20px;">Overlay half-life</td> <td>1 year</td> </tr> </table>	Base table	S4 Series	Multiplier (male/female)	100% / 100% for pensioners and 100%/90% for dependants	CMI Model / long-term rate	2024 / 1.5% p.a.	Initial addition parameter	0%	Overlay half-life	1 year
Base table	S4 Series										
Multiplier (male/female)	100% / 100% for pensioners and 100%/90% for dependants										
CMI Model / long-term rate	2024 / 1.5% p.a.										
Initial addition parameter	0%										
Overlay half-life	1 year										
Retirement assumption	Weighted average										
Pre-retirement decrements	GAD 2020 scheme val: no salary scale, 50% multiplier to ill-health rates and 110%/115% multiplier to pre-retirement mortality rates (M/F)										
IH assumed proportion in each tier (T1/T2/T3)	75% / 15% / 10%										
50:50 assumption	Member data										
Commutation	50% Max										
Family statistics											
% with qualifying dependant	75% (M) / 65% (F)										
Age difference	Males 3 years older										

Further information on the assumptions used is explained in the Fund's valuation report [\[link\]](#).

Actuarial methods

The actuarial method for open employers is the projected unit method and for closed employers is the attained age method. These are explained further in the section ['No discount will be offered in exchange for prepayment of either primary or secondary contributions. Primary rate of employers' contribution'](#).

Asset valuation

For the purpose of considering funding levels and setting contributions, the asset value used is the market value of the assets at the valuation date, adjusted to reflect average market conditions during the six months straddling the valuation date. This is referred to as the smoothed asset value and is calculated as a consistent

approach to the valuation of the liabilities. For the 2025 valuation this led to assets being taken into account for funding purposes at 101.9% of the market value.

The Fund's assets are effectively unitised and notionally allocated to employers at an individual level by allowing for actual Fund returns achieved on the assets and cashflows paid into and out of the Fund in respect of each employer (e.g. contributions received and benefits paid). For funding pools, the assets and liabilities are pooled together and calculated as if the funding pool were a single employer.

Employer pooling and risk sharing

The Fund operates several funding pools where employers share risks. This may impact the calculation of an employer's assets and is explained further in the section [Pooling of individual employers](#).

Links to the Investment Strategy Statement (ISS)

Read our ISS [here](#).

The funding strategy and the investment strategy are strongly connected. The funding strategy relies on contributions to maintain financial stability, and the investment strategy aims to generate returns that support long-term sustainability.

The main link between the FSS and the ISS relates to the discount rate that underlies the funding strategy as set out in the FSS, and the expected rate of investment return anticipated to be achieved by the long-term strategy as set out in the ISS.

As explained above, the ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the long-term investment strategy. This ensures consistency between the funding strategy and investment strategy.

After employer and employee contributions, investment returns are the third key pillar of LGPS funding. We must be able to pay benefits when they are due. The payments of benefits are met from a combination of contributions (through the funding strategy) and asset return and income (through the investment strategy). Should investment performance or income fall below projected levels, it may be required to increase employer contributions to compensate to meet the cost of the benefits. Hence the required investment returns to meet the discount rate assumption set out in the FSS are considered in setting the strategic asset allocation.

A summary of the asset classes and allocation from the most recent ISS is shown below:

Asset class	Strategic allocation
Gilts	4.0%
Corporate bonds	15.5%
Equities	40.0%
Private equities	5.5%
Property	7.0%
Infrastructure	11.0%
Absolute return	17.0%

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.

How employer contributions are calculated

The total contribution rates an employer must pay is the primary contribution rate plus the secondary contribution rate. The primary and secondary contribution rates are discussed in the sections below. The table in section [Funding target](#) above summarises how the primary and secondary contribution rates are set including the bases used under different circumstances of the valuation or joining or leaving the fund.

The contribution rates that an employer must pay as calculated as part of the actuarial valuations will be communicated to the employers in October/November this year through an initial results report written by the Fund Actuary.

The contribution rates that an employer must pay when they join the Fund will be calculated by the Fund Actuary and communicated via the Fund upon joining.

Frequency of employers' contributions

Contributions must be paid monthly unless we agree to a special arrangement following discussion with the Fund Actuary. Where contributions are based on a percentage of pay, the amounts paid by employers will fluctuate in line with payroll each month.

For all employers, the primary and secondary contributions they are required to pay along with the frequency of payment will be certified by the Fund Actuary in the Rates and Adjustment Certificate.

Prepayment policy

No discount will be offered in exchange for prepayment of either primary or secondary contributions.

Primary rate of employers' contribution

The funding level considers past service, but the Fund Actuary must also calculate the cost of benefits which will be earned in the future by active members.

The primary rate of an employer's contribution, as defined in Regulation 62(5), is the level of contributions required, expressed as a percentage of the pay of active members, which, together with employee contributions, is expected to cover the cost of benefits accruing in future.

The calculation of the primary rate ignores any past service surplus or deficit but allows for any employer-specific circumstances such as whether an employer is open or closed and includes the employer's share of administration costs and any self-insurance arrangements. More detail on self-insurance is set out in the section [Payment of additional contributions](#).

The primary rate for the whole fund is the weighted average (by payroll) of the individual employers' primary rates.

Our approach to setting the primary rate depends on specific employer circumstances, including the strength of the employer covenant and guarantor arrangements which determine the employer categorisation (as set out in the [Funding target](#) section above). If an employer has any risk sharing arrangements, then the primary rate will depend on the arrangement in place, and if the employer is part of a pooling arrangement, then the primary rate may be set to be the same as other employers in the pool. It may also depend on whether an employer is an "open" employer – one which allows new employees access to the Fund, or a "closed" employer – one which no longer permits new employees access to the Fund.

For open employers, in general, the actuarial funding method that is adopted is known as the Projected Unit Method. The key feature of this method is that, in assessing the future service cost, the primary rate represents the cost of one year's benefit accrual only.

For closed employers, in general, the actuarial funding method adopted is known as the Attained Age Method. The key difference between this method and the Projected Unit Method is that the Attained Age Method assesses the average cost of the benefits that will accrue over a specific period, such as the length of a contract or the remaining expected working lifetime of active members.

Our [Administration Strategy](#) requires employers to tell us if they have stopped admitting new employees to the Fund so we can monitor the open or closed status of each employer. A new version of the administration strategy was approved by Pension Committee on 18 November 2025. ~~This went and will go out for employer consultation in early December 2025, with a closing date of 16 January 2026.~~

Secondary rate of the employers' contribution

Whilst one of our funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, we know that at any particular point in time, the value of the assets is unlikely to be equal to the value of accrued liabilities, depending on how the actual experience of the Fund compares to the actuarial assumptions. This means there will be a past service surplus or deficit which can lead to an adjustment to employers' contributions. This contribution adjustment is referred to as the secondary rate, as defined in Regulation 62(7).

The secondary rate is a positive or negative adjustment to the primary rate to arrive at the total contribution rate each employer is required to pay.

Secondary contributions can be certified as a percentage of payroll or as monetary amounts (which can be fixed or nominal amounts).

There is a potential conflict of interest whereby a single employer i.e. the Administering Authority of the Fund, is leading the process of setting the adjustments to the primary rate. The Fund manages this conflict of interest by consulting with all employers on the contents of the FSS which sets out how secondary contribution rates are set for all categories of employer.

Payment of additional contributions

Employers will usually be expected to make additional contributions into the Fund under the following circumstances:

- Where an employee under Regulation 30(7) becomes entitled to an immediate unreduced pension as a result of redundancy or business efficiency, we will request the Employer make a strain payment to cover the anticipated cost of the additional pension entitlement, unless the

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Commented [PL8R7]: PL - done

employer has opted to pay an additional 0.75% of pensionable pay over and above their certified employer contribution rate;

- Where an employee or former employee dies resulting in a death grant benefit becoming payable, we may request the Employer make a payment to the Fund to cover the incurred expense;
- Where an employee makes Additional Pension Contributions at the employer's discretion, they may make an additional payment to the Fund under a cost sharing arrangement with the member

The employer is required to inform the Fund if any of these situations occur, in line with our Administration Strategy Policy.

The Fund maintains a self-insurance pooling arrangement for ill-health. The risks are shared among the Fund's employers in proportion to their share of the Fund's salary roll.

When an ill-health retirement occurs, a funding strain (i.e. the difference between the value of the benefits payable to the ill-health member and the value that was assumed as part of the actuarial valuation) is generated in the employer's section of the Fund. As part of the self-insurance policy, assets equal to the funding strain are transferred from the segregated ill-health assets section of the Fund to the employer's section of the Fund to cover the funding strain. More information can be found in the [Annex E: Managing Risks](#) and the [Annex D: Self-insurance policy](#).

Actuarial valuation

As required by Regulation 62 (1) of the LGPS Regulations 2013, an actuarial valuation of all LGPS funds is carried out every three years.

The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund.

The most recent actuarial valuation of the Fund was undertaken as at 31 March 2025. The results of the 31 March 2025 valuation can be found in the Fund's valuation report, which includes:

- An actuarial valuation of the assets and liabilities of the Fund;
- The funding level of the Fund as at the valuation date;
- The primary rate for the whole fund which is the weighted average (by payroll) of the individual employers' primary rates
- The financial and demographic actuarial assumptions used to value the pension liabilities, including details of the sensitivity of the results to a small change in the assumptions used;
- The valuation report must demonstrate how the demographic assumptions have been set with reference to the actual events affecting Fund members since the previous valuation;
- A Rates and Adjustments certificate outlining the minimum contributions payable by employers in the Fund; specifying both the primary rate and secondary rate of the employer's contribution for each of the three years beginning on 1st April following the year in which the valuation date occurs; and
- Summarised information of the actuarial valuation in the form of a "dashboard" which is agreed between the actuarial firms and GAD.

The valuation documentation must be provided to the Administering Authority before the first anniversary of the valuation date.

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Review of employer contributions between valuations

The Fund's Contribution review policy can be accessed in [Annex A: Contribution review policy](#)~~Annex A: Contribution review policy.~~

Fund approach to managing surpluses and deficits

As set out in

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[Section A – Purpose of the fund and the FSS](#)~~Section A – Purpose of the fund and the FSS~~, our aim is to ensure employers' contributions are set to meet the Regulatory requirements of achieving solvency and long-term cost efficiency but also for the primary rate to be as stable as possible.

We aim to keep primary (and also total) contribution rates stable by:

- asking the Fund Actuary to adopt a discount rate (or assumed investment return) derived from the expected investment return on the Fund's assets;
- reviewing the level of prudence, i.e. the gap between the discount rate (or assumed investment return) and the expected investment return, at each valuation; and
- operating funding pools which increases the stability of contribution rates compared to calculating individual contribution rates for each employer, particularly for small employers.

The period adopted for individual or groups of employers will depend on:

- The significance of the surplus or deficit relative to the liabilities;
- The [Employer covenant](#)~~Employer covenant~~ of the employer/group (including any security in place) and any limited period of participation in the Fund;
- The remaining contract length of an employer in the Fund (if applicable); and
- The implications in terms of stability of future levels of employers' contribution.

Employer covenant

The Pensions Regulator defines employer covenant as *“the extent of the employer’s legal obligation and financial ability to support the scheme now and in the future”*.

There is no prescribed way for an LGPS fund to assess and allow for employer covenant within their funding approach. In considering employer covenant as part of our funding strategy we will look to profile and better understand our participating employers, particularly by sector or size.

In reviewing the employer covenant, we look to:

- assess each employer's obligation and ability to support their ongoing LGPS commitments, in the context of any guarantees or security in place,
- reappraise the “riskiness” of employers, given their updated funding position,
- further integrate covenant insights into funding and investment strategy,
- ensure contributions are set appropriately; and
- put in place pragmatic procedures to monitor employers going forward.

The Fund's approach to allowing for employer covenant is set out below.

In certain circumstances, an employer is obliged to notify the Fund about any changes as set out in our Pension Administration Strategy. These include:

- an insolvency event
- a merger or acquisition with another employer
- a significant change in D&B score

The employer should contact the Fund via email at employer.engagement@eastsussex.gov.uk .

Allowance for employer covenant

As part of the 2025 valuation, we commissioned an employer covenant review from Barnett Waddingham LLP based on an analysis of credit risk reports obtained from Dun & Bradstreet (D&B). This analysis considered the potential size of deficit were an employer to leave the Fund alongside a risk score calculated using data from D&B. Where the review highlighted any concerns with regard to the default risk of an employer, particular attention was given to the deficit recovery period adopted for the employer and whether any security for the Fund was in place.

The Fund sought to engage with employers highlighted within the employer covenant review. Such engagement helped the Fund to better understand the financial position of our employers, and where appropriate, allowed us to seek further information from employers. Information that could be sought from employers could include, but not limited to, annual reports/accounts, audit opinions and any relevant financial supporting documentation.

Having identified employers posing a risk to the Fund, the Fund has considered a number of options to reduce the risk. These include;

- regular monitoring of financial position;
- consideration of any guarantee that could be obtained;
- review of any existing bond amounts, or consider putting bonds in place if not there already;
- obtaining security through a first charge on the employer's assets;
- establish contingency plans that would be triggered on certain events, such as certain funding levels being reached, the LGPS being replaced as the pensions vehicle for new employees, the LGPS's ranking on insolvency being reduced, or certain corporate transactions or decisions.

The outcome of the employer covenant review and subsequent employer engagement may influence setting the total contribution rate through, but not limited to:

- The level of prudence adopted in setting the discount rate used to calculate the contribution rate
- The length of the deficit recovery/surplus amortisation period
- The funding target

More detail on how employer covenant has been allowed for with individual employers (or groups of employers) is set out in the section [Summary of funding approach](#).

The Fund will keep the employer covenant analysis under review and will seek to update this on a triennial basis.

Guarantors

A guarantor of an employer in the LGPS is a formal promise by a party other than the Scheme employer, to meet any pension obligations not met by the Scheme employer. There are different types of guarantee that can be provided:

- A "subsuming guarantor" will assume future responsibility for the pension liabilities and assets following the exit of the Scheme employer. The exiting employer is generally still expected to meet any exit payment due. This is the situation for private contractors where the letting authority will be the "subsuming guarantor".
- An "external guarantor," such as the Department for Education, provides a guarantee that the exit payment will be made to the Fund in the scenario that the exiting employer cannot make it.

This a one-off payment, the external guarantor does not assume future responsibility for the pension liabilities and assets of the exiting employer.

- A “physical guarantee”, often referred to as security, may provide the Fund the opportunity to call on the asset backing the guarantee in the event that the exiting employer cannot make the exit payment.
- A “guarantor of last resort” will be responsible for pension liabilities if the Scheme employer fails to meet its pension obligations to the Fund. The guarantor is liable to cover any exit payment and assume responsibility for pension obligations when all other avenues have been exhausted.

We will consult with guarantors on any proposed changes that significantly increase the risk of costs provided under the original guarantee.

Guarantor treatment for key funding activities

Guarantors will be treated consistently to other Scheme employers for funding purposes as follows:

- For new employers joining the Fund, the new employer should notify us of any guarantor in place and in the case of admission bodies, the existence and type of guarantor will be specified in the admission agreement;
- The guarantee for LGPS liabilities provided by the Department for Education for further education bodies and academy trusts is taken into account in setting the contribution rates for those employers covered by the guarantee (which we understand includes any admission bodies participating under a pass-through arrangement);
- The assessment of the covenant of any guarantors will be included in the covenant review exercise undertaken as part of the actuarial valuation;
- Guarantors are subject to the same notifiable events process as employers. Notifiable events are set out in the Contribution Review policy; and
- For exiting employers, we will carry out a cessation valuation of the employer’s liabilities and the existence of a guarantor will affect the actuarial valuation basis used to determine the final cessation valuation. More detail can be found in section [Process for determining the position on termination](#).

Admission bodies

New admission bodies in the Fund are commonly a result of a transfer of employees from an existing employer in the Fund to another body (for example as part of a transfer of services from a council or academy to an external provider under Schedule 2 Part 3 of the Regulations). Typically, these transfers will be for a limited period (the contract length), over which the new admission body employer is required to pay contributions into the Fund in respect of the transferred members.

Further details on how to join the fund are provided in section [Joining the fund and employer contribution rate setting and monitoring](#) and in the [Outsourcing and Admission Agreements Guide](#).

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Security required by admission bodies

Under the Regulations, the Administering Authority must assess the risk a proposed new admission body poses to the Fund should the admission body become insolvent or go out of business.

For any proposed new admission bodies who are not joining the Fund using a pass-through arrangement, the new admission body may be required to put in place a bond in accordance with Schedule 2 Part 3 of the Regulations, if required by the letting authority and Administering Authority.

If, for any reason, it is not desirable for a new admission body to enter into a bond, the new admission body may provide an alternative form of security which is satisfactory to the Administering Authority.

This security may cover some or all of the:

- strain costs of any early retirements if employees are made redundant when a contract ends prematurely
- allowance for the risk of assets performing less well than expected
- allowance for the risk of liabilities being greater than expected
- allowance for the possible non-payment of employer and member contributions
- admission body's existing deficit.

The Fund will agree with the employer the security required upon admission to the Fund.

Risk sharing arrangements

Subject to agreement with the Administering Authority where required, new admission bodies and the relevant letting authority may make a commercial agreement to deal with the pensions risk differently. For example, it may be agreed that all or part of the pensions risk remains with the letting authority.

Although pensions risk may be shared, it is common for the new admission body to remain responsible for pensions costs that arise from:

- above average pay increases, including the effect on service accrued prior to contract commencement; and
- redundancy and early retirement decisions.

The Administering Authority may consider risk sharing arrangements as long as the approach is clearly documented in the admission agreement, the transfer agreement or any other side agreement. The arrangement also should not lead to any undue risk to the other employers in the Fund.

Legal and actuarial advice in relation to risk sharing arrangements should be sought where required.

Pass-through arrangements

New admission bodies and the relevant letting authority may make a commercial agreement to deal with the pensions risk differently. For example, it may be agreed that all or part of the pensions risk remains with the letting authority. This is commonly known as a pass-through arrangement.

We may consider risk sharing arrangements as long as the approach is clearly documented in the admission agreement, the transfer agreement or any other side agreement. All information regarding risk sharing arrangements should be shared with the Fund. Legal and actuarial advice in relation to risk sharing arrangements should be sought where required.

As part of the risk sharing agreement, the following information should be documented:

- whether the new admission body remains responsible for pensions costs that arise from above average pay increases, including the effect on service accrued prior to contract commencement;
- redundancy and early retirement decisions; and
- treatment of the admission body on exit.

The arrangement should not lead to any undue risk to the other employers in the Fund.

For any new admission bodies as a result of an outsourcing by an academy trust or a further education body, ~~we understand that the Department of Education have stated that~~ where pass-through provisions are in place, the liabilities remain covered by the Department for Education Guarantee.

Links to administration strategy

The membership data provided by employers is used by the Fund to calculate the contributions due from the employers, on joining the fund, terminating the fund or between actuarial valuations. Membership data is required for the actuarial valuations, and also when the employer joins or terminates the Fund. The quality of the data could have an effect on the contributions that an employer is required to pay.

A new version of the administration strategy was approved by Pension Committee on 18 November 2025. ~~This went out for and will go out for~~ employer consultation in early December 2025 ~~and closed on 16 January 2026.~~

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Section C: Employer events

Joining the fund and employer contribution rate setting and monitoring

When a new employer joins the Fund, the Fund Actuary is required to set the contribution rates payable by the new employer and allocate a share of Fund assets to the new employer as appropriate (unless the new employer joins under a pass-through arrangement). The most common types of new employers joining the Fund are admission bodies and new academies. These are considered in more detail below.

When a new employer wants to join the Fund, this should be approved by the Fund officer, as delegated to by the Pensions Committee. The new employer will automatically join the appropriate employer category or funding pool as set out in the table in the section [Summary of funding approach](#), unless representations are made by the employer to the Fund via the Fund officer. The Fund's Outsourcing and Admission Agreements Guide can be found [\[here\]](#).

A new employer must provide membership data where the data is as at the date of joining the Fund. The data should be of good quality as it is used by the Fund Actuary to calculate the funding level and employer contribution rates on joining.

Admission bodies

New admission bodies in the Fund are commonly a result of a transfer of employees from an existing employer in the Fund to another body (for example as part of a transfer of services from a council or academy to an external provider under Schedule 2 Part 3 of the Regulations). Typically these transfers will be for a limited period (the contract length), over which the new admission body employer is required to pay contributions into the Fund in respect of the transferred members.

There are two main approaches available to the Fund when a new admission body is joining the Fund.

- 1) Full risk transfer
- 2) Pass-through arrangement

More detail around the full risk transfer approach and the pass-through approach are set out below.

Approach of the Fund

The default approach will be for admission bodies to join the Fund under a pass-through arrangement. Under a pass-through arrangement, the letting authority retains the pensions risk. The admission body is responsible for paying the agreed contribution rate and also additional costs as set out in each admission agreement e.g. redundancy and early retirement costs.

Alternatively, employers can join under a full risk transfer. Under a full risk transfer the admission body becomes responsible for all the pensions risk associated with the benefits accrued by transferring members and the benefits to be accrued over the contract length. The Administering Authority may consider requests for a full risk transfer from new admission bodies.

Funding at start of contract (full risk transfer only)

Under a full risk transfer, when a new admission body joins the Fund, they will become responsible for all the pensions risk associated with the benefits accrued by transferring members and the benefits to be accrued over the contract length. In these cases, it may be appropriate that the new admission body is allocated a share of

Fund assets equal to the value of the benefits transferred, i.e. the new admission body starts off on a fully funded basis. This is calculated on the relevant funding basis and the opening position may be different when calculated on an alternative basis (e.g. on an accounting basis).

However, there may be special arrangements made as part of the contract such that a full risk transfer approach is not adopted. In these cases, the initial assets allocated to the new admission body will reflect the level of risk transferred and may therefore not be on a fully funded basis or may not reflect the full value of the benefits attributable to the transferring members.

Contribution rate

The contribution rate may be set on an open or a closed basis. Where the funding at the start of the contract is on a fully funded basis then the contribution rate will represent the primary rate only; where there is a deficit allocated to the new admission body then the contribution rate will also incorporate a secondary rate with the aim of recovering the deficit over an appropriate recovery period. For new employers participating under a pass-through arrangement, the default approach will be for the new employer to pay the future service rate of the transferring members for the period of the contract. Consideration will be given to a variable rate in line with the cost of benefit accrual where the contract is for a long period.

Depending on the details of any risk sharing arrangement, then additional adjustments may be made to determine the contribution rate payable by the new admission body. The approach in these cases will be bespoke to the individual arrangement and agreed between the new employer and the letting authority.

Pass-through arrangements

Pass-through arrangements are allowed for at the actuarial valuation by allocating any deficit/liabilities covered by the risk sharing arrangement to the relevant responsible employer.

New academies

When a school converts to academy status, the new academy (or the sponsoring multi-academy trust) becomes a Scheme employer in its own right.

Funding at start

On conversion to academy status, the new academy will be allocated assets based on the active cover of the relevant local authority at the conversion date. The assets allocated to the academy will be capped at 100% of the value of the liabilities. The active cover approach is based on the funding level of the local authority's active liabilities, after fully funding the local authority's deferred and pensioner liabilities. On conversion to academy status, the new academy will become part of the Academy Pool (or the STEP Academy Pool if they join the STEP Academy Trust), unless they opt-out, and will be allocated assets based on the funding level of the Pool at the conversion date.

Contribution rate

The contribution rate payable when a new academy joins the Fund will be in line with the contribution rate certified for the Academies funding pool at the 2025 valuation.

Pooling of individual employers

Each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances.

However, certain groups of individual employers are pooled for the purposes of determining contribution rates to recognise common characteristics or where the number of Scheme members is small.

The main purpose of pooling is to produce more stable employer contribution levels, although recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.

The funding pools adopted for the Fund are summarised in the table below:

Pool	Type of pooling	Notes
Town and Parish Councils	For funding level and contribution rate purposes	Funding level is determined for the pool at each triennial valuation
Academies including Free Schools	For funding level and contribution rate purposes	Funding level is determined for the pool at each triennial valuation

Treatment of employers in a pool (excluding pass-through arrangements)

When an employer joins a pool, it will be allocated a notional amount of assets so that the employer has the same funding level as the other employers in the pool at the date of joining. Any transferring assets more than this will get shared between the other employers in the pool.

When an employer leaves a pool, it will be allocated a notional amount of assets so that the employer has the same funding level as the other employers in the pool at the date of leaving.

Forming/disbanding a funding pool

Where the Fund identifies a group of employers with similar characteristics and potential merits for pooling, it is possible to form a pool for these employers. In this scenario, employers will be consulted with before this change is made. Advice should be sought from the Fund Actuary to consider the appropriateness and practicalities of forming the funding pool.

Conversely, the Fund may consider it no longer appropriate to pool a group of employers. This could be due to divergence of previously similar characteristics or an employer becoming a dominant party in the pool. Where this scenario arises, advice should be sought from the Fund Actuary.

Funding pools should be monitored on a regular basis, at least at each actuarial valuation, to ensure the pooling arrangement remains appropriate. The Fund will define the criteria for employers to be a part of a pool or not. There may be a scenario where an employer may request to be excluded from the pool, which may be allowed in exceptional circumstances and following discussion with the Fund Actuary.

Preparing for exit and events which may trigger termination

A cessation valuation may be required for many reasons, including:

- the last active member ceasing participation in the Fund
- the contract / admission agreement expiring
- Insolvency or wind up of the admission body
- Termination of a deferred debt agreement (DDA)
- A breach of the contract e.g. failure to pay contributions within the required period

If an employer wants to leave the Fund, they should email: employer.engagement@eastsussex.gov.uk.

An employer should provide membership data to the Fund at the date of termination. The Fund needs the membership data before it can calculate the termination position. An employer can provide data at an earlier date to obtain an indicative termination position. If the termination takes place at a different date or if there are any changes to the membership from the data supplied than the termination position should be recalculated. The membership data should be of good quality as it affects the termination position and the amount an employer needs to pay or receive when exiting the Fund.

When a Scheme employer exits the Fund they become an exiting employer, as required under the Regulations the Fund Actuary will be asked to carry out an actuarial valuation to determine the liabilities in respect of the benefits held by the exiting employer's current and former employees. The Fund Actuary is also required to determine the exit payment due from the exiting employer or the exit credit payable to the exiting employer. The exit position will be determined using membership data relating to the date of exit.

Process for determining the position on termination

The Fund needs to protect the security of the remaining employers when assessing the position of the exiting employer. In assessing the value of the liabilities attributable to the exiting employer, the Fund Actuary may adopt differing actuarial assumptions depending on the employer and the specific details surrounding the employer's termination.

Different valuation approaches are taken depending on the details surrounding the exit of the employer. This generally comes down to the following two questions:

What is happening to the active members?

For example, at the end of many outsourced contracts, the members may continue in employment with a new contractor. Alternatively, members may be made redundant or transferred to a defined contribution scheme with the same employer.

Is there an employer in the Fund willing to underwrite the future pension liabilities?

For example, there may be a guarantor that is compelled to or volunteers to be responsible for any future deficits, or the exiting employer may be entering into a deferred debt agreement (DDA) with the Fund.

The Fund classifies a termination into the following scenarios:

Cessation scenarios

Ongoing cessation Any remaining active employees are transferred to another employer in the Fund and the deferred and pensioner liabilities are also picked up by another employer in the Fund (which is usually the same employer as the destination for the active

	members but may not be). The funding position under this scenario is essentially the current ongoing funding position.
Full cessation	No employer in the Fund will be responsible for the Employer's residual liabilities after the Employer's exit from the Fund. Therefore, an approach using a relative high level of prudence is required to reduce the risk that the assets held in respect of the Employer's liabilities are not sufficient to pay for the members' benefits. Any members eligible for unreduced early retirement benefits on redundancy are assumed to become entitled to these.

For any employer exiting on the ongoing cessation scenario, their valuation will be carried out under the same method and assumptions as the ongoing funding basis. i.e. the funding basis as set out in section [Main actuarial assumptions](#).

For any employer exiting under a full cessation scenario, a more prudent discount rate is adopted than for the ongoing basis. All other assumptions are as for the ongoing funding basis. The more prudent discount rate is determined as follows.

A stochastic analysis was used to assess the "success probabilities" of certain levels of prudence as part of the 2025 valuation. The default approach to calculating the cessation position will be to use a discount rate based on the success probability of 90%. This corresponds to a 4.0% prudence adjustment in the discount rate assumption. If we are satisfied that there is another employer willing to take on responsibility for the liabilities (or that there is some other form of guarantee in place) then the cessation position may be calculated on the ongoing funding basis.

As detailed above, the Fund Actuary may adopt differing approaches when assessing whether an exit debt is payable by the employer, depending on the specific details surrounding the employer's cessation scenario. We consider it to be appropriate to allow for an additional level of prudence based on a higher success probability – i.e. the theoretical probability that the long-term fund returns exceed the assumed returns.

The success probability and the level of prudence will remain fixed over the inter-valuation period.

It may be appropriate for alternative success probabilities to be adopted, or different discount rate approaches to be taken, to reflect an individual employer's situation. This may be, for example, to reflect an employer targeting a cessation event or to reflect our views on the level of risk that an employer poses to the Fund. The Fund Actuary will incorporate any such adjustments after consultation with the Administering Authority.

Any deficit in the Fund in respect of the exiting employer will be due to the Fund as a single lump sum payment, unless we agree with the other parties involved that an alternative approach is permissible. Alternative approaches are set out in the Fund's policy for entering into, monitoring and terminating a DDA or DSA is set out in the DSA and DDA policy in [Annex B: Deferred debt agreement and debt spreading arrangement policies](#).

Any surplus in the Fund in respect of the exiting employer may be treated differently to an exit payment, subject to the agreement between the relevant parties and any legal documentation. The LGPS (Amendment) Regulations 2018 allow administering authorities to make an exit credit payment to exiting employers. The Fund's exit credit policy is here [Annex C: Exit Credit Policy](#).

The decision made by the Administering Authority is final, however if the employer wishes to appeal the decision, then they should follow the [Internal Dispute Resolution Procedure](#).

Deferred debt agreements or debt spreading arrangements

Where a valuation reveals a deficit and an exit payment is due on termination, the expectation is that the employer settles this debt immediately through a single cash payment. However, should it not be possible for the employer to settle this amount, providing the employer puts forward sufficient supporting evidence to the Administering Authority, the Administering Authority may agree a deferred debt agreement (DDA) with the employer under Regulation 64(7A) or a debt spreading arrangement (DSA) under Regulation 64B.

The Fund's policy for entering into, monitoring and terminating a DDA or DSA is set out in the DSA and DDA policy in [Annex B: Deferred debt agreement and debt spreading arrangement policies](#).

Suspension notices

When the last active member leaves an employer in the Fund, normally under Regulation 64A this would result in a termination event for the employer and an exit valuation produced by the Fund Actuary. However, Regulation 64(2A) allows the suspending of their liability to pay an exit payment.

We will grant a suspension notice if we reasonably believe the employer is likely to have one or more active members contributing into the Fund within three years of the original cessation date. Were a suspension notice issued to a Scheme employer, and after a three-year period no further active members are enrolled, then a cessation valuation should be undertaken by the Fund Actuary, at the date the last active member left the Fund.

Partial terminations

A partial termination is where an employer exits the fund for deferred and pensioner members but seeks to remain a participating employer for active members.

An employer should contact the Fund if they want to request a partial termination. There may also be a requirement for actuarial and legal advice, the costs of which will be met by the employer.

We have the discretion to permit employers to partially exit the Fund on a case-by-case basis. The employer would need to meet the following criteria before we consider a partial termination:

- A sufficient surplus on the valuation basis used to calculate the partial termination;
- Size of the employer relative to the remaining Fund is not unduly large;
- Consistent with the interests of other employers in the Fund;
- Approval from the Fund Actuary; and
- Legal advice that confirms that the partial termination is allowed within the Regulations.

The basis used to calculate the transfer of assets to cover the deferred and pensioner liabilities would be consistent with the approach used for the cessation valuation.

Bulk transfers (both to or from the LGPS)

Bulk transfers of employees into or out of the Fund can take place from other LGPS Funds or non-LGPS Funds.

A bulk transfer involves a group of employees changing to a new employer in a different Fund or moving along with their existing employer to a new Fund. It is usually triggered by a contract being transferred, a service being restructured, or a merger or acquisition involving an LGPS employer.

If ten or more members move from one LGPS Fund to another LGPS Fund they are covered by Regulation 103 of the Local Government Pension Scheme Regulations 2013.

A bulk transfer may be required by an issued Direction Order. This is generally in relation to an employer merger, where all the assets and liabilities attributable to the transferring employer in its original Fund are transferred to the receiving Fund.

The employer is responsible for making the Fund aware of any such bulk transfer as per the Fund's Administration Strategy.

The Fund Actuary for both Funds is responsible for negotiating the terms for the bulk transfer – specifically the terms by which the value of assets to be paid from one Fund to the other is calculated.

The agreement will be specific to the situation surrounding each bulk transfer but in general, we will look to receive the bulk transfer on no less than a fully funded transfer (i.e. the assets paid from the ceding Fund are sufficient to cover the value of the liabilities on the agreed basis). The terms must be acceptable to both Funds and if the Funds and their actuaries cannot reach an agreement then a third actuary is required to step in to determine a reasonable solution.

Membership data will be required in respect of members transferring and this will be agreed by both Funds involved.

The Fund actuaries will agree a calculation of the transfer amount and it is the original Fund's responsibility to facilitate payment of the transfer amount to the receiving Fund.

Annex A: Contribution review policy

Introduction

This is the Contribution review policy for the East Sussex pension Fund (the Fund), part of the Local Government Pension Scheme (LGPS). It has been prepared by East Sussex County Council in our capacity as Administering Authority of the Fund.

This document sets out the Fund's policy on amending the contribution rates payable by an employer (or group of employers) between formal funding valuations.

Under Regulation 62 of the LGPS Regulations 2013 (the Regulations) we are required to obtain a formal actuarial valuation of the Fund and a rates and adjustments certificate setting out the contribution rates payable by each Scheme employer for three year period beginning 1 April following that in which the valuation date falls.

It is anticipated for most Scheme employers that the contribution rates certified at the formal actuarial valuation will remain payable for the period of the rates and adjustments certificate. However, there may be circumstances where a review of the contribution rates payable by an employer (or a group of employers) under Regulation 64A is deemed appropriate. This policy document sets out our approach to considering the appropriateness of a review and the process in which a review will be conducted.

This policy has been prepared following advice from the Fund Actuary and following consultation with the Fund's Scheme employers. In drafting this policy document, we have taken into consideration the statutory guidance on drafting a contribution review policy which was issued by the Ministry of Housing, Communities and Local Government, and the Scheme Advisory Board's guide to employer flexibilities.

Throughout this document, any reference to the review of a Scheme employer's contribution rates will also mean the single review of the contribution rates for a group of Scheme employers (for example if the employers are pooled for funding purposes).

Note that where a Scheme employer seems likely to exit the Fund before the next actuarial valuation then we can exercise our powers under Regulation 64(4) to carry out a review of contributions with a view to adjusting the contributions for the Scheme employer to exit on a fully funded basis. These cases do not fall under this contribution review policy.

The contribution review process

As part of the review process, within this policy we include detail on:

- Examples of events that may trigger a contribution review under Regulation 64(A)(1)(b).
- The general process for assessing and conducting a review.
- Timescales including a timeline to provide a rough guide of our general expectation.

Following completion of the review process, we may continue to monitor the Scheme employer's position in order to ensure the revised contribution rate remains appropriate (where a review was completed) or to ensure the Scheme employer's situation does not change such that a review previously deemed not appropriate becomes appropriate. As part of its participation in the Fund, any Scheme employer is expected to support any reasonable information requests made by us to allow effective monitoring.

Timelines

Once a review of contribution rates has been agreed, unless the impact of amending the contribution rates is deemed immaterial by the Fund Actuary, then the results of the review will be applied with effect from the agreed review date.

Where initiation is made by the Administering Authority

Where we initiate a review (i.e. under conditions (i) and (ii) of Regulation 64(A)(1)(b)), the first stage is to engage with the Scheme employer and provide written evidence for requiring the review.

The Scheme employer will be given 45 days from the later of the date of receipt of the evidence provided and the date of receipt of the results of the formal contribution review to respond to our proposal. Should no challenge be accepted within this period then we will treat the proposal as accepted and the revised contribution rates will come into effect from the proposed review date.

Should the Scheme employer challenge our proposal, then we will continue to engage with the Scheme employer in order to reach an agreeable decision. If no decision has been agreed within 3 months of the initial proposal, then we may proceed with the revised contribution rates. Further details of the appeals process for the Scheme employer is set out in the [Appeals process](#) section.

Although we will make the ultimate decision for a review, we are committed to engaging with any Scheme employer following the initial proposal to ensure that any change is agreeable to all relevant parties.

Where initiation is made by the Scheme employer

Where the review is initiated by the Scheme employer, the process begins once the Scheme employer has provided all the relevant documents required as set out in the [Triggering a contribution review](#) section.

We will aim to provide a response to the Scheme employer within 45 days from the date of receipt. This will depend on the quality of the documents provided and any need for us to request further information from the Scheme employer. We will provide a written response setting out the issues considered in reviewing the request from the Scheme employer, together with the outcome and confirming the next steps in the process.

Responsibility of costs

Where we have initiated the review of contributions, any costs incurred as part of the review in relation to the gathering of evidence to present to the Scheme employer and the actuarial costs to commission the contribution review will be met by the Fund. This is apart from any costs incurred as a result of extra information requested by the Scheme employer which is not ordinarily anticipated to be incurred by the Administering Authority as part of the review. These exception costs would be recharged to the Scheme employer.

Any costs incurred because of a review initiated by the Scheme employer will be the responsibility of the Scheme employer, regardless of the outcome of the review proceeding or not. This may include specialist adviser costs involved in assessing whether the request for review should be accepted and the costs in relation to carrying out the review.

Triggering a contribution review

As set out in Regulation 64(A)(1)(b), a review of an employer's contribution rate between formal actuarial valuations may only take place if one of the following conditions are met:

- (i) it appears likely to the Administering Authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;

(ii) it appears likely to the Administering Authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or

(iii) a Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review.

Conditions (i) and (ii) are triggered by the Administering Authority and (iii) by the Scheme employer. The key considerations under each of the conditions are detailed below.

It should be noted that the conditions above are as set out in the Regulations therefore do not allow for a review of contributions where the trigger is due to a change in actuarial assumptions or asset values.

(i) change in the amount of the liabilities arising or likely to arise

Examples of changes which may trigger a review under this condition include, but are not limited to:

- Restructuring of a council due to a move to unitary status;
- Restructuring of a Multi Academy Trust;
- A significant outsourcing or transfer of employees;
- Any other restructuring or event which could materially affect the Scheme employer's membership;
- Changes to whether a Scheme employer is open or closed to new members, or a decision which will restrict the Scheme employer's active membership in the Fund in future;
- Significant changes to the membership of an employer, for example due to redundancies, significant salary awards, ill health retirements or a large number of withdrawals;
- Establishment of a wholly owned company by a scheduled body which does not participate in the LGPS.

As part of its participation in the Fund, Scheme employers are required to inform us of any notifiable events as set out in the Fund's Pensions Administration Strategy, service agreements and/or admission agreements. Through this notification process, we may identify events that merit a review of contributions.

In addition, we may initiate a review of contributions if we become aware of any events that we deem could potentially change the liabilities of the Scheme employer. This also applies to any employers for whom a review of contributions has already taken place as a further change in liabilities may merit another review.

(ii) change in the ability of the Scheme employer to meet its obligations

Examples of changes which may trigger a review under this condition include, but are not limited to:

- Change in employer legal status or constitution;
- Provision of, or removal of, security, bond, guarantee or other form of indemnity by a Scheme employer;
- A change in a Scheme employer's immediate financial strength;
- A change in a Scheme employer's longer-term financial outlook;
- Confirmation of wrongful trading;
- Conviction of senior personnel;
- Decision to cease business;
- Breach of banking covenant;

- Concerns felt by the Administering Authority due to behaviour by a Scheme employer, for example, a persistent failure to pay contributions (at all, or on time), or to reasonably engage with the Administering Authority over a significant period of time.

We will monitor employer covenant of all Scheme employers as part of the actuarial valuation. We will commission an employer risk review report from the Fund Actuary. Through this analysis, we can identify any Scheme employers that might be considered as high risk and whether any Scheme employers have had a significant change in riskiness. This in turn may affect our views on whether the ability of a Scheme employer to meet its obligations to the Fund has changed significantly and therefore whether this change may merit a contribution review. This also applies to any employers for whom a review of contributions has already taken place as a further change in an employer's ability to meet its obligations may merit another review.

(iii) request from the Scheme employer for a contribution review

A request can be made by a Scheme employer for a review of contribution rates outside of the formal actuarial process. This ~~must~~ may be triggered by one of the following two conditions:

- There has been a significant change in the liabilities arising or likely to arise; and/or
- There has been a significant change in the ability of the Scheme employer to meet its obligations to the Fund.

~~If a request is made for any other reason, then it will be considered by the Administering Authority on a case by case basis. Any requests not arising from either of these conditions will not be considered.~~

Requests by a Scheme employer are limited to one review per calendar year.

Apart from any cases where the Scheme employer is expected to cease before the next rates and adjustments certificate comes into effect, we will not accept a request for a review of contributions with an effective date within the 12 months preceding the next rates and adjustments certificate. It is expected in these cases that any requests can be factored into the formal review and any benefits of carrying out a review just prior to the commencement of a new rates and adjustments certificate are outweighed by the costs and resource required.

Information required from the Scheme employer

In order to submit a request for a review of contribution rates outside of the formal actuarial valuation process, a Scheme employer must provide the following to the Fund:

- Where a review is sought due to a potential change in the Scheme employer's liabilities:
 - Membership data or details of membership changes to evidence that the liabilities have materially changed, or are likely to change
- Where a review is sought due to a potential change in the ability of the Scheme employer to meet its obligations:
 - The most recent annual report and accounts for the Scheme employer;
 - The most recent management accounts;
 - Financial forecasts for a minimum of three years;
 - The change in security or guarantee to be provided in respect of the Scheme employer's liabilities.

We may require further evidence to support the request and this will be requested on a case by case basis.

Assessing the appropriateness of a review

We will take following general considerations into account in all scenarios:

- the expected term for which the Scheme employer will continue to participate in the Fund;
- the time remaining to the next formal funding valuation;
- the cost of the review relative to the anticipated change in contribution rates and the benefit to the Scheme employer, the Fund and/or the other Scheme employers; and
- the anticipated impact on the Fund and the other Fund employers, including the relative size of the change in liabilities and contributions and any change in the risk borne by other Fund employers.

Where the review has been requested by the Scheme employer, we will also consider the information and evidence put forward by the Scheme employer. This may be with advice from the Fund Actuary where required. We will include an assessment of whether there is a reasonable likelihood that a review would result in a change in the Scheme employer's contribution rates. We will also consider whether it is necessary to consult with any other Scheme employer e.g. where a guarantee may have been provided by another Scheme employer.

We will make the final decision of whether a review of contribution rates will be carried out after discussion with Fund Actuary. It is acknowledged that each Scheme employer's situation may differ and therefore each decision will be made on a case-by-case basis. Should a Scheme employer disagree with the decision, then details of the [Appeals process](#) is set out later in this document.

Appropriateness of a review due to change in liabilities

This will be subject to the following considerations in addition to the general considerations set out above and:

- the size of the Scheme employer's liabilities relative to the Fund and the extent to which they have changed;
- the size of the event in terms of membership and liabilities relative to the Scheme employer and/or the Fund; and
- the Administering Authority's assessment of the ability of the Scheme employer to meet its obligations.

Appropriateness of a review due to change in ability to meet its obligations to the Fund

This will be subject to the following considerations in addition to the general considerations set out above and:

- The results of any employer risk analysis provided by the Fund Actuary or a covenant specialist
- The perceived change in the value of the indemnity to the Administering Authority, relative to the size of the Scheme employer's liabilities

Further considerations to that set out above may be relevant and will be considered as required.

Method used for reviewing contribution rates

If a review of contribution rates is agreed, or if an indicative review is required to help inform the review process, we will take advice from the Fund Actuary on the calculation of the Scheme employer’s revised contribution rates. This will take into account the events leading to the anticipated liability change and any impact of the changes in the Scheme employer’s ability to meet its obligations to the Fund.

The table below sets out the general approach that will be used when carrying out this review.

	General approach
Member data	<p>The starting point for reviewing a Scheme employer’s contribution rates will in some cases be the most recent actuarial valuation.</p> <p>In most cases, given the review is due to an anticipated change in membership, the Administering Authority and Scheme employer should work together to provide updated membership data for use in calculations. There may be instances where updated membership data is not required if it is deemed proportionate to use the most recent actuarial valuation data without adjustment.</p> <p>Where the cause for a review is due to a change in a Scheme employer’s ability to meet its obligations to the Fund, updated membership data may not need to be used unless any significant membership movements since the previous valuation are known.</p>
Approach to setting assumptions	This will be in line with that adopted for the most recent actuarial valuation, as set out in the Fund’s Funding Strategy Statement (FSS).
Market conditions underlying financial assumptions	Unless an update is deemed more appropriate by the Fund Actuary, the market conditions will be in line with those at the most recent actuarial valuation.
Conditions underlying demographic assumptions	Unless an update is deemed more appropriate by the Fund Actuary, the demographic assumptions will be in line with those at the most recent actuarial valuation.
Funding target	The funding target adopted for a Scheme employer will be set in line with the Fund’s FSS, which may be different from the approach adopted at the most recent actuarial valuation due to a change in the Scheme employer’s circumstances.
Surplus/deficit recovery period	The surplus/deficit recovery period adopted for a Scheme employer will be set in line with the Fund’s FSS, which may be different from the approach adopted at the most recent actuarial valuation due to a change in the Scheme employer’s circumstances.

The Fund Actuary will be consulted throughout the review process and will be responsible for providing a revised rates and adjustments certificate. Any deviations from the general approach set out above will be agreed by us and the Fund Actuary.

Appeals process

1. Any appeals process is left for the Administering Authority to determine in accordance with their own policy, but in its simplest form it would require an employer to evidence one of the following:

(i) A deviation from the published policy or process by the Administering Authority

And/or

(ii) Any further information (or interpretation of information provided) which could influence the outcome, noting new evidence to be considered at the discretion of the Administering Authority)

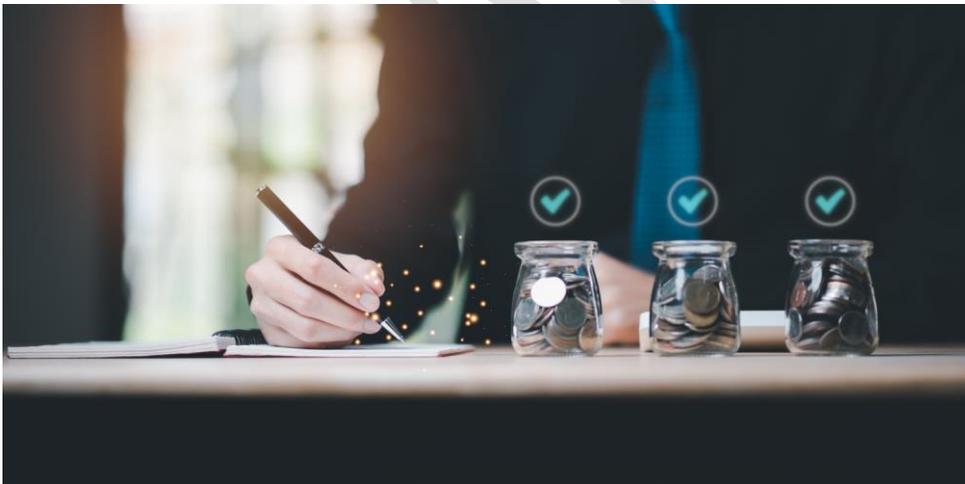
2. In setting out an appeal process the Administering Authority should have regard to the following principles:

(i) The process and any amendments to it should be subject to consultation with employers

(ii) The appellant should be granted a reasonable period of time both to make any appeal following a decision and to prepare the basis of their appeal

(iii) The process, including the timescales and requirements for evidence should be accessible, clearly signposted and transparent

(iv) Any review of a decision should be considered independently from those directly involved in the original decision



Annex B: Deferred debt agreement and debt spreading arrangement policies

Introduction

This is the policy on deferred debt agreements (DDAs) and debt spreading arrangements (DSAs) for the East Sussex Pension Fund (the Fund), part of the Local Government Pension Scheme (LGPS). It has been prepared by East Sussex County Council in our capacity as Administering Authority of the Fund.

When a Scheme employer becomes an exiting employer under Regulation 64, the Fund Actuary is required to carry out a valuation to determine the exit payment due from the exiting employer to the Fund, or the excess of assets in the Fund relating to that employer. Where an exit payment is due, the expectation is that the employer settles this debt immediately through a single cash payment. However, if the employer provides evidence that this is not possible, there are two alternatives available: Regulation 64(7A) enables the Administering Authority to enter into a DDA with the employer while Regulation 64B enables the Administering Authority to enter a DSA.

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit. The secondary rate of contributions will be reviewed at each actuarial valuation until the termination of the agreement.

Under a DSA, the cessation debt is crystallised and spread, with interest, over a period deemed reasonable by the Administering Authority having regard to the views of the Fund Actuary.

Whilst a DSA involves crystallising the cessation debt and the employer's only obligation is to settle this set amount, in a DDA the employer remains in the Fund as a Scheme employer and is exposed to the same risks (unless agreed otherwise with the Administering Authority) as active employers in the Fund (e.g. investment, interest rate, inflation, longevity and regulatory risks) meaning that the deficit will change over time.

This policy document sets out the Administering Authority's policy for entering into, monitoring and terminating a DDA or DSA.

These policies have been prepared by the Administering Authority following advice from the Fund Actuary, and following consultation with the Fund's Scheme employers. In drafting this policy document, the Administering Authority has taken into consideration the statutory guidance on preparing and maintaining policies on employer exit payments and deferred debt agreements which was issued on 2 March 2021 by the Ministry of Housing, Communities and Local Government, and the Scheme Advisory Board's guide to employer flexibilities dated 5 March 2021.

Approach for exiting employers

If an employer becomes an exiting employer and an exit payment is identified, the Fund should seek to receive a payment from the exiting employer equal to the exit payment in full.

The Administering Authority makes the exiting employer aware an exit payment is due by providing a revised rates and adjustments certificate in the form of a cessation valuation report produced by the Fund Actuary. Details of the Fund's cessation policy can be found in the Fund's Funding Strategy Statement (FSS).

The default position is that the employer is required to make an exit payment in full immediately. However, if required, the exiting employer can inform the Administering Authority, along with evidence, that they are unable

to do so and may request to enter either a DDA or DSA. If the Administering Authority is satisfied with the evidence provided, the DDA or DSA process may proceed.

Requests should be submitted to the Fund via email to employer.engagement@eastsussex.gov.uk within 21 days of receiving confirmation of the exit payment required, or otherwise the exit payment should be paid to the Fund in full within 60 days.

Where possible, the Administering Authority encourages employers who are approaching exit to engage with the Administering Authority in advance to understand the options that may be available. An indicative cessation report can be produced to form the basis of discussions.

Choosing a DDA or DSA

Consideration needs to be given as to which approach is the most appropriate in each case. A DDA may be appropriate if:

- the employer temporarily has no active members but expects it may return to active employer status in future. However, please note that if the plan is for active members to join within three years then a suspension notice may be more appropriate;
- the employer wants to minimise costs by potentially benefitting from the upside of the pensions risks it would remain exposed to and therefore does not want to crystallise its debt by becoming an exiting employer. In this case the Administering Authority may be willing to defer crystallisation of the cessation debt for an appropriately significant period of time, subject to the strength of the employer's covenant or security provided;
- initial affordability of the full exit payment is low but there is a prospect of increased affordability in the future, or the payment can only be afforded over a long period and therefore a DDA enables the position to be updated over time in light of changing funding positions; and/or
- the employer has a weak covenant but is not faced with imminent insolvency and must rely on future investment returns to fully or partially fund the exit payment. The Administering Authority may agree that doing so over an appropriate long period is better for the Fund than risking immediate insolvency of the employer.

On the other hand, it may be more appropriate to enter a DSA if:

- the employer does not intend to employ any more active members and therefore is not expected to resume active employer status;
- the employer wishes to crystallise its debt to the Fund and therefore not be subject to any of the pensions risks that could cause the amounts payable to the Fund increasing (or decreasing) in future;
- the employer has ample resources to make the payment within the near future but not immediately; and/or
- the employer is deemed to have a very weak covenant and so the Administering Authority will want to try to recoup as much of the exit payment as possible before the employer becomes insolvent.

The Administering Authority has the right to refuse a DSA or DDA request if they believe it is not in the best interests of the Fund or the other participating employers, for example if entering a DSA or DDA increases the risk of a deficit falling to the other employers.

In considering each request for a DDA or DSA from an exiting employer the Administering Authority will take actuarial, covenant, legal and other advice as necessary. Proposed DDAs/DSAs will always be discussed with the employer, whether the DDA or DSA was at the exiting employer's request or not.

Employers who may be party to either a DSA or a DDA are encouraged to discuss any potential impact on their accounting treatment with their auditors.

Management of costs

On receiving a request the Administering Authority will make the employer aware that any costs associated with setting up the DDA or DSA will be the responsibility of the Scheme employer, regardless of whether the Administering Authority agrees to enter into the agreement or not. This may include the cost of actuarial advice, legal advice, administrative costs and any additional advice required in relation to a covenant assessment or any other specialist adviser costs. If costs deviate from those initially anticipated the Administering Authority will keep the exiting employer up-to-date with any increases. The Administering Authority will provide information on how and when payments should be made.

Internal dispute resolutions

Whether a DDA or DSA is agreed or not is ultimately the decision of the Administering Authority. In the event of any dispute from the employer, please refer to the Fund's [internal dispute resolution procedures document](#).

Deferred Debt Agreements (DDAs)

Entering into a DDA

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit.

Information required from the employer

When making a request to enter a DDA, the employer should demonstrate that they are unable to settle their exit payment immediately and provide any relevant information to support their request e.g. in relation to their covenant/ability to continue to make payments to the Fund on a continuing basis. Examples of information the employer may provide as evidence include the exiting employer's:

- most recent annual report and accounts;
- latest management accounts;
- financial forecasts;
- details of position of other creditors.

This is not an exhaustive list and the Administering Authority may request further evidence. In particular, the Administering Authority may commission a covenant assessment if insufficient evidence is provided.

Assessing the proposal

The Administering Authority will decide on whether to enter into a DDA within 30 days of receiving a request but this may vary to reflect specific circumstances, for example if the Administering Authority chooses to request a covenant assessment then the process may take longer.

To reach a decision the Administering Authority will consider:

- the size of the exiting employer's residual liabilities relative to the size of the Fund;
- the size of the exit payment relative to the costs associated with entering into a DDA;
- whether a debt spreading agreement or suspension notice would be more appropriate (see specific circumstances below);
- any information provided by the exiting employer to support their covenant strength, including any information on a guarantor or other form of security that the employer may be able to put forward to support their covenant;
- the results of any covenant review carried out by the Fund Actuary or a covenant specialist;
- the exiting employer's accounts;
- the potential impact on the other employers in the Fund; and
- the opinion of the Fund Actuary.

The Administering Authority is not obliged to accept an exiting employer's request for a DDA. For example, in the following circumstances the Administering Authority may consider a DDA not to be appropriate:

- the exiting employer could reasonably be expected to settle their exit payment in a single amount;
- it is known or likely that another active member will come into employment in the three years following the cessation date (in these cases a suspension notice would be considered more appropriate than a DDA); or
- the Administering Authority is concerned that where a DDA is entered, that the employer could not afford the impact of any negative experience which would result in an increase in the required secondary rate of contributions and an increase in the employer's overall deficit (in these cases a debt spreading agreement would be considered more appropriate as the payments are fixed throughout the term of the agreement).

Once all information has been considered the Administering Authority will consult with the exiting employer as required under the Regulations. If the Administering Authority does not wish to enter into a DDA they will explain to the exiting employer their reasoning and any alternatives (e.g. a debt spreading agreement, suspension notice or indeed require the exit payment in full). If the Administering Authority accepts the request to enter into a DDA, they will notify their legal advisers and Fund Actuary. If the Administering Authority has concerns about the level of risk arising due to the DDA, the Administering Authority may only accept the request subject to a one-off cash injection being made by the exiting employer or security being provided as an additional guarantee.

Setting up a DDA

Once agreed that a DDA is permitted, the terms of the DDA will be agreed between the Administering Authority and the exiting employer and will be set out in a formal legal agreement.

The Administering Authority and the exiting employer (with the assistance of the Fund Actuary) will negotiate an appropriate duration of the agreement which will consider the exiting employer's affordability and anticipated strength of covenant over the agreement period. If the exiting employer has sufficient reserves, the Administering Authority may require an immediate cash payment so that the DDA can start from an acceptably stronger funding position.

The Fund Actuary will calculate secondary contributions on an appropriate basis as agreed with the Administering Authority and following consultation with the exiting employer, taking into account any cash payments made in advance. The secondary contributions will be reviewed at each actuarial valuation and certified as part of the Fund's Rates and Adjustments Certificate until the termination of the agreement. Therefore payments throughout the agreement are not known in advance and may increase or decrease at each valuation to reflect changes in the employer's funding position.

The timeline from consultation with the exiting employer to entering into a DDA to the signing of the agreement will vary. Where possible all parties will aim to have the agreement signed within 3 months, although there may be circumstances where timings may vary.

Once finalised, the employer will become a deferred employer in the Fund and will have an obligation to pay their secondary contributions as certified by the Fund Actuary. The responsibilities of the deferred employer will be set out in the legal agreement and these will include the requirements to:

- comply with all the requirements on Scheme employers under the Regulations except the requirement to pay a primary rate of contributions but including any additional applicable costs, such as those arising from an employer discretion, or strain costs as a result of ill health retirements as employers will no longer be able to remain in the ill health pool;
- adopt the relevant practices and procedures relating to the operation of the Scheme and the Fund as set out in any employer's guide produced by the Administering Authority;
- comply with all applicable requirements of data protection law relating to the Scheme and with the provisions of any data-sharing protocol produced by the Administering Authority and provided to the deferred employer;
- promptly provide all such information that the Administering Authority may reasonably request to administer and manage the agreement; and
- give notice to the Administering Authority, of any actual or proposed change in its status, including take-over, change of control, reconstruction, amalgamation, insolvency, winding up, liquidation or receivership or a material change to its business or constitution.

The deferred employer should consult with their auditors about any impacts the DDA is expected to have on their accounting requirements.

Monitoring a DDA

A deferred debt agreement is subject to the ongoing approval of the Administering Authority. The Administering Authority reserves the right to terminate the agreement should they become concerned about a significant weakening in the deferred employer's covenant or a significant change in funding position. Conversely, if there was an improvement in the employer's circumstance then the Administering Authority and employer may agree to amend the terms of the agreement.

The Administering Authority will monitor a DDA in the following ways:

Changing funding position

The Administering Authority will request regular, and at least annual, updates of the deferred employer's funding position to review the progress of the DDA. The costs of the regular reviews will fall to the deferred employer as part of the terms for putting in place a DDA.

If the funding position changes by more than 10% (in absolute terms) from the previous review, then the Administering Authority may engage with the deferred employer to discuss a possible review of the DDA.

Changing employer covenant

The Administering Authority monitors the level of covenant of its Scheme employers on an ongoing basis. In particular, the Administering Authority commissions an employer risk review report from the Fund Actuary each actuarial valuation cycle which includes obtaining credit ratings from credit rating agencies.

Once an employer enters into a DDA, the Administering Authority will review the employer's covenant on a regular basis and details of this will be agreed for each DDA on an individual basis. If a deferred employer's covenant deteriorates, the Administering Authority may issue a notice to review and possibly terminate the agreements.

In addition, if a deferred employer requests an extension to the duration of the DDA the Administering Authority will consider an updated covenant review, amongst other factors, in assessing the proposal.

As a condition of entering into a DDA, the deferred employer is required to engage with the Administering Authority to assist with monitoring the level of covenant, for example by providing information requested by the Administering Authority in a timely manner.

Timeliness of payments

The agreement will set out whether payments are made on a monthly or annual basis, and the Administering Authority will monitor if contributions are paid on time. Successive late or in particular missing payments would contribute towards a notice being issued to the deferred employer to review and possibly terminate the agreement.

Strength of guarantee or security

If a particular funding basis has been used by the Fund Actuary on the understanding that there is a particular security in place (e.g. another employer in the Fund willing to underwrite the residual deferred and pensioner liabilities when the employer formally exits) then the Administering Authority will check there has been no change to the security at agreed regular intervals and as a minimum as part of each actuarial valuation. The Fund Actuary may change the funding basis used to set the deferred employer's contributions depending on the strength of the security in place.

Notifiable events from the deferred employer

The deferred employer has a responsibility to make the Administering Authority aware of any changes in their ability to make payments or of a change in circumstance (e.g. a change of the guarantee in place mentioned above). Information should be shared with the Administering Authority at any time throughout the agreement to enable the Administering Authority to consider whether a review of the agreement should be carried out.

Terminating a DDA

Events that may terminate a DDA

As set out in Regulation 64(7E), the DDA terminates on the first of the following events:

- the deferred employer enrolls new active members;
- the duration of the agreement elapses;
- the take-over, amalgamation, insolvency, winding up or liquidation of the deferred employer;
- the Administering Authority serves a notice on the deferred employer that it is reasonably satisfied that the employer's ability to meet the contributions payable under the DDA has weakened materially (or is likely to in the next 12 months); or

- a review of the funding position of the deferred employer is carried out at an updated calculation date and the Fund Actuary assesses that the deferred employer has paid sufficient secondary contributions to cover what would be due if the deferred employer terminated at the updated calculation date; in other words the review reveals no deficit remains on the relevant calculation basis.

The deferred employer can also choose to terminate the DDA at any point. Notice should be given to the Administering Authority at the earliest opportunity.

Termination clauses will be included in the formal DDA legal agreement.

Process of termination

Once a termination of the DDA has been triggered, the deferred employer becomes an exiting employer under Regulation 64(1). The Administering Authority will obtain from the Fund Actuary an exit valuation calculated at the date the DDA terminates, and a revised rates and adjustments certificate setting out the exit payment due from the exiting employer or the excess of assets in the Fund relating to the exiting employer (which would then be subject to the Fund's exit credit policy). All fees associated with the termination are to be paid by the exiting employer.

Once the exit payment and any associated fees have been made in full, the exiting employer has no further obligation to the Fund.

If the termination has been triggered because the deferred employer has enrolled new active members then the deferred employer becomes an active employer in the Fund and an immediate exit payment may not be required; this may instead be incorporated in the revised rates and adjustments certificate that will be provided in respect of the active employer. The employer remains responsible for all previously accrued liabilities and the revised contributions required from the active employer will be calculated in line with the Fund's FSS.

If the termination has been triggered because a review of the funding position of the deferred employer reveals that the secondary contributions paid to date by the deferred employer are sufficient to cover what would be due if the deferred employer terminated at the updated calculation date, then the deferred employer becomes an exiting employer and no further payments are required. The exiting employer has no further obligation to the Fund. Where there is a surplus, an exit credit may be payable as determined by the Administering Authority and in line with the Fund's exit credit policy.

Debt Spreading Arrangements (DSAs)

Entering a DSA

Under a DSA, the cessation debt is crystallised and spread, with interest, over a period deemed reasonable by the Administering Authority having regard to the views of the Fund Actuary and following discussion with the exiting employer. The payments are fixed and are not reviewed at each actuarial valuation.

Information required from the employer

When making a request to enter a DSA, the exiting employer should demonstrate that they are unable to settle their exit payment immediately and provide any relevant information to support their request e.g. in relation to their covenant/ability to continue to make payments to the Fund.

Examples of information the exiting employer may provide as evidence include the employer's:

- most recent annual report and accounts
- latest management accounts
- financial forecasts
- details of position of other creditors

This is not an exhaustive list and the Administering Authority may request further evidence. In particular, the Administering Authority may commission a covenant assessment if insufficient evidence is provided.

Assessing the proposal

The Administering Authority will make a decision on whether to enter into a DSA within 60 days of receiving a request but this may vary to reflect specific circumstances, for example if the Administering Authority chooses to request a covenant assessment then the process may take longer.

To reach a decision the Administering Authority will consider:

- the size of the exit payment relative to the exiting employer's business cashflow;
- the size of the exit payment relative to the costs associated with entering into a DSA;
- whether a deferred debt agreement or suspension notice would be more appropriate;
- any information provided by the employer to support their covenant strength;
- the results of any covenant review carried out by the Fund Actuary or a covenant specialist;
- the merit of any guarantees from another source and whether this is deemed sufficient to cover the outstanding payments should the exiting employer fail;
- the exiting employer's accounts;
- any legal advice as appropriate;
- the potential impact on the other employers in the Fund; and
- the opinion of the Fund Actuary.

The Administering Authority is not obliged to accept an exiting employer's request for a DSA. For example, in the following circumstances the Administering Authority may consider a DSA not to be appropriate:

- the exiting employer could reasonably be expected to settle their exit payment in a single amount;
- there is doubt that the exiting employer can operate as a going concern during the spreading period; or
- the exiting employer cannot afford the speeded payments over the maximum spreading period or is requesting a spreading period longer than the maximum (see below).

The structure of the DSA is at the discretion of the Administering Authority having taken advice from the Fund Actuary and consulted with the exiting employer. The structure should protect all other employers in the Fund whilst being achievable for the exiting employer. The structure of the DSA will take into consideration:

- the period that the payments will be spread. This is expected to be no more than 5 years. For longer periods it may be more appropriate to consider a DDA but the Administering Authority reserves the right to set whatever spreading period they deem appropriate provided they are satisfied with the exiting employer's ability to meet the payments over that period. The length of

the spreading period will be set as to be as short as possible whilst remaining affordable for the exiting employer;

- the interest rate applicable to the spread payments. In general, this will be set with reference to the discount rate in the exiting employer's cessation valuation report;
- the regularity of the payments and when they fall due;
- other costs payable; and
- the responsibilities of the exiting employer during the spreading period (for example, to make payments on time and to notify the Administering Authority of a change in circumstances that could affect their ability to make payments).

Once all information has been considered the Administering Authority will consult with the exiting employer as required under the Regulations. If the Administering Authority does not wish to accept the exiting employer's request to enter into a DSA they will explain their reasoning and any alternatives (e.g. a DDA, suspension notice or indeed require the exit payment in full). If the Administering Authority accepts the request to enter into a DSA, they will notify their legal advisers and Fund Actuary. If the Administering Authority has concerns about the level of risk arising due to the DSA, the Administering Authority may only accept the request subject to a one-off cash injection being made by the exiting employer or security being provided as an additional guarantee.

The decision on whether to enter into a DSA will be made by the S151 officer in conjunction with the Head of Pensions.

Setting up a DSA

The Administering Authority and the exiting employer, with the assistance of the Fund Actuary, will then negotiate the structure of the schedule of payments which takes into consideration the exiting employer's affordability and an appropriate period of the spreading.

The schedule of payments will be set out in a revised rates and adjustments certificate prepared by the Fund Actuary. There may be circumstances where timings may vary, however, in general the certificate will be prepared and provided to the exiting employer within 14 days of agreeing the structure of the schedule of payments with the exiting employer.

Monitoring a DSA

Over the term that the cessation debt payment is spread, the Administering Authority will monitor the ability and willingness of the exiting employer to pay the schedule of contributions in the revised rates and adjustments certificate. While it is expected the schedule of payments would be fixed for the spreading period, the Administering Authority may alter the structure of the schedule at any time if there is a change in the exiting employer's circumstances or indeed, if the exiting employer wanted to pay the remaining balance. This will be agreed on a case-by-case basis and set out in a side agreement as required.

The Administering Authority will be in regular contact with the exiting employer until their obligations to the Fund are removed when all payments set out in the schedule of payments are made.

Examples of factors which will be monitored are set out below. Should any of these raise any concerns with the Administering Authority then the DSA may be reviewed and/or terminated.

Changing employer covenant

The Administering Authority will monitor the ability of the exiting employer to make their set payments by monitoring publicly available information such as credit ratings and/or company accounts as well as keeping in regular contact, at least annually, with the exiting employer to ensure that the payments can be met.

As a condition of entering into a DSA, the exiting employer is required to engage with the Administering Authority to assist with monitoring the level of covenant, for example by providing information requested by the Administering Authority in a timely manner.

Timeliness of payments

The DSA will set out whether payments are made on a monthly or annual basis and how long for, and the Administering Authority will monitor if contributions are paid on time. Successive late or in particular missing payments would contribute towards further interest charges or the spreading agreement may be reviewed and/or terminated.

Strength of guarantee or security

If a particular schedule of payments has been agreed between the Administering Authority and the exiting employer on the understanding that there is a particular security in place (e.g. another employer in the Fund willing to pay the remaining balance or a fixed charge on property that covers the remaining balance) then the Administering Authority will check there has been no change to the security regularly. The frequency of these reviews may reduce as the level of outstanding debt reduces. The Administering Authority with advice from the Fund Actuary may change the schedule of payments depending on the strength of the security in place. The exiting employer would be consulted prior to any changes.

Notifiable events from the exiting employer

The exiting employer has a responsibility to make the Administering Authority aware of any changes in their ability to make payments or of a change in circumstance that affects their ability to make payments. Information should be shared with the Administering Authority at any time throughout the agreement to enable the Administering Authority to consider whether a review of the agreement should be carried out.

Terminating a DSA

Events that may terminate a DSA

On paying all the payments set out in the revised rates and adjustments certificate the exiting employer will no longer have any obligations to the Fund.

In the event that the Administering Authority believes that the exiting employer may not be able to make any of their remaining payments, the Administering Authority reserves the right to review and/or terminate the DSA to ensure it is appropriate for the Fund and does not adversely impact the other participating employers.

The exiting employer may also request to terminate the DSA early, in which case an immediate payment of the outstanding amounts set out in the contribution schedule should be paid.

Process of termination

In the event of a DSA being amended or terminated the Administering Authority will communicate this to the exiting employer along with reasons for the decision. Before the decision is made the Administering Authority will consult with the exiting employer about their change in circumstances and also take advice from the Fund Actuary.

If the DSA has to be terminated prematurely the Administering Authority will seek to obtain from the exiting employer as much of the outstanding exit payments as possible or look at alternative arrangements such as a DDA.

Once the exit payment has been made in full, the exiting employer has no further obligation to the Fund.

Annex C: Exit Credit Policy

This is the Exit Credit policy for the East Sussex Pension Fund (the Fund), part of the Local Government Pension Scheme (LGPS). It has been prepared by East Sussex County Council in our capacity as Administering Authority of the Fund.

The LGPS (Amendment) Regulations 2018 allow administering authorities to make an exit credit payment to exiting employers. This will be reviewed on a case-by-case basis before any payment is made. Considerations will be based on any previous agreements made and discussions between us, the exiting employer and the guaranteeing employer (if relevant).

Having regard to any relevant considerations, we will take the following approach to the payment of exit credits:

- Any employer who cannot demonstrate that they have been exposed to underfunding risk during their participation in the Fund will not be entitled to an exit credit payment. This is on the basis that these employers would not have been asked to pay an exit payment had a deficit existed at the time of exit.
- We do not need to enquire into the precise risk sharing arrangement adopted by an employer but we must be satisfied that the risk sharing arrangement has been in place before we will pay out an exit credit. The level of risk that an employer has borne will be taken into account when determining the amount of any exit credit. It is the responsibility of the exiting employer to set out why the arrangements make payment of an exit credit appropriate.
- Any exit credit payable may be subject to a maximum of the actual employer contributions paid into the Fund as certified in the Fund's rates and adjustments certificates, up to any cap arrangements that may have been in place and excluding any additional payments such as strain payments.
- We will pay out any exit credits within six months of the cessation date where possible. We may agree to a longer time with the exiting employer where necessary. For example, if the employer does not provide us with all the relevant information within one month of the cessation date, we will not be able to guarantee payment within six months of the cessation date.
- Under the Regulations, we have the discretion to take into account any other relevant factors in the calculation of any exit credit payable and we will seek legal advice where appropriate.

Applications for adjudication and disagreements

An exiting employer, or other employers affected by the decision (such as guarantors), will be able to make representations if there is any conflict or difference of opinion regarding the amount of an exit credit paid or the process by which it was determined. In this situation, the review and adjudication provisions set out in Regulations 74-78 of the LGPS Regulations 2013 will apply.

Review of policy

This policy will be reviewed at least every three years following triennial valuations or following changes in the Regulations pertaining to employers leaving the Fund. It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate. Any queries should be directed to the Head of East Sussex Pension Fund in the first instance at pensions@eastsussex.gov.uk

Annex D: Ill-health self-insurance policy

This is the Ill-health self-insurance policy for the East Sussex Pension Fund (the Fund), part of the Local Government Pension Scheme (LGPS). It has been prepared by East Sussex County Council in our capacity as Administering Authority of the Fund.

With effect from 1 April 2026 the Administering Authority, with assistance from the Fund Actuary, maintains a self-insurance policy to help mitigate the financial implications of unexpected additional costs that can arise following an ill-health early retirement.

This arrangement is subject to review at subsequent actuarial valuations and will operate as follows:

- The self-insurance arrangement applies to all employers (both existing and new and those within the Academy and Town and Parish Council pools).
- A defined percentage of pay contribution or “premium” is paid by the employers and held in a self-insurance reserve which is tracked separately by the Fund Actuary in the valuation calculations.
- These premiums are included in the employer’s primary rate. The premium for 1 April 2026 to 31 March 2029 is expected to be approximately 0.75% of pensionable pay p.a. and is already included within employer contribution rates. No additional contributions are required from employers.
- The self-insurance reserve is then used to meet strain costs emerging from Tier 1 & 2 ill-health early retirements in respect of active members.
- The increase in liabilities (i.e. the strain costs associated with Tier 1 and Tier 2 ill-health retirements of active members) is matched with a transfer of assets from the reserve so that there is no impact on the surplus or deficit position for employers participating in the self-insurance arrangement when the ill-health event occurs.
- Adjustments to employer assets (both in terms of premiums and strain payments) are made at each triennial valuation or on the employer’s exit if sooner.
- No adjustments for self-insurance are made to the employer cashflows used when producing IAS19/FRS102 disclosures.
- The premiums are set with the expectation that they will be sufficient to cover the costs in the three years following the valuation date. At each formal funding valuation, the reserve is reset so that any excess premiums over costs that are built up in the reserve are returned to employers at this time, in proportion to their employers’ payroll. The “premium” is reviewed as part of the valuation and premiums are paid into the self-insurance reserve. However, following introduction of this approach, experience will be reviewed annually over the three years from 1 April 2026.
- In the event of poor experience over a valuation period any shortfall in the reserve is effectively underwritten by the other employers within the arrangement. Future premiums will be adjusted to recover any shortfall over a reasonable period with a view to keeping premiums as stable as possible for employers. Over time the reserve is therefore intended to be self-funding and smooth out fluctuations in the contribution requirements for those employers in the arrangement.

- Premiums payable are subject to review at each valuation depending on experience and the expected ill-health trends. They will also be adjusted for any changes in the LGPS benefits. They will be included in employer rates at each valuation or on commencement of participation for new employers.

The Administering Authority reserves the right to review the premium for any employer where there is evidence to suggest a materially higher than anticipated experience for an individual employer. Any decisions made based on the outcomes of these reviews would be communicated in advance to the affected employer(s) and any changes to premiums would be clearly evidenced.~~The Administering Authority reserves the right to charge employers an additional premium where there is evidence to suggest a materially higher than anticipated experience for an individual employer.~~

Commented [KJ14]: Thanks for picking up this update



Annex E: Engagement plan

This is the engagement plan for the East Sussex Pension Fund (the Fund), part of the Local Government Pension Scheme (LGPS). It has been prepared by East Sussex County Council in our capacity as Administering Authority of the Fund.

We engage with our employers on all aspects of funding, and how we engage with them in relation to inter-valuation contribution reviews and DDAs/DSAs is set out in the Annexes above.

Purpose of the Engagement plan

This Engagement plan set out details on how we will engage with key stakeholders during the review and publication of the revised Funding Strategy Statement (FSS).

In accordance with Regulation 58 of the Regulations we must keep the FSS under review and consult with such persons considered appropriate following a material change in the FSS.

The FSS has been drafted with the Fund Actuary as part of the actuarial valuation of the Fund as at 31 March 2025, in accordance with Regulation 62 (6)(c).

The FSS for the Fund has been revised to take into account the "Guidance for Preparing and maintaining a Funding Strategy Statement (FSS)" issued in January 2025. In particular the January 2025 guidance requires the creation of this Engagement plan.

A key activity when reviewing and developing the FSS is the communication and engagement activities with the appropriate persons during the consultation period and allowing suitable timescales for all employers and other relevant stakeholders (e.g. guarantors) to participate. This Engagement plan sets out how the

Fund will engage in meaningful dialogue with all key stakeholders with interest in the FSS.

Key parties

The key parties who have input to the FSS are the Administering Authority, the Fund Actuary, the Pensions Committee and the Local Pension Board. Key stakeholders to the Fund are scheme employers and their guarantors, and scheme members. These roles are explained further below:

The Administering Authority

The Administering Authority for the Fund is East Sussex County Council. The FSS is owned and adopted by the Administering Authority.

The Fund Actuary

The Fund Actuary is Barnett Waddingham and provides advice to us on the content of the FSS.

The Pensions Committee

The Pensions Committee have a duty to protect the benefits of the LGPS members, overseeing the direction of investments and

monitoring liabilities. A key role for the Pensions Committee is to approve the FSS.

The Local Pension Board

The Local Pension Board has a duty to assist in the oversight of governance and administration of the Fund. A key role for the Local Pension Board is the process oversight of the creation of the FSS.

Scheme employers

In addition to the Administering Authority, a number of other Scheme employers participate in the Fund.

Guarantors of Scheme employers

Some Scheme employers are guarantors to other Scheme employers in the Fund. The Department for Education provides the guarantee for LGPS liabilities in the event of an academy trust closure and most further education bodies.

Scheme members

Active Scheme members are required to make contributions into the Fund as set out in the Regulations. Members receive benefits from the Fund.

Timetable

The timescales of the revision of the FSS are designed to be consistent with the actuarial valuation of the Fund as at 31 March 2025.

We will share the draft FSS and this Engagement plan with the Pensions Committee for discussion at their meeting of 25

~~September 2025 and the Local Pension Board for discussion at their meeting of 4 November 2025.~~

~~Following approval of the draft FSS, we will instigate the consultation process with Scheme employers~~

~~**Proposed engagement with employers and guarantors**~~

~~The draft FSS, together with the annexes be emailed to the main contacts of all employers and guarantors as well as the Department for Education. The Fund will specify in the communication a closing date of 9th January 2026. The Fund already maintains accurate and up to date contacts of the main contacts of employers and~~

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~~guarantors. The email will state that responses can be made to the Fund by emailing employer.engagement@eastsussex.gov.uk.~~

~~We will respond to any consultation responses within 10 working days following the closure of the consultation. We will (by default) respond by email.~~

~~The employer will then have a further 10 working days to make a counter-response.~~

~~The outcome of the consultation will be then communicated by email to employers following the Pension Committee meeting on 26 February 2026.~~

~~For the avoidance of doubt, Scheme members will not be consulted on the revisions to the FSS.~~

Outcome of the consultation response

~~Once completed we will seek approval of the final draft from the Pensions Committee or equivalent and the relevant date the FSS agreed and by who included in the FSS.~~

~~We will document how the consultation responses have been taken account of in the final FSS, this document will be available on request.~~

~~We will seek formal approval of the FSS by the Pensions Committee at their meeting on 26 February 2026.~~

Publication

~~Once completed, the FSS will be disseminated by publication via the Fund's website and a link to the document sent to each employer main contact. Copies will be sent to members of the local pension board and investment advisors. Hard copies will also~~

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~~be made available to interested parties on request at the discretion of the Administering Authority.~~

Employer engagement

~~We have encouraged employer engagement through:~~

- ~~• Including information about what to expect from the 2025 valuation in the January 2025 employer newsletter;~~
- ~~• Including information about the timetable for the FSS process in the September 2025 employer newsletter;~~
- ~~• Hosting an employer forum on 13 November 2025;~~
- ~~• Writing to employers to launch the consultation in November 2025;~~
- ~~• Reminding employers that we require feedback towards the end of the consultation period;~~
- ~~• Writing to employers following the Pension Committee meeting in late February 2026 to confirm the outcome of the consultation;~~



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Annex EF: Managing Risks

Investment risks

The main financial risk is that the investment strategy fails to deliver the discount rate or assumed rate of investment return (in real terms) that underlies the funding strategy. This could be due to several factors, including market returns being less than expected and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

The valuation results are most sensitive to the real discount rate (i.e. the difference between the discount rate assumption and the price inflation assumption). Broadly speaking an increase/decrease of 0.5% p.a. in the real discount rate will decrease/increase the valuation of the liabilities by 10%, and decrease/increase the required employer contribution by around 2.5% of payroll p.a.

The Pension Fund Committee regularly monitors the investment returns achieved and receives advice from the [investment consultants/independent advisers] and officers on investment strategy.

The Committee may also seek advice from the Fund Actuary on valuation related investment matters.

In addition, the Fund Actuary provides funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

Demographic risks

The Fund Actuary makes an allowance for future improvements in life expectancy when calculating the liabilities. The main demographic risk is that the assumptions underestimate future longevity, noting that the Fund Actuary has advised that an increase of one year to life expectancy of all members in the Fund will increase the liabilities by approximately 4%.

Information on pensioner deaths in the Fund is reviewed by the Fund Actuary at each actuarial valuation and the assumptions for how long members will live in retirement in future are adjusted as needed. For the past two funding valuations, we have commissioned a bespoke longevity analysis by Barnett Waddingham's specialist longevity team in order to assess the mortality experience of the Fund and help set an appropriate mortality assumption for funding purposes.

The liabilities of the Fund can also increase by more than planned as a result of the additional financial costs of early retirements, including ill-health retirements. We monitor the incidence of early retirements; and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

Self-insurance pool

We are currently implementing an ill-health self-insurance pool within the Fund whereby a portion of all employers' contributions into the Fund are allocated to a segregated ill-health section of the Fund. When an ill-health retirement occurs, a funding strain (i.e. the difference between the value of the benefits payable to the ill-health member and the value that was assumed as part of the actuarial valuation) is generated in the employer's section of the Fund. As part of the self-insurance policy, assets equal to the funding strain are transferred from the segregated ill-health assets section of the Fund to the employer's section of the Fund to cover the funding strain.

Climate risk

There are a large number of interlinked systemic long-term financial risks related to climate change which could potentially have a material impact on the assets and/or the liabilities of the Fund. The most obvious of these climate change risks will be the financial risks to the value of the Fund's assets, the potential increased volatility of markets and potential changes in life expectancy. It is possible that some of these factors will impact the assets and liabilities of the Fund in the same direction, although not necessarily by the same amount.

Our policy in this area is included in our [Investment Strategy Statement](#).

When considering funding issues related to climate change, we have regard to the key principles document for preparing climate scenario analysis, agreed by the actuarial firms who act as fund actuary for the LGPS funds and approved by GAD, MHCLG and SAB. The relevant information will then be provided to GAD by our Fund Actuary for the purpose of their reporting under Section 13 of the Public Service Pensions Act.

As part of the 2025 valuation, we have commissioned scenario analysis to assess the resilience of the funding strategy against climate change risk over the agreed period. The quantitative analysis will involve at least two alternate scenarios to test if the funding strategy is sufficiently robust and any potential contribution impacts. We will also undertake a qualitative analysis to identify any potential actions the Fund is taking to improve resilience to climate change. The Fund Actuary will produce a report on the climate analysis and will also summarise the analysis/commentary in the final valuation report.

The climate risk analysis is integrated into our funding strategy by having regard to the climate analysis when setting the prudence level to include in the discount rate assumptions. Our Actuary has also regards to climate change risk on life expectancy changes when setting demographic assumptions, and/or it has been considered as part of the employer covenant analysis which informed the employer contributions].

We will assess the implications of climate risk on funding strategy at least as part of each actuarial valuation.

Maturity risk

The maturity of a fund (or of an employer) is an assessment of the balance between active (contributing) members and pensioner members as well as how close on average the non-pensioner members are to retirement. The more mature the fund or employer, the greater proportion of its membership that is near or in retirement. For a mature fund or employer, the time available to generate investment returns is shorter and therefore the level of maturity needs to be considered as part of setting funding and investment strategies.

We consider the cashflow profile of the Fund alongside the level of maturity: as the Fund matures, the amount of pensions in payment increases compared to contributions being paid in for active members. This increases the risk of the Fund having to sell assets to meet its benefit payments.

The Fund Actuary provides us with cashflow projections at each triennial valuation to help to inform our investment strategy and to better understand our cashflow position.

As part of the employer covenant review process, we may ask individual employers about decisions that could affect the maturity profile (e.g. plans to close to new employees or redundancy exercises). This information may be used to inform the process in setting the contribution rates.

Regulatory and compliance risks

The benefits provided by the LGPS and employee contribution levels are set out in Regulations determined by central government. The tax status of the invested assets is also determined by the government.

The funding strategy is therefore exposed to the risks of changes in the Regulations governing the LGPS and changes to the tax regime which may affect the cost to individual employers participating in the LGPS as well as members, whose behaviour may change if tax relief on pension contributions is reduced/removed.

To mitigate this risk, we participate in any consultation process of any proposed changes in Regulations and seek advice from the Fund Actuary on the financial implications of any proposed changes.

There are a number of general risks to the Fund and the LGPS, including:

- As a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the government.
- Changes to the State Pension Age changing the benefits.

At the time of preparing this FSS, specific regulatory risks of particular relevance to our funding strategy are in relation to the McCloud/Sargeant judgments and recent consultations as discussed in the sections below.

McCloud/Sargeant judgments

Following the McCloud and Sargeant cases the transitional protections implemented when the new career average schemes were introduced to public service pension schemes, were found to constitute unlawful age discrimination. In the case of the LGPS, a new underpin was introduced for qualifying members, covering benefits relating to the period from 1 April 2014 to 31 March 2022. The McCloud remedy became law on 1 October 2023.

As part of the 2025 valuation, the Fund will determine an allowance for the McCloud underpin for eligible members as determined by the LGPS McCloud remedy regulations. An estimate for the McCloud ruling was included in the 2022 valuation for active members, but not for deferred or pensioner members. There is a risk that McCloud data provided for the 2025 valuation will not be good quality or be incomplete. However, the Fund Actuary can make informed estimates if sufficient data is not provided.

Devolution and Local Government Reorganisation

On 16 December 2024, the Government published the English Devolution White Paper. The paper invited proposals for reorganisation in areas where there are two tiers of local authority creating new unitary councils with final deadlines in September and November 2025. Whilst any changes are not expected before 2027, this falls within the period of the 2025 valuation Rates and Adjustments certificate so we will need to consider the cessation of some councils and the establishment of new employers which participate in the Fund as part of the 2025 valuation. The risk is that the new and ceasing employers are not treated appropriately for funding purposes, including the approach to exit valuations and setting contribution rates. To mitigate this risk, we will ensure we consult appropriately with employers, including officers elsewhere in the Council, during the 2025 valuation to understand the expected outcome and agree the approach to funding issues.

New Fair Deal

[On 13 October 2025 the Government issued its Access and Protections consultation which includes proposals to implement New Fair Deal in the LGPS. As expected, the proposals will change how pensions are protected for outsourced workers. It is proposed that admission agreements will not be needed in future, through introduction of the concept of the letting authority being the "deemed employer" for LGPS members](#)

~~employed by contractors and that the option for service providers to offer a broadly comparable scheme instead of continued LGPS membership for transferred employees will be removed other than in “exceptional circumstances”. A consultation is expected on New Fair Deal, which is expected to change how pensions are protected for outsourced workers, introducing the concept of the letting authority being the “deemed employer” for LGPS members employed by contractors and formally removing the option for service providers to offer a broadly comparable scheme instead of continued LGPS membership for transferred employees.~~

~~This proposed consultation closed on 22 December 2025 and, as the new arrangements were not in place during the 2025 valuation process, we may need will not affect the 2025 valuation, although we will need to revisit this FSS to ensure our approach to any new arrangements is appropriate.~~

Consultation: Fit for the Future

On 29 May 2025, the Government issued its response to the Fit for Future consultation. One requirement will be to move all listed assets to “under the management of the pool” by 31 March 2026. There is a risk that moving assets will result in a different (lower) net investment return to that assumed by the valuation. This risk is mitigated by our prudent approach to setting the discount rate, and use of various mechanisms to deliver greater stability in employer contributions if the funding position in 2028 is lower than expected due to higher investment costs/lower investment returns. The costs of moving pools is unknown and could be very high. The Pension Scheme Bill, published on 5 June 2025, introduced a directive that the Government has the power to force Funds to merge which could be used as a method of last resort if a Fund does not comply with moving all its assets under the management of a pool by the deadline.

Consultation: Access and Fairness

On 15 May 2025, the Government published a wide-ranging consultation. Key proposals include backdated equalisation of eligibility for survivor pensions and making some unpaid leave automatically pensionable at employers’ costs. Technical amendments are also proposed including changes to the McCloud remedy. There is a risk that outcomes from this consultation increase the cost benefits due under the LGPS which could worsen the Fund’s funding position. It is likely that back payments will need to be made to individual members and therefore individual employers may be affected differently. Implementing the changes will also increase administration costs and put further pressure on resource.

Employer risks

Many different employers participate in the Fund. Accordingly, we recognise that a number of employer-specific events could impact on the funding strategy including:

- Structural changes in an individual employer’s membership.
- An individual employer deciding to close the Scheme to new employees; and
- An employer ceasing to exist without having fully funded their pension liabilities.

The introduction of a Department for Education guarantee for further education bodies has helped reduce the overall level of employer risk. To further mitigate this risk, we monitor the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined and take advice from the Fund Actuary when required. In particular, the Fund will commission an employer risk review from the Fund Actuary on a regular basis, every three years as a minimum, to help identify the employers in the Fund that might be considered as high risk. In the case of admission bodies, the Fund has a policy of requiring some form of security from the employer, in the form of a guarantee or a bond, in case of employer default where the risk falls to the Fund. Where the risk of default falls on the liabilities of an original letting authority,

the Fund provides advice to the letting authority to enable them to make a decision on whether a guarantee, some other form of security or a bond should be required.

In addition, we keep in close touch with all individual employers participating in the Fund to ensure that, as Administering Authority, we have the most up to date information available on individual employer situations. We also keep individual employers briefed on funding and related issues.

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Economic risks

Economic risks due to global events such as the conflict in Ukraine and the Middle East and pandemics could lead to instability in the economy and lead to high inflation which could cause unaffordable contribution increases for employers. High unemployment could lead to reduced contributions to the Fund and a change in the maturity of the membership profile meaning that contribution rates were no longer appropriate. A valuation is carried out every three years using updated membership data, and updated assumptions based on market conditions at the time of the valuation. Using updated membership data for valuation ensures the maturity of employers is priced into the employer contributions and updated market conditions takes account of the collective views of investors in the financial markets of the expectation of future inflation due to global events.

Employer data quality risks

There is a risk that the member data provided to us is inaccurate and leads to employer contribution rates which are greater or lower than required to cover the liabilities being accrued and a longer or shorter period than intended to reach a target funding level. There is a risk that the administration software does not provide complete McCloud data for the 2025 valuation. To mitigate this risk, our Fund Actuary carries out a detailed analysis of the data provided for the valuation, and we agree an appropriate course of action where gaps or (potential) errors are identified, which includes measures to reduce the risk of underestimating the liabilities. The Fund Actuary has also advised that the effect of the absence of complete McCloud data should not have a material effect on the funding position at whole fund or employer level.

Governance risks

The Pension Regulator's (TPR's) General Code of Practice (the Code) merged ten of its existing codes of practice into one (including the public service pension code) and came into force on 28 March 2024. The Code covers TPR's expectations on governance and best practice. The Code itself does not create new legal obligations but is framed around legal obligations which funds must comply with. In not having a separate code for the public sector, there is a risk that Funds might not comply with all aspects of the Code intended to apply to the LGPS. However, Funds should already be complying with the majority of the Code which is framed around existing legal requirements. Schemes are not expected to comply with the Code from the date it came into force.

Orphan liabilities

Orphan liabilities do not have a specific employer responsible for their liabilities in the Fund. New orphaned liabilities can arise from existing employers in the Fund ceasing their participation, where the residual liabilities are not subsumed by another employer in the Fund. There is a risk that orphan liabilities cause a significant increase in the costs for the remaining employers in the Fund. To mitigate this risk, when an employer ceases to participate in the Fund and the liabilities become orphaned, a cessation valuation is likely to be carried out on a more prudent basis than the ongoing basis and the ceasing employer is liable to pay an exit payment if in deficit. In addition, our Fund Actuary reviews all orphan liabilities as part of the valuation and the assets notionally allocated to employers are adjusted to ensure that these are fully funded on an ongoing basis.

Long-term employer covenant alongside shorter-term affordability

When considering deficit payments or exit payments, there is a risk that the initial affordability is low but there is the prospect of increased affordability in future. In extreme cases the payments due to the Fund may cause the immediate insolvency of an employer. The Fund makes use of the employer flexibilities which came into force on 23 September 2020 as set out in its DSA and DDA policy, to work with employers exiting the Fund.

Annex **FG**: Glossary

This Glossary has been copied from Annex D of the FSS guidance [here](#) but supplemented with some additional terms as used in this FSS.

Actuarial certificates/rates and adjustments certificate

A statement of the contributions payable by each scheme employer. A statement of the contributions payable by the employer. Following the actuarial valuation exercise, the effective date is 12 months after the completion of the valuation.

Actuarial valuation

An investigation by an actuary, appointed by an Administering Authority into the costs of the scheme and the ability of the fund managed by that authority to meet its liabilities. This assesses the funding level and recommended employer contribution rates based on estimating the cost of pensions both in payment and those yet to be paid and comparing this to the value of the assets held in the fund. Valuations take place every three years (triennial).

Administering Authority (referred to as 'the fund')

A body listed in Part 1 of Schedule 3 of the regulations who maintains a fund within the LGPS and a body with a statutory duty to manage and administer the LGPS and maintain a pension fund (the fund). Usually, but not restricted to being, a local authority.

Admission agreement

A written agreement which provides for a body to participate in the LGPS as a scheme employer.

Assumptions

Forecasts of future experience which impact the costs of the scheme. For example, pay growth, longevity of pensioners, inflation, and investment returns.

Code of Practice

The Pensions Regulator's General Code of Practice.

Data

For GAD to carry out its function under Section 13 of the Public Service Pensions Act 2013, GAD will request data to be provided by the local administering authorities/local fund actuaries, and it is assumed that this data will be provided promptly and accurately.

Debt spreading arrangement

The ability to spread an exit payment over a period of time.

Deferred debt agreement

An agreement for an employer to continue to participate in the LGPS without any contributing scheme members.

Discount rate

A prudent estimate of the rate of investment return that is expected to be earned from the Fund's long-term investment strategy.

Employer covenant

The extent of the employer's legal obligation and financial ability to support its pension scheme now and in the future.

Funding level

The funding level is the value of assets compared with the liabilities.

Funding Pool

Where the Fund identifies a group of employers with similar characteristics, it is possible to form a pool for these employers. Employers within a pool will pay the same contribution rates and share risks.

Fund valuation date

The effective date of the triennial fund valuation.

GAD

Government Actuary's Department

Guarantee / guarantor

A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the fund can consider the employer's covenant to be as strong as its guarantor's.

Inflation Risk Premium

An adjustment to RPI inflation to reflect the view that investors are willing to pay a premium for inflation-linked products in return for protection against unexpected inflation.

Local Pension Board

The board established to assist the Administering Authority as the Scheme Manager for each fund.

MHCLG

Ministry of Housing, Communities and Local Government

Non-statutory guidance

Guidance which although it confers no statutory obligation on the parties named, they should nevertheless have regard to its contents.

Notifiable events

Events which the employer should make the Administering Authority aware of.

Past service liabilities

The cost of pensions already built up or in payment.

Pension Committee

A committee or sub-committee to which an Administering Authority has delegated its pension function.

Pensions Administration Strategy

A statement of the duties and responsibilities of scheme employers and administering authorities to ensure the effective management of the scheme.

Primary rate of the employers' contribution

The primary rate for each employer is that employer's future service contribution rate, which is the contribution rate required to meet the cost of the future accrual of benefits, expressed as a percentage of pensionable pay, ignoring any past service surplus or deficit but allowing for any employer-specific circumstances, such as the membership profile of that employer, the funding strategy adopted for that employer (including any risk sharing arrangements operated by the Administering Authority), the actuarial method chosen and/or the employer's covenant. The primary rate for the whole fund is the weighted average (by payroll) of the individual employers' primary rates.

SAB

Scheme Advisory Board

Secondary rate of the employers' contribution

The secondary rate is an adjustment to the primary rate to arrive at the rate each employer is required to pay. It may be expressed as a percentage adjustment to the primary rate, and/or a cash adjustment in each of the three years beginning with 1 April in the year following that in which the valuation date falls. The secondary rate is specified in the rates and adjustments certificate. For any employer, the rate they are required to pay is the sum of the primary and secondary rates. The actuary should also disclose the secondary rates for the whole scheme in each of the three years beginning with 1 April in the year following that in which the valuation date falls. These should be calculated as a weighted average based on the whole scheme payroll in respect of percentage rates and as a total amount in respect of cash adjustments. The purpose of this is to facilitate a single net rate of contributions expected to be received over each of the three years that can be readily compared with other rates and reconciled with actual receipts.

Scheme Manager

A person or body responsible for managing or administering a pension scheme established under section 1 of the 2013 Act. In the case of the LGPS, each fund has a Scheme Manager which is the Administering Authority.

Solvency

The notes to the Public Service Pensions Act 2013 state that solvency means that the rate of employer contributions should be set at “such level as to ensure that the scheme’s liabilities can be met as they arise”. It is not regarded that this means that the pension fund should be 100% funded at all times. Rather, and for the purposes of Section 13 of the Public Service.

Pensions Act 2013, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

- the rate of employer contributions is set to target a funding level for the whole fund (assets divided by liabilities) of 100% over an appropriate time period and using appropriate actuarial assumptions; and either
- employers collectively have the financial capacity to increase employer contributions, and/or the fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or
- there is an appropriate plan in place should there be, or if there is expected in future to be, no or a limited number of fund employers, or a material reduction in the capacity of fund employers to increase contributions as might be needed.

If the conditions above are met, then it is expected that the fund will be able to pay scheme benefits as they fall due.

Long-term cost efficiency

The notes to the Public Service Pensions Act 2013 state that Long-term cost-efficiency implies that the rate must not be set at a level that gives rise to additional costs. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the time.

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long-term cost efficiency if the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual, with an appropriate adjustment to that rate for any surplus or deficit in the fund.

In assessing whether the above condition is met, GAD may have regard to the following considerations:

- the implied average deficit recovery period
- the investment return required to achieve full funding over different periods, e.g. the recovery period
- if there is no deficit, the extent to which contributions payable are likely to lead to a deficit arising in the future
- the extent to which the required investment return above is less than the Administering Authority’s view of the expected future return being targeted by a fund’s investment strategy, taking into account changes in maturity/strategy as appropriate.

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Report to: Pension Committee

Date of meeting: 26 February 2026

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

RECOMMENDATIONS:

The Pension Committee is recommended to:

- 1) note the legal and regulatory changes set out in this report;
 - 2) note the updates in relation to Pension Board Membership and funding position; and
 - 3) approve the revised Pension Administration Strategy.
-

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 At the last meeting of the Committee members were informed of a Government consultation launched on 13 October 2025, titled '[Local Government Pension Scheme in England and Wales: Scheme Improvements \(Access and Protections\)](#)'. The consultation related to 4 key areas Normal Minimum Pension Age, pension access for Councillors and Mayors, Academies in the LGPS and New Fair Deal. Having consulted with Chairs of both the Pension Board and Pension Committee, ESPF submitted a response to the consultation on 22 December 2025 (Appendix 1).

2.2 On 20 November 2025, the government published the [Local Government Pension Scheme in England and Wales: Fit for the Future - technical consultation](#). This consultation, which concluded on 2 January 2026, sought views on 2 draft statutory instruments:

- the 'Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026'
- the Local Government Pension Scheme (Amendment) Regulations 2026

2.3 The 'Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026' will replace the current 2016 LGPS Regulations and give legal effect to the proposals set out in the Pooling and Local Investment chapters of the 'Fit for the Future' consultation. The proposed legislation includes the following:

- a requirement for administering authorities to delegate the implementation of their investment strategy to their asset pool
- a requirement for administering authorities to take principal investment advice from their pool
- a requirement for all assets to be controlled and managed by the relevant asset pool
- provision for the Secretary of State to direct Administering Authorities (AAs) to participate in specific pools, and for specific pools to facilitate participation

- establishment of minimum standards for pools, including Financial Conduct Authority (FCA) authorisation and capacity to manage local investments
- a requirement for compliance with effect from 1 April 2026

2.4 The Local Government Pension Scheme (Amendment) Regulations 2026 will implement the proposals in the Governance chapter of the consultation. The proposed legislation includes the following:

- a requirement for AAs to prepare and publish a governance strategy, a training strategy, and a conflict-of-interest policy – either separately or together – which must be reviewed and published at least every three years. AAs will also be required to prepare an administration strategy separately.
- a requirement for AAs to appoint a senior LGPS officer by 1 October 2026. This newly established statutory position will be responsible for ensuring that the Fund is appropriately managed and resourced regarding all aspects of the Scheme, including administration, investment, and governance. The senior LGPS officer must not simultaneously hold another statutory local government role, such as section 151 officer, monitoring officer, or head of paid service.
- a requirement for administering authorities to appoint an independent person as a non-voting member of its committee by 1 October 2026. The role will involve advising on investment strategy, governance and administration.
- a requirement for administering authorities to undertake an Independent Governance Review (IGR), with the first review required to take place by 31 March 2028. The resulting report must be prepared and submitted to the Secretary of State and published by the AA.

2.5 The response was submitted on 2 January 2026 (Appendix 2).

2.6 Much of the detail contained within the Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026 is covered elsewhere on the agenda. For clarity, below sets out the actions ESPF intended to take to address the detail within the Local Government Pension Scheme (Amendment) Regulations 2026:

Task	Current Position and Action Required	Due for Action
Publication of a Governance Strategy, Training Strategy and Conflict of Interest Policy	ESPF currently have a Governance and Compliance Statement, Training Strategy and Conflict of Interest policy. These will be reviewed against the forthcoming legislation and amended to meet with the requirements if necessary	June 2026
Appointment of a Senior Officer	No such role beyond Section 151 Officer or Head of Pensions currently exists. Requirements will be reviewed and necessary actions taken prior to 1 October 2026	Ongoing Spring/Summer 2026

Appointment of an Independent Person to the Pension Committee	No such role currently exists. Requirements will be reviewed and necessary actions taken prior to 1 October 2026	Ongoing Spring/Summer 2026
Carry Out an Independent Governance Review (IGR)	To some extent this function is currently undertaken by both internal and external audit. Requirements will be reviewed and actions determined to ensure review undertaken prior to March 2028	Prior to March 2028

2.7 Members of the Committee will recall that in the Summer of 2025 Government released a consultation titled [LGPS \(England and Wales\): Access and Fairness](#) and that at the last meeting of the Committee it was indicated that the Government response to the consultation was expected by the end of the year, however, the response has been delayed. It is understood that Government plans to phase in the changes proposed in the consultation to ease the administrative impact. Phase one changes will be introduced in April 2026, and phase two later in the year.

2.8 The changes included in phase one are outlined in the table below:

Survivor benefits and death grants	Equalising survivor benefits – some calculations will be backdated to 5 December 2005
	Removing the age 75 limit for death grant eligibility – this will be backdated for deaths that took place from 1 April 2014
	Removing the requirement for a death grant to be paid to the personal representatives where it is not paid within the two-year period – this will apply to unpaid death grants at the date the regulations take effect
	Removing the requirement to nominate a cohabiting partner in the 2008 Scheme
	Inserting a requirement that a child’s short-term pension, paid under the 1995 and 1997 Regulations, must cease if that child is no longer an eligible child
Gender pensions gap benefits	Making authorised absences of less than 15 days automatically pensionable
	Aligning the cost of buying back lost pension for authorised absences of over 14 days with the standard member contribution rates
	Extending the time limit for electing to buy back lost pension from 30 days to 12 months, as long as the member is in the same employment

	<p>Allowing an employer to pay their share of contributions relating to an unpaid period of more than three years</p> <p>Updating the definition of child-related leave to include all periods of additional maternity, adoption and shared parental leave without pay</p>
Gender pensions gap reporting	<p>Making basic gender pensions gap reporting mandatory for administering authorities with effect from the 2025 valuation – with actuarial guidance being provided to confirm the methodology</p>
McCloud remedy	<p>Correcting regulations with backdated effect from 1 October 2023 to provide the McCloud remedy works as expected in relation to:</p> <ul style="list-style-type: none"> • recalculating pension debits • deaths on or after 1 October 2023 • transfers from other public service pension schemes with underpin protection for joiners after age 65 • interest on Club top-up transfers • interest on direct compensation <p>Final regulations to amend the rules on recalculating pension credits for McCloud so that they include cases where the credit member died, trivially commuted or transferred out before 1 October 2023</p>
Abolition of LTA changes	<p>Amending the definition of a Benefit Crystallisation Event</p> <p>The introduction of a long-term approach to the maximum pension commencement excess lump sum (PCELS). The new maximum will be 25% of the capital value of the benefits being crystallised, subject to the contracting-out limits. This will be implemented by:</p> <ul style="list-style-type: none"> • updating the Lump Sum Commutation Government Actuary Department (GAD) guidance • revoking regulation 50 (limit on total amount of benefits) and equivalent provisions under earlier regulations • withdrawing the lifetime allowance GAD guidance
5-year refunds	<p>Removing the requirement to automatically pay refunds at the end of five years. This will also mean that, in all cases, if a member rejoined the LGPS before the refund is paid, their benefits will be aggregated. It is expected this will apply to all members who leave after 31 March 2026, and to unpaid refunds as at 1 April 2026 for members who left between 1 April 2014 and 31 March 2026</p>

Small Pensions	The option to take a de-minimis small pot payment will be extended to members who left the LGPS before 1 April 2008 and councillor members
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2.9 It is expected that a statutory instrument implementing the phase one changes will be laid at the start of March and take effect from 1 April 2026.

3 Pension Administration Strategy

3.1 The draft Pension Administration Strategy was sent to scheme employers and other stakeholders for consultation, which ended on 16 January 2026. The Pension Committee is recommended to approve the final version (Appendix 3).

3.2 ESPF received 4 responses to the consultation and, as a result of this feedback, have made the following amendments to the final version:

- The target timeframe for transfer in and out quotes, transfer in and out payments, aggregation payments and interfund quotes has been extended from 10 to 15 days on account of the additional complexities presented by McCloud.
- Some of the feedback indicated that employers may wish for correspondence to be issued to other employees in addition to the employers' designated Pension Liaison Officer, so text has been expanded to allow the inclusion of others where appropriate.
- Some minor formatting amendments have also been made.

3.3 Some other feedback received included:

- An employer expressed the view that the administrative charges that may be levied on scheme employers were excessive. It should be noted that such charges would be a last resort having, by the stage any charges would become payable, worked with an employer to address any underlying issues. The charges detailed in most cases only apply following a warning and are largely in line with many other LGPS administering authorities.
- A query around if in-house administration was the right option for the scheme and whether it should instead consider outsourcing the administration function.
- A concern was raised in relation to the absence of service level agreements detailing when members will receive requested information having been included. However, this information is provided within appendix b to the Administration Strategy at Appendix 3 and covers the overwhelming majority of scheme member interactions with the ESPF.
- An employer suggested that the Internal Dispute Resolution Procedure could be made a single stage process.

4 Pension Board Membership

4.1 At its meeting on 27 January 2026, the Governance Committee of East Sussex County Council approved a 2-year extension (ending on 28 February 2028) in the term of office for Neil Simpson as a Scheme Member Representative on the Pension Board.

5 Funding Update

5.1 The Fund Actuary has prepared the indicative quarterly funding update as at 31 March 2025, rolling forward assumptions from the valuation and reflecting actual experience since March 2022, included at Appendix 4. The indicative funding report shows the funding position increase to 118.3% at 31 December 2025 to compared to 117.2% as at 31 March 2025.

6 Conclusion

5.1 This report provides an update on legal and regulatory changes together with Pension Board Membership and funding updates. The Pension Committee is recommended to note the report and approve the updated Pension Administration Strategy.

IAN GUTSELL
Chief Finance Officer

Contact Officer: Susan Greenwood, Head of Pensions
Email: Susan.Greenwood@eastsussex.gov.uk

Local Government Pension Scheme in England and Wales: Scheme improvements (access and protections)

Consultation Link: [Local Government Pension Scheme in England and Wales: Scheme improvements \(access and protections\) - GOV.UK](#)
Consultation Open: 13 October 2025
Consultation Close: 22 December 2025

Respondant Details

Contact Officer: Dave Kellond, Head of Governance & Compliance
dave.kellond@eastsussex.gov.uk
Contact Details: [07701 394674](tel:07701394674)
Type of respondent: Administering Authority - East Sussex County Council

Topic	Question Num	Question	East Sussex Pension Fund Response
Normal Minimum Pension Age (NMPA)	1	Do you agree with keeping the NMPA at below 57 for members with a PPA?	Yes – but with some reservations. An arbitrary cutoff off date (in this case 4th November 2021) is a significant concern, in relation to the potential for legal challenge. Many Administering Authorities feel rather scarred from the experience of McCloud, and the additional work and complexity that has followed for retrospective rectification.
	2	Do you agree with increasing the NMPA to 57 for members without a PPA?	Yes – the LGPS should assimilate with the wider pensions sector. Amending the NMPA without protection is administratively straightforward, subject to Government having taken robust legal advice to mitigate any legal challenge that may arise.
	3	Do you have any views on the design of the regulations to incorporate this change?	The ability of Administering Authorities to implement these changes effectively, will to some extent be dependent on how quickly software suppliers can effect changes to software and avoid any need for manual interventions. An implementation date of 6th April 2028 should afford ample opportunity for the required changes to be made in advance. Aside from the practical implementation of the changes, Administering Authorities will also need to confront the communication difficulties with members, when required to operate multiple NMPA's.
Access for councillors and mayors	4	Do you agree with the proposal to give mayors access to the scheme?	Should a decision be taken to reintroduce membership of the LGPS for councillors, in the interests of consistency it would make sense to also permit membership to other elected post holders, such as mayors and deputy mayors.
	5	Do you agree with the proposal to give councillors access to the scheme?	We agree that the status quo should be addressed in an effort to make a more uniformed provision for councillors across the UK. With access to the LGPS currently being prevented to such members in England only. However, the proposals could have considered going a step further, in order to create a single version of the LGPS for elected members, rather than various different iterations of the scheme.
	6	Do you agree with the two principles of how the government plans to develop regulations?	We agree that, to the greatest extent practicable, elected members should be afforded the same treatment as other members of the LGPS and that efforts should be made to ensure consistency wherever possible.
	7	Do you have any specific comments on the draft regulations?	Although it is the case now that the provision for elected members with regard to LGPS membership differs across the UK, the regulations as proposed do not address the imbalance but instead create a new one. This may be a missed opportunity to standardise provision, or indeed could be the first step in doing so with further reforms outside England to follow.

Academies	8	Do you agree with the proposal to establish the criteria above in legislation?	<p>The approach as detailed in the consultation is welcome, an ability to consolidate the position of scheme employers where all parties are in favour of such action appears to be a sensible decision. However, it is our view that the policy will need to be supported by clear and unambiguous guidance.</p> <p>For example, the first of the criteria requires there to be a clear and evidenced value for money assessment in favour of consolidation. However, what is not clear is whose responsibility it will be to evaluate that assessment with the matter not being considered by the Secretary of State. The very nature of this policy requires its operation across multiple administering authorities and so it is vital for consistency that all administering authorities have a clear view of what value for money looks like. This can best be achieved by clear, centrally issued guidance.</p> <p>Similarly, the last of the criteria, in which it requires the receiving administering authority to be able to administer the transfer effectively appears almost a repetition of the third criteria in which the receiving administering authority has implicitly declared an ability to administer the transfer in agreeing to it taking place. How such claims are assessed should also be made clear within the guidance.</p>
	9	Do you have any views on how contribution rate shopping can be discouraged?	<p>Although very difficult to prevent, in practice this may well prove to be self-policing via the requirement for all parties to be in agreement for consolidations without Secretary of State approval. The 'value for money' assessment may also assist in preventing contribution rate shopping by focussing on the potential long-term efficiencies that may be achievable by the employer and not on the prevailing or potential employer contribution rate.</p> <p>Limiting the number of occasions on which such consolidations could take place may be worth considering. This could occur naturally, due to a shrinking pool of administering authorities with whom the employer would have a pre-existing relationship each time consolidation occurs, but for new schools joining an academy trust.</p> <p>Ultimately, this should be mitigated by clear guidance for the value for money assessment, where recurring transition costs would be hard to justify.</p>
	10	Are there any other criteria that should be included?	As detailed above, the existing criteria is likely sufficient, but only if supported by clearly defined terms and clear accompanying guidance.
	11	Do you have any other comments or considerations relating to establishing the criteria in legislation?	No further comments
	12	Do you agree to the removal of the requirement to seek Secretary of State consent for standard direction order applications?	Yes - In circumstances where the prescribed criteria are met, it would appear sensible not to occupy the Secretary of State with such matters. However, as described in previous responses, the key issue is the evaluation of the criteria having been met, will this simply be a requirement of the sending and receiving administering authorities?
	13	What would be the most helpful information to include in guidance?	Clearly defined terms and clear detail around what satisfying the criteria looks like.
	14	Do you have any other comments or consideration on the removal of the requirement to seek SoS consent for standard order applications?	No further comments
	15	Do you agree that non-standard applications will continue to require Secretary of State approval?	Yes – in circumstances where the criteria is not satisfied, the Secretary of State should be required to make a determination.
	16	What would be the most helpful information to include in the guidance in relation to nonstandard applications that will require Secretary of State approval?	We are not convinced that significant addition guidance would be required, other than for the relevant scheme employer to highlight to the Secretary of State what elements of the criteria are unsatisfied and the reasons why.
	17	Do you have any further comments regarding the proposal?	No further comments
	18	Do you agree that the option to offer broadly comparable schemes should be removed, except in exceptional circumstances, to align with the 2013 Fair Deal guidance?	Yes – it is our experience that use of a 'broadly comparable' scheme is extremely rare. The term 'broadly comparable' can all too often create confusion during the process of establishing pension provision, where some employers equate parity of inputs as meeting the threshold of 'broadly comparable' without considering the potential disparity of outputs.
	19	Are you aware of any other broadly comparable schemes that are currently in operation and have active members covered by the 2007 and/or 2012/2022 Directions? If so, please provide details of these.	No

New Fair Deal	20	Do you agree with the proposals on deemed employer status and the removal of admission body option for service providers who deliver local government contracts?	Yes – in the long term, this would streamline administrative processes and no longer resulting in long standing delays to the signing of admission agreements. However, the reason for such delays is often due to employers fully assessing the undertakings an admission agreement exposes them to, which are ultimately agreed when the agreement is signed. The proposed approach may see a diminution in the level of engagement from both the contractor and outsourcing employer. The introduction of a requirement such as a participation agreement may assist in this, whilst are the same time providing a clear and agreed delegation of responsibilities between all parties. Whilst also achievable through the regulations, a signed agreement does offer some reassurance that pension matters have been properly considered.
	21	Do you agree with the proposed definition of a Fair Deal employer?	Yes
	22	Do you agree with the proposed definition of a protected transferee?	Yes
	23	Do you agree with the proposal to allow the Fair Deal employer to provide protected transferee status for all staff working on a contract outsourced by a Fair Deal employer, which would enable Fair Deal employers and relevant	From the perspective of an Administering Authority this would not pose any issues and operate in a way similar to open admission agreements which are currently in place. However, in our experience, it is more often the case that employers will take advantage of an opportunity to reduce the cost of providing services with provisions that TUPE is not a long running
	24	Do you agree with the overall approach on responsibilities for relevant contractors and Fair Deal employers? If you do not, with which proposals do you disagree?	Our concern is more in relation to the management of those responsibilities, more then the responsibilities themselves. The absence of a clear document such as an admission agreement, that not only details responsibilities but demonstrates an acknowledgement and agreement to them may contribute to additional confusion and uncertainty. This could be mitigated by use of a similar document following TUPE making clear the obligations on each of the relevant parties.
	25	Do you agree that Option 1 should be applied to how agreements between protected transferees and relevant contractors should be treated in the case of subsequent outsourcings? Please give the reasons for your answer.	From the perspective of a scheme administrator, the least complicated option is option 2, akin to the status quo. This has the benefit of being the default position if no deliberate action is taken, both option 1 and 3, require clear communication amongst all parties to ensure the ongoing position, and the absence of any positive action would default the employee into a position unsupported by the legislation. However, it is acknowledge that this should not necessarily be a barrier to change, both options 1 and 3 create and advantageous position for the scheme member in providing a greater level of protection.
	26	Do you agree with the approach to allow broadly comparable schemes to continue only in exceptional circumstances?	Yes - although used infrequently, it is sensible to retain this as a possibility.
	27	Do you have any views on what the exceptional circumstances, where broadly comparable schemes may need to continue, could be?	No
	28	Do you agree with the proposed approach to inward transfers from broadly comparable schemes?	Yes - providing the scheme member retains the choice of whether to proceed with a transfer from the broadly comparable scheme and not be compelled to make such a transfer.
	29	Do you agree with the approach of including a mechanism in the draft regulations that allows for staff to become protected transferees where there is an early re-negotiation of a service contract using the new Fair Deal regulations?	Yes - subjecting to satisfying legal concerns of any relevant party.
	30	Do you agree with the proposal that all staff (including those joining a contract after first outsourcing) would be eligible for protected transferee status, providing all relevant parties agree?	As mentioned in answer to an earlier question, in our experience few contractors wish to extend membership of the LGPS beyond those for whom they are compelled to offer it. Consequently, were the proposals to proceed as drafted it may be unlikely that employers would be motivated to widen the offer of protected transferee status beyond the group to whom they obliged to do so.
	31	Do you agree with the proposal for the draft regulations to come into force on the date the relevant SI is laid, with a 6-month transitional period during which there is the possibility to decide to not apply the new provisions?	Yes, but on the proviso that the necessary guidance is made available at the same time, or ideally prior to the implementation date. A 6-month window is rather short and possibly consideration could be given to extending to a 12-month period.
32	If you are an individual who is currently outsourced from a local authority and part of a final salary scheme, do you agree with the proposed updating of the 2007 and 2022 Directions to deem the LGPS as broadly comparable to or better than final salary schemes? Please give the reasons for your answer.	Not applicable	

	33	Do you agree with the proposal to develop and publish statutory guidance and Scheme Advisory Board guidance to support with the implementation of the updated Fair Deal proposals?	Yes, this should be made available from the earliest opportunity.
	34	Are there any additional topics that you would like to be covered?	No
	35	What impact do you think these proposals would have on members?	Broadly very little, given the limited use of broadly comparable schemes, the same member outcomes are largely delivered now via use of admission agreements - the potential for widening access to further employees, will not be an option the Fund envisage many employers making use of.
	36	Do you support the proposal to bring all eligible individuals back into the LGPS, including those in broadly comparable final salary schemes? Please explain your reasons.	Given that it is possible that some employees contributing to such schemes may enjoy greater benefits than those offered within the LGPS, it would not seem sensible to enforce a transition back to the LGPS. However whilst theoretically possible such cases will be rare.
	37	On balance, do you agree with the proposals in this chapter?	Yes
General	38	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
	39	Do you agree to being contacted regarding your response if further engagement is needed?	Yes

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.

Question 1

Do you have any comments on the drafting of regulations 1 and 2?;

No

Question 2

Are there any further types of investment that should be included in Regulation 3, or any that are no longer considered relevant?

No

Question 3

Is there any scenario where an authority would still need to borrow to meet the type of commitment outlined in Regulation 5(2)(b) once all assets are pooled?

While we would expect this to be rarely utilised, it would be helpful for Funds to have the flexibility to have borrowing powers (on a clear and time defined basis).

Question 4

Do you have any other comments on Regulations 3-6?

No

Question 5

Are the activities listed in the schedule ones that all LGPS asset pools would reasonably be expected to need in order to carry out the activities expected of them?

Yes

Question 6

Do you have any other comments on Regulations 7-9?

For Regulation 8, while the activities stated appear to be reasonable, we would question whether listing these in the regulations is future proofed (both for future changes in Financial Service regulation given the ongoing initiative to simplify FCA regulatory activities, and that operating models may change in the future, changing which permissions are needed). An alternative may be to be more explicit about the services you expect the pool to carry out (and then the FCA will agree which permissions are required).

Regulation 9 – a direction to a pool to accept an authority should perhaps include reference to this being subject to any Regulatory provisions. This may be the intent behind 9(2)(c) but it could put FCA-regulated pools in a very difficult position if the FCA was not supportive of further expansion (for whatever reason). It also runs the risk of impacting the rights of existing shareholders; we would welcome an amendment that explicitly provides a level of protection for existing shareholders, e.g. with shareholder consent consistent with its shareholder agreement.

Question 7

Do you agree that the requirements in Regulation 11(2), for the financial objectives in the investment strategy statement to be consistent with the funding strategy statement and to have regard to the requirement to maintain consistent primary employer contribution rates, are helpful?

Yes

Question 8

In relation to regulation 12, does a deadline of 30th September 2026 allow sufficient time to allow AAs to publish an investment strategy in line with the new requirements?

While this would be helpful, given the scale of activity required it might be helpful for the deadline to be extended to 31 March 2027. This is particularly pertinent given it remains unclear when the Act and associated Regulations and Guidance will be finalised and implemented. A challenge for the LGPS will be that all Funds will be attempting to undertake the same activity in a short space of time whilst relying on the same finite pool of advisor capacity.

Question 9

Are there any other persons (including organisations) in addition to those currently listed in Regulation 12(3) that all AAs should always be required to consult on the contents of their investment strategy?

No. We note the current regulations include “and any other relevant stakeholders”. It would be helpful to retain this as part of 12(4).

Question 10

Is the wording of Regulation 13(1) sufficiently clear that the responsibility for implementing the investment strategy is fully on the asset pool company, while giving sufficient scope for flexibility where market conditions or other factors make it impracticable to fully realise all the aims of the investment strategy?

Yes, it makes clear the responsibility for implementing investment strategies rests with the Asset Pool Company, with the flexibility to deviate from an authority’s strategy. To uphold transparency East Sussex suggests the inclusion of a requirement for the Asset Pool Company to notify the administering authority whenever such a deviation occurs.

This requirement would foster constructive dialogue, enable the Asset Pool Company to deliver strategies as effectively as possible, and provide valuable feedback to authorities. It would also help authorities assess the practicality of their strategies and improve them over time.

Question 11

In relation to Regulation 14, do you agree it is appropriate to link the three-yearly review of the investment strategy to the triennial valuation?

Yes

Question 12

Is 18 months from the valuation date an appropriate timescale for AAs to review, revise, and publish their investment strategy?

Yes

Question 13

Do you have any other comments on Regulations 10-15?

Regulation 11- The Fit for the Future consultation sets out that the authority should be responsible for strategy and set out the authority's investment objectives. To be consistent with the consultation language East Sussex suggests that Investment Objectives is included within regulation 11. (1)

We would question whether 11(3) – requiring the authority to “have regard to the local economic priorities of the relevant strategic authority” - creates a dependency that might delay progress of ISSs.

East Sussex questions if the restriction in 11.(6) is relevant. Considering both the need for the investment strategy to set out objectives for local investment and that it will be the asset pool company making the investment decisions around local investments. The Asset pool company also has the flexibility to implement the investment strategy as it sees fit and is able to make an investment outside the investment strategy and therefore outside this restriction. It is not clear how authorities are able to enforce this restriction.

From the 2016 regulations there was a requirement that is not replicated in the 2026 regulations:

(b)the authority's assessment of the suitability of particular investments and types of investments;

Should the regulations require the Investment Strategy to include a statement from its Asset Pool company on its assessment of the suitability of particular investments and types of investments?

Question 14

Is 21 days an appropriate time period for an asset pool company to be managing AA assets?

No, This is incredibly tight given the legal process required to achieve this. A 3-month window would be more appropriate. Nonetheless we welcome the flexibility contained Para 2 & 3.

Question 15

Do you have any other comments on Regulation 16?

Regulation 16 states that assets should be “held and managed by the asset pool company”. As the pool company may not hold the assets (e.g. legacy private markets will continue to be held by the AA but managed by the pool). As such it should state assets should be “held or managed” by the pool.

We welcome the flexibility provided in 16 (2) and 16 (3).

Question 16

Do you have any comments on Regulation 17?

No

Question 17

Do you agree with the list of issues that the Secretary of State can issue guidance about in Regulation 18?

Yes

Question 18

Do you have any other comments about Regulations 18 or 19?

No

Question 19

Is there anything in the 2016 regulations that needs to be replicated here in some form to allow the scheme to operate as intended?

No

Question 20

Is 28 days an appropriate length of time to allow an AA to participate in both its ‘old’ and ‘new’ pool to allow transitional processes to take place?

No. While we appreciate the desire for a time limited period, 28 days is insufficient and not reasonable. As with our comments above, we would propose a period of three months.

It would be helpful to have a similar framing as is proposed for Regulation 16, paragraphs 2 & 3.

Question 21

Do you have any other comments about Regulations 20-22?

No

Question 22

Is there anything else that should be included in these Regulations to allow them to deliver their intended impact? Are there any additional provisions in the 2016 Regulations that need to be replicated here in some way?

No

Question 23

The government collected views on whether the reforms would benefit or disadvantage protected groups when consulting on the Fit for the Future policy proposals in autumn 2024. Is there anything in these regulations that you think will disproportionately impact groups with protected characteristics relative to other groups?

No

Question 24

Do you agree that new Regulation 55A delivers the government’s intent for the governance strategy, training strategy and conflict of interest policy, in line with the Fit for the Future consultation and response?

Yes – policies already in place – keep separate or combine – knowledge requirement applies to Senior Officer and Committee,

Question 25

Do you agree that new Regulation 53A delivers the government’s intent for the senior LGPS officer in line with the Fit for the Future consultation and response?

Yes. However the current wording fails to account for all LGPS structures and may damage how single purpose authorities operate (which are likely to become a more common feature in the LGPS). The intent can still be achieved by changes along the following lines:

Amend 53 A (4) to read: Where an administering authority is a principal local authority [or appropriate legislative term] the senior LGPS officer must not be any person who is at the same time –

Add new 53 A (5)

Where an administering authority is a single purpose authority established under the Local Government Act 1985 [add other legislation or use a different framing like for the purpose of administering an LGPS pension fund] the senior LGPS officer –

(a) Must be the Head of Paid Service where an employee of the single purpose authority, [Caters for the eventuality of the HoPS being an officer of a constituent council which is possible, if unlikely in the current world]

(b) Must not be the s151/s73/s6 Officer or the Monitoring Officer.

Question 26

Do you agree that new Regulation 53A delivers the government’s intent for the independent person in line with the Fit for the Future consultation and response?

Given the scope of support required (across Governance, Administration and Investments, it may be appropriate to appoint more than one Independent Advisor. As such, amend (and other subsequent references):

*(5) If an administering authority delegates its functions, or part of its functions, under these regulations to a committee or sub-committee of the authority, it must appoint an **independent person** as a non-voting member of that committee or sub-committee to advise on investment strategy, governance and administration.*

to:

*(5) If an administering authority delegates its functions, or part of its functions, under these regulations to a committee or sub-committee of the authority, it must appoint an **independent person(s)** as a non-voting member of that committee or sub-committee to advise on investment strategy, governance and administration.*

The October deadline for appointment of a LGPS Senior Officer and Independent Person(s) may be challenging given the need for an appropriate recruitment process and because Funds will all be procuring the same advisors from the same finite pool of capacity at the same time. A deadline of 31 March 2027 would be welcomed.

Question 27

Do you agree that new Regulation 55B delivers the government’s intent for the knowledge and understanding requirements in line with the Fit for the Future consultation and response?

Yes – but there doesn’t appear to be as much detail as expected there.

Question 28

Do you agree that Regulation 59 delivers the government’s intent for the administration strategy in line with the Fit for the Future consultation and response?

Yes – at least once every valuation period

Question 29

Do you agree that new Regulation 117 delivers the government’s intent for the independent governance reviews in line with the Fit for the Future consultation and response?

Yes. While we welcome strong governance in the LGPS, we would welcome further discussion on how this can be delivered in a robust, sustainable and cost-effective manner.



Pension Administration Strategy 2025



Introduction

East Sussex County Council is the Administering Authority for the Local Government Pension Scheme (LGPS) on behalf of the Scheme Members and Scheme Employers participating in the LGPS through the East Sussex Pension Fund (the Fund). The LGPS is governed by statutory regulations.

This is the Pension Administration Strategy (the Strategy) of the Fund in relation to the LGPS. The Strategy is kept under review and revised to reflect changes to LGPS regulations and Fund policies. Scheme Employers of the Fund are consulted when any substantial changes are proposed to this Strategy.

The aims of this Strategy are to set out the quality and performance standards expected of the Fund as Administering Authority and Administrator and its Scheme Employers and to further ensure that both the Administering Authority and the Scheme Employers are fully aware of their responsibilities under the LGPS, and to outline the key performance standards they are expected to meet to ensure the delivery of a high-quality, timely and professional administration service.

As at 31 March 2025 the Fund comprised 149 Scheme Employers with 86,784 scheme members in relation to the LGPS; the Fund value was assessed with a value of over £4.9bn.

Setting out the expectations of the Administering Authorities and Scheme Employers will help to ensure that:

- Administration standards improve and are maintained at a high standard;
- Set out the quality and performance standards expected of the Administering Authority and the Scheme Employers in relation to each other; and,
- Promote good working relationships and improve efficiency between the Administering Authority and the Scheme Employers for the benefit of Fund members.

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

Delivery of a high standard of administration is not the responsibility of one person or organisation, but rather of a number of different parties, who between them are responsible for meeting the diverse needs of the membership. In recognition of these principles, this Strategy sets out:

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

This Strategy is an agreement between the Fund and its Scheme Employers and is effective from TBC. The Strategy applies to all existing Scheme Employers and all new Scheme Employers joining the Fund after the effective date.

Legislative Framework

The LGPS is a statutory scheme, principally governed by The Local Government Pension Scheme Regulations 2013 (the Regulations). The Strategy has been created pursuant to Regulation 59 of the Regulations and shall be formally reviewed at least every three years.

In carrying out their roles and responsibilities in relation to the administration of the LGPS the Administering Authority and Scheme Employers must have regard to this administration strategy, relevant guidance and overriding legislation. This includes but is not limited to:

- Local Government Pension Scheme Regulations
- The Occupational Pension Schemes (Disclosure of Information) Regulations 2015
- The Pensions Act 1995, 2004 and 2014
- The Pension Schemes Act 2021
- The Public Service Pensions Act 2015
- The Freedom of Information Act 2000
- The Equality Act 2010
- Data Protection Act 2018
- The Finance Act 2004, 2006 and 2014
- All Relevant Health and Safety legislation
- The Pension Regulator's General Code of Practice
- Any other relevant legislation that may apply

The Pensions Regulator has responsibility for oversight of a number of elements of the governance and administration of Public Service pension schemes including the LGPS. The Regulator has the power to issue sanctions and fines in respect of failings of the Administering Authority, and also where employers in the Fund fail to provide correct or timely information to the Administering Authority. Where this occurs as a result of the actions or inactions of Fund employers, the Administering Authority may seek to recharge any costs back to the employer as set out later in this strategy.

Our Aims and Objectives

The purpose of this Strategy is to set out the quality and performance standards expected of East Sussex County Council in its role of Administering Authority and Scheme Employer's within the Fund, and the Pension Administration Team. The Fund has a number of specific administration objectives, these are to:

- provide a high quality, professional, proactive, timely and customer focused administration service to the Fund's stakeholders;
- administer the Fund in a cost effective and efficient manner utilising technology appropriately to obtain value for money;
- ensure the Fund's Scheme Employers are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of their administration obligations;
- ensure the correct benefits are paid to, and the correct income collected from, the correct members at the correct time;

- have a culture of risk awareness, governance and compliance and work effectively with partners and stakeholders
- maintain accurate records and ensure data is protected and has authorised use only; and,
- ensure the roles and responsibilities for all stakeholders are clearly set out and understood so that they work seamlessly together in the delivery of the Fund's administration.

Administration of the East Sussex Pension Fund

East Sussex County Council as Administering Authority, has delegated responsibility for the management of the Pension Fund to the East Sussex Pension Committee, taking into consideration advice from the Pensions Board and specialist advisers, and administered and implemented by Officers of the Fund. The Pension Committee and Pension Board monitors the implementation of this Strategy through quarterly service reports and through the Fund's breaches log.

This Strategy will ensure that Scheme Employers have a common understanding of their obligations under the Local Government Pension Scheme and that administrative processes are designed to maximise efficiency and manage risk.

The success of the Fund largely depends on the strength of the relationship between the Administering Authority and the employers that participate in it. Employers have a range of responsibilities within the LGPS and have an obligation to ensure that these duties are effectively delivered. The Fund will provide guidance and support as well as free training where relevant for Scheme Employers to build up and maintain a level of professional expertise which will enable employers to deliver information required by the Fund to efficiently manage the scheme. Guidance for Scheme Employers on a range of topics of responsibility, as well as forms to enact responsibilities are published on the Funds website for ongoing access. This will ensure employers have a sound understanding of:

- Employer discretion policies;
- The role of the appointed person and the Internal dispute resolution procedure;
- Their responsibilities for starters, leavers and changes to membership as set out in the Fund's administration strategy;
- Their responsibilities for collecting and remitting contributions (and, additional contributions);
- The reasons for leaving under the LGPS Regulations;
- Providing information requested by the Fund through monthly data uploads and at year end, or as required for other responsibilities; and,
- Their responsibilities with respect to outsourcing, staff transfers and re-organisations.

The Fund will look for opportunities to work collaboratively with other Administering Authorities to reduce development costs and enhance the quality of information. This might include working with our investment pool colleagues, attending the Southern Area Pension Officer Group, and/or use of the LGPS procurement frameworks.

Communications

The Fund published an updated Communication Strategy Statement in June 2025 which describes the way the Fund communicates with its Scheme Members, Scheme Employers and other stakeholders and interested parties. The latest version of the Communication Strategy Statement can be obtained from the Fund's website:

<https://www.eastsussexpensionfund.org/media/lzrj0hat/communication-strategy-2025-east-sussex-pension-fund.pdf>

The Fund aims to communicate with Scheme Employers on an ongoing basis in respect of developments relating to the LGPS including training opportunities, as well as ensuring that employers are notified of changes to either professional practice, administration procedures, legislation, notifications from the Pension Regulator, and/or changes to pension scheme regulations as these arise.

The Fund holds an Employer Forum annually in November, to provide opportunities for networking, meet and greet opportunities, as well as to provide information on developments in progress which may affect all Scheme Employers and Scheme Members.

The Fund has established i-Connect as the default means for the transfer of employee information from employers to the Fund. I-Connect is a cloud-based platform that allows employers to provide employee details in a secure method and negates the need to provide end of year reporting. Monthly data uploads from employers inform the Fund of any changes to members details, new Joiners and also allows for the upload of leaver forms. The Fund continue to work to onboard all scheme employers, having done so with more than 95% of Fund employers.

Performance Standards

The Administering Authority and Scheme Employers have statutory obligations, functions and tasks in respect of the rights and entitlements of individual Scheme Members. These define a standard of performance and service delivery to individual Scheme Members, which constitute the agreed statutory minimum standards to which Scheme Employers must comply. In instances where Scheme Employers use external service providers for functions relating to the administration of the LGPS, it is incumbent on all employers to ensure that their suppliers and service providers comply with applicable legislation and regulations which apply to the administration of the East Sussex LGPS Fund.

Roles and Responsibilities

Scheme Manager

The East Sussex County Council as Administering Authority, has delegated responsibility for the management of the Pension Fund to the East Sussex Pension Committee, to oversee the management of the Pension Fund. The Pension Board provides assistance to the Administering Authority in ensuring compliance with the regulations. As the Funds Pensions Administration Strategy affects the administration of the Pension Fund, the Pension Board will review the effectiveness of the Fund's Pension Administration Strategy on a regular basis while considering the Funds Administration activity and Performance and activity that could result in Breaches of the law. Details of roles and responsibilities of the Scheme Manager is set out in Appendix A.

Pension Administrator

Pension Administration is delivered as an in-house service and the performance standards that scheme employers and scheme members should expect is outlined in Appendix B for Service Standards. These Service Standards are focused on the key activities which Scheme Employers and Scheme Members are involved in and should not be viewed as a complete list of all activities. It includes key performance indicators that the Administering Authority has agreed for reporting.

Scheme Employer Responsibilities

The roles and responsibilities of Scheme Employers are set out in Appendix C. The appendix defines the main responsibilities of Scheme Employers, to ensure an efficient, accurate and high-quality pension service to Scheme Members when working in partnership with the Pension Administration Team.

Improving Performance

The Fund's Pension Administration Team provide the administrative support to ensure that the administration functions are delivered in compliance with the requirements of the law. If Scheme Employers do not provide the requested data correctly, in the correct format and within the timescales requested by the Administrator, there is a risk the Fund cannot meet its legal obligations and may be liable to penalty fines imposed by The Pension Regulator.

This Strategy is therefore focused on good partnership working between Administrator and the Fund's Scheme Employers. The Fund's Employer Engagement team assume the responsibility to help support Scheme Employers directly with training and general support in carrying out their responsibilities while providing a clear route for contact. However, it is recognised there may be circumstances where employers are unable to meet the required standards. The Administering Authority will seek, at the earliest opportunity, to work closely with employers in identifying any areas of poor performance or misunderstanding, provide opportunities for necessary training and development and put in place appropriate processes to improve the level of service delivery in the future. It is expected that it will be extremely rare for there to be ongoing problems but, where persistent and ongoing failure occurs and no improvement is demonstrated by an employer, and/or unwillingness is shown by the employer to resolve the identified issue, we set out below the steps the Fund will take in dealing with the situation in the first instance:

- The Administering Authority will issue a formal written notice to the person nominated by the employer as their key point of contact and any other such employees deemed appropriate, setting out the area(s) of poor performance.
- The Administering Authority will record the breach, consistent with the Fund's Breaches Policy. Consideration will be given to whether the breach should also be reported to The Pensions Regulator.
- The employer will be requested to create and propose a data improvement plan to the Administering Authority.
- The Administering Authority will request a meeting with the employer to discuss the area(s) of poor performance, how they can be addressed, the timescales in which they will be addressed and how the proposed improvement plan will be implemented and monitored.
- The Administering Authority will issue a formal written notice to the person nominated by the employer, setting out what was agreed at that meeting in relation to how the area(s) of poor performance will be addressed the timescales in which they will be addressed.
- A copy of this communication will be shared with:

- The Head of Pensions at East Sussex County Council
- The Director of Finance or other senior officer at the relevant employer.
- The Pension Board and Pensions Committee of East Sussex County Council
- The Administering Authority will monitor whether the improvement plan is being adhered to and provide written updates at agreed periods to the person nominated by the employer, with copies being provided to the Head of Pensions and the Director of Finance (or alternative senior officer) at that employer.
- Where the improvement plan is not being delivered to the standards and/or timescales agreed, the matter will be escalated to the Head of Pensions who will determine the next steps that should be taken. This may include (but is not limited to):
 - Meetings with more senior officers at the employer.
 - Escalating to the Pension Committee and/or Pension Board, including as part of the Fund's Procedure for Recording and Reporting Breaches of the Law.
 - Costs and Charges

The Fund will work closely with all employers to assist them in understanding all requirements, whether they are specifically referenced in the LGPS Regulations, in overriding legislation, or in this Strategy. The Fund will work with each employer to ensure that overall quality and timeliness is continually improved. The 2013 LGPS Regulations provide that an administering authority may recover from an employer, any additional costs including interest associated with the administration of the scheme, incurred as a result of the unsatisfactory level of performance of that employer.

Where an administering authority wishes to recover any such additional costs they must give written notice stating:

- The reasons in their opinion that the employer's level of performance contributed to the additional cost.
- The amount the Administering Authority has determined the employer should pay.
- The basis on which this amount was calculated.
- The provisions of the Strategy relevant to the decision to give notice.

The Administering Authority will recharge to an employer any additional costs incurred by the Fund in the administration of the LGPS as a direct result of such unsatisfactory performance and where it is reasonable to do so. In instances where the performance of the employer results in:

- fines being levied against the Administering Authority by The Pensions Regulator, Pensions Ombudsman or other regulatory body, an amount no greater than the amount of that fine will be recharged to that employer.
- the improvement plan as outlined elsewhere in this strategy is not being adhered to, the Pension Committee may determine that additional costs may be recharged. In these circumstances, the Pension Committee will determine the amount to be recharged and how this is to be calculated. The employer in question will be provided with a copy of that report and will be entitled to attend the Pension Committee when this matter is being considered.

Employers may also be required to pay for additional work that is outside of business as usual, including but not limited to:

- Requesting the Fund undertake non-standard work
- Requesting work to be completed earlier than the normal service standards.
- Requiring the use of external providers (such as the Fund actuary) to complete non-standard work

Where possible the employer's agreement to the charge will be obtained prior to the work being carried out.

All additional costs relating to this Strategy are met directly by the Fund unless mentioned otherwise.

Charges for additional administration

The table below sets out the fees which the Fund will levy on a Scheme Employer whose performance falls short of the standards set out in this document. Charging is a last resort and the approach outlined in the section above will be followed before a fee is levied.

Charges will be reviewed on an annual basis, and increased in line with the Consumer Price Index (CPI).

Description	Occurrence in a 12-month period	Administrative charge
<p>1. Multiple payments/Forms LGPS31</p> <p>Multiple payments are made and/or multiple LGPS31 forms are submitted for a single employer in a single month.</p>	Each instance	£20.00 administration charge per additional payment
<p>2. LGPS31 Forms</p> <p>Failure to provide the LGPS31 Form by the 18th of the following month contributions are due or failure for the form to be signed and authorized correctly by section 151 or delegated power by the 18th of the following month its due.</p>	1 st instance 2 nd instance	Warning Administrative charge of £150
<p>3. Employer/ Employee Contributions</p> <p>Failure of Scheme Employers to pay over contributions to the Fund by the 19th of the month following the deduction in line with the legal duty.</p>	1 st instance 2 nd instance	Warning Administrative charge of £150
<p>4. Multiple retirement estimate requests in relation to a single member.</p> <p>Where an employer requests more than one retirement quotation within a 12 month period. This includes all retirement categories, such as ill health, redundancy, efficiency etc.</p>	1 st and second in rolling 12-month period Each additional request	No charge £50.00 administration charge per request
<p>5. Change Notifications</p> <p>Failure to notify the administrators of any change to a member's</p> <ul style="list-style-type: none"> - working hours - leave of absence with permission (maternity, paternity, career break) or - - leave of absence without permission (strike, absent without permission) - within 20 days/the next I-Connect upload of the change in circumstance 	1 st instance 2 nd instance	Warning Administrative charge of £150

<p>6. Year End Data For employers not using i-Connect.</p> <p>Failure to provide year end data by 30th April following the year end or the non-provision of year end information or the accuracy/quality of the year end data is poor requiring additional data cleansing. This applies where Year End Data is required.</p>		<p>Late receipt - initial fee of £300 then a fee of £150 for every month the information remains outstanding</p> <p>Quality/format of data – fee of £150 should data provided not be in the correct format and/or the quality is poor</p>
<p>7. New Starter(s)</p> <p>For employers not using i-Connect - Failure to notify the administrators of new starter(s) and the late or non- provision of starter form(s) – within 15 days of employee joining the scheme/in the next I-Connect upload</p>	<p>1st instance</p> <p>2nd instance</p>	<p>Warning</p> <p>£50 fee per member</p>
<p>8. Leaver(s)/ retirements</p> <p>For employers not using i-Connect -Failure to notify the administrators of any leaver(s)/retirements and the late or non-provision of leaver form(s) including an accurate assessment of final pay – within 15 days of employee leaving the scheme or employment/in the next I-Connect upload</p>	<p>1st instance</p> <p>2nd instance</p>	<p>Warning</p> <p>£50 fee per member</p>
<p>9. Further notification of leaver/ death/ retirement leading to recalculation of benefit</p> <p>This relates to instances where no mitigating factors apply. Such factors may include retrospective agreement of a pay award.</p>	<p>Each instance</p>	<p>£50</p>
<p>10. I-Connect Data</p> <p>Failure to provide data through the I-Connect system by the required deadline.</p>	<p>1st instance</p> <p>2nd instance</p>	<p>Warning</p> <p>Administrative charge of £150</p>
<p>11. Project data</p> <p>Failure to provide data requested as part of projects being run by the Fund to ensure changes in legislation are being adhered to, best practice is being followed or previous errors are rectified. This includes, but is not limited to responses to queries relating to data received.</p>	<p>1st instance</p> <p>2nd instance</p>	<p>Warning</p> <p>Administrative charge of £150</p>
<p>12 Other non-standard work</p> <p>A request that work be carried out that would not normally be expected of the administrators</p>		<p>The cost of such work to be agreed on a case by case basis in advance of action being taken by the administrator.</p>

Warnings for non-compliance will operate on a rolling 12-month basis, for example, should a warning have been issued and 10 months later there is a 2nd instance, a fee/administrative charge will apply. However, if it is 13 months later, another warning will be issued.

If an issue has not been resolved within 10 working days of a warning being issued, a fee will apply and the Fund may take further action as appropriate regarding the failure to comply with the statutory requirements.

In addition to the above and consistent with regulation 71 of The Local Government Pension Scheme Regulations 2013, interest may be charged at 1% above base rate on any sum remaining unpaid for more than one month beyond the date on which it became due.

Where delays in providing information result in the Fund being liable to pay interest in accordance with Reg 81 LGPS Regulations 2013, or any superseding legislation, this will be recharged to the Employer.

The Administering Authority does also apply charges for non-standard work requested by members. These are covered outside of this document and subject to periodic review. Such charges include requesting more than one Cash Equivalent Transfer Value and non-standard work relating to divorces.

Audit queries – charges for additional work

The Fund regularly receives queries from employers in relation to their own audits. Whilst the Fund does not object to providing information about it to help employers understand how the Fund operates and how it is constituted, such queries can take a significant amount of time to answer and take resource away from the day-to-day operation of the Fund.

The Fund is audited annually and publishes the annual report and accounts and audit certificate on the website. The Fund publishes a significant amount of information about the Fund, its activities and investments; and actuarial information is provided directly to employers.

Scheme Employers are urged to review the information on the Fund's website: <https://www.eastsussexpensionfund.org>, and, to consider the information published by the Local Government Association.

Where auditor queries still need to be referred to the Fund, we would ask that a single request with all queries is made. Work carried out to answer these queries will be recharged at a cost of £50 per hour for Officer time along with any costs incurred by the Fund. Such costs include, but are not limited to, Actuary fees.

Key Risks

The key risks to the delivery of this Strategy are outlined below. The Head of Pensions and other officers will work with the Pension Committee and the Pension Board in monitoring these and other key risks and consider how to respond to them in line with the Fund's Risk Management Policy.

- Lack or reduction of skilled resources due to difficulty retaining and recruiting staff members and staff absence due to sickness. This may include both the Administering Authority and Fund employers.
- Significant increase in the number of employing bodies causes strain on day-to-day delivery.

- Inadequate performance against service standards by the Administering Authority and/or Fund employers.
- Significant external factors, such as national change, impacting on workload.
- Incorrect calculation of members' benefits, resulting in inaccurate costs.
- Employer's failure to provide accurate and timely information resulting in incomplete and inaccurate records. This leads to incorrect valuation results and incorrect benefit payment.
- Failure to administer the scheme in line with regulations as listed under 'Regulatory Basis' in this Statement. This may relate to delays in enhancement to software or regulation guidance.
- Failure to maintain records adequately resulting in inaccurate data.
- Unable to deliver an efficient service to pension members due to system unavailability or failure.
- Failure to maintain employer contact database leading to information being sent to incorrect person.

Consultation and review process

This Strategy was approved on **TBC** by the East Sussex Pension Committee. It is effective from **TBC**. It will be reviewed annually by both Officers and the Pension Board and updated at least every three years or less if required, taking account of any changes to the LGPS or other relevant Regulations or Guidance.

In preparing this updated Strategy, the Fund has consulted with its scheme employers; the scheme member and employer representatives on the East Sussex Pension Board; and other persons considered appropriate. Further consultation will be undertaken should any substantial changes be proposed to this Strategy following its approval by the Pensions Committee.

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

Contact details

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Appendix A - Scheme Manager Responsibilities

Governance

Administering Authority responsibilities	Timeframes/deadlines
Review the Fund's pension administration strategy and consult with all scheme employers.	The Pensions Administration Strategy will be formally reviewed no less frequently than every three years. A review may take place at any time where in the view of the Administering Authority it is necessary to do so.
Review the Fund's funding strategy statement at each triennial valuation, following consultation with scheme employers and the Fund actuary.	Every three years in line with Fund valuation cycle.
Review the Fund's Communications Strategy	The Communications Strategy will be formally reviewed no less frequently than every three years. A review may take place at any time where in the view of the Administering Authority it is necessary to do so.
Review the Fund's governance compliance statement.	The Governance Policy Statement will be formally reviewed no less frequently than every three years. A review may take place at any time where in the view of the Administering Authority it is necessary to do so.
Draft, maintain and publish all the policies and strategies that govern the pension fund, liaising with Employing Authorities as required.	Policies will be reviewed no less frequently than every three years. A review may take place at any time where in the view of the Administering Authority it is necessary to do so.
Publish the Fund's annual report and financial statement.	To be published annually.
Draft, maintain and publish all the policies and strategies that govern the pension fund, liaising with Employing Authorities and the Administrator as required.	Policies will be reviewed no less frequently than every three years. A review may take place at any time where in the view of the Administering Authority it is necessary to do so.

Transfers – transfers in and transfers out

Administering Authority responsibilities	Timeframes/deadlines
For transfers in, ensure that the Administering Authority has in place an appropriate discretionary policy setting out their policy on whether they choose to extend the 12-month time limit for accepting transfers in, where the decision falls to them.	This is contained within the Discretionary Policy of the Administering Authority.
For transfers out, to determine necessary action on how to proceed with transfer cases that have been flagged as at risk of being a pension liberation/fraud case. This may include, but not be restricted to, indicating whether the transfer is to be paid or whether legal advice is sought.	Any transfer cases referred to the Head of Pensions Administration by scheme administrators for suspected pension fraud will be thoroughly investigated and where appropriate secondary assurance sought from the scheme member. This should include all transfers to Qualifying Recognised Overseas Pension Scheme's (QROPS). The Administering Authority will then take appropriate action, which may include proceeding with the transfer, refusal to transfer or referral to Money and Pensions Service. While at the same time abiding by the deadlines set out in the relevant legislation.

Transfers – Bulk transfers (ordinarily considered to be cases of at least 10 members)

Administering Authority responsibilities	Timeframes/deadlines
Share information as appropriate with the Employing Authority regarding the timescales, negotiations, and where material, the financial consequences, and where possible, reach agreement with the Employing Authority on the stance adopted on any negotiations with the receiving Fund.	The Administering Authority will in these cases engage with all parties as early as possible. The Fund will look treat each case on its own merits and consider in line with the principals detailed in the Fund's Funding Strategy Statement.
Ensure the provision of the Regulations are met, including the rights of the transferring members	The Administering Authority will comply with the deadlines set out in legislation as applies at the time.

Complaints and breaches

Administering Authority responsibilities	Timeframes/deadlines
Appoint a nominated person to consider disputes under stage I of the IDR process for disputes for any decisions/lack of decisions which need to be made by the administering authority.	Stage I complaints to be determined by the Administering Authority will be considered by the Head of Governance & Compliance.

Administering Authority responsibilities	Timeframes/deadlines
Appoint a nominated person to consider disputes under stage 2 of the IDR process.	Stage 2 complaints to be determined by the Administering Authority will be considered by the Solicitor and Monitoring Officer.
Consider and respond to disputes made under stage 1 and/or stage 2 of the IDR within statutory timeframes as set out in the LGPS Regulations 2013.	Response to disputes under stage 1 and 2 of the IDR will be provided within the statutory deadline of two months and monitored by the Head of Governance & Compliance.
Prepare and maintain a Policy showing how to identify, record and report breaches of the Law.	The Fund Breaches Policy will be formally reviewed no less frequently than every three years. A review may take place at any time where in the view of the Administering Authority it is necessary to do so.
Maintain a Breaches Log detailing all known breaches of the law, whether these are considered immaterial and hence only recordable or whether they are considered material and reported to the Pensions Regulator.	This will be maintained on an ongoing basis by the Administering Authority.
Present the Breaches Log to the Pension Committee and the Pension Board at each meeting	To be presented at each meeting of the Board and Committee.

Finance, accounting and reporting

Administering Authority responsibilities	Timeframes/deadlines
Consult with employing authorities on the outcomes of the triennial valuation.	To be carried out every three years in line with the Fund valuation timetable.
Carry out termination valuations on admitted bodies or employing authorities who cease their participation in the Fund.	To be carried out as and when required.
Carry out accounting and financial reporting on behalf of the administering authority, including liaison with any third-parties, including: <ul style="list-style-type: none"> - Management, preparation and presentation of the Fund's annual report and accounts. - Further accounting and cash-flow reporting throughout the scheme year. - Cashflow forecasting. - Liaising with internal and external auditors. - Quarterly management accounts. - Raising invoices on behalf of the Fund. - Recording and maintaining all accounting records in line with record retention policies. 	To be carried out as and when required.

Contributions

Administering Authority responsibilities	Timeframes/deadlines
Notify employing authorities of their contribution requirements for three years effective from the April following each actuarial valuation.	To be carried out every three years in line with the Fund valuation timetable.
Notify new employing authorities of their contribution requirements.	To be carried out as and when required.

Employer services and monitoring

Administering Authority responsibilities	Timeframes/deadlines
Provide support to employing authorities through a dedicated employer area of the pension fund website, technical notes, employer bulletins and day to day contact.	Web content available to employers will be reviewed on no less than an annual basis. Employer newsletters will be issued in line with the Communications Strategy.
Provide training sessions on employing authorities' roles and responsibilities.	To be delivered as and when required.
Monitoring of employers, including reporting of key metrics. This may include monitoring employers who have a very small number of active members remaining and may therefore cease participation or highlighting significant changes in membership numbers indicating a restructuring exercise or other event that requires the attention of the administering authority.	Ongoing basis
Monitor the existence of indemnity bond cover for employers, including highlighting to the administering authority where bond cover is either outdated, soon to expire or needs to be reviewed in line with administering authority policies. This may involve further communication with the Fund actuary or other party to obtain updated levels of recommended bond cover where appropriate.	Bonds in place for admission body employers will be reviewed in line with the individual agreements and the Funding Strategy Statement.
Maintain an updated record of further information relating to employers, for example, whether another employer has agreed to act as a guarantor for that employer, or any other information determined by the administering authority to be relevant.	Ongoing basis

Administering Authority responsibilities	Timeframes/deadlines
Review the IRMPs appointed and used by Employing Authorities meet legislative requirements to advise on ill health retirement applications	To collect a complete list prior 31 March 2026, and repeat no less than every three years.

New and ceasing employers

Administering Authority responsibilities	Timeframes/deadlines
Assist in the preparation and communication of admission agreements to new employers in the Fund, including liaising with the relevant employers, procurement departments, legal and the Fund actuary, as required, to prepare the necessary documentation.	Potential new employers in the Fund should engage with the administering authority at the earliest opportunity to allow adequate time for an assessment of the employer contribution rate and bond (where necessary). Where this is a result of an outsourcing of employees under TUPE from an existing scheme employer, engagement with the Administering Authority should be sufficiently early to allow pensions information to be included in the tender documentation.
Obtain a signed agreement and/or keep these on record on behalf of the administering authority.	The Admission Agreement should be completed with the commercial contract and no later the date of admission. However, where this is not achieved, complete as soon as possible.
Provide technical advice, guidance or support in relation to new or existing admission agreements and the operation of these with employers.	To be provided as and when required.
Assist in managing the cessation of an employer, including liaising with them in relation to any cessation debt due to the Fund or surplus to be returned to the scheme employer.	Any deficit or surplus due at the point an employer exists the Fund will be communicated to the former scheme employer in line with the requirements of regulation 64 of The Local Government Pension Scheme Regulations 2013.

Additional Voluntary Contributions

Administering Authority responsibilities	Timeframes/deadlines
Ensure a process is in place to periodically review AVC providers/fund options.	A full formal review of the AVC provider to the Fund will take place no less than every 5 years. Informal reviews may also take place on an annual basis in conjunction with the Fund actuary.

Administering Authority responsibilities	Timeframes/deadlines
Ensure that the member receives an annual statement, and that this statement meets statutory requirements.	Annual statements are distributed directly to individuals by the AVC provider on an annual basis.

Additional Pension Contributions

Administering Authority responsibilities	Timeframes/deadlines
Agree that any requests to pay additional contributions satisfy the administering authorities' discretionary policy in respect of additional contributions (e.g. whether a member is required to undertake a medical before entering into an additional contributions contract and determining whether the request is impractical)	To be agreed with the scheme administrator.

Retirements

Administering Authority responsibilities	Timeframes/deadlines
<p>Where a deferred member requesting early payment of their pension benefits and requesting that their Rule of 85 is to be applied and/or whether their reductions are to be waived, whose former employer no longer contributes within the East Sussex Pension Fund:</p> <ul style="list-style-type: none"> - Consider the application and confirm to the decision to the member. Notify the administrator whether the Ro85 is to apply/reductions are to be waived or not. 	<p>Applications will be considered by the Section 151 Officer on behalf of the Administering Authority and confirmed to the scheme administrator.</p>
<p>Where a deferred member requesting early payment of their pension benefits due to ill health, whose former employer no longer contributes within the East Sussex Pension Fund:</p> <ul style="list-style-type: none"> - arrange for the member to be assessed by an IRMP, provide confirmation to the administrator that the employee meets all the conditions for ill-health retirement, as defined by the relevant LGPS regulations, and confirm the retirement date and a complete and correct ill-health certificate completed by the IRMP 	<p>Applications will be considered by the Section 151 Officer on behalf of the Administering Authority and confirmed to the scheme administrator.</p>

Administering Authority responsibilities	Timeframes/deadlines
Where the member is in receipt of an ill health pension made under Tier 3, and the former employer has subsequently ceased to be a contributing employer within East Sussex Pension Fund, arrange for the member to be reassessed by an IRMP after 18 months and determine whether the pension should continue, or be subject to an uplift.	Arrangements for reassessment will be made by the Section 151 Officer on behalf of the Administering Authority.

Deaths

Administering Authority responsibilities	Timeframes/deadlines
Review where necessary information provided by the administrator in relation to potential death grant lump sums and dependant pensions and provide written agreement for payments to be made, where necessary.	The determination of death grant beneficiaries will be in line with the Fund policy. The decision is delegated to the scheme administrator but for more complicated cases that will be referred to the Administering Authority for determination on a case by case basis.
Review the Administrator's policy annually in relation to the payment of death grant lump sums and ensure this is regularly reviewed and updated if necessary.	The policy on payment of death grant lump sums will be reviewed no less than every three years.

Communications

Administering Authority responsibilities	Timeframes/deadlines
Liaise with Officers to agree on newsletter (and other communication) content	This will be done and timetabled in line with the Communications Strategy of the Fund.
Liaise with Officers to agree on content of surveys	This will be done and timetabled in line with the Communications Strategy of the Fund.
Liaise with Officers to agree on structure / content of presentations / workshops	This will be done and timetabled in line with the Communications Strategy of the Fund.

The Fund's communication strategy outlines how the East Sussex Pension Fund will engage, educate, and fulfil the needs of its stakeholders including members and employers in line with Regulation 61 of the Local Government Pension Scheme (LGPS) Regulations 2013. Methods we use to communicate with Scheme employers are set out on pages 11-12. Link to Communications Strategy: [Communication Strategy \(2025\) - East Sussex Pension Fund](#)

Appendix B - Service Standards for Pension Administration

Overview and purpose

Under the Local Government Pension Scheme (LGPS) (Administration) Regulations 2013, East Sussex County Council has a statutory responsibility to administer and manage the East Sussex Pension Fund (the Fund, ESPF) on behalf of all employers participating in the Fund and all past and present members, including their dependants.

The Fund will ensure that it meets its statutory responsibilities and that members and employers receive a cost-effective and high-quality service by delivering to these service standards. A report is presented at Pension Board and Pension Committee quarterly to provide oversight and governance of administration activity and projects including performance against an approved service level agreement. The Fund also publish performance against prescribed Key Performance Indicator in its Annual Report.

General administration overview

The main services provided include maintenance of Scheme Members' records, calculation and payment of retirement benefits including premature retirement compensation, transfers of pension rights, calculation of annual pension increases and the provision of information to scheme members, employers, the Fund's actuary and other relevant third parties.

- Pensions Administration
- Projects
- Technical & Compliance
- System Support
- Training & Development
- Help Desk

Legal timescales

The table below contains a list of key processes and the legal timescales in which they must be met.

Process	Legal requirement
To process new member information – i.e. create a new pension record and provide basic scheme information to the member.	Within one month of the date of receiving jobholder information from the scheme employer, extended to two months where correct jobholder information has not been received.
Notify members and beneficiaries of material alteration to basic scheme information	Within 3 months
Provide a Cash Equivalent Transfer Value (CETV) to	Within three months of the date that the request is made by the member.

Process	Legal requirement
the member, including for divorce purposes.	Or, in divorce cases, such shorter deadline as specified in a valid court order where reasonable.
Pay a CETV following a member's election to transfer.	Within six months of the guarantee date, or within six months of the member's request if CETV not guaranteed. This is subject to "red flags" which prevent the transfer under current legislation.
Inform member or prospective member whether they are entitled to acquire transfer credits in exchange for a cash equivalent or any transfer payment provided from another Scheme	Within two months of the request being made unless such a request has been made in the last twelve months
Notify HMRC when a transfer payment is made to a QROPS.	Within 60 days of the date the transfer payment is made.
Notify members who re-join the scheme and have previous LGPS benefits of their rights and options.	In sufficient time to allow the member to make an election within 12 months of re-joining.
Aggregation of deferred benefit with active pension account	Within 12 months of the active account being opened unless the member makes an election to retain separate accounts
Notify members of the transfer credits available in respect of a CETV or transfer payment from a previous pension arrangement (TV-in).	Within two months of the date of the member's request, unless already provided within the previous 12 months. This includes obtaining the transfer value from the previous provider and informing member of transfer options.
Provide information for divorce purposes which does not include a CETV.	Within one month of the date the request is made by the member, their spouse/partner, or the Court.
Implement a Pension Sharing Order.	Within four months of the effective date of the Order, or the date on which all the relevant information is received.
Inform members who leave the scheme before their normal pension age of their rights and options.	Within two months of the date of initial notification from the scheme employer, or the request from the member.
Provide refund of contributions where a member leaves without meeting the vesting period (currently two years)	Within two months of the request being made.

Process	Legal requirement
Notify the member of the amount of retirement benefits.	<p>Within one month of the date of retirement, if retiring on or after normal pension age.</p> <p>Within two months of the date of retirement, if retiring before normal pension age.</p>
Notify member of change in the amount of benefit when already in payment	Before the date on which the decision to alter the benefit takes effect or within one month of that date
Notify the dependent(s) of the amount of death benefits payable.	Within two months of the date of becoming aware of the member's death, or of the date of request for information from a third party.
Make payment of any death grant.	Within two years of the date of becoming aware of the member's death.
Provide annual benefit statements to all active, deferred, pension credit and deferred pensioner members.	By 31 st August of each year.
Provide pensions savings statements to all members who exceed the annual allowance.	By 6 October following the end of each tax year.
Notify members (or dependents) of the lump sum allowance used up by a Benefit Crystallisation Event (BCE).	Within three months of the BCE date and on an annual basis for Fund pensioners
Submit the annual event report to HMRC.	By 31 January following the end of each tax year.
<p>Submit quarterly accounting for tax returns to HMRC, including details of all:</p> <ul style="list-style-type: none"> • Short service refund lump sum charges • Lifetime allowance charges • Special lump sum death benefit charges • Serious ill-health lump sum charges • Authorised surplus 	By 15 May, 14 August, 14 November and 14 February each year.

Process	Legal requirement
payments charges <ul style="list-style-type: none"> • Annual allowance charges • Overseas transfer charges 	
Issue P60s to all pensioner members.	By 31 May following the end of each tax year.
Issue PI4/P35 to HMRC.	By 19 May following the end of each tax year.
Submit full payment submission (FPS) to HMRC.	On or before each monthly pay date.
Pay tax owed to HMRC.	By the 22 nd of each month.
Respond to an IDRPs Complaint.	Within two months of receiving the Stage One complaint or Stage Two appeal.
Provide copy of Scheme Documents including Annual Report	Within two months of request

Administration Service Level Agreement

The table below contains a list of pensions administration processes, and the target timeframe for each. The Fund monitors and reports its performance against these targets in a quarterly administration performance report to both the Pension Board and Committee.

Task	Target timeframe (working days)
Aggregation- Payment	15 days
Aggregation- Quote	15 days
APC/AVC's	10 days
Deaths – initial letter acknowledging death of member	2 days
Deaths- With Benefits	5 days
Deaths-No Further Benefits	5 days
Deferred Benefits	15 days
Divorce Quotes	15 days
Divorce - Proceeding	25 days
General Enquiries	10 days

Interfund in- Payment	25 days
Interfund In- Quote	15 days
Interfund Out- Payment	25 days
Interfund Out- Quote	15 days
Recalculations	20 days
Refunds- Frozen	10 days
Refunds- Payment	5 days
Retirements – letter notifying actual retirement benefits	7 days
Retirements – letter notifying estimate of retirement benefits	15 days
Retirements – process and pay pension benefits on time	5 days
Transfer In- Payment	15 days
Transfer In- Quote	15 days
Transfer Out- Payment	15 days
Transfer Out- Quote	15 days
Trivial Commutation	15 days

The tasks detailed above are categorised into 5 priorities, where one is the highest priority casework and 5 the lowest. These are reflected with the following colours:

Priority 1
Priority 2
Priority 3
Priority 4
Priority 5

The performance against these targets, as explained above, is reported to the Pension Board and Pensions Committee on a quarterly basis, with a separate report for the performance each month. Performance is summarised on a traffic light basis for each task listed:

Traffic Light Rating	Percentage processed within the target timeframe
Green	Over 92%
Amber	Over 87% but less than 92%
Red	Less than 87%

Annual Report – Key Performance Indicators (KPI's)

Regulation 57 of The Local Government Pension Scheme Regulations 2013 requires Administering Authorities to prepare a report in relation to each financial year. The pension fund annual report must be published no later than 1st December following the end of the relevant year, and must contain:

- a report about the management and financial performance during the year of each of the pension funds maintained by the authority;
- a report explaining the authority's investment policy for each of those funds and reviewing the performance during the year of the investments of each fund;
- a report of the arrangements made during the year for the administration of each of those funds;
- for each of those funds, a statement by the actuary who carried out the most recent valuation of the assets and liabilities of the fund in accordance with regulation 62 (actuarial valuations of pension funds), of the level of funding disclosed by that valuation;
- the current version of the statement under regulation 55 (governance compliance statement);
- for each of the funds, the fund account and net asset statement with supporting notes and disclosures prepared in accordance with proper practices;
- an annual report dealing with-
- the extent to which the authority and the Scheme employers in relation to which it is the administering authority have achieved any levels of performance set out in a pension administration strategy in accordance with regulation 59 (pension administration strategy), and
- such other matters arising from a pension administration strategy as it considers appropriate;
- the current version of the statement referred to in regulation 58 (funding strategy statement);
- the current version of the investment strategy under regulation 7 (investment strategy statement) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016;
- the current version of the statement under regulation 61 (statements of policy concerning communications with members and Scheme employers); and
- any other material which the authority considers appropriate.

In preparing and publishing the pension fund annual report, East Sussex Pension Fund must have regard to guidance given by the Secretary of State. With effect from the year 2024/2025, the guidance requires the Fund to report on a prescribed list of KPI's. These are:

Table A – Total number of casework

REF	Casework KPI	Number
A1	Deaths recorded of active, deferred, pensioner and dependent members	
A2	New dependent member benefits	
A3	Deferred member retirements	
A4	Active member retirements	
A5	Deferred benefits	
A6	Transfers in (including interfunds in and club transfers)	
A7	Transfers out (including interfunds in and club transfers)	
A8	Refunds	
A9	Divorce quotations issued	
A10	Actual divorce cases	
A11	Member estimates requested by scheme member or employer	
A12	New joiner notifications	
A13	Aggregation cases	
A14	Optants out received after 3 months membership	

For the casework detailed in table A, the Fund must confirm:

- The total number of cases open as at 31st March (the starting position)
- The total number of new cases created in the year 1st April to 31st March
- The total number of cases completed in the year
- The total percentage of cases completed in the year
- The total number of cases completed in the previous year
- The total percentage of cases completed in the previous year

Table B – Time taken to process casework

REF	Casework KPI	Suggested fund target*
B1	Communication issued with acknowledgement of death of active, deferred, pensioner and dependent member	5 days
B2	Communication issued confirming the amount of dependents pension	10 days
B3	Communication issued to deferred member with pension and lump sum options (quotation)	15 days
B4	Communication issued to active member with pension and lump sum options (quotation)	15 days
B5	Communication issued to deferred member with confirmation of pension and lump sum options (actual)	15 days
B6	Communication issued to active member with confirmation of pension and lump sum options (actual)	15 days
B7	Payment of lump sum (both actives and deferreds)	15 days
B8	Communication issued with deferred benefit options	30 days
B9	Communication issued to scheme member with completion of transfer in	15 days

REF	Casework KPI	Suggested fund target*
B10	Communication issued to scheme member with completion of transfer out	15 days
B11	Payment of refund	10 days
B12	Divorce quotation	45 days
B13	Communication issued following actual divorce proceedings i.e application of a Pension Sharing Order	15 days
B14	Communication issued to new starters	40 days
B15	Member estimates requested by scheme member and employer	15 days

(*) Days in this column are a suggested fund target for completion and not the statutory timescale.

For the casework detailed in table B, the Fund must confirm:

- The percentage completed within the fund target in year
- The percentage completed within the fund target in the previous year

Table C – Communications and Engagement

REF	Engagement with online portals	Number / %
C1	Percentage of active members registered	
C2	Percentage of deferred members registered	
C3	Percentage of pensioner and survivor members registered	
C4	Total percentage of all scheme members registered for self-service	
C5	Number of registered users by age	
C6	Percentage of all registered users who have logged on in the last 12 months	

REF	Communication	Number
C7	Total number of telephone calls received in year	
C8	Total number of email and online channel queries received	
C9	Number of scheme member events held in year (total of in-person and online)	
C10	Number of employer engagement events held in year (in-person and online)	
C11	Number of active members who received a one-to-one (in-person and online)	
C12	Number of times a communication (i.e newsletter) issued to: <ul style="list-style-type: none"> a) Active members b) Deferred members c) Pensioners 	

Table D – Administration Resources

REF	Resources	Number / %
D1	Total number of all administration staff (FTE)	
D2	Average service length of all administration staff	
D3	Staff vacancy rate as a percentage	
D4	Ratio of all administration staff to total number of scheme members (all staff including management)	
D5	Ratio of administration staff (excluding management) to total number of scheme members	

Table E – Data Quality

REF	Annual Benefit Statements	%
E1	Percentage of annual benefit statements issued as at 31 August	

E2 Short commentary if less than 100%

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REF	Data Category	Number / %
E3	Common data score	
E4	Scheme specific data score	
E5	Percentage of active, deferred and pensioner members recorded as 'gone away' with no home address held, or address is known to be out of date	
E6	Percentage of active, deferred and pensioner members with an email address held on file	

REF	Employer Performance	
E7	Percentage of employers set up to make monthly data submissions	
E8	Percentage of employers who submitted monthly data on time during the reporting year	

Breaches and complaints

The management of breaches are in full compliance with the Funds Breaches Policy which is published on the Fund website.

The Fund will maintain a record of all complaints received (verbally and in writing) and operate a local complaints resolution procedure that all staff will be aware of. The number of complaints received will be included in the administration report.

The Fund maintain and publish an Internal Dispute Resolution Procedure (IDRP) in accordance with LGPS regulations and will pass any stage 1 and stage 2 cases to the relevant nominated person as soon as possible. All IDRP cases received will be included in the quarterly reporting to Pension Board and Pension Committee.

Process	Administration standards
Breaches	Logged within 1 working day and reported to Head of Pension Fund within 2 working days of breach occurring.
Complaint	Logged within 2 working days
Error & Omission	Logged within 2 working days
IDRP cases	Logged within 1 working day and reported to Head of Governance & Compliance within 1 working day of receipt of IDRP case

Communications

The table below shows a list of communications not covered by legal timescales that the Fund will produce and distribute and the timescales in which this will be done. The Fund has a detailed Communications Strategy published on the Fund website.

Communication	Administration standards
Notify all pensioner and dependent members of the annual increase to their pension.	By 30th April following the end of each tax year.
Employer survey Issue an annual survey to all employers in the Fund.	Issued annually to employers at the employer Forum held at in November each year.
Member surveys Issue an annual survey to Fund members.	Survey issued bi-annually to active, deferred and pensioner members.
Pensioner newsletter Produce and distribute a newsletter to all members in receipt of a pension.	Issued annually to all pensioners.
Active and deferred member newsletter Produce and distribute a newsletter to all active and deferred members.	Active - Issued twice per year to all active members. Deferred – Issued annually to all deferred members.
Annual Benefits Statements	By 31 st August each year.
Website	Reviewed regularly. Update carried out by Communications Manager.
Valuation or data extract(s) for the Fund's Actuary	Data is provided to the Fund Actuary through the secure data portal in line with agreed valuation plans and timelines.

Appendix C

Scheme Employer Responsibilities

Table I: Governance

Employer responsibility	Timeframe
Designate a named individual as Pensions Liaison Officer, to be the main point of contact for the administrator or administering authority.	Within 30 days of becoming a scheme employer within the East Sussex Local Government Pension Fund or 30 days from date of request by the Scheme Administrator or Administering Authority.
Complete authorised signatory forms to provide the administrator and administering authority with contact information for officers authorised to perform key administrative roles.	Within 30 days of becoming a scheme employer within the East Sussex Local Government Pension Fund or 30 days from date of request by the Scheme Administrator or Administering Authority.
Appoint an independent registered medical practitioner (IRMP) qualified in occupational health medicine to consider all ill-health retirement applications and agree the appointment with the administering authority. Confirmation must be provided to the Administering Authority that the requirements to be an IRMP have been met. This information can be found in the Ill Health Early Retirement Guide produced by the Administering Authority and published on its website.	Within 90 days of becoming a scheme employer within the East Sussex Local Government Pension Fund or 90 days from date of request by the Scheme Administrator or Administering Authority.
Designate an appropriate person to make decisions on ill health early retirements and inform the Administering Authority of their identity, providing a specimen signature.	Within 30 days of becoming a scheme employer within the East Sussex Local Government Pension Fund or 30 days from date of request by the Scheme Administrator or Administering Authority.

Employer responsibility	Timeframe
Formulate, publish and keep under review policies in relation to all areas where the employer may exercise discretion within the scheme regulations.	Within 90 days of becoming a scheme employer within the East Sussex Local Government Pension Fund or 90 days from date of request by the Scheme Administrator or Administering Authority.
To provide the Fund with the details of the employer's s.151 Officer (or equivalent) or person with delegated authority, including a specimen signature, for the purposes of allowing the Administering Authority to check LGPS31 forms are authorized by the appropriate person.	Within 30 days of becoming a scheme employer within the East Sussex Local Government Pension Fund or 30 days from date of request by the Scheme Administrator or Administering Authority.
Notify the administering authority of any contracting out of services that will involve a TUPE transfer of employees to another organisation before the procurement exercise takes place.	Employers should inform the Administering Authority as soon as possible, enabling pension information to form part of the tender documentation. Notification should be in line with the published procurement guide.
Provide the administering authority with contact details for lead decision-making and operational officers where a prospective new employer or admitted body may request to join the Fund as a result of re-organisation or TUPE transfer.	Employers should inform the Administering Authority as soon as possible within the tender process, enabling pension information to form part of the tender documentation. Notification should be in line with the published procurement guide.
Work with the administering authority to establish an admission agreement.	Potential Admission Body Employer's, together with the letting employer should work closely with the Administering Authority, to ensure that Admission Agreements are completed alongside the commercial contract and no later than the contract start date.
Notify the administering authority where the employer ceases to admit new members or is considering ceasing participation in the Fund.	This should be done at the earliest opportunity, allowing the Administering Authority to liaise with the Fund actuary in order to achieve a well-managed employer exit from the Fund.

Table 2: New Starters and auto-enrolment

Employer responsibility	Timeframe
Enrol all eligible new employees into the scheme in accordance with the relevant LGPS regulations.	From the first available pay period.
Determine and deduct the appropriate rate of employee contributions, based on the current contribution rate banding table.	Immediately upon commencing Scheme membership, in line with employer's policy and as a minimum in each April thereafter.
Notify the administrator of all new starters.	Provide the Pension Section with details of all new entrants to the LGPS via the i-Connect upload or by the 10th of the month following entry for employers not using i-Connect.
Provide all eligible new employees with details about the scheme in the form of a copy of the key facts leaflet and/or directing them to the Fund's website.	To be provided to the employee within six weeks of the date on which the employee became a scheme member.
Enrol and re-enrol all eligible employees into the scheme in accordance with the auto-enrolment requirements of the Pensions Act 2008 and the relevant LGPS regulations.	This should be done for each pay period ensuring all non-members without a valid exclusion from auto-enrolment are enrolled or re-enrolled into the LGPS.
Replicate the same process as above in New Starters section for those employees enrolled or re-enrolled into the scheme	N/A
When an election to move into or out of the 50/50 section is received from an employee, adjust the contribution rate accordingly and confirm to the member that this has been actioned.	Within one month of the date of change following receipt of a valid election to either move from the Main Section to 50/50 Section of the Scheme, or to move from the 50/50 Section to Main Section of the Scheme. This may be in the form of a pay advice notice.

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Employer responsibility	Timeframe
Where an employee either goes onto nil pay due to sickness or injury or passes the automatic re-enrolment date, move the employee back into the main section of the scheme.	This should be done from the date of the relevant event detailed, and communicated to the employee within one month of the change.
Notify the administrator of all employees that move into and out of the 50/50 section via i-Connect or for employers not using i-Connect by spreadsheet on a monthly basis.	This should form part of the monthly submission to the Administering Authority.

Table 3: Additional contributions

Employer's responsibility	Timeframe
Distribute general information on the options available for paying additional contributions to employees, if requested to do so by the administrator or administering authority, both electronically and in paper format.	This should be distributed within one month of having received the instruction and documentation from the Scheme Administrator or Administering Authority.
Make the appropriate deduction of additional contributions on receipt of an election from a member, and confirm this has been actioned to both the member and Administrator	The deduction should take effect from the first available pay period (or date specified if later). The member and Scheme Administrator should then be informed within one month of the change.
Ensure and arrange for the correct deduction of APCs from pensionable pay throughout the length of the contract.	The deduction should take effect from the first available pay period (or date specified if later) and continue at the prescribed rate until the termination date or date active membership of the Scheme ceases if earlier.
Make payment of the APCs to the administering authority within the timescales agreed.	Scheme employers must pay over contributions to the Fund by the 19th of the month following the deduction.

Employer's responsibility	Timeframe
Provide a monthly breakdown of all APCs to the administrator/administering authority for reconciliation against payments received.	Submission of a LGPS31 should be made to the Fund prior to the payment and no later than 19th of the month following the deduction.
Ensure and arrange for the correct deduction of additional contributions from the member's pensionable pay.	The deduction should take effect from the first available pay period (or date specified if later) and continue at the prescribed rate until the termination date or date active membership of the Scheme ceases if earlier.
Ensure deductions of additional contributions commence and cease from the appropriate dates.	The deduction should take effect from the first available pay period (or date specified if later) and continue at the prescribed rate until the termination date or date active membership of the Scheme ceases if earlier.
Make payment of all additional contributions (excluding AVC's) to the administering authority within the timescales agreed.	Scheme employers must pay over contributions to the Fund by the 19th of the month following the deduction.
Provide a monthly breakdown of all other additional contributions to the administrator/administering authority for reconciliation against payments received.	Submission of a LGPS31 should be made to the Fund prior to the payment and no later than 19th of the month following the deduction.

Employer's responsibility	Timeframe
<p>Absence contributions The requirements below apply to all absences, including, but not limited to:</p> <ul style="list-style-type: none"> • Child-related leave (e.g. maternity, paternity, adoption, parental leave); • Authorised unpaid leave (e.g. unpaid child-related leave); • Reserve forces leave; • Industrial action; • Jury service. 	
<p>Notify employees of the options available to pay additional contributions to cover benefits that have been reduced or lost due to periods of absence.</p>	<p>Member elections to purchase lost pension during a period of authorised unpaid leave must be made within 30 days of returning to employment (or a longer period as permitted by the employer). Employers must therefore provide details of the options available to employees, allowing sufficient time for an employee election to be made.</p>
<p>When an election to pay additional contributions to cover a period of absence has been received, arrange for the correct amounts to be deducted from the employee's pensionable pay.</p>	<p>Deduct the relevant contributions due within the first available pay period following receipt of a valid member election.</p>
<p>Make payment of all absence-related additional contributions to the administering authority within the timescales agreed.</p>	<p>Scheme employers must pay over contributions to the Fund by the 19th of the month following the deduction.</p>
<p>Provide a monthly breakdown of all absence-related additional contributions to the administrator/administering authority for reconciliation against payments received.</p>	<p>Submission of a LGPS31 should be made to the Fund prior to the payment and no later than 18th of the month following the deduction.</p>

Table 4: Award of additional pension

Employer's responsibility	Timeframe
Ensure the appropriate additional pension decisions are communicated promptly to Administrator by one of the employing authority's authorised signatories.	Notification should be provided to the administrator within 5 working days of the resolution to award additional pension having been made.
Ensure the appropriate additional costs invoiced in relation to any award of additional pension are paid to the administering authority within the agreed timescale.	Payment of the invoice should be made within the stated terms.

Table 5: Leavers not entitled to immediate payment of benefits

Employer's responsibility	Timeframe
<p>Notify the administrator of all employees who leave the scheme before retirement, via i-Connect or for employers not using i-Connect providing a complete and correct pensions leaver form, signed by one of the employing authority's authorised signatories. This must include the member's personal details, date of leaving, reason for leaving, and pay details as outlined below.</p> <p>Provide details of the contributions made by the employee and employer during the final scheme year and the previous scheme year, including any additional contributions.</p> <p>Provide details of the member's pensionable pay, as defined by the LGPS Regulations 2013, for the scheme year up to the date of leaving and for the previous scheme year.</p>	To be provided within one calendar month of the date of leaving, in a format approved by the Administering Authority.

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Employer's responsibility	Timeframe
<ul style="list-style-type: none"> - Where required, provide details of the member's final pay as defined by the LGPS (Benefits, Membership and Contributions) Regulations 2007. Where the member is entitled under the LGPS regulations to use a final pay that relates to a previous year, provide the previous two year's final pay figures or the best of the last 10 years' final pay figure, as required. - Where required, provide details of the hours the member worked up until the date of leaving and, if required by the administrator, details of historical hours changes for the member. 	
Refund contributions through the payroll to any employee who opts out of the scheme with less than three months membership.	Within the first available pay period following receipt of a valid opt out. Provide the Scheme Administrator with details of all opt outs and a copy of the completed 'Opt out form' by the end of the calendar month following the last contribution deducted.
Provide additional information to assist in the accurate calculation of refunds of contributions, if required by the administrator.	To be provided within 10 working days from receipt of the request from the administrator.
Provide additional information to assist in the accurate calculation of deferred benefits, if required by the administrator.	To be provided within 10 working days from receipt of the request from the administrator.
Ensure an appropriate discretionary policy is in place setting out policy on whether they choose to extend the 12 month time limit for accepting transfers in.	This should form part of the discretionary policies made within 90 days of becoming a scheme employer within the East Sussex Local Government Pension Fund or 90 days from date of request by the Administering Authority.

Employer's responsibility	Timeframe
Work with the Administering Authority and the Fund Actuary in their negotiations to facilitate agreement on the terms for transfer.	By way of providing any additional information within 10 working days of receipt of the request.

Table 6: Retirements

Employer's responsibility	Timeframe
<p>Notify the administrator of all employees who leave the scheme at a point where they are entitled to receive payment of their retirement benefits, whether voluntarily or because of a decision by the employing authority, by providing a complete and correct pensions leaver form, signed by one of the employing authority's authorised signatories. This must include the member's personal details, date of leaving, reason for leaving, and pay details as outlined below.</p> <p>Provide details of the contributions made by the employee and employer during the final scheme year and the previous scheme year, including any additional contributions.</p> <p>Provide details of the member's pensionable pay, as defined by the LGPS Regulations 2013, for the scheme year up to the date of leaving and for the previous scheme year.</p> <p>- Where required, provide details of the member's final pay as defined by the LGPS (Benefits, Membership and Contributions) Regulations 2007.</p>	<p>Notify the administrator when a member is due to retire as soon as final earnings are known, typically 20 days prior to date of retirement and no later than 2 weeks after the date of leaving by the submission of a Leaver Notification.</p>

Employer's responsibility	Timeframe
<ul style="list-style-type: none"> - Where required, provide details of the hours the member worked up until the date of leaving and, if required by the administrator, details of historical hours changes for the member. - Provide confirmation that the employing authority has received details of the potential retirement costs and wishes to proceed with the retirement. - Provide confirmation to the member about the employing authority's decision, with appropriate justification if required. - Understand, and pay where applicable, the associated costs to the Administering Authority that apply if a decision is made to retire a member on the grounds of redundancy, business efficiency or ill health. 	
<p>Where the reason for leaving is voluntary early retirement, provide confirmation of whether the Rule of 85 is to be applied, whether any reductions to protected benefits are to be waived, whether any reductions to unprotected benefits are to be waived, and the amount of the reductions that are to be waived (if any).</p>	<p>Confirmation should accompany the Leaver Notification if not previously submitted.</p>
<p>Where the reason for leaving is flexible retirement, provide confirmation of whether any reductions to protected benefits are to be waived, whether any reductions to unprotected benefits are to be waived, and the amount of the reductions that are to be waived (if any). Where the reason for leaving is redundancy or efficiency retirement, provide a copy of the employee's notice letter.</p>	<p>Confirmation should accompany the Leaver Notification if not previously submitted.</p>

Employer's responsibility	Timeframe
<p>Where the reason for leaving is ill-health retirement, arrange for the member to be assessed by an IRMP that has been certified by the Administering authority, provide confirmation that the employee meets all the conditions for ill-health retirement, as defined by the relevant LGPS regulations, provide confirmation of which tier of benefits is to be awarded, and enclose a copy of the notice letter and a complete and correct ill-health certificate completed by the IRMP.</p>	<p>Confirmation should accompany the Leaver Notification if not previously submitted.</p>
<p>Where the member is in receipt of an ill health pension made under Tier 3, arrange for the member to be reassessed by an IRMP after 18 months and determine whether the pension should continue, or be subject to an uplift.</p>	<p>Scheme employers should notify the administrator of the outcome of a Tier 3 Ill Health Review as within 5 working days of the determination.</p>

Table 7: Deaths

Employer's responsibility	Timeframe
<p>Notify the administrator of all employees who die while an active member of the scheme, by providing a complete and correct pensions leaver form, signed by one of the Employing Authority's authorised signatories. This must include the member's personal details, date of leaving, reason for leaving, and pay details as outlined below.</p> <p>Provide details of the contributions made by the employee and employer during the final scheme year and the previous scheme year, including any additional contributions.</p>	<p>Notify the administrator as soon as possible of the death and provide a Leaver Notification within 5 workings days of the death.</p>

Employer's responsibility	Timeframe
<p>Provide details of the member's pensionable pay, as defined by the LGPS Regulations 2013, for the scheme year up to the date of leaving and for the previous scheme year.</p> <ul style="list-style-type: none"> - Provide details of the member's Assumed Pensionable Pay (APP), as defined by the LGPS Regulations 2013 as at the date of death. <p style="padding-left: 40px;">Where required, provide details of the member's final pay as defined by the</p> <p style="padding-left: 40px;">LGPS (Benefits, Membership and Contributions) Regulations 2007.</p> <p>Where required, provide details of the hours the member worked up until the date of death and, if required by the administrator, details of historical hours changes for the member.</p> <ul style="list-style-type: none"> - Provide additional information to assist in the accurate calculation of death benefits, if required by the administrator. 	

Table 8: Pension Sharing Orders

Employer's responsibility	Timeframe
<p>Provide the administrator with information as requested to enable them to carry out the order. This may include, but is not restricted to:</p> <p>Providing details of the member's pensionable pay, as defined by the LGPS Regulations 2013, for the scheme year up to the date of leaving and for the previous scheme year.</p> <ul style="list-style-type: none"> - Where required, provide details of the member's final pay as defined by the <p style="padding-left: 40px;">LGPS (Benefits, Membership and Contributions) Regulations 2007.</p>	<p>Details should be provided to the administrator within 10 working days of the request.</p>

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Table 9: Complaints, errors and breaches

Employer's responsibility	Timeframe
<p>Appoint a nominated person to consider disputes under stage 1 of the IDR process and provide up to date contact details to the administering authority and administrator.</p>	<p>Within 90 days of becoming a scheme employer within the East Sussex Local Government Pension Fund or 90 days from date of request by the Administering Authority.</p>
<p>Notify the administering authority of the receipt of any complaint under the IDR process.</p>	<p>Within 5 working days of receipt of the complaint.</p>

Employer's responsibility	Timeframe
Consider and respond to disputes made under stage 1 of the IDRPs within statutory timeframes as set out in the LGPS Regulations 2013.	Where the complaint is in relation to an act or omission of the scheme employer, the appointed person to consider disputes under stage 1 of the IDRPs process by the employer, should respond within the statutory deadline of 2 months beginning with the date on which the IDRPs application was received.
Notify the administering authority when a stage 1 decision has been issued.	A copy of the response should be provided to both the complainant and the Administering Authority within the 2-month period.
Fully cooperate with all stages of any complaint investigation, including the provision of data, information or technical assistance to any relevant party (including external parties such as the Pensions Ombudsman) as required, to ensure the efficient resolution of any complaint.	By way of providing any additional information requested within 10 working days of receipt of the request.
Be aware of the Fund's Breaches Policy and Reporting Procedures, and of each party's responsibilities in relation to this.	The East Sussex Pension Fund Breaches Policy was agreed by the Pensions Committee and is published on the Fund website. Employers should take time to familiarise themselves with this policy.
Liaise and cooperate appropriately with any investigation into any potential breaches, including with the Administering Authority and the Administrator, and provide such information as is requested.	By way of providing any additional information requested within 10 working days of receipt of the request.

Table 10: Data quality and record keeping

Employer's responsibility	Timeframe
Ensure that robust controls are in place for collecting good quality data and, where a data improvement plan has been implemented, liaise with the Administrator and the Administering Authority as appropriate to meet key milestones and to ensure and demonstrate progress against that plan.	N/A
Ensure that pension related information is archived in such a way as to ensure it is accessible for as long as it may be needed.	N/A
Ensure the year end return, (1 April to 31 March) is provided to the administrator in the prescribed format, a template of which will be issued in advance of the year end.	The return must be submitted no later than 30th April following the end of the preceding scheme year. A late or incorrect return will directly affect your employees, as until the year end data has been reconciled, an annual benefit statement may not be issued.
Where the employer has been onboarded onto the I-Connect system, ensure member data is uploaded each month in line with the instructions provided.	Data should be received no later than 19th day of the following month. A late or incorrect submission will affect your employees as the Fund will not hold accurate data about them and this may impact information provided about their benefit entitlements.
Provide a response to any queries raised in relation to the year end return.	Provided to the administrator / Administering Authority within 10 working days of receipt of the request.

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Table 11: Communications

Employer's responsibility	Timeframe
Distribute any information provided by the administering authority or administrator to members or potential members (e.g. scheme guides and newsletters).	All material provided to scheme employers should be distributed to the relevant employees with 15 working days of receipt.
Ensure that the administrator is provided with requisite information to enable them to produce an ABS	Any additional data required by the administrator for the purpose of issuing an Annual Benefit Statement, should be provided within 10 working days of receipt of request.

Table 12: Pensioner payroll services

Employer's responsibility	Timeframe
Where the member is in receipt of an ill health pension made under Tier 3, arrange for the member to be reassessed by an IRMP after 18 months and determine whether the pension should continue, or be subject to an uplift.	Scheme employers should notify the administrator of the outcome of a Tier 3 Ill Health Review as within 5 working days of the determination.
To notify the administrator as soon as practically possible after identifying any irregularity that could contribute to the member being over or underpaid (e.g. an audit review of completed leaver forms may identify an incorrect pay value stated and issued to the administrator in respect of a pensioner)	Scheme employers should notify the administrator within 5 working days of having discovered the irregularity.

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Table 13: Finance and accounting

Employer's responsibility	Timeframe
<p>Make payment of additional fund strain costs in relation to early payment of benefits from flexible retirements, redundancy or efficiency retirements, or early retirements with employer consent, upon receipt of an invoice from the administrator or administering authority.</p>	<p>Payment of the invoice should be made within the stated terms.</p>
<p>Make payment of recharge amounts in respect of compensatory added years, where appropriate.</p>	<p>Payments to be made on a monthly basis and detailed on the LGPS31 Form submitted to the Administering Authority.</p>
<p>Make payments in respect of accounting work carried out on behalf of the employing authority by the Fund actuary or the administering authority's accounting team, upon receipt of an invoice from the administrator or administering authority.</p>	<p>Payment of the invoice should be made within the stated terms.</p>
<p>Make payments in respect of any other work carried out by the administrator, administering authority or Fund actuary on behalf of the employing authority, upon receipt of an invoice from the administrator or administering authority.</p>	<p>Payment of the invoice should be made within the stated terms.</p>
<p>Ensure the correct employee contribution rate is determined each scheme year in line with the appropriate contribution banding table.</p>	<p>An assessment should be made by all scheme employers every April to ensure all employee contribution deductions are made in line with the revised employee contribution bandings issued.</p>
<p>Ensure the correct deduction of contributions from employees' pensionable pay, including any period of child-related leave, trade dispute, or other absence.</p>	<p>N/A</p>

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Employer's responsibility	Timeframe
Apply changes to employer contribution rates as instructed by the administering authority at the date specified by the Fund actuary.	Apply from the first available pay period (retrospectively if required) or the date specified by the actuary if later, following receipt of an instruction from the Administering Authority.
Ensure employer and employee contributions are paid across in a timely manner and in the agreed format.	<p>Scheme employers must pay over contributions to the Fund by the 19th of the month following the deduction. Submission of a LGPS31 should also be made to the Fund prior to the payment and no later than 18th of the month following the deduction.</p> <p>Failure to pay contributions or submit the LGPS31 by the prescribed deadline may result in additional charges being levied against the employer. Where considered to be of material significance the Fund will consider a referral to The Pensions Regulator in line with their Code of Practice 14 or any future Code of Practice that comes into force.</p>

Table 14: Employer services

Employer's responsibility	Timeframe
Distribute all supporting material supplied by the administrator or administering authority to relevant staff and ensure attendance at employer training sessions.	All material provided to scheme employers should be distributed to the relevant employees with 15 working days of receipt.

Table 15: Pensions Taxation

Employer's responsibility	Timeframe
Ensure that the administrator is provided with any information required to enable them to calculate the Pension Input Amount and to produce a Pension Savings Statement within statutory timescales.	By way of providing any additional information requested within 10 working days of receipt of the request from the administrator or Administering Authority.

Table 16: Administration performance reports and CIPFA benchmarking

Employer's responsibility	Timeframe
Provide additional information to assist in the completion of the annual CIPFA benchmarking questionnaire, if required by the administrator or the administering authority.	Within 10 working days of receipt of the request from the administrator or Administering Authority.
Provide additional information to assist in the accurate calculation and payment of all benefits, if required by the administrator.	Within 10 working days of receipt of the request from the administrator or Administering Authority.

Table 17: i-Connect employee data portal

Employer's responsibility	Timeframe
Ensure monthly i-Connect submissions are loaded and processed in accordance to submission dates	By the agreed submission date and no later than the 18th of the following month due.
Ensure all i-Connect submissions are reviewed before uploading and data is accurate.	By the agreed submission date and no later than the 18th of the following month due.

Employer's responsibility	Timeframe
Any changes to employer i-Connect users and changes of staff are communicated to the i-Connect administration team.	AS soon as possible but within 2 weeks of a change taking place.
Changes to payroll providers are communicated to the i-Connect team and the management of i-Connect data is handed over with support from the i-Connect Administration team.	Notification of any changes 90 days prior to changing payroll provider to allow the transition and file build to be managed.
To engage with i-Connect administration team to resolve any errors or suppression and omitted members or any other queries that arise from the monthly submission	Within 10 days of request from the i-Connect administration team.
Ensure participation on any training or updates provided by the i-Connect administration team. Any changes to the i-Connect specifications need to be implemented.	As requested by i-Connect administration team.

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East Sussex Pension Fund

Funding update as at 31 December 2025

Background

This schedule is provided to East Sussex County Council as administering authority to the East Sussex Pension Fund (the Fund). Its purpose is to provide an approximate update on the funding position of the Fund as at 31 December 2025. The results in this schedule should be considered alongside the DRAFT report on the valuation of the Fund as at 31 March 2025. This schedule has been generated from our online monitoring tool **LGPS Monitor**.

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

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

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

Valuation method, process and assumptions

Roll-forward method

To assess the estimated funding position at 31 December 2025, the following calculations have been carried out:

- The value of the Fund's liabilities calculated for the funding valuation at 31 March 2025 have been rolled forward allowing for:
 - Changes in market conditions to 31 December 2025.
 - Estimated cashflows paid to and from the Fund from 31 March 2025 to 31 December 2025
- The value of the Fund's assets are based on the latest asset data provided by the administering authority to 31 December 2025.

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

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

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

Assumptions

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

For this update it is appropriate to use the method and assumptions consistent with those set by the Fund actuary for the purpose of the 31 March 2025 actuarial valuation, updated where necessary to reflect market conditions. Further details of the derivation of the financial and demographic assumptions can be found in the latest actuarial valuation report and the Funding Strategy Statement, both of which are available on the Fund's website.

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

Key assumptions	31 December 2025	31 March 2025
CPI inflation	2.53% p.a.	2.67% p.a.
Salary increases	3.53% p.a. (CPI plus 1.00% p.a.)	3.67% p.a. (CPI plus 1.00% p.a.)
Discount rate	4.72% p.a. (CPI plus 2.19% p.a.)	4.95% p.a. (CPI plus 2.28% p.a.)

The discount rate assumption is set with reference to the Fund's long term investment strategy and therefore reflects the long term expected return on assets for the Fund and incorporates an explicit prudence allowance consistent with the method adopted for the 31 March 2025 valuation. In particular, the investment strategy in place at the previous actuarial valuation has been used to set the assumption.

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As we see, the real discount rate is lower than at the 31 March 2025 valuation, increasing the value of liabilities used for funding purposes

The ongoing demographic assumptions are as set out in the actuarial valuation report as at 31 March 2025 and the Funding Strategy Statement, both of which are available on the Fund’s website.

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

Key assumptions	31 December 2025	31 March 2025
CPI inflation	2.53% p.a.	2.71% p.a.
Salary increases	3.53% p.a. (CPI plus 1.00% p.a.)	3.71% p.a. (CPI plus 1.00% p.a.)
Discount rate	4.71% p.a. (CPI plus 2.18% p.a.)	5.03% p.a. (CPI plus 2.32% p.a.)

Results

The table below shows the approximate updated funding position of the Fund as at 31 December 2025. The results of the previous actuarial valuation are also shown for comparison.

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

Ongoing results	31 December 2025	31 March 2025
Liabilities	£4.570bn	£4.326bn
Assets	£5.407bn	£5.071bn
Surplus / (Deficit)	£837m	£745m
Funding level	118.3%	117.2%

The Fund has a funding surplus of £837m at 31 December 2025 relating to a funding level of 118.3%. This compares to a funding surplus of £745m at 31 March 2025, relating to a funding level of 117.2%.

Final comments

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

- Actual investment returns have been higher than assumed over the period (actual circa 6.6% vs 3.7%) from 31 March 2025 to 31 December 2025. This has resulted in an experience gain of £152m, increasing the funding level by around 3.4%.
- The discount rate has decreased from 5.0% at 31 March 2025 to 4.7% at 31 December 2025. This decreased the funding level by around 4.3%.
- The long-term expectations for CPI inflation have reduced since the last valuation from 2.7% at 31 March 2025 to 2.5% at 31 December 2025. This increased the funding level by around 2.5%.
- CPI over the period from 31 March 2025 to 31 December 2025 has been broadly in line with our CPI assumptions and so the impact of allowing for actual inflation is minimal.

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

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

Barnett Waddingham LLP

Report to:	Pension Committee
Date of meeting:	26 February 2026
By:	Chief Finance Officer
Title:	East Sussex Pension Fund Quarterly Budget Report
Purpose:	This report provides the Quarter 3 forecast financial outturn of the East Sussex Pension Fund for the 2025/26 financial year and sets out the business plan and budget for 2026/27

RECOMMENDATIONS:

The Pension Committee is recommended to:

- 1) note the third quarter projected 2025/26 outturn position; and**
 - 2) approve the Business Plan and Budget for 2026/27 as set out at Appendix 1 of this report.**
-

1. Background

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

1.2 At its meeting on the 27 February 2025 the Pension Committee agreed a budget of £4.645m to support the business plan for 2025/26. The budget estimates do not incorporate any provision for investment fees earned by the investment managers since there is limited scope for the Fund to influence these costs. This is due to the nature of the fees being based on factors outside the control of the Fund such as market movements, strategic asset allocation changes and ownership of mandates at pool level. Further to this the budget did not include a provision for the implications of the 'Fit for the Future' consultation the costs associated with this were reported through the Pension Reform reports.

2. 2025/26 Quarter 3 Forecast Outturn Position at 31 December 2025

2.1 The budget requirements for 2025/26 were set at £4.645m (£4.561m 2024/25 excluding manager fees) to support the Business Plan activities and administration of the Fund. The forecast outturn at the third quarter of 2025/26 is £5.035m, an increase of £0.280m from the last projected position and reflects an overspend to the approved budget of £0.390m.

2.2 This increase is mainly due to an increased required on the investment advice line to reflect information recently received relating to costs incurred by Border to Coast Pensions Partnership Pool associated with the onboarding the new partner funds, that the Fund will share a portion of. There has also been an increase in actuarial costs associated with the valuation. Paragraphs 2.3 to 2.5 provide more detail the items that have resulted in this projected overspend. The 2025/26 outturn against budget line items is shown in the table below.

2025/26 Outturn Report

2024/25 Outturn £000	Item	2025/26 Budget £000	2025/26 Actual Outturn Q3 £000	Previous Outturn £'000	Current Forecast Outturn £'000	Variance to previous Forecast £000
2,334	Pension Fund Staff Costs					
	Fund Officers	2,460	1,168	2,331	2,331	-
2,334	Sub Total	2,460	1,168	2,331	2,331	(0)
	Oversight and Governance Expenses					
384	Investment Advice	386	452	483	667	184
71	Actuarial Fund Work	105	117	155	275	120
92	Actuarial Employer Work	92	62	100	97	(3)
(92)	Employer reimbursement	(92)	(22)	(108)	(105)	3
24	Legal Fees	49	22	55	53	(2)
42	Governance consultancy costs	60	21	60	61	1
144	Audit	142	22	134	135	1
665	Sub Total	742	674	879	1,183	304
	Investment Expenses					
102	Custodian	106	31	111	111	-
102	Sub Total	106	31	111	111	(0)
	Administration Expenses					
524	IT Systems licenses costs and Hardware	613	412	613	613	-
344	Overheads	348	185	360	372	12
91	Admin operational support services	65	(11)	91	98	7
92	Improvement projects	105	64	105	105	-
30	Consultancy	34	33	84	84	-
7	Communications	36	7	36	8	(28)
13	Training	46	11	55	34	(21)
83	Subscriptions	77	63	76	79	3
12	Other Expenses	18	12	19	22	3
1,196	Sub Total	1,342	776	1,439	1,415	(24)
	Income					
(21)	Other Income	(5)	(3)	(5)	(5)	-
(21)	Sub Total	(5)	(3)	(5)	(5)	-
4,276	Total	4,645	2,646	4,755	5,035	280

2.3 Since the last meeting of the Pension Committee, information has been provided by Border to Coast Pensions Partnership on the cost that the Fund will need to contribute to cover the costs of their project to onboard the 7 new partner Funds. This forecast spend combined with the costs associated with the work that Barnett Waddingham undertook as part of the due diligence on Border to Coast Pensions Partnership leads to an overspend of £184,000 from the previous reporting period.

2.4 The Actuarial Fund Work has been revised due to the experience of charges over the past 9 months. This has seen the main charges for the valuation coming in around £50,000 higher than budgeted and is primarily due to non-core valuation work that has been commissioned this year which was not commissioned in previous valuation years. This work includes assessing the changes to the ill health insurance to a self-insurance model and another specific piece of work that was commissioned for an assessment of employer risk which was an additional £21,000 which was not budgeted for. A prudent estimation has also been made in relation to the monthly business as usual work which has been higher than anticipated for the first 9 months of the year averaging around £4,000 a month higher than the prior year. The forecast has been set assuming that this level continues for the remainder of the year so an additional £48,000 for this year.

2.5 These have been offset with some modest savings on communications and training as the scope of activities to be undertaken this year in these areas have been reduced saving £28,000 and £21,000 respectively.

3. 2026/27 Business Plan and Budget

3.1 The Business Plan and Budget is set out at Appendix 1.

3.2 Total 2026/27 budget proposed is £5,503m (£4,645m 2025/26) to support the Business Plan activities and administration of the Fund.

3.3 This represents an increase of £0.858m on the 2025/26 budget. There has been increased information around costs associated with implementing the changes following the 'Fit for the Future' consultation with an overall result that the budget is significantly higher than previous years.

3.4 The main movement has been the inclusion of projected costs recently received from Border to Coast Pensions Partnership which the Fund will be required to pay for the governance arrangements of the pool once the Fund is admitted as a shareholder to the new pool. This cost represents a significant contribution to the £1,019,000 budgeted on the investment advice line. This does not include any charge may be incurred from transitioning assets into Border to Coast Pensions Partnership investments or any ongoing management charge associated with these investments. Nor does it include the regulatory capital payment that will be required to be paid to Border to Coast Pensions Partnership as a shareholder.

3.5 Staff costs have increased by £42,000. This includes an estimate for a 2.5% pay award, in line with the East Sussex County Council (ESCC) budget methodology. Along with this, the Fund is charged an overhead rate by ESCC for ancillary services such as Accounts Payable, Accounts Receivable, Treasury management, IT helpdesk and infrastructure, office space and other associated property costs. This has increased as a prudent assessment of these charges has been undertaken as some costs are now being charged on a bespoke calculation basis. The bespoke costs have been included but have not been adjusted the overhead rate as it is not clear what this would be next so the current rate charged by ESCC has been used resulting in a £59,000 increase on overheads.

3.6 There is an increase on the actuarial fund work line to reflect the current level of work being undertaken by the Actuary for the Fund. This is in anticipation of additional work associated with Local Government Reorganisation to take place along with a contingency as the actuarial contract will be reprocured this year so £58,000 increase has been included.

3.7 There is a new contract in place with Heywood and the expectation is that this will reduce the fee payable to them in 2025/26 as several services that were additions to the previous main contract have been included within the scope for the current contract. This has resulted in estimated savings of £17,000 in 2026/27.

3.8 There is also an anticipation that there will be a lot of work and costs associated with the outcome of the Government's 'Fit for the Future' consultation. As the outcome is uncertain at the moment, no explicit provision for this has been made in the budget for this but there is an allowance for a potential increase in legal costs that could be associated with documentation reviews.

4. Conclusion and reasons for recommendation

4.1 The Committee is recommended to note the third quarter projected 2025/26 outturn position and approve the Business Plan and Budget for 2026/27.

IAN GUTSELL
Chief Finance Officer

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

ES East Sussex
PF Pension Fund

2026/27
Business Plan and Budget



Introduction

This Business plan and Budget set out the key activities to be delivered by the East Sussex Pension Fund (the Fund) in 2026/27 and the associated budget to deliver these targets and the day-to-day administration activities of running the Fund.

This report includes:

- business plan themes,
- budget for 2026/27 compared against 2025/26 forecast spend,
- key assumptions in setting the budget and
- key deliverables of the budget plan themes.

Business Plan

Following the significant impact on the Fund that have resulted from the “Local Government Pension Scheme: Fit for the Future” consultation as well as the potential impact that Local Government Re-organisation may have we anticipate that 2026/2027 will continue to be an extremely busy and unusual period for the Fund and a period of change.

As a result of the ‘Fit for the Future’ consultation the Fund has been require to change Investment Pools by 1st April 2026. The Fund’s current investment pooling partner - ACCESS – made a submission to government setting out a proposal to meet the requirements of the consultation, but this was not supported by government. As a result and following an extensive evaluation exercise supported by external advisors, the Fund will join the Border to Coast Pension Partnership Pool on 1st April 2026. A period of re-organisation in relation to the Fund’s assets will be required and this will take some time. Border to Coast Pension Partnership will also take over much wider role in relation to the implementation of the Fund’s investments than was the case for the ACCESS pool and will also, in due course, provided investment advice to the Fund.

In addition to the changes outline above, a substantial review of governance will need to be carried to ensure compliance with the proposed governance changes that will include a change to the Senior Officer for the Fund and the appointment of an independent expert to the Committee in a non-voting capacity.

It is anticipated that 2026/27 will see key activities within the following themes:

Team Development:

- Continue to develop staff providing training (including professional qualifications) and opportunities to the team to support staff retention.
- Recognition of staff achievements, dedication and success.
- Manage the the evolving the relationship between officers and the new investment pool.
- Any new starters will be trained, supported in understanding and delivering their responsibilities and integrated into the team.
- Provide opportunities for staff to attend conferences and training courses.
- Invest in and develop communications team and offering.

Oversight and Governance:

- Ensure the Fund meets all statutory requirements around the 2025/26 valuation and reporting cycle.
- Ensure the Fund is compliant with all the governance recommendations that come from the “Fit for the Future Review”, which are extensive.
- Build on training provided to Board and Committee members to expand knowledge and drive best practice, ensuring a robust induction for new members.
- Further embed a culture of cyber security and resilience
- Provision of high-quality financial reporting.
- The record keeping of financial information of the pension fund is accurate and complete.
- The cash management of the pension fund has an appropriate strategy for its needs.
- Cash management activities are undertaken to ensure that pension benefits are paid when due.
- Work with East Sussex County Council and East Sussex Fire Authority to maximise the benefits of the new financial system and develop new ways of working with the functionality this offers.
- Ensure a robust SLA arrangement is in place between the Fund and ESCC for services provided to the Fund.
- Ensure all policies and procedures are consistently maintained and reviewed, ensuring the Fund remains compliant with any new requirements or changes to existing standards regarding policy publication or format.

Investment:

- Integrate with the governance arrangements with our LGPS Pool.
- Ensure that effective oversight is in place to ensure new pooling arrangements deliver efficient, robust and the best outcomes for Fund members, safeguarding their interests.

- Carry out analysis and monitoring of the Fund's future expected cashflow position and ensure a long term strategy will meet cashflow needs.
- Work with the Fund's LGPS pool ensuring that the Fund is compliant with government guidance and regulation regarding asset pooling.
- Monitor the Fund's investments and effectiveness of the investment strategy including the performance of its LGPS Pool.
- Ensure that the implementation of strategic investment decisions is undertaken by the pool efficiently and effectively.
- Work with our LGPS Pool to develop and report on Responsible investment activities.
Monitor that any asset transitions made by the LGPS Pool are carried out as cost effectively as possible.

Administration:

- Excellent SLA performance
- Implement Pensioner CPI Pension Increases at 3.8%
- Data Quality – maintain high TPR validator common/conditional scores
- Complete the McCloud recalculations by 31/08/2026
- Complete GMP reconciliation & rectification project for last 600 pensioners by 31/03/2026
- Last five existing employers onboarded to i-Connect & all employers monthly submissions up-to-date
- Digital Assistant (ESPA) live by 31/03/2026 and the ESPF makes appropriate use of AI
- Whilst now onboarded, we will continue to support/improve the Pensions Dashboards project
- Begin to create automated workflows and interaction on MSS
- Video Annual Benefit Statements issued by 31/08/2026
- Implement & administer the new self-insured incapacity process
- 2025 was the year Government consultations, 2026 will be the beginning of their implementation for example – Access & Fairness phase I

We will support and administer the changes from LGR and Mayoral as required

Each theme within the Business Plan includes activities planned for the year. The strategic nature of the Fund objectives means that a number of the 2026/27 activities build on work previously undertaken and continue into subsequent years.

Budget

The detailed budget to support the Business plan themes and to carry out day to day administration of the Fund has been assessed at **£5,503k** (£4,645k 2025/26) is detailed in the table below.

Item	2025/26 Budget £000	2025/26 Forecast Outturn £000	2026/27 Budget £000
Fund Staff Costs			
Fund Officers	2,460	2,331	2,502
Sub Total	2,460	2,331	2,502
Oversight and Governance Expenses			
Investment advice	386	667	1019
Actuarial fund work	105	275	163
Actuarial employer work	92	97	100
Employer reimbursement	(92)	(105)	(103)
Legal	49	53	30
Governance costs	60	61	55
Audit (internal and external)	142	135	142
Sub Total	742	1,183	1,405
Investment Expenses			
Custodian	106	111	109
Sub Total	106	111	109
Administration Expenses			
IT systems licenses costs and hardware	613	613	596
Overheads	348	372	431
Admin operational support services	65	98	96
Improvement projects	105	105	92
Consultancy	34	84	71
Communications	36	8	55
Training	46	34	51
Subscriptions	77	79	80
Other expenses	18	22	22
Sub Total	1,342	1,415	1,493
Income			
Income	(5)	(5)	(6)
Sub Total	(5)	(5)	(6)
Total	4,645	5,035	5,503

Budget Coverage

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

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

Fund staff costs include the Pension Fund team and a percentage of S151 officer time.

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

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

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

Admin operational support service are postal charges for pensioner related distribution of payslips and the BACS bureau services provided by Surrey County Council

Improvement projects for 2025/26 budget include McCloud, Dashboard and completion of GMP rectification.

Key budget assumptions

The key budget assumptions are set out below:

- Staffing cost assumes that vacancies will be filled at the most realistic opportunity and existing staff continue in post all year.
- The 2026/27 Pay Award is forecast to be 2.5% in line with the ESCC expectations.
- NI rates and thresholds will remain at 15% and £5000 respectively.
- ESCC employer contribution rate will decrease from 19.70% to 15.40% of pensionable pay.
- Increments will be applied to staff who are not at the top of their scale (two staff are on protected SCC pay and terms and conditions).
- ACCESS cost is based on the 24/25 budget set by the ACCESS Joint Committee.
- The overhead rate charge by ESCC for ancillary services property, IT, business administration and other services will increase from 14.36% to 15.70%

Business plan deliverables by key theme

Theme	Tasks	2026/27 activity
Team	Staffing	<p>Recruit to fill any vacancies in all teams.</p> <p>Recognise team and individual achievements.</p> <p>Train new staff in their roles and responsibilities.</p> <p>Promote competency-based training for all staff.</p> <p>Provide qualifications that will help staff in their career progression.</p>
	Training	<p>Invest in communications team and increase communication coverage.</p> <p>Promote conferences and training events where relevant to ensuring staff are kept up to date on all new regulations and guidance to ensure the Fund provides best practice and high customer service.</p>
Oversight and Governance activities	Support	<p>Enhance and continually improve the training program to develop knowledge and understanding for both new and existing Pension Board and Pension Committee members incorporating the increased training requirement that are being introduced in 2026.</p>
	Cyber Resilience	<p>Ensure all key systems are mapped for data transfers internally and externally to understand risk points.</p> <p>Continue engagement with IT team for testing resilience of systems.</p> <p>Continue to support staff in identifying cyber risk and phishing scams.</p> <p>Ensure cyber security risk is considered in any new procurements.</p> <p>Carry out a review of Business Continuity Plan and seek external professional advice in relation to pension fund cyber security.</p>
	Strengthen Financial Reporting and Audit Readiness	<p>Maintain high standards in financial reporting.</p>

Theme	Tasks	2026/27 activity
	<p>Enhance Financial Systems and Controls</p> <p>Support Operational Efficiency</p> <p>Improve Budgeting and Forecasting Capabilities</p> <p>Ensure Compliance and Adaptability</p> <p>IT systems upgrades</p> <p>Develop improvement plan</p>	<p>Ensure timely and accurate production of financial statements.</p> <p>Prepare high-quality audit working papers.</p> <p>Achieve consistent unqualified audit opinions.</p> <p>Meet statutory deadlines for the Annual Report.</p> <p>Collaborate with ESCC to improve financial systems. Maintain robust accounting controls and reconciliation processes.</p> <p>Regularly cleanse cost centres and general ledger codes. Ensure hierarchies are appropriately maintained.</p> <p>Ensure prompt and accurate invoice processing and payments.</p> <p>Reconcile contributions effectively.</p> <p>Clear suspense codes accurately and in a timely manner.</p> <p>Deliver accurate annual and medium-term budgets.</p> <p>Provide quarterly budget monitoring for governance bodies.</p> <p>Forecast cashflow needs to support investment and benefit payment strategies.</p> <p>Respond to regulatory changes, including outcomes from the “Fit for the Future” consultation.</p> <p>Review and evolve internal policies and procedures.</p> <p>Ensure timely and accurate submission of government returns.</p> <p>Improve utilisation of available IT systems.</p> <p>Identify improvement projects and create an improvement plan to deliver high quality financial information effectively and efficiently.</p>
Investment	Set and monitor the Fund’s Investment Strategy	Create and maintain an investment strategy that is aligned to guidance and regulations which consistently achieves

Theme	Tasks	2026/27 activity
	<p data-bbox="411 734 655 987">Monitor the Fund's investment performance including the oversight and performance of its LGPS Pool</p> <p data-bbox="411 1256 655 1435">Oversight of the implementation of strategic investment decisions</p> <p data-bbox="411 1480 655 1733">Enhance responsible investment integration, Climate Risk Management and Transparency</p>	<p data-bbox="678 219 1390 293">long-term risk-adjusted returns in line with the Fund's funding objectives.</p> <p data-bbox="678 315 1445 427">Work with the Fund's LGPS Pool to embed a cycle of continuous improvement in SAA design through enhanced scenario modelling, stress testing, and liquidity forecasting.</p> <p data-bbox="678 450 1445 562">Review effectiveness of the current strategy to ensure the Fund is best placed to meet its required performance set out in the Funding Strategy Statement.</p> <p data-bbox="678 595 1445 707">Develop with the LGPS Pool and relevant local government organisations the Fund's strategy around local investment.</p> <p data-bbox="678 741 1406 815">Provide reporting on the performance of the Fund on a strategic level and implementation basis.</p> <p data-bbox="678 853 1406 965">Develop the understanding of the investment costs that the Fund incurs and reporting via the cost transparency initiative.</p> <p data-bbox="678 999 1414 1111">To meet with the Fund's LGPS pool to ensure challenge and oversight of stewardship of the Fund's assets are in line with expectations.</p> <p data-bbox="678 1144 1414 1218">Analysis of the underlying investments to enable a more proactive challenge to the LGPS Pool.</p> <p data-bbox="678 1256 1430 1368">Ensure that the LGPS Pool implement any strategic changes to the investment strategy in a cost effective and efficient way that delivers the strategic intent.</p> <p data-bbox="678 1480 1453 1592">Challenge the LGPS Pool and outsourced managers on holdings and stewardship activity to evidence that activities are in line with the Funds expected RI activities.</p> <p data-bbox="678 1626 1382 1738">Continue to develop the Fund's reporting in line with Taskforce for Climate related Financial Disclosures (TCFD) requirements including scenario analysis.</p> <p data-bbox="678 1771 1374 1883">Work with our LGPS Pool to create a submission provided to FRC with a view to the Fund maintaining signatory status.</p> <p data-bbox="678 1917 1437 2029">Work with our LGPS Pool to report Fund Activities to Principle of Responsible Investment (PRI) as part of requirements of being a signatory. Reviewing areas where</p>

Theme	Tasks	2026/27 activity
		<p>the Fund/LGPS Pool could improve from the report findings.</p> <p>Annual review of the RI credentials of the LGPS Pool and all managers and develop appropriate analytic metrics to monitor the effectiveness of their RI work.</p> <p>Report quarterly the RI activities.</p> <p>Undertake an annual review of the carbon footprint of the Fund and to assess the transition position of the investments considering targets.</p>
Pooling	Strengthen Strategic Relationships with the LGPS Pool	<p>Position the Fund as a proactive, influential participant in Pool governance and product development.</p> <p>Work with the Pool to shape the evolution of the Pool's offerings to reflect the Fund's needs—especially in infrastructure, private credit, climate aligned equities, and impact strategies.</p> <p>Support the long-term development of pooled investment management solutions with high governance standards, competitive fees, and scalable platform capabilities.</p> <p>Work with the LGPS Pool to maintain full compliance with all pooling regulations and guidance.</p> <p>Conduct robust, efficient due-diligence on pooling changes to protect member interests and secure optimal outcomes.</p> <p>Support the development and delivery of the LGPS Pool's plan to meet all the requirements from the Fit for the Future consultation and resulting bill, regulations and guidance.</p>
Administration	<p>Maintain the high level of administration team performance and Data Quality.</p> <p>Completion of robotics for processing</p> <p>Continue to work to improve</p>	<p>Maintain the high level of KPI performance</p> <p>Production of Annual Benefit Statement by the statutory deadlines. Include new McCloud wording.</p> <p>Implementation of Pensioner CPI Pension Increase.</p> <p>Management of data submitted through i-Connect, forms, MSS and other input sources. Ensuring staff Altair task lists are managed effectively and KPI's achieved.</p> <p>Producing high TPR validator common/conditional scores</p>

Theme	Tasks	2026/27 activity
	<p>member experience.</p> <p>Work to resolve outstanding projects.</p>	<p>Create a Digital Assistant (chatbot) to answer FAQ's that sits on the Fund website.</p> <p>Complete the project work on the redress of benefit calculations in relation to the Guaranteed Minimum Pension (GMP)</p> <p>Implement the McCloud data & process calculations to determine whether in scope members would have been better off in the CARE or final salary scheme.</p>

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Report to: Pension Committee

Date: 26 February 2026

By: Chief Finance Officer

Title: Communications Report

Purpose: This report provides an update on Fund Communications activities.

RECOMMENDATION:

The Pension Committee is recommended to note the communications updates detailed in this report.

1. Background

1.1 This report is presented to the Pension Committee to provide an update on Communications activity that directly affect the East Sussex Pension Fund (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. This includes making the best use of technology where appropriate, to provide quicker and more efficient communications for the Fund's stakeholders. The Fund will ensure that communication methods are accessible to all.

2. Communications Update

Scheme Member training

2.1 The communications team continue to work closely with the Employer Engagement team to develop a booking process for training sessions, promotion via Scheme employers, scripts, YouTube videos and sending out and collating feedback. Six training sessions were run in January 2026. The communications team will be looking at methods of promotion for the sessions in May and October this year.

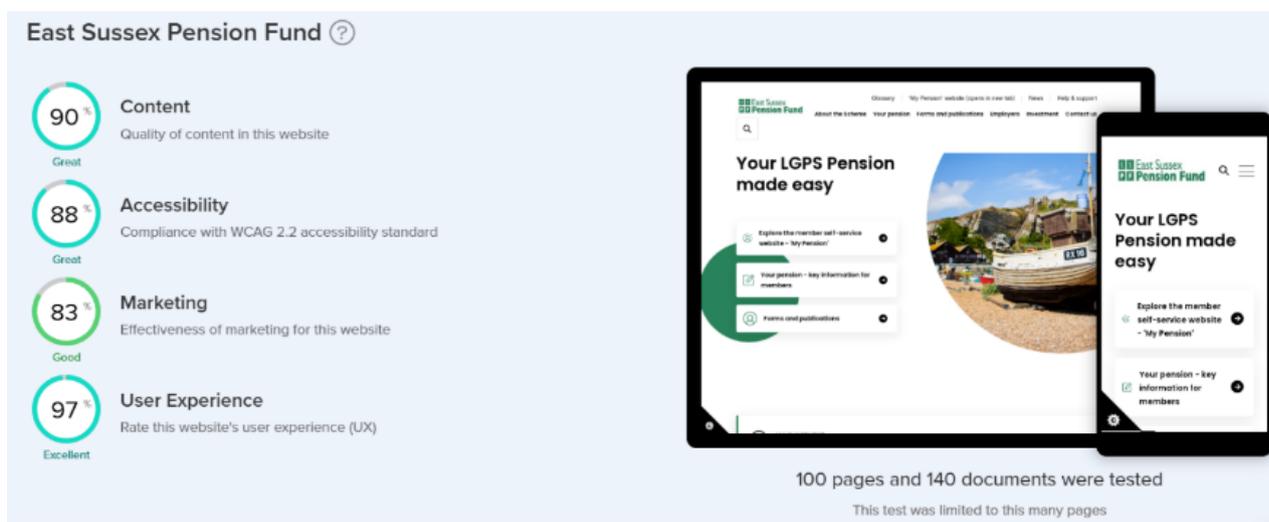
East Sussex Pension Assistant (ESPA)

2.2 The Communications team have been heavily involved in pulling together a knowledge base of over 200 questions and answers to test as part of the new digital assistant (which will sit on designated pages of the website as an automated tool to support members in obtaining LGPS information). Three stages of user acceptance testing are now complete. The project team are currently analysing results and making minor tweaks with launch currently planned around March 2026.

East Sussex Pension Fund main website

2.3 The website continues to be updated with relevant and engaging information for members and employers.

2.4 The website (including all PDF documents) is checked to ensure accessibility guidelines are adhered to. The primary tool used to manage accessibility is 'Silktide' which is a web governance platform that helps improve website quality and user experience by finding and fixing issues related to accessibility, content, and marketing. A snapshot of the Silktide results (as of 22 January 2026) is shown at the top of the next page.



2.5 Website analytics data are detailed in Appendix 1.

'My Pension' - member self-service website

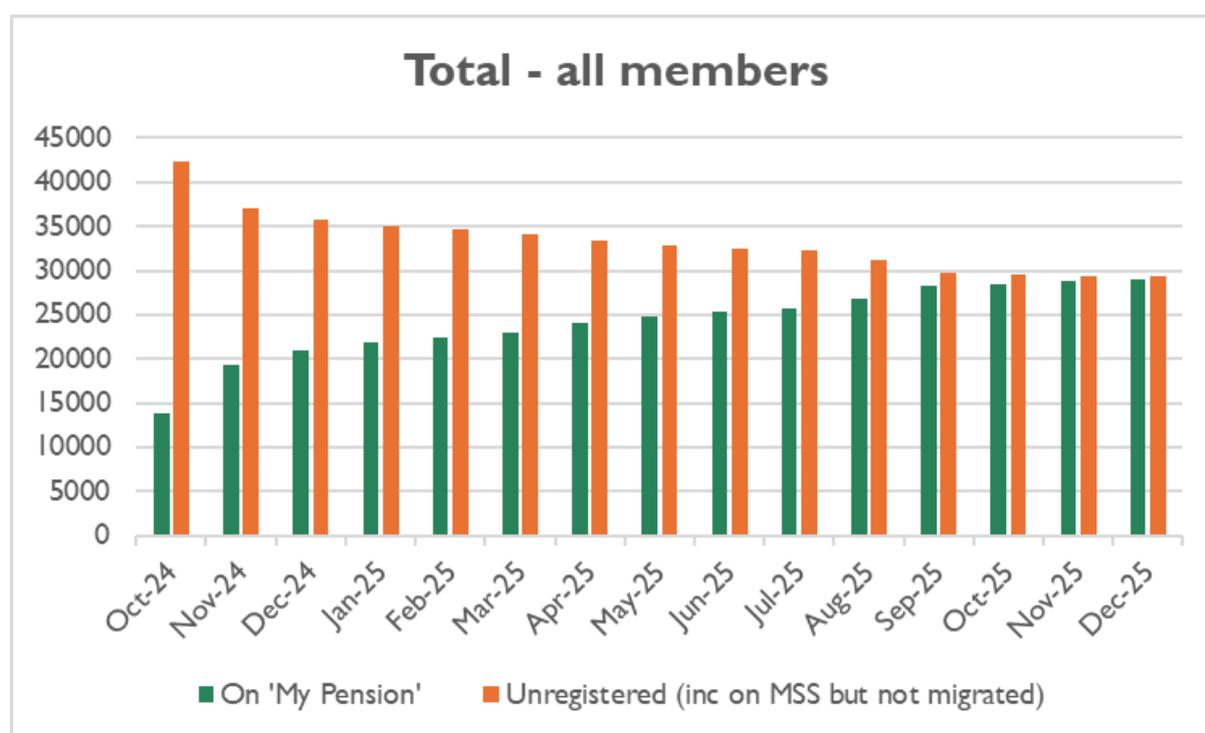
2.6 An updated version of the member self-service website, 'My Pension' went live in July 2024. The launch of this updated functionality is helping transform the way members access and engage with vital pension information online. The Fund will continue to promote 'My Pension' through newsletters, the website and through employers.

2.7 Several of the annual benefit statement communications issued in late August asked members to register for 'My Pension'. The figures below include over 3,500 new registrations since that date.

2.8 Shown below (as of 6 February 2026) are current registration levels (excluding electronic opt outs).

Type of member	On Engage (number)	% registered for 'My Pensions'	Old MSS % registered
Contributing	11,293	52.6	51
No longer contributing	8,757	39.9	46
Pensioners	8,836	64.7	50
Widow/dependant	609	36.0	19

2.9 The chart below shows the progress in member registration from October 2024 to the end of 2025.



3 Other Communications activity

3.1 An [Active member newsletter](#) has been issued, interim contribution reports issued, Funding Strategy Statement and Pension Admin Strategy consultations opened and administered, links to generic LGPS information added to some 'My Pension' pages, McCloud letters updated, Annual Reports and Accounts finalised and letters amended to take account of increased minimum threshold for issuing payslips.

4 Conclusion and reasons for recommendation

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

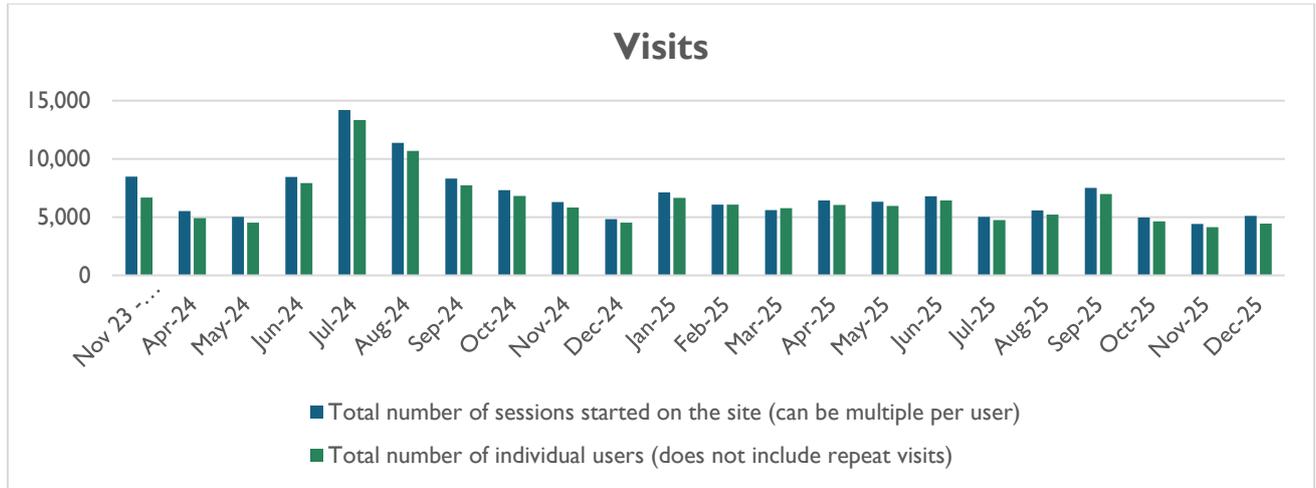
IAN GUTSELL
Chief Finance Officer

Contact Officer: Susan Greenwood, Head of Pensions
 Email: Susan.Greenwood@eastsussex.gov.uk

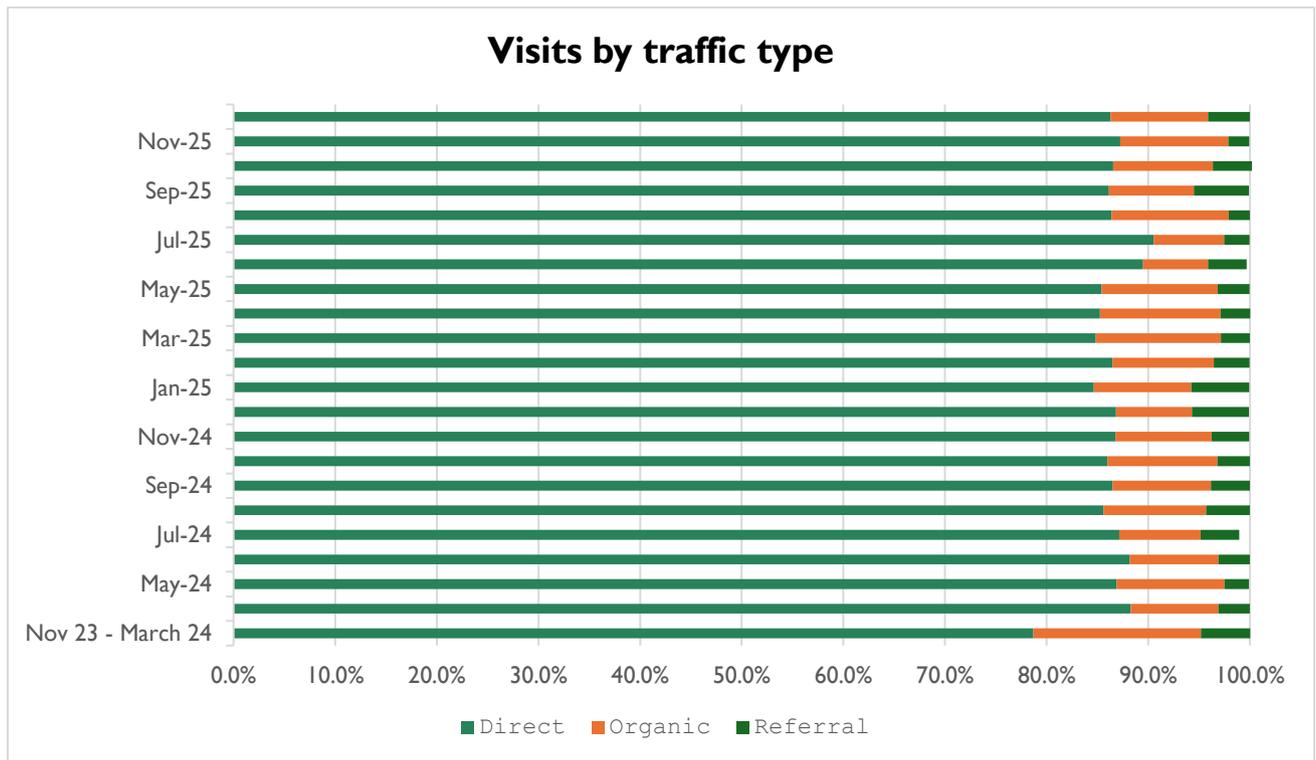
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Appendix I – [East Sussex Pension Fund website](#)

Total number of visitors to the website

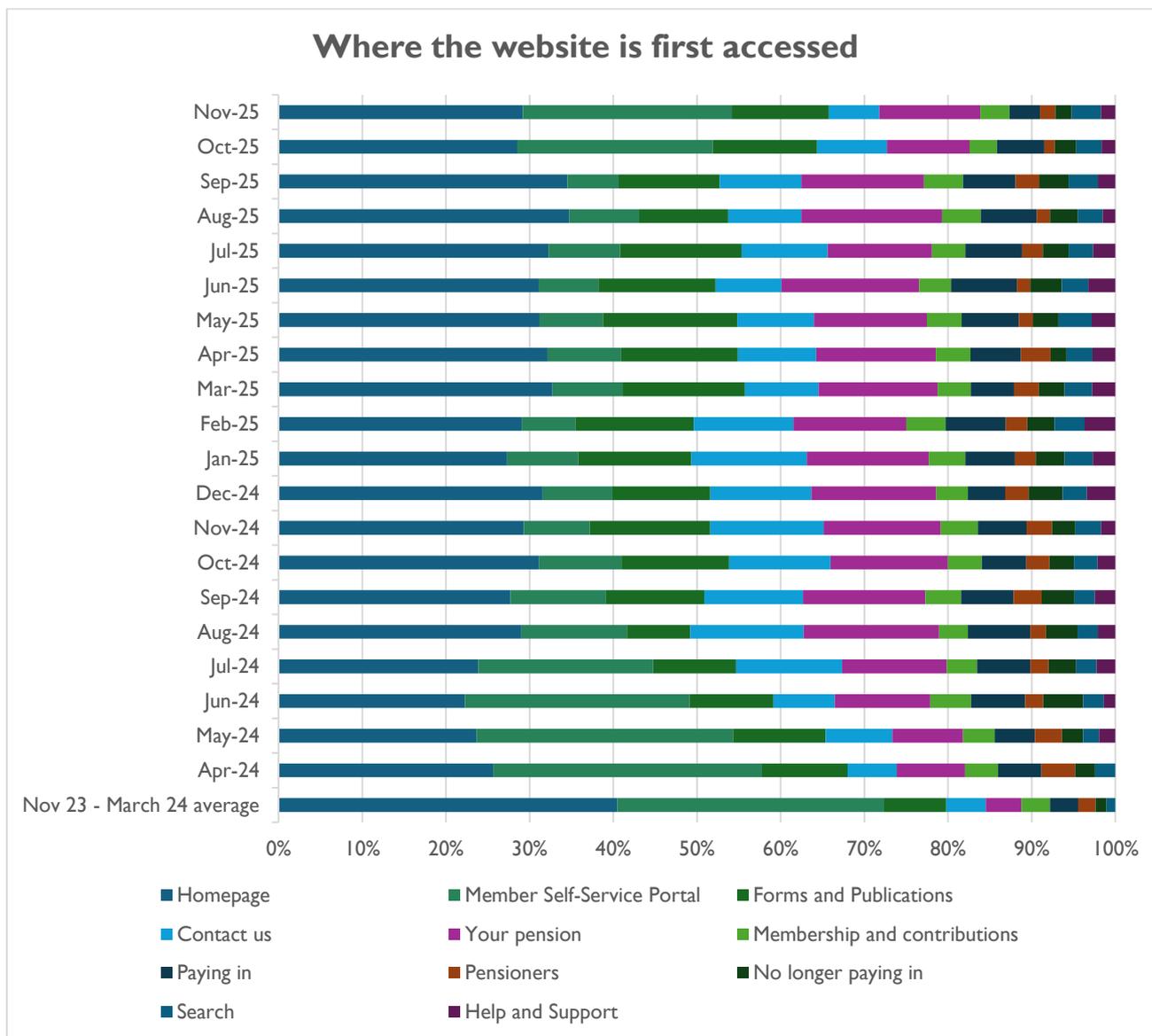


How do people reach the website

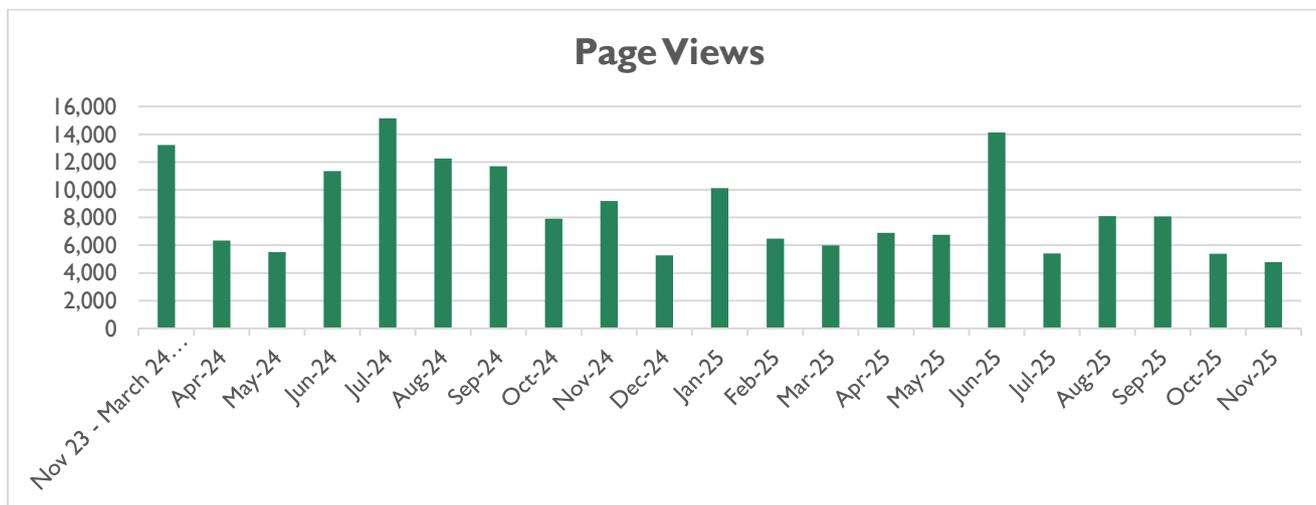


- Direct** Visited the site by typing the URL directly into their browser or clicked on links
- Organic** Visitors referred by an unpaid search engine listing, e.g. a Google.com search.
- Referral** The number of people who click external links to visit your site (for example employer intranet sites).

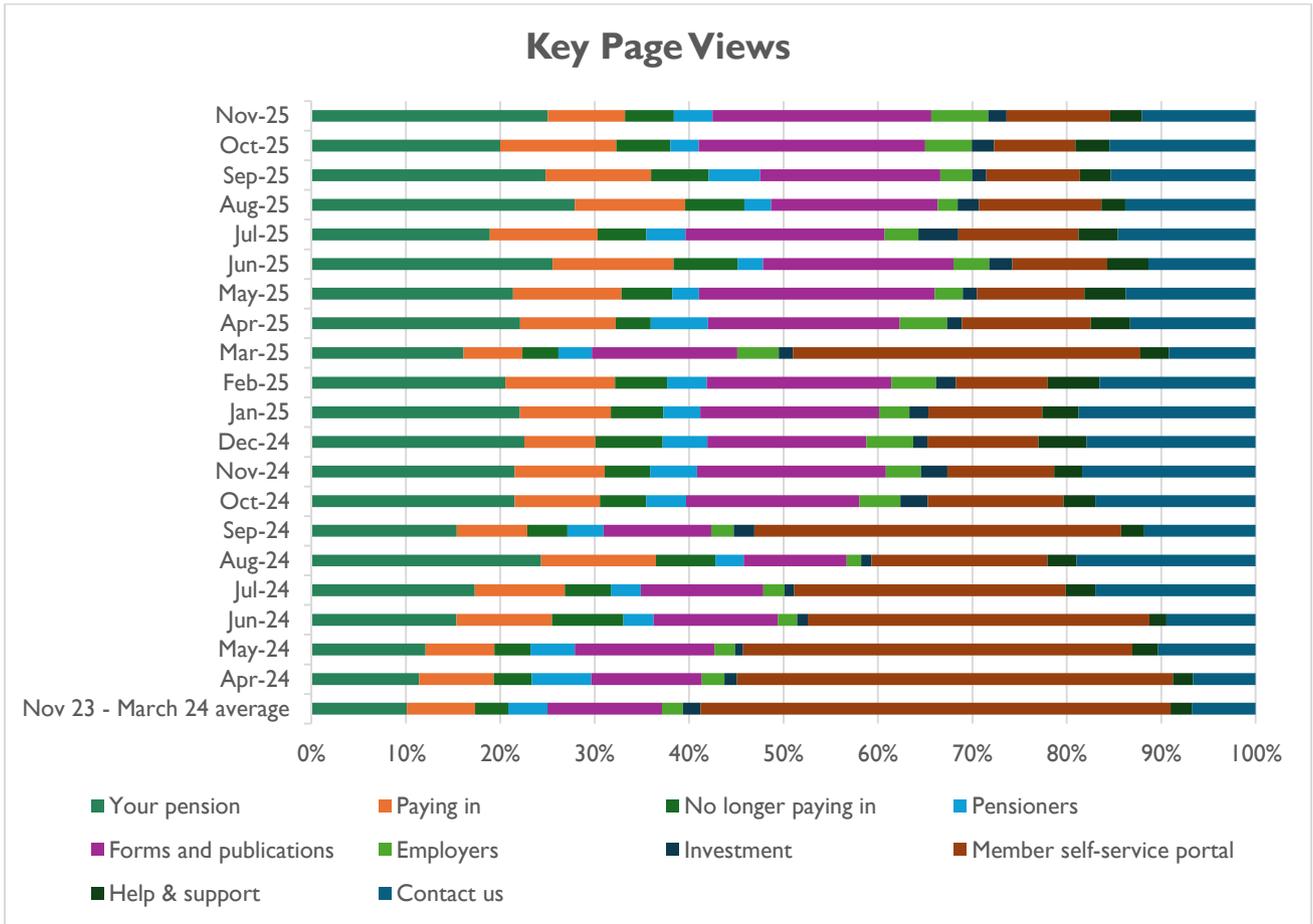
Where the website is first accessed



Page views

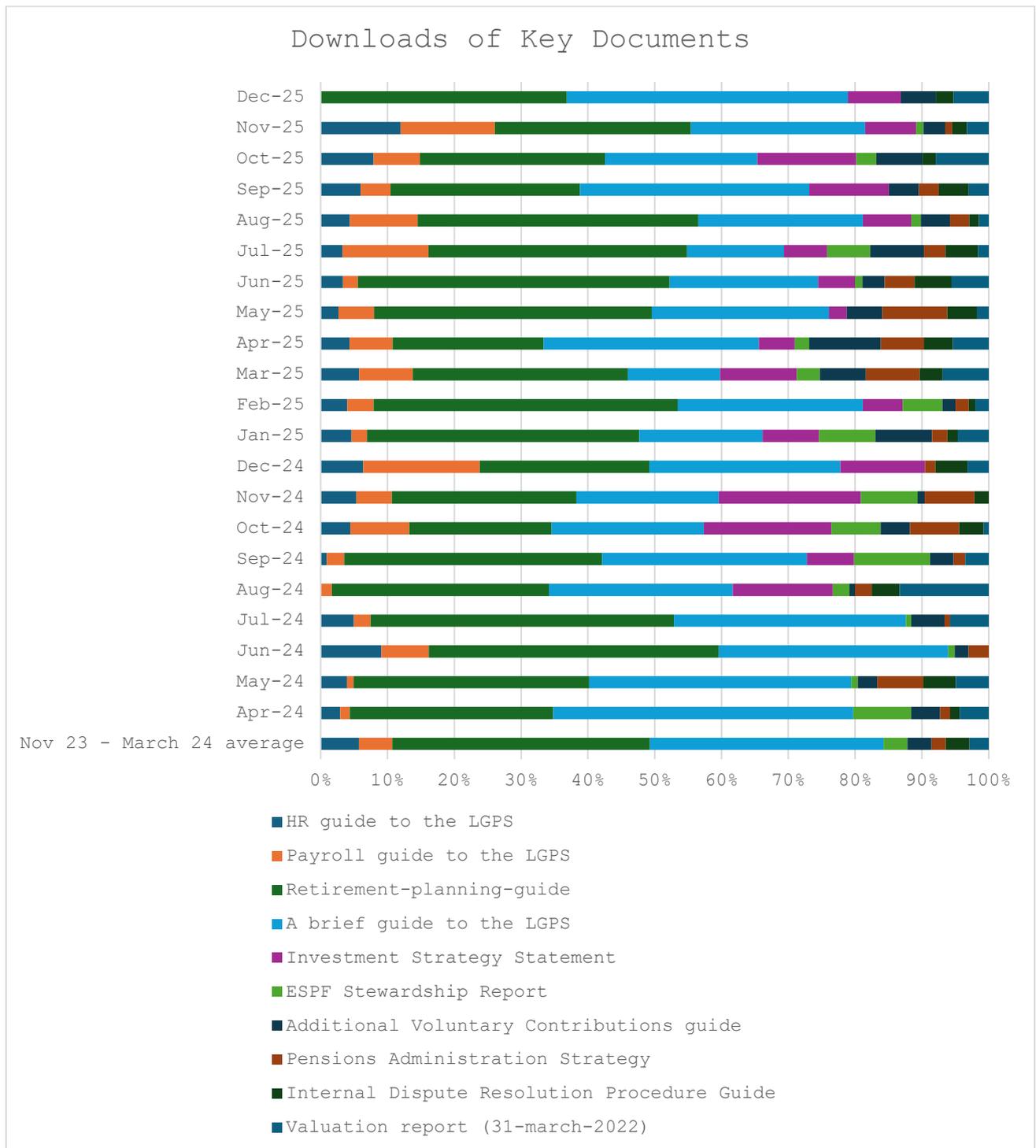


Key page views



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.

Report to: Pension Committee

Date of meeting: 26 February 2026

By: Chief Finance Officer

Title: Pension Administration - updates

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

RECOMMENDATION:

The Pension Committee is recommended to note the update.

1. Background

1.1 The in-house Pension 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. Service Level Agreements (SLA)

2.1 The Performance Reports for the months of October, November and December 2025 can be found at Appendices 1 to 3. Each report 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
Jul 25	1,555	2,080	2,040	1,906	93.0%	134	1,561	206
Aug 25	1,460	1,742	1,504	1,444	96.0%	60	1,674	328
Sep 25	1,519	2,283	1,941	1,819	93.7%	122	1,833	570
Q3,25		6,105	5,485	5,169	94.2%	316		
Oct 25	1,711	2,895	2,740	2,588	94.5%	152	1,827	414
Nov 25	1,621	1,920	1,852	1,799	96.6%	63	1,664	281
Dec 25	1,564	1,726	1,394	1,348	96.7%	46	1,871	431
Q4,25		6,541	5,986	5,735	95.8%	261		

*o/s = outstanding

2.2 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, 23,898 in 2024 and 26,035 in 2025.

2.3 The Fund aims to achieve a gold standard service provision for the Pensions Helpdesk and the results for October to December 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 in 2026 as an IT&D project manager has now been assigned to this task, so the PAT will again review the format and type of Management Information data available.

3. Pension Administration Staffing Update

3.1 There has been one resignation on the i-Connect team since the last meeting and the Senior Administrator left on 15 January 2026. The PAT is carrying forward 4 vacancies and has a temporary vacancy due to maternity leave. The structure of the Projects Team is being reviewed to better integrate the i-Connect Team. Whilst the PAT performance has much improved, oversight will continue to monitor the impact of the current level of vacancies.

4. Projects update

McCloud remedy

4.1 The PAT are finalising the review of the remaining errors and issue outstanding Annual Benefit Statements. This quarter will see focus on the non-active member re-calculations where the McCloud underpin applied, ahead of the 31 August 2026 deadline.

4.2 The Heywood Altair system 25.4 quarterly upgrade implemented further McCloud calculation functionality including concurrent transfers-in with service breaks, divorce quotes and actuals and non-Club transfer-out quotations. Once fully tested these processes can stop using the temporary manual calculation spreadsheets.

Pension Dashboards

4.3 Onboarding was completed on 24 September 2025 ahead of the deadline of 31 October 2025, but it is not yet known when the pension dashboards will go live to the public. The pensions website has been updated to let employers and members know. [Connection to Pension Dashboard | East Sussex Pension Fund](#)

4.4 The Heywood Altair system 26.1 quarterly upgrade due in February 2026 should resolve the few remaining Additional Voluntary Contribution (AVC) data screen issues which will allow the monthly annual data to be submitted to the Integrated Service Provider (ISP) via a single source.

i-Connect onboarding

4.5 We are making good progress on the remaining five historical employers yet to on-board. Bexhill 6th Form College should be completed this month. We are concerned that resourcing is an issue and are looking to reshape the team structure.

Digital Assistant (chatbot)

4.6 The Digital Assistant is a Chatbot designed to sit on the ESPF website and answer frequently asked questions (FAQ). Officers are working with an external provider ICS.AI who created a draft set of 298 questions and answers. A comprehensive review of the FAQ and prescribed answers have been finalised in June 2025, and 260 questions remain. The final stage of user acceptance testing (involving some Pension Board members) closed on 19 January 2026, subject to the findings, it is anticipated the Chatbot will be live by the end of March 2026.

Mortality and Address Tracing

4.7 Further to the proposal set out in an exempt report at agenda item 19 of the Pension Committee meeting that took place on 18 November 2025, the contract with ITM Limited expired on 3 January 2026 and was allowed to lapse, with appropriate notice given. The new Heywood

monthly Data Cleansing and Enrichment (deferred members) and monthly Mortality service (pensioner members) will commence in April 2026 subject to contract variation approval.

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

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APPENDIX 1

East Sussex Pensions Administration - Member Experience / Performance Indicators

Oct-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	95	339	320	299	93.40%	21	2.6	15	114	38
Aggregation- Quote	21	211	168	157	93.50%	11	4.6	41	64	50
APC/AVC's	21	93	89	89	100.00%	0	0.3	N/A	25	4
Deaths – initial letter acknowledging death of member	0	37	37	37	100.00%	0	0	N/A	0	0
Deaths- With Benefits	83	47	41	37	90.20%	4	3.5	28	89	7
Deaths-No Further Benefits	25	40	39	38	97.40%	1	1.6	2	26	3
Deferred Benefits	247	409	418	401	95.90%	17	4.9	52	238	49
Divorce Quotes	2	2	1	1	100.00%	0	1	N/A	3	0
Divorce - Proceeding	5	18	15	15	100.00%	0	1.8	N/A	8	1
General Enquiries	63	234	228	228	100.00%	0	0.6	N/A	69	8
Interfund in- Payment	102	67	48	48	100.00%	0	1.3	N/A	90	4
Interfund In- Quote	300	81	29	20	69.00%	9	9.6	42	352	6
Interfund Out- Payment	33	30	21	19	90.50%	2	10.1	8	42	16
Interfund Out- Quote	13	27	28	28	100.00%	0	8	N/A	12	10
Recalculations - NEW JUNE 2025	165	249	306	298	97.40%	8	8.9	1	108	99
Refunds- Frozen	54	242	231	196	84.80%	35	3.7	11	65	30
Refunds- Payment	7	60	57	57	100.00%	0	1.1	N/A	10	1
Retirements – letter notifying actual retirement benefits	17	153	138	138	100.00%	0	1.9	N/A	32	21
Retirements – letter notifying estimate of retirement benefits	16	165	171	169	98.80%	2	2.8	2	10	4
Retirements – process and pay pension benefits on time	231	270	274	239	87.20%	35	2.7	22	227	37
Transfer In- Payment	34	20	8	8	100.00%	0	1.1	N/A	38	1
Transfer In- Quote	149	27	15	10	66.70%	5	8.3	11	161	11
Transfer Out- Payment	19	14	3	2	66.70%	1	8.7	8	30	8
Transfer Out- Quote	7	50	43	42	97.70%	1	2.2	1	14	6
Trivial Commutation	2	10	12	12	100.00%	0	0.8	N/A	0	0
Grand Totals	1,711	2,895	2,740	2,588	94.5%	152			1,827	414

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Appendix 1

Priority 1
Priority 2
Priority 3
Priority 4
Priority 5

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

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

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APPENDIX 2

East Sussex Pensions Administration - Member Experience / Performance Indicators

Nov-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	107	163	169	149	88.20%	20	4.3	19	101	30
Aggregation- Quote	53	114	121	102	84.30%	19	6	1	46	25
APC/AVC's	24	36	41	41	100.00%	0	0.9	N/A	19	2
Deaths – initial letter acknowledging death of member	0	28	27	27	100.00%	0	0	N/A	1	0
Deaths- With Benefits	83	53	33	32	97.00%	1	2	1	103	15
Deaths-No Further Benefits	24	19	26	26	100.00%	0	1.4	N/A	17	1
Deferred Benefits	192	140	131	130	99.20%	1	3.6	2	201	6
Divorce Quotes	3	1	2	2	100.00%	0	1	N/A	2	0
Divorce - Proceeding	7	23	23	23	100.00%	0	1.5	N/A	7	6
General Enquiries	61	192	180	180	100.00%	0	0.4	N/A	73	9
Interfund in- Payment	92	56	40	40	100.00%	0	1	N/A	89	2
Interfund In- Quote	323	51	26	23	88.50%	3	7	46	348	12
Interfund Out- Payment	39	30	16	15	93.80%	1	3.8	1	53	16
Interfund Out- Quote	9	23	25	25	100.00%	0	3.3	N/A	7	5
Recalculations - NEW JUNE 2025	98	289	327	319	97.60%	8	5.3	15	60	48
Refunds- Frozen	32	98	99	96	97.00%	3	3.4	24	31	0
Refunds- Payment	10	47	43	43	100.00%	0	0.5	N/A	14	3
Retirements – letter notifying actual retirement benefits	30	135	136	133	97.80%	3	2.2	1	29	16
Retirements – letter notifying estimate of retirement benefits	11	178	167	167	100.00%	0	3.3	N/A	22	14
Retirements – process and pay pension benefits on time	195	169	147	144	98.00%	3	1.4	2	217	29
Transfer In- Payment	38	19	10	10	100.00%	0	1.1	N/A	41	4
Transfer In- Quote	150	12	18	17	94.40%	1	3.8	8	144	22
Transfer Out- Payment	29	10	11	11	100.00%	0	4.9	N/A	28	6
Transfer Out- Quote	11	29	29	29	100.00%	0	3.1	N/A	11	10
Trivial Commutation	0	5	5	5	100.00%	0	2	N/A	0	0
Grand Totals	1,621	1,920	1,852	1,789	96.6%	63			1,664	281

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Appendix 2

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 3

East Sussex Pensions Administration - Member Experience / Performance Indicators

Dec-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	182	144	123	85.40%	21	5.2	73	132	54
Aggregation- Quote	35	119	78	75	96.20%	3	3.5	1	76	53
APC/AVC's	19	53	57	57	100.00%	0	0.4	N/A	15	3
Deaths – initial letter acknowledging death of member	1	45	45	45	100.00%	0	0	N/A	1	0
Deaths- With Benefits	103	47	36	34	94.40%	2	2.5	2	114	18
Deaths-No Further Benefits	17	37	29	27	93.10%	2	2.4	7	25	4
Deferred Benefits	195	247	141	140	99.30%	1	3.3	228	301	92
Divorce Quotes	2	1	1	1	100.00%	0	0	N/A	2	0
Divorce - Proceeding	7	16	19	19	100.00%	0	1.8	N/A	4	4
General Enquiries	65	188	173	173	100.00%	0	0.5	N/A	80	14
Interfund in- Payment	93	56	31	31	100.00%	0	1.3	N/A	102	5
Interfund In- Quote	331	71	33	27	81.80%	6	5.3	9	369	21
Interfund Out- Payment	49	24	31	31	100.00%	0	7.6	N/A	42	12
Interfund Out- Quote	6	46	28	28	100.00%	0	3.2	N/A	24	20
Recalculations - NEW JUNE 2025	57	40	71	69	97.20%	2	5.5	2	26	14
Refunds- Frozen	30	108	69	69	100.00%	0	2	N/A	69	30
Refunds- Payment	10	22	22	22	100.00%	0	1.2	N/A	10	5
Retirements – letter notifying actual retirement benefits	29	136	127	126	99.20%	1	1.9	4	38	26
Retirements – letter notifying estimate of retirement benefits	21	52	65	65	100.00%	0	2.7	N/A	8	3
Retirements – process and pay pension benefits on time	188	166	133	131	98.50%	2	1.4	22	221	28
Transfer In- Payment	41	21	11	11	100.00%	0	1	N/A	42	3
Transfer In- Quote	136	17	16	11	68.80%	5	8.2	34	137	17
Transfer Out- Payment	27	8	8	8	100.00%	0	2.3	N/A	27	1
Transfer Out- Quote	8	20	23	22	95.70%	1	3.8	8	5	4
Trivial Commutation	0	4	3	3	100.00%	0	1	N/A	1	0
Grand Totals	1,564	1,726	1,394	1,348	96.7%	46			1,871	431

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Appendix 3

Priority 1
Priority 2
Priority 3
Priority 4
Priority 5

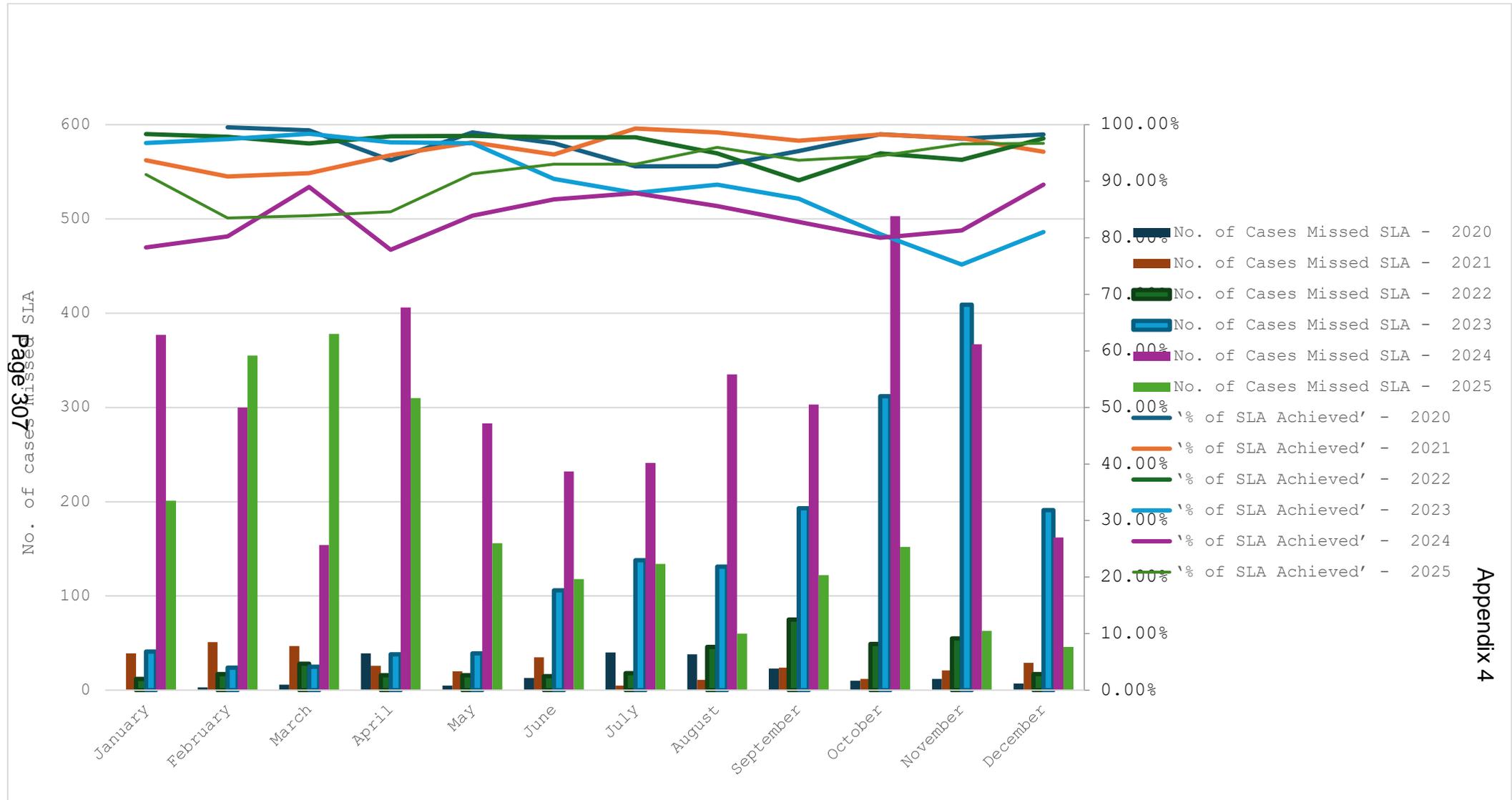
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92%+	<1K
87%+	1k to 1.5k
<87%	>1.5k

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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 st 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 st point of contact	Email response time
Oct 25	75%	100% < 3 days
Nov 25	72%	100% < 3 days
Dec 25	72%	100% < 3 days

Monthly transaction volumes

Month	Telephone Calls	Email's Processed	MSS Queries	MSS Tasks	i-Connect	Post	TUO	Total
Oct 25	855	1,331	157	184	654	99	0	3,280
Nov 25	606	1,036	148	171	311	85	0	2,357
Dec 25	510	987	88	99	405	30	17	2,136

Top five reasons for calls

Month	MSS login / issues	Receipt of Claim form	Claim form guidance	Document / Form enquiry	Progress Update	Update address	Leaver Forms	Doc's for TV's
Oct 25	1 st	4 th	2 nd	3 rd			5 th	
Nov 25	5 th	4 th	2 nd				3 rd	1 st
Dec 25	2 nd		4 th	1 st		5 th	3 rd	

Telephone survey

Oct to Dec 2025	1 Star	2 Star	3 Star	4 Star	5 Star
1. How easy was it for you to contact the Pensions Helpdesk today?	0	1	7	16	234
2. How confident are you that your question was resolved or will be resolved in the relevant timelines?	5	6	7	30	210
3. Based on your recent experience how strongly would you recommend using the Helpdesk to a colleague?	5	2	7	20	224
4. How satisfied were you with your overall experience today?	5	3	6	16	228
5. How many times have you called the helpdesk about the request / issue?	Zero/Once = 199	Twice = 35	Three = 11	Four+ = 13	

Customer Thermometer (email feedback)

Month	Excellent	Good	OK	Poor
Oct 25	34	9	4	5
Nov 25	31	9	4	3
Dec 25	9	5	1	4

Report to: Pension Committee

Date of meeting: 26 February 2026

By: Chief Internal Auditor

Title: Internal Audit Reports and Strategy for Pensions 2026/27

Purpose: This report advises the Committee of the outcomes of the Pension Fund – Administration of Pension Benefits and Preparedness for Pooling Reforms audits and provides it with the opportunity to comment on the draft Internal Audit Strategy for Pensions for 2026/27.

RECOMMENDATIONS

The Pension Committee is recommended to:

- 1) note the Internal Audit reports as set out at Appendix 1 (Pension Fund Investments), Appendix 2 (The Administration of Pension Benefits) and Appendix 3 (Pension Fund - Preparedness for Pooling Reforms) of this report; and
 - 2) approve the Internal Audit Strategy for Pensions and Annual Plan 2026/27, as set out in Appendix 4 of this report.
-

1. Background

Pension Fund Investments Audit Report

1.1 The review of Pension Fund Investments was completed as part of the Internal Audit Strategy and Plan for Pensions 2025/26 and provides assurance on the overall effectiveness of controls. The full report can be found at Appendix 1 to this report.

1.2 Internal Audit was able to provide an opinion of Substantial Assurance over the controls in place.

The Administration of Pension Benefits Audit Report

1.3 The review of the Administration of Pension Benefits was completed as part of the Internal Audit Strategy and Plan for Pensions 2025/26 and provides assurance on the overall effectiveness of controls. The full report can be found at Appendix 2 to this report.

1.4 Internal Audit was able to provide an opinion of Substantial Assurance over the controls in place.

Pension Fund - Preparedness for Pooling Reforms Audit Report

1.5 The review of the Preparedness for Pooling Reforms was completed as part of the Internal Audit Strategy and Plan for Pensions 2025/26 and provides a position statement on progress made. The full report can be found at Appendix 3 to this report.

1.6 As a position statement has been produced, no opinion has been given.

Internal Audit Strategy for Pensions and Annual Plan 2026/27

1.7 The Council's Internal Audit Strategy for Pensions 2026/27 sets out the approach Internal Audit takes when planning its assurance activity over the effectiveness of controls within the East Sussex Pension Fund (ESPF). It sets out the risks inherent in administering a large and complex fund so that audit resources may be focussed on areas where these risks are highest.

1.8 The proposed number of audit days in the Strategy remains at 75.

1.9 Input has been sought from officers responsible for running the Fund and from the Chairs of both the Pension Board and the Pension Committee and their contributions have been fed into the draft Strategy. The full Strategy and Plan are included at Appendix 4 of the report.

2. Conclusions and Reasons for Recommendation

2.1 The Pension Committee is recommended to:

- note the Pension Fund – Investments, the Administration of Pension Benefits and Pension Fund – Preparedness for Pooling Reforms Audit Reports; and
- approve the Internal Audit Strategy for Pensions and Annual Plan for 2026/27.

RUSSELL BANKS

Orbis Chief Internal Auditor

Contact Officer: Nigel Chilcott, Audit Manager
Email: nigel.chilcott@eastsussex.gov.uk

Contact Officer: Danny Simpson, Principal Auditor
Email: danny.simpson@eastsussex.gov.uk

BACKGROUND DOCUMENTS:

None

Internal Audit Report

Pension Fund Investments

Final

Assignment Lead: Olu Abiwon, Auditor

Assignment Manager: Danny Simpson, Principal Auditor

Prepared for: East Sussex County Council

Date: December 2025

Internal Audit Report – Pension Fund Investments

Report Distribution List

Draft Report

Susan Greenwood, Head of Pensions

Russell Wood, Head of Investment

Final Report

Susan Greenwood, Head of Pensions

Russell Wood, Head of Investment

Ros Parker, Chief Operating Officer

Ian Gutsell, Chief Finance Officer

Pension Committee Members

Pension Board Members

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

Chief Internal Auditor: Russell Banks, ☎ 07824 362739, ✉ Russell.Banks@eastsussex.gov.uk

Audit Manager: Nigel Chilcott, ☎ 07557 541803, ✉ nigel.chilcott@eastsussex.gov.uk

Anti-Fraud Hotline: ☎ 01273 481995, ✉ fraudhotline@eastsussex.gov.uk

1. Introduction

- 1.1. The East Sussex Pension Fund (the Fund) is part of the national Local Government Pension Scheme and provides retirement benefits for employees of East Sussex County Council (ESCC), as well as employees from 149 other employers.
- 1.2. As the designated 'administering authority' under the LGPS Regulations, ESCC is legally responsible for managing and administering the Fund on behalf of all participating employers, members, and their dependents. While ESCC holds this responsibility, it has delegated the day-to-day management of the fund to the East Sussex Pension Committee. The Pension Board also assists in ensuring compliance with regulations.
- 1.3. Pension funds have long-term liabilities to pay pensioners so the Fund's investment strategy must find a delicate balance between necessary risk taking for growing the Fund with the secure, sound investment needed to pay benefits. The Council, via the East Sussex Pension Committee, is responsible for setting the Fund's overall investment strategy and reviewing investment performance to ensure the Fund meets its return targets.
- 1.4. Valued at £5.1bn as of 30 June 2025, the Fund's investment portfolio is diversified across asset classes, including equities, Government bonds, property, and infrastructure. The Fund delegates investment decisions (the actual buying and selling of assets) to external investment fund managers. These managers are held to specific performance targets and benchmarks.
- 1.5. This review is part of the agreed ESPF's 2025/26 Internal Audit Strategy for Pensions.
- 1.6. This report has been issued on an exception basis, whereby only weaknesses in the control environment have been highlighted in 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:
 - The Fund's investments perform sufficiently well to meet the Fund's liabilities.
 - Investment returns are received in full and in a timely manner.
 - Accounting of the Pension Fund is accurate.

3. Audit Opinion

3.1 **Substantial assurance is provided in respect of Pension Fund Investments 2025/26.** 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. We have provided Substantial Assurance over the controls operating within the area under review because:
- 4.2. Adequate processes are in place to safeguard the Fund’s assets and prevent excessive risk taking. Funds are invested in only type of asset classes permitted and within the maximum investment limits set by the Pension Committee. Independent and external assurances are obtained that confirms that the Fund Managers appointed by the Council are complying with investment restrictions and that any investment errors or exceptions are identified and resolved.
- 4.3. The Fund’s custodian, Northern Trust, ensures that all investment returns are received timeously and in full.
- 4.4. Regular reconciliations take place to provide assurance that transactions are accurately reflected in the general ledger and within a reasonable timeframe.
- 4.5. However, there are minor areas where controls could be strengthened further.
- 4.6. Investment in private credit assets is currently below the lower limit of the Pension Committee’s tolerance level and is not in line with the target percentage as set out in the Investment Strategy. More of the Fund’s asset could be invested into private credit assets to maintain a better diversified portfolio and avoid missing appropriate investment opportunities.
- 4.7. There is inconsistency with how performance benchmarks set by the Pension Committee are being used to assess the performance of fund managers outside of LGPS pooled arrangements, which may distort or misrepresent fund managers’ performance. A formal management actions is not proposed on this issue on the basis that under government regulations, all LGPS pension funds must transfer their assets into pooled investment arrangements by 31 March 2026.

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	
Medium	Existing procedures have a negative impact on internal control or the efficient use of resources.	0	
Low	This represents good practice; implementation is not fundamental to internal control.	1	1
Total number of agreed actions		1	

Internal Audit Report – Pension Fund Investments

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

6. Acknowledgement

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

Internal Audit Report – Pension Fund Investments
Detailed Findings

Page 318

Ref	Finding	Potential Risk Implication	Risk	Agreed Action	
1	<p>Asset Allocation</p> <p>To ensure diversification and manage concentration risk, the Pension Committee has set allocation targets for the Fund to invest across a range of asset classes. This approach helps to reduce the impact of underperformance in any single asset class and supports portfolio stability.</p> <p>If an asset allocation falls outside its tolerance range, rebalancing should occur. The Pension Committee’s investment strategy is to invest around 5% of the Fund into private credit assets, with a tolerance range of 3% to 7% to allow for market volatility without triggering frequent and costly rebalancing transactions. However, only 0.5% of the Fund is currently invested in private credit assets. All other asset class allocations were found to be within the Committee’s tolerance levels.</p>	<p>Underweight allocation to any asset class may result in missed investment opportunities for enhanced returns and portfolio diversification benefits.</p>	Low	<p>Private Credit has been identified by the Pension Committee as an area that the Fund needed to allocate commitments. The Committee wanted to do this through their existing Asset Pool rather than outside it, so the Fund worked with the ACCESS pool to create an investment option. In June 2025, the Fund committed 3% of its assets to private credit, but not the full amount because the Committee wanted to spread investments across different years for better diversification. It will take about three years for managers to fully invest this amount.</p> <p>Due to the “Fit for the Future” consultation and the need to move to a new Asset Pool, the Fund is now working with the new pool to commit the remaining 2%, which is expected to happen in June 2026.</p>	
Responsible Officer:		Russell Wood, Head of Investment	Target Implementation Date:		June 2026

Appendix A

Audit Opinions and Definitions

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

Management Responsibilities

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

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

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

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Internal Audit Report

Pension Fund - Administration of Benefit Payments

Final

Assignment Lead: Steven Duly, Auditor

Assignment Manager: Danny Simpson, Principal Auditor

Prepared for: East Sussex County Council

Date: January 2026

Internal Audit Report: Pension Fund - Administration of Benefit Payments

Report Distribution List

Draft Report

- Paul Punter, Head of Pensions Administration

Final Report

As draft report with the inclusion of:

- Susan Greenwood, Head of Pensions
- Ian Gutsell, Chief Finance Officer
- Ros Parker, Chief Operating Officer
- Pension Board
- Pension Committee

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

Chief Internal Auditor: Russell Banks, ☎ 07824 362739, ✉ russell.banks@eastsussex.gov.uk
Audit Manager: Nigel Chilcott, ☎ 07557 541803, ✉ nigel.chilcott@eastsussex.gov.uk
Anti-Fraud Hotline: ☎ 01273 481995, ✉ fraudhotline@eastsussex.gov.uk

Internal Audit Report: Pension Fund - Administration of Benefit Payments

1. Introduction

- 1.1. The Council (East Sussex County Council) is the designated statutory administering authority of the East Sussex Pension Fund. The Council has a statutory responsibility to administer and manage the fund in accordance with the Local Government Pension Scheme (LGPS) regulations.
- 1.2. The Council has delegated the responsibility for the management and responsibility of the Fund to the East Sussex Pension Committee, supported by the Pensions Board & Chief Finance Officer (S151 officer) for East Sussex County Council.
- 1.3. As of 31 March 2025, the Fund comprised 149 scheme employers, with 24,916 active employees, 35,223 deferred pensioners, and 25,397 pensioners.
- 1.4. Preliminary results of the 2025 actuarial valuation, subject to Pension Committee sign-off, found that the funding level had fallen, slightly, from 123% in 2022 to 117% in 2025. The Fund's assets and liabilities were valued at £5.07bn and £4.32bn respectively, a surplus of £0.75bn, compared with a funding surplus of £0.86bn in 2022. The actuarial report highlighted the significant improvement in data quality between 2022 and 2025, with the rating increasing from B+ to A.
- 1.5. During the financial year 2024/25, the scheme made pension benefit payments of £177.5m.
- 1.6. This audit tested the controls employed by management over the calculation and payment of pension benefits and transfers to, and from, the Pension Fund.
- 1.7. This review was part of the agreed Internal Audit Strategy for Pensions for 2025/26 and has been delivered in compliance with the Global Internal Audit Standards and the Local Government Application Note.
- 1.8. 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:
 - Data quality is sufficiently accurate to support transactions and reporting requirements.
 - The calculation of pension benefit entitlements is accurate.
 - Delivery of the pension administration service complies with statutory & regulatory requirements.
 - Previously agreed actions have been implemented.

3. Audit Opinion

3.1 **Substantial assurance is provided in respect of Pension Fund Administration of Benefit Payments.** 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 testing undertaken, we have been able to provide an opinion of **Substantial Assurance** over the controls in place. This is because:
- 4.2. Data validation is integrated across i-Connect, the Pension Fund's employer portal and primary method for submitting employer data. Additionally, data quality is continuously monitored and included in reporting obligations to The Pensions Regulator.
- 4.3. Key processes are well-defined and documented through process maps that accurately represent the procedures in place. Pension entitlements are calculated correctly and paid promptly. All required supporting documentation is obtained and retained, with additional assurance provided through checks performed by a second officer.
- 4.4. Straightforward routine tasks are handled by robots. Automating these processes minimises the risk of human error and increases staff capacity to focus on more complex activities.
- 4.5. Key Performance Indicator (KPI) reporting to the Pension Board and Committee is accurate and transparent. As noted in the 2024/25 audit, a new and more rigorous reporting methodology was introduced, which initially resulted in lower-than-expected performance figures. However, significant improvement has been achieved, with September 2025 reporting showing that 93.7% of cases were completed within the defined KPI parameters.
- 4.6. All agreed actions under the previous audit have been implemented in full.
- 4.7. There were, however, some minor areas where controls could be strengthened.
- 4.8. The checklists utilised by the service for a range of transactions are not always completed in full to confirm they have received review and sign-off by an officer independent of the officer who processed the transaction.
- 4.9. Following a change of address being reported, members' addresses are not always updated with complete accuracy.
- 4.10. Tracking action on outstanding tasks is not always sufficiently robust to support timely progression.
- 4.11. There are sometimes minor differences between Altair users' records, as recorded within Altair itself, and the service's own record of users.

Internal Audit Report: Pension Fund - Administration of Benefit Payments

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.	4	1 - 4
Total number of agreed actions		4	

- 5.2. Full details of the audit findings and agreed actions are contained in the detailed findings section below.
- 5.3. As part of our quarterly progress reports to Audit Committee we seek written confirmation from the service that all high priority actions due for implementation are complete. We shall reassess the progress of all (low, medium and high priority) agreed actions 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 - Administration of Benefit Payments
Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
1	<p>Independent Reviews of Checklists</p> <p>Testing identified several instances where the checklists, used to guide officers through the processing of transactions, had not been fully completed by an officer independent of the officer processing the transactions.</p> <p>Testing identified that, in the instances where checklists were not fully completed, the processes had been followed correctly, with appropriate checks having taken place, despite the checklists not recording this.</p>	Where checklists do not record that independent checks have been completed, there is increased risk of fraud or error.	Low	<p>At the monthly PAT meeting on 13/01/26, the minutes will reflect that the internal audit findings were discussed with the Team. The Team will be reminded of the importance of all checklists being fully completed by both the doers and checkers.</p> <p>When approximately 25k tasks are processed there is an expectation of human error occasionally happening.</p>
Responsible Officer:		Paul Punter – Head of Pensions Administration	Target Implementation Date:	31/01/2026

Internal Audit Report: Pension Fund - Administration of Benefit Payments
Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
2	<p>Tracking Action for Outstanding Tasks</p> <p>A review of outstanding tasks highlighted that action to progress a case is not always performed in a sufficiently timely manner.</p> <p>Of a sample of ten cases selected for testing, one had a due date that had lapsed by 17 days, without further action having been taken. In a further case, no action had been taken for four months in respect of an employer who had failed to respond to a request for information.</p>	Where outstanding tasks are not progressed in a timely manner, there is an increased risk of reputational damage.	Low	<p>The Pensions Management team have invested some considerable time to ensure the SLA reported to Board and Committee are totally transparent. The numbers presented include both the average time taken and longest individual case for each task monthly. The report also highlights the number of tasks outstanding at the end of each month.</p> <p>We set an expectation that not all work will be completed within SLA.</p> <p>Each member of the PAT has a monthly 1-2-1 meeting & the conversation includes a review of the work completed and outstanding. The PAT will be reminded at the 13/01/26 team meeting that outstanding task reminders are a low priority but still a necessary job that should be reviewed & progressed in a timely manner.</p>
Responsible Officer:		Paul Punter – Head of Pensions Administration	Target Implementation Date:	31/01/2026

Internal Audit Report: Pension Fund - Administration of Benefit Payments
Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
3	<p>Changes of Address</p> <p>Upon being notified of a member's change of address, details are not always updated completely accurately within Altair, and members do not always receive a letter of acknowledgement following the change being actioned.</p>	<p>Where the address held for a member is not accurate, there is an increased likelihood of inadequate delivery of service, and regulatory fine due to breaches of the General Data Protection Regulations (GDPR). There is also an increased risk of reputational damage.</p>	Low	<p>At the monthly PAT meeting on 13/01/26, the minutes will reflect that the internal audit findings were discussed with the Team. The Team will be reminded that any change of address by letter / email requires a wet signature and should be acknowledged.</p> <p>The i-Connect team will be asked to be vigilant at trying to spot changes of address that are overwriting recently updated addresses. Any identified cases will be investigated further.</p>
Responsible Officer:		Paul Punter – Head of Pensions Administration	Target Implementation Date:	31/01/2026

Internal Audit Report: Pension Fund - Administration of Benefit Payments
Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
4	<p>Altair Users – Records Reconciliation Periodic reviews of users with access to Altair are undertaken. A review of the system generated reports identifying all active users and the spreadsheet the service maintains, which details all current active users, found that they do not always reconcile completely. It was found that an active user was not identified on the service's spreadsheet.</p> <p>The user profile is only accessible to the Pensions Systems, Projects and Technical Manager and is a secondary account, utilised to verify that correct permissions have been applied to a newly created user's profile.</p>	<p>Where records of users' accounts do not reconcile, there is an increased risk of a user retaining access when it is not appropriate, increasing the likelihood of unauthorised or fraudulent activity occurring. There is an increased risk of reputational damage and financial loss resultant from fraud and regulatory fines, for breach of General Data Protection Regulations (GDPR).</p>	Low	<p>The user was a spare 'secondary' account used by the Project Team for UAT on projects. The team have been advised that the use of such users is fine, but they must be deleted as soon as the project testing is complete.</p> <p>There are regular audits of Altair access to ensure we pick up unreported leavers or changes.</p>
Responsible Officer:		Paul Punter – Head of Pensions Administration	Target Implementation Date:	31/01/2026

Appendix A

Audit Opinions and Definitions

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

Management Responsibilities

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

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

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Internal Audit Position Statement

Pension Fund Preparedness for Pooling Reforms

Final

Assignment Lead: Amanda Craig, Principal Auditor
Assignment Manager: Danny Simpson, Principal Auditor
Prepared for: East Sussex County Council
Date: January 2026

Internal Audit Report – Pension Fund Preparedness for Pooling Reforms

Report Distribution List

Draft Report:

Susan Greenwood, Head of Pensions

Russell Wood, Pensions Manager – Investments and Accounting

Dave Kellond, Compliance and Local Improvement Partner

Final Report:

As per the draft report distribution list, with the inclusion of:

Ros Parker, Chief Operating Officer

Ian Gutsell, Chief Finance Officer

Pension Board

Pension Committee

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

East Sussex County Council - Internal Audit Key Contact Information

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Audit Manager: Nigel Chilcott, ☎ 07557 541803, ✉ nigel.chilcott@eastsussex.gov.uk

Anti-Fraud Hotline: ☎ 01273 481995, ✉ fraudhotline@eastsussex.gov.uk

Internal Audit Report – Pension Fund Preparedness for Pooling Reforms

1. Introduction

- 1.1. 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.
- 1.2. On 14 November 2024, the Chancellor of the Exchequer announced major changes to local government pension schemes' investments. These will require that the 86 Local Government Pension Schemes' administering authorities consolidate all their assets into six pools. It will also remove Pension Committees' powers to make decisions relating to individual investments and place this responsibility, along with the monitoring of investment performance, with the pools themselves.
- 1.3. Currently, ESPF pools along with another 10 funds as part of the ACCESS Pool, a collaboration of central, eastern and southern shires. However, under this new scheme, 'Fit for the Future', the ESPF is required to identify a new pooling partner and for this to be in place by 01 April 2026. On 18 November, the Pension Committee agreed for the ESPF to become a shareholder in the Border to Coast Pensions Partnership Pool (BCPP).
- 1.4. 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.

2. Scope

- 2.1. The purpose of the review was to provide assurance that controls are in place to meet the following objectives:
 - Robust arrangements are in place regarding the restructuring of investment pools to ensure the Fund maintains its internal controls and can exercise stewardship of its assets.
 - The programme of change is well managed and monitored to ensure the government's timescales are met.

3. Overview

- 3.1. The aim of this review was to assess the arrangements in place for implementing the changes to pooling arrangements required as part of the Government's 'Fit for the Future' agenda, including the governance arrangements that will oversee the changes. Due to the timing of our work, we found that, although key decisions had been taken, much of the activity needed to deliver the governance changes was still at a relatively early stage, not least because government guidance was being awaited, though the move to the new pooling arrangements is more advanced. As a result, there is little upon which to base an informed audit opinion and therefore we have set out the position as it stood at the time of testing (December 2025) without providing a formal opinion.
- 3.2. Currently the ESPF is part of the ACCESS Pool. To retain a degree of continuity, and to limit the costs of any changes, the Fund had initially set out a proposal for the ACCESS Pool to be registered with Financial Conduct Authority (FCA) along with wider proposals to meet the requirements of the Fit for the Future consultation. However, this proposal was not supported by the government. As a result, alternative options were explored and, on 18 November 2025, the Pension Committee formalised its decision for the Fund to join the Border to Coast Pensions Partnership Pool (BCPP). The Fund will therefore transfer its investments to BCPP, as will the investments of six of the other ACCESS funds. The remaining ACCESS funds will transfer their assets to the Local Government Pension Scheme (LGPS) Central Pool.
- 3.3. The move to join BCPP needs to be completed by 1 April 2026. To become a member of the BCPP, key documents are required to be put in place that will define the governance arrangements: a Shareholders' Agreement, Articles of Association and an Inter-Authority Agreement. These will be supported by a Pension Cost Recharge Agreement and a Pension Guarantee. As part of due diligence, these documents have been reviewed by Squires Patton Boggs, solicitors, on behalf of all seven authorities transferring to BCPP, and are now being prepared for signing.
- 3.4. To manage the dissolution of the ACCESS Pool, the existing ACCESS Inter Authority Agreement ("IAA") will need to be revised. Pending this revision, a Memorandum of Understanding (MOU) has been put in place for the ACCESS partners, detailing the principles of dissolving ACCESS. This has been reviewed by each of the funds in the ACCESS partnership; however, it is not a legally binding document. A Heads of Terms document, setting the key principles upon which ACCESS will be dissolved, will be agreed by the authorities by 31 January 2026. The target is to implement a fully revised IAA by 1 April 2026. Squires Patton Boggs have confirmed that if this is not completed by 1 April 2026 the current IAA combined with the MOU is sufficient to manage ACCESS from a legal perspective.
- 3.5. In addition, a review of the remit of the Pension Committee has been carried out by King's Counsel and this confirmed that the Committee has full authority to make the necessary decisions on behalf of the Fund.
- 3.6. The process of identifying assets and moving them to the new pool will be complicated, due to the nature of the investments, and will incur expenditure. There is no certainty around the cost, and this represents the largest single risk in the process. The Pension Committee is fully aware of these complexities and had sought to minimise the cost. Data gathering is currently being undertaken to determine the assets in place to support their transfer to BCPPs. Project plans are being drawn up and discussed with partners in ACCESS and BCPP, subject to the limitations of information provided by the government, including updates provided as recently as December 2025. As a result, plans are constantly evolving and work continues to ensure that the final plan is robust.

Internal Audit Report – Pension Fund Preparedness for Pooling Reforms

3.7. Additional activities to be carried out by the Fund include:

- A senior officer will be appointed, other than the Section 151 Officer, who will have delegated responsibility for the management and administration of the Fund;
- The Fund's governance arrangements are being reviewed to ensure policies are aligned with Fit for the Future agenda. In addition, the Investment Strategy Statement (ISS) will be updated to reflect the Fund's very much reduced role in the management of its investment portfolio, as responsibilities transfer to the new pool; and
- The Fund will commission an independent review of its governance arrangements, which will be undertaken following the changes that will be fully implemented by October 2026, to ensure these are robust and compliant.

4. Conclusion

4.1. Our review has identified no findings or gaps in the arrangements to implement the required changes. However, due to the tight timescales for the establishment of the new pooling arrangements and the need to await further government direction and guidance, before effective plans could be put into place, we have been unable to undertake sufficient work to enable us to provide a meaningful audit opinion. We shall continue to work with the Fund in order to provide support with the planning arrangements and work being undertaken on the proposed governance arrangements.

5. Acknowledgements:

5.1. We should like to thank all staff, who provided assistance during the course of this review.

Appendix A

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.

East Sussex
Local Government Pension Scheme
Internal Audit Strategy and Plan
2026/27

1. Introduction

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

2. Objective

- 2.1. The objective of this Pension Fund Internal Audit Strategy and Plan (“the Strategy”), which is formally reviewed on an annual basis, is to provide the Fund with a consistent, risk-based approach to determining an internal audit programme for the Fund.
- 2.2. The Fund currently pools with another 10 funds as part of the ACCESS Pool, a collaboration of central, eastern and southern shires. As at 30 September 2025, the 11 members of the ACCESS Pool held total assets of £71.5bn, of which £54.7bn was pooled. The ESPF had assets of £5.3bn of which £3.2bn was pooled.
- 2.3. In November 2024, the Chancellor of the Exchequer delivered her first Mansion House speech, in which she announced major changes to local government pension schemes’ investments. These required that the 86 Local Government Pension Schemes’ administering authorities consolidate all their assets into eight pools. It also removed Pension Committees’ powers to make decisions relating to individual investments and place this responsibility, along with the monitoring of investment performance, with the pools themselves.
- 2.4. The government introduced its Pension Schemes Bill on 5 June 2025, and it is expected to receive Royal Assent in 2026. The government expects all authorities to have Shareholder Agreements in place by 31 March 2026 and for LGPS asset pools to be responsible for the management of LGPS Authority assets from 1 April 2026. Following extensive due diligence, on 24 July 2025, the Pension Committee agreed to focus its attention on becoming part of the Border to Coast Pension Partnership to comply with the provisions of the new legislation. The change would necessitate the dissolution of the existing ACCESS Pool, which brings with it a risk that the ACCESS Pool’s level of service deteriorates as it nears its end. Furthermore, the tightness of the proposed timescale may prove to be a challenging target.
- 2.5. The Government’s ‘Fit for the Future’ agenda is also driving changes to funds’ internal governance arrangements, and these changes are due to be implemented from the beginning of the 2026/27 financial year.
- 2.6. The Fund receives professional investment advice from Hymans Robertson. However, with the implementation of pooling reforms, the responsibility for providing advice will transfer from the Fund’s appointed investment consultant to the LGPS’s pool.
- 2.7. The Fund’s actuary is Barnett Waddingham LLP, and the most recent actuarial valuation of the Fund was carried out in 2025. The valuation found that the funding level had decreased slightly, from 123% in 2022 to 117% in 2025. The next actuarial valuation is due to take place in 2028.
- 2.8. As a result of Local Government Reform, the County Council elections, which were due to have taken place in May 2025, were deferred by a year. There is now uncertainty concerning the timing of elections, and they may be deferred again, pending a decision on the proposed new local government structure in East Sussex, which itself will involve complex changes.

- 2.9. The role of Internal Audit in the new structures and pooling arrangements remains unclear. The plan is based on the role as it now stands, but it may be that the role, and therefore the plan, will need to change as the year progresses.
- 2.10. The Strategy seeks to provide assurance on the following aspects of pension fund activities:
- Governance Arrangements;
 - Investment Pooling Arrangements; and
 - The Administration of Benefit Payments.

3. Approach

- 3.1. The Strategy is based on risk. On a periodic basis, risks are reviewed in consultation with the Chairs of the Pension Committee and Board, and with management, to identify any new risks. The risk assessment considers the materiality and significance of any changes, which may have a positive or negative impact. It should be borne in mind that the Fund is a material and fundamental financial system in its own right and, as such, should be subject to a level of coverage that complements the work of the Fund's external auditors.
- 3.2. The outcome of the risk assessment is an objective view of those areas of the Fund where the organisation requires assurance that risks are being managed effectively.
- 3.3. Throughout the year, there will be routine liaison between Internal Audit and officers representing the Fund to identify emerging risks and ensure that this Strategy continues to reflect the needs of, and risks to, the Fund.
- 3.4. Where appropriate, audit coverage will be varied from year to year. In areas where no significant findings were made in the previous year, the scope may be widened to other areas to maximise the breadth of coverage. For instance, where new policies have been introduced, we may review compliance with these.
- 3.5. We plan to deliver 75 audit days for the year 2026/27. This level of coverage will be kept under review to ensure that it remains appropriate to the needs of the Fund. Audits covered in previous years are presented in Appendix A. More detail of the coverage of the planned audit for 2026/27 is set out in Appendix B.

4. Professional Standards

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

5. Reporting Arrangements

- 5.1. Internal Audit work will be reported in the following manner:
- Terms of Reference for each review will be drafted and agreed with management.

- Following our fieldwork, an initial draft report will be discussed with management for its comments on factual accuracy and response to any issues and risks identified.
- A final report that includes agreed actions and implementation dates will be published to management.
- The results of audit work on the Fund will be reported:
 - o in full, to the Pension Board and Pension Committee; and
 - o in summary form, to the Audit Committee as part of our routine quarterly progress reports.

5.2. Audit work for 2026/27 will be reported in three separate reports (in addition to any specific follow-up audits where required), covering the risks detailed below:

- Governance Arrangements
 - Uncertainty and unclarity during the 'Fit for the Future' agenda, including because of the speed of the changes required, undermine the Fund's decision-making process, delaying decisions or resulting in poorer decision-making, potentially impacting return on investments.
 - Changes to the governance structure at a time of significant change results in the loss of organisational intelligence, and uncertainty, weakening stewardship of the Fund.
- Investment Pooling Arrangements
 - Stringent timetables for significant change result in the Fund failing to comply with regulatory or structural requirements (including the failure to disentangle assets from the ACCESS Pool and reallocate them to Border to Coast / exit the ACCESS Pool cleanly).
 - The restructuring of investment pooling weakens internal controls and the Fund's ability to exercise stewardship of its assets, increasing the risk of poor performance.
- The Administration of Benefit Payments
 - Inaccuracies or delays to pension benefit payments may cause financial loss to the Fund or financial hardship to members, and reputational damage to the Council.
 - Poor data quality leads to inaccuracies in transactions, or a failure to meet statutory requirements, resulting in financial loss, and/or regulatory sanction.
 - Poor or inadequate delivery of the pension administration service may result in financial loss, regulatory breach, or reputational damage to the Council and/or complaints by members.

Previous Audits

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

Name	Last Audited
Information Governance	2020/21
Altair - Application Controls	2021/22
The Implementation of Altair	2021/22
I-Connect – Application Controls	2022/23
Cyber Security	2022/23
Cash Management	2023/24
Collection of Contributions	2023/24
Regulatory Compliance	2024/25
Financial Controls	2024/25
Pension Fund Governance	2025/26
Investments and Accounting	2025/26
The Administration of Pension Benefits	2025/26
Preparedness for Pooling Reforms	2025/26

EAST SUSSEX PENSION FUND - INTERNAL AUDIT PLAN 2026/27

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

Review Name	Outline Objective	Estimated Timing
Governance Arrangements	This review will focus on the controls in place to ensure that Pension Fund roles and responsibilities remain sufficiently well defined, documented and understood, following changes brought about by the 'Fit for the Future' agenda, to provide appropriate accountability and resilience. It will seek to provide assurance that the new governance arrangements, including changes driven internally, remain compliant with regulatory requirements.	Q3
Investment Pooling Arrangements	A review to provide assurance that appropriate governance and controls are in place to manage the new investment pooling arrangements, in accordance with legislative requirements. We shall also assess the extent of the assurance and reporting arrangements of the pool itself.	Q1/2
The Administration of Benefit Payments	We shall review controls to ensure that the right pension benefits are paid to the right people, at the right time. We shall test controls over transfers to and from the Pension Fund and the maintenance of the Fund's data. This will be a high-level review but will include a deeper dive into selected areas of risk.	Q3

Report to: Pension Committee

Date of meeting: 26 February 2026

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 objectives, but it must be controlled.

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

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

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

2 Supporting Information

2.1 A summary of the risk register of the Fund is included as Appendix 1 and the full detail of the risk register is included in Appendix 2.

3 Changes to the Risk Register

3.1 There have been several changes to the scores detailed on the Risk Register since the last meeting of the Pension Committee and the creation of a new risk, G7, Governance Compliance with the Requirements of the Fit for the Future Consultation.

3.2 Risk E2, Employer Data – The post-mitigation score has been decreased from 9 to 6. This reflects the work the Fund has put into i-Connect onboarding, with only 5 existing

employers yet to be onboarded. The Fund has also received all of the McCloud data from employers.

3.3 Risk A2, Regulatory Change – the post-mitigation score has been increased from 6 to 9. The deadline for the McCloud recalculations is 31 August 2026 and whilst the data has been collected there is still work to be done to run and check these recalculations. In addition, Phase 1 of Access and Fairness is expected to be implemented on 1 April 2026 and will bring changes, including: modifying regulations around survivor benefits and death grants, introducing measures to reduce the gender pensions gap, and collecting data on opt outs, among a range of other developments. These changes will require the Fund to review its processes in these areas once put into law by the Government.

3.4 Risk I3, Regulatory Risk – the post-mitigation score has been increased from 4 to 6. This is in recognition of the large amount of work that needs to be completed to ensure compliance with the requirements of the 'Fit for the Future' consultation and the need to join the new pool.

3.5 Risk G3, Cyber Risk – The pre and post mitigation scores have remained the same. By way of update from the last Pension Committee meeting, the Fund has provided its advisor, Mercer, with a copy of the Fund's Business Continuity Plan. Mercer are reviewing this document and will provide advice on any potential improvements, including cyber-risk specific comments.

3.6 Risk G7, Governance Compliance with the Requirements of the Fit for the Future Consultation – a new risk has been created focusing on the governance requirements of the consultation. The main risks under this category revolve around failure to have the key required staff in place, lack of knowledge and insufficient frameworks and strategies that do not meet the requirements of the consultation (such as the Governance and Training Strategy, Investment Strategies etc). The Fund already has in place mitigations that lower the risk, such as regular training opportunities, published strategy documents and interactions with members via various communications and training sessions.

4 Conclusion

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

IAN GUTSELL
Chief Finance Officer

Contact Officer: Susan Greenwood, Head of Pensions
Email: Susan.Greenwood@eastsussex.gov.uk

Summary Post Mitigation Risk scores

Reference	Strategic Risk	Jun-24	Sep-24	Nov-24	Feb-25	Jun-25	Sep-25	Nov-25	Feb-26	2025	Change from Nov
Employer											
E1	Contributions Funding Failure to collect contributions from employers in line with Funding strategy requirements and Rates and Adjustment Certificate	4	4	4	4	4	4	4	4	4	↔
E2	Employer data Employers fail to provide accurate and timely data to the PAT team	9	9	9	9	9	9	9	6	6	↓
E3	Employer Covenant Delay in employers agreeing Admission Agreement, risk of insufficient security	6	6	6	6	6	6	6	6	6	↔
Administration											
A1	Pensions service Delivery Inadequate delivery of Pensions Administration	6	6	6	6	6	6	6	6	6	↔
A2	Regulatory Change Risk that new benefit structures can not be set up correctly or in time	6	6	6	6	6	6	6	9	9	↑
A3	Production of Statutory member returns Risk of failure to produce ABS, Annual Allowance and event reports	6	4	4	4	4	6	4	4	4	↔
A5	Transfer Scams Failure to comply with CETV anti scam checks	2	2	2	2	2	2	2	2	2	↔
A7	Implementation of Oracle 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	↔
Governance											
G1	Key Person risk Risk of loss of key / senior staff resulting in lost knowledge and skills within the Pensions Team	6	8	8	6	6	9	4	4	4	↔
G2	Committee / Board Member Lack of decision making caused by loss of Pension Committee/Pension Board members or insufficient knowledge and skills of members	6	6	6	6	6	6	6	6	6	↔
G3	Cyber Security Risk of Loss of data or systems breaches through cyber attacks	12	12	12	12	12	12	12	12	12	↔
G4	Governance and Compliance Inadequate governance arrangements and controls to discharge powers & duties	3	3	3	3	3	3	3	3	3	↔
G5	Data Breach Failure to comply with General Data Protection and Disclosure Regulations	4	4	4	4	4	4	4	4	4	↔
G6	Fraud Internal and External fraud risk	2	2	2	2	2	2	2	2	2	↔
G7	Governance Compliance with the Requirements of the Fit for the Future Consultation Failure to comply with the Fit for the Future requirements								4	4	↑
Investment/Funding											
I1	Funding risk - poor investment returns Risk that investment strategy fails to result in performance required to meet the needs of the Funding strategy discount rate	4	4	4	4	4	4	4	4	4	↔
I3	Regulatory risk Failure to comply with regulations, legislation and guidance from an accounting and investment perspective	4	4	4	4	4	4	4	6	6	↑
I4	Investment Pooling Inability to comply with government direction on pooling, insufficient sub funds to implement investment strategy, poor management of the pool	9	9	9	9	9	9	9	9	9	↔
I5	Investment Pooling Existing arrangements agreed via ACCESS do not meet the needs of East Sussex Pension Fund					9	9	9	9	9	↔
I6	Funding risk - higher inflation Risk of inflation leading to increased liabilities, lower asset returns and a funding gap	6	6	6	9	6	6	9	9	9	↔
I7	Environmental, Social and Governance Risk of ESG factors within Investment strategy, underlying holdings and implementations of investment decisions	6	6	6	6	6	6	6	6	6	↔
I8	Climate change Risk to assets and liabilities associated with Climate Change	6	6	6	6	6	6	6	6	6	↔
I9	Liquidity Insufficient cash to pay benefits as they fall due	4	4	4	6	4	4	4	4	4	↔
I10	Money Purchase Additional Voluntary Contributions Inadequate offering to Scheme Members	2	2	2	2	2	2	2	2	2	↔

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Ref	Strategic Risks	Pre-mitigati on RAG	Risk Control / Response	Post-mitigati on RAG	Risk Owner
Employer Risk					
E1	Contributions Funding Failure to collect contributions from employers in line with Funding strategy requirements and Rates and Adjustment Certificate	9	<ul style="list-style-type: none"> •Monthly Employer contribution monitoring completed •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. •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) •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 (& cover Fund for late payment). •i-Connect: allows Fund to a)better reconcile payments & b)gain more accurate employer contribution payments (i-connect functionality being improved by software provider). •Regular reporting to Pensions Board on late payments of contributions •Covenant review helps identify employers most likely to have financial difficulties (to be reviewed in 2025). •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. •Guide to Employers on implications of Pensions on Outsourcing published and issued to all employers •Contribution deferral policy approved by Committee (June 2020) •Deferred debt and debt spreading policies approved (June 2023) •Employer engagement team confirms correct signatories for contribution submissions (so signed off at appropriate management level) •Regular communication with Employers through Employer engagement team •Cash Management covered by internal audit in 2022/23 and 2023/24 looking at contribution collection and cash management strategy with substantial assurance 	4	Head of Pensions
E2	Employer data Employers fail to provide accurate and timely data to the PAT team	12	<ul style="list-style-type: none"> •Pension Administration Strategy: in place (last reviewed 2023) •Employing authorities contacted for outstanding/accurate information •User Guide and Training provided to Employers for outsourcing implications with LGPS •Regular communication and meeting with administration services regarding service updates etc. •Employer engagement team established Jan 2021 to support employers and provide training where required •Quarterly employer newsletter helps employers to understand ESPF current issues and activity •Data cleansing plan completed June 2020 (led by Hymans). PAT and other teams regularly improve Data quality •i-Connect system limits employer ability to submit incorrect data. Data is received monthly (not annually) to allow regular cleansing and discussion with employers. Only 5 employers left to onboard. •Meetings held between senior pensions Management team and employers where there are current or historic data concerns •2022 triennial valuation data cleansing: Actuary worked with PAT to check data (data cleansing ongoing for both Dashboard and 2025 triennial valuation). • All McCloud data has now been obtained. 	6	Head of Pensions

E3	Employer Covenant Delay in employers agreeing Admission Agreement, risk of insufficient security		<ul style="list-style-type: none"> •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) •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) 8 •Officers meet regularly to review status and progress on admissions. Updates at monthly team meetings ensure admissions are always complete and effective •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) •Admissions in progress reported quarterly to Board and Committee to share status updates •Security obtained for new admissions in form of bond or a guarantee from an appropriate body which can support the guarantee 	6	Head of Pensions
Administration					
A1	Pensions service Delivery The scheme is not administered correctly resulting in the wrong benefits being paid or benefits not being paid, including the result of poor data		<ul style="list-style-type: none"> •In-house PAT team gives management team complete control over service delivery •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). •Quarterly Reports to Pension Board and Committee on areas of work and KPIs, New service level KPIs now reportable within the Administration software •Pension Regulator Guidance acknowledged by all team members (training provided via team meetings or courses) •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. 9 •Checklists in place. Activity impacting members recorded on member records for other teams members to access •All tasks peer reviewed. Constant monitoring / checking by team managers and senior officers for more junior staff members •In house risk logs cover projects •SAP / Altair reconciliation monthly to ensure pension payment records complete and correct •Calculations generally automated to reduce manual error risk •Task management systems in Altair ensure activity is completed and monitored •Regular meetings with payroll, HR, ICT and PAT •Pensions Admin working group discusses service delivery issues on a regular basis •Pensions Admin Team- skills matrix identifies training needs for processes 	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"> •Projects and/or working groups in place to deal with current regulatorily benefit changes •Attendance at networks and officer groups to stay on top of upcoming changes in regulation •Reports to Pension Board and Committee to ensure knowledge is shared to decision makers •Oversight via Pension Admin Working Group 	9	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"> •Regular contact with employers to get data •Clear project plan with early communications and planning with milestones to ensure Statements created in time to allow time for staff distribution •Under 10 employers still to be onboarded to i-Connect, ensuring better quality & speedy data including joiners/leavers. Annual Allowance data continues for cases in scope (with limit increased to £60k, cases impacted are significantly reduced) •Breaches policy in place. Breach reporting to Committee and Board quarterly to discuss breach reporting levels •McCloud remedy regularly reviewed by the Admin Working Group (and via regular meetings of Fund and software provider). 	4	Head of Pensions Administration
A5	Transfer Scams Failure to comply with CETV anti scam checks	6	<ul style="list-style-type: none"> •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 •Process mapping process to ensure transfers are fully documented with clear guidance to staff in carrying out this activity •Member informed of "red flags" identified •Scorpion campaign material provided to members seeking a CETV •Quality assurance checks ensure appropriate checks carried out •Reinstatement of deferred benefits for scammed cases 	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"> •Officers are part of the project roll out and involved in testing. Needs of the Pension Fund are therefore considered •Officers produced process mapping for all functions within the existing finance system •Specific stream of planning identified in project for interface with Altair •S151 officer on programme board will make go/no go decision •Heywood's paid to produce a scheme specific payroll data output report for transfer to Oracle • First test data expected soon (Feb 26) and provisional go-live date set for 01/10/26 	6	Head of Pensions
Governance					
G1	Key Person risk Risk of loss of key / senior staff resulting in lost knowledge and skills with in the Pensions Team	9	<ul style="list-style-type: none"> •Diversified staff / team •Attendance at pension officers' user groups to network and exchange information •Procedural notes (include new systems, section meetings / appraisals) •Succession planning within team structure, building from within the team •Robust business continuity processes in place around key business processes (including disaster recovery plan) •Knowledge of all tasks shared by at least two team members within PAT (and can be covered by senior staff in all areas) •Training requirements set out in training strategy, job descriptions and reviewed prior to recruitment processes. Training officer in post. •Training strategy in place and regularly reviewed with training log where required •Recruitment project to fill vacant positions (nearly all posts now filled) •Apprenticeships bring new staff in to train in advance of vacancies •Team responsibilities reviewed to ensure appropriate coverage of workstreams • Fixed term contract for Interim Deputy Head of Pensions finished July 2025. Head of Pensions is considering options (recruitment or reorganisation) • New role of Head of Governance and Compliance has been created and filled, working alongside the Head of Pensions Administration and the Head of Investments and Accounts to deputise where required. 	4	Head of Pensions / Head of Pensions Administration

G2	Committee / Board Member Lack of decision making/functionality caused by loss of Pension Committee/Pension Board members or insufficient knowledge and skills of members	9	<ul style="list-style-type: none"> •Record kept of terms of Office •Pension Board terms of Office staggered •Vice Chairs in place to cover chair absence •Officers aware of election cycles and request for officers as a preference over elected members is communciated to employers •Robust Terms of reference (clear and comprehensive) •Training plans in place for new members to build knowledge to required levels 	6	Head of Pensions
G3	Cyber Security Risk of Loss of data or systems breaches through cyber attacks	16	<ul style="list-style-type: none"> • ICT defence - in-depth approach. • Utilising firewalls, passwords and ICT control procedures including system access and account deletion protocols. Network activity is monitored to identify security threats. • Email and content scanners • Anti-malware etc. regularly updated. ICT performs penetration and security tests on regular basis. Encryption used on all data transfers • Service level agreement with termination clause • Regular reports SAS 70/AAF0106 • Industry leaders provide data protection and cyber defence systems • Risk assessment completed with all new contracts with data transfer and new associated systems including penetration testing at outset • Pensions Team specific BCP: being finalised and rolled out • Infomation security report no material vulnerabilities. Recommendations to be implemented. • Cyber training is provided to all staff around techniques and methods used to launch cyber attacks • Officers did war games training session with IT (Aug 2024) and are in procurement discussions to improve the cyber risk policy of the Fund. • Contractor appointed to work with the Fund on cyber risk matters going forward. 	12	Head of Pensions
G4	Governance and Compliance Inadequate governance arrangements and controls to discharge powers & duties	9	<ul style="list-style-type: none"> •Training strategy in place which covers Pension Committee, Pensions Board and officers •75 days of internal audit commissioned for each calendar year with regular reporting from IA to committee and board, including areas Governance and Compliance •External auditor provides audit plan at planning stage for each financial year and this is discussed by Audit committee as well as Pension Committee and Board •Investment regulations require proper advice •Procurement processes in place to ensure quality within replacement advisers •Review carried out against TPR General Code requirements to identify any governance gaps •Specialist legal advisers and governance advisers to provide clear and accurate advice to the Fund on point of law or regulation •Publication of annual Governance and Compliance Statement explaining governance arrangements and reviewed and approved by Board / Committee •Training coordinator appointed. This officer liaises with chair of Pension Board and Committee to identify training needs •Working groups in place, with own terms of reference, which report findings to full Board and Committee •Governance of meetings supported by Democratic Services •Governance structures held within ESCC constitution •Conflict of interest policy in place 	3	Head of Pensions

G5	Data Breach Failure to comply with General Data Protection Regulations and Disclosure Regulations	9	<ul style="list-style-type: none"> •Contracts with external parties (where data role) have clear terms and conditions as part of the data processing agreements •Data Impact assessment carried out on all new tenders where data is involved •DPO in place via ESCC •Privacy notice on website (privacy statements refreshed yearly) •Memorandum of Understanding in place with employers within the fund •All staff complete information governance training on joining the Council (refreshed annually) •Information governance Internal audit completed in Q4 2020/21 with a reasonable assurance level and all recommendations were completed •Pensions Manager for Governance and Compliance completed review on GDPR in Q4 2020/21 resulting in a newly designed webpage, new privacy notices and change to the retention period 	4	Head of Pensions
G6	Fraud Internal and External fraud risk	12	<ul style="list-style-type: none"> •Quarterly review of log in credentials •Senior officers have sight of bank account •Senior officers are signatories to bank account •Multiple sign off needed to make payment, with appropriate seniority levels •Mortality checks, Tell us once and NFI data •Contract in place with a third party to support with mortality and address training •Journals over £1m have to be signed off by Head of Pensions 	2	Head of Pensions
G7	Governance Compliance with the Requirements of the Fit for the Future Consultation Failure to comply with the Fit for the Future requirements	9	<ul style="list-style-type: none"> • Fund already has in place a Training Strategy, Administration Strategy, Conflicts of Interest Policy, and Investment Strategy which are regularly reviewed albeit some changes are required • Governance Team is looking to undertake a Good Governance Review to identify areas for improvement • Fund has invested time into member training and communication to ensure that members are informed about the work the Fund is undertaking and have access to the Fund's contact details should they wish to get in touch • Board and Committee already have regular training and complete self-assessments on their skills and knowledge • The Fund already has a Head of Pensions and an S151 officer, one of which should fulfil the requirements of 'senior LGPS officer' 	4	Head of Pensions

Investment/Funding

I1	Funding risk - poor investment returns Risk that investment strategy fails to result in performance required to meet the needs of the Funding strategy discount rate	9	<ul style="list-style-type: none"> •Strategy is supported by expert Investment consultants (challenged via Independent Advisor) •Triennial valuation ensures funding position is known and contribution rates are stabilised •Quarterly Performance monitoring, investment manager monitoring from consultants and Link for ACCESS sub funds. Officers: regularly meet and challenge investment managers •Annual Investment Strategy Review, with interim rebalancing •Quarterly Reporting to Pensions Committee, with decisions approved by committee (including Fund Manager performance) •Training strategy ensures officers and committee members have sufficient knowledge and skills to implement and change the investment strategy •Investment decisions comply with the ISS/FSS (and based on proper advice) •Diversified strategy to reduce correlation of manager volatility •Changes to investment strategy discussed with the actuary to ensure anticipated implications on funding aligned •Revision of the Asset Liability Model to support a viable Strategic Asset Allocation for the new valuation 	4	Head of Pensions
I3	Regulatory risk Failure to comply with regulations, legislation and guidance from an accounting and investment perspective	9	<ul style="list-style-type: none"> •Pensions Officers are up-to-date with changes to legislative requirements via network meetings, professional press, training and internal communication procedures •Pension Fund financial management and administration processes meet the CIPFA Code of Practice, International Financial Reporting Standards (IFRS), and the ESSC Financial Regulations •Regular reconciliations between in-house records and those maintained by the custodian and investment managers •Internal Audits - carried out in line with the Pension Audit strategy. External Audits- review the Pension Fund's accounts annually •Specialist legal advisers provide clear and accurate advice to the Fund on points of law or regulation •Breach policy ensures breaches mapped and reported 	6	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"> •ACCESS Support Unit team provide support to the pool •Operator contract provided by Waystone for assets held within the ACS. Operator novation imminent. •ACCESS Contracts Manager monitors Waystone's progress closely. •KPIs introduced within revised operator agreements •Consultants involved in analysing the creation of sub-funds and transitioning of assets into the pool, under a variety of scenarios •Opportunities to transfer securities in 'specie'. Reducing cost on transition •Transition manager preserves asset values, manages risk and project manages the transition process to ensure that costs are monitored and controlled •Due Diligence completed by legal advisers to ensure no hidden costs or governance issues not known at time of decision to invest •S151, chair of pension committee and monitoring officer representation on respective committees, working groups or distributions to ensure ESPF involved in all decisions and concerns and questions can be raised early •Regular meetings between officers and ACCESS pool with officers in working groups to ensure involvement in decision making •ACCESS governance review completed. ACCESS stewardship consultant to support development in RI activities for the pool •Illiquid assets in progress for pooling •Fund responds to key government consultations to ensure views shared with policy makers on recommended future changes in pooling. 	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"> •Investment strategy weights to index linked gilts, infrastructure and real estate which (inflation-linked to mitigate inflation risk) •Potential to further increase infrastructure weightings •Fund monitor portfolio sensitivity to inflation via expert investment consultants •Triennial Valuation assumptions include local knowledge of the Administering authority on anticipated pay inflation •Flexibility in the DGF mandates to react to the market and adapt the investment portfolio •Quarterly monitoring of funding position helps identify risk early •2022 Triennial Valuation completed - inflation models used to estimate the average inflation across a 20 year time horizon, including consideration of the current high inflation environment. Index linked gilt triggers introduced to benefit from market opportunities which provide alignment with changing liabilities 	9	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"> •Statement of Responsible Investment Principles outline responsible investment beliefs, implementation of decisions and monitoring of ESG factors •ESG at heart of all investment decisions (not a separate function or working group) •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) •Track portfolio (underweight in fossil fuel exposure to benchmarks) •Produce annual reports on Fund's carbon footprint. Review of managers from ESG perspective (incl. transition pathway of underlying companies) •Stewardship code submission approved in February 2024 for the 2022 reporting year •Membership of collaborative groups to help drive policy change •Officers challenge managers on holdings regarding ESG issues and query voting decisions. •Annual ESG impact assessment for all managers, including improvement actions on ESG methodology, reporting or collaboration. •Engage via managers and investor groups (including LAPFF). Drive them to comply with key ESG concerns using combined investment power •ESG factors incorporated into all decision making 	6	Head of Pensions

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

Report to: Pension Committee

Date: 26 February 2026

By: Chief Finance Officer

Title of report: Investment Report

Purpose of report: To provide the 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; and
 - 2) Approve the investment beliefs and approach to local investment as set out in section 8 of this report
-

1. Background

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

1.2 The ACCESS Joint Committee was created following changes in the 2016 LGPS Investment Regulations. These changes aimed to facilitate collective investment vehicles and enable administering authorities to pool their investments. The 'Fit for the Future' consultation has resulted in ACCESS no longer being a supported pool by government. New pooling arrangements are being implemented, and the Fund will join the Border to Coast Pensions Partnership Ltd investment pool on 1 April 2026.

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 work to join new LGPS Pool
 - Client Agreements
 - Joint Pool governance
 - Transition of assets
- Revise the Investment Strategy Statement in line with new regulation and guidance

- Principles for Responsible Investment (PRI) submission
- UK Stewardship code submission

3. Quarterly Performance Report

3.1 The Quarterly Performance Report for Q4 2025 is attached as Appendix 2; this quarter saw the Fund grow to £5.4bn, returning 2.1% against a 2.4% benchmark. Equity and impact mandates were the main detractors, while infrastructure delivered strong outperformance. The Fund rebalanced over the period, allocating £81m to both index-linked gilts and absolute return strategies, funded largely through disinvestments from global equity mandates. Income assets remain underweight against target.

3.2 Key highlights are:

Fund Valuation:

- 30 September 2025: £5.3bn
- 31 December 2025: £5.4bn (+£0.1bn, +2.1% absolute return)

Market Background:

The report notes a mixed but generally supportive global environment:

- Global growth remained resilient, particularly in the US and parts of Asia.
- Inflation trends diverged, with US inflation falling to 2.7% while UK inflation rose to 3.4%.
- Major central banks shifted policy:
 - US Fed and Bank of England cut rates in Q4.
 - Bank of Japan raised rates to a 30-year high.
- Gilt yields fell, while US and European yields rose due to expected higher government issuance.
- Equities performed strongly overall, up 3.8% globally for the quarter and 20.5% for the year.
- Infrastructure and gold performed well; oil prices weakened.

Relative Performance:

- Q4 2025: – 0.3% vs benchmark
- 12 months: – 3.0%
- 3 years (p.a.): – 3.9%

Performance Drivers:

Main detractors:

- Baillie Gifford Global Alpha (-1.8% absolute and -5.0% relative)
- Wellington Active Impact Equity (-2.8% absolute and -6.0% relative)

Both delivered negative absolute returns in a positive equity quarter and continue a trend of underperformance.

Top performers:

- Infrastructure managers outperformed strongly:
 - Atlas Infrastructure: +5.0% absolute and +4.6% relative
 - IFM Global Infrastructure: +5.3% absolute and +4.2% relative
 - Pantheon Infrastructure: 4.3% absolute and +3.2% relative

These strategies helped offset equity underperformance over the quarter.

Asset Allocation:

- Overweight in Growth: +1.2% (+3.8% Q3)
- Overweight in Protection (including cash): +2.5% (+1.4%)
- Underweight in Income: -3.7% (-5.2%)

This imbalance was reduced during the quarter due to the rebalancing activity that took place, but the primary cause continues to be due to the unfulfilled private debt allocation.

3.3 Overall, the report describes performance as mixed, with strong results in infrastructure balancing equity weakness.

4. Stewardship Code

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

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

4.1 At its meeting in November 2025 the Committee were advised that the Fund had submitted the UK Stewardship Code report to the Financial Reporting Council (FRC).

4.2 The FRC confirmed on 28 January that their signatories list was updated. The Fund is pleased to confirm that it has maintained its status as a UK stewardship code signatory. The Stewardship report is now on our website along with notification that we are still signatories.

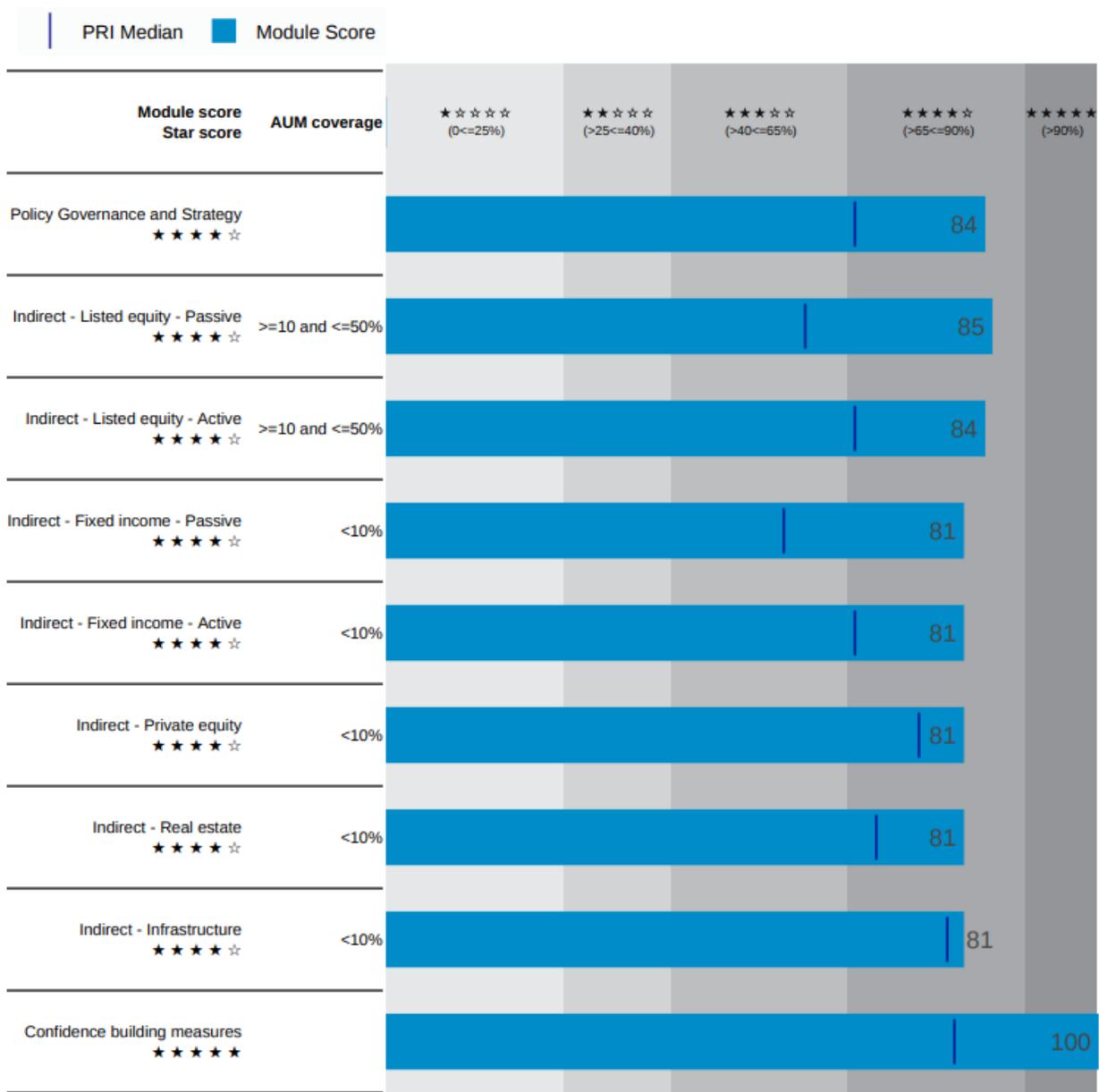
5. Principles of Responsible Investment assessment

5.1 In line with its commitments as a signatory to the Principles of Responsible Investment (PRI), the Fund submitted its annual PRI report in July 2025. PRI published the Fund's Private Assessment Report and Public Full Transparency Report in November 2025.

5.2 The Fund's responses have been published on the PRI website within its Public Full Transparency Report. The 2025 Private Assessment Report scored the Fund's responses on the assessable modules of the reporting framework, as shown in the summary scorecard below:

2025 Summary Scorecard:

SUMMARY SCORECARD



2024 Summary Scorecard:

SUMMARY SCORECARD



5.3 The Fund’s 2025 PRI report marked an improvement over its 2024 report. The largest improvement came from the Confidence Building Measures module, which increased from 70 points in 2024 to 100 points in 2025. This was due to enhancements in processes, providing greater assurance on responsible investment data and procedures. The scores for all other modules remained broadly consistent with previous years. Due to the PRI’s assessment criteria being designed to evaluate continuous improvement and include requirements that vary across asset classes and organisational practices, it is not possible for the Fund to achieve a score of 100 across all assessed modules.

5.4 The Fund reviewed changes to PRI questions and assessment criteria to ensure its responsible investment approach reflects best practice. The Fund also reported on a new mandatory module introduced in the 2025 PRI reporting framework: ‘Other Responsible

Investment Reporting Obligations (ORO)'. This module is designed to capture reporting demands faced by PRI signatories and is not scored.

5.5 Overall, the Fund scored significantly above the median on key modules including Policy Governance and Strategy, Confidence Building Measures, Listed Equity, and Fixed Income. The Fund achieved four stars for every module except Confidence Building Measures, which scored five stars.

6. Competition and Markets Authority

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

“Pension Scheme Trustees must not enter into a contract with an Investment Consultancy Provider for the provision of Investment Consultancy Services or continue to obtain Investment Consultancy Services from an Investment Consultancy Provider unless the Pension Scheme Trustees have set Strategic Objectives for the Investment Consultancy Provider.”

6.2 The Committee have previously agreed strategic objectives at the February 2024 Committee meeting after the appointment of Hymans Robertson, which were prepared with reference to the Pensions Regulator's guidance, combining a mixture of quantitative and qualitative measures as set out in Appendix 3.

6.3 The Fund is required to confirm that it has complied with the requirements over the last 12 months and had objectives in place. This must be re-confirmed on an annual basis. The Fund must submit a 'compliance statement' and 'certificate' stating that they have complied with the CMA requirement. This was provided to the CMA on 6 January 2025.

6.4 If the Committee are aware of any failure on their own part to comply with any part of the Order, they must report such non-compliance to the CMA within 14 days of becoming aware of the failure to comply and provide a brief description of the steps taken to address the failure.

7. Requirements for the Investment Strategy Statement

7.1 Within the draft Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026, the Investment Strategy Statement (ISS) will continue to be a statutory document that the Fund must prepare. It will set out how the Fund determines its long-term investment objectives, approach to risk, responsible investment policies, local investment objectives and strategic asset allocation, within the framework of mandatory asset pooling.

7.2 The ISS will need to be prepared after taking proper advice from the Fund's asset pool company, consulted on with key stakeholders, and published by 30 September 2026. The new Regulations introduce additional requirements compared to the previous framework, including a specific high-level objective for local investments aligned with regional economic priorities.

7.3 Responsibility for setting the investment strategy and approving the ISS rests with the Fund. While the investment pool advises on and implements the strategy, accountability will remain with the Fund for overall fiduciary oversight. Pension Committee oversight is required to ensure the ISS is compliant with the regulations and statutory guidance, aligned with the Funding Strategy Statement, and capable of effective implementation.

7.4 The ISS must include, as a minimum:

- high-level financial objectives consistent with the Funding Strategy Statement;
- the authority's approach to investment risk;
- policies on responsible investment, stewardship and voting;
- a high-level local investment objective, including a target range as a proportion of fund assets; and
- a Strategic Asset Allocation covering all Fund assets, expressed by asset class with tolerance ranges and paying regard to local investment.

7.5 The Regulations restrict investment in entities connected with the administering authority to no more than 5% of total fund assets, to manage conflicts of interest and concentration risk.

7.6 Before publication, the ISS must be consulted on with employers, scheme members (or their representatives), the relevant strategic authority and other required parties. The ISS must be reviewed following each actuarial valuation and within 18 months of the valuation date. Any revised ISS must also be consulted on and published. With out-of-cycle reviews limited to exceptional circumstances.

7.7 The ISS must be prepared and maintained in line with statutory guidance. Failure to comply may result in a direction from the Secretary of State.

7.8 The guidance clarifies the ISS requirements to set out clear high-level investment objectives, consistent with the Funding Strategy Statement, covering:

- long-term returns,
- acceptable risk,
- cash-flow / liquidity, and
- local investment (including a target range).

7.9 The ISS must articulate a high-level approach to responsible investment and stewardship, focusing on financially material Environmental, Social, and Governance (ESG) factors and setting objectives for engagement and voting to be delivered by the pool. The guidance discourages prescriptive exclusions or instructions on individual investments.

7.10 A high-level local investment objective must also be defined, including:

- a target range expressed as a percentage of fund assets, and
- preferences on target area, risk, return and impact, informed by local growth priorities.
- Investment decisions remain the responsibility of the pool and must be compatible with the Fund's primary duty to pay benefits.

8. Investment Beliefs

8.1 The shift in requirements set out in regulations for the Investment Strategy Statement (ISS) along with the deadline of the 30 September 2026 to have the new ISS in place

provides little time to prepare this document. With the reforms meaning that implementation decisions will sit with Border to Coast Pensions Partnership Ltd, with the Pension Committee retaining responsibility for investment strategy including a limited strategic asset allocation and local investment policy. It was considered prudent for the Fund to consider its investment beliefs within this new framework. The beliefs need to be at a high level to enable Border to Coast Pensions Partnership Ltd to deliver to the aggregated beliefs of the 18 funds that make up the new pool.

8.2 To facilitate this, Hymans Robertson were requested to undertake a piece of work to establish a set of beliefs that will translate to the new way of working. To do this a survey was completed by Pension Committee members during December 2025 to capture views on investment objectives, risk, responsible investment, and local investing. The resulting investment beliefs, local investment approach and survey results are included as Appendix 4 to this report. The resulting summary investment beliefs are structured so that they support fiduciary decision-making while allowing sufficient flexibility for efficient implementation at scale.

8.3 The proposed investment beliefs are:

- *The purpose of the Fund is to pay pensions in full when they fall due, and to do so by targeting a level of risk and long-term real return that finds the correct balance of contribution affordability and stability for employers.*
- *Cash flow is an important consideration in the Fund's investment strategy, and the Fund requires a clear and efficient process in place to manage this. Alongside this, the Fund believes that rebalancing is important and can add value over the long term and can be used to efficiently meet cashflow needs.*
- *The Fund utilises a mixture of investment and management types in order to achieve ample diversification. This includes active and index-tracking approaches, and public and private markets.*
- *The Fund focuses on value for money and net-of-fees returns over outright cost minimisation.*
- *Responsible Investment practices, including those considering climate change, can add value through higher returns and improved risk management. The Fund will implement these where they are expected to achieve financial benefits, viewing environmental, social and governance considerations as financial risks and opportunities.*
- *Proper stewardship of the Fund's assets is important, and the Fund expects its pool to actively engage with investee companies and investment managers to achieve positive outcomes, escalating appropriately where progress is insufficient.*

8.4 The Proposed Local Investment approach is summarised below:

The Fund invests a share of its asset locally. There is a preference for investments to be invested within Sussex, however achieving attractive levels of risk and return, at least in line with those achievable from investments outside of Sussex, is more important. Investments across the wider area covered by the Partner Funds of the Border to Coast Pensions Partnership are preferred if they offer better risk-adjusted returns. Similarly, the Fund does not target specific investment types or impacts with

its local investment, but leaves the widest possible opportunity set to find the best risk-adjusted returns.

8.5 The Investment Beliefs are designed to provide a clear, proportionate, and fiduciary-focused framework for guiding the Fund's Investment Strategy Statement and interaction with its LGPS pool's implementation.

9. Conclusion and reasons for recommendation

9.1 The Fund's investments are monitored regularly to ensure compliance with the strategic asset allocation set out in the ISS and to keep the Committee informed of any significant concerns regarding investment managers.

9.2 The Pension Committee is recommended to note this report and agree the investment beliefs as set out in paragraph 8.4 and the approach to local investment set out in section 8 of this report so that officers can move forward to draft a compliant ISS reflecting the investment beliefs of the Fund.

IAN GUTSELL
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12 month workplan



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Appendix 1

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East Sussex Pension Fund

Q4 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 Luke Long.

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Fund Value
£5,382,778,437

Over the quarter, the Fund's asset value increased by c.£108.9m.

Total Net Return
2.1%

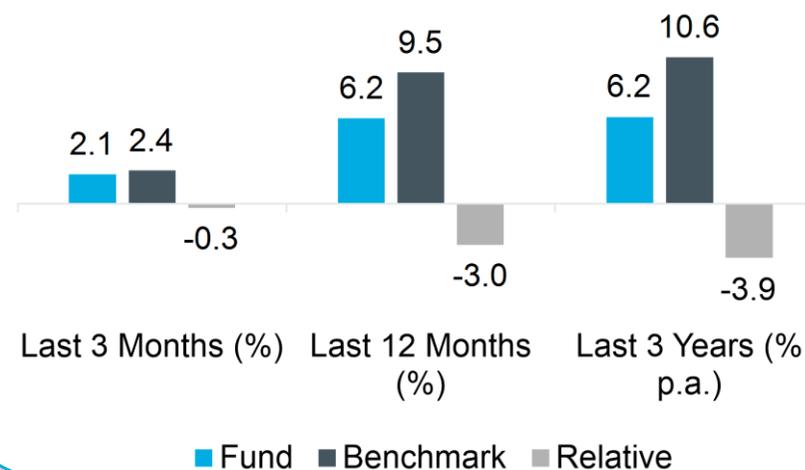
Over the quarter, the Fund returned 2.1% against its benchmark of 2.4%.

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High-level asset allocation

	Actual	Benchmark	Relative
Growth	46.7%	45.5%	1.2%
Income	43.8%	47.5%	-3.7%
Protection	8.3%	7.0%	1.3%

Total fund performance



Commentary

- Total Fund performance was 2.1% in absolute terms, underperforming the composite benchmark by 0.3%.
- 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 -3.0% p.a. and -3.9% p.a. respectively.
- The Fund's income portfolio remains under-weight relative to the strategic asset allocation.

Market Background

Market update

Global growth signalled resilience in the third quarter (Q3) as earlier tariff impacts faded. The US grew at a strong pace while China increased its goods trade surplus to record levels. The eurozone's growth improved but remained uneven. UK growth slowed, staying below its potential, and Japan marked its first quarterly contraction.

US tariff-related inflation is proving milder than feared; US annual CPI fell to 2.7% in November and remained there in December. UK inflation rose to 3.4% in December, up from November's eight-month low of 3.2%, with core inflation unchanged at 3.2%. The eurozone's inflation returned to its 2% target in December.

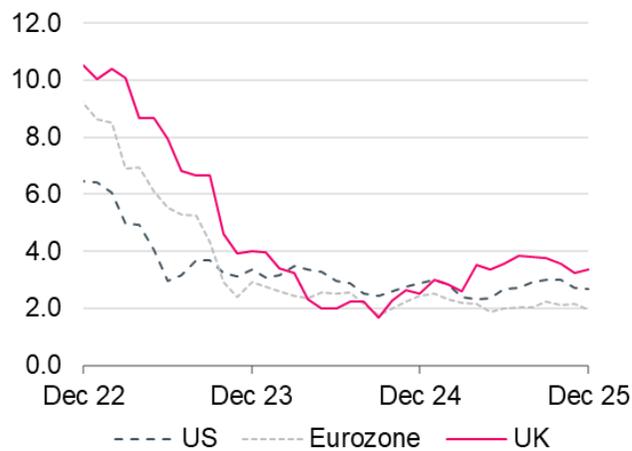
Despite above-target inflation, the US Federal Reserve (Fed) and Bank of England (BoE) cut rates in the fourth quarter (Q4) on weakening labour market conditions. The Fed lowered rates by 0.5% pa, to 3.50–3.75% pa, while the BoE cut its base rate by 0.25% pa, to 3.75% pa. Conversely, the Bank of Japan raised rates to 0.75% pa (the highest in 30 years), to address rising inflation and wages.

UK 10-year gilt yields dropped 0.2% pa, to 4.5% pa, as implied inflation fell and the Autumn Budget boosted fiscal headroom. Equivalent US Treasury yields rose (4.2% pa), while German (2.9% pa) and Japanese (2.1% pa) yields increased on expectations of higher issuance to fund government spending.

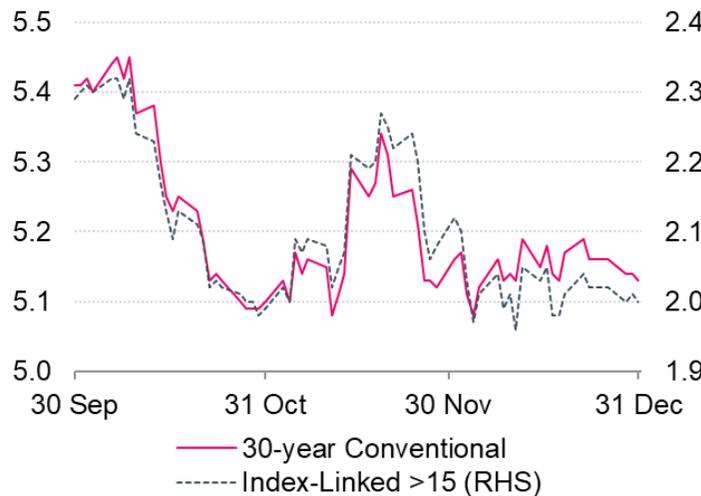
The trade-weighted US dollar eased 0.4% in Q4, ending the year down 7.0%. Foreign investors increased hedging in 2025 amid US economic policy concerns. The equivalent yen measure fell 6.0%, reversing prior gains and ending the year down 4.8%. The euro was little changed in Q4 but ended the year up 6.2%. Trade-weighted sterling ended the year flat, with strength versus the dollar offset by weakness against the euro.

Gold prices rose 12.8% in Q4, supported by central-bank buying, strong retail demand, lingering concerns over Fed independence and geopolitical risks. Oil prices fell 9.3%, as rising supply and weaker demand signalled a growing surplus.

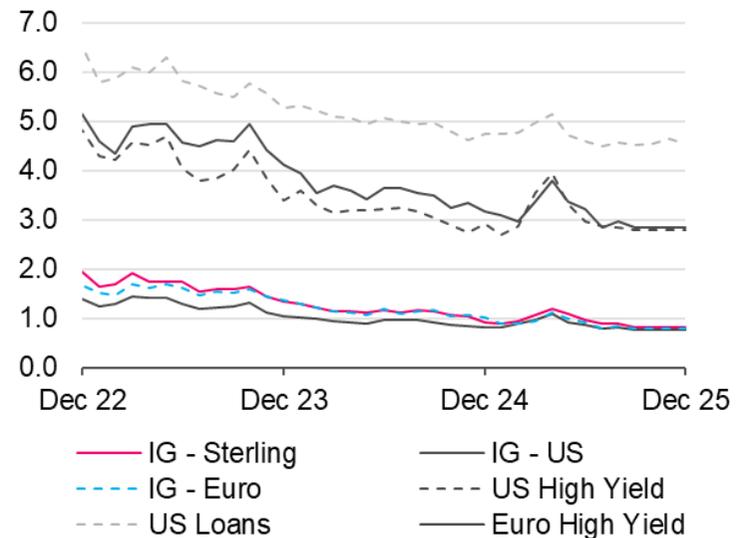
Annual CPI Inflation (% year on year)



Gilt yields chart (% p.a.)

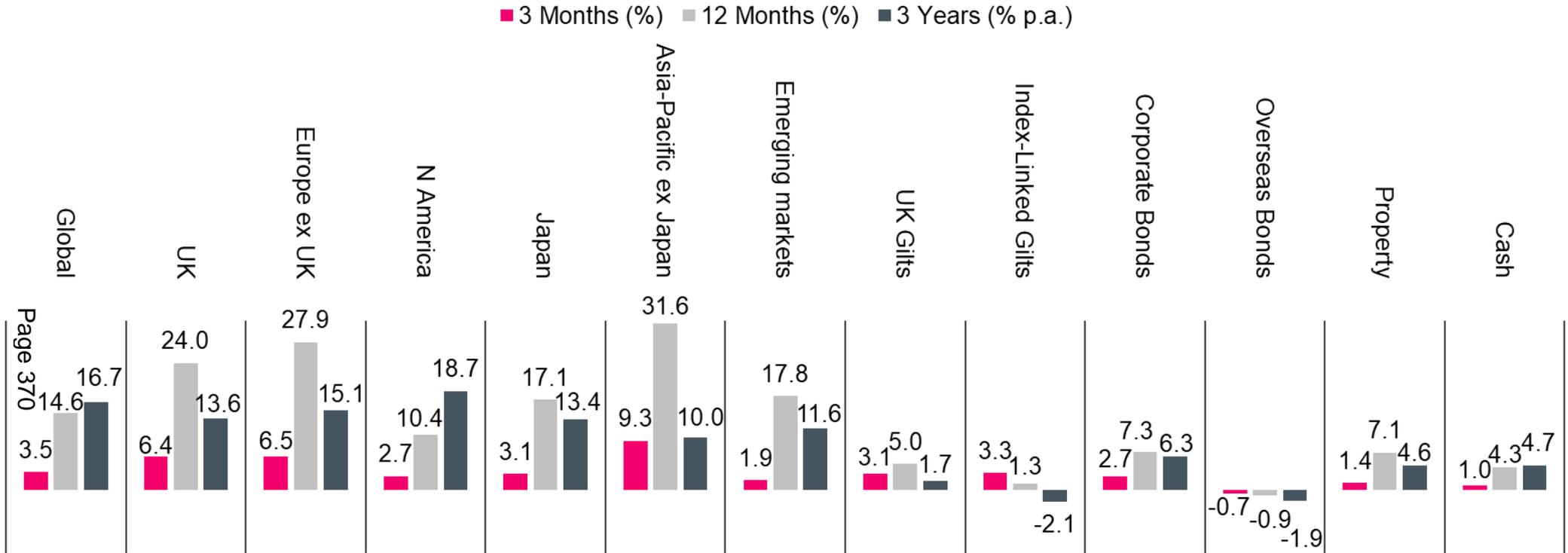


Investment and speculative grade credit spreads (% p.a.)



Market Background

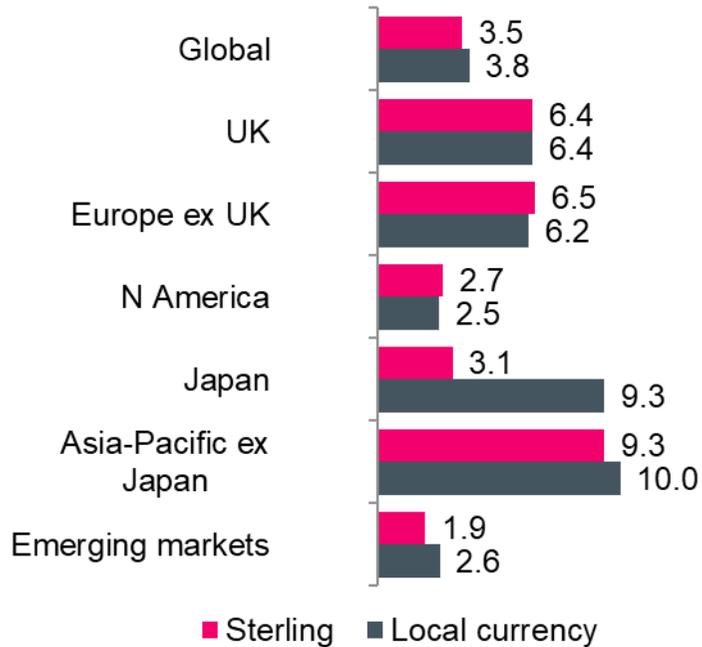
Historical returns for world markets



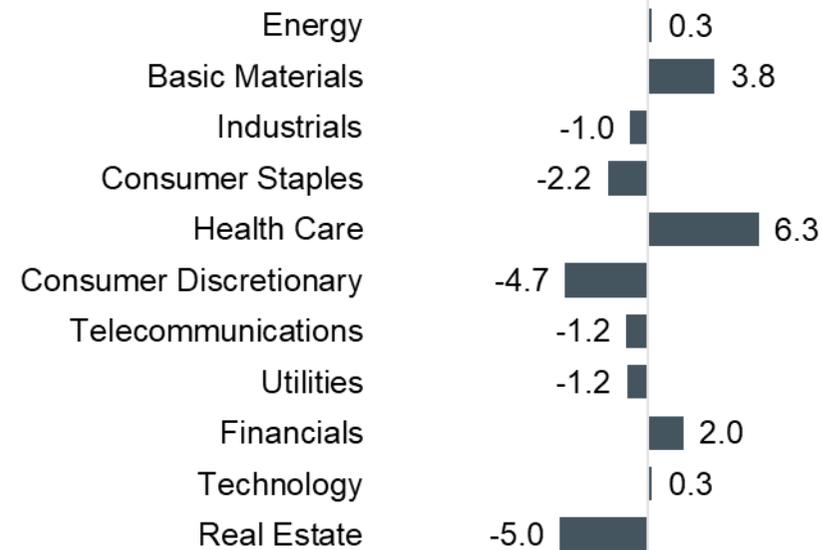
Data source: LSEG DataStream. Returns shown in Sterling terms. Indices shown (from left to right) are: FTSE All World, FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, FTSE Emerging, FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx Corporates All Investment Grade All Maturities, ICE BofA Global Government Index, MSCI UK Monthly Property; UK SONIA.

Market Background

Regional equity returns ^[1]



Global equity sector returns ^[2]



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Market commentary

Global equities rose 3.8% in Q4, capping another strong year of returns (20.5%). Developed Asia led performance, driven by its role in the semiconductor supply chain and expectations of Japan's fiscal stimulus, alongside a weaker yen. European markets outperformed due to their value tilt and exposure to healthcare (the best-performing sector in Q4) and financials.

US stocks lagged in Q4. Although technology stocks outperformed globally, US tech underperformed amid concerns over lofty valuations and debt-funded AI capex. Emerging markets also underperformed in Q4 but outperformed in 2025.

Amid positive risk sentiment, credit spreads remained near historic lows despite a modest uptick in Q4, due to notable US and European defaults, and heavy AI-related issuance.

The MSCI UK Property Total Return Index rose 1.4% in Q4, supported by steady income. Capital growth was marginally positive at an aggregate level: industrial (0.5%) and retail (0.4%) growth slowed from Q3, while offices (-1.2%) fell at a faster pace.

5 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

Asset allocation

	Valuation (£m)		Actual Proportion	Benchmark	+ / -
	Q3 25	Q4 25			
Longview Global Equity	510.9	511.9	9.5%	40.0%	0.3%
Storebrand Smart Beta And ESG	516.6	459.8	8.5%		
UBS Osmosis	473.6	448.6	8.3%		
Baillie Gifford Global Alpha	257.1	252.5	4.7%		
WHEB Active Impact Equity	213.6	227.0	4.2%		
Wellington Active Impact Equity	276.8	269.1	5.0%	5.5%	0.9%
Adams Street Private Equity	169.4	167.4	3.1%		
HarbourVest Private Equity	184.5	178.3	3.3%		
Total Growth	2,602.5	2,514.5	46.7%	45.5%	1.2%

Asset allocation

	Valuation (£m)		Actual Proportion	Benchmark	+ / -
	Q3 25	Q4 25			
Bluebay Total Return	177.1	179.3	3.3%		
M&G Corporate Bonds	127.4	132.0	2.5%	10.5%	-1.0%
M&G Alpha Opportunities	200.1	201.9	3.8%		
M&G Real Estate Debt VI	24.0	16.1	0.3%	5.0%	-4.0%
Golub Capital SeniorLoan Fund	32.7	36.3	0.7%		
Newton Real Return Fund	314.2	325.0	6.0%	14.0%	2.6%
Buffer Absolute Return	477.2	568.2	10.6%		
Atlas Infrastructure	113.7	119.4	2.2%		
IPM Global Infrastructure Fund	272.9	287.5	5.3%		
M&G Infrastructure	43.4	43.1	0.8%	11.0%	-0.7%
Pantheon Infrastructure	71.7	70.4	1.3%		
UBS Infrastructure	33.1	36.0	0.7%		
CBRE Real Estate Fund	338.9	336.2	6.2%	7.0%	-0.7%
Schroders Property	4.1	4.7	0.1%		
Total Income	2,230.4	2,356.2	43.8%	47.5%	-3.7%
UBS Index Linked Gilts	353.0	447.9	8.3%	7.0%	1.3%
Total Protection	353.0	447.9	8.3%	7.0%	1.3%
Cash	87.9	64.1	1.2%	-	1.2%
Total Fund	5,273.8	5,382.8	100.0%	100.0%	

Asset allocation commentary

Over Q4 2025 the Fund invested a further c.£81.0m in the UBS Indexed-Linked Gilts mandate. This builds on the c.£101m allocated in Q4 2024 and the c.£51m invested in Q1 2025. The Fund also invested c.£81.0m in the Ruffer Absolute Return mandate over the quarter.

These investment were funded by:

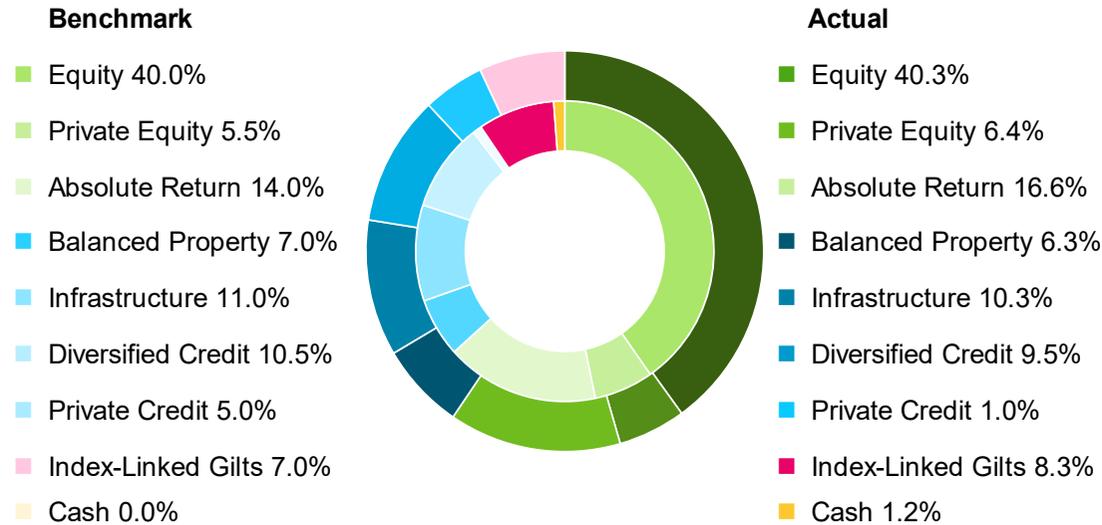
- c. £76.6m disinvestment from Storebrand Smart Beta.
- c. £39.0m disinvestment from UBS Osmosis.
- c. £24.2m disinvestment from Cash.
- c. £9.6m net distribution from Harbourvest Private Equity.
- c. £8.3m net distribution from M&G Real Estate Debt.
- c. £6.4m net distribution from Adam Street Private Equity.
- c. £4.4 net distribution from Pantheon Infrastructure.
- c. £2.5m net distribution from CBRE Real Estate.

In addition, proceeds from disinvestments and distributions were used to meet capital calls over the quarter, including:

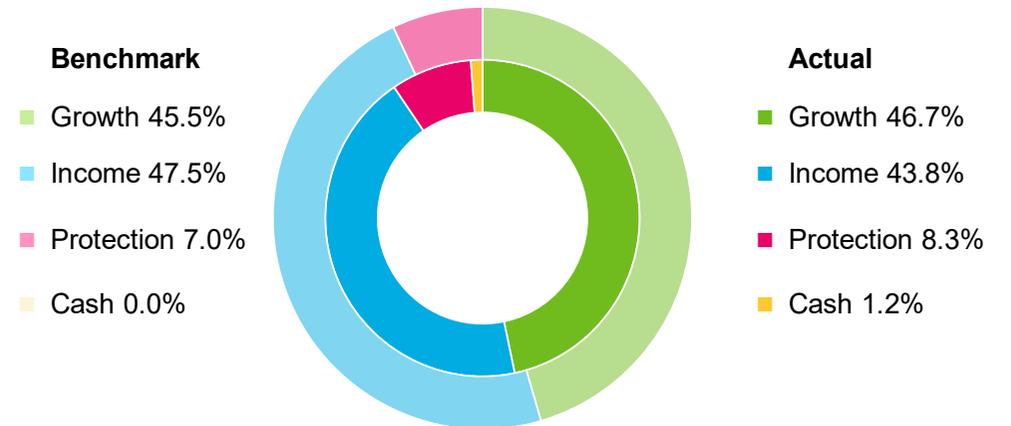
- c. £3.0m net capital call from UBS Infrastructure.
- c. £2.7m net capital call from Golub Capital Senior Loan Fund.

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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	0.2	3.2	-2.9	-4.1	12.8	-14.9	6.8	16.7	-8.5	11.3	11.9	-0.6
Storebrand Smart Beta And ESG	3.8	3.2	0.6	12.0	12.8	-0.7	15.9	11.0	4.4	11.3	12.6	-1.2
UBS Osmosis	2.9	3.2	-0.3	12.0	12.8	-0.6	16.5	16.7	-0.2	12.3	12.7	-0.4
Baillie Gifford Global Alpha	-1.8	3.4	-5.0	10.2	13.9	-3.3	12.3	16.3	-3.4	2.3	10.2	-7.1
WHEB Active Impact Equity	6.3	3.2	3.0	5.1	12.8	-6.8	2.4	16.7	-12.3	0.9	12.5	-10.3
Wellington Active Impact Equity	-2.8	3.4	-6.0	2.2	13.9	-10.3	7.0	16.3	-8.0	4.4	11.5	-6.4
Adams Street Private Equity	2.7	3.7	-1.0	1.7	15.4	-11.8	-0.1	17.8	-15.1	10.4	11.1	-0.7
HarbourVest Private Equity	1.9	3.7	-1.7	3.0	15.4	-10.8	1.4	17.8	-13.9	8.9	11.6	-2.4
Growth												

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	3.6	3.7	-0.1	6.1	6.6	-0.4	4.7	4.7	0.1	5.9	5.1	0.8
M&G Alpha Opportunities	0.9	1.7	-0.7	5.6	7.1	-1.4	8.7	7.7	1.0	4.5	2.8	1.6
M&G Real Estate Debt VI	1.7	1.9	-0.2	8.3	8.1	0.2	9.2	8.7	0.5	4.5	6.5	-1.9
Bluebay Total Return	1.2	1.7	-0.4	6.6	7.1	-0.5	-	-	-	7.6	7.5	0.2
Newton Real Return Fund	3.4	1.5	1.9	11.9	6.6	5.0	7.0	7.2	-0.1	4.5	2.6	1.8
Ruffer Absolute Return	2.1	1.5	0.5	10.6	6.6	3.8	0.9	7.2	-5.8	4.8	2.6	2.1
U.S. Infrastructure	5.0	0.4	4.6	27.8	7.5	18.8	9.7	5.5	3.9	9.3	7.3	1.9
U.S. Global Infrastructure Fund	5.3	1.1	4.2	10.0	5.3	4.4	-	-	-	8.1	5.3	2.6
M&G Infrastructure	-1.5	1.1	-2.5	-4.1	5.3	-8.9	-7.0	5.3	-11.6	1.7	5.9	-4.0
Pantheon Infrastructure	4.3	1.1	3.2	-1.0	5.3	-6.0	4.7	5.3	-0.6	8.5	5.8	2.6
UBS Infrastructure	0.1	1.1	-1.0	-6.8	5.3	-11.5	-3.5	5.3	-8.4	3.8	3.0	0.7
CBRE Real Estate Fund	-0.1	0.8	-0.9	2.0	5.1	-2.9	-	-	-	0.4	6.1	-5.3
Golub Capital SeniorLoan Fund	2.5	-		-	-		-	-		2.5	-	-
Income												
UBS Index Linked Gilts	4.2	4.1	0.0	0.8	0.8	0.0	-3.4	-3.4	0.0	-3.9	-3.9	0.0
Total Fund	2.1	2.4	-0.3	6.2	9.5	-3.0	6.2	10.6	-3.9	8.0	-	-

- Northern Trust do not report a since inception benchmark number for total scheme, only performance which we have shown in the table.
- Golub Capital SeniorLoan Fund has a since inception date of 30th June 2025.

Manager performance commentary

- The most significant relative detractors this quarter came from the equity portfolio. Global equities delivered a positive backdrop, with the MSCI ACWI index returning 3.4% over the quarter. Despite this, two of the Fund's growth mandates posted negative absolute returns. Baillie Gifford Global Alpha underperformed the index by 5.0%, while Wellington Active Impact Equity lagged by 6.0%. These two strategies were the only growth mandates to produce negative returns in a quarter where risk assets generally performed well. This continues the theme seen in Q3, where global equities were also the main detractor and Wellington was again a notable underperformer. It is positive, however, to see strong outperformance from WHEB over the quarter.
- The strongest relative contribution came from the infrastructure allocation. Atlas Infrastructure outperformed its benchmark by 4.6%, supported by strong sector selection and favourable regulatory developments. IFM Global Infrastructure added 4.2% relative, while Pantheon Infrastructure outperformed by 3.2%. These mandates provided resilience and diversification, benefiting from continued investor demand for defensive real-asset exposure. The exception within the infrastructure allocation was the M&G Infrastructure mandate, which delivered negative absolute and relative returns over the quarter.

Overall, performance was mixed across the portfolio. Strong positive relative returns in infrastructure helped offset weakness in global equities, but growth strategies were again the primary drag on relative performance. The Fund delivered a positive absolute return over the quarter, against challenging benchmarks.

Manager ratings

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

In Q4, an associate left the firm who was responsible for supporting origination, asset management, analysis, research, and preparing investment proposals. Michal Wizner, analyst, joined the firm, responsible for helping with research, transactions, asset management, portfolio, modelling, and reporting,

Ruffer

In Q4 2025, Jonathan Ruffer retired from his final role with the firm, as Chairman. Henry Maxey, Co-CIO, became Chairman on 1 January 2026 and is supported by Campbell Fleming, Deputy Chairman. Jenny Renton (Partner, Clients and Distribution team), and Alex Lennard (Partner, Fund Management Team) left the firm.

Baillie Gifford

Over the quarter Baillie Gifford removed the explicit 2% outperformance target from the Global Alpha investment objective. Current objective: outperform (after deduction of costs) the MSCI ACWI Index, as stated in sterling, by at least 2% per annum over rolling five-year periods. New objective: outperform (after deduction of costs) the MSCI ACWI Index, as stated in sterling, over rolling five-year periods.

Hymans' manager ratings change

We have updated the presentation of our manager ratings in this report, bringing these more into line with our Responsible Investment ratings. We will continue to use these ratings to highlight any changes that merit further consideration or attention.

Current issues in LGPS – December 2025 edition

Spotlight on legislation & consultations - A round-up of the Pension Schemes Bill, the Fit for the future – technical consultation and draft statutory guidance, the LGPS (England and Wales) scheme improvements consultation, and the LGPS (Scotland) benefits consultation.

Autumn Budget 2025 - The main pensions talking point from the Chancellor's Budget on 26 November was around salary-sacrifice arrangements. From 6 April 2029, any employee pension contributions above an annual amount of £2,000 will no longer be exempt from National Insurance Contributions (NICs).

Our 60-second summary covering Budget 2025 can be found [here](#).

English and Welsh 2025 valuations - A big thank you to the circa 70 LGPS officers who joined our client-only webinar on 4 December to discuss stakeholder engagement. The session was Chatham House only and was not recorded. However, we plan to follow up shortly with a communication that shares some of the analysis, such as peer comparisons, and insights from the polls that were run throughout the webinar.

Liquidity management - LGPS funds must now manage cash flows more carefully, with economic and demographic factors leading to many funds having negative cash flows. The reduced contribution rates arising from the 2025 actuarial valuations will intensify this challenge, especially as LGPS pensions are expected to rise by 3.8% in 2026.

Our 60-second summary on managing cashflows in the LGPS can be found [here](#).

New Year, New Accounting - As we approach the New Year, the last LGPS employers of 2025, with a financial year-end at 31 December, will hear soon from their LGPS contact about the options available for their FRS102 accounting.

Our webinar, 2024/25 LGPS accounting disclosures: understanding your results, can be seen [here](#).

Design Thinking in practice: testing - In the final [blog](#) in his series, our digital guru Chris Varley considers testing and how this can be applied within the LGPS. Traditionally, testing is seen as the final hurdle to be overcome prior to "going live". But it's worth considering its role more broadly - as an ongoing opportunity to learn, adapt, and improve solutions based on feedback. He concludes that early and honest feedback ultimately drives better outcomes.

Spotlight on Responsible Investment - A round-up of our latest insights of all things RI-related.

Current issues in LGPS – December 2025 edition

Dashboards - making use of valuation data checks - With all the change affecting the LGPS it would be easy to lose sight of Pension Dashboards coming over the hill. For funds in England and Wales (and Scotland next year), the outputs from the triennial valuation process can help officers to direct and prioritise work in readiness for the public to search for lost or forgotten pension pots. Our [blog](#) explains more.

LOLA 3.0 - future proofing your training - With changes in legislation comes changes in training needs. We've listened to your feedback, carried out horizon scanning and delved ever deeper into the world of best practice. From this, the latest evolution of the LGPS Online Learning Academy is emerging. We are committed to providing the best possible training services to the LGPS and are looking forward to releasing the latest version in the new financial year. For more information about what we've been up to, check out our [blog](#).

Capital Markets update - Global growth has proven resilient, despite rising US tariffs and uncertainty. We've seen high global equity valuations, largely driven by the tech-heavy US market. While strong tech earnings justify some premium, valuations assume sustained growth and leave the US exposed to AI disappointment.

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	SONIA 3 Month +4% p.a.
Colub Capital Senior Loan Fund	30/06/2025	-
Stams 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	SONIA 3 Month +3% p.a.
M&G Alpha Opportunities	30/11/2009	SONIA 3 Month +3% p.a.
Newton Real Return Fund	30/04/2010	SONIA 3 Month +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	UK CPI +2% p.a.
M&G Infrastructure	31/10/2018	UK CPI +2% p.a.
Pantheon Infrastructure	04/05/2018	UK CPI +2% p.a.
UBS Infrastructure	31/01/2008	UK CPI +2% p.a.
CBRE Real Estate Fund	01/10/2024	MSCI UK All Balanced Property
UBS Index Linked Gilts	31/01/2018	FTA Index-Linked Gilts Over 5 years
Cash	31/12/2002	SONIA 1 Month

Hymans manager ratings explained

Strong	The strategy is likely to achieve or exceed its objectives.
Good	There is a good chance that the strategy will achieve its objectives.
Acceptable	The strategy demonstrates that it meets acceptable standards.
Weak	The strategy does not meet acceptable standards.
Not Rated	Insufficient knowledge or due diligence to be able to provide a rating.

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Hymans Responsible Investment ratings explained

Strong	Strong evidence that the manager consistently demonstrates leading practices across all criteria assessed.
Good	Manager demonstrates that they surpass acceptable standards but fall short of leading practices.
Acceptable	Manager demonstrates that they meet acceptable standards.
Weak	Manager does not meet acceptable standards.
Not Rated	Insufficient knowledge or due diligence to be able to provide a rating.

Glossary – equity manager styles

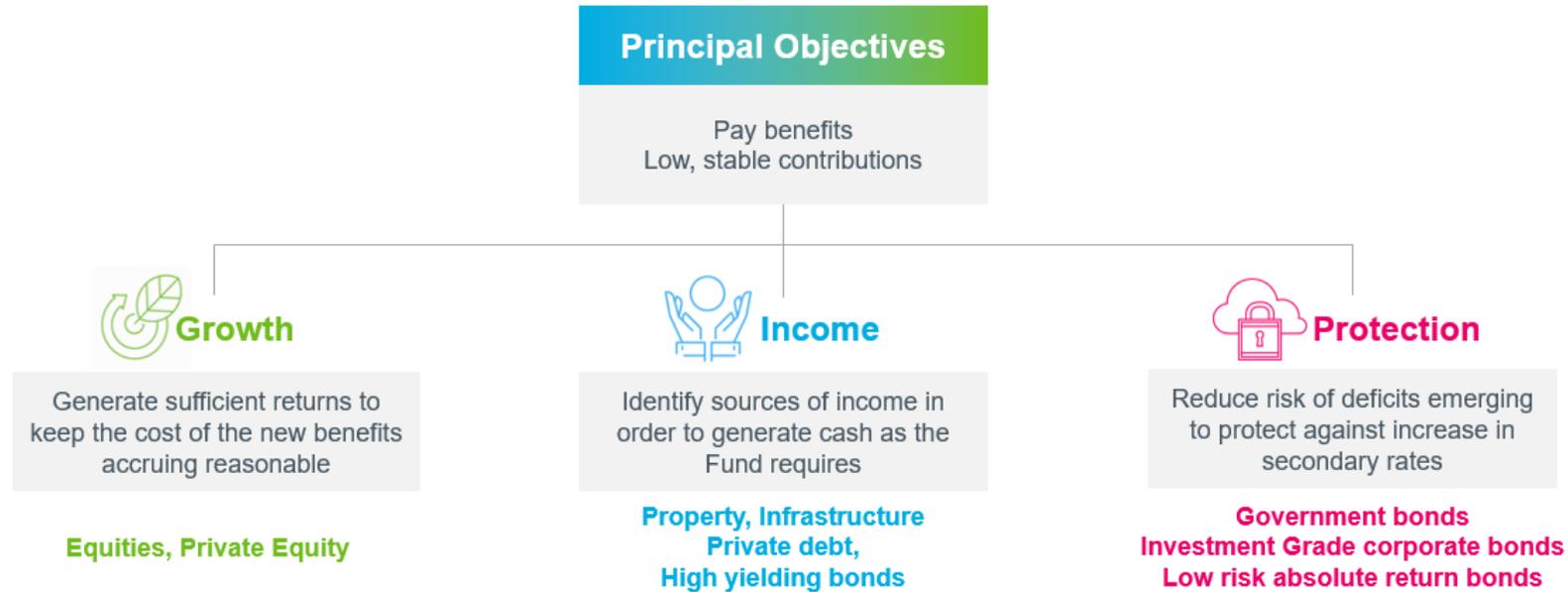
‘Style’ refers to the type of stocks a manager will typically research and select for portfolios. It is important to diversify these ‘styles’ in order to manage concentration risks.

- **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

- **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 or risk based on 'ups and downs' of stock/portfolio over a period of time.

Growth, Income and Protection



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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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Investment Consultant Objectives

The Fund expects its Investment Consultant to achieve the following strategic objectives and outcomes to ensure it can meet its own objectives.

East Sussex Pension Fund objectives and requirements from consultants	Investment Consultant objectives	Desired outcomes / measurement
Ensure members' benefits are met as they fall due	Deliver an investment approach that reflects the Fund's cashflow position, and likely evolution, and minimises the risk of forced disinvestment.	The Fund has sufficient cash flow to allow members benefits to be paid when due
Support a long-term funding approach that is consistent with a stable and affordable contribution approach from the employers	<p>Advise on a suitable Strategic Asset Allocation and investment strategy.</p> <p>Ensure the strategy is reviewed and amended to deliver the required investment returns from the Fund's investments in line with Funding Strategy statement.</p> <p>Avoid short term strategy changes that will impact the governance and strategy delivery within the LGPS pool structure.</p> <p>Ensure Risk and return is assessed in all strategic investment decisions supporting the need for pension liabilities of the Fund to be met and support progress towards a long-term steady state of funding</p>	Returns from the investment strategy over time are in line with or exceed the assumptions within the Funding Strategy Statement and the funding level remains within the expected range of outcomes
Ensure the Fund's approach is aligned with the objectives of pooling and associated guidance	<p>Provide clear information so that the Committee is able to effectively monitor the underlying strategies it is invested in.</p> <p>Provide oversight on the process and objectives that the ACCESS pool relies upon to provide investment solutions and scrutiny of investment governance that the ACCESS pool undertakes to ensure that the pool is providing suitable investments to the Fund.</p> <p>Provide oversight and scrutiny of the investment offerings of the LGPS Pool and alignment with the Funds Investment strategy. Support the Committee in effective investment within the pooled product offerings, taking into account the manager selection and due diligence already completed on behalf of the Fund by the pool so not to duplicate this implementation aspect of a mandate allocation for the Fund.</p>	<p>Evolve performance monitoring and reporting to reflect the investment of assets through the pool, as well as the effectiveness of ACCESS as a pool.</p> <p>All new investment activity is implemented via the LGPS pool (or other future pooling solution) or a clear value for money and stewardship case is defined with a timeline in which this would be pooled.</p>

East Sussex Pension Fund objectives and requirements from consultants	Investment Consultant objectives	Desired outcomes / measurement
Ensure cost efficient implementation of the Fund's investment strategy	<p>Advise on the cost-efficient implementation of the Fund's investment strategy as required, taking into account the evolution of the ACCESS pool.</p> <p>Ensure transition costs are considered in manager or asset class changes</p> <p>Consider all associated costs when supporting the fund in manager selection or pool allocation decisions</p>	<p>Ensure a focus on key risk / return priorities</p> <p>Challenge of any areas of poor performance highlighted and solutions identified</p> <p>All investment implementation decisions are supported with documented cost implications.</p>
Ensure the Fund's approach reflects relevant regulatory and legislative requirements	<p>Ensure investment advice complies with relevant pensions regulations, legislation and supporting guidance.</p> <p>Ensure investment advice proactively reflects and comments on regulatory changes</p>	No instances of non-compliance with relevant regulations
Ensure the Fund is an active steward of capital, actively keeping the RI policy under review and reflecting new developments in the industries understanding and ability to implement a robust RI strategy. Ensuring RI is incorporated in governance of the Fund and taken into account in all decision making.	<p>Advise and support the Committee in developing the Committee's policies and beliefs, including those in relation to Responsible Investment.</p> <p>Ensure investment advice reflects the Committee's policies and beliefs, including those in relation to Responsible Investment considerations.</p>	<p>Evidence that the Fund's investment arrangements are consistent in all respects with the Committee's set of investment beliefs</p> <p>Committee very satisfied with level of support provided</p>
Ensure the Fund's investment objectives are supported by an effective governance framework	<p>Provide relevant and timely advice.</p> <p>Help the Committee develop knowledge and understanding by providing appropriate training and well structured reports with clear language and supported recommendations.</p> <p>Assist with identifying topics where further training may be beneficial to the Committee</p>	<p>All reports and advice delivered within prescribed timescales</p> <p>Committee Knowledge and Understanding on investment matters increases or remains high</p> <p>Committee are very satisfied with the value of money represented by the services provided</p>

Investment beliefs policy

This paper has been prepared for the Pensions Committee (“the Committee”) and the Pensions Officers (“the Officers”) of the East Sussex Pension Fund (“the Fund”) for the purpose of considering the investment beliefs survey recently completed by the Committee members and providing a proposed investment beliefs statement for approval. 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 paper 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

Current government reform of the LGPS means many investment decisions will move from the Committee to the pool.

The Committee’s decisions will be formally limited to the strategic asset allocation, deciding what proportion of the Fund’s assets should be allocated to each of nine asset class buckets as defined by government. Below that, all decisions sit with the pool. The Fund’s belief statement will therefore be an important tool for communicating the Committee’s priorities and preferences to be reflected in the pool’s management of the Fund’s assets.

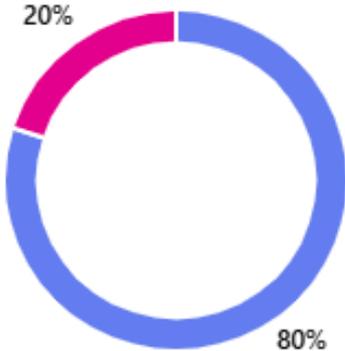
Similarly, government reform also means that the Fund will need to have an approach to investing “locally”. In this area, the Committee are given a greater remit by government to determine a local investment strategy, needing to define issues such as the geographical area defined as “local” (with the widest permitted being the area covered by the parter funds within the pool), as well as any areas of focus in particular types of investment or impacts to achieve. Whilst these are the Committee’s decisions, the government are clear that if policies on these are too prescriptive in a way that prevents the pool being able to implement with scale (e.g. a small geographic area with specific asset classes and impacts that would require the pool to set up a specific solution for the Fund) then the pool can choose to ignore the policy.

A survey was therefore shared with the Committee in December 2025 asking a range of questions to help set out these beliefs, as well as an approach to local investment. This paper sets out a summary of the questions and responses, and puts forward a proposed investment beliefs statement for the Fund to adopt.

Survey results

- (1) The purpose of the Fund is to pay pensions in full when they fall due, done so in a way that manages stability and affordability for employers.**

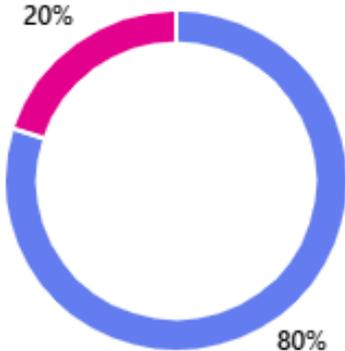
● Strongly agree	4
● Agree	1
● Neutral	0
● Disagree	0
● Strongly disagree	0



Additional comments: Respondents agreed with the stated purpose, with one individual highlighting the Fund should operate within an ethical framework and consider the environmental implications of its investments. Others reinforced the importance of stability, affordability and legal compliance.

(2) The Fund should invest with a long-term focus, given its long-term liabilities, and be able to ride out shorter-term market volatility to achieve longer-term returns.

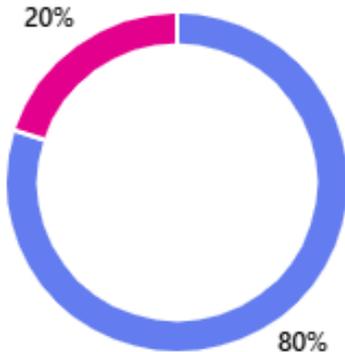
● Strongly agree	4
● Agree	1
● Neutral	0
● Disagree	0
● Strongly disagree	0



Additional comments: Respondents noted that although the Fund can take a long-term approach, it must still acknowledge medium-term risks so that employer contributions remain stable. Several comments highlighted the growing importance of cashflow availability as the Fund matures. Others observed that while short-term volatility is tolerable, extended periods of poor performance would still be a concern.

(3) Funding and investment are linked. The investment strategy should be set with a strong eye to achieving/maintaining full funding in a manner that achieves a suitable balance of stable and affordable contribution rates for employers.

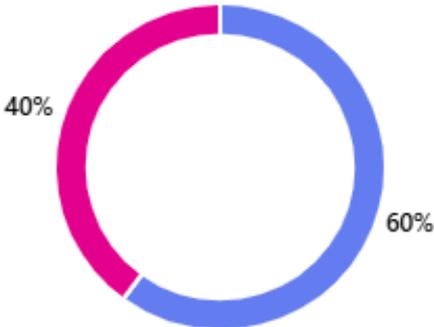
● Strongly agree	4
● Agree	1
● Neutral	0
● Disagree	0
● Strongly disagree	0



Additional comments: Commentary centred on the need for realistic assumptions when linking funding and investment strategy. Some respondents stressed that climate-related financial risks could materially affect the Fund’s liabilities, and therefore should be reflected in discount rate assumptions and contribution planning.

(4) The Fund must earn strong levels of return above inflation in order to maintain affordable contribution rates for employers. This requires taking investment risk. The optimal level of risk-adjusted return should be sought in the Fund’s strategy to achieve the target return in the safest way possible.

● Strongly agree	3
● Agree	2
● Neutral	0
● Disagree	0
● Strongly disagree	0



Additional comments: Respondents reiterated that achieving returns above inflation requires taking investment risk. A number emphasised that climate-related economic risks should form part of the assessment of long-term return prospects.

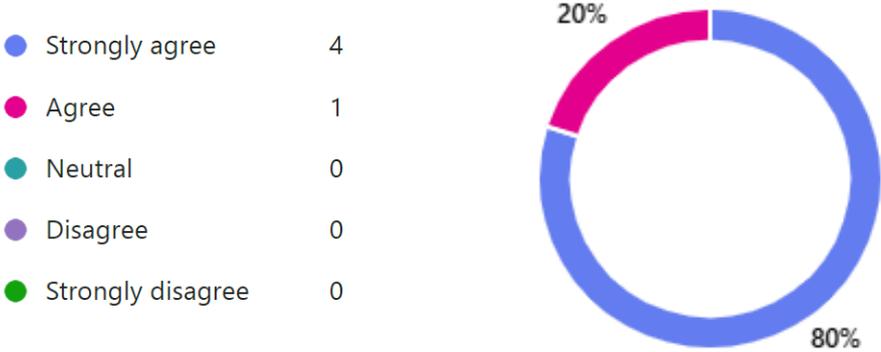
(5) Risk management is important, however the Fund has the time horizons to ride out short-term market volatility. Diversification across asset classes, investment managers and styles should be utilised to manage risks.

● Strongly agree	3
● Agree	2
● Neutral	0
● Disagree	0
● Strongly disagree	0



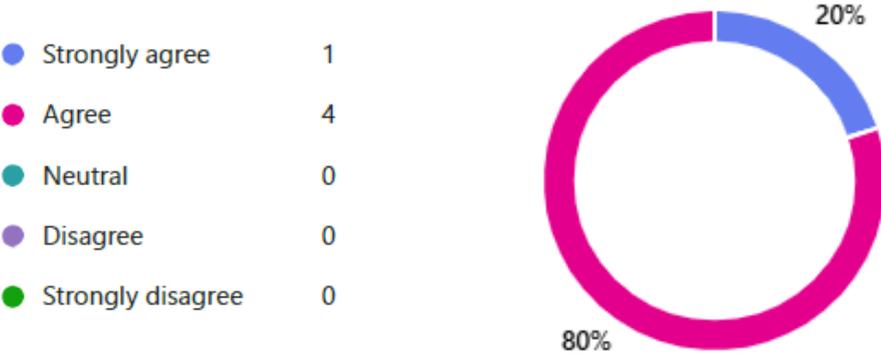
Additional comments: Comments reflected agreement that diversification is important, but there were contrasting views about which sectors should be included. Some respondents felt the Fund should exclude fossil fuel and defence companies for ethical or climate-related reasons, while others argued strongly that such exclusions should not be made if the companies can deliver superior returns. Several respondents also raised concerns about concentration risks and about risks emerging in private markets, particularly around valuations and exit opportunities.

(6) Cashflow is an important consideration in the Fund’s investment strategy. Being a forced seller of assets can lead to material risks of poorer long-term returns. The Fund should have a process in place to manage this efficiently.



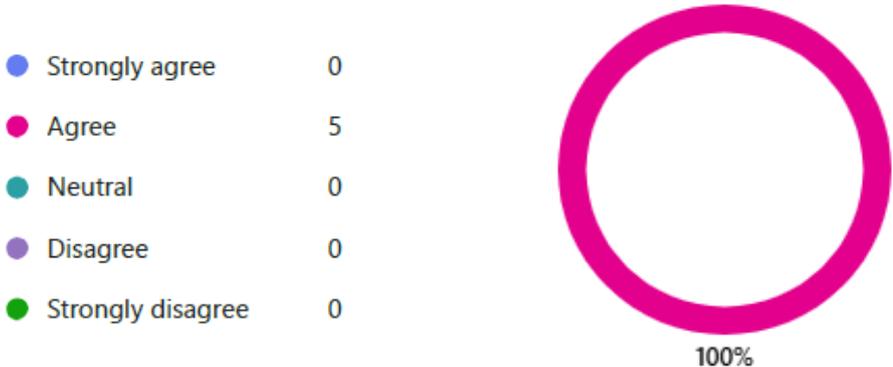
Additional comments: Respondents commented that cashflow pressures are increasing because of the Fund’s ageing demographic. They emphasised that avoiding forced sales is important, and that liquidity needs should play a significant role in shaping the overall investment strategy.

(7) There are pros and cons to both active and passive investment. Using a blend of approaches provides diversification benefits. Passive management is beneficial for its lower costs and ability to provide a market return, but active management should be used where there is reasonable expectation that it will be rewarded with higher returns or lower risk.



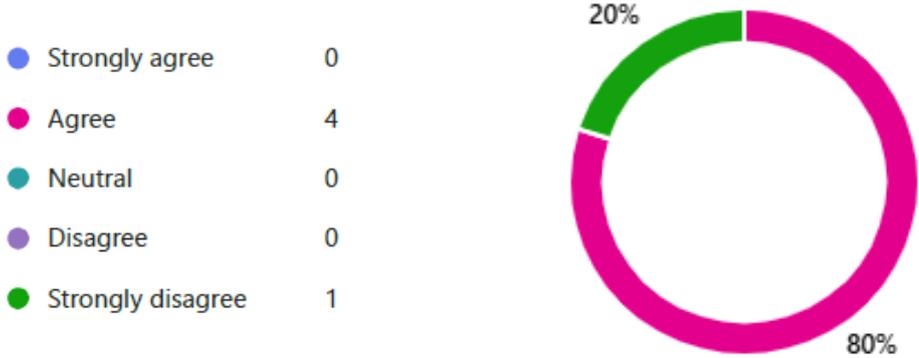
Additional comments: Respondents expressed support for combining active and passive management. Some warned that passive investment can lead to unintended exposures, including to sectors they considered unethical, whereas others highlighted the role of passive funds in reducing costs. One respondent suggested that passive approaches with robust ethical or responsible investment filters could mitigate these concerns.

(8) Illiquid private market investments can provide benefits to the Fund, including higher returns compared to public market equivalents, diversification and income provision. While investing in illiquid assets is a risk, the Fund has a long enough time horizon and enough liquidity to manage this. However, excessive levels of illiquid investment will present a risk and the optimal level should be kept under review as the Fund matures.



Additional comments: Most respondents recognised the value of illiquid assets given the Fund’s long-term horizon. However, some cautioned that private equity presents valuation and exit risks, while others emphasised that any illiquid investments should be aligned with ethical principles and climate-related objectives.

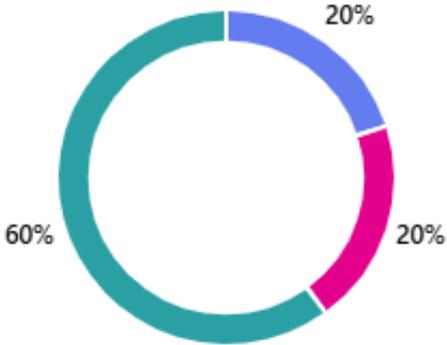
(9) While cost management is important, value for money and net-of-fees returns are more important. The Fund is willing to invest in higher-fee investment solutions, such as active funds and private markets, if there is an expectation that this will lead to improved financial outcomes overall.



Additional comments: One respondent argued the Fund’s investment managers should be incentivised through performance-based fees. Others accepted that higher-fee strategies can be justified when they provide strong net-of-fees returns.

(10)Rebalancing is important and can add value over the long-term. The Fund should have strict ranges around the central asset allocation targets and rebalance back to the target if and when the allocation strays outside of these ranges.

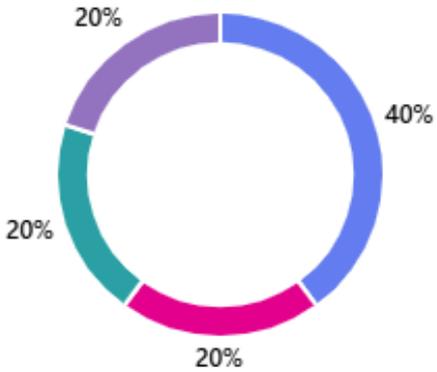
● Strongly agree	1
● Agree	1
● Neutral	3
● Disagree	0
● Strongly disagree	0



Additional comments: Comments indicated general support for maintaining rebalancing ranges, although one respondent felt that these ranges should allow sufficient flexibility rather than being overly strict.

(11)Responsible Investment practices can add value through higher returns and/or improved risk management. The Fund will look to implement this across the portfolio where it is expected to achieve these financial benefits. However, the Fund is not willing to forgo returns to achieve a positive impact.

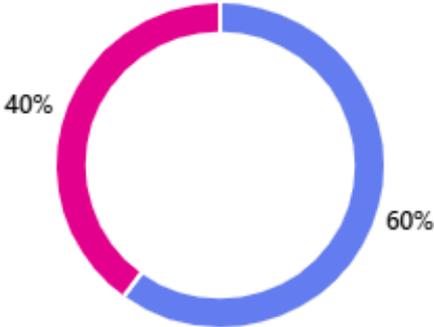
● Strongly agree	2
● Agree	1
● Neutral	1
● Disagree	1
● Strongly disagree	0



Additional comments: Views varied considerably. Some respondents framed responsible investment primarily as a risk-management tool. Others argued that the Fund should avoid sectors they consider unethical and that it should be willing to sacrifice some returns to achieve positive climate or social outcomes.

(12)Proper stewardship of the Fund’s assets is important and it is expected that the Fund’s pool will actively engage with investee companies and investment managers to achieve positive outcomes.

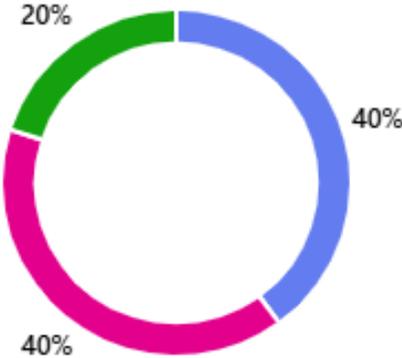
● Strongly agree	3
● Agree	2
● Neutral	0
● Disagree	0
● Strongly disagree	0



Additional comments: Respondents agreed that stewardship is an important responsibility. Several emphasised that engagement should be firm, with a willingness to vote against company directors or divest from companies that do not respond adequately to concerns.

(13) Climate change is a significant financial risk to the Fund that should be adequately reflected and managed in the Fund’s investments.

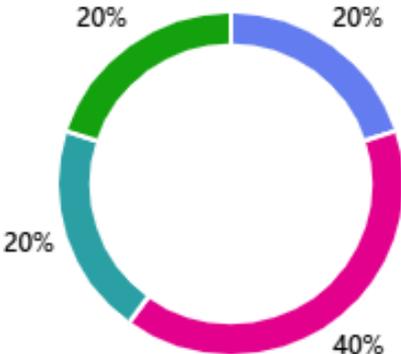
● Strongly agree	2
● Agree	2
● Neutral	0
● Disagree	0
● Strongly disagree	1



Additional comments: Comments on climate change demonstrated a wide spectrum of views. Some respondents saw climate change as a major financial risk that must be integrated into all investment considerations. Others felt strongly that the Fund is devoting too much attention to climate issues and should focus more narrowly on paying pensions.

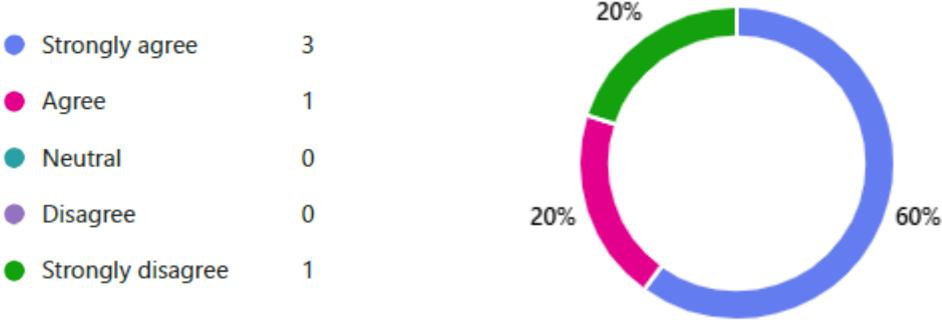
(14) The Fund should define “local” as the widest geographic area permissible under the regulations and guidance (the pool area) in order to maximise the opportunity set and risk-adjusted returns.

● Strongly agree	1
● Agree	2
● Neutral	1
● Disagree	0
● Strongly disagree	1



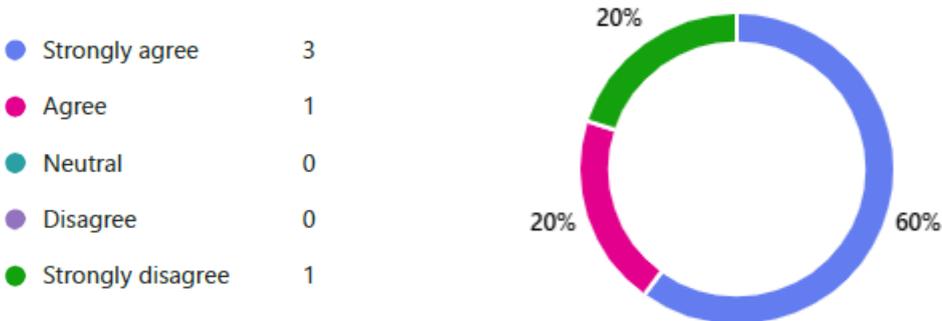
Additional comments: Respondents offered differing views on what “local” should mean. One felt the pool area was too broad and that some social-impact-focused investments could justify lower returns. Another felt strongly that local investments should not prioritise social benefits and should be judged solely on financial grounds. There was also concern that vague definitions could lead to uneven or inefficient allocations.

(15)When investing locally, the Fund should not specifically target particular types of investments for the local allocation, in order to maximise the opportunity set and risk-adjusted returns.



Additional comments: Some respondents disagreed with the statement and argued that the Fund should specify climate-positive, nature-positive or social-impact requirements for local allocations. Others supported a more flexible approach, noting that being too prescriptive could restrict opportunities for the pool.

(16)When investing locally, the Fund should not target particular types of impacts to aim for in its local investments, in order to maximise the opportunity set and risk-adjusted returns.



Additional comments: Some respondents felt strongly that local investments should have defined positive impacts. Others cautioned against adding too many beliefs and argued that investment beliefs should be tightly linked to fiduciary outcomes and aligned with pool-level beliefs.

Summary of survey findings

1. The purpose of the Fund is to pay pensions in full when they fall due. Funding and investment are linked, and the investment strategy should be set with a strong eye to achieving and maintaining full funding in a manner that achieves a suitable balance of stable and affordable contribution rates for employers.
2. The Fund should primarily invest with a long-term focus, given its long-term liabilities, and be able to ride out shorter-term market volatility. However, the Fund recognises the importance of managing medium-term risks and the impact they can have on employer contribution rates, and as well as the growing importance of managing cashflow.
3. The Fund must earn strong levels of return above inflation in order to maintain affordable contribution rates for employers. This requires taking investment risk, and the optimal level of risk-adjusted return should be sought in the safest way possible, reflecting long-term financial risks including climate-related risks.
4. Risk management is important, however the Fund has the time horizons to ride out short-term market volatility. Diversification across asset classes, investment managers and styles, including both active and passive management, should be utilised to manage risks, while recognising that some concentrated or high-risk exposures may require additional scrutiny.
5. Cash flow is an important consideration in the Fund's investment strategy. Being a forced seller of assets can lead to material risks of poorer long-term returns, so the Fund should have a clear and efficient process in place to manage this.
6. There are pros and cons to both active and passive investment. Using a blend of approaches provides diversification benefits. Passive management is beneficial for its lower costs and ability to provide a market return, while active management should be used where there is a reasonable expectation of higher returns or lower risk and where index exposure may create concentration risks.
7. Illiquid private market investments can provide benefits to the Fund, including higher returns compared to public market equivalents, diversification and income provision. Whilst investing in illiquid assets is a risk, the Fund has a long enough time horizon and enough liquidity to manage this. However, excessive levels of illiquid investment will present a risk and the optimal level should be kept under review as the Fund matures. Similarly, the potential for risks across private markets asset classes, such as concentration of risks and uncertain valuations, should be considered in the investment process.
8. While cost management is important, value for money and net-of-fees returns are more important. The Fund is willing to invest in higher-fee investment solutions, such as active funds and private markets, where there is an expectation of improved financial outcomes, and where fees align fairly with performance delivered.
9. Rebalancing is important and can add value over the long term. The Fund should have ranges around central asset allocation targets and rebalance back to target when allocations move outside these ranges, allowing an appropriate level of flexibility.
10. Responsible Investment practices can add value through higher returns and improved risk management. The Fund will implement these where they are expected to achieve financial benefits, viewing environmental, social and governance considerations as financial risks and opportunities.

11. Proper stewardship of the Fund's assets is important, and the Fund expects its pool to actively engage with investee companies and investment managers to achieve positive outcomes, escalating appropriately where progress is insufficient.
12. Climate change is one of a number of significant financial risks to the Fund that should be adequately reflected and managed within its investments.
13. The Fund should define "local" as the widest geographic area permissible under the regulations and guidance in order to maximise the opportunity set and risk-adjusted returns. That said, the fund does hold some preference for investments to be within Sussex, while ensuring that investments are aligned with the Fund's wider financial and responsible investment goals.
14. When investing locally, the Fund does not target particular types of investments or impact for the local allocation, so that it can maximise the opportunity set. Any local investments should still meet the Fund's financial, responsible investment and governance standards.

Proposed Fund beliefs

1. The purpose of the Fund is to pay pensions in full when they fall due, and to do so by targeting a level of risk and long-term real return that finds the correct balance of contribution affordability and stability for employers.
2. Cash flow is an important consideration in the Fund's investment strategy and the Fund requires a clear and efficient process in place to manage this. Alongside this, the Fund believes that rebalancing is important and can add value over the long term, and can be used to efficiently meet cashflow needs.
3. The Fund utilises a mixture of investment and management types in order to achieve ample diversification. This includes active and index-tracking approaches, and public and private markets.
4. The Fund focuses on value for money and net-of-fees returns over outright cost minimisation.
5. Responsible Investment practices, including those considering climate change, can add value through higher returns and improved risk management. The Fund will implement these where they are expected to achieve financial benefits, viewing environmental, social and governance considerations as financial risks and opportunities.
6. Proper stewardship of the Fund's assets is important, and the Fund expects its pool to actively engage with investee companies and investment managers to achieve positive outcomes, escalating appropriately where progress is insufficient.

Proposed Local Investment approach

The Fund invests a share of its asset locally. There is a preference for investments to be invested within Sussex, however achieving attractive levels of risk and return, at least in line with those achievable from investments outside of Sussex, is more important. Investments across the wider area covered by the Partner Funds of the Border to Coast Pension Partnership are preferred if they offer better risk-adjusted returns. Similarly, the Fund does not target specific investment types or impacts with its local investment, but leaves the widest possible opportunity set to find the best risk-adjusted returns.

I look forward to discussing this paper with the Committee at the 26 February Committee meeting.

Iain Campbell, Senior Investment Consultant

For and on behalf of Hymans Robertson LLP

Risk warning

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and Real Estate, whether held directly or in a pooled or collective investment vehicle. Further, investments 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 overseas investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

We are authorised and regulated by the FCA (with registration number 414430) and licenced in relation to the undertaking of non-mainstream regulated activities by the Institute and Faculty of Actuaries ('IFoA'). 'Non-mainstream' would be services which are covered by the Financial Services and Markets Act 2000 and which are incidental to the provision of our actuarial services- generally these are investment business services.

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Report to: Pension Committee

Date of meeting: 26 February 2026

By: Chief Finance Officer

Title: Work Programme

Purpose: To consider the Pension Board and Pension Committee work programme.

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.**
-

1 Background & Supporting information

1.1 The work programme (Appendix 1) 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; and advise of training completed, not recorded in the training log.

IAN GUTSELL
Chief Finance Officer

Contact Officer: Susan Greenwood, Head of Pension Fund
Email: Susan.Greenwood@EastSussex.gov.uk

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Pension Board and Committee – Work Programme

Future Pension Board Agenda		
Item	Description	Author/Owner
Standing items (items that appear on each agenda)		
Pension Committee Update	A consideration of the draft agenda of the Pension Committee and summary minutes of the last Pension Committee meeting decisions.	Head of Pensions
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	Head of Governance
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.	Head of Investment and Accounting
East Sussex Pension Fund (ESPF) Risk Register	A report on the Funds Risk Register	Head of Pensions
Work programme	A report on the Board and Committee's work programme	Head of Pensions
East Sussex Pension Fund (ESPF) Breaches Log	A report on the Funds breaches log	Head of Governance
Employer Admissions and Cessations	A report on the admission and cessation of employers to the Fund	Head of Governance
12 February 2026		
Business Plan and Budget 2026/27	Report to set the Budget for the Pension Fund for the Financial Year 2026/27 including the Business Plan with key deliverables for the year.	Head of 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

Compliance with Fit for the Future Governance Requirements	Detailed description of the changes that are required under the Fit for the Future agenda with respect to governance of the Fund and setting a staged strategy for how the Fund will comply with these requirements that will include a full review of all policy documentation for the Fund.	Head of Governance
4 June 2026		
Governance and Compliance Review	Governance Review to ensure compliance with Fit for the Future requirements. Review of all policies to ensure Fund compliance.	Head of Governance
External Audit Plan for the East Sussex Pension Fund 2025/26	Draft External Audit Plan for 2025/26 Pension Fund Financial Statements	Head of Investment and Accounting
Review of Investment Strategy Statement	Update to ISS to take account of Fit for the Future requirements and incorporation of local investment	Head of Pensions/ Head of Investments and Accounting
10 September 2026		
Supplier Update	Update on supplier contracts and procurements	Head of Governance
6 November 2026		
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	Head of Investment and Accounting
Pension Fund Annual Report and Accounts 2024/25	2024/25 Annual Report and Accounts for approval	Head of Investment and Accounting

Employer Forum Agenda	Discussion on Pension Fund Employer Forum Agenda topics	Head of Pensions
Annual Training Plan	Report on Training completed in the year and training recommendations for the up-coming year	Head of Pensions
Independent Governance Review	Independent governance review to be commissioned with external provider to review governance compliance of the fund with all regulatory requirements.	Head of Pensions / External Provider

Actions requested by the Pensions Board

Subject Area	Detail	Status
Ill Health insurance review	The Board requested a review to be carried out on the Ill Health Insurance provision in place in terms of commercial arrangements.	Completed as part of 2025 valuation process.
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
Standing items (items that appear on each agenda)		
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 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.	Head of Governance
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>	Head of Investment and Accounting
East Sussex Pension Fund (ESPF) Risk Register	A report on the Funds Risk Register	Head of Pensions

Work programme	A report on the Board and Committee's work programme	Head of Pensions
Investment Report	A Quarterly performance report of the investment managers	Head of Investment and Accounting
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>	Head of Governance
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>	Head of Governance
26 February 2026		
Business Plan and Budget 2026/27	Report to set the Budget for the Pension Fund for the Financial Year 2026/27 including the Business Plan with key deliverables for the year.	Head of 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
Governance Report	Detailed description of the changes that are required under the Fit for the Future agenda with respect to governance of the Fund and setting a staged strategy for how the Fund will comply with these requirements that will include a full review of all policy documentation for the Fund.	Head of Governance

Investment Beliefs and Investment Strategy Statement	Presentation of results from investment beliefs exercise and initial advice around changes that will be required to in the ISS	Head of Pensions / Head of Investments and Accounting
18 June 2026		
External Audit Plan for the East Sussex Pension Fund 2025/26	Draft External Audit Plan for 2025/26 Pension Fund Financial Statements	Head of Investment and Accounting
Review of Investment Strategy Statement	Update to ISS to take account of Fit for the Future requirements and incorporation of local investment	Head of Pensions/ Head of Investments and Accounting
Governance Review	Officer led review of all Governance approaches to ensure compliance with requirement of 'Fit for the Future' consultation.	Head of Governance
23 July 2026 – Strategy training day – including a focus on Local Investment		
24 September 2026		
External Audit Report for the East Sussex Pension Fund 2024/25	Draft External Audit Report for 2025/26 Pension Fund Financial Statements	Head of 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.	Head of Investment and Accounting
ESG Impact Assessment	Annual assessment by Investment consultants on the ESG standing of Investment managers with action plan	Head of Investment and Accounting

Stewardship Reporting	Update on status for submitting annual submission to FRC for Stewardship activities for calendar year 2025	Head of Investment and Accounting
Supplier Update	Update on supplier contracts and procurements	Head of Pensions
Appointment of Independent Person to Committee	Committee approval for independent appointment of non-voting member to Committee, following an officer led selection exercise	Head of Pensions
26 November 2026		
Independent Auditors Report on the Pension Fund Accounts 2025/26	A report on the External Audit findings of the Pension Fund financial Statements for 2025/26	Head of Investment and Accounting
Independent Governance Review	External Provider to carry out Independent Governance review to ensure full compliance with all Fit for the Future and Regulatory Requirements	TBC
Pension Fund Annual Report and Accounts 2025/26	2025/26 Annual Report and Accounts for approval	Head of Investment and Accounting
Employer Forum Agenda	Discussion on Pension Fund Employer Forum Agenda topics	Head of Pensions
Annual Training Plan	Report on Training completed in the year and training recommendations for the up-coming year – taking account of Fit for the Future requirements	Head of Governance

Actions requested by the Committee

Subject Area	Detail	Status
Training	TBC	TBC
Review of WHEB	Review of the WHEB portfolio to be provided by investment consultant	Completed November 2025 Meeting

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	<p>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.</p>	<p>Cllr Fox, Ray Martin, Neil Simpson, Zoe O'Sullivan, Paul Punter, Susan Greenwood, Ian Gutsell</p>

Training and Development – attendance at recent events

Date	Topic	Committee	Board
08 Oct 25 and 14-21 Oct 25	Fundamentals Day 1 <ul style="list-style-type: none"> • Duties and responsibilities of Pension Committees and Boards • Legislative framework and oversight bodies • LGPS benefit structure: Final salary vs CARE schemes • Legal landscape and common problem areas • Future changes to LGPS regulations • Overview of investment reforms 	Cllr Taylor- 14-21 Oct 25	Pippa - 08 Oct 25
22 Oct 25	Cyber Resilience for the LGPS: Managing Risk in a Connected World The Panel of experts examined: <ul style="list-style-type: none"> • The current cyber threat landscape and emerging risks • The role of third-party suppliers and partners in cyber exposure • The importance of cyber insurance and what it really covers • Best practices in incident response and crisis management • Regulatory expectations and governance considerations 		Pippa, Zoe
05 Nov 25 13-20 Nov 25	Fundamentals Day 2 <ul style="list-style-type: none"> • Government reforms and their impact on investments • Investment basics and asset classes • Pooling journey and roles/responsibilities • Actuarial valuations: assets, liabilities, assumptions • Funding strategies and employer covenants • Communicating with employers 	Cllr Taylor - 13-20 Nov 25	Pippa - 05 Nov 25
11 Nov 25	Access and Protections in the LGPS: understanding the proposals The government continues to play an active role in the LGPS in England and Wales. Recently, it launched a further consultation which includes significant proposals aimed at improving scheme access and protections. During the session, the experts provided: <ul style="list-style-type: none"> • Break down the key changes and proposals 		Linda, Zoe

	<ul style="list-style-type: none"> • Provide initial thoughts on what this means in practice • Offer guidance on how to respond to this consultation 		
26 Nov 25	<p>2025 Budget and its impact on pensions</p> <p>A panel of experts explored exactly what changes have been announced and the consequences they will have for the UK's pension system. This webinar provided an opportunity to discuss what changes have been announced within hours of the Chancellor, Rachel Reeves having delivered her Budget.</p>		Zoe, Linda
03 Dec 25 9-16 Dec 25	<p>Fundamentals Day 3</p> <ul style="list-style-type: none"> • Fiduciary duty and non-financial factors • Government priorities and regulatory expectations • Performance monitoring and breach reporting • Data management and pensions dashboards • Cybersecurity and AI in LGPS • Workforce development and technology use cases 	Cllr Taylor - 9-16 Dec 25	Pippa - 03 Dec 25
22 Jan 26	<p>LGPS update - A year of change ahead</p> <p>The webinar will focus on the latest developments. The expert speakers will cover:</p> <ul style="list-style-type: none"> • The latest on the Fit for the Future agenda, including the transformation of the pooling landscape. • The draft Regulations setting the new legal framework for the relationship between funds and pools. • How your fund's governance will need to change to meet the new requirements. 		Neil, Pippa
Training and Development – members registered to attend future events			
Date	Topic	Committee	Board

Training and Development – Future Training Offered to Pension Board

12 Feb 26	<p>Own Risk Assessment (ORA) countdown: the answers you need now</p> <p>The webinar is aimed at DB & DC trustees and will discuss what good looks like in practice, with simple steps to complete and embed your ORA. The webinar will cover:</p> <ul style="list-style-type: none"> • Why the ORA is important and what TPR expects • The pitfalls schemes often face and how to avoid them • Examples of successful approaches from real clients • The essential steps to meet the deadline and plan beyond • What happens after completion and how to keep your ORA relevant
17 Feb 26	<p>Good governance - requirements & implementation</p> <p>With one of the most intensive implementation periods for LGPS funds fast approaching in England and Wales. The webinar will cover:</p> <ul style="list-style-type: none"> • Key elements of the Good Governance framework. • Practical, result-focused solutions to help you meet the requirements. • How this fits in the broader landscape of changes coming into effect on 1 April, and how you can stay ahead.
04 Mar 26	<p>System & Governance Change - Investing for the future: practical systems thinking for pensions and governance</p> <p>This meeting will explore why systems thinking is essential for good governance and how it can be applied in practice using real-world approaches, such as the Impact Investing Principles for Pensions. It will be examined how to set impact priorities aligned to systemic risks, future retirement outcomes and organisational purpose; how to align advisers, managers and suppliers; and how capital allocation, stewardship, engagement and policy collaboration can drive change. It will also be discussed impact reporting as a tool for advocacy.</p>
18 Mar 26	<p>Pension Scams Action Group webinar: Join the fight against pension fraud</p> <p>The speakers will be focusing on:</p> <ul style="list-style-type: none"> • Report Fraud – City of London Police will discuss the new cyber crime and fraud reporting service that has replaced Action Fraud • Recognising warning signs – insight to help identify suspicious activity and the importance of reporting your suspicions • An industry perspective – Standard Life's Head of Master Trust will share how they are following TPR's pledge to combat pension scams and protect members

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Training and Development – Future Training Offered to Pension Committee	
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11 Feb 26	<p>Aon’s Economic & Markets Explored where institutional investors can find attractive credit opportunities and how to use them to enhance liquidity, improve capital efficiency and resilience, and unlock new, diversified sources of return and cashflow.</p>
12 Feb 26	<p>Own Risk Assessment (ORA) countdown: the answers you need now The webinar is aimed at DB & DC trustees and will discuss what good looks like in practice, with simple steps to complete and embed your ORA. During the webinar, will be covered:</p> <ul style="list-style-type: none"> • Why the ORA is important and what TPR expects • The pitfalls schemes often face and how to avoid them • Examples of successful approaches from real clients • The essential steps to meet the deadline and plan beyond • What happens after completion and how to keep your ORA relevant
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04 Mar 26	<p>SPS Investment Insights Series - LGPS Conference This conference will be tailored specifically for the LGPS community. The speakers will explore key issues and timely themes relevant to your role and attendance.</p> <ul style="list-style-type: none"> • Setting Up for Success - The New Pool-Fund Partnership

	<ul style="list-style-type: none"> • Collaboration in Action - Asset Classes with the Most Potential • Managing Competing Pressures - ESG, Local Investment, and Government Expectations
04 Mar 26	<p>System & Governance Change - Investing for the future: practical systems thinking for pensions and governance</p> <p>This meeting will explore why systems thinking is essential for good governance and how it can be applied in practice using real-world approaches, such as the Impact Investing Principles for Pensions. We will examine how to set impact priorities aligned to systemic risks, future retirement outcomes and organisational purpose; how to align advisers, managers and suppliers; and how capital allocation, stewardship, engagement and policy collaboration can drive change. We will also discuss impact reporting as a tool for advocacy.</p>
10-12 Mar 26	<p>Pensions UK Investment Conference 2026</p> <p>The experts will cover different topics. From political change and regulatory reform, to sustainability, technology, and global market shifts, the Pensions UK Investment Conference will spotlight new ideas, new strategies, and new perspectives on growth, value, and the power of pensions to transform economies and lives</p>
18 Mar 26	<p>Pension Scams Action Group webinar: Join the fight against pension fraud</p> <p>The speakers will be focusing on:</p> <ul style="list-style-type: none"> • Report Fraud – City of London Police will discuss the new cyber crime and fraud reporting service that has replaced Action Fraud • Recognising warning signs – insight to help identify suspicious activity and the importance of reporting your suspicions • An industry perspective – Standard Life's Head of Master Trust will share how they are following TPR's pledge to combat pension scams and protect members
18-20 Mar 26	<p>LGC Investment Seminar 2026</p> <p>The event will include the latest intelligence directly relevant to the LGPS. Topics include:</p> <ul style="list-style-type: none"> • Economic market overview – current themes and future focus • Changing relationships in investment strategy and engagement • Consultants, advice and evolving relationships • The Moral Dilemmas of a MAC ESG Manager • From Venture to Scale: How Growth Equity bridges the gap • Sustainable investing through the lens of resilience • Digital infrastructure: supporting the backbone of a modern, connected economy • The Moral Dilemmas of a MAC ESG Manager

- Driving UK and Local Growth: Policy, Strategy and Delivery for the LGPS
- Pensions Bill, regulations and guidance: where are we now and what does it mean
- Pool huddle: it's all about operations, governance and delivery
- Fund Governance: Evolving Roles, Accountability, and Structural Change
- Valuation and Funding Strategy: insights, outcomes, and next steps
- Global Equities: growth, risks, and the AI boom
- SAB Update: Regulatory and Policy Developments in the LGPS
- An outside perspective on the LGPS and the political and pensions landscape

Pensions and Retirement Conference

The event will cover:

- Mind over money: how behavioural science is reshaping pensions decisions
- AI in practice: transforming pensions through better member experiences
- A legacy of resilience: navigating strategy with flexibility
- What the LGPS can learn from the wider pensions market
- The LGPS successes: strengths, impact and lessons
- From principal to practice: Applying fiduciary oversight to LGPS pools
- A shared pensions legacy: shaping a system that works for everyone

28 Apr 26

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