

East Sussex Pension Fund Annual Report and Accounts

2018-2019

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1. Introduction

Local Government Pension Scheme

The Local Government Pension Scheme (LGPS) is a statutory pension scheme, whose rules are governed by Parliament in accordance with the Public Services Pensions Act 2013. The rules of the scheme are provided in the Local Government Pension Scheme Regulations that came into force from 1 April 2014 and provide the statutory basis within which the Scheme can operate. Separate transitional regulations provide the link between the old and new scheme provisions.

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

A summary of the provisions of the scheme is given below.

Currently within the East Sussex Pension Fund there are 133 participating employers. A full list of participating employers is given at note 29.

Administering Authority Responsibilities

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

The Fund receives contributions from both employees and employers, as well as income from its investments. All of these elements put together then meet the cost of paying pensions, as well as the other benefits of the pension scheme. As part of its responsibilities as the administering authority the County Council is responsible for setting investment policy and reviewing the performance of the Fund's external investment managers.

The County Council has entered into a partnership arrangement with Surrey County Council under the umbrella of Orbis to undertake the day to day functions of managing the governance and administration of the ESPF of the LGPS. The main services provided by Orbis include governance, investment, 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 and the Fund's Actuary.

Although the day to day work associated with governance and administering the LGPS are under the Orbis umbrella, the County Council takes its statutory responsibility very seriously. The County Council ensures that all the participating employers within the ESPF are aware of their own responsibilities, as well as any changes to the provisions of the Scheme that may be introduced.

A major responsibility of the County Council as the administering authority is to undertake a valuation of the Pension Fund's assets and liabilities (triennial valuation). The main purpose of this exercise is to assess the size of the Fund's current and future liabilities against the Fund's assets, and then set the employer contribution to the Fund for each participating employer for the following three year period. The most recent actuarial valuation of the Fund was carried out as at 31 March 2016 and the 2019 triennial valuation is underway. In addition to the triennial valuation of the Pension Fund, the County Council also receives requests each year from scheme employers to obtain appraisal reports from the Fund actuary, to enable them to comply with requirements of the Financial Reporting Standards FRS102 or IAS19. The provision of these reports, however, falls outside of the functions of the County Council as an administering authority.

It is important to note that ultimate responsibility for both the administration of the Pension Fund and the investment of all monies associated with the Fund remains with East Sussex County Council, as administering authority for the East Sussex Pension Fund. The County Council has in place an established annual employers' pension forum, to update and involve all the participating employers of the East Sussex Pension Fund, which is always well attended.

2. Overall Fund Management

Scheme management and advisers

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

2018/19 PENSION COMMITTEE MEMBERS

EAST SUSSEX COUNTY COUNCILLORS:

Richard Stogdon (Chairman)
Gerard Fox
Stuart Earl*
Trevor Webb*

Simon Elford
David Tutt

2018/19 PENSION BOARD MEMBERS

INDEPENDENT CHAIRMAN:

Richard Harbord

EMPLOYER REPRESENTATIVES:

Councillor Kevin Allen
Councillor Brian Redman
Sue McHugh

Brighton & Hove City Council
Districts & Borough Councils
Educational Bodies
Active & Deferred
Active & Deferred
Pensioners

MEMBER REPRESENTATIVES:

Angie Embury
Rezia Amin

ASSET POOL:

Diana Pogson
ACCESS Pool

ASSET POOL OPERATOR:

Link Funds Solution

FUND MANAGERS:

Adams Street Partners

Longview Partners**

Newton

Prudential M&G

Ruffer

UBS Infrastructure

UBS Passive

CUSTODIAN:

Northern Trust

AVC PROVIDER:

Prudential

ACTUARY:

Hymans Robertson
20 Waterloo Street
Glasgow
G2 6DB

Harbourvest
Pantheon
Schroders

LEGAL ADVISORS:

Appointed from National LGPS Framework for Legal Services

BANKERS TO THE FUND:

NatWest Bank

AUDITOR:

Grant Thornton

SCHEME ADMINISTRATOR:

East Sussex County Council

ADMINISTRATION PROVIDER:

Orbis Business Operations

INVESTMENT ADVISER:

Hymans Robertson

INDEPENDENT ADVISER:

William Bourne

TREASURER:

Ian Gutsell
Chief Finance Officer (Section 151 Officer)
East Sussex County Council

HEAD OF PENSIONS:

Ola Owolabi

CONTACT ADDRESSES:

LGPS POLICY OR STATUTORY REQUIREMENTS

INVESTMENTS

Russell Wood
Pensions Investment Manager
Orbis Finance
County Hall
St Anne's Crescent
Lewes, BN7 1UE
(01273) 336120

Wendy Neller
Strategy and Governance Manager
Orbis Finance
County Hall
St Anne's Crescent
Lewes, BN7 1UE
(01273) 481904

DAY-TO-DAY MATTERS

Andrew Marson
Orbis Business Operations South
County Hall
St Anne's Crescent
Lewes, BN7 1UE
(01273) 337450

*Stuart Earl (deceased) was replaced by Trevor Webb in February 2019

** Appointed through the ACCESS Pool operator

Risk management

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

Risk is identified and managed as follows:

Management Risk - A significant risk is the potential insolvency of scheme employers, leaving outstanding liabilities in the Fund. To this end the Fund requires all admission bodies that wish to join the Fund to be guaranteed by a scheme employer(s) or to provide a bond to protect the Fund in the event of insolvency. In the monitoring of employers, consideration is given to the Funding Strategy Statement (FSS) which outlines the Fund's approach to how employer liabilities are measured and one of the aims of the FSS is to reduce the risk from employers defaulting on its pension obligations. The Fund monitors the financial sustainability of the scheme employers and takes this into account in the valuation exercise. Some funding risks can be mitigated by the Investment Strategy and the funding and investment strategies focus on the expected real returns from the assets, thus mitigating the effect of inflation on the value of the pension liabilities.

This risk can manifest itself in several ways:

- Failure to process pensions
- Failure to collect contributions
- Failure to have proper business continuity plans in place
- Fraud or misappropriation
- Failure to maintain up-to-date and accurate data and hold it securely
- Failure to maintain expertise or over-reliance on key staff
- Failure to communicate effectively with members and employers
- Failure to provide the service in accordance with sound equality principles

Benefits Administration Risk- Relates mainly to the inability of the Fund to meet its obligations and pay benefits accurately and on time as agreed with employers or under statute. These could include non- or late payment of members' benefits, incorrect calculation of benefits, breach of Data Protection Regulations and the failure to comply with Freedom of Information Act requests or Disclosure of Information requirements

All of the above could lead to adverse publicity, loss of reputation and ultimately statutory fines. In addition, the Fund is dependent on a sole supplier of pension administration software. There are processes in place to mitigate administration risks.

Internal Control Framework - Internal controls and processes are in place to manage administration, financial and other operational risks. The East Sussex County Council's Internal Audit assesses the Fund's internal control processes in order to provide independent assurance that adequate controls are in place.

Financial/Funding Risk - This is essentially the risk that the funding level drops and/or contribution rates must rise due to one or more of the following factors:

- **Investment Risk** – This is the risk that the investment assets underperform the level assumed in the Triennial Actuarial Valuation. This can occur due to poor economic/market conditions, the wrong investment strategy or poor selection of investment managers. Investment risk is regularly considered by Members and Officers, advised by the East Sussex Pension Fund (ESPF) Investment Consultants. The annual investment strategy meeting reviews the current ESPF strategy and looks at risk in more detail. The main investment risks to the Fund are from interest rates, inflation and market volatility.
- **Liability Risk** – This is the risk that there is a fall in the so-called "risk free" returns on Government bonds, which form the basis of assumptions about future investment returns. The assumed future investment return is used to "discount" future liabilities (i.e. over the next 0-80 years) back to today's values (net present value). Therefore, falling bond yields means higher liabilities.
- **Inflation Risk** – Notwithstanding other factors, Pension Fund liabilities increase in line with inflation, because the CPI is applied to pensions annually. Therefore, rising inflation causes the liabilities to increase.
- **Insufficient Funds Risk** - This is the risk that there is insufficient money in the Fund to pay out pensions as they become due.

The ESPF Investment Strategy Statement (see page 63), sets out the governance requirements for the ESPF and it is reviewed annually by members. The Pension Fund receives external assurance reports from Investment Managers and the Custodian, detailing their internal control systems, scrutinised by their external auditors. Each report is reviewed when available and the conclusion of each was that the control procedures are suitably designed and operated during the 12 month period under review.

Demographic Risk - This is the risk of that the pensioners live longer and therefore the liabilities of the Fund increase.

Regulatory Risk - This risk could manifest itself in several ways. For example, it could be the risk that the liabilities will increase due to the introduction of an improved benefits package, or that investment returns will fall due to tighter regulation being placed on what can be invested in. It could also arise through a failure to comply with LGPS or other regulations.

Governance Risk - This is the risk that governance arrangements of the Fund are sub-optimal. For example, this could arise through a lack of expertise on the Committee arising from insufficient training. Another possibility is that potential conflicts of interest between the Fund and the Council are not managed sufficiently well.

Employer Risk - This is the risk that an employer is unable to meet its financial obligations to the Fund, either during its membership of the Fund, or at its ceasing when the last contributing member leaves. Where a guarantor is in place they will pick up the cost of any default, but where there is not one, the cost must be spread across all employers in the Fund.

Third Party Risk - Contribution payments are monitored closely for accuracy and timeliness. A reporting process is in place to escalate any late/inaccurate payments to ensure all payments are received.

A Risk Register has been formally adopted by the East Sussex Pension Committee and a report of the key highlights is reported to the Pension Board at each quarterly meeting. Some of the risks highlighted are shown in the table below - please note that this is not an exhaustive list.

EAST SUSSEX PENSION FUND - RISK REGISTER								
Reference	Risk	Pre Mitigation			Risk Control / Response	Post Mitigation		
		Impact	Likelihood	Risk Score		Impact	Likelihood	Risk Score
Pensions Administration								
1	Pension contributions: <ul style="list-style-type: none"> • Non-collection • Miscoding • Non-payment If not discovered results inaccurate: <ul style="list-style-type: none"> • employer FRS17/IAS19 & Valuation calculations • final accounts • cash flow 	3	3	9	<ul style="list-style-type: none"> • Employer contribution monitoring • Additional monitoring at specific times • SAP / Altair quarterly reconciliation • Improved employer contribution forms • Annual year end checks • Pensions Web 	3	2	6
2	Poor or inadequate delivery of Pensions Administration by service provider (Orbis -Business Operations) <ul style="list-style-type: none"> • Members of the pension scheme not serviced • Statutory deadlines not met • Employers dissatisfied with service being provided + formal complaint • Complaints by members against the administration (these can progress to the Pensions Ombudsman) 	3	3	9	<ul style="list-style-type: none"> • Key Performance Indicators • Internal Audit • Reports to Pension Board / Committee • Service Review meetings with business operations management • Awareness of the Pension Regulator Guidance 	3	2	6

EAST SUSSEX PENSION FUND - RISK REGISTER

Reference	Risk	Pre Mitigation			Risk Control / Response	Post Mitigation		
		Impact	Likelihood	Risk Score		Impact	Likelihood	Risk Score
Pensions Investment and Governance								
3	LGPS Investment Pooling <ul style="list-style-type: none"> • Mandated into inappropriate investments • Lower funding level • Damaged reputation • Increase in employer contribution • Increase in investment risk taken to access higher returns • There can be size restrictions on certain investments • Funds can be too big to fulfil their target allocation, • Difficulty in switching in and out of the large position and possible delays in execution of investment decisions. 	3	3	9	<ul style="list-style-type: none"> • Engagement in ACCESS asset pool group • Reporting to Pensions Committee and Board • Engagement with third party experts (e.g. Legal and Tax) • Creation of a detail project plan 	3	2	6
4	2019 Triennial actuarial valuation – <ul style="list-style-type: none"> • An increase in liabilities which is higher than the previous actuarial valuation estimate. • The level of inflation and interest rates assumed in the valuation may be inaccurate leading to higher than expected liabilities. 	3	3	9	<ul style="list-style-type: none"> • The triennial actuarial valuation review focuses on the real returns on assets, net price and pay increases. • The Committee receiving training on understanding liabilities • Hymans Robertson commission to produce an Asset Liabilities Model. • Life expectancy assumptions are reviewed at each valuation. • Reviewing of the each triennial valuation assumptions and challenge actuary as required. • Funding Strategy Statement and Investment Strategy Statement updated and approved, • Actuary attendance at Pension Fund Committee to cover triennial valuation issues and expectations • The Fund holding discussions with employers through the Pension Employers Forum. 	3	2	6
LGPS Pooling - ACCESS Pool								
5	Asset transition costs <ul style="list-style-type: none"> • Asset transition costs are greater than forecast. • Failure to control operational risks and transaction costs during the transition process • An increase in the initial set-up costs forecast by the pooling proposal. 	4	3	12	<ul style="list-style-type: none"> • Consultant has analysed the creation of sub-funds and transitioning of our current assets into the pool, under a variety of scenarios. • There may also be the opportunity to transfer securities in 'specie'. • A transition manager will be appointed, with the objective of preserving asset values, managing risk and project managing the transition process to ensure that costs are monitored and controlled. 	3	2	6

3. Financial performance

Analytical Review

The following tables provide a brief review of the major movements in the Fund Account and the Net Assets Statement for the financial year. More detail is provided in the Investment Policy and Performance report on pages 11 to 18.

	2017/18 £000	2018/19 £000
Fund Account		
Net (Contributions)/withdrawals	32,081	(2,869)
Management Expenses	13,330	14,038
Return on Investments	(86,348)	(260,652)
Net Increase in Fund	(40,937)	(249,483)

	2017/18 £000	2018/19 £000
Net Asset Statement		
Bonds	497,920	499,750
Equities	363,116	153,695
Pooled Funds	2,377,402	2,825,479
Cash	133,789	149,156
Other	3,545	(4,870)
Total Investment Assets	3,375,772	3,623,210
Non-Investment Assets	7,608	9,653
Net assets of the fund available to fund benefits at the year end.	3,383,380	3,632,863

Analysis of pension contributions

The table below shows the number of primary pension contributions received late in the financial year 2018/19.

Month	Payments Due	Payments Received Late
April	134	9
May	135	12
June	133	11
July	133	3
August	131	4
September	133	2
October	132	2
November	132	4
December	132	1
January	132	4
February	133	2
March	132	9

No interest was charged on any of the late payments. However in accordance with our Administration Strategy Statement 16 employers were fined in relation to late payments and 10 employers received fines for late provision of remittance advice.

Forecasts

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

Fund Account	2017/18		2018/19		2019/20
	Forecast £000	Actual £000	Forecast £000	Actual £000	Forecast £000
Contributions	(133,500)	(131,416)	(136,900)	(136,819)	(141,600)
Payments	157,100	163,497	133,200	133,950	137,600
Administration expenses	1,110	1,005	1,086	916	940
Oversight and governance costs	660	673	733	740	709
Investment expenses:					
fees invoiced to the fund	8,850	7,541	4,650	6,138	5,100
fees deducted at source	-	4,111	-	6,244	-
Net investment income	(44,400)	(37,799)	(39,300)	(25,919)	(27,000)
Change in market value	(197,600)	(48,549)	(231,700)	(234,733)	(206,300)
Net increase in the Fund	(207,780)	(40,937)	(268,231)	(249,483)	(230,551)

Contributions and payments are based on current expectations; the administration and investment management expenses are based on current budgets; and the net investment income and change in market value are based on the long term forecast returns for each asset class.

Net Asset Statement	2017/18		2018/19		2019/20
	Forecast £000	Actual £000	Forecast £000	Actual £000	Forecast £000
Equities	2,307,400	2,190,268	2,341,400	2,134,847	2,273,600
Bonds	510,100	497,920	530,800	751,032	781,100
Property	348,500	344,411	373,000	339,442	356,400
Alternatives	253,700	205,839	222,700	245,135	265,200
Cash	104,800	133,789	135,800	149,156	195,200
Other	7,900	3,545	3,800	3,598	3,800
Total Investment Assets	3,532,400	3,375,772	3,607,500	3,623,210	3,875,300

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

Management Expenses

	2017/18		2018/19		2019/20
	Forecast £000	Actual £000	Forecast £000	Actual £000	Forecast £000
Orbis Finance Support Services	40	57	51	69	45
Orbis Business Operations Support Services	970	909	935	809	854
Supplies and Services	100	39	100	38	41
Administration total	1,110	1,005	1,086	916	940
Oversight and governance costs					
Orbis Finance Support Services	200	193	263	210	234
Supplies and Services	460	477	470	529	475
Third Party Payments	150	119	150	100	130
Other Income	(150)	(116)	(150)	(98)	(130)
Oversight and governance total	660	673	733	741	709
Investment Management					
Investment expenses:					
fees invoiced to the fund	8,850	7,541	4,650	6,138	5,100
fees deducted at source	-	4,111	-	6,244	-
Investment Management Total	8,850	11,652	4,650	12,382	5,100
Management Expenses Total	10,620	13,399	6,469	14,038	6,749

Pension overpayments

Year		Overpaid Pensioners	Recoveries	Write Off	Outstanding
2018/19	Number	30	21	1	8
	Value £000	70	59	6	5
2017/18	Number	52	41	3	8
	Value £000	52	42	1	9
2016/17	Number	73	45	2	26
	Value £000	61	30	4	27
2015/16	Number	44	38	-	6
	Value £000	34	23	-	11
2014/15	Number	40	31	1	8
	Value £000	22	14	1	7

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4. Investment policy and performance

Bodies to which the fund is member, subscriber or signatory

Pensions and Lifetime Savings Association

Local Authorities Pension Fund Forum

CIPFA Pensions Network

Club Vita

Local Government Association (LGPC)

Local Government Pension Scheme National Framework for Passive Investments, Legal Services, Actuarial and Investment Consultants

Current investment arrangements

In light of an improved funding position, the Pension Committee ("the Committee"), in working towards the Fund's long-term objectives, agreed to de-risk the investment strategy over the course of the financial year to 31 March 2019.

On 1 November 2018, 10% of Fund assets were sold out of equities; the proceeds were subsequently invested into diversified growth assets (5%) and absolute return credit assets (5%). This brought the Fund's equity allocation down from 50% to 40% of total Fund assets.

During the year, the Committee agreed to commit £80m to the M&G Real Estate Debt VI Fund. This investment will form part of the previously agreed 3% target allocation to illiquid debt. The Committee also agreed to increase the Fund's commitment to the Pantheon Infrastructure Fund by a further \$53m (from an original \$64m commitment).

When considering the investment portfolio, diversification is one of the most important issues that the Committee considers as a wider spread of investments will tend to reduce risk. For example, any investment in equities is spread across many stocks, across a wide range of industries and across a number of countries. If a particular company, industry or country has a period of poor returns, this should have a limited impact on the portfolio.

The Fund's investments are very well diversified, as a way of controlling risk. This applies in two ways:-

1. Asset Allocation

Although the benchmark has a material allocation to equities (as the asset class expected to provide the highest return over the medium to long term), there is a significant exposure to property and infrastructure ("real" assets with a different performance cycle to equities) and a small exposure to bonds (which more closely "match" the value placed on the Fund's liabilities). The allocation to absolute return mandates provides further diversification. Uniquely, within these latter mandates, the managers have the flexibility to alter asset allocation between a wide range of asset classes. Within equities, diversification is achieved by investing in different markets across the world and using different benchmarks which provides exposure to many different stocks and sectors.

Over the course of the year, the Fund has continued to develop its governance arrangements, developing a responsible investment policy as part of a wider progression in its approach to environmental, social and governance issues.

2. Manager Structure

The Fund employs a number of managers with differing styles and management approaches. This is a deliberate policy to avoid over-dependence on the fortunes of a single manager and to concentrate on managers' particular areas of expertise. All managers are expected to maintain well diversified portfolios. The Fund's structure is broadly as follows:

- UBS are the Fund's largest single equity manager; all assets are managed passively against UK and Global equity market benchmarks. The allocation to the UBS All World Equity Fundamentally Weighted Index Fund offers additional diversification from the market capitalisation based passive management approach. In addition, the Fund invests in the UBS Climate Aware Fund which tracks an index with a climate change overlay.
- The Fund has one active global equity manager (Longview). The Committee maintains the belief that a blend of active and passive management of equity mandates offer the most efficient way to access world equity markets.
- The two absolute return managers are expected to add diversification away from the Fund's other mandates, due to their flexible, unconstrained management approach and wide range of underlying assets.

- A single property manager is employed (Schroders); however, the “fund of fund” approach provides manager diversification within the underlying holdings.
- Corporate bonds and absolute return credit assets are managed by M&G. Index-linked bonds are managed passively by UBS.
- The Fund’s allocations to infrastructure and unquoted equities are currently divided between five managers, three within infrastructure and two within unquoted equities.
- M&G has been appointed to manage a real estate debt investment but, as at Fund year-end, M&G had yet to draw down any capital for investment.

The objective is to seek to ensure:

1. each active manager adds value, net of the fees which it charges;
2. each manager brings something different - specialist skills or a different approach to investment - to the mix.

In this way, the Fund seeks to achieve an appropriate return and added value over the medium term, but in a risk controlled fashion.

Environmental, social and governance considerations

The Committee of the East Sussex Pension Fund has an overriding statutory and fiduciary duty to ensure it has sufficient funds available to pay pensions. In light of that obligation, and in order to maximise investment return, the Fund has a diverse range of investments and does not restrict investment managers from choosing certain stocks taking into consideration that the Fund’s investment strategy is regularly monitored.

The investment strategy of the Fund is documented in its Investment Strategy Statement, as part of this document we have included our Responsible Investment (RI) Policy, which describes the Fund’s core principles of responsible investment and how we will ensure that these are met. Our core principles are:

- We will apply long-term thinking to deliver long-term sustainable returns.
- We will seek sustainable returns from well-governed assets.
- We will use an evidence-based long-term investment appraisal to inform decision-making in the implementation of RI principles and consider the costs of RI decisions consistent with our fiduciary duties.
- We will evaluate and manage carbon exposure in order to mitigate risks to the Fund from climate change.

The RI Policy also states the Fund’s position on engagement versus exclusion:

East Sussex Pension Fund has never sought to implement a policy that explicitly excludes certain types of investments, companies or sectors except where they are barred by UK law. The Fund believes that its influence as a shareholder is better deployed by engaging with companies, in order to influence behaviour and enhance shareholder value. The Fund believes that this influence would be lost through a divestment or screening approach. Ultimately the Fund will always retain the right to disinvest from certain companies or sectors in the event that all other approaches are unsuccessful and it is determined that the investment is no longer aligned with the interests of the Fund or that the issue poses a material financial risk. Under pooling, it is likely that any such decision will need to be made in conjunction with other members of the ACCESS pool.

The Fund’s approach to engagement recognises the importance of working in partnership to magnify the voice and maximise the influence of investors as owners. The Fund appreciates that to gain the attention of companies in addressing governance concerns; it needs to join with other investors sharing similar concerns. It does this primarily through:

- Membership of representative bodies including LAPFF;
- Membership of the Pensions and Lifetime Savings Association (PLSA);
- Giving support to shareholder resolutions where these reflect concerns which are shared and affect the Fund’s interests;
- Joining wider lobbying activities when appropriate opportunities arise.

The Pension Committee over the last 25 months has allocated considerable time to consider the potential impact of climate change on the Fund’s investments. In so doing, the Committee has:

- commissioned a carbon footprint measurement service that provided data on the levels of carbon emissions,
- committed to putting 15% of the Funds passive equity investments into the UBS Climate Aware Fund, and it is anticipated that the investment in the Climate Aware Fund will reduce the CO² emissions of the East Sussex Pension Fund,
- been recognised tier 1 signatory to the UK Stewardship Code by the Financial Reporting Council (FRC),
- shortlisted for the 2018 LAPF Investment Awards for Best Approach to ESG/Impact Investing,

The committee will continue to monitor developments in this area and the long-term implications for the financial health of the Fund.

Independent adviser's report

The Fund receives formal advice on investment matters from its actuarial and investment consultants. My role as Independent Advisor is primarily to act as a separate source of insight to Officers and Committee members. Our collective objective is, of course, to invest the Fund's assets to pay members' pensions in full and on time. I am additionally able to provide stakeholders with some independent assurance that the Fund is being appropriately and properly managed.

Last year I commented that the Fund was in a healthy position financially, but that there was considerable uncertainty caused by the changing market environment and the government's project to force all LGPS funds to join one of eight investment pools. That has indeed proved to be the case on both fronts, but I can assure readers that the Fund remains in a solvent position with every likelihood it will be able to pay pensions as due.

Markets were more volatile in 2018, as the easy money policies which have dominated since 2009 came to a clear end. Behind this lay the Federal Reserve's desire on the back of strong US economic performance to unwind some of this easing. The pathway of rising interest rates continued, and by the autumn the bellwether US 10-year government bond yield had risen above 3% for the first time since 2011. However, investor concerns that this policy would result in a sharp economic downturn grew, and equities responded by falling to a Christmas low some 25% below their peak level.

The Fed. heard the message, and in January quite abruptly altered course to a neutral stance. Investors took this as a signal that Quantitative Easing would be restarted if needed to avert recession. Equities rose and ended the financial year close to their all-time highs, which is one reason why the Fund's funding level remains healthy.

Looking forward, the onus for maintaining economic prosperity will for political reasons increasingly fall on fiscal rather than monetary policy. Combined with interest rates which look set to stay ultra-low, this is a positive fundamental background for financial assets. However, valuations are historically high, and it is unwise to expect returns to be above normal. The risk of unpleasant surprises from national and international politics remains, but damage from these sources is probably limited by the Fed.'s change of tack.

Readers will be aware elsewhere that your Fund has chosen to become part of the ACCESS pool together with ten other shire counties in South East England. ACCESS will over the next few years take over responsibility for the implementation of investment decisions. It is expected to lead to economies of scale and to allow for more effective investment in areas such as infrastructure. During the year ACCESS has successfully started operations and established its first sub-funds, some of which your Fund has invested into.

A shared and not-for-profit service such as ACCESS can be expected to offer better value for money than a private sector solution. However, its partners, including your Fund, lack the ultimate private sector sanction of being able to terminate for poor performance. In the absence of any template for pooling, the pool is developing its own governance structures and processes. Your Fund needs to be certain that these are effective because it will in the future be dependent on ACCESS to achieve its investment objectives.

In my view three things are needed for effective governance: first, a clear and relevant service level agreement which the provider is accountable under; secondly, the provision of meaningful assurance statements which the Fund can properly verify; and finally, a forum where issues can be discussed and resolved. While I acknowledge the considerable progress ACCESS has made in establishing itself in the past twelve months, these governance issues are still work in progress for your Fund and its pool partners.

I would like to bring two other matters to your attention. There has been almost complete turnover of the membership of the Pension Board at the end of its initial four-year term, including the Independent Chair. Succession planning and continuity on Boards is critical to good governance, and I am pleased to note that officers have addressed this by appointing elements of the new Board for different term lengths. This should allow Board renewal and refreshment to take place without compromising continuity. Secondly, while there has been some improvement to administration performance and data quality, there is a need for the development of a service level agreement with the Fund's provider. This would set out standards and expectations and how the Fund will deal with performance issues if these are not met.

Let me end by reiterating that your Fund is in a good position financially. The results of the March 2019 valuation will be published during the year, and it is likely that the major decision will be whether to 'de-risk' and lock in the valuation gains on the asset side, or whether to maintain the level of risk (and by implication targeted return) and look in due course to reduce employers' contributions. The Fund's increasing maturity makes it likely that net cashflow will deteriorate over time and more attention will need to be paid to ensuring that investment income is sufficient to cover any deficit of contributions against pension payments.

I attend every Committee meeting and I see that Committee members, supported by Officers, consider in detail the courses of action before them. There can never be a guarantee that the route they opt for will turn out to be the best one but, in my view, they are performing their duties appropriately, conscientiously and according to the regulations.

William Bourne

Independent Advisor

Voting

The Fund expects its investment managers to monitor investee companies, engage with company management where necessary and report on voting, governance and engagement activity.

Active mandate

Longview are currently responsible for the Fund's actively managed equity mandate. The table below summarises the combined voting statistics for the Fund's Global equity mandate over the quarter:

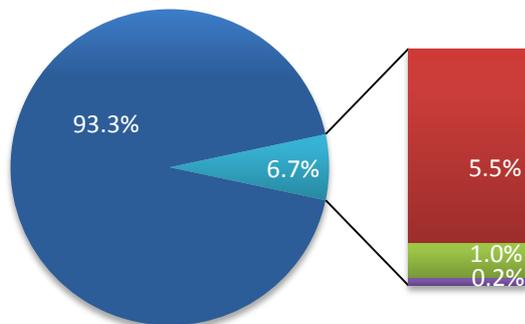
Number of vote-able meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ DNV*	1 Year**	With management	Against management
35	493	93.3%	5.5%	1.0%	0.2%	92.3%	7.7%

* This shows votes abstained/withheld relating to election of board directors

** This shows votes cast in relation to the frequency of vote on executive compensation where a specific time period is required

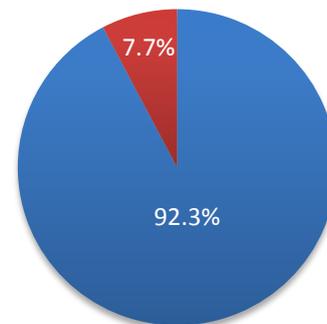
Voting Instruction

■ For ■ Against ■ Abstain/ withheld/ DNV ■ 1 year



With/Against Management

■ With management ■ Against management



Votes were withheld in 4 cases relating to the election of board directors. Longview voted against management on 38 proposals covering a range of issues, such as ongoing compensation concerns and the election of individuals that, in Longview's opinion, serve on too many boards. As requested by the Fund, Longview voted against any proposal to authorise political donations.

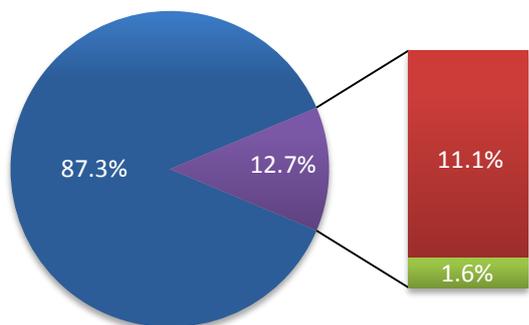
Passive mandates

UBS are responsible for the Fund’s passively managed equity mandates. The table below summarises the combined voting statistics over the year for the regions that the Fund’s equity mandate is invested in.

Meetings voted	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ DNV	With management	Against management
3,771	49,308	87.3%	11.1%	1.6%	88.1%	11.9%

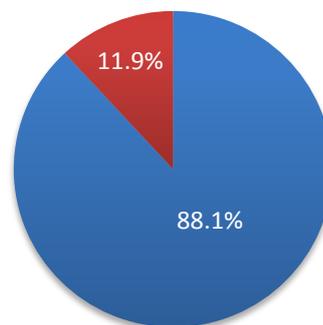
Voting instruction

■ For ■ Against ■ Abstain/ withheld/ DNV



With/ against management

■ With management ■ Against management



UBS voted against management on 5,875 proposals covering a range of issues such as candidates proposed for director not being sufficiently independent and rights issues.

Custodian

A specialist provider of Custodian Services, Northern Trust, is employed by the East Sussex Pension Fund.

The responsibilities of the Custodian are:

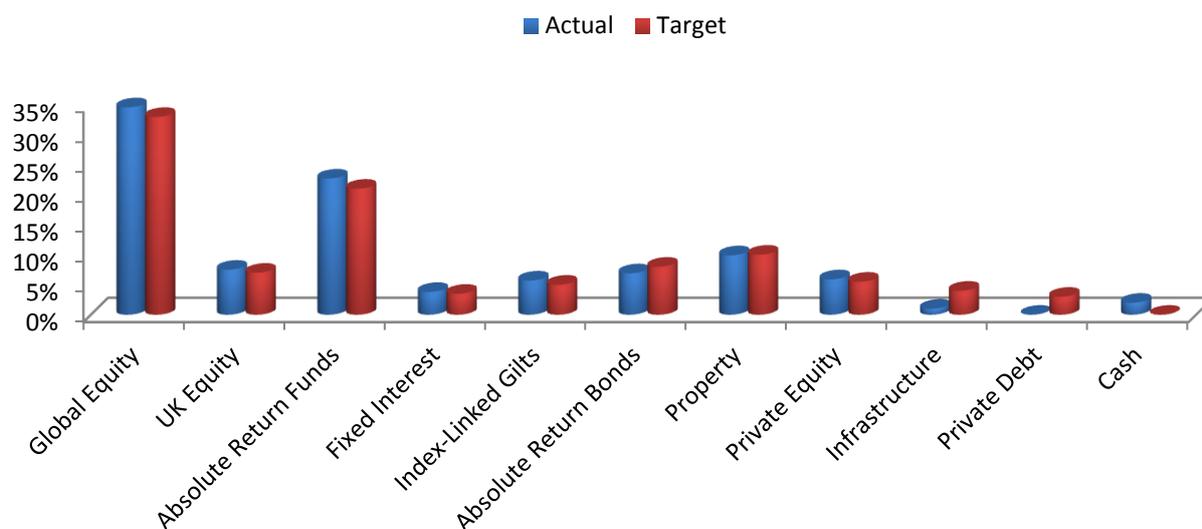
- Collection of investment income.
- Arranging for the custody of the schemes assets in compliance with the custody agreement.
- Providing quarterly valuations of the schemes assets, details of all transactions and investment accounting.
- Responsibility for cash management and investing the daily cash balances in a “Triple A” rated cash pool.

Asset allocation

Mandate	Value (£m)	Proportion (%)		Value (£m)	Proportion (%)	
	Q1 2018	Actual	Target	Q1 2019	Actual	Target
Investments in the ACCESS Pool						
ACCESS - Global Equity (Longview)	-	-	-	275.0	7.6%	7.0%
Investments held directly						
Equities						
Active						
Longview - Global Equity	236.1	7.0%	5.0%	-	-	-
Passive						
UBS - Global Equities	567.8	16.8%	0.0%	0.0	0.0%	0.0%
UBS - Fundamental Indexation	611	18.1%	0.0%	429.4	11.9%	11.5%
UBS - Global Emerging Markets	-	-	-	41.7	1.2%	1.5%
UBS - Regional Equities	-	-	-	331.2	9.2%	8.0%
UBS - UK Equities	325.7	9.6%	0.0%	271.3	7.5%	7.0%
UBS - Climate Aware	-	-	-	169.7	4.7%	5.0%
Total Equities	1,740.6	51.5%	5.0%	1,243.3	34.5%	33.0%
Absolute Return						
Newton	308.4	9.1%	10.0%	422.0	11.6%	10.5%
Ruffer	317.0	9.4%	10.0%	402.2	11.1%	10.5%
Total Absolute Return	625.4	18.5%	20.0%	824.2	22.7%	21.0%
Bonds						
UBS - 5yr ILG	181	5.4%	0.0%	207.5	5.7%	5.0%
M&G - Corporate Bonds	132.1	3.9%	3.5%	137.7	3.8%	3.5%
M&G - Absolute Return	75	2.2%	3.0%	251.3	6.9%	8.0%
Total Bonds	388.1	11.5%	6.5%	596.5	16.4%	16.5%
Other Investments						
Schroder - Property	353.3	10.5%	10.0%	360.4	9.9%	10.0%
M&G - Infrastructure Fund	0	0.0%	1.0%	2.0	0.1%	1.0%
Pantheon - Infrastructure Fund	-	-	-	14.8	0.4%	2.0%
UBS - Infrastructure	19.0	0.6%	1.0%	19.5	0.5%	1.0%
Adams Street - Private Equity	96.1	2.8%	2.8%	115.2	3.2%	2.8%
HarbourVest - Private Equity	86.7	2.6%	2.7%	98.1	2.7%	2.7%
M&G - UK Financing Fund	1.0	0.0%	1.0%	0.7	0.0%	3.0%
Cash account	65.6	1.9%	0.0%	73.5	2.0%	0.0%
Total Other Investments	621.7	18.4%	18.5%	684.2	18.8%	22.5%
Total	3,375.8	99.9%	100.0%	3,623.2	100.0%	100.0%

Set out below is the Fund's strategic target and actual allocations at the end of the 2018/19 financial year.

Asset allocation of strategic target versus actual by asset class



Investment performance

The Fund delivered an absolute return of 7.3% over the twelve month period to 31 March 2019, over performing its customised benchmark by 0.9%. Note 30 on page 59 gives further detail on the total fund performance.

Actual and benchmark performance for each of the Fund's mandates is provided in the table below, over 12 months 3 years and 5 years^[1]. Results are considered by the Pension Committee on a quarterly basis and the Fund members on an annual basis as part of this report.

Mandate	1 year			3 year (p.a.)			5 year (p.a.)		
	Fund	Benchmark	Relative*	Fund	Benchmark	Relative*	Fund	Benchmark	Relative*
ACCESS Pool									
Equities									
Longview – Global	2.2%	4.0%	(1.8)%	-	-	-	-	-	-
Equities									
UBS – UK Equity	5.8%	6.4%	(0.6)%	(1.2)	(0.8)%	(0.4)%	-	-	-
UBS – Regional	9.3%	9.2%	0.1%	5.6%	5.5%	0.0%	-	-	-
UBS - Fundamental Indexation	6.8%	6.9%	(0.1)%	3.4%	3.7%	(0.3)%	-	-	-
UBS – Climate Aware	3.3%	2.9%	0.5%	-	-	-	-	-	-
Absolute Return									
Newton	7.1%	2.5%	4.6%	2.7%	1.2%	1.5%	3.3%	0.9%	2.3%
Ruffer	(0.5)%	2.5%	(3.0)%	3.1%	1.2%	1.9%	2.9%	0.9%	2.0%
Bonds									
UBS - 5yr ILG	5.8%	5.7%	0.1%	9.1%	9.1%	0.0%	-	-	-
M&G – Corporate	4.4%	4.3%	0.1%	7.1%	6.0%	1.1%	7.5%	6.8%	0.7%
M&G - Absolute Return	0.0%	2.8%	(2.8)%	3.6%	1.3%	2.3%	2.4%	1.0%	1.4%
Other Investments									
Schroder – Property	5.2%	4.9%	0.3%	6.2%	6.2%	0.0%	9.4%	9.6%	(0.2)%
M&G – Infrastructure	6.6%	1.1%	5.5%	-	-	-	-	-	-

Mandate	1 year			3 year (p.a.)			5 year (p.a.)		
	Fund	Benchmark	Relative*	Fund	Benchmark	Relative*	Fund	Benchmark	Relative*
Pantheon – Infrastructure	3.4%	3.2%	0.2%	-	-	-	-	-	-
UBS – Infrastructure	11.0%	2.1%	8.9%	7.1%	1.0%	6.1%	4.5%	0.9%	3.7%
Adams Street - Private Equity	22.6%	11.5%	11.1%	16.7%	14.7%	2.0%	14.1%	9.0%	5.2%
HarbourVest - Private Equity	23.7%	11.5%	12.3%	15.9%	14.7%	1.2%	16.9%	12.3%	4.6%
M&G - UK Financing Fund	5.9%	3.4%	2.5%	5.3%	1.5%	3.8%	5.0%	1.1%	3.9%
Cash account	2.6%	0.6%	2.0%	(2.8)%	0.4%	(3.1)%	(1.0)%	0.4%	(1.3)%

*Relative performance is calculated on a geometric basis as opposed to the simpler arithmetic method the geometric method makes it possible to directly compare long term relative performance with shorter term relative performance.

[1] The table shows since inception returns in place of one year, three year and five year performance for some of the managers, if the mandate has been in place for a shorter period.

The Funding Strategy Statement was reviewed during the year to reflect funding principles agreed for the 2016 actuarial valuation, with the new version signed off in February 2017. The new funding principles applied to employer contributions payable from 1 April 2017. A further version was signed off in February 2019, to reflect the May 2018 LGPS regulations and the Fund's change in pass-through approach.

Contribution rates payable by participating employers over the year to 31 March 2017 were set at the 2013 valuation in line with the principles summarised in the Funding Strategy Statement dated March 2014. Similarly, the approach used to set asset allocations for new bodies, to calculate the bond requirements for admitted bodies and to determine any cessation debts payable by exiting employers has been in line with that Funding Strategy Statement.

The Fund monitors the change in the funding position at a whole Fund level on a regular basis.

The next review of the Funding Strategy Statement will take place over the 2019/20 year as part of the 2019 valuation exercise.

An analysis of fund assets as at the reporting date

	UK £m	Non-UK £m	Global £m	Total £m
Equities	311	461	1,079	1,851
Bonds	433	67	429	929
Property (direct holdings)	-	-	-	-
Alternatives	340	-	290	630
Cash and cash equivalents	130	18	22	170
Other	-	-	43	43
Total	1,214	546	1,863	3,623

An analysis of investment income accrued during the reporting period

	UK £000	Non-UK £000	Global £000	Total £000
Equities	2,274	6,257	-	8,531
Bonds	442	541	2,322	3,305
Property (direct holdings)	-	-	-	-
Alternatives	11,918	-	1,562	13,480
Cash and cash equivalents	457	398	-	855
Other	-	-	20	20
Total	15,091	7,196	3,904	26,191

In the above tables:

'Alternatives' are taken to mean holdings in private equity, hedge funds, pooled property funds, infrastructure funds and derivatives.

'Other' denotes assets not falling into any other category, such as investments in vehicles where the underlying investments may comprise of assets of more than one type.

'Global' holdings are those that include an element of both overseas and UK listed assets.

Investments in pooled funds have been allocated to categories based on the nature and domicile of the underlying assets.

5. Scheme Administration

East Sussex County Council is the Administering Authority for the East Sussex Pension Fund and the Scheme administration is the responsibility of their Chief Finance Officer. The costs of administering the Scheme are charged to the Pension Fund. The administration of the scheme uses the Altair system to support the complex requirements of the LGPS. The Pension Fund website eastsussexpensionfund.org provides scheme members and employers access to up to date information on the LGPS. Alongside this website East Sussex County Council also provides information on their website around how the Pension Fund is governed eastsussex.gov.uk/jobs/workingateastsussexcountycouncil/pensions/default.htm.

The County Council undertake the day to day functions associated with the pensions administration of the LGPS through Orbis, which is a shared services partnership currently covering the 3 councils of East Sussex, Surrey and Brighton and Hove.

The team assists the Chief Finance Officer with his statutory duty to ensure that the Pension Scheme remains solvent and is administered effectively, adhering to the Local Government Pension Scheme Regulations in order to meet any current and future liabilities.

The Pensions Administration Team comprises of 16.8 full time equivalent staff who provide a wide range of services including:

- administration of the affairs of East Sussex Pension Fund and also provision of services in connection with the uniformed fire officers;
- calculation of pensions and lump sums for retiring members of the Local Government Pension Scheme and provision of early retirement estimates;
- administration of new starters in the Scheme;
- calculation of service credit calculations, outgoing transfer value calculations and divorce estimates for the Local Government and Fire Brigade Schemes;
- maintenance of the database of pension scheme members and provision of annual benefit statements and deferred benefit statements;
- calculation of deferred pensions and refunds for early leavers;
- undertaking the annual pension increase exercise;
- calculation of widows and dependants benefits for retired and active members;
- dealing with the administration of in-house AVCs;
- production of newsletters for active and retired members;

A team of 4.0 full time equivalent staff in Pensions provide support to the Chief Finance Officer in their statutory role in relation to governance, accounting and investment related activities for the Pension Fund, including:

- preparation of Pensions Fund Committee and Board reports relating to administration related issues;
- working with Pension Fund employers to assist them in understanding and managing the cost of participation in the Local Government Pension Scheme;
- liaison with the Actuary to provide information for the triennial valuation, annual accountancy disclosures and ad hoc costings for employers and prospective employers;
- preparation of the Pension Fund Accounts for inclusion in East Sussex County Council's Statement of Accounts;
- preparation of the Annual Report and Accounts of the Pension Fund;
- liaison with External and Internal Audit;
- day-to-day accounting for the Pension Fund;
- collection of employee and employer contributions to be invested into the Local Government Pension Scheme;
- completion of statistical and financial returns for Government and other bodies;
- co-ordination of the production of FRS102/ IAS19 information for employers;
- preparation of Pension Fund Committee and Board reports relating to investments and accounting issues;
- co-ordination of reports for Quarterly Pension Fund meetings and the Pension Fund's Annual Meeting;

- liaison with Investment Managers, Advisers and Actuary;
- appointment of Consultants, Advisers and Actuary;
- monitoring and Review of Investment Managers, Advisers and Actuary;
- preparation of the Investment Strategy Statement and Funding Strategy Statement;
- allocation of Cash to Investment Managers;
- dealing with LGPS Pooling arrangement through the ACCESS Pool, Operator (LINKs);
- rebalancing of Investment Managers to their asset allocations;
- investment of Pension Fund surplus cash balances;
- calculation of interest on all Managers' cash held by the Pension Fund;
- reconciliation of all Managers' purchases, sales and dividends received.

Internal Dispute Resolution Procedure

The LGPS is required by statute to make arrangements for the formal resolution of any disagreements on matters in relation to the scheme that may arise between, the managers of the Scheme and the, active, deferred and pensioner members of their representatives.

There is access to a two stage dispute resolution procedure. This procedure consists of an initial application to the person or persons appointed by the individual's employer to consider the matter. If the complainant is still dissatisfied with the decision they then have the right to refer the matter to the County Council to consider the matter under dispute. The person appointed for this role in the East Sussex Pension Fund is the Assistant Chief Executive.

In addition to the dispute procedure the Social Security Act 1990 and the Pensions Act 1995 have created a framework of national organisations to control occupational and personal pension schemes, to which LGPS members have access.

The following table summarises the number of disputes made through the Fund's Internal Dispute Resolution Procedure at each stage of appeal:

	2018/19
First Stage	3
Upheld	1
Declined	2
Ongoing	-
Second Stage	-
Upheld	-
Declined	-
Ongoing	-

Key administration performance indicators

Performance Indicator	Impact	Measure	Target %	Achieved by Fund %
Death notification acknowledged, recorded and documentation sent	Medium	within 5 days	95%	100%
Award dependent benefits (Death Grants)	High	within 5 days	95%	96%
Retirement notification acknowledged, recorded and documentation sent	Medium	within 5 days	95%	96%
Payment of lump sum made	High	within 5 days	95%	97%
Calculation of spouses benefits	Medium	within 5 days	90%	97%
Transfers In - Quote (Values)	Low	within 10 days	90%	99%
Transfers In - Payments	Low	within 10 days	90%	95%
Transfers Out - Quote	Low	within 25 days	90%	97%
Transfers Out - Payments	Low	within 25 days	90%	93%
Employer estimates provided	Medium	within 7 days	95%	93%
Employee projections provided	Low	within 10 days	95%	95%
Refunds	Low	within 10 days	95%	99%
Deferred benefit notifications	Low	within 25 days	95%	99%

	2017/18	2018/19
Number Of Complaints	4	9

Financial indicators of administrative efficiency

Unit Costs Per Member	East Sussex Pension Fund		Benchmark Unit Costs
	2017/18	2018/19	
Excluding investment management expenses	£ 23.10	£ 22.09	£ 34.71
Including investment management expenses	£ 188.51	£ 187.26	£ 210.15

Key staffing indicators

At 31 March 2019 staffing numbers within Pension Administration were 16.8 full time equivalent members of staff.

This provides the fund with a staff to fund member ratio of 1:4,462.

With an average cases per member of staff of 1:499

Membership

The East Sussex Pension Fund was established in 1974 to cover the future pension entitlement of all eligible employees of the County Council and former District Councils. The Fund excludes provision for teachers, police officers and fire-fighters, for whom separate arrangements exist. A number of other bodies also participate in the Scheme. These include Parish and Town Councils, Further Education Colleges, Academy Schools, Police and Fire Authorities (non-uniformed staff only) and Admitted Bodies. Admitted Bodies are those which are able to apply for membership of the Scheme under the Regulations. If the Pension Fund Committee agrees to the application, an Admission Agreement is drawn up admitting the body into the Scheme.

Note 28 to the accounts provide a list of all organisations currently contributing to the Fund. It includes their contribution rates, expressed as a percentage of employees' pensionable pay, and additional annual payments for those participating bodies which would otherwise have a shortfall in contributions by the end of the recovery period.

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

	Active	Ceased	Total
Scheduled body	96	11	107
Admitted body	37	20	57
Total	133	31	164

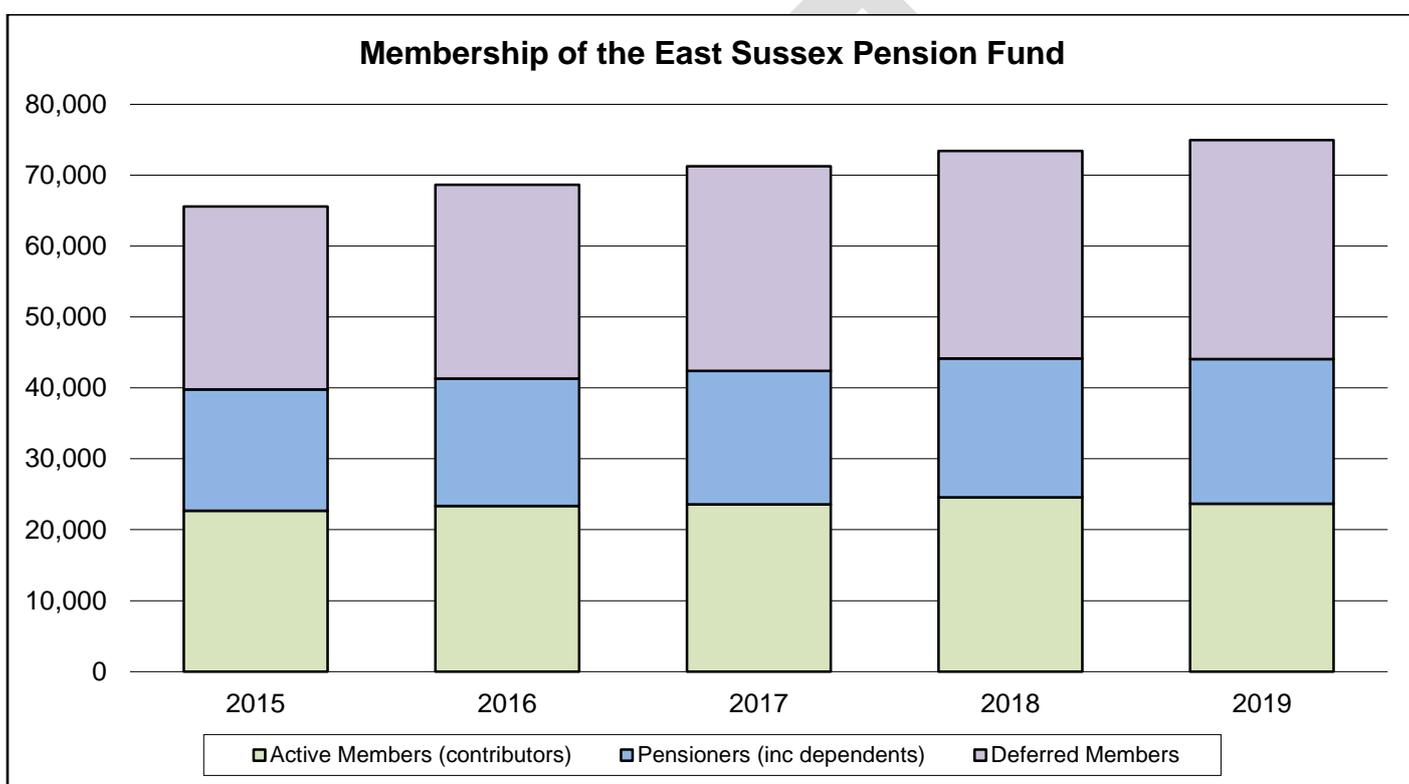
During 2018/19 the number of contributing members within the Pension Fund decreased by 3.0% from 24,365 to 23,646. In summary, the number of members contributing to the Scheme is:

	2017/18	2018/19
East Sussex County Council	8,157	7,978
Scheduled Bodies	15,808	15,332
Admitted Bodies	400	336
Total	24,365	23,646

The number of pensioners in receipt of payments from the Fund increased from 19,597 to 20,403 (or 4.1%).

The following table and bar chart provide a summary of contributing members, pensioners in payment and deferred pensioners over the last five years:

	March 2015	March 2016	March 2017	March 2018	March 2019
Active Members (contributors)	22,688	23,367	23,567	24,570	23,646
Pensioners (inc dependents)	17,117	17,942	18,812	19,597	20,403
Deferred Members	25,757	27,344	28,853	29,253	30,916
Total	65,562	68,653	71,232	73,420	74,965



Under the Local Government Pension Scheme (LGPS) (Administration) Regulations 2013, the East Sussex County Council administers the Pension Fund for approximately 75,000 individuals employed by 133 different organisations. Underpinning everything we do is a commitment to putting our members first, demonstrating adherence to good practices in all areas of our business and controlling costs to ensure we provide outstanding value for money.

6. Actuarial report on funds

An Actuarial valuation is carried out by the Fund's actuary, in particular, to test future funding or current solvency of the Pension Fund's assets against its liabilities. In the case of the LGPS the Actuary values the Fund's assets and liabilities every three years.

The underlying principle of the Fund is to ensure that employer contribution rates are set at a level to attain 100% funding, as certified by the Fund's actuary, whilst keeping the employer contribution rate as stable as possible. The purpose of the valuation exercise is to ensure that sums are put aside on a regular and managed basis to meet liabilities in the future. The Fund's liabilities are essentially the benefits promised to fund members (past and current contributors) and to members' dependent on their death.

From an employee perspective, members' benefits are currently guaranteed by statute and therefore not directly related to the Fund's assets. In this respect the employer is responsible for making contributions to meet any shortfall.

The latest actuarial valuation of the fund was carried out as at 31 March 2016 and set the employer contribution rates from 1 April 2017 to 31 March 2020. The full valuation report can be downloaded from the Fund's website and is discussed in some detail in the Funding Strategy Statement. The actuary has also provided a report on the Fund which can be seen in Note 19 to the Pension Fund Accounts on page 50.

The common contribution rate for employers at the 2016 valuation was a primary rate of 17.2% and a secondary rate of £14.997m (17/18), £17.643m (18/19) and £20.396m (19/20). Average employee contributions rate is 6.1%.

Between the 2013 and 2016 valuation the funding position improved:

- **Assets:** Although the Fund is not 100% funded on the Actuary's assumptions, the Fund exceeded its asset performance objectives over the period by £190m.
- **Actual membership experience:** The membership experience of the Fund has differed to the assumptions made at the 2013 valuation which has a positive impact of £138m. This was mainly due to a lower than expected number of early retirements and lower than expected salary increases.

It is important to note that significant valuation shortfalls are rarely funded in one go. The Pension Fund's strategy is to phase in its own contribution rate increases over three years, with the view of recovering the deficit over 20 years. The Pension Fund produces a Funding Strategy Statement which explains how it intends to meet those liabilities over the longer term. This is available on the Fund's website.

The next actuarial valuation will be carried out as at 31 March 2019.

7. Governance

Pensions Committee

East Sussex County Council (Scheme Manager) operates a Pensions Committee (the “Pensions Committee”) for the purposes of facilitating the administration of the East Sussex Pension Fund, i.e. the Local Government Pension Scheme that it administers. Members of the Pensions Committee owe an independent fiduciary duty to the members and employer bodies in the Funds and the taxpayer. Such members are therefore required to carry out appropriate levels of training to ensure they have the requisite knowledge and understanding to properly perform their role.

Pension Board

The Scheme Manager is also required to establish and maintain a Pension Board, for the purposes of assisting with the ongoing compliance of the Fund. The Pension Board is constituted under the provisions of the Local Government Pension Scheme (Governance) Regulations 2015 and the Public Service Pensions Act 2013. Members of the Pension Board should also receive the requisite training and development to enable them to properly perform their compliance role. This strategy sets out the requirements and practicalities for the training of members of both the Pensions Committee and the Pension Board. It also provides some further detail in relation to the attendance requirements for members of the Pension Board and in relation to the reimbursement of expenses.

The East Sussex Pension Funds’ objectives relating to knowledge and skills is to:

- Ensure the pension fund is managed and its services delivered by Officers who have the appropriate knowledge and expertise;
- Ensure the pension fund is effectively governed and administered;
- Act with integrity and be accountable to its stakeholders for decisions, ensuring they are robust and are well based and regulatory requirements or guidance of the Pensions Regulator, the Scheme Advisory Board and the Secretary of State for Communities and Local Government are met.

To achieve these objectives:-

The East Sussex Pension Fund’s Pension Committee require an understanding of:

Their responsibilities in exercising their delegated decision making power on behalf of East Sussex County Council as the Administering Authority of the East Sussex Pension Fund;

- The fundamental requirements relating to pension fund investments;
- The operation and administration of the pension fund;
- Controlling and monitoring the funding level; and
- Taking effective decisions on the management of the Fund.

East Sussex Pension Fund’s Local Pension Board members must be conversant with-

- The LGPS Regulations and any other regulations governing the LGPS
- Any document recording policy about the administration of the Fund

And have knowledge and understanding of:

- The law relating to pensions; and
- Such other matters as may be prescribed

To achieve these objectives, the Fund aims for full compliance with the CIPFA Knowledge and Skills Framework (KSF) and Code of Practice to meet the skills set within that Framework. Attention will also be given to any guidance issued by the Scheme Advisory board, the Pensions Regulator and guidance issued by the Secretary of State. Ideally, targeted training will also be provided that is timely and directly relevant to the Committee’s and Board’s activities as set out in the Fund’s business plan.

Board members (current and new) will receive induction training to cover the role of the East Sussex Pension Fund, Pension Board and understand the duties and obligations for East Sussex County Council as the Administering Authority, including funding and investment matters.

In addition, those with decision making responsibility in relation to LGPS pension matters and Board members will also:

- Have their knowledge assessed;
- Receive appropriate training to fill any knowledge gaps identified; and
- Seek to maintain their knowledge.

ACCESS Pool Joint Committee

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

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

The Knowledge and Skills Framework

In an attempt to determine what constitutes the right skill set for a public sector pension finance professional the Chartered Institute of Public Finance and Accounting (CIPFA) has developed a technical knowledge and skills framework. This is intended as a tool for organisations to determine whether they have the right skill mix to meet their scheme financial management needs, and an assessment tool for individuals to measure their progress and plan their development.

The framework is designed so that elected members and officers can tailor it to their own particular circumstances. In total, there are six main areas of knowledge and skills that have been identified as the core technical requirements for those working in public sector pension finance or for Members responsible for the management of the Fund. These have been summarised below –

1. Pension Legislation & Governance Context
2. Pensions Accounting & Auditing Standards
3. Financial Services Procurement & Relationship Management
4. Investment Performance & Risk Management
5. Financial Markets & Products Knowledge
6. Actuarial Methods, Standards & Practices

Scheme Employers now have a greater need –

- Of being kept up to date of their increased responsibilities as a result the introduction of the CARE Scheme in the LGPS and the timeliness of providing data and scheme member information;
- Of appreciating some of the determinations being made by the Pensions Ombudsman that impact directly on their decisions concerning ill-health retirement cases;
- To be aware of the importance of having written discretion policies in place;
- Of their representation role on the East Sussex Pension Board;

Application of the training strategy

The Training Strategy sets out how ESCC will provide training to representatives with a role on the Pension Committee, Pension Board members and Employers. Officers involved in the management and administration of the Fund will have their own sectional and personal training plans and career development objectives.

Purpose of training

The purpose of training is to:

- Equip members with the necessary skills and knowledge to be competent in their role;
- Support effective and robust decision making;
- Ensure individuals understand their obligation to act, and to be seen to act with integrity;
- Ensure that members are appropriately skilled to support the fund in achieving its objectives.

Three training sessions were held in 2018/19 and it is proposed that further joint sessions for the Board and Committee will be held in 2019/20.

Summary

Officers will work in partnership with members to deliver a training strategy that will:

- Assist in meeting the East Sussex Pension Fund objectives;
- Support the East Sussex Pension Fund's business plans;
- Assist members in achieving delivery of effective governance and management;
- Equip members with appropriate knowledge and skills;

- Promote ongoing development of the decision makers within the East Sussex Pension Fund;
- Demonstrate compliance with the CIPFA Knowledge and Skills Framework;
- Demonstrate compliance with statutory requirements and associated guidance

Business Plan

This Business Plan (BP) provides an overview of the Fund's key objectives for 2018/19. The key high level objectives of the fund are summarised as:

- Optimise Fund returns consistent with a prudent level of risk
- Ensure that there are sufficient resources available to meet the investment Fund's liabilities, and
- Ensure the suitability of assets in relation to the needs of the Fund.

The governance of the Fund is the responsibility of the Chief Finance Officer for the East Sussex County Council, the East Sussex Pension Committee, and the Pension Board. The day-to-day management of the Fund is delegated to Officers with specific responsibility delegated to the Head of Pensions. He is supported in this role by the Pensions Strategy and Governance Manager, and the Pensions Investment Manager.

The Pensions Committee aims to ensure the maximising of investment returns over the long term within an acceptable level of risk. Performance is monitored by asset performance being compared with their strategic benchmarks. This includes reviewing the Fund Managers' quarterly performance reports and discussing their strategy and performance with the Fund Managers.

Committee membership and attendance

During the year ended 31 March 2019 there were 5 meetings of the Pension Committee, 4 meetings of the Pension Board and one annual employers forum.

Member attendance at committee meetings during 2018/19

2018/19 Pension Committee Members		
		Nos. of meetings attended
East Sussex County Councillors:	Richard Stogdon (Chairman)	5/5
	David Tutt	4/5
	Stuart Earl*	1/3
	Simon Elford	4/5
	Gerard Fox	5/5
	Trevor Webb*	1/1

*Stuart Earl (deceased) was replaced by Trevor Webb in February 2019

Member attendance at Board meetings during 2018/19

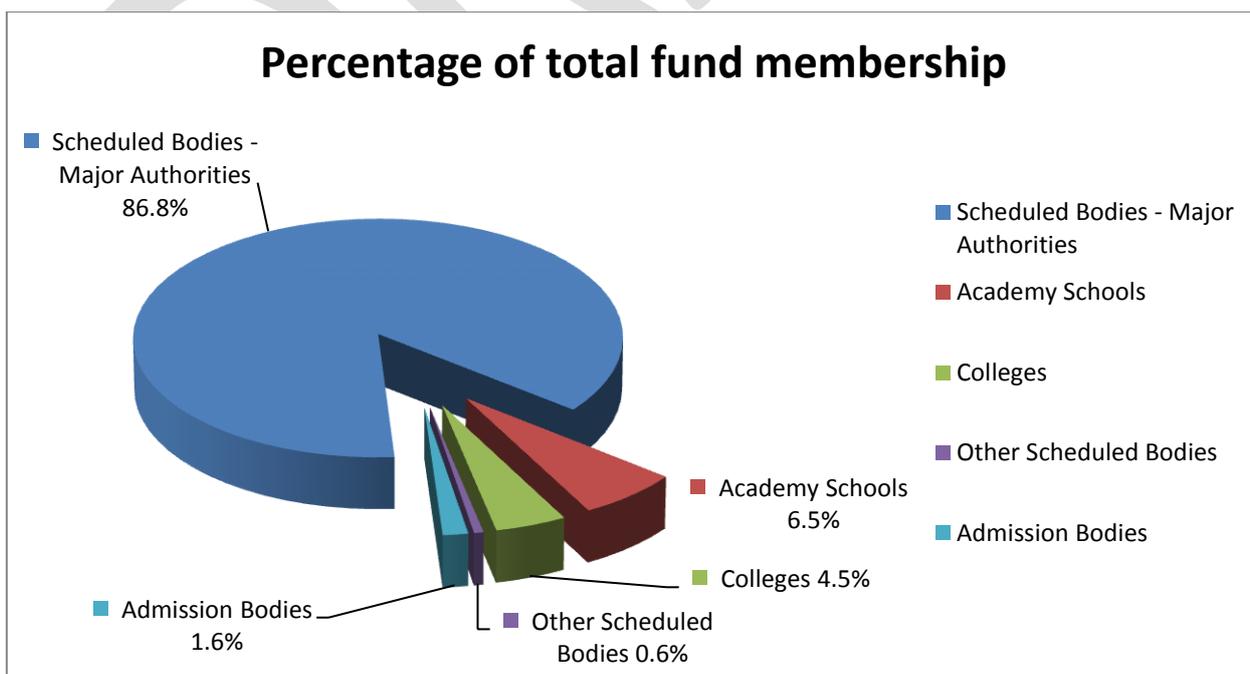
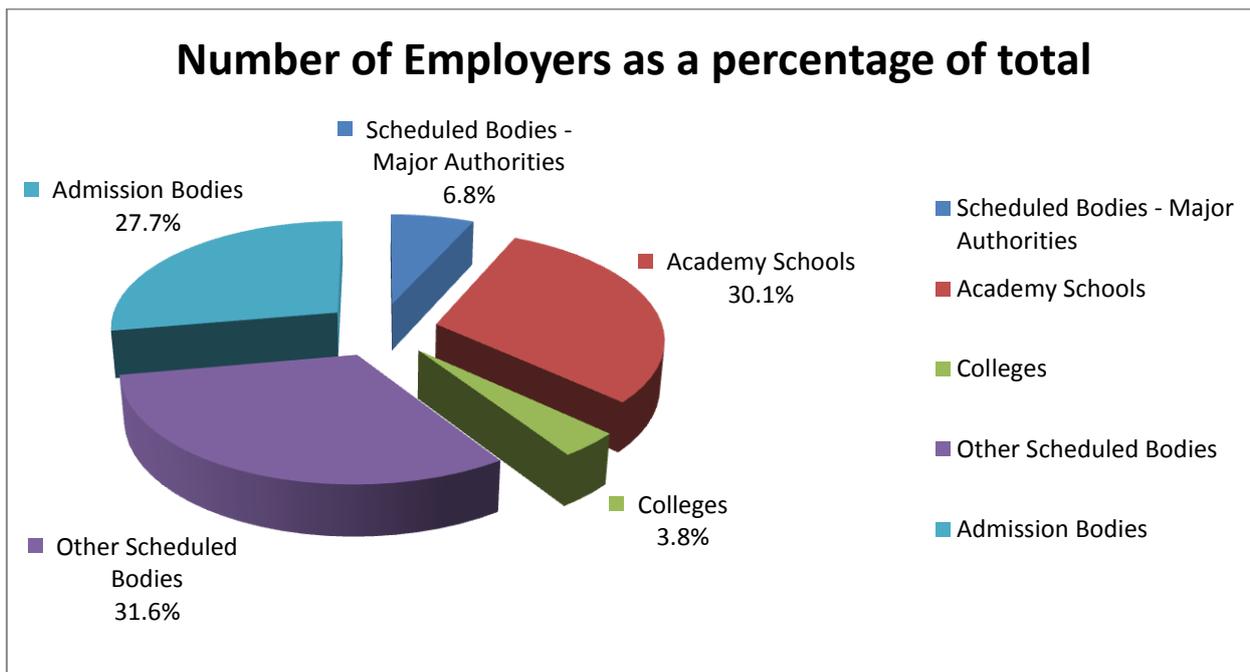
2018/19 Pension Board Members		
		Nos. of meetings attended
Independent Chairman:	Richard Harbord	4/4
Employer Representative:		
Brighton & Hove City Council	Councillor Kevin Allen	4/4
Districts & Borough Councils	Councillor Brian Redman	3/4
Educational Bodies	Sue McHugh	4*/4
Employee Representative:		
Active & Deferred	Angie Embury	4/4
Active & Deferred	Rezia Amin	3/4
Pensioners	Diana Pogson	2/4

*Simon Osborn substituted for Sue McHugh at the May meeting of the Board

Employer statistics by Employer type

Employer Type	Number of Employers as a percentage of total	Percentage of total fund membership	Number of Employers in Group
Scheduled Bodies - Major Authorities	6.8%	86.8%	9
Academy Schools	30.1%	6.5%	40
Colleges	3.8%	4.5%	5
Other Scheduled Bodies	31.6%	0.6%	42
Admission Bodies	27.7%	1.6%	37

Note - all percentages have been rounded to the nearest one decimal place



Regulatory Framework

The Annual Report

The Local Government Pension Scheme Regulations 2013 require administering authorities to prepare a document known as “the pension fund annual report”. From 1 April 2014, this report must contain information about the fund on the following:

- The management and financial performance during the year;
- The authority’s investment policy and a review of performance of the fund assets;
- Administration arrangements;
- A statement by the Actuary of the assets, liabilities and funding level at the most recent valuation;
- The current version of the Governance Compliance Statement;
- The Fund Account and Net Asset Statement and supporting notes and disclosures in accordance with proper practices;
- The current version of the Investment Strategy Statement (which has replaced the Statement of Investment Principles);
- The current version of the Communications Statement;
- The current version of the Funding Strategy Statement; and
- Other material considered appropriate.

The Scheme and benefits available

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

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

The LGPS meets the government's standards under the automatic enrolment provisions of the Pensions Act 2008.

Pensions and entitlements are still fully protected in law. The Scheme is open to all eligible employees under age 75, whether they work full-time or part-time. All members of the scheme can choose to leave at any time. The Local Government Pension Scheme (LGPS) provides the following benefits for its members:

- An inflation protected pension with the option to convert part of the pension to a lump sum payment (subject to HMRC limits). Since April 2014 benefits are accrued on a Career Average Revalued Earnings basis;
- Early payment of pension benefits due to ill-health;
- Early payment of pension if aged 55 or over if:
 - Made redundant;
 - Retired through business efficiency;
 - Taken flexible retirement;
- A lump sum death grant payable to the nominated beneficiary or the most appropriate recipient deemed by East Sussex Pension Fund, plus an inflation protected dependant’s pension if death occurs before retirement;
- An inflation protected dependant’s pension for death after retirement and a guaranteed lump sum death grant if death occurs within 10 years of retirement (depending on eligibility).

For leavers not entitled to the immediate payment of benefits.

- An inflation protected deferred pension to be paid at normal retirement age or at any time before age 75; or
- An opportunity to transfer to another pension scheme provider; or
- A refund (depending on eligibility criteria but generally if scheme membership is less than 2 years).

The ability to increase personal benefits is available as follows:

- Purchase of extra pension by means of Additional Voluntary Contributions (AVC’s) through the Fund’s approved AVC provider;
- Purchase of additional pension through Additional Pension Contributions (APC’s) arrangements.

8. Fund account, net assets statement and notes

a. East Sussex Pension Fund Account

2017/18			2018/19	
£000	£000	Notes	£000	£000
		Dealings with members, employers and others directly involved in the fund		
		Contributions		
(95,189)		From Employers	(101,093)	
(28,902)		From Members	(29,613)	
	(124,091)			(130,706)
	(7,325)	Transfers in from other pension funds		(6,113)
	(131,416)			(136,819)
	123,905	Benefits		130,541
	39,592	Payments to and on account of leavers		3,409
	163,497			133,950
	32,081	Net (additions)/withdrawals from dealings with members		(2,869)
	13,330	Management expenses		14,038
	45,411	Net (additions)/withdrawals including fund management expenses		11,169
		Returns on investments		
(38,198)		Investment income		(26,191)
399		Taxes on income		272
(48,549)		Profit and losses on disposal of investments and changes in the value of investments		(234,733)
	(86,348)	Net return on investments		(260,652)
	(40,937)	Net (increase)/decrease in net assets available for benefits during the year		(249,483)
	(3,342,443)	Opening net assets of the scheme		(3,383,380)
	(3,383,380)	Closing net assets of the scheme		(3,632,863)

b. Net Assets Statement for the year ended 31 March 2019

31 March 2018 £000		Notes	31 March 2019 £000
3,242,925	Investment assets	14	3,478,924
2,256	Other Investment balances	21	5,362
(3,198)	Investment liabilities	22	(10,232)
133,789	Cash deposits	14	149,156
3,375,772	Total net investments		3,623,210
10,704	Current assets	21	12,153
(3,096)	Current liabilities	22	(2,500)
3,383,380	Net assets of the fund available to fund benefits at the year end.		3,632,863

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

Treasurers Certificate

I certify that the accounts of the East Sussex Pension Fund provide a true and fair view of the Pension Fund at 31 March 2019 and of the movements for the year then ended.

Ian Gutsell

Chief Finance Officer (Section 151 Officer)

Business Services Department

c. Notes to the East Sussex Pension Fund Accounts for the year ended 31 March 2019

1: Description of fund

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

The following description of the fund is a summary only. For more detail, references should be made to the East Sussex Pension Fund Annual Report 2018/19 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and The Local Government Pension Scheme (LGPS) Regulations.

a) General

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

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by East Sussex County Council to provide pensions and other benefits for pensionable employees of East Sussex County Council, the district councils in East Sussex County and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and Fire fighters are not included as they come within other national pension schemes.

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

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

Independent investment managers have been appointed to manage the investments of the Fund. The Fund also invests in illiquid investments such as private equity, infrastructure and private debt. The Committee oversees the management of these investments and meets regularly with the investment managers to monitor their performance against agreed benchmarks.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the East Sussex Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund
- Admitted bodies, which are other organisations that participate in the fund under an admission agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 133 employer organisations within East Sussex Pension Fund including the County Council itself, as detailed below:

East Sussex Pension Fund	31 March 2018	31 March 2019
Number of employers with active members	132	133
Number of employees		
County Council	8,157	7,978
Other employees	16,413	15,668
Total	24,570	23,646
Number of pensioners		
County Council	8,708	9,318
Other employers	10,889	11,085
Total	19,597	20,403
Deferred pensioners		
County Council	13,558	14,008
Other employers	15,695	16,908
Total	29,253	30,916

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with The LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2017. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2016. Currently, employer contribution rates range from 6.7% to 44.5% of pensionable pay.

d) Benefits

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

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

2: Basis of preparation

The Statement of Accounts summarises the fund's transactions for the 2018/19 financial year and its position at year-end as at 31 March 2019. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 which is based upon International Financial Reporting Standards (IFRS) as amended for UK public sector.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2019/20

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The code gives administering authorities the option to disclose this information in the net asset statement, in the notes to the accounts or appending an actuarial report prepared for this purpose. The Pension Fund has opted to disclose this information in Note 19.

The Accounts have been prepared on a going concern basis.

The Pension Fund publishes a number of statutory documents, including an Investment Strategy Statement, a Funding Strategy Statement, Governance Policy Statement, Communications Policy Statement, Employers Contributions, and Statements of Compliance. Copies can be obtained by contacting the Council's Pensions team or alternatively are available from - <http://www.eastsussex.gov.uk>

3: Summary of significant accounting policies

Fund account – revenue recognition

a) Contribution income

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

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.

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

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

b) Transfers to and from other schemes

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

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

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

c) Investment income

i) Interest income

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

ii) Dividend income

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

iii) Distributions from pooled funds

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

iv) Movement in the net market value of investments

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

Fund account – expense items

d) Benefits payable

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

e) Taxation

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

f) Management expenses

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

i) Administrative expenses

All staff costs of the pensions administration team are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

ii) **Oversight and governance costs**

All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

iii) **Investment management expenses**

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

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

Where an investment manager's fee has not been received by the balance sheet date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2016/17, £1.6m of fees is based on such estimates (2015/16: £1.0m).

Net assets statement

g) Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of asset are recognised in the fund account.

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

h) Foreign currency transactions

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

i) Derivatives

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

j) Cash and cash equivalents

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

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

k) Financial liabilities

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

Other financial liabilities classed as amortised cost are carried at amortised cost ie the amount carried in the net asset statement is the outstanding principal repayable plus accrued interest. Any interest charged is accounted for on an accruals basis.

l) Actuarial present value of promised retirement benefits

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

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

m) Additional voluntary contributions

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

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

n) Contingent assets and contingent liabilities

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

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

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

4: Critical judgements in applying accounting policies

Unquoted private equity investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment managers using International Private Equity and Venture Capital Valuation Guidelines 2012. The value of unquoted private equities at 31 March 2019 was £206.75 million (£182.8 million at 31 March 2018).

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 19. This estimate is subject to significant variances based on changes to the underlying assumptions.

Use of Financial Instruments

The Fund uses financial instruments to manage its exposure to specific risks arising from its investments. In applying the accounting policies set out within the notes that accompany the financial statements the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the financial statements are based around determining a fair value for the alternative investments shown in the Net Asset Statement. It is important to recognise valuations for these types of investments are highly subjective in nature. They are inherently based on forward-looking estimates and judgements that involve many factors.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the Net assets statement at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, for the 2016 Valuation the actuary advised that: <ul style="list-style-type: none"> • A 0.2% increase in the discount rate assumption would result in a decrease in the pension liability of approximately £101 million (3%). • A 0.2% increase in benefit increases and CARE revaluation would increase the value of liabilities by approximately £91 million (3%). • A change in methodology from peaked to non-peaked longevity would increase the liability by approximately £94 million (3%).
Private equity	Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012). Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £206.8 million. There is a risk that this investment may be under or overstated in the accounts depending on use of estimates applied in the valuation models by the fund managers.

6: Events after the balance sheet date

There have been no events since 31 March 2019, and up to the date when these accounts were authorised that require any adjustments to these accounts.

7: Contributions Receivable

	2017/18 £000	2018/19 £000
By category		
Employee's contributions	28,902	29,613
Employer's contributions		
Normal contributions	81,427	83,635
Deficit recovery contributions	13,083	16,437
Augmentation contributions	679	1,021
Total	124,091	130,706
By authority		
Scheduled bodies	77,156	81,178
Admitted bodies	3,572	3,582
Administrative Authority	43,363	45,946
Total	124,091	130,706

8: Transfers in from other pension funds

	2017/18 £000	2018/19 £000
Group transfers	-	-
Individual transfers	7,325	6,113
Total	7,325	6,113

9: Benefits payable

	2017/18 £000	2018/19 £000
By category		
Pensions	102,800	107,805
Commutation and lump sum retirement benefits	17,780	19,732
Lump sum death benefits	3,325	3,004
Total	123,905	130,541
By authority		
Scheduled bodies	70,040	72,886
Admitted bodies	3,997	3,808
Administrative Authority	49,868	53,847
Total	123,905	130,541

10: Payments to and on account of leavers

	2017/18 £000	2018/19 £000
Refunds to members leaving service	387	412
Group transfers	28,467*	-
Individual transfers	10,738	2,997
Total	39,592	3,409

* Brighton and Hove City College transferred to West Sussex County Council on the 1 April 2017 with assets of £28.467m

11: Management expenses

	2017/18 £000	2018/19 £000
Administrative costs	1,005	916
Investment management expenses	11,652	12,382
Oversight and governance costs	673	740
Total	13,330	14,038

11a: Investment management expenses

	2017/18 £000	2018/19 £000
Management fees	11,354	11,750
Custody fees	83	124
Transaction costs*	215	508
Total	11,652	12,382

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

During the year, the Pension Fund incurred management fees which were deducted at source for 2018/19 of £2.3m (£2.4m in 2017/18) on its private equity investments, fees of £1.3m (£0.3m in 2017/18) on its infrastructure investments and fees of £2.7m (£1.4m in 2017/18) on other mandates. These fees are deducted at the individual portfolio level rather than being paid directly by the Pension Fund.

12: Investment income

	2017/18	2018/19
	£000	£000
Income from bonds	1,949	1,055
Income from equities	6,864	8,526
Private equity income	49	1,547
Pooled property investments	10,750	11,921
Pooled investments - unit trusts and other managed funds	18,133	2,266
Interest on cash deposits	393	856
Class Actions	60	20
Total	38,198	26,191

13: Other fund account disclosures

13a: Taxes on income

	2017/18	2018/19
	£000	£000
Withholding tax – equities	(203)	(177)
Withholding tax – pooled	(196)	(95)
Total	(399)	(272)

13b: External audit costs

	2017/18	2018/19
	£000	£000
Payable in respect of external audit	27	20
Payable in respect of other services	-	-
Total	27	20

14: Investments

	2017/18	2018/19
	£000	£000
Investment assets		
Bonds	497,920	499,750
Equities	363,116	153,695
Pooled Investments	1,828,109	2,232,435
Pooled property investments	344,411	339,442
Private equity/infrastructure	200,960	245,135
Commodities	4,487	6,125
Multi Asset	3,921	2,342
Derivative contracts:		
Forward Currency Contracts	480	425
	3,243,404	3,479,349
Cash deposits with Custodian	133,789	149,156
Other Investment balances (Note 21)	1,777	4,937
Total investment assets	3,378,970	3,633,442
Investment Liabilities (Note 22)	(3,198)	(9,392)
Derivative contracts:		
Forward Currency Contracts	-	(840)
Total Investment Liabilities	(3,198)	(10,232)
Net investment assets	3,375,772	3,623,210

14a: Reconciliation of movements in investments and derivatives

	Market value 1 April 2018	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2019
	£000	£000	£000	£000	£000
Bonds	497,920	226,590	(173,971)	(50,789)	499,750
Equities	363,116	132,273	(370,742)	29,048	153,695
Pooled investments	1,828,109	1,456,879	(1,262,282)	209,729	2,232,435
Pooled property investments	344,411	21,721	(33,705)	7,015	339,442
Private equity/infrastructure	200,960	43,126	(44,550)	45,599	245,135
Commodities	4,487	10,836	(9,211)	13	6,125
Multi Asset	3,921	7,763	-	(9,342)	2,342
	3,242,924	1,899,188	(1,894,461)	231,273	3,478,924
Derivative contracts					
■ Forward currency contracts	480	6,452	(8,160)	813	(415)
	3,243,404	1,905,640	(1,902,621)	232,086	3,478,509
Other investment balances:					
■ Cash deposits	133,789			2,647	149,156
■ Other Investment Balances	1,777				4,937
■ Investment Liabilities	(3,198)				(9,392)
Net investment assets	3,375,772			234,733	3,623,210

	Market value 1 April 2016	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2017
	£000	£000	£000	£000	£000
Bonds	478,518	281,469	(267,961)	5,894	497,920
Equities	341,077	118,567	(96,740)	212	363,116
Pooled investments	1,820,986	1,925,067	(1,943,746)	25,802	1,828,109
Pooled property investments	321,767	27,060	(29,319)	24,903	344,411
Private equity/infrastructure	227,497	23,073	(45,079)	(4,531)	200,960
Commodities	4,930	4,895	(5,071)	(267)	4,487
Multi Asset	3,344	5,359	-	(4,782)	3,921
	3,198,119	2,385,490	(2,387,916)	47,231	3,242,924
Derivative contracts					
■ Forward currency contracts	701	5,485	(8,713)	3,007	480
	3,198,820	2,390,975	(2,396,629)	50,238	3,243,404
Other investment balances:					
■ Cash deposits	134,212			(1,689)	133,789
■ Other Investment Balances	3,449				1,777
■ Investment Liabilities	(1,669)				(3,198)
Net investment assets	3,334,812			48,549	3,375,772

14b: Analysis of investments

	2017/18	2018/19
	£000	£000
Bonds		
UK		
Corporate quoted	132,119	137,675
Public sector quoted	339,720	295,107
Overseas		
Public sector quoted	26,081	66,968
	497,920	499,750
Equities		
UK		
Quoted	59,570	23,830
Unquoted	958	-
Overseas		
Quoted	302,588	129,865
	363,116	153,695
Pooled funds - additional analysis		
UK		
Unit trusts	641,509	288,663
Overseas		
Unit trusts	1,186,600	1,943,772
	1,828,109	2,232,435
Pooled property investments	344,411	339,442
Private equity/infrastructure	200,960	245,135
Commodities	4,487	6,125
Multi Asset	3,921	2,342
Derivatives	480	425
	554,259	593,469
Cash deposits	133,789	149,156
Other investment balances (Note 21)	1,777	4,937
	135,566	154,093
Total investment assets	3,378,970	3,633,442
Investment Liabilities (Note 22)	(3,198)	(9,392)
Derivatives	-	(840)
Total Investment Liabilities	(3,198)	(10,232)
Net investment assets	3,375,772	3,623,210

14c: Investments analysed by fund manager

	Market value 31 March 2018		Market value 31 March 2019	
	£000	%	£000	%
Investments in the ACCESS Pool				
ACCESS - Global Equity (Longview)	-	-	274,988	7.6%
	<u>-</u>	<u>-</u>	<u>274,988</u>	<u>7.6%</u>
Investments held directly by the Fund				
Prudential M&G	132,124	3.9%	137,680	3.8%
East Sussex Pension Fund Cash	65,515	1.9%	73,289	2.0%
UBS Infrastructure Fund	19,027	0.6%	19,522	0.5%
Prudential Infracapital	-	0.0%	1,969	0.1%
Pantheon	-	0.0%	14,770	0.4%
M&G UK Financing Fund	958	0.0%	738	0.0%
Schroders Property	353,310	10.5%	360,424	9.9%
Harbourvest Strategies	86,705	2.6%	98,066	2.7%
Adams St Partners	96,129	2.8%	115,216	3.2%
M&G Absolute Return Bonds	75,014	2.2%	251,283	6.9%
Ruffer LLP	316,959	9.4%	402,202	11.1%
Newton Investment Management	308,431	9.1%	422,002	11.7%
Longview Partners	236,143	7.0%	349	0.0%
UBS Passive Funds	1,685,457	50.0%	1,450,712	40.1%
	<u>3,375,772</u>		<u>3,623,210</u>	

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

Security	Market Value 31 March 2018		Market value 31 March 2019	
	£000	% of total fund	£000	% of total fund
UBS Fundamental Index	611,429	18.1%	429,415	11.9%
Newton Real Return (Pooled Fund)	308,431	9.1%	422,001	11.6%
ACCESS - Global Equity (Longview)	-	-	274,988	7.6%
UBS UK Equity Index	325,708	9.6%	271,296	7.5%
M&G Absolute Return Bonds	75,014	2.2%	251,283	6.9%
UBS Over 5 year Index Gilt Linked	180,995	5.4%	207,494	5.7%
UBS World Equity Index	508,242	15.1%	-	-

14d: Stock lending

The East Sussex Pension Fund has not operated a stock lending programme since 13th October 2008.

15: Analysis of derivatives

Objectives and policies for holding derivatives

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

a) Futures

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

b) Forward foreign currency

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

c) Options

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

Open forward currency contracts

Settlement	Currency bought	Local value	Currency sold	Local value	Asset value	Liability value
		000		000	£000	£000
Less than 1 month	GBP	2,879	USD	(3,763)	-	(9)
Less than 1 month	USD	10,494	GBP	(8,034)	19	-
One to six months	GBP	134,763	USD	(177,028)	1	(603)
One to six months	GBP	29,058	JPY	(4,215,214)	-	(227)
One to six months	USD	48,398	GBP	(36,602)	405	-
					425	(840)
Net forward currency contracts at 31 March 2019						(415)
Prior year comparative						
Open forward currency contracts at 31 March 2018					480	-
Net forward currency contracts at 31 March 2018						480

16: Fair value – basis of valuation

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

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

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled investments	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2019.

Asset Type	Assessed valuation range (+/-)	Values at 31 March 2018 £000	Value on increase £000	Value on decrease £000
Equities	17%	33,670	39,394	27,946
Pooled property investments	14%	339,442	386,964	291,920
Private Equity/Infrastructure	27%	245,135	311,321	178,949
Total		618,247	737,679	498,815

16a: Fair value hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Assets and liabilities at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

Level 3

Assets and liabilities at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

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

	Quoted market price	Using observable inputs	With Significant unobservable inputs	Total
Values at 31 March 2019	Level 1 £000	Level 2 £000	Level 3 £000	£000
Financial assets at fair value through profit and loss	554,112	2,311,926	618,247	3,484,285
Non-financial assets at fair value through profit and loss	-	-	-	-
Financial liabilities at fair value through profit and loss	-	(10,232)	-	(10,232)
Net investment assets	554,112	2,301,694	618,247	3,474,053

	Quoted market price	Using observable inputs	With Significant unobservable inputs	Total
Values at 31 March 2019	Level 1 £000	Level 2 £000	Level 3 £000	£000
Financial assets at fair value through profit and loss	809,092	1,869,959	566,130	3,245,181
Non-financial assets at fair value through profit and loss	-	-	-	-
Financial liabilities at fair value through profit and loss	-	(3,198)	-	(3,198)
Net investment assets	809,092	1,866,761	566,130	3,241,983

16b: Transfers between levels 1 and 2

During 2018/19 the fund has not transferred any financial assets between levels 1 and 2.

16c: Reconciliation of fair value measurements within level 3

Period 2018/19	Market value 1 April 2018 £000	Transfers into Level 3 £000	Transfers out of Level 3 £000	Purchases during the year £000	Sales during the year £000	Unrealised gains/(losses) £000	Realised gains/(losses) £000	Market value 31 March 2019 £000
Equities	19,801	-	-	20,073	-	(6,204)	-	33,670
Pooled property investments	344,411	-	-	8,621	(20,605)	(904)	7,919	339,442
Private Equity/Infrastructure	201,918	-	-	43,126	(40,978)	17,473	23,596	245,135
Total	566,130	-	-	71,820	(61,583)	10,365	31,515	618,247

Period 2017/18	Market value 1 April 2017 £000	Transfers into Level 3 £000	Transfers out of Level 3 £000	Purchases during the year £000	Sales during the year £000	Unrealised gains/(losses) £000	Realised gains/(losses) £000	Market value 31 March 2018 £000
Equities	19,352	-	-	7,901	(4,348)	(4,157)	2,010	20,758
Pooled property investments	321,767	-	-	27,060	(29,319)	13,891	11,013	344,412
Private Equity/Infrastructure	227,497	-	-	23,073	(42,386)	(33,676)	26,452	200,960
Total	568,616	-	-	58,034	(76,053)	(23,942)	39,475	566,130

17: Financial instruments

17a: Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (including cash) by category and net assets statement heading. No financial assets were reclassified during the accounting period.

31 March 2018			31 March 2019		
Market value Designated as fair value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised cost £000	Market value Designated as fair value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised cost £000
Financial Assets					
497,920	-	-	Bonds	499,750	-
363,116	-	-	Equities	153,695	-
1,828,109	-	-	Pooled investments	2,232,435	-
344,411	-	-	Pooled property investments	339,442	-
200,960	-	-	Private equity/infrastructure	245,135	-
4,487	-	-	Commodities	6,125	-
3,921	-	-	Multi Asset	2,342	-
480	-	-	Derivative contracts	425	-
-	133,789	-	Cash	-	149,156
-	-	-	Cash held by ESCC	-	499
1,777	-	-	Other investment balances	4,937	-
-	10,704	-	Debtors	-	11,654
3,245,181	144,493	-	Total Financial Assets	3,484,286	161,309
Financial liabilities					
-	-	-	Derivative contracts	(840)	-
(3,198)	-	-	Other investment balances	(9,392)	-
-	-	(3)	Cash held by ESCC	-	-
-	-	(3,093)	Creditors	-	(2,500)
(3,198)	-	(3,096)	Total Financial Liabilities	(10,232)	-
3,241,983	144,493	(3,096)	Total Financial Instruments	3,474,054	161,309

17b: Net gains and losses on financial instruments

	31 March 2018	31 March 2019
	£000	£000
Financial assets		
Fair value through profit and loss	51,065	225,623
Amortised cost – realised gains on derecognition of assets	-	-
Amortised cost – unrealised gains	(2,510)	2,995
Financial liabilities		
Fair value through profit and loss	(6)	6,115
Amortised cost – realised gains on derecognition of assets	-	-
Amortised cost – unrealised gains	-	-
Total	48,549	234,733

18: Nature and extent of risks arising from financial instruments

Risk and risk management

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

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

a) Market risk

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

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

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

The fund manages these risks in two ways:

- the exposure of the fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

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

Other price risk

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

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

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

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's investment advisors, the fund has determined that the following movements in market price risk are reasonably possible for the 2018/19 reporting period:

Asset Type	Potential Market Movements (+/-)
Index Linked	9%
Other Bonds	6%
UK equities	17%
Global equities	17%
Absolute Return	13%
Pooled property investments	14%
Private Equity	28%
Infrastructure funds	20%

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

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

Asset Type	Values at 31 March 2019 £000	Value on increase £000	Value on decrease £000
Index Linked	207,489	226,163	188,815
Other Bonds	388,958	412,279	365,637
UK equities	272,028	318,273	225,783
Global equities	1,247,034	1,459,030	1,035,038
Absolute Return	779,575	880,920	678,230
Pooled property investments	339,442	386,964	291,920
Private Equity	211,928	271,268	152,588
Infrastructure funds	32,469	38,963	25,975
Net derivative assets	(414)	(414)	(414)
Total assets available to pay benefits	3,478,509	3,993,446	2,963,572

Asset Type	Values at 31 March 2018 £000	Value on increase £000	Value on decrease £000
Index Linked	180,995	197,285	164,705
Other Bonds	207,133	223,075	191,191
UK equities	326,665	382,198	271,132
Global equities	1,411,750	1,665,865	1,157,635
Pooled property investments	571,010	645,241	496,779
Private Equity	344,411	392,629	296,193
Infrastructure funds	181,933	232,874	130,992
Absolute Return	19,027	22,832	15,222
Net derivative assets	480	480	480
Total assets available to pay benefits	3,243,404	3,762,479	2,724,329

Interest rate risk

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

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

The fund's direct exposure to interest rate movements as at 31 March 2019 and 31 March 2018 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate risk sensitivity analysis

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

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

Asset type	Carrying amount as at 31 March 2019 £000	Impact of 1% increase £000	Impact of 1% decrease £000
Cash and cash equivalents	149,156	149,156	149,156
Cash balances	499	499	499
Fixed interest securities	404,890	408,939	400,841
Index linked securities	346,143	346,143	346,143
Total change in assets available	900,688	904,737	896,639

Asset type	Carrying amount as at 31 March 2018 £000	Impact of 1% increase £000	Impact of 1% decrease £000
Cash and cash equivalents	133,789	133,789	133,789
Cash balances	(3)	(3)	(3)
Fixed interest securities	227,951	230,231	225,671
Index linked securities	269,969	269,969	269,969
Total change in assets available	631,706	633,986	629,426

Income Source	Interest receivable 2018/19 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash deposits/cash and cash equivalents	856	2,353	(641)
Fixed interest securities	2,605	2,605	2,605
Index linked securities	700	4,161	(2,761)
Total change in assets available	4,161	9,119	(797)

Income Source	Interest receivable 2017/18 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash deposits/cash and cash equivalents	393	1,731	(945)
Fixed interest securities	1,334	1,334	1,334
Index linked securities	558	3,258	(2,142)
Total change in assets available	2,285	6,323	(1,753)

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

Currency risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling. Following analysis of historical data in consultation with the fund investment advisors, the fund considers the likely volatility associated with foreign exchange rate movements not more than 13%. A 13% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure - asset type	Values at 31 March 2019 £000	Potential Market movement £000	Value on increase £000	Value on decrease £000
Overseas index linked	51,036	6,635	57,671	44,401
Overseas fixed interest	15,932	2,071	18,003	13,861
Overseas quoted securities	129,865	16,882	146,747	112,983
Overseas unit trusts	1,675,160	217,771	1,892,931	1,457,389
Total change in assets available	1,871,993	243,359	2,115,352	1,628,634

Currency exposure - asset type	Values at 31 March 2018 £000	Potential Market movement £000	Value on increase £000	Value on decrease £000
Overseas index linked	5,263	526	5,789	4,737
Overseas fixed interest	20,818	2,082	22,900	18,736
Overseas quoted securities	302,588	30,259	332,847	272,329
Overseas unit trusts	1,186,600	118,660	1,305,260	1,067,940
Total change in assets available	1,515,269	151,527	1,666,796	1,363,742

b) Credit risk

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

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

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

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

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

Summary	Asset value as at 31 March 2018 £000	Asset value as at 31 March 2019 £000
UK Treasury bills	36,097	86
Bank current accounts		
NT custody cash accounts	97,692	149,070
Total overseas assets	133,789	149,156

c) Liquidity risk

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

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

All financial liabilities at 31 March 2019 are due within one year.

Refinancing risk

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

19: Funding arrangements

The latest actuarial valuation of the fund was carried out as at 31 March 2016. The purpose of the triennial valuation is to calculate the contribution rates required to be made by each employer participating in the fund which together with investment growth will be sufficient to meet the fund's future liabilities. The 2016 valuation shows the fund has a past service deficit, being 92% funded in respect of past liabilities. This compares with 81% funded at the 2013 valuation.

East Sussex Pension Fund ("the Fund")

Actuarial Statement for 2016/17

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated February 2019. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still around a 66% chance that the Fund will return to full funding over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2016. This valuation revealed that the Fund's assets, which at 31 March 2016 were valued at £2,771 million, were sufficient to meet 92% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £240 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2017 to 31 March 2020 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2016 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2016 valuation were as follows:

Financial assumptions	31 March 2016
Discount rate	4.0%
Salary increase assumption	2.6%
Benefit increase assumption (CPI)	2.1%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.1 years	24.4 years
Future Pensioners*	23.8 years	26.3 years

*Figures assume members aged 45 as at the 2016 valuation.

Copies of the 2016 valuation report and Funding Strategy Statement are available on request from East Sussex County Council, the Administering Authority to the Fund.

Experience over the period since 31 March 2016

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities but there have been strong asset returns over the 3 years. Both events are of broadly similar magnitude with regards to the impact on the funding position.

The next actuarial valuation will be carried out as at 31 March 2019. The Funding Strategy Statement will also be reviewed at that time.

20: Actuarial present value of promised retirement benefits

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2016/17 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the East Sussex Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

Present value of Promised Retirement Benefits

Year ended	31 March 2018	31 March 2019
Active members (£m)	1,867	2,277
Deferred pensions (£m)	925	1,039
Pensioners (£m)	1,548	1,552
Total	4,340	4,868

The promised retirement benefits at 31 March 2019 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2019 and 31 March 2018. I estimate that the impact of the change in financial assumptions to 31 March 2019 is to increase the actuarial present value by £363m. There is no impact from any change in the demographic and longevity assumptions because they are identical to the previous period.

Financial assumptions

Year ended	31 Mar 2018 % p.a.	31 Mar 2019 % p.a.
Pension Increase Rate	2.4%	2.5%
Salary Increase rate	2.8%	2.9%
Discount Rate	2.7%	2.4%

Longevity assumption

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.1 years	24.4 years
Future Pensioners*	23.8 years	26.3 years

*Future pensioners are assumed to be aged 45 at the latest formal valuation as at 31 March 2016.

Please note that the longevity assumptions have not changed since the previous IAS26 disclosure for the Fund.

Commutation assumptions

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2019	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% increase in pensions increase rate	8%	404
0.5% increase in salary increase rate	1%	66
0.5% decrease in discount rate	10%	500

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

21: Current assets

	31 March 2018 £000	31 March 2019 £000
Other Investment Balances		
Sales inc Currency	480	3,313
Investment Income Due	1,371	1,704
Recoverable Taxes	405	345
Total	2,256	5,362

	31 March 2018 £000	31 March 2019 £000
Current Assets		
Contributions receivable from employers and employees	9,254	10,167
Sundry Debtors	1,450	1,487
Cash	-	499
Total	10,704	12,153

22: Current liabilities

	31 March 2018 £000	31 March 2019 £000
Investment Liabilities		
Purchases including currency	(1,846)	(8,893)
Managers Fees	(1,352)	(1,339)
Total	(3,198)	(10,232)

	31 March 2018 £000	31 March 2019 £000
Current Liabilities		
Pension Payments (inc Lump Sums)	(439)	(574)
Cash	(3)	-
Professional Fees	(84)	(55)
Administration Recharge	(1,300)	(1,046)
Sundry Creditors	(1,270)	(825)
Total	(3,096)	(2,500)

23: Additional voluntary contributions

	Market value 31 March 2018 £000	Market value 31 March 2019 £000
Prudential	15,923	16,821

The Pension Fund Scheme provides an Additional Voluntary Contribution (AVC) facility for scheme members. In 2018/19 some members of the pension scheme paid voluntary contributions and transfers in of £2.580m (£2.618m 2017/18) to Prudential to buy extra pension benefits when they retire. £2.303m was disinvested from the AVC provider in 2018/19 (£3.434m 2017/18). Contributions and benefits to scheme members are made directly between the scheme member and the AVC provider. The AVC funds are not, therefore, included in the Pension Fund Accounts.

24: Agency Services

The East Sussex Pension Fund pays discretionary awards to former employees on behalf of some employers in the Fund. The amounts paid are provided as a service and are fully reclaimed from the employer bodies. The sums are disclosed below.

	2017/18	2018/19
	£000	£000
East Sussex County Council	4,891	4905
Brighton & Hove City Council	2,330	2349
West Sussex County Council*	985	1060
Eastbourne Borough Council	331	345
Wealden District Council	183	212
Magistrates	240	179
Hastings Borough Council	171	168
Rother District Council	117	104
Lewes District Council	76	78
South East Water	54	61
Brighton University	26	28
Westminster (used to be LPFA)	17	17
East Sussex Fire Authority	16	16
Capita Hartshead	16	16
London Borough of Camden	7	7
London Borough of Southwark	6	6
The Eastbourne Academy	56	5
West Midlands Pension Fund	5	5
Torfaen Borough Council	4	4
Sussex University	3	3
Eastbourne Homes	3	3
Varndean College	2	2
London Borough of Ealing	2	2
Newhaven TC	1	1
East Sussex College Group**	1	1
Mid-Sussex District Council	87	-
Total	9,630	9,577

* Brighton and Hove City College transferred to West Sussex County Council on the 1 April 2017 East Sussex are still administering the Brighton and Hove City College members at the request of West Sussex until the records are transferred to their administrators.

** Formerly Sussex Downs & Sussex Coast

25: Related party transactions

East Sussex County Council

The East Sussex Pension Fund is administered by East Sussex County Council. Consequently there is a strong relationship between the council and the pension fund.

Each member of the Pension Committee is required to declare their interests at each meeting.

The Treasurer of the Pension Fund and members of the County Council and the Pension Committee have no material transactions with the Pension Fund.

The Council incurred costs in administering the fund and charged £1.0m to the fund in 2018/19 (£1.3m in 2017/18). The Council's contribution to the fund was £45.9m in 2018/19 (£43.4m in 2017/18). All amounts due to the fund were paid in the year. At 31 March 2019 the Pension Fund bank account was in debit by £0.5m. The average throughout the year was £4.3m (£3.5 in 2017/18).

25a: Key management personnel

The Chief Finance Officer of East Sussex County Council holds the key position in the financial management of the East Sussex Pension Fund.

	31 March 2018	31 March 2019
	£000	£000
Short-term benefits	17	17
Post-employment benefits	3	3
Total	20	20

26: Contingent liabilities and contractual commitments

Outstanding capital commitments (investments) at 31 March 2019 totalled £200.7m (31 March 2018: £133.1m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing, typically over a period of between four and six years from the date of each original commitment.

At 31 March 2019 the unfunded commitment was £159.8m for private equity, and £40.9m for infrastructure. The commitments are paid over the investment timeframe of the underlying partnerships. As these partnerships mature they are due to distribute capital back to investors. Commitments are made in US Dollars or Euros and the figures presented here are based on relevant Sterling exchange rates as at 31 March 2019.

Exit Payments

There were 6 employers whose contracts were due to end at the 31 March 2019 where an exit credit may need to be paid out. The Fund needs to obtain final information from the employers and then will need to commission the final cessation report from the actuaries to ascertain if an exit payment is due for these employers.

GMP Reconciliation Project

The Guaranteed Minimum Pension (GMP) Reconciliation project was split into number stages for Local Government Pension Schemes (LGPS). The Fund has nearly completed Stage 2, which reviews data inconsistencies, raised issues with HMRC and agrees outcomes, with more than 90% of the work completed.

GMP elements of LGPS pension where State Pension Age is prior to 06/04/2016 has not increased in respect of the period 06/04/1978 to 05/04/1988. While the Post 1988 GMP element in respect of the period 06/04/1988 to 05/04/1997 might be increased up to a maximum of 3%. The Government increase the State Pension for the member fully on the Pre 1988 GMP element and for Post 1988 GMP element has only increased if CPI is above 3%.

The effect of LGPS pensions not showing the correct amount of GMP for its members would mean that their pension might be increased incorrectly. This can result in underpayments and overpayments, at a member specific level. Stage 3 of the GMP Reconciliation Project, i.e., Rectification will amend LGPS pensions in line with the reconciled Stage 2 GMP information. This stage will also involve a significant member communication exercise to explain the changes taking place.

Due to the extended delays in the response times to query logs raised with HMRC, we are not in a position to be able to finalise the GMP reconciliation at this point. HMRC have also advised that we will not receive the final Scheme Reconciliation Service data cut from them, showing the final position of membership and liabilities held on their records currently until the end of July / early August. As such, we are unable to quantify the under/overpayment liability values as at 31/03/2019.

McCloud Judgement Update

When the LGPS was reformed in 2014, transitional protections were applied to certain older members within ten years of normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government has requested leave to appeal to the Supreme Court and is expected to hear later in 2019 if this will be granted. The impact is therefore still highly uncertain, as two opposing outcomes are possible:

1. The Supreme Court overturns the previous ruling and benefits remain as they are, with the underpin only applying to a small group of members.
2. The Government's request for appeal is rejected, or the Supreme Court upholds the existing judgement, and benefits accrued from 2014 may need to be enhanced so that all members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that younger members would see an enhanced benefit rather than older members losing their existing protections.

Quantifying the impact of outcome 2 is very difficult because it will depend on members' future salary increases, length of service and retirement age. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression.

The Fund's actuary has estimated the following impact should the judgement be upheld (outcome 2):

	Estimated increase from McCloud judgement (£000)
Present value of promised retirement benefits at 31 March 2019	19,000

This number is a high level estimate based on fund level calculations and depends on several key assumptions.

The impact on employers' funding arrangements will likely be dampened by the funding arrangements they have in place, specifically the 'stabilisation' mechanism which slows down changes in contribution rates. However, if the judgement is upheld then there will be unavoidable upward pressure on contributions in future years.

27: Contingent assets

There are 17 admitted body employers in the Fund that hold insurance bonds to guard against the possibility of their being unable to meet their pension obligations. These bonds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default. In addition to these bonds, pension's obligations in respect of 14 other admitted bodies are covered by:

- 9 guarantees by local authorities participating in the Fund;
- 3 Parent company guarantee;
- 1 deposits held by East Sussex County Council

At 31 March 2019 the Fund has invested £320.3 million in private equity funds managed by Adams Street and HarbourVest. The Fund has also invested £14.4 million in the M&G UK Companies Financing fund and £27.9 million in the infrastructure funds managed by UBS, Pantheon and Infracapital.

Following Rulings given by the European Court of Justice, along with a number of other local authority pension funds, the East Sussex Pension Fund is pursuing the recovery of tax paid on certain dividends. If successful this may be of material benefit to the Fund. The amount which may be recoverable is not currently quantifiable.

28: Impairment losses

During 2018/19 the fund has not recognised any impairment losses.

29: East Sussex Pension Fund – Active Participating Employers

Employer Name	2017/18		2018/19		2019/20	
	Payroll %	Amount £(000)	Payroll %	Amount £(000)	Payroll %	Amount £(000)
Scheduled Bodies - Major Authorities						
Brighton and Hove City Council	17.1	3,860	17.1	4,635	17.1	5,448
East Sussex County Council	17.1	5,523	17.1	6,369	17.1	7,254
East Sussex Fire and Rescue Service	17.0	181	17.0	213	17.0	247
Eastbourne Borough Council	16.9	547	16.9	599	16.9	654
Hastings Borough Council	17.3	489	17.3	540	17.3	594
Lewes District Council	18.0	442	18.0	495	18.0	551
Rother District Council	17.3	506	17.3	550	17.3	596
University of Brighton	16.75	704	16.75	722	16.75	741
Wealden District Council	17.2	536	17.2	594	17.2	655
Other Scheduled Bodies						
Arlington Parish Council	21.6	-	22.1	-	22.6	-
Battle Town Council	17.4	4	17.4	5	17.4	6
Berwick Parish Council	21.6	-	22.1	-	22.6	-
Buxted Parish Council	21.6	-	22.1	-	22.6	-
Camber Parish council	21.6	-	22.1	-	22.6	-
Chailey Parish Council	21.6	-	22.1	-	22.6	-
Chalvington with Ripe Parish Council	21.6	-	22.1	-	22.6	-
Chiddingly Parish Council	21.6	-	22.1	-	22.6	-
Conservators of Ashdown Forest	17.4	13	17.4	15	17.4	17
Crowborough Town Council	17.4	11	17.4	12	17.4	14
Danehill Parish Council	21.6	-	22.1	-	22.6	-
Ditchling Parish Council	21.6	-	22.1	-	22.6	-
Ewhurst Parish Council	21.6	-	22.1	-	22.6	-
Fletching Parish Council	21.6	-	22.1	-	22.6	-
Forest Row Parish Council	17.4	3	17.4	3	17.4	4

Employer Name	2017/18		2018/19		2019/20	
	Payroll %	Amount £(000)	Payroll %	Amount £(000)	Payroll %	Amount £(000)
Frant Parish Council	21.6	-	22.1	-	22.6	-
Hadlow Down Parish Council	21.6	-	22.1	-	22.6	-
Hailsham Town Council	17.4	13	17.4	15	17.4	17
Hartfield Parish Council	21.6	-	22.1	-	22.6	-
Heathfield & Waldron Parish Council	17.4	4	17.4	5	17.4	5
Herstmonceux Parish Council	21.6	-	22.1	-	22.6	-
Hurst Green Parish Council	21.6	-	22.1	-	22.6	-
Icklesham Parish Council	21.6	-	22.1	-	22.6	-
Isfield Parish Council	21.6	-	22.1	-	22.6	-
Lewes Town Council	17.4	14	17.4	16	17.4	19
Maresfield Parish Council	17.4	1	17.4	1	17.4	1
Newhaven Town Council	17.4	5	17.4	6	17.4	6
Newick Parish Council	21.6	-	22.1	-	22.6	-
Peacehaven Town Council	17.4	8	17.4	9	17.4	10
Pett Parish Council	21.6	-	22.1	-	22.6	-
Plumpton Parish Council	21.6	-	22.1	-	22.6	-
Polegate Town Council	21.6	-	22.1	-	22.6	-
Ringmer Parish Council	21.6	-	22.1	-	22.6	-
Rye Town Council	17.4	2	17.4	2	17.4	2
Salehurst & Robertsbridge Parish Council	21.6	-	22.1	-	22.6	-
Seaford Town Council	17.4	6	17.4	7	17.4	8
Sussex Inshore Fisheries & Conservation Authority	21.6	-	22.1	-	22.6	-
Telscombe Town Council	17.4	4	17.4	4	17.4	5
Uckfield Town Council	17.4	13	17.4	15	17.4	17
Wartling Parish Council	21.6	-	22.1	-	22.6	-
Westham Parish Council	17.4	1	17.4	2	17.4	2
Willingdon and Jevington Parish Council	17.4	2	17.4	2	17.4	2
Wivelsfield Parish Council	17.4	1	17.4	1	17.4	2
Academy Schools						
Anney Catholic Primary Academy	-	-	15.3	-	15.3	-
Aquinas Trust	22.5	-	22.0	-	21.5	-
ARK Schools Hastings	20.1	-	20.6	-	21.1	-
Aurora Academies Trust	20.9	-	20.9	-	20.9	-
Beacon Academy	22.5	-	23.0	-	23.5	-
Bexhill Academy	23.4	-	23.4	-	23.4	-
Bilingual Primary School	15.1	-	15.6	-	16.1	-
Breakwater Academy	17.5	-	17.5	-	17.5	-
Burfield Academy (Hailsham Primary)	21.5	-	21.0	-	20.5	-
Cavendish Academy	21.0	-	21.0	-	21.0	-
City Academy Whitehawk	20.9	-	20.9	-	20.9	-
Diocese of Chichester Academy Trust	25.9	-	25.4	-	24.9	-
Eastbourne Academy	20.9	-	21.4	-	21.7	-
Falmer (Brighton Aldridge Community Academy)	19.5	-	20.0	-	20.5	-
Gildredge House Free School	20.1	-	20.1	-	20.1	-
Glyne Gap Academy	22.9	-	22.4	-	21.9	-
Hailsham Academy	19.7	-	20.2	-	20.5	-
Hawkes Farm Academy	16.9	-	16.9	-	16.9	-
High Cliff Academy	21.5	-	21.0	-	20.5	-
Jarvis Brook Academy	15.0	-	15.0	-	15.0	-
King's Church of England Free School	15.7	-	16.2	-	16.7	-
Langley Primary Academy	-	-	14.7	-	14.7	-
Ore Village Academy	18.7	-	19.0	-	19.0	-

Employer Name	2017/18		2018/19		2019/20	
	Payroll %	Amount £(000)	Payroll %	Amount £(000)	Payroll %	Amount £(000)
Parkland Infant Academy	15.9	-	15.9	-	15.9	-
Parkland Junior Academy	15.2	-	15.2	-	15.2	-
Pebsham Academy	19.0	-	19.5	-	20.0	-
Phoenix Academy	20.6	-	20.9	-	20.9	-
Portslade Aldridge Community Academy	20.4	-	20.4	-	20.4	-
King's Academy Ringmer	20.3	-	20.8	-	21.3	-
SABDEN Multi Academy Trust	25.1	-	24.6	-	24.1	-
Seaford Academy	21.9	-	21.6	-	21.6	-
Seahaven Academy	21.0	-	21.5	-	22.0	-
Shinewater Primary Academy	15.3	-	15.3	-	15.3	-
Sir Henry Fermor Academy	15.3	-	15.3	-	15.3	-
The South Downs Learning Trust	12.7	-	12.7	-	12.7	-
The Southfield Trust	14.9	-	14.9	-	14.9	-
Torfield & Saxon Mount Academy Trust	22.1	-	22.6	-	23.1	-
University of Brighton Academies Trust	20.1	-	20.5	-	20.5	-
UTC@Harbourside	21.5	-	21.0	-	20.5	-
White House Academy	17.0	-	17.5	-	18.0	-
William Parker Academy	20.1	-	20.6	-	21.1	-
Colleges						
Bexhill College	16.6	23	16.6	30	16.6	38
Brighton, Hove & Sussex Sixth Form College	17.2	21	17.2	29	17.2	38
East Sussex College Group	17.2	63	17.2	117	17.2	171
Plumpton College	16.7	44	16.7	58	16.7	73
Sussex Downs College	17.4	3	-	-	-	-
Varndean Sixth Form College	17.5	12	17.5	19	17.5	25
Admission Bodies						
Accent Catering Services Ltd	-	-	-	-	-	-
Amey	-	-	-	-	-	-
BHCC - Wealden Leisure Ltd	21.2	-	21.2	-	21.2	-
Brighton and Hove CAB	28.7	-	28.7	-	28.7	-
Brighton Dome & Festival Limited	44.5	16	44.5	36	44.5	57
Brighton Dome & Festival Limited (Music & Arts Service)	20.7	-	20.7	-	20.7	-
Care Outlook Ltd	35.0	-	35.0	-	35.0	-
Care Quality Commission	41.6	59	41.6	143	41.6	231
Churchill Contract Services (UoBAT)	34.4	-	34.4	-	34.4	-
Churchill Services	18.0	-	18.0	-	18.0	-
Churchill Services (Seahaven Academy)	30.6	-	30.6	-	30.6	-
Civica ICT – William Parker	14.3	-	-	-	-	-
Compass Contract Services (The Causeway)	33.0	-	33.0	-	33.0	-
De La Warr Pavilion Charitable Trust	43.7	61	43.7	132	43.7	207
Eastbourne Homes Ltd	20.2	-	-	-	-	-
Eastbourne Homes - SEILL	21.9	-	21.9	-	21.9	-
Eastbourne Leisure Trust	25.8	17	25.8	18	25.8	18
East Sussex Energy, Infrastructure & Development Ltd (ESEIDL)	21.9	-	23.4	-	24.5	2
EBC - Towner	11.5	-	11.5	-	11.5	-
ESCC - Care at Home Services	-	-	-	-	-	-
ESCC - John O'Connor	-	-	-	-	-	-
ESCC - NSL Ltd	-	-	-	-	-	-
Grace Eyre	27.5	-	27.5	-	27.5	-
Halcrow Group Ltd	23.6	-	23.6	-	23.6	-
Hardings Catering Ltd	-	-	-	-	-	-
Hastings Business Operations Limited (HBOL)	23.6	-	27.1	-	-	-

Employer Name	2017/18		2018/19		2019/20	
	Payroll %	Amount £(000)	Payroll %	Amount £(000)	Payroll %	Amount £(000)
Interserve Catering Services Ltd	-	-	-	-	-	-
Just Ask Estates Ltd	-	-	31.4	-	31.4	-
Mears Ltd	26.3	14	26.3	14	-	-
Mears Ltd (LDC)	33.9	-	33.9	-	33.9	-
MyTime	13.8	-	13.8	-	13.8	-
Optivo	39.2	554	39.2	879	39.2	1,221
Sopra Steria	31.9	-	31.9	-	31.9	-
Sussex Archaeological Society	38.6	57	38.6	82	38.6	108
Sussex Community Development Association Ltd (SCDA)	26.4	-	26.4	-	26.4	-
Sussex County Sports Partnership	21.0	-	21.0	-	21.0	-
Sussex Housing & Care	35.9	133	35.9	101	35.9	67
Telent Technology Services Ltd	24.9	-	24.9	-	24.9	-
Wave Leisure - Newhaven Fort	18.0	-	18.0	-	18.0	-
Wave Leisure Trust Ltd	9.0	-	9.0	-	9.0	-
WDC - ISS Limited	-	-	-	-	-	-
WDC – Kier	-	-	-	-	-	-
WDC - Wealden Leisure Ltd	27.1	86	27.1	89	27.1	91
Wealden Leisure Ltd - Portslade Sports Centre	12.3	-	12.3	-	12.3	-
White Rock Theatres Hastings Ltd	6.7	-	6.7	-	6.7	-

30: Investment Performance

The County Council uses an independent Investment performance measurement service, provided by Pensions & Investment Research Consultants Ltd (PIRC) which measures the performance of the Fund compared with 58 other local authority pension funds. Pension Fund investment is a long term business so as well as showing the annual performance of the Fund, comparison to peers over longer periods is also detailed below.

Performance relative to the Fund's strategic benchmark

	1 year (%)	3 years (%p.a.)	5 years (%p.a.)	10 years (%p.a.)
Fund	7.3	9.7	9.1	10.5
Benchmark	6.4	9.1	7.8	9.9
Relative	0.9	0.6	1.2	0.6

Investment performance relative to peer group

	1 year (%)	3 years (%p.a.)	5 years (%p.a.)	10 years (%p.a.)
Fund	7.3	9.7	9.1	10.5
Local Authority Average	6.6	10.5	8.9	10.7
Relative	0.7	(0.7)	0.2	(0.3)

The Fund outperformed the (weighted) average local authority fund over the year by 0.7% (2.0% underperformance 2017/18), ranking the East Sussex Fund in the 23rd percentile (86th 2017/18) in the local authority universe. Over three years the fund underperformed by 0.7% (0.6% underperformance 2017/18) and was placed in the 65th percentile (47th 2017/18). Over five years the fund outperformed by 0.2% (in line in 2017/18) and was placed in the 32nd percentile (40th 2017/18). Over ten years the fund years the fund underperformed by 0.3% (0.2% underperformance 2017/18) and was placed in the 60th percentile (51st 2016/17).

Relative performance is calculated on a geometric basis as follows:

$$((1 + \text{Fund Performance}) / (1 + \text{Benchmark Performance})) - 1$$

As opposed to the simpler arithmetic method the geometric method makes it possible to directly compare long term relative performance with shorter term relative performance.

9. Asset pools

Background

ACCESS (A Collaboration of Central, Eastern and Southern Shires) is made up of 11 Local Government Pension Schemes (LGPS) Administering Authorities:

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

Collectively the pool has assets of £46 billion.

The ACCESS Administering Authorities are committed to working together to optimise benefits and efficiencies on behalf of their individual and collective stakeholders, operating with a clear set of objectives and principles that drives the decision making process.

Objectives

1. Enable participating authorities to execute their fiduciary responsibilities to Local Government Pension Scheme (LGPS) stakeholders, including scheme members and employers, as economically as possible.
2. Provide a range of asset types necessary to enable those participating authorities to execute their locally decided investment strategies as far as possible.
3. Enable participating authorities to achieve the benefits of pooling investments, preserve the best aspects of what is currently done locally, and create the desired level of local decision-making and control.

Principles

Collaborative	Risk management	Objective evidence based decisions
Equitable voice in governance	Professionalism	Equitable cost sharing
No unnecessary complexity	Evolution and innovation	Value for money

Governance

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

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

The Joint Committee is responsible for ongoing contract management and budget management for the Pool and is supported by the Officer Working Group and the ACCESS Support Unit.

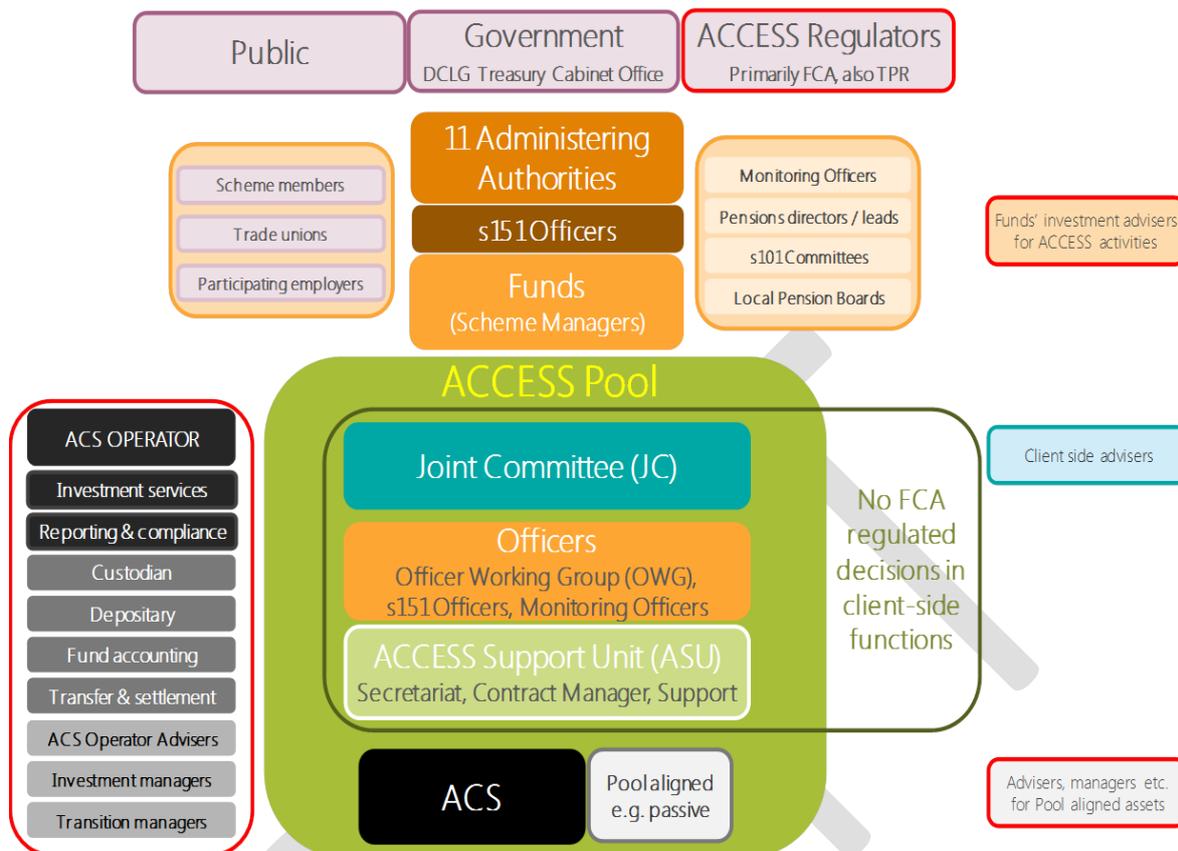
The Officer Working Group are officers identified by the Administering Authorities whose role is to provide a central resource for advice, assistance, guidance and support for the Joint Committee.

The ACCESS Support Unit provides the day-to-day support for running the ACCESS Pool and has responsibility for programme management, contract management, administration and technical support services. The permanent staff roles within the ASU are employed by the Host Authority (Essex) with additional technical support from Officers within the ACCESS Pension Funds.

The Pension Funds Section 151 Officers provide advice to or in consultation with the Joint Committee and in response to decisions made by the Joint Committee ensure appropriate resourcing and support.

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

The diagram below sets out the overarching ACCESS governance arrangements.



The Operator

Link Fund Solutions Ltd were appointed to provide a pooled operator service. Link are responsible for establishing and operating an authorised contractual scheme along with the creation of a range of investment sub-funds to meet the needs of the investing authorities enabling them to execute their asset allocation strategies and the appointment of the investment managers to those sub-funds.

Progress

ACCESS submitted its pooling proposal to Government in July 2018 with detailed plans for establishing the pool and moving assets into the pool and regularly submitted progress reports to Government. These are all published on the pool’s website (www.accesspool.org).

Included in the proposal is an indicative timeline of when assets will be pooled and ACCESS has made excellent progress against the first milestone of having £27.2 billion assets pooled with estimated savings of £13.6 million by March 2021.

Pooled Assets

As at 31 March 2019 ACCESS has pooled the following assets:

	£ billion
Index tracking investments*	11.4
UK Equity Funds	2.3
Global Equity Funds	5.9
Total Pooled Investments	19.6

*The index tracking funds are held on a pool governance basis under one investment manager because these assets are held in life fund policies which cannot be held within an authorised contractual scheme.

Financial Management

Pool Set-Up Costs

The set-up costs incurred by the pool includes professional and legal advice received in relation to establishing the pool and procuring the operator, and advice and support in the development of good governance. A breakdown of the total costs from inception are as below (The costs are split equally amongst the 11 Funds):

	2015 – 2016	2016 – 2017	2017 – 2018	2018 – 2019
	£'000	£'000	£'000	£'000
Strategic & Technical Advice	38	295	281	286
Legal	1	95	302	342
Project Management	20	379	280	168
ACCESS Support Unit	-	-	48	329
Other	1	108	101	-
Total Set Up Costs	60	877	1,012	1,125

Fee Savings

The ACCESS pool has sought out fee savings based on economies of scale with investment mandates in common and by consolidating its index tracking investments with one investment manager. The management fee savings received by the pool are as below:

	2015 – 2016	2016 – 2017	2017 – 2018	2018 – 2019
	£'000	£'000	£'000	£'000
Set Up Costs	60	877	1,012	1,125
Fee Savings	TBC	TBC	TBC	TBC
Net Savings Realised	TBC	TBC	TBC	TBC

Environmental, Social and Governance

The participating authorities have an overriding fiduciary and public law duty to act in the best long term interests of their LGPS stakeholders, including scheme members and employers, to achieve the best possible financial returns, with an appropriate level of risk.

The participating authorities recognise that environmental, social and governance issues can impact on financial performance and expect their investment managers to take these factors into consideration in the selection, retention and realisation of investments. In this context, participating authorities do not seek to impose their particular views by restricting their investment managers choice of investments by reference to social, environmental or ethical criteria - except where restrictions have been put in place by Government.

Each of the participating authorities are long term investors and believe that active engagement with company management promotes good corporate governance principles, which will protect and enhance shareholder value.

Savings delivery - East Sussex Pension Fund

To measure the extent to which pension funds have saved fees as a result of pooling, East Sussex Pension Fund has determined price and quantity variances shown in the table below. The price variance measures the extent to which fee rates have generated savings. The quantity variance measures the extent to which fees have changed in line with the value of the assets on which they are based, therefore:

- the price variance is calculated as the fund value currently x (old fee rate – new fee rate)
- the quantity variance is calculated as the old fee rate x (old fund value – current fund)

	2015 - 2016	2016 - 2017	2017 - 2018	2018 - 2019	Total
	£'000	£'000	£'000	£'000	£'000
Price Variance	114	295	1,405	1,478	3,292
Quantity Variance	1,389	(1,391)	(414)	(1,998)	(2,414)
Total Savings	1,503	(1,096)	991	(520)	878

10. Pensions administration strategy report

The Local Government Pension Scheme Regulation 59(1) of the (Administration) Regulations 2013 covers the requirement for an administering authority to prepare a written statement of policies as it considers appropriate in the form of a Pensions Administration Strategy. The East Sussex Pension Fund Pension Administration Strategy is kept under review and revised to reflect changes to LGPS regulations and Fund policies.

The Pensions Administration Strategy document sets out a framework by way of outlining the policies and performance standards to be achieved when providing a cost-effective inclusive and high quality pensions administration service. In particular it sets out:

- The roles and responsibilities of both the Fund and the employers within the Fund.
- The level of service the Fund and employers will provide to each other
- The performance measures used to evaluate the level of service

This administration strategy statement will be reviewed in line with each valuation cycle and the next review will be as at 1 April 2020. All scheme employers will be consulted before any changes are made to this document. The latest version of this administration strategy statement will always be available on the ESCC website:

<https://www.eastsussex.gov.uk/yourcouncil/pension-fund-policies/> and the ESPF website:
<http://www.eastsussexpensionfund.org/east-sussex-pension-fund/about-us/forms-and-publications/>

11. Funding strategy statement

The Funding Strategy Statement (FSS) focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. The FSS is prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013, CIPFA guidance and in collaboration with the Fund's actuary, Hymans Robertson LLP, after consultation with the Fund's employers and investment adviser. The FSS sets out how the Administering Authority has balanced the conflicting aims of:

- affordability of employer contributions,
- transparency of processes,
- stability of employers' contributions, and
- prudence in the funding basis.

The FSS is a summary of the Fund's approach to funding its liabilities, and this includes reference to the Fund's other policies; it is not an exhaustive statement of policy on all issues. The FSS forms part of a framework of which includes:

- the LGPS Regulations;
- the Rates and Adjustments Certificate (confirming employer contribution rates for the next three years);
- actuarial factors for valuing individual transfers, early retirement costs and costs of buying added service; and
- the Fund's Investment Strategy Statement

12. Investment strategy statement

The Local Government Pension Scheme (LGPS) (Management and Investment of Funds) Regulations 2016 require administering authorities of pension funds to prepare, maintain and publish a written statement setting out the investment strategy for their Fund.

They must consult with persons they deem appropriate when drawing up their statement. Any material change in investment strategy must be included in a revised Investment Strategy Statement (ISS). The statement also covers the extent to which social, environmental and ethical considerations (see below) are taken into account in the selection, retention and realisation of investments. A summary of the policy (if any) in relation to the exercise of the rights (including voting rights) attaching to investments.

The East Sussex Pension Fund ISS was first published in February 2017 when it replaced the Fund's Statement of Investment Principles. The statement is reviewed on a continuous basis to ensure it accurately reflects the Investment Strategy of the Fund (the latest version is available on the website).

Responsible Investment

Responsible Investment is a fundamental part of the Fund's overarching investment strategy as set out in its ISS. That is, to maximise returns subject to an acceptable level of risk whilst increasing certainty of cost for employers, and minimising the long term cost of the scheme. The Fund believes that consideration of Environmental, Social and Corporate Governance ("ESG") factors are fundamental to this, particularly where they are likely to impact on the overarching investment objective.

The Fund's approach aims to ensure that consideration of ESG factors is embedded in the investment process, utilising the various tools available to manage ESG risks and to harness opportunities presented by ESG factors.

This Statement can be seen on the East Sussex County Council Website.

<https://www.eastsussex.gov.uk/yourcouncil/pension-fund-policies/>

13. Communications policy statement

The Local Government Pension Scheme Regulations 2013 (Regulation 61) requires each pension fund administering authority to prepare and publish a policy statement setting out its approach to communicating with scheme members, representatives of members, prospective members and scheme employers.

The East Sussex Pension Fund policy statement sets out our existing communication activities.

This Policy can be seen on the East Sussex County Council Website.

<https://www.eastsussex.gov.uk/yourcouncil/pension-fund-policies/>

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14. External auditor's report

Independent auditor's report to the members of East Sussex County Council on the pension fund financial statements published with the Pension Fund Annual Report

To Follow

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