



ANNUAL REPORT AND ACCOUNTS

2022-2023



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I. Welcome from Chair of Pension Committee

Welcome to the East Sussex Pension Fund Annual Report for 2022/23

As Chair of the East Sussex Pension Fund (the Fund) Pension Committee, I have the pleasure in introducing the Fund's Annual Report and Accounts for 2022/23. The accounts focus on the financial activity in the year to 31 March 2023. This has been a turbulent year in terms of global markets, but the Fund has been robust and provided a strong service to our members and employers. The Fund has a strong focus on ensuring effective governance and embedding best practice and new ways of working and has started work on robotics to automate some of its systems.

This year has seen significant volatility in the global economy; there have been substantial impacts to returns from the Russian invasion in Ukraine; some high-profile bank failures; and globally rising inflation rates and interest rate rises have all created a challenging year. Despite this, the Fund is diverse, very well funded and has defensive elements to its investment strategy. The Funds strategy and risk management processes help us to make sure we can keep paying our members pensions now and into the future. The Fund carried out its triennial valuation during the year to assess the solvency level and reset employer contributions with the aim to provide a sustainable and affordable scheme. The Fund had £4,579m of assets on 31 March 2023 to meet the accrued benefits, with a funding position of 123% (as at 31 March 2022) comparing assets to liabilities, putting it in a very strong position. When interest rates rose dramatically in September, we built in flexibility to the investment strategy to react to opportunities in UK index linked gilts. The investment return for the year to 31 March 2023 was -2.5%, which was an underperformance of the benchmark by 1.4%, following an incredibly difficult and volatile investment period. The sustainable active public equity mandates struggled relative to their benchmarks over the 12 months as they are focused on growth and had no exposure to fossil fuels which returned well in the year. Our investments in private equity, which had performed very strongly over the majority of 2022 saw a fall in underlying asset valuations, following a fall in public market equivalents earlier in the year. Despite the difficulties in the financial year the Fund has outperformed the benchmark over longer term with good returns in both the 3 and 5 year periods.

The rising cost of living has made it a difficult year for many people, including our scheme members and scheme employees, and the Fund has focused on educating and communicating the benefits of the LGPS during this year, to help members understand the importance of continuing to build their pension for their long-term financial health and understanding the additional benefits of ongoing membership. The membership of the Fund at 31 March 2023 was 84,028 people (24,691 active, 24,124 pensioners and 35,213 deferred) and 140 scheme employers.

As a global long-term investor, the Pensions Committee recognise that climate change presents significant long-term risks to the value and security of pension scheme investments, and capital markets more broadly, and climate opportunities and responsible investment are a significant factor driving returns. The Fund has continued its journey of responsible investment, and more specifically with its focus on climate change risk. We have a detailed Statement of Responsible Investment Principles which sets out the Fund's beliefs on responsible investment and environmental, social and governance risks and how it manages those risks and commitments through investment decision making and implementation. The Fund invests in a range of sustainable funds including two active impact managers who focus on companies which generate positive social or environmental impacts while generating a financial return; a resource efficient mandate that invests in companies with reduced carbon emissions, reduced water usage and better waste management; and two further equity investment portfolios that are Paris aligned. In the year the Committee also approved an

investment into a sustainable multi asset credit fund which will be invested in 2023. As a Fund, we are keen advocates for active stewardship and report on engagement activity quarterly, evidencing voting and engagement, covering both our own and our managers activities. In addition, the Fund was successful in obtaining FRC Stewardship Code signatory status in the year, meeting the industry's strictest requirements.

The Fund has continued to be an active member of the ACCESS (A Collaboration of Central, Eastern and Southern Shires) investment pool, together with 10 partner LGPS Funds. By the end of 2022/23 over £24bn was invested on the ACCESS authorised contractual scheme (ACS) platform, with substantial growth in the range and depth of sub-funds. A further £9.9bn is managed via the ACCESS procured and managed passive equity manager. In total, 59% of ACCESS Fund assets have been pooled. In 2022/23 the pool saw the appointment of CBRE for two property mandates: UK Core Property and Global Real Estate. As a Fund we are working with the pool members to invest more through the pool and to implement further illiquid asset classes and develop the governance and responsible investment arrangements within the pool.

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

Councillor Gerard Fox

Chairman of the East Sussex Pension Fund Pension Committee



2. Welcome from Chair of Pension Board

As the Independent Chair of the Fund's Pension Board, I am happy to highlight some of the key areas of focus of the Board over the 2022/23 financial year.

This year has seen changes to the make up of the Pension Board, with one of our Employer Representatives, standing down and a number of terms will come to an end in 2023/24. Aside from the work done to prepare for the changing make-up of the Pension Board, Board members have also been involved in a range of projects and workstreams. Communication with Fund members is a key subject of interest for the Board and it has been working with Officers for a number of years to drive improvements. This year, it has supported Officers with the development of a member booklet which was sent to all members home addresses, which contains an abridged version of the end of year report and accounts and other important areas to highlight, helping scheme members better understand the work of the Fund and how it is securing the assets needed to pay their benefits. The Board was delighted to hear this work has received considerable positive feedback from the scheme members and Trade Unions.

The Board has also been active in the sphere of Pension Administration, crucial to ensure scheme members receive the benefits they are entitled to at the right time. Administration of the Fund has been a core topic for the Board for several years and the Board has agreed challenging targets with Officers to consistently drive for improvements. This year the Board has specifically worked with Officers to benchmark the service delivery targets and are pleased with the consistent positive results that have been achieved against very challenging deadlines.

Whilst the Pension Board is primarily involved in the governance and administration of the Fund, it is also aware of the wider landscape which surrounds the Fund. Noting, amongst other things the impacts of inflation on both the Fund and members' cost of living. The Board has taken a keen interest in triennial valuation which looked at the solvency of the Fund and sets contribution rates for the scheme employers actively feeding into the assumptions used and impact of decisions on scheme employers. In addition, the Board have continued to have oversight of the decision-making process of the Pension Committee.

Looking Forward

The year ahead will still a substantial change in the membership of the Pension Board and the need for new Board members to undertake appropriate training so they can provide a positive impact as soon as possible. Training of Board members, both new and existing, will therefore be a key theme over the next 12 months.

A second key area for the Pension Board in the year ahead will be to improve how it gains sight of the decision-making process of the Pension Committee and understand the impact of investment decisions on the affordability and solvency of the Fund. Whilst the Board does not have concerns about how the Committee reaches its decisions, it does have a statutory duty to assist the Pension Committee in its capacity as the delegated Scheme Manager. The Board is therefore exploring ways in which it can do this more effectively as part of its drive for continuous improvement.

Looking forward, the Board is also anticipating several changes to be made to the Fund’s administrative processes as new legislation is expected to take effect in relation to the “McCloud remedy”, which seeks to undo the age discrimination caused by the Government’s approach to changing the Local Government Pension Scheme from a Final Salary to Career Average Revalued Earnings Scheme. Board members have been working closely with Officers to help prepare for the legislative changes and anticipate becoming even more involved in the coming months.

Ray Martin

Chair of Local Pension Board



3. Introduction to the LGPS

Local Government Pension Scheme

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

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

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

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

The Fund is required to:

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

- effectively manage any potential conflicts of interest

The Fund must operate a Local Pension Board. The Pension Board helps the Fund comply with the LGPS rules, overriding pensions legislation and guidance from the Pensions Regulator. The Pension Board is made up of equal numbers of employer and member representatives.

Every three years the Fund manages a valuation of pension assets and liabilities, carried out by an independent actuary. This valuation calculates how much scheme employers should pay into the Scheme to ensure the Fund has enough money to pay the benefits, by setting employer contribution rates for each employer for the following three-year period. The most recent actuarial valuation was carried out as at 31 March 2022. The funding level for the Fund at the 2022 valuation was 123%.



4. Scheme Management and Advisers

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

Name of Fund support	Company/individuals
Pension Committee Members - East Sussex County Councillors	Gerard Fox (Chairman) – Conservative Ian Hollidge – Conservative Paul Redstone – Conservative David Tutt – Liberal Democrats Georgina Taylor (from June 2022) – Green Party Julia Hilton (to June 2022) – Green Party
Pension Board Members - pensionboard@eastsussex.gov.uk	Ray Martin – Independent Chairman Councillor Tom Druitt – Brighton & Hove City Council – Employer representative Councillor Toby Illingworth - Districts & Borough Councils – Employer representative Stephen Osborn - Educational Bodies - Employer representative Niki Palermo – GMB – Member Representative Lynda Walker – Unison – Member Representative Neil Simpson – Pensioner – Member Representative
Scheme administrator	East Sussex County Council - Pensions@eastsussex.gov.uk
Bankers to the Fund	NatWest Bank
Auditor	Grant Thornton UK LLP - London
Pension Fund officers - escpcensionsmanager@eastsussex.gov.uk	Treasurer / S151 officer: Ian Gutsell Head of Pensions: Sian Kunert Head of Pensions Administration: Paul Punter Investments and accounting: Russell Wood Governance and compliance: Mike Burton Employer engagement: Tim Hillman
Actuary	Barnet Waddingham - 163 West George Street, Glasgow, G2 2JJ

Name of Fund support	Company/individuals
Legal Advisors	Appointed from National LGPS Framework for Legal Services
Investment Consultant	ISIO, 110 George Street, New Town, Edinburgh, EH2 4LH
Independent Adviser	William Bourne
Asset Pool	ACCESS Pool
Asset Pool Operator	Link Funds Solution
Investment Managers	Adams Street Partners, Atlas, Baillie Gifford*, Harvourvest, IFM Investors, Longview Partners*, M&G**, Newton*, Pantheon, Ruffer*, Schroders, Storebrand, UBS, Wellington, WHEB
Custodian	Northern Trust
AVC Provider	Prudential

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

Bodies to which the fund is member, subscriber or signatory

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

- Passive Investments,
- Legal Services,
- Actuarial Benefits and, Governance
- Investment Management Consultancy Services
- Stewardship Advisory Services
- Pensions Administration Software

Principles for Responsible Investing (PRI)
 Institutional Investors Group on Climate Change (IIGCC)
 Pensions for Purpose
 Financial Reporting Council (FRC) Stewardship Code 2020
 Scheme Advisory Board (SAB)

5. Governance

Pension Committee

East Sussex County Council (Administering Authority / Scheme Manager) operates a Pension Committee for the purposes of facilitating the administration of the East Sussex Pension Fund, i.e., the Local Government Pension Scheme that it administers. Members of the Pension Committee owe an independent fiduciary duty to the beneficiaries of the Pension Fund. The Pension Committee Members are therefore expected to carry out appropriate levels of training to ensure they have the requisite knowledge and understanding to properly perform their role.

Pension Board

The Scheme Manager is required to establish and maintain a Pension Board, for the purposes of assisting with its duties. The Pension Board is constituted under the provisions of the Local Government Pension Scheme (Governance) Regulations 2015 and the Public Service Pensions Act 2013. Members of the Pension Board should also receive the requisite training and development to enable them to properly perform their compliance role, as required by legislation.

ACCESS Pool Joint Committee

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

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

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

Committee membership and attendance

During the year ended 31 March 2023 there were 4 meetings of the Pension Committee, 2 meetings of the Pension Board along with the annual Employers' Forum.

Member attendance at committee meetings during 2022/23

2022/23 - Pension Committee Members

East Sussex County Councillors	Nos. of meetings attended
Councillor Gerard Fox (Chairman)	3/4
Councillor Penny di Cara ¹	1/1
Councillor Ian Hollidge	4/4
Councillor Paul Redstone	4/4
Councillor Georgia Taylor ²	3/4
Councillor David Tutt	4/4

2022/23 - Pension Board Members

Board Members	Nos. of meetings attended
Councillor Tom Druitt - Brighton & Hove City Council	2/2
Councillor Toby Illingworth – Districts & Borough Councils	1/2
Stephen Osborn - Educational Bodies	2/2
Niki Palermo - Employee Representative - Active & Deferred	0/2
Neil Simpson - Pensioners	2/2
Lynda Walker - Employee Representative - Active & Deferred	0/2

2022/23 - Member attendance at ACCESS Pool joint committee meetings

2020/21 Joint Committee Members	Nos. of meetings attended
Councillor Gerard Fox	1/3
Councillor Paul Redstone ³	2/2

¹ Acted as a substitute for Cllr. Fox

² Attended virtually as an observer to the unattended meeting

³ Acted as a substitute for Cllr. Fox

The Knowledge and Skills Framework

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

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

CIPFA/Solace Knowledge and Skills Framework – Pension Fund Committees

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

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

- Pensions legislative and governance context;
- Pension accounting and auditing standards;
- Financial services procurement and relationship development;
- Investment performance and risk management;
- Financial markets and products knowledge; and
- Actuarial methods, standards and practice.

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

CIPFA Technical Knowledge and Skills Framework – Local Pension Boards

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

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

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

Links to The Scheme Advisory Board's Good Governance project

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

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

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

The Pensions Regulator's E-learning toolkit

The Pensions Regulator has developed an online toolkit to help those running public service schemes understand the governance and administration requirements set out in its Code of Practice 14 - Governance and administration of public service pension schemes.

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

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

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

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

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

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

Members of the Pension Committee require an understanding of:

- Their responsibilities as delegated under the constitution of East Sussex County Council as the administering authority for the Fund;
- The requirements relating to pension fund investments;
- The management and administration of the Fund;
- Controlling and monitoring the funding level; and
- Effective governance and decision making in relation to the management and administration of the Fund.

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

Expectations on Pension Committee Members

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

- A commitment to attend and participate in training events and to adhere to the principles of the Training Strategy;

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

Local Pension Board

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

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

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

Local Pension Board members must be conversant with:

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

6. Report of the Pension Board

Report to	Pension Committee
Date of meeting	15 June 2023
By	Local Pension Board
Title	Report of Pension Board to Pension Committee
Purpose	Report to Pension Committee, to understand the work completed by the Pension Board

RECOMMENDATIONS: The Pension Committee is recommended to:

- 1) Note the report covering the work completed in year by the Pension Board.**
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1. Background

1.1 This document outlines the actions taken by the Local Pension Board of the East Sussex Pension Fund (ESPF). It also details the training undertaken in the past 12 months to enable individual Pension Board members to develop and maintain the required level of knowledge and understanding to enable them to fulfil their function of supporting the Administering Authority, which is also known as the Scheme Manager.

1.2 This document will allow the Pension Committee to build a more detailed understanding of the work being done by the Pension Board to improve the operation of ESPF.

2. Membership and attendance

2.1 The membership of the Local Pension Board over the past year has been

Scheme Employer Representatives

- Stephen Osborn - Deputy Director of Finance, University of Brighton (until January 2023)
- Cllr. Tom Druitt - Brighton & Hove City Council
- Cllr. Toby Illingworth- East Sussex District and Borough Councils

Scheme Member Representatives

- Lynda Walker – UNISON
- Niki Palermo – GMB
- Neil Simpson – Pensioners' representative

Independent Chair

- Ray Martin

2.2 Stephen Osborn stepped down from his role at the University of Brighton in January 2023 and, as such, also stepped down from his role on the Pension Board. Since then, Officers, with the oversight of the Pension Board, have sought to obtain nominations from Scheme Employers to fill the vacant position. Only one employer, University of Brighton, put forward a nomination to fill the vacancy. The Independent Chair of the Board and the Pension Manger for Governance and Compliance met with the nominated officer and

following consideration of their knowledge and skills made a recommendation to the Governance Committee to appoint to the vacancy, which was approved on 18 April 2023 for a four year term.

2.4 Attendance at meetings has deteriorated since the last report to the Committee. One meeting, in February 2023, was not quorate and was not attended by either of the in-post employer representatives. A second meeting, in September 2022, was cancelled as it coincided with the death of HM Queen Elizabeth II and an alternative date could not be found before the Pension Committee meeting.

	27 May 2022	9 September 2022 (meeting cancelled⁴)	15 November 2022	8 February 2022 (not quorate)
Stephen Osborn	Y		Y	
Cllr. Tom Druitt	Y		Y	N
Cllr. Toby Illingworth	Y		N	N
Lynda Walker	N		N	Y
Niki Palermo	N		N	N
Neil Simpson	Y		Y	Y
Ray Martin	Y		Y	Y

3. Work of the Pensions Board

3.1 Meetings are scheduled to be held shortly (no less than 2 weeks) before each Pension Committee meeting, where all papers relating to administration, governance, policy, audit and communications are first considered by the Board prior to final versions being presented at Committee for approval. This allows the Board to feed in on matters of governance and represent the views of members and employers in the documents that are then taken for approval.

3.2 Members of the Pension Board participate in, the Communications Working Group, the Administration Working Group and the McCloud Working Group. By participating in the working groups members of the Pension Board are able to use their knowledge and experience to support officers of the Fund during the development of new policies and procedures. This year the Pension Board members have assisted with the preparation of Annual Benefit Statements to make them more useful for members whilst still including all the information legally required, assisted with the drafting of surveys designed to help the Fund improve the service it offers and the creation of the Employer Toolkit, which is used to provide training to Employers that participate in the Fund.

3.3 The Pension Board considers its work programme at each meeting taking into account the regular items it sees and what is planned for upcoming Pension Committee meetings and are able to request areas of focus to be added to the Board work plan.

4. Actions

4.1 Since the last Pension Board report in June 2022, members of the Pension Board have supported Officers and the Pension Committee by engaging with an employer which has been causing ongoing, significant challenges for the smooth operation of the Fund.

⁴ This meeting was cancelled following the death of HM Queen Elizabeth II the previous day

4.2 Pension Board members have attended as observers, a meeting of the ACCESS Investment Pool, the vehicle used by the Fund to meet its obligations regarding the manner in which it places its assets for investment purposes. Whilst not involved with investment matters, the Pension Board members were able to provide insight into the governance around ACCESS and suggest ways it could be improved.

4.3 Members of the Pension Board have supported Officers with the defining of Administering Authority Discretions to ensure that a clear list is published and both Employers and Fund Members know what to expect. In addition, the Board members have made suggestions to the revision of numerous policies of the Fund including the revised Pension Administration Strategy to ensure the documents are clear on responsibilities of officers and other stakeholders.

4.4 Outside of the formal Board meetings, Pension Board members have provided input to Officers. For example, they commented on initial drafts of the debt spreading policy to help ensure it was in a position for the Pension Committee to approve ahead of it going out for consultation.

5. Training

5.1 In the past year the Pension Board, along with members of the Pension Committee, have been offered a range of training opportunities. Additionally details of reading material and relevant podcasts have been provided on a monthly basis.

5.2 Since the last report, Pension Board members have attended training events covering:

5.2.1 LGPS Pooling

5.2.2 An industry update on issues facing Pension Boards

5.2.3 TPR's new Code of Practice

5.2.4 Pension Fund accounts

5.2.5 The wider pensions landscape

5.2.6 The LGA's LGPS Fundamentals event

6. Structure of the Pension Board

6.1 The Pension Board is expecting to see a number of changes to its membership over the next quarter, this will bring with it an increased emphasis on training to ensure all Pension Board members have the knowledge and understanding they need to fulfil their duties. There will also be an increased emphasis on the need to attend meetings following the Board only meeting twice in quorate meetings during the past year.

Ray Martin

Chair of ESPF Local Pension Board

7. Scheme Administration

Service Delivery

During 2022/23, East Sussex County Council as Administering Authority for the East Sussex Pension Fund undertook the day-to-day pensions administration via its in-house pensions team.

The Pensions Administration team were responsible for:

- administering the LGPS on behalf of the ESPF scheme employers in accordance with relevant legislation and Pension Committee decisions
- calculation of actual pensions and lump sums for retiring members of the LGPS and provision of retirement estimates
- maintenance of the Pensions Administration database and provision of annual benefit statements for active and deferred members
- creation of new starters records, including transfers in where appropriate
- administration and calculations relating to leavers
- payment of pensions, increases thereon and other entitlements

Communication with members is, where possible, via the Member Self Service cloud-based website (My Pensions Portal). This includes Annual Benefit Statements, member newsletters, beneficiary nominations, updating personal details and carry out benefit calculations.

Employers have been either using or introduced to the i-Connect cloud-based portal through which they can upload their monthly payroll salary and contribution data directly into the Pensions Administration database. Employers' newsletters were also provided.

The Fund website www.eastsussexpensionfund.org provides scheme members and employers access to up-to-date information on both the LGPS and the Fund.

Administration of the Fund is a standing agenda item at the quarterly Pension Board and Committee meetings to ensure the service is managed and governed well. Key Performance Indicators, staffing and projects are reviewed and discussed at each meeting.

Internal Dispute Resolution Procedure

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

Where complaints cannot be resolved informally, there is access to a two-stage dispute resolution procedure. The first stage of this process is for the complainant to ask the Adjudicator appointed by the Fund to consider the matter under dispute. If the complainant is not satisfied with the response they can ask for a further review of the decision, along with any new evidence they might provide. The person responsible for reviewing stage two complaints is the ESCC Assistant Chief Executive. Ultimately the complainant has the right to refer their complaint to The Pension Ombudsman and seek assistance from the Money and Pensions Service. The following table summarises the number of disputes made through the Fund's Internal Dispute Resolution Procedure at each stage of appeal:

Dispute category – First stage	Number in 2022/23
First Stage	5
Upheld	3
Declined	0
Ongoing	2

Dispute category – Second Stage	Number in 2022/23
Second Stage	3
Upheld	0
Declined	3
Ongoing	0

This table reflects the position for the 2022/23 financial year and is not the current position. Not all complaints resolved in this timeframe were raised in the same financial year and the numbers quoted include complaints raised in 2021/22 but were not resolved in the same financial year.

Key administration performance indicators

Performance Indicator	Impact	Measure	Target %	Achieved by Fund %
Death notification acknowledged, recorded and documentation sent	Medium	Within 2 days	95%	100%
Award dependent benefits (Death Grants)	High	Within 5 days	95%	100%
Retirement notification acknowledged, recorded and documentation sent	Medium	Within 7 days	95%	96.6%
Payment of lump sum made	High	Within 5 days	95%	99.7%
Calculation of spouses' benefits	Medium	Within 5 days	90%	100%
Transfers In - Quote (Values)	Low	Within 10 days (Aggregation 15 d)	90%	90.6%
Transfers In - Payments	Low	Within 5 days (Aggregation 25 d)	90%	99.3%
Transfers Out - Quote	Low	Within 10 days (Aggregation 15 d)	90%	93.8%
Transfers Out - Payments	Low	Within 10 days (Aggregation 25 d)	90%	88.4%*
Employer estimates provided	Medium	Within 15 days	95%	100%
Employee projections provided	Low	Within 15 days	95%	99.5%
Refunds (inc frozen refunds wef Aug 22)	Low	Within 10 days	95%	91.3%
Deferred benefit notifications	Low	Within 15 days	95%	96.9%

*Following the tightening of pensions legislation to avoid pension scams, significant new checks had to be built into the transfer payment process during the year.

Number of complaints

Scheme year	Number
2020/21	18
2021/22	47
2022/23	46

It should be noted that there has been a fundamental shift in the definition of what is a complaint since the Pensions Administration service has been brought back in-house in April 2021. Now the team record any inkling of a complaint or where there is a possible maladministration with a financial consequence for the Fund.

Financial indicators of administrative efficiency

The table below shows management expenses by members. The benchmark used is the average fund costs from the local government pension scheme funds account return (SF3).

Investment management expenses	ESPF Unit costs per member 2020/21	ESPF Unit costs per member 2021/22	Benchmark unit costs 2020/21
Excluded	£44.75	£33.83	£35.90
Included	£220.43	£328.19	£274.34

Key staffing indicators

During 2022/23, staffing numbers within the Pensions Administration area increased from 17.5 to 26 FTE. The team was carrying 3 vacancies.

This provides the Fund with a staff to fund member ratio of 1:3,232.

With average reportable KPI cases per member of staff ratio of 1:425

Membership

During 2022/23 the number of “Active” contributing members within the Pension Fund decreased by 1.02% from 24,801 to 24,421. In summary, the number of members contributing to the Scheme is:

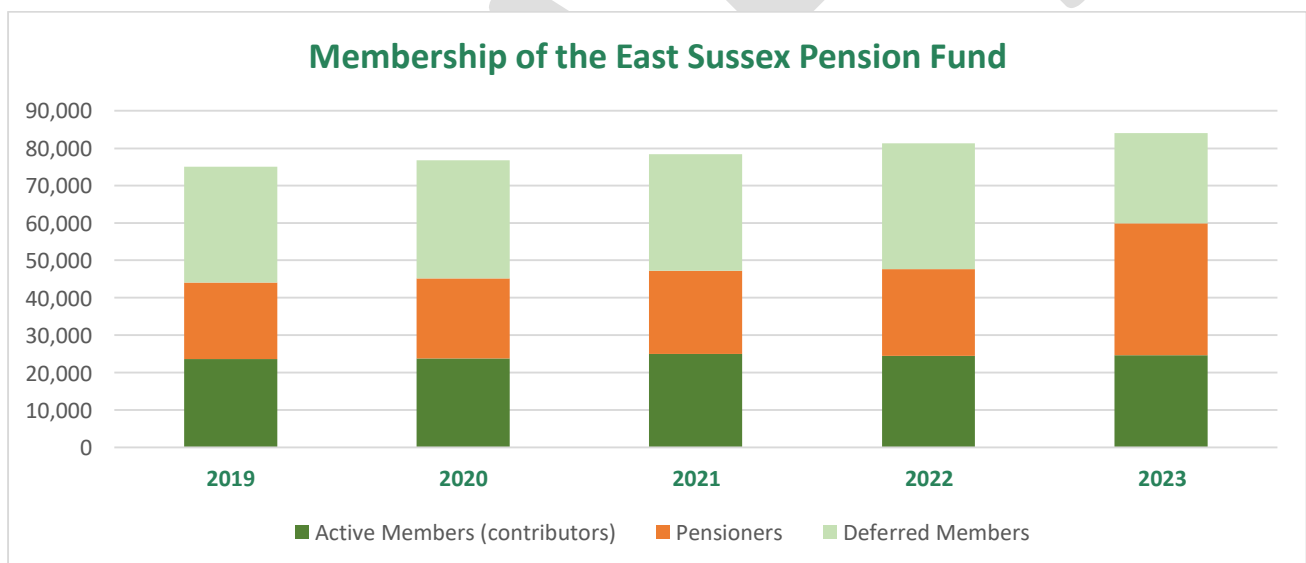
	Number of members 2021/22	Number of members 2022/23
East Sussex County Council	8,059	8,123
Brighton & Hove City Council	7,682	7,412
Academies	3,622	3,738
Colleges	2,657	2,470
Other	2,494	2,678
Total	24,514	24,421

The number of pensioners in receipt of payments from the Fund increased from 23,131 to 24,124 (or 4.29%).

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

	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
Active Members (contributors)	23,646	23,835	25,002	24,514	24,691
Pensioners (inc dependents)	20,403	21,335	22,230	23,131	35,213
Deferred Members	30,916	31,622	31,234	33,646	24,124
Total	74,965	76,792	78,466	81,291	84,028

Under the Local Government Pension Scheme (LGPS) (Administration) Regulations 2013, the East Sussex County Council administers the Pension Fund for approximately 84,000 individuals employed by 139 different organisations. Underpinning everything we do is a commitment to putting our members first, demonstrating adherence to good practices in all areas of our business and controlling costs to ensure we provide outstanding value for money.



New pensioners by pensioner type

Pensioner type	Number
Normal Retirements	413
Redundancies	26
Ill Health	33
Employee's Choice of Early Pension	994
Total New Pensioners	1,466

2022 Annual Benefit Statement

The ABS statutory deadline was 31 August 22 and the results of statements issued for eligible members were as follows:

Member category	2021	2022
Actives	96.31%	96.70%*
Deferred	99.69%	99.79%

* Figure excluded BHCC, for whom no ABS were produced before the deadline.

The Pension Board and Committee meetings both determined there was a reportable breach and Brighton & Hove City Council be reported to the Pensions Regulator. Over 95% of the BHCC active members were later provided with an ABS.

8. Actuarial report



East Sussex County Council Pension Fund

Actuary's statement as at 31 March 2023

Barnett Waddingham LLP

24 May 2023

Introduction

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

Asset value and funding level

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

- The smoothed value of the Fund's assets for funding purposes as at 31 March 2022 was £4.62bn.
- The Fund had a funding level of 123% i.e. the value of assets for funding purposes was 123% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a surplus of £858m.

Contribution rates

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

- the annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due;
- plus an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

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

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

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

Assumptions

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

The key assumptions used to value the liabilities at 31 March 2022 are summarised below	Assumptions used for the 2019 valuation	
Financial assumptions		
Market date	31 March 2022	
CPI inflation	2.9% p.a.	
Long-term salary increases	3.9% p.a.	
Discount rate	4.6% p.a.	
Demographic assumptions		
Post-retirement mortality	Based on Club Vita analysis CMI 2021	
Base tables		
Projection model		
Long-term rate of improvement		1.25% p.a.
Smoothing parameter		7.0
Initial addition to improvements		0.5% p.a.
2020/21 weighting parameter	5%	

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

Updated position since the 2022 valuation

Assets

Returns over the year to 31 March 2023 have been lower than expected. As at 31 March 2023, in market value terms, the Fund assets were less than they were projected to be at the previous valuation.

Liabilities

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As at 31 March 2023, the real discount rate is estimated to be higher than at the 2022 valuation due to a reduction in the long term rate of inflation.

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

The 2023 pension increase order is 10.1%. The increase in liabilities associated with this has however been more than offset by the reduction in the long-term inflation assumption. This short-term high inflation and longer term lower inflation is broadly consistent with what was assumed at the 2022 formal valuation.

Overall position

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

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

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

Barry McKay FFA

Partner, Barnett Waddingham LLP

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9. Employers

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

Note 29 to the accounts provide a list of all organisations currently contributing to the Fund. It includes their contribution rates, expressed as a percentage of employees' pensionable pay, and additional annual payments for those participating bodies which would otherwise have a shortfall in contributions by the end of the recovery period.

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

	Active	Ceased	Total
Scheduled body	108	24	132
Admitted body	31	41	72
Total	139	65	204

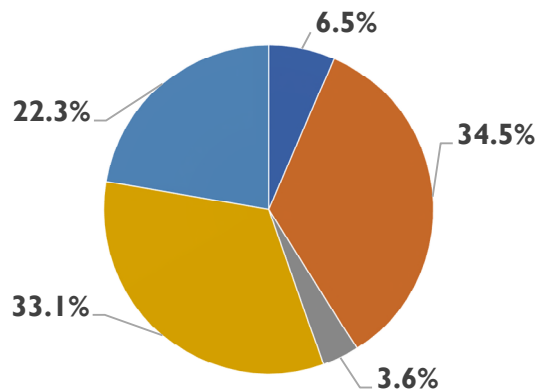
Employer statistics by Employer type

Employer Type	Number of Employers as a percentage of total	Percentage of total fund membership	Number of Employers in Group
Scheduled Bodies – Major Authorities	6.5%	80.9%	9
Academy Schools	34.5%	9.1%	48
Colleges	3.6%	5.1%	5
Other Scheduled Bodies	33.1%	2.8%	46
Admission Bodies	22.3%	2.1%	31

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

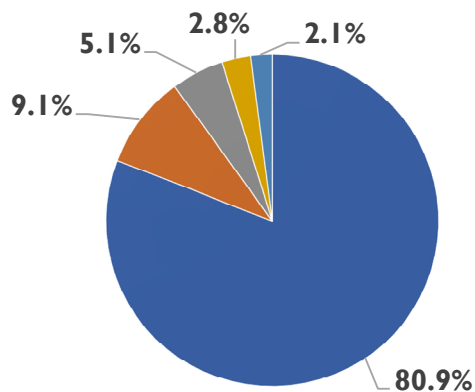
Number of Employers as a percentage of total

- Scheduled bodies - Major Authorities
- Academy Schools
- Colleges
- Other scheduled bodies
- Admission bodies



Percentage of total fund membership

- Scheduled bodies - Major Authorities
- Academy Schools
- Colleges
- Other scheduled bodies
- Admission bodies



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

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

In particular it sets out:

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

This administration strategy statement will be reviewed in line with each valuation cycle. All scheme employers will be consulted before any changes are made to this document. The latest version of the administration strategy statement will always be available on the Fund website.

Employers are able to contact the Pension Fund directly depending on the type of request. The Employer Engagement Team will deal with employers directly on day-to-day questions and queries. The Pensions Administration team will deal with any employee requests that come via the employer. The employers have been informed of direct contact details for all requests and questions to the Fund.

The Local Government Pension Scheme (LGPS) regulations require employers who participate in the LGPS to draw up and publish a discretions policy and to keep it under review. Discretions are powers that enable employers to choose how to apply the scheme in respect of certain provisions. All new employer admissions to the Scheme will complete a discretions policy on joining and discretion policies will be reviewed every 3 years in line with each valuation cycle.

All new admissions to the LGPS will be provided with a guide to outsourcing and admissions. This guide will provide information to all new potential admissions to the Fund and will lay out the necessary process that will need to be adhered to before admissions can be undertaken. All new admissions will be sent the relevant legal agreements and documentation that will require signing before proceeding.

Any employer with a potential TUPE or outsourcing must contact the employer engagement team where support and advice will be provided on the necessary steps that will need to be undertaken. Relevant information, timings and paperwork will need to be completed before any TUPE/outsourcing can commence. Employers will be provided a direct contact throughout the whole project to answer questions and provide support.

A reminder is sent to all employers annually to provide details of the employer's responsibilities and obligations to the Fund. The administration strategy also provides details for employers of their responsibilities.

Employers have a responsibility that they must meet as part of the East Sussex Pension Fund. The table below provides details on some key monthly/annual deadlines that must be met.

Employer deadlines

Employer Responsibility	Deadline
Complete and submit LGPS31 forms (contribution forms)	18th day of the month following that to which the payment relates
Payment of correct contributions	19th day of the month following that to which the payment relates
Provide end of year data requirements	By 30th April following the year end (unless already onboarded to i-Connect)

If the above deadlines are not met, then warnings are issued. If an employer breaches the above deadlines on more than one occasion in a 12-month period, then administration charges can be levied. Employer contribution amounts are provided to all employers at the Employer's Forum following the valuation. A

reminder of the new rates is also annually sent to employers in March. The new amounts are sent in March in preparation for the new rates to be applicable from the April contribution payment.

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10. Risk management

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

Identification of risk

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

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

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

The risk register is discussed at each Pension Board and Committee meeting and has been updated in the past year to make it clearer and easier for key information to be identified.

Reviewing risks

Risks to the Fund are reviewed each quarter in advance of the Pension Board and Committee meetings. This gives officers the opportunity to ensure that the rating of each risk and the list of mitigations in place is updated and accurate.

During the Pension Board and Committee meetings, members of those bodies are encouraged to discuss and suggest changes, as well as to raise any other matters they would like to be considered on the risk register. In the past year changes have been made to risk register to reflect both the evolving nature of the already identified risks as risks have both become more likely to occur and seen mitigations actions reduce the risk.

Key risks

At the end of financial year 2022/2023 the 5 most significant risks facing the Fund were: -

- Cyber security;
- Investment pooling;
- Employer data;
- Statutory member returns;
- Employer data; and
- Committee and Board membership.

Cyber security is a significant risk to the Fund. It became of even greater significance towards the end of the Financial Year with the rise of cyber risk generally following events in Ukraine. The Fund works closely with officers in the East Sussex County Council's Information Technology and Development Team to ensure it is taking appropriate steps to have both cyber defences and cyber resilience in place.

Multiple levels of cyber defence are in place and data is stored securely with regular back-ups taking place. A risk assessment is also carried out on any new contract which incorporates the use of software to ensure that the cyber protections in place are sufficiently robust.

Investment pooling is the joint highest rated risk for the Fund as at March 2023. The East Sussex Pension Fund is part of the ACCESS Investment Pool, which was undergoing a number of changes around the end of the Financial Year and the complexity of implementing pooled investments within illiquid markets could lead to delays in pooling these assets. These changes meant Officers have been working closely with representatives of the Pool in order to ensure it is able to fulfil the investment needs of the Fund and allow it to ensure that sufficient investment growth is achieved to pay members' pensions as they fall due. In addition the Fund was awaiting further guidance on the expectations of Government with an anticipated consultation on increased pooling arrangements.

Employer data is the other joint highest risk to the Fund at March 2023. For the Fund to provide an effective service to its members it relies on being provided with good quality data in a timely manner. For one of the Employers this has proven to be particularly difficult in the past year, leading to the risk being re-categorised.

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

Statutory member returns are risks connected to the employer data risk. The Fund has to provide certain information to members each year, for example an Annual Benefit Statement has to be sent to active and deferred members by 31 August each year and a Pensions Saving Statement by 6 October. Where employers send the information the Fund needs to calculate members entitlements late, or the data is not correct, this restricts the Funds ability to issue the statements on time.

To mitigate the risk, the Fund has plans for how it will run the various projects needed to produce the statutory returns and requests data, where needed, in sufficient time to allow it to be processed. In some cases, where an employer has had particularly difficult providing information, Fund officers have provided dedicated time to provide support in overcoming their internal challenges.

Committee and Pension Board membership has been highlighted as a key risk at the end of the Financial Year. The Pension Board plays an important role in providing guidance and expertise to the Pension Committee, overseeing the governance and administration policies being put in place. Membership of the Pension Board was undergoing a number of changes at the end of the financial year with several people likely to be stepping down in May 2023.

This risk was increased during the course of the year to recognise the increased risk of Pension Board meetings not being quorate if vacancies could not be filled in a timely manner. Additionally, it was recognised that there would be a reduction in the Board's collective knowledge and understanding which would require additional training support to rectify.

Investment risk

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

The Fund has identified 9⁵ risks which relate to investments and assets of the Fund. Of these, 4 risks are specifically around the risks of investment, these are:

- Poor investment returns;
- Changes to international trade affecting liquidity of assets;
- Investment pooling; and
- Inflation.

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

Mitigations for the 4 risks identified include:

- Ensuring appropriate training is made available to officers and Pension Committee Members;
- Obtaining support from an advisor who is independent of the Investment Consultant;
- Engaging closely with the ACCESS Pool to ensure the Fund's interests are protected;
- Diversification of assets; and

⁵ One of these risks, that of fraud, which is listed on the risk register as a governance risk but also applies to investments and assets

- A capacity to rebalance portfolios between the annual formal review of the investment strategy.

Reviewing our processes

The Fund is committed to ensuring it has appropriate controls in place. As such, the Fund commissions an external audit of its practices to help identify any areas where improvements can be made. Additionally, the Fund commissions a wide range of internal audits, some of which cover risk management. This year the Fund commissioned 100 days of internal audit, although not all will just focus on risk management. Following the outcome of the various reports, this figure will reduce to 75 days for the forthcoming year as sufficient assurance has been obtained for the Administering Authority to agree the new figure.

An external audit is undertaken each year and the Fund currently uses Grant Thornton as its Auditor.

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II. 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 from [page 42](#).

	2021/22 £000	2022/23 £000
Fund Account		
Net (Contributions)/withdrawals	2,920	(10,298)
Management Expenses	26,671	30,756
Return on Investments	(473,223)	88,660
Net Increase in Fund	(443,632)	109,118

	2021/22 £000	2021/22 £000
Net Asset Statement		
Bonds	134,975	93,755
Equities	237,482	235,630
Pooled Funds	4,214,677	4,175,947
Cash	90,216	54,418
Other	(388)	55
Total Investment Assets	4,676,962	4,559,805
Non-Investment Assets	10,705	18,744
Net assets of the fund available to fund benefits at the year end.	4,687,667	4,578,549

Analysis of pension contributions

The table below shows the number of primary pension contributions received late in the financial year 2022/23.

Month	Payments Due	Payments Received Late
April	136	6
May	136	5
June	137	4
July	137	2
August	137	1
September	136	3
October	138	1
November	138	0
December	138	0
January	139	1
February	140	1
March	140	1

No interest was charged on any of the late payments.

Forecasts

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

Fund Account	2021/22	2021/22	2022/23	2022/23	2023/24
	Forecast	Actual	Forecast	Actual	Forecast
	£000	£000	£000	£000	£000
Contributions	(120,000)	(142,419)	(153,000)	(156,992)	(161,929)
Payments	135,000	145,339	149,911	146,694	166,328
Administration expenses	2,644	2,216	3,117	3,145	3,696
Oversight and governance costs	813	526	706	318	689
Investment expenses:					
Management Fees	3,698	23,929	3,318	27,293	28,352
Net investment income	(39,900)	(40,547)	(41,800)	(73,602)	(76,300)
Change in market value	(153,200)	(432,676)	(179,000)	162,262	(177,000)
Net increase in the Fund	(170,945)	(443,632)	(218,756)	109,118	(216,064)

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

Net Asset Statement	2021/22	2021/22	2022/23	2022/23	2023/24
	Forecast	Actual	Forecast	Actual	Forecast
Equities	1,958,100	2,035,119	2,126,700	2,024,692	2,115,800
Bond	577,000	571,506	576,600	510,571	515,200
Property	326,900	390,179	399,200	328,542	336,100
Alternatives	439,900	554,116	590,100	821,790	875,200
Cash	40,600	90,216	88,200	54,418	45,600
Other	1,041,000	1,035,826	1,075,200	819,791	848,500
Total Investment Assets	4,383,500	4,676,962	4,856,000	4,559,804	4,736,700

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

Management Expenses-forecast

	2021/22	2021/22	2022/23	2022/23	2023/24
	Forecast	Actual	Forecast	Actual	Forecast
	£000	£000	£000	£000	£000
Pension Fund Staff Costs					
ESCC Recharge	1,768	1,236	1,905	1,482	2,023
Staff costs total	1,768	1,236	1,905	1,482	2,023
Administration Costs					
ESCC Support Services	486	392	493	219	475
Supplies and Services	689	830	931	1,093	1,179
Administration total	1,175	1,222	1,424	1,312	1,654
Oversight and governance costs					
ESCC Support Services	37	37	37	37	37
Supplies and Services	837	575	767	639	652
Third Party Payments	100	57	80	69	81
Other Income	(100)	(38)	(80)	(76)	(81)
Oversight and governance total	874	631	804	669	689
Investment Management (excluding manager fees)					
Custodian	75	139	136	101	97
Investment Management Total	75	139	136	101	97
Monitored Management Expenses Total	3,892	3,228	4,269	3,564	4,463
Investment Management Not Monitored*					
Management Fees	3,313	23,145	2,872	27,192	28,352
Investment Management not monitored Total	3,313	23,145	2,872	27,192	28,352
Management Expenses Total	7,205	26,373	7,141	30,756	32,815

* The decision was taken that investment management fees would no longer be monitored through the budget monitoring process in 2023/24. This was due to large fluctuations in manager fees due to market movements would obscure the smaller fluctuations on lines where management were able to influence the spend. This also obscured the value within the accounts as this did not include the fees which are deducted at the individual portfolio level rather than being paid directly by the Pension Fund. This change was brought in to provide better accountability and oversight of the cost associated with running the Fund.

Pension overpayments

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

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

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

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

12. Investment policy and performance

The Fund's strategic asset allocation was revised following decisions taken at the July 2021 Committee meeting, with a number of changes agreed. Some of these changes have been reflected in the strategic benchmark over the 2022/2023 financial year, although not all have yet been fully implemented.

The agreed strategic changes involve a reduction in target allocation for index-linked gilts (from 3% to 0%), absolute return (from 20% to 17%) and corporate bonds (from 3.5% to 0%). The Fund agreed to reallocate the proceeds to a new allocation to inflation-linked property (4%), private credit (target increasing from 3% to 5%) and absolute return credit (target increasing from 7% to 10.5%). It was agreed to maintain the overall allocation to equity unchanged at 40% but to restructure the underlying holdings.

The fund increased its allocation to infrastructure (to 11% from 8%). To achieve this, the Fund committed £230m of capital to the IFM Global Infrastructure Fund, with strong ESG integration in IFM's approach through a focus on improving assets' ESG credentials being a key factor in the decision. Further consideration will be given to the remainder of the strategic changes which have not been implemented yet over the coming year. This includes the new allocation to inflation-linked property and the increased allocation to private credit.

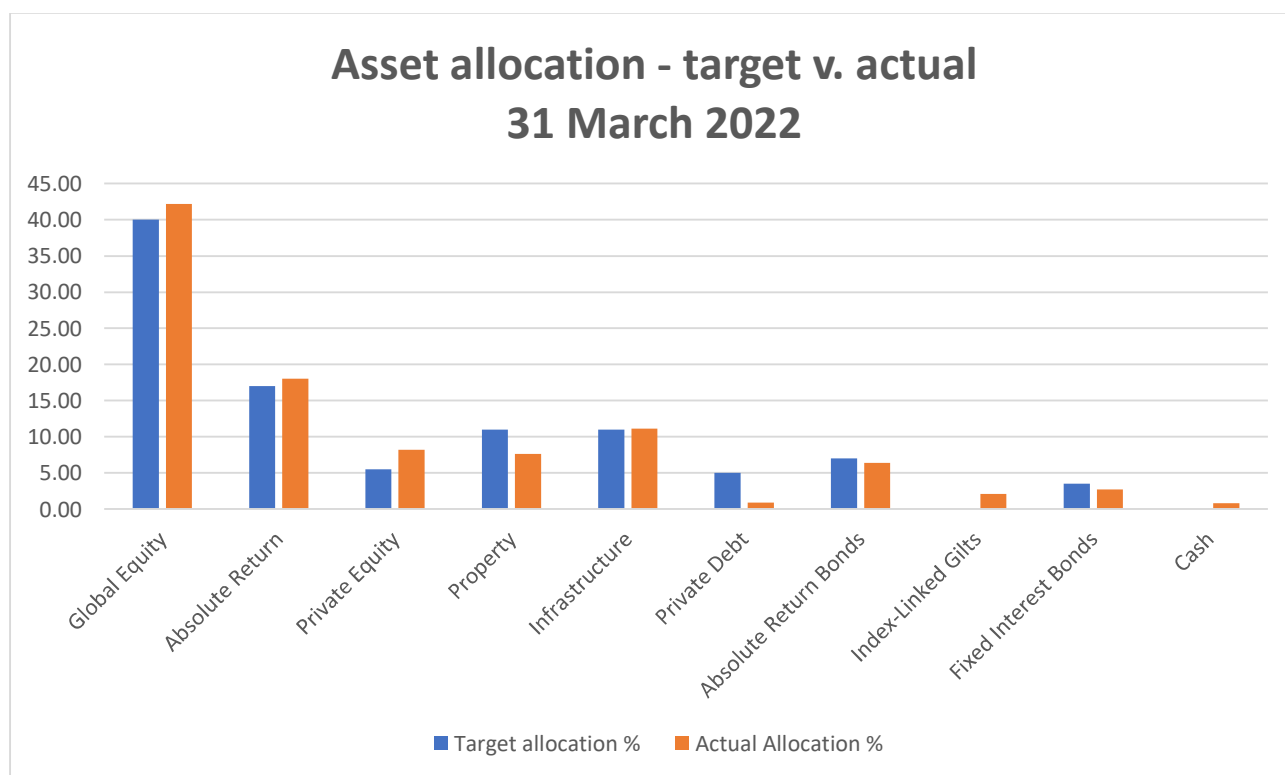
In June 2022 the Fund took the decision to make an additional allocation to absolute return credit (target increasing from 7% to 10.5%) via an allocation to the BlueBay Total Return Diversified Credit Fund. This decision was reached primarily due to the complimentary fit of the BlueBay mandate with the Fund's existing absolute return credit exposure held with M&G. It is expected the allocation will be implemented via the ACCESS pool in the coming months.

The Committee demonstrate their consideration of Environmental, Social, and Governance (ESG) and climate related issues through the abovementioned changes. Similarly, the Fund's fossil fuel extraction exposure is estimated on a quarterly basis, with this estimated as 0.6% of total Fund assets as at 31 March 2023.

Asset Allocation

The Fund's asset allocation maintains a significant allocation to equities, which are expected to be a core driver of returns over the long term, but typically the most volatile. However, the equity portfolio is diversified across regions and styles to target a balanced exposure. The increase to the Fund's infrastructure allocation, and newly agreed mandate with IFM, provides additional diversification to the overall portfolio, as well as contractual type returns, which are expected to provide a more certain and stable return profile going forwards. Infrastructure is also expected to provide an inflation-linked source of income, which will be further increased if the inflation-linked property mandate is ratified when considered and then implemented. The Fund maintains a significant allocation to property, providing further diversification from traditional investment markets such as equities and bonds.

Credit mandates such as corporate bonds, index-linked gilts and absolute return credit also provide diversification, due to differing return drivers than equities, while also offering source of liquidity. The absolute return mandates combine a number of asset classes in order to provide a smoother path of returns, offering the manager flexibility to alter allocations to benefit from varying market conditions.



Investment Managers

The Fund employs a number of investment managers across the various mandates, with differing approaches or styles, as well as sectoral and geographic focus, and benchmarks. This is in order to ensure sufficient diversification, limiting downside risk during periods of market volatility. The Fund’s investment manager structure is broadly as follows:

- The Fund’s equity mandate is split across a number of managers, having previously been largely allocated to UBS. The equity allocation is now weighted in favour of active management strategies, reflecting the Committee’s preference for active management and an ESG focus, with the equity holdings broadly split 60/40 in terms of active and passive. The active sleeve is split across global equity mandates with Longview and Baillie Gifford, as well as impact equity strategies managed by Wellington and WHEB. The passive, or systematic, sleeve is split between two ESG systematic/smart beta strategies, one with Storebrand, and the other with Osmosis (implemented by UBS).
- Absolute return mandates are held with Newton and Ruffer and allow managers to flexibly alter allocations to a variety of underlying asset classes based on specific market conditions.
- The Fund’s property mandate is held with Schrodgers, with a ‘fund of funds’ approach adopted, adding an additional layer of diversification to the mandate. As noted above the Fund may seek to add additional property exposure via another mandate(s) in the near future.

- Corporate bonds, absolute return credit and commercial real estate debt mandates are managed by M&G, while the Fund's passive index-linked gilts mandate is held with UBS. As noted above, during 2022, the Fund agreed the decision to add an additional credit mandate managed by BlueBay with the expectation this will be implemented on the ACCESS pool in the coming months.
- The Fund's infrastructure holdings are split between M&G, UBS, Pantheon (all unlisted) and ATLAS (listed) and most recently IFM (unlisted), who adopt varying styles and focus areas.
- Private equity mandates are split between Adams Street and HarbourVest.

The Fund has the following objectives for its investment managers:

- Each (active) manager delivers on its objective, net of fees.
- Each mandate adds a layer of diversification and offers different qualities to the Fund, through varying approaches and focus areas (geographic and sectoral).
- Consider all financial and non-financial risks and considerations including Environmental, Social and Governance (ESG) factors (including but not limited to climate change).

Ultimately the Fund seeks to deliver an appropriate level of return, relative to the risk taken.

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 scheme's assets in compliance with the custody agreement.
- Providing quarterly valuations of the scheme's 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.
- Providing monthly performance calculations of the Fund and individual investments.

Investment Allocations pooled and un-pooled

Mandate	Q1 2022 (£m)	Actual (%)	Target (%)	Q1 2023 (£m)	Actual (%)	Target (%)
Pooled Investments						
Link ACS Funds						
ACCESS - Global Equity (Longview)	525.6	11.2%	10.0%	555.7	12.2%	10.0%
ACCESS - Global Alpha (Ballie Gifford)	197.4	4.2%	5.0%	187.3	4.1%	5.0%
ACCESS - Absolute Return (Ruffer)	537.8	11.5%	10.0%	478.9	10.5%	10.0%
ACCESS - Real Return (Newton)	498.4	10.7%	10.0%	340.9	7.5%	7.0%
ACCESS - Sterling Corporate Bond (M&G)	148.9	3.2%	3.5%	123.6	2.7%	3.5%
ACCESS - Alpha Opportunities (M&G)	287.7	6.2%	7.0%	293.2	6.4%	7.0%
Total Link ACS Funds	2,195.8	47.0%	45.5%	1,979.6	43.4%	42.5%
ACCESS Passive Manger						
UBS - 5yr ILG	135.0	2.9%	3.0%	93.7	2.1%	0.0%
UBS - Osmosis Resource Efficient Core Equity (ex-FF)	238.2	5.1%	5.0%	236.8	5.2%	5.0%
Total Access Passive Manager	373.2	8.0%	8.0%	330.5	7.3%	5.0%
Total Pooled Investments	2,569.0	55.0%	53.5%	2,310.1	50.7%	47.5%
Non-Pooled Investments						
Equities (passive):						
Storebrand - Global ESG Plus	510.3	10.8%	10.0%	501.2	10.9%	10.0%
Equities (active):						
Wellington - Global Impact	237.5	5.1%	5.0%	221.8	4.9%	5.0%
WHEB- Sustainability	230.1	4.9%	5.0%	221.8	4.9%	5.0%
Total Equities	977.9	20.8%	20.0%	944.8	20.7%	20.0%
Other Investments:						
Schroder - Property	402.2	8.6%	10.0%	345.7	7.6%	11.0%
IFM - Infrastructure	-	-	-	234.1	5.1%	5.0%
M&G - Infrastructure	42.4	0.9%	2.0%	53.0	1.2%	1.0%
Pantheon - Infrastructure	62.4	1.3%	2.0%	81.2	1.8%	2.0%
UBS - Infrastructure	35.8	0.8%	2.0%	36.3	0.8%	1.0%
Atlas - Infrastructure	96.0	2.1%	2.0%	100.9	2.2%	2.0%
Adams Street - Private Equity	206.0	4.4%	2.8%	195.7	4.3%	2.8%
HarbourVest - Private Equity	167.7	3.6%	2.7%	179.5	3.9%	2.7%
M&G Real Estate Debt VI	39.7	0.8%	3.0%	43.0	0.9%	5.0%
Cash account	77.9	1.7%	0.0%	35.5	0.8%	0.0%
Total Other Investments	1,130.1	24.2%	26.5%	1,304.9	28.6%	32.5%
Total Non-Pooled Investments	2,108.0	45.0%	46.5%	2,249.7	49.3%	52.5%
Total	4,677.0	100.0%	100.0%	4,559.8	100.0%	100.0%

An analysis of fund assets, by geography, as at the reporting date of 31 March 2023

	UK £m	Non-UK £m	Global £m	Total £m
Equities	10	226	1,789	2,025
Bonds	511	-	-	511
Property (direct holdings)	-	-	-	-
Alternatives	372	-	779	1,151
Cash and cash equivalents	14	41	-	55
Other	-	-	819	819
Total	907	267	3,387	4,561

An analysis of investment income accrued during the reporting period 2022/23

	UK £000	Non-UK £000	Global £000	Total £000
Equities	376	4,618	19,583	24,577
Bonds	8,904	-	-	8,904
Property (direct holdings)	-	-	-	-
Alternatives	12,474	-	7,060	19,534
Cash and cash equivalents	881	907	-	1,788
Other	-	-	18,865	18,865
Total	22,635	5,525	45,508	73,668

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

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

Mandate	1 year fund	1 year benchmark	Relative*	3 year fund (p.a)	3 year benchmark (p.a)	Relative*	5 year fund (p.a)	5 year benchmark (p.a)	Relative*
Pooled Investments									
ACCESS - Global Equity (Longview)	5.72%	-0.99%	6.72%	17.97%	16.51%	1.46%	10.40%	10.33%	0.07%
ACCESS - Global Alpha (Ballie Gifford)	-5.13%	-1.43%	-3.70%	-11.65%	0.97%	-12.62%	-	-	-
ACCESS - Absolute Return (Ruffer)	0.24%	5.23%	-4.99%	9.75%	3.60%	6.14%	6.63%	3.35%	3.29%
ACCESS - Real Return (Newton)	-3.54%	5.23%	-8.77%	5.04%	3.60%	1.43%	3.74%	3.31%	0.42%
ACCESS - Sterling Corporate Bond (M&G)	-16.94%	-16.82%	-0.12%	-5.01%	-5.66%	0.65%	-1.48%	-2.13%	0.66%
ACCESS - Alpha Opportunities (M&G)	1.91%	5.73%	-3.82%	6.85%	4.10%	2.75%	3.03%	3.81%	-0.78%
UBS - 5yr ILG	-30.54%	-30.44%	-0.10%	-9.26%	-9.22%	-0.05%	-4.16%	-4.13%	-0.03%
UBS - Osmosis Resource Efficient Core Equity (ex-FF)	-0.48%	-0.99%	0.51%	3.62%	3.99%	-0.36%	-	-	-
Non-Pooled Investments									
Storebrand - Global ESG Plus	-1.80%	-0.99%	-0.81%	6.71%	8.34%	-1.62%	-	-	-
Wellington - Global Impact	-6.75%	-1.43%	-5.32%	1.21%	6.43%	-5.22%	-	-	-
WHEB- Sustainability	-3.59%	-0.99%	-2.60%	0.57%	8.07%	-7.50%	-	-	-
Schroder - Property	-11.51%	-14.49%	2.98%	3.11%	2.56%	0.55%	2.61%	2.50%	0.11%
IFM - Infrastructure	1.78%	1.88%	-0.10%	-	-	-	-	-	-
M&G - Infrastructure	11.63%	12.07%	-0.44%	9.72%	7.89%	1.83%	8.84%	6.38%	2.46%
Pantheon - Infrastructure	22.64%	12.07%	10.56%	13.91%	7.89%	6.02%	10.80%	6.16%	4.63%
UBS - Infrastructure	14.41%	12.07%	2.34%	-0.41%	7.89%	-8.30%	2.99%	5.81%	-2.82%
Atlas - Infrastructure	5.18%	-1.19%	6.36%	10.84%	8.25%	2.60%	-	-	-
Adams Street - Private Equity	-8.48%	0.15%	-8.62%	24.85%	17.06%	7.79%	21.16%	11.06%	10.10%
HarbourVest - Private Equity	1.94%	0.15%	1.80%	24.75%	17.06%	7.69%	21.83%	11.06%	10.78%
M&G Real Estate Debt VI	-1.31%	6.74%	-8.05%	1.95%	5.11%	-3.16%	1.70%	5.06%	-3.36%
Cash account	1.98%	2.40%	-0.42%	-2.37%	0.84%	-3.22%	-0.88%	0.75%	-1.63%
Total	-2.50%	-1.06%	-1.45%	9.58%	9.19%	0.39%	6.21%	5.65%	0.56%

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

[1] Since inception figures used where full data for a period is not available.

13. Responsible Investment

Responsible Investment (RI) is an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and to generate sustainable, long-term returns (according to Principles for Responsible Investment). Stewardship is the responsible allocation and management of capital across the institutional investment community to create sustainable value for beneficiaries, the economy and society

Task Force on Climate-related Financial Disclosures (TCFD)

The Financial Stability Board created TCFD to improve and increase reporting of climate-related financial information in 2015. The Fund committed to reporting under TCFD in its Statement of Responsible Investment, this RI report follows the principles and reporting requirements of TCFD.

TCFD is structured around four thematic areas of Governance, Strategy, Risk Management and metrics and targets.



The Fund support the TCFD recommendations to provide a framework to communicate the steps the Fund is taking to manage climate related risks. Below the Fund try to report against these core elements to report against these disclosure requirements. Where the Fund has gaps in reportable data, this is highlighted in the sections, with a plan on how this will be progressed in future years reporting.

The Department for Levelling Up, Housing and Communities (DLUHC) ran a Local Government Pension Scheme (England and Wales): Governance and reporting of climate change risks. The purpose of this consultation was to seek views on proposals to require Local Government Pension Scheme (LGPS) administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). The consultation ran from 1 September 2022 to 11:45pm on 24 November 2022. This has provided some insight into the direction of travel that DLUHC is expecting LGPS Funds to respond to the TCFD reporting. We are currently awaiting the outcome of the consultation to plan to comply with this in full.

Governance

The East Sussex Pension Fund is part of the Local Government Pension Scheme (LGPS) and the purpose of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, on a defined benefits basis. East Sussex County Council (ESCC) is the administering authority for the Fund, under the Council's Constitution the Pension Committee has delegated authority to exercise the powers in respect of the management of the Fund. The Fund is neither owned nor controlled by ESCC, Fund assets are earmarked for pension payments and ringfenced from 'Council Money'. There are around 140 employers and more than 84,000 members, whose pension payments are funded by through employer and member contributions and investment returns. The Pension Committee (the Committee), comprising elected councillors, is responsible for Fund oversight and policy setting.

The Committee are responsible for agreeing the Investment Strategy Statement, climate change strategies, the responsible investment of the Fund, and report on these activities.

The Pension Committee receive assistance in performing these functions via:

- Pension Board – help with effective governance and ensuring compliance with the regulatory requirements.
- Chief Finance Officer – Scheme administration, including governance and investment implementation
- Head of Pensions – ensuring committee decisions are implemented
- Investment Consultants – provide expert investment advice in line with regulatory requirement for proper advice. This is an FCA regulated firm.
- Independent Advisor – provides challenge to the Investment recommendations and supports the Committee in understanding of Investment activities
- Fund Actuary – to provide information to the Fund on its solvency position and how climate change and other investment risks can impact the liabilities of the Fund
- ESG Data advisers – to provide an analysis of carbon footprint of the liquid portfolio holdings and extent of energy transition plans within underlying holdings

The Committee has focused a substantial amount of time to develop its understanding and response to the ESG impacts that it is facing. This work has driven the Fund into codifying its beliefs in this area. The Fund believe that RI supports the purpose of the LGPS, and that climate risk does pose a material financial risk to the Fund. Responsible investment is therefore a substantial factor driving returns alongside other investment considerations.

As RI and climate risk is a driving factor in the value of the Fund's assets and long-term return expectations in line with the Funds Investment Strategy Statement and Funding Strategy Statement to keep the Fund in surplus, the Committee set out a Statement of Responsible Investment Principles (SRIP) which is published within the Fund's Investment Strategy Statement (ISS) and is available on the Fund website www.eastsussexpensionfund.org/resources.

The SRIP explains the Funds approach to the oversight and monitoring of the Fund's investment activities from a Responsible Investment (RI) and Stewardship perspective.

The Principles that are set out in detail within the SRIP are:

Principle 1	We will incorporate ESG issues into investment analysis and decision-making processes.
Principle 2	We will be active owners and incorporate ESG issues into our ownership policies and practices.
Principle 3	We will seek appropriate disclosure on ESG issues by the entities in which we invest.
Principle 4	We will promote acceptance and implementation of the principles within the investment industry.
Principle 5	We will work together to enhance our effectiveness in implementing the principles.
Principle 6	We will each report on our activities and progress towards implementing the principles.

ESG factors and climate risk are taken into account by the Investment Implementation Working group to ensure all investment decisions have ESG and climate risk embedded at the outset, rather than a secondary consideration. The Committee believes that well managed companies provide long-term value creation and that the Fund's beneficiaries will benefit from strong investment returns and improve the Funds overall funding position, which keeps the pensions scheme affordable in terms of employer contribution rates. Performance of all investment are monitored and reported quarterly.

Investment Managers are expected to report on performance, engagement and voting activity quarterly to the Fund and its advisers. The Fund then consider

- How managers have integrated ESG in their investment activities
- How managers have exercised the Funds voting rights and to explain where there is deviation from voting guidelines or voting alerts from the LAPFF.
- What engagement activities have been completed in the quarter.

The Fund carry out meetings with investment managers in addition to the ongoing review and engagement that the investment consultant carried out for the fund to ensure the managers are complying with the requirements on them set by the Fund and ability of the manager to invest in the best interest of the Fund beneficiaries. During direct manager meetings with the Fund discussions take place on voting and engagement, rationale of specific holdings to understand physical and transition risk as well as transparency of the Funds exposure to carbon emissions and other ESG data sets.

The Fund report the stewardship activity of the investment managers and that of the Fund in a quarterly ESG report and an annual stewardship report and is a signatory to the FRC Stewardship Code in 2022, a copy of the report can be seen on the Funds website at <https://www.eastsussexpensionfund.org/media/gvynzxjj/stewardship-report-east-sussex-pension-fund.pdf>.

In addition, the Fund publish an implementation statement within its annual report to show how its approved RI beliefs have been embedded within the Funds investment activities.

All of the Funds investment managers are assessed in relation to ESG issues through an ESG and climate impact assessment report on an annual basis by the Fund's investment consultant with an action plan set out for each manager which will be updated annually as part of the review.

The Fund invests through investment managers who carry out detailed research on the prospects for individual companies and industries and have access to company management. On selection of an investment manager the Fund ensure the manager is aligned with the same stewardship beliefs as the Fund with a detailed set of evaluation criteria for ESG and Stewardship.

The Committee review and discuss its risk register quarterly where climate risk is a separately identified risk in addition to ESG risk, with mitigations through the Funds climate strategy.

Knowledge and skills of officers and the Committee are integral to the governance and effective oversight of climate risk within the Fund. Training opportunities are provided to Committee Members and Fund officers to ensure decision makers and those that implement and monitor investment activity understand how their stewardship responsibilities can be implemented, understanding risks and responsibilities. Training for the Fund is laid out in the Funds training strategy which is reviewed every two years. The Fund has a training and investment strategy review day embedded into the annual meeting plan in addition to Committee meetings. New Committee members are given an induction programme to help develop knowledge understanding of all their responsibilities and training links and details are provided at least monthly by the Funds designated training officer. Training is picked up at all Pension Committee and Pension Board meetings through the work plan and a report on training is covered twice a year.

A priority for the Fund is to ensure investments can withstand climate risks, including both transition and physical climate risks, and to invest for the future with confidence. **As a result of this the Fund has conducted four years of carbon foot printing and the last three years included integrated energy transition plans into a key metric.** In addition, the Fund reviews the exposure to specific Fossil Fuel companies engaging with the investment managers where these positions are held to understand the engagement activities with those companies and the rationale for positioning those companies in the portfolio. Whilst acknowledging that Fossil Fuel companies have intense carbon emissions, the Fund believe they have a part to play in the energy transition pathway; also recognising that emissions can be intense in other sectors, and climate change risks effects all sectors and geographical regions. The Fund plan on carrying out climate scenario analysis of various warming scenarios in the future to further understand the climate risks of the investment strategy.

The Fund is guided by the legal principle of fiduciary duty in creation and implementation of the investment strategy and has stated that it recognises climate risk as a material financial risk to the Fund. Guidance on our fiduciary responsibilities is provided by the Scheme Advisory Board, which took legal advice on this matter (<https://lgpsab.scot/fiduciary-duty-guidance/>).

A holistic whole portfolio approach to overall climate risks has been taken by the Fund which is backed up by set of ESG beliefs and robust Statement of Responsible Investment Principles. As well as mitigating risks through the changes to the investment strategy the Fund has also identified that there are also many investment opportunities to be found from new technology and solutions to climate change. In addition, the Fund recognises companies that effectively manage resources including Carbon, Water and Waste and have strong ESG approaches are often well managed high performing companies.

Strategy

The Fund has recognised that Climate risk is a financial risk to the Fund, both through its investments and impacts to liabilities and funding position. The investment risks identified to date around the climate impacts on the Fund have been around the structure of the Fund's investments, namely the use of passive investments and the transition from a fossil fuel based global economy to a carbon free economy. The Fund made significant changes in the structure of its investment strategy through 2021 and 2022, to remove any unconscious exposure to climate risk inherent within its large traditional market capital based passive equity investments.

The Funds strategic analysis of its climate risk also identified that the Fund could benefit from increasing its exposure to sustainable investments designed to benefit from or contribute to the transition from a fossil fuel economy to a carbon free economy.

This work helps to solidify the Fund's belief that ESG opportunities may be found in impact funds investing in companies whose profits are derived from providing solutions to some of the World's more serious environmental, sustainability, demographic, and social challenges e.g., cleaner products and processes, renewable energy, health, nutrition, sustainable agriculture, shelter, clean water, and sanitation etc. Where successful, such companies would be expected to exhibit above average long-term growth characteristics.

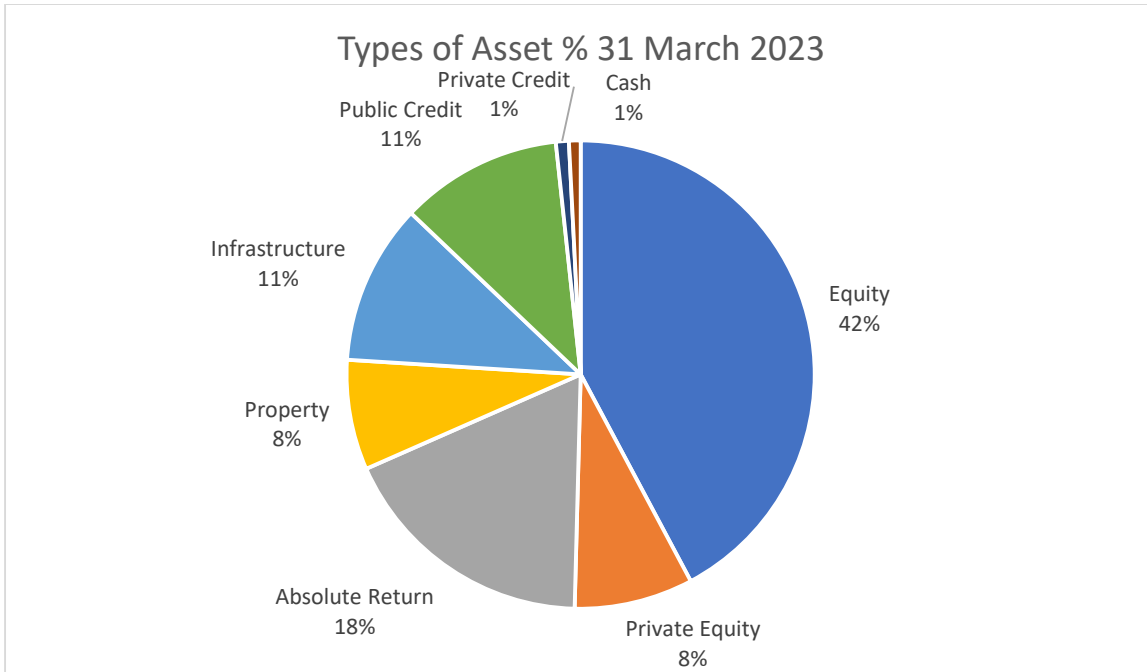
The Fund does not directly invest in any specific company; instead, it invests through a combination of holdings in passive index funds and in pooled funds through active investment managers who take considered choices over the underlying companies it invests in with a looking at the financial resilience and return possibilities as well as the ESG credentials of a company.

Climate risk

The Funds investment strategy crosses a wide range of types of investment each of which will have different climate risks. Climate risk to the fund is through both physical risk and transition risk.

Physical Risk	More frequent or severe weather events – flooding, storms, droughts, wildfires, chronic heatwaves, sea level rise
Transition Risk	Changes to less polluting greener economy – loss of asset value in hard to abate industries or as a result of policy constraints on activities of a business, increased costs of business supply chains, loss of access to materials, regulatory tax penalties

The Funds investment strategy showing the types of assets is shown in the chart below.



Climate risk can impact on all these asset types. For example, in the property allocation there may be physical risk with buildings in areas that may have an increased chance of flooding with extreme rainfall or sea level rises; or transition risks through the cost of retrofitting buildings with heat pumps or hydrogen boilers to replace gas heating systems. Or for example, a port within an Infrastructure portfolio would be affected by atmospheric and marine hazards leading to operational shutdowns and subsequent financial losses. A global equities portfolio for example could include shares in an agricultural company, a technology company or even an energy provider. Each company would face different climate risks; either to their physical geographical location, to supply chain costs and failures or regulatory or policy risk imposing penalties or restrictions to operations.

As a result of the wide-reaching climate risks, the Fund takes a holistic view of its investments rather than focusing on a single company sector and focuses on the quality and ability of the investment manager teams who carry out the detailed research for selection of the underlying companies in the portfolio. To do this the Fund undergo due diligence on the selection of a manager; meet and communicate with managers throughout the year to discuss company holdings, decisions, performance, and team structures; carry out annual carbon foot printing which also considers companies energy transition plans; carry out an annual ESG assessment of all investment managers within the portfolio. The 2022 triennial valuation has taken into account climate risk and considered a range of scenarios to understand the potential risk to liabilities. The Fund has not yet carried out climate scenario analysis of the investment portfolio.

The Committee were clear in the inevitability that the transition from a fossil fuel to a carbon free economy will occur and that traditional market capitalisation indexes are designed to succeed if the old fossil fuel economy persists. The need to be able to access and provide capital to those companies that were looking to benefit to and from the transition was regarded as a priority for the Fund.

To address these risks and opportunities the Fund restructured its equity positions in 2021 by removing traditional passive equity investments. Within listed equities, by the end of 2021/22 the Fund had no exposure to fossil fuels and a significantly lower carbon footprint than mainstream investment indexes.

The listed equity allocation which was 40% of the Strategic Asset Allocation, making up a large portion of investments. Instead, the Fund's investment strategy was to invest 10% into a Paris aligned smart beta, 5% in a resource efficient index fund which excluded fossil fuels, invest 10% into active impact and sustainability managers investing in energy transition solutions and green revenues. Of the remaining 15%, 10% is invested in the Funds global equity manager who has a low carbon footprint due to no investment in energy and materials companies and 5% in a global Paris aligned active equity mandate.

The Fund consider engagement with companies to align their businesses to aspects such as corporate governance standards, ensure best practice in labour force policies or alignment with the Paris agreement on climate related emissions. A list of the Funds collaborative engagement partners is listed further below, and the Fund publishes reports on engagements and voting each quarter on its [website](#).

Climate opportunities

The Fund has a belief that there are also climate opportunities available to invest in which will benefit and drive the energy transition. For example, companies which improve resource efficiency in relation to energy usage, water and waste management can lead to cost savings and competitive advantages and result in better run business. Where companies are making investment into innovation in technology not only will this assist with the energy transition it will provide further transmissible benefits, such as with the development of electric vehicles will also improve air quality in towns and cities. The advances in LED technology not only reduces the energy for lighting but also don't contain harmful metals such as lead or mercury and the manufacturing process is a lot cleaner than with other bulbs. Other opportunities can include investment in renewable energy sources such as solar, wind, biofuels as to meet global reduction targets energy generation source needs to move to clean energy sources and away from burning of fossil fuels.

The Fund has taken substantial measures to better align itself with the challenges of climate change and the energy transition and is considered one of the leaders in this space in its actions. These actions include investing 25% of the equity funds, or £508m, in Impact Managers who select companies whose core products or services achieve a positive impact on the environment or socially, or those companies that provide solutions to sustainability challenges. In addition, the Fund removed traditional passive index equity exposure (where there is unconscious exposure to a company) moving half of this to a fossil-free smart beta equity strategy that aims for long-term alignment with the Paris Agreement goals and exhibits lower carbon risk with climate solutions and higher ESG scores than the world index. The other half has invested into a resource efficient index that focuses on companies that more effectively manage carbon, water and waste while excluding fossil fuel companies.

Future actions

The Fund is looking to further develop its understanding of climate risk and opportunity within the portfolio and is committed to developing Climate Scenario stress tests to layer up our understanding of climate risk and allow us to assess our investment strategy against these. Whilst bearing in mind that scenario testing also depends on the quality of the underlying data, and this is still evolving.

The Fund has made allocations to deploy future commitments to infrastructure that minimises climate risk whilst taking appropriate investment risk and suitable returns or looking at opportunities from renewable and other new technologies. An investment into a multi-asset credit sustainable mandate this will look to achieve a total return from investments in higher yielding fixed income asset classes through active security selection, asset allocation and capital preservation techniques, combined with environmental, social and governance (ESG) criteria. The product will exclude issuers who are exposure to a range of activities

including controversial weapons, thermal coal and fossil fuels. Developing the funds private credit investments strategy and how to incorporate sustainable investment into this asset class.

The Fund will be reviewing its investment strategy statement and statement on responsible investment principles. This will ensure that the Fund is keeping these up to date with best practice and improving practices.

The Fund will be producing a report on the efficacy of engagement with or divestment from fossil fuel investments.

Maintain stewardship code signatory status by producing a 2023 stewardship report. Provide the PRI the with the information required in their return to identify and improve weaknesses in our practices and policies and ensure we are considering where we diverge from others with our activities.

The Fund will continue to use engagement as our primary tool to our climate strategy, via membership of PRI, LAPFF, a seat on IIGCC Corporate Programme Advisory Group. The Fund also encourages all its managers to be members of these organisations. The Fund utilise the Transition Pathway Initiative data and third party ESG reports to focus the engagement with managers. Along with this there will be an annual review of the ESG credentials of our managers to strengthen the understanding of their processes and ensuring these align with the Fund.

Risk management

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

The Fund has a detailed Risk Management process in place which is documented in the Fund's Risk Management Policy. A Risk Register is reported to Pension Committee and Pension Board quarterly for review and consideration, identifying the risk and the mitigations in place.

As part of the risk register the Pension Fund have specifically recognised Climate risk and details the risk and mitigations in place to manage this in the quarterly report. The identified aspects of climate risk are outlined below including mitigations in place. Once climate scenario modelling has been completed by the Fund the risks will be updated with any additional findings.

Possible trigger of climate risk on the Fund

- Uncertainty in energy transition impacts and timing
- Risk of stranded assets where invested in fossil fuel companies
- Lack of reliable carbon measurement data for investment pooled funds and or underlying holdings of those pooled funds.
- Risk of natural disasters on underlying investments
- Risk of changes in oil prices leading to underperformance from low exposure to the sector
- Increased capital costs of underlying investment companies to transition to greener energy solutions or lower carbon emitting supply chain models and production methods
- Fines or penalties incurred by underlying holdings by company or sector
- Increased global temperature and or erratic climate events causing devastation to underlying holdings
- Social consequence on members welfare and longevity within the fund
- Breach of law in taking political action over fiduciary duties

Possible consequences of climate risk on the Fund

- Unconscious exposure to high carbon emitters
- Reputation issues around how the Fund is progressing the move to a decarbonised global economy.
- Volatile investment returns
- Reputational risk where Climate risks, reporting, mitigations and strategies are not aligned with member views or poorly communicated
- Loss of income to the Fund from missed opportunities in oil price rally to accommodate the infrastructure to enable the world to comply with the energy transition
- Loss of market value
- Major ecological disaster in the UK could lead to increased mortality quicker than anticipated within the funding models impacting on cash outflows and increased workloads for lump sum payments.
- Possible increase to ill health retirement cases leading to a change in cash flows and possible enhancements beyond those anticipated
- Loss of investment returns / underperformance from absence of Fossil fuel companies in equity mandates in oil price raise

Mitigations the Fund has put in place to try to reduce impact of the climate risk

- Statement of Responsible Investment Principles (SRIP) outlines investment beliefs including Climate Risk. The Fund take the SRIP into account for implementation of decisions and monitoring of investment managers, carbon emissions and climate risk to the Fund
- Investment Working Group and ESG working group consolidated into a single group to ensure ESG is in the heart of all investment decisions
- Restructuring of the equity portfolio removed structural exposure to fossil fuel companies to avoid high risk companies from a climate perspective
- The Fund are able to exploit opportunities from the low energy transition by investing in climate impact funds and resource efficient companies
- The Fund has trimmed unconscious exposure to companies with high Carbon emission, poor energy transition plans and or fossil fuel companies, through removal of traditional index funds
- Member of Institutional Investors group on climate change (IIGCC), the Fund also expects its managers to be IIGCC members
- The Fund carries out annual carbon foot printing to better understand the carbon exposure and energy transition plans within the portfolio. Additionally, the Fund carries out ESG impact assessment of all investment managers which includes a climate score.
- Signatory to UN PRI with first planned submission in 2023 (as no 2022 submission window)
- Commitment to report TCFD's with a first attempt published in the 2021 Annual Report
- The Fund has planned for climate scenario modelling which will help better understand this risk and allow further consider approaches in tackling these risks
- Where exposed to fossil fuels, the Fund uses its vote to drive engagement and improved practices. A number of Fund managers are Climate 100+ engagement partners, leading on this work with top emitting companies, while all managers are IIGCC members for collaborate weighting of AUM to influence action. Managers have escalation plans for when engagement is not effective which includes disinvesting from the high carbon or fossil fuel company.
- Focus on Climate change through training to committee and officers
- Focus on Climate Change in decision making and strategy changes

- Immaterial impact to the Fund value from direct exposure to fossil fuel companies in the instance of carbon taxes, valuation falls or stranded assets due to the underweight, very low exposure to this sector and no structural allocation of these companies.

Physical Climate Risk

Property Investments

The Schroders Capital Team Estate Partnership Funds element of the Funds property portfolio has been assessed under a climate risk analysis for which constitute approximately 42% of the Funds property investment. This climate risk assessment profiles a range of climate risks at the asset and portfolio level. 243 assets have been assessed over 19 individual risk indicators. Risk scoring only assesses the micro location of the asset rather than the asset in terms of resilience energy efficiency water usage or mitigations put in place such as flood protection.

Physical risks from climate change across Schroders Capital Partnership Funds

Acute Shocks	Average	Min	Max
Drought Hazard	5.1	4.0	7.7
Extra-tropical Cyclone Hazard	5.7	2.3	6.8
Severe Storm Hazard	8.6	7.7	10.0
Wildfire Hazard	8.6	8.3	9.2
Landslide Hazard	9.4	8.3	10.0
Flood Hazard	9.4	7.7	10.0
Coastal Flood Hazard	9.6	3.7	10.0
Tropical Storm and Cyclone Hazard	9.9	9.8	10.0
Tsunami Hazard	10.0	10.0	10.0
Chronic Stresses	Average	Min	Max
Heating Degree Days (current climate)	3.2	2.6	3.4
Heating Degree Days (future climate)	3.5	2.9	3.7
Water Pollution	3.9	2.5	7.2
Water Stress	4.8	2.7	8.8

Heat Stress (future climate)	5.7	5.6	5.9
Heat Stress (current climate)	6.0	6.0	6.2
Air Quality	7.4	6.8	8.5
Sea Level Rise	9.8	6.8	10.0
Cooling Degree Days (future climate)	9.9	9.8	10.0
Cooling Degree Days (current climate)	10.0	10.0	10.0

The identification of these risks helps the manager assess potential risk of location but also the risk to property in the UK. The Fund managers highlights they are on average well located for acute physical risks which arise from events; however, drought, coastal flooding and winter storms may pose high levels of risk to some locations. Chronic stresses which arise from longer term shifts in climate patterns, reflect a high risk of investment locations to increases in heating degree days, water stress and water pollution.

The next step for climate related risk identification will look at the strategic assessment of resilience of assets exposed to high-risk locations.

Metrics and targets

Liquid Asset Classes

The Fund has used a third-party provider Moody's (previously known as Vigeo Eiris) to undertake comparative analysis of the Fund's equity, fixed income, and absolute return managers carbon foot printing (carbon footprint is the measure of the volume of carbon dioxide (CO₂ eq.) emitted by issuers) and energy transition (the shift from a carbon-based economic model to a green and sustainable one) metrics.

This foot printing covers 75% of assets under management at an investment manager level within the Fund's portfolio, however the analysis does not cover the full portfolio for each investment manager. The actual coverage of the Moody's footwriting covers 67% of Fund investments.

For the purpose of the analysis performed by Moody's this only take into consideration Scope 1 and 2 emissions not Scope 3 where these are defined as:

Scope 1 covers direct GHG emissions from sources that are owned or controlled by the issuer.

Scope 2 covers indirect GHG emissions caused by the organisation's consumption of electricity, heat, cooling or steam purchased or brought into its reporting boundary.

Scope 3 covers other indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions. The table below details the high-level scores that the Fund's managers achieved.

Listed Global Equity – 43.5% of Fund Assets

The Fund have six listed equity managers, four active and two index based making up 43.5% of the portfolio as at 31 March 2022. All six portfolios are included in the metrics information within the Moody's carbon footprinting report and all mandates exclude fossil fuel companies.

Absolute/Real Return – 22.1% of Fund Assets

The Fund have two Absolute / Real Return managers, which make up 22.1% of the portfolio as at 31 March 2022. These mandates are unrestricted as to what the managers can invest as they provide a defensive response for the Funds portfolio in the time of market volatility and uncertainty. These mandate are in place to reserve capital. Both managers have strong engagement and stewardship approaches and are both members of the Net Zero Asset Managers Initiative and climate action 100+ as engagement leads.

Fixed Income – 12.2% of Fund Assets

The Fund have two Fixed Income portfolios managed by a single investment manager M&G which are both covered by the carbon foot printing analysis making up 12.2% of the portfolio as of 31 March 2022. These mandates are both invested through the ACCESS LGPS pool. The manager is a member of IIGCC and Climate Action 100+. M&G made two commitments in 2020 to focus efforts for a sustainable future including tackling climate change. These are to reach net zero carbon emissions on our total book of assets under management and administration by 2050, in line with the Paris Agreement, and as company, to reduce their own carbon emissions to net zero by 2030.

Carbon foot printing Summary

The below table shows the headlines scores for each investment manager mandate included in the scope of work and the direction of travel from the 2020/21 results.

Manager	Mandate	Carbon Footprint 2022	Carbon Footprint 2021	Evolution	Energy Transition 2022	Energy Transition 2021	Evolution
UBS	UK	X	High	X	X	47	X
UBS	Europe Ex-UK	X	High	X	X	53	X
UBS	North America	X	High	X	X	37	X
UBS	Rest of World	X	High	X	X	32	X
M&G	Absolute Return	High	High	↘	46	45	↗
M&G	Corporate Bonds	High	High	↗	56	53	↗
Newton	Absolute Return	High	High	↗	49	44	↗
Ruffer	Absolute Return	High	High	↗	47	44	↗
Longview	Global Equity	Significant	Significant	↗	40	39	↗
Atlas	Infrastructure Fund	High	High	↘	43	41	↗
Storebrand	Climate Passive	High	High	↘	47	44	↗
Wheb	Impact Fund	High	High	↘	36	31	↗
Wellington	Impact Fund	Significant	Significant	↘	40	38	↗
Baillie Gifford	Alpha Equity	High	X	X	33	X	X
Osmosis	Resource Efficient Core Equity	High	X	X	45	X	X

The scores have been classified by the bandings in the table below.

The carbon footprint is calculated using the weighted average carbon footprint (the sum of the portfolio's companies' emissions weighted by their weight in the portfolio), or it can be view as the emissions of the average company in the portfolio. This is used as it is providing a figure that is genuinely comparable between different managers.

Scale	Emissions (t CO2 eq)	Categories
A	Under 100,000	Moderate
B	Between 100,000 and 1,000,000	Significant
C	Between 1,000,000 and 10,000,000	High
D	Over 10,000,000	Intense

The energy transition score is a combination of the Moody's scores for each company in a portfolio's energy transition strategy based on specific criteria tied to climate change such as commitments made, information being disclosed and the meeting of commitments. This is a subjective score of issuers' energy transition strategy based on Moody's Research.

Scale	Energy Transition Score	Categories
++	60-100	Advanced
+	50-59	Robust
-	30-49	Limited
--	0-29	Weak

Unlike the carbon footprint, which is an expression of past performance, the energy transition score looks to express a company's forward-looking strategic approach to mitigate its carbon footprint through visible commitments and concrete measures. A company's ET score is to be put in perspective with its carbon footprint, it would be expected for a high emitting company to consider their energy transition strategy more and would look to have a robust/advanced score in this area, which would show that they have implemented concrete measures towards energy transition, to mitigate their carbon footprint. Some low-emitting companies are less transparent on their transition plans, as they might consider the issue to be less material to them and it is expensive to measure and report on the transition.

In addition to these high-level indicators each mandate has its own bespoke to report which also looks the following metrics.

- Total financed emissions
- Financed emissions per £m invested
- Weighted average carbon footprint
- Carbon intensity per sales (millions of £)
- Weighted average carbon intensity
- Energy Transition Strategy score
- Sector allocation effect on performance attribution
- Issuer selection effect on performance attribution

Asset coverage and estimation

The Carbon foot printing carried out by Moody's has now been completed for three consecutive years. The holdings assessed are lower than the Fund's portfolio coverage by Moody's as the adviser was not able to establish a carbon data for some holdings under management. The coverage is much higher in equity mandates compared to Fixed Income mandates.

	March 2020	March 2021	March 2022
% of portfolio covered in foot printing	72%	76%	75%
% of holdings assessed in foot printing	65%	70%	67%

The carbon data provided by Moody's to the Fund is provided by the CDP and completed with other company sources collected by Moody's ESG Solutions. When no data is available from any source, the analysts build a carbon footprint estimation relying on the size of the issuer and the nature of its activities through three different methods: regression models, sector specific physical factors and sector averages.

The Fund does recognise that Carbon footprinting does need to be considered with some caveats in that there is no hard and fast method to carry to monitor and assess carbon emissions of underlying investments portfolios, this is a relatively new data source and is measured differently by different suppliers. In addition, carbon footprinting is often reliant on information publicly available provided by the underlying company themselves. Over time as carbon emission data and monitoring improves it may be the position of the Fund looks worse, as a result understanding of the model and quality of data is important when assessing the Fund's portfolio.

Carbon footprint reports take no consideration of engagement activity of investment managers. All of the Funds listed managers are Institutional Investor Group for Climate Change (IIGCC) members and some of the managers have engaged intensively with high carbon emitting companies as part of Climate Action 100+. The Fund believes alongside many of its managers that it is essential as an active investor to influence companies through voting and engagement to drive the energy transition forward.

Opportunities and positive factors

The carbon footprinting report identifies how much each mandate has invested in positive impact factors such as green bonds, green goods and green services as well as negative impact factors such as exposure to fossil fuels and coal.

The value of positive impact factors for the three reported periods are showing green holdings double the 2020 levels in 2022.

	March 2020	March 2021	March 2022
£m in green investments	149.00	332.02	354.56

Emissions and Carbon footprint changes

The Fund has collated the weighted average carbon footprint of each individual mandate covered by this data and looked at the weighted average carbon footprint of the fund for comparison of emissions over the years where data is available, which is shown in the table below.

	March 2020	March 2021	March 2022
Portfolio coverage	65%	70%	67%
Weighted average carbon Footprint	73,245,849	52,472,322	33,096,566
Average Energy Transition Score	42.05	42.33	44.25
Total Financed Emissions	645,341	568,057	483,538

Looking at the Weighted Average Carbon Footprint in 2022 the Funds managers ranged from 296,723 to 6,916,201, the total aggregated carbon footprint for the Fund was 33,096,566. This is a reduction in average carbon footprint of 55% from the March 2020 emissions footprint to the March 2022 emissions footprint. Looking at total financed emissions the Fund saw a reduction in financed emissions of 25% from March 2020 to March 2022. There was also increase in each year over the energy transition rating of the portfolio holdings showing an improvement ability to manage the energy transition and reducing transition risk of the Funds investments.

Illiquid Asset Classes

Outside of the Moody's carbon footprinting the Fund have tried to obtain information directly from the investment managers as to their carbon emissions and footprint. Illiquid assets constitute 22.6% of the Funds portfolio. The following information has been obtained by asset class. The Fund will engage with managers over the next year to aim for increased exposure and more detailed metrics for future reporting.

Private Equity – 8.0% of Fund Assets

The Fund have two private equity managers, which make up 8.0% of the portfolio as at 31 March 2022. Neither of these managers have published any metrics under TCFD however both are members of the Initiative Climat International (iCI) which is a General Partner led initiative to collaborate on risk analysis tools to aid private equity action on climate change. Members of iCI commit to recognising the risks and opportunities that climate change presents to their investments, contribute to the Paris Agreement's objectives, and actively engage with portfolio companies to reduce their greenhouse gas emissions. Members work collaboratively across a variety of working groups to implement their commitments.

One of the Funds Private Equity funds, which is currently 4.4% of the portfolio value has been able to provide a Weighted Average Carbon Intensity (WACI) of your portfolio as an Emissions Intensity metric as at 31/03/2022.

Company Scope 1 + Scope 2 (tCO2e/USDmn)	88.15
Company Direct + First Tier (tCO2e/USDmn)	116.37

1. Scope 1 & 2, suitable for benchmarking against the MSCI ACWI which was 151.7 as of 30 June 2021, while the MSCI ACWI ESG leaders index was 93.4.
2. Direct and First Tier Indirect (which includes some elements of Scope 3), suitable for benchmarking against the S&P Global LargeMidCap which was 213.84 as of 30 July 2021
3. This data is calculated based on estimation factors (in tCO2e/mUSD revenue) at the The Global Industry Classification Standard (GICS) Sub-industry level, provided by S&P Global Trucost.

Property – 8.7% of Fund Assets

The Global Alliance for Buildings and Construction and UN Environment Programme 2020 global status report for buildings and construction report published in December 2020 highlighted that the buildings contribute approximately 40 % of global carbon emissions, 28 % through building operations and 11 % from embodied carbon from building materials and construction. The Funds property Manager Schroders is a signatory to the UK's Better Buildings Partnership which requires members to publish a net zero carbon pathway for their portfolio including direct and indirect investments, together with a delivery plan. The Commitment covers new and existing buildings, Scope 1, 2 and 3 emissions and both operational and embodied carbon, making it one of the most ambitious climate commitments for property owners. In addition, the signatories are committed to disclose energy performance of portfolios and climate resilience strategies.

Schroders have committed to Establishing a net zero carbon pathway at the Real Estate level.

The Property portfolio was valued at £418m (excluding cash) at 31 March 2022. Emissions have been reported on 53% of the portfolio. The carbon emissions have been calculated by multiplying the percentage ownership by client in each of the underlying fund investments by the respective fund's carbon emission output in tonnes as reported by each Fund Manager under management. The output of each fund is summed to create an emissions total. Where we do not have 100% data coverage in any one fund, we have extrapolated the data up to 100% coverage by assuming those assets with missing data produce the same emissions as the average of all assets where data has been reported. These emissions have been extrapolated to provide an estimated emissions of the portfolio with coverage of 88.5%.

The emissions data in the table below is provided to the Investment Manager by third parties and has not been audited.

	Coverage of portfolio	Scope 1&2 emissions (carbon tonnes)	Scope 3 emissions (carbon tonnes)	Total Emissions (scope 1,2 &3)	Carbon tonnes per £m
Emissions Reported	53.2%	746	632	1,378	6.4
Emissions Estimated	88.6%	1,215	1,203	2,418	6.7

Infrastructure – 3.0% of Fund Assets

The Fund have three Infrastructure managers which comprise 5.1% of Fund assets at 31 March 2022. There is no carbon emission data currently available for these investments.

Private Credit – 0.8% of Fund Assets

The Fund have one Private Credit manager which comprises 0.8% of Fund assets at 31 March 2022. There is no carbon emission data currently available for this investment.

RI implementation

Below we show how the Fund has implemented the RI policies it set itself in the ISS.

Commitment	Progress	Further Action
To continue to measure and report on carbon-equivalent emissions throughout the equity portfolios	The Fund has undertaken an analysis of the Equity and Fixed Income investments with a third-party provider for the fourth year bringing in a new provider to give information.	<p>Develop understanding of the different metrics.</p> <p>Review the Carbon-equivalent emission provider market.</p> <p>Evaluate carbon emissions of equities and corporate fixed income.</p> <p>Work with Investment managers of other asset classes to improve asset class coverage.</p>
To continue our work with IIGCC and Climate Action 100+	The Fund has been an active participant in the IIGCC corporate program.	The Fund is looking for more options within the IIGCC to support further development and implementation of IIGCC research into the Fund's strategy.
To continue to research and support the deployment of new impact capital into projects set to benefit from the transition to a low carbon economy	75% of the Funds equity mandates have been invested into specific climate conscious investments. With 10% with active managers into impact managers 5% actively managed	The Fund will continue to assess the alignment of the remaining equity position to ensure it is invested in a compatible way to our RI policies.

	<p>in paris aligned portfolio 10% into climate risk passive product and 5% into a resource efficiency weighted index.</p> <p>The Fund has committed a further 3.5% of assets into a sustainable multi asset credit fund when it becomes available on the ACCESS platform.</p>	<p>The Fund will review the characteristics of the equity investments to ensure these mandates are investing inline with the investment rationale of the Fund.</p> <p>The Fund will continue evaluating the fixed income options to ensure that where we are able to identify sustainable investment practices.</p> <p>Working with ACCESS to develop a suitable passive like equity offering and promote suitable solutions to be considered within the Pool.</p>
<p>To assess the carbon intensity of all assets (using estimates if necessary) by the end-2022 reporting cycle, supported by external managers and GPs</p>	<p>The Fund has to date only considered the carbon intensity of the liquid holdings around 70% of the Fund assets and is working with managers and other advisors in how to calculate this for the alternative space.</p>	<p>The Fund is liaising with its external managers of the harder to measure assets and request that all managers' report in line with TCFD reporting requirements.</p> <p>Awaiting the outcome of the government's consultation on the TCFD reporting for the LGPS and looking to report in line with this.</p> <p>Working with other LGPS Funds, ACCESS, Fund managers, custodian and other third parties to provide more information and determine how they will be getting the required information.</p>
<p>Using data from the Transition Pathway Initiative (TPI), to engage alongside our collaborative partners to</p>	<p>The Carbon reporting provided by Moody's which also highlights companies which they consider to be high</p>	<p>The Fund continues to work on improving its information on its underlying holdings with the aim to get quarterly</p>

<p>encourage companies to adopt business models and strategies that are in line with the aims of the Paris agreements.</p>	<p>emitters and have poor quality transition plans.</p> <p>The Fund will request explanations from managers regarding these companies along with running them through the TPI to understand their view.</p> <p>The Fund also reviews companies that are classified by the Investment manager as a Fossil Fuel company and will run these through the TPI data this analysis is used by the fund during meetings with the Fund managers.</p>	<p>information to further analyse on different criteria including TPI analysis.</p>
<p>Implement processes that adhere to Taskforce for Climate-related Financial Disclosures (TCFD) recommendations on mandatory reporting and governance requirements related to climate risk as they are expected to apply to the LGPS.</p>	<p>The Fund is incorporating as much of aspects of the TCFD guidance for private pensions schemes into its Annual Report. This is building on the report provided last year. This is allowing the fund to identify and enhance the report year on year and provide readers with better understanding of the Fund.</p> <p>Along with this the Fund has received 2 years of ESG assessments of its investment Managers from its conducted by its investment consultant.</p> <p>We continue to engage with our investment managers over their own reporting and are encouraging them to report in line with TCFD where they are not already doing.</p> <p>We undertake carbon foot printing of the Fund.</p>	<p>The Fund will be responding to the consultation on the TCFD reporting in the LGPS and is a supporter of this being implemented.</p> <p>The Fund will look to implement the guidance once this is published and continue to develop its reporting.</p> <p>Work with Third parties to develop and implement enhancements to its current reporting.</p>

	<p>We have been producing a quarterly engagement report detailing the work the Fund has been undertaking.</p> <p>The Fund responded to the consultation on the TCFD reporting in the LGPS and is a supporter of this being implemented.</p>	
<p>To report annually in accordance with TCFD recommendations.</p>	<p>The Fund will provide a TCFD section within its Annual Report covering all elements where sufficient data is held and identifying areas which are not yet complete. There is currently no guidance for LGPS Funds on TCFD reporting.</p>	<p>We are awaiting the response to the consultation from DLUHC on TCFD reporting and when the regulations are set out and there is clarity on the final requirements, the Fund will implement a fully compliant report within the guidelines set out for the LGPS.</p>
<p>Signatory to the United Nations Principles for Responsible Investment (PRI)</p>	<p>The Fund has signed up to the PRI but has not yet been required to provide information to the PRI for assessment.</p>	<p>During Q3 2023 the Fund will prepare and provide the necessary information to maintain our signatory status to the PRI. We anticipate receiving our first assessment report in Q4 2023 an look forward to improving our responsible investment activities based on the findings.</p>
<p>Encourage the Fund's investment managers to provide transparency by reporting relevant and accessible ESG-related information. This includes their commitments to and alignment with the UK Stewardship Code 2020, the TCFD, the PRI and GRESB, where appropriate.</p>	<p>We have been requesting quarterly information from the managers on engagement and voting and have been providing our own quarterly report detailing our monitoring of the managers. Alongside this we also provide information on the managers engagements and commitments such as to which</p>	<p>We will be maintaining the engagement and voting information capture and are working to improve the information that is published as part of our engagement report.</p> <p>To improve communication with stakeholders of the Fund.</p>

	<p>organisations they are signatories.</p> <p>Alongside this we get our investment consultant to provide an impact assessment of the Fund managers to ensure that they are stewarding our assets in line with their policies and our expectations.</p> <p>As part of our engagement with managers is to request that they consider signing up to UK Stewardship Code 2020, the TCFD, the PRI and GRESB.</p> <p>ACCESS has been doing a lot of work within the RI space and has revised its guidelines we continue to work with ACCESS to develop the report framework around the RI guidelines.</p>	<p>The Fund continues to monitor the investments managers through carbon footprinting and ESG reviews by our investment consultant.</p> <p>The Fund is committed to working with ACCESS to improve the RI function within the pool and provide better reporting.</p> <p>Ensuring that the Funds managers sign up to relevant commitments with TCFD and UK stewardship code 2020 being priorities.</p>
<p>Working collaboratively to increase the reach, efficiency, and effectiveness of RI. We work with a host of like-minded partner funds, service providers and related organisations striving to attain best practice in the industry and to improve industry standards.</p>	<p>ACCESS has set up a RI working group to build upon the RI guidelines.</p> <p>We have been working with the National LGPS Framework on the replacement Stewardship framework.</p> <p>We have been engaged with IIGCC and have signed up to some of the initiatives coming from this collaboration.</p> <p>The Fund is an active participant in the LAPFF Executive Committee.</p>	<p>We shall be looking to continue to explore opportunities with ACCESS to improve the RI opportunities.</p> <p>Increase the involvement in collaborative RI initiatives and look to be signatories to shareholder resolutions where appropriate.</p>
<p>Report annually in accordance with the UK Stewardship Code requirements, and we</p>	<p>The Fund submitted its first Stewardship Report to the</p>	<p>Work to improve the submission to the FRC in 2023</p>

are committed to adhering with the requirements of the new UK Stewardship Code 2020.

FRC in October 2022 and was accepted as a signatory.

to maintain signatory status and improve our processes based on the outcomes of the previous report.

DRAFT

Collaboration

There are limits to the influence that we achieve as a single investor and the resources we can reasonably commit. We recognise that progress can be best achieved on ESG issues through collaboration with other investors and organisations. We are an active member and supporter of several Global and Industry ESG Initiatives



<https://www.unpri.org/>

Principles for Responsible Investment (PRI). We have been a signatory to the PRI since 2020 and are working on our first submission on how we implement the six Principles of Responsible Investment into our everyday work to be good stewards of capital, which is due to be submitted in 2023. PRI is an important partner, providing excellent guidance on responsible investment and we work closely with them on the future direction of the organisation



<https://www.iigcc.org>

Institutional Investors Group on Climate Change (IIGCC) has the collective weight of over €51 trillion from over 350 members and is leading the way on a global stage for investors to help realise a low carbon future. IIGCC helps shape sustainable finance policy and regulation for key sectors of the economy and supports members in adopting active ownership and better integrated climate risks and opportunities into investment processes. The Fund's Pension Committee Chair is currently a representative on the IIGCC Corporate Programme Advisory Group. The corporate programme focuses on supporting investors to engage with companies to align portfolios with the goal of net zero by 2050. In addition to the Fund's own membership of IIGCC, the Fund asks its managers to also be members providing a double lock on engagement.



[LAPFF | The leading voice for local authority pension funds across the UK \(lapffforum.org\)](http://lapffforum.org)

As a member of LAPFF the Fund works together with the majority of LGPS funds and pools across the UK, through the forum, to promote high corporate governance standards to protect the long-term value of local authority pensions. With member fund assets exceeding £350bn, the forum engages with companies and regulators to deliver reforms advancing corporate responsibility and responsible investment. In October 2021 the Funds Head of Pensions was appointed to the executive committee as an LAPFF Officer Member.



[Home | Pensions For Purpose](#)

Pensions For Purpose is a bridge between asset managers, pension funds and advisers, to encourage the flow of capital towards impact investment. Pensions For Purpose provide high quality expertise and training to Funds on ESG issues. The Fund joined as an affiliate member in September 2021.



[Home | Financial reporting council](#)

The Financial reporting council sets UK Accounting, Audit and Actuarial standards. The fund has committed to report under the FRC's Stewardship code, pledging to manage capital in a way that creates long term value and leads to sustainable benefits for the economy, the environment and society. The Funds statement of commitment is to be sent for consideration in 2022.



[Home | Task Force on Climate-Related Financial Disclosures](#)

The TCFD was set up to develop recommendations on the types of information that companies should disclose to support its stakeholders in appropriately assessing and pricing risks related to climate change. The fund has committed to report under the TCFD initiative.

14. Independent adviser's report



East Sussex Pension Fund - Independent Advisor's Report 2023

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

My report last year focused on investments rather than administration or governance. I said that the change from nearly 30 years of falling bond yields and low inflation to one more in line with longer term norms would result in much change. Events in Ukraine have exacerbated the dislocations originally caused by COVID lockdowns. Globalisation may not be in reverse, but it has certainly stalled.

I start my report with investments again this year, as this is where most uncertainty lies. Global inflation seems to have peaked at about 10%, (the highest since the early 1980s), in late 2022. It is slow to come down despite significant monetary tightening around the world. The U.S. interest rate is now 5% compared to 0.25% eighteen months ago, and the Bank of England has followed suit.

The consequences of this monetary policy tightening have been a steep rise in bond yields almost everywhere. This abrupt change in the cost of money has led to substantial market disruption. In the United Kingdom leveraged Liability Driven Investment (LDI) strategies favoured by many United Kingdom private sector pension schemes ran into collateral problems, forcing them to make distressed asset sales in September 2022. In the United States a series of banks, most notably Silicon Valley Bank, failed. In Europe Credit Suisse was taken over by UBS after running into liquidity problems.

Central banks have therefore adopted a two-pronged policy. At the same time as raising interest rates to target inflation they are also reverting to a policy of expanding their balance sheets to provide more liquidity. As a consequence the recession that was confidently predicted by many for 2023 has been delayed and may possibly have been avoided.

Against this difficult background, the Fund's diversified approach to investing its assets has provided some protection. The Fund was not exposed to LDI strategies and only had a small exposure to government bonds. Whilst some of its equity mandates including some of the more actively invested climate change mandates have suffered as valuations compressed, the exposure to diversified growth funds has allowed the Fund to receive some benefit from higher energy prices.

The Fund therefore finds itself in a relatively strong position with a funding level at the March 2022 valuation of around 123%. This has been sufficient to allow a modest rebate to some better funded employers. However, it would be wrong to be complacent about the future for two reasons. One is the return of

inflation, which directly impacts the Fund by increasing the cost of pension payments. The second is the uncertainty of future investment returns in a world where geo-political stresses continue to mount.

The Fund is also gradually turning cash negative as the number of active members declines and pension payments exceed contributions. This is normal for all pension funds at some point in their lifetimes and forces them to place more reliance on investment income to cover the shortfall.

The Fund is obliged by the LGPS regulations to implement assets through one of eight investment pools where it is possible. It is a member of the ACCESS pool and approximately 50.7% of assets are invested through ACCESS sub-funds. The Government will be looking for an acceleration in the rate of asset transition to pools in the future. However, ACCESS does not provide vehicles for all asset classes, most notably private assets and specialised climate transition strategies. Until it does, in order to maintain its chosen strategic asset allocation, the Fund will continue to invest directly with managers.

Government bonds are in principle a natural investment for any pension fund, providing both secure return and income flow. Inflation-linked bonds additionally provide a full and uncapped hedge against higher inflation and its effect on pension payments. Since the global financial crisis, the very low yields have made government bonds unattractive to the extent of being uninvestable, which is why the Fund has historically held a low allocation to them.

In the light of the sharp rise in bond yields in 2022 this has clearly been to the Fund's advantage, but in the new environment it is likely that bonds will resume their normal place in the investment universe as a match against future liabilities and in the case of index linked bonds a hedge against inflation.

Administration is as important a function as investment management is in ensuring that pensions are paid in full and on time. Here the pressures on the Fund's team continue to increase. Behind this lie a range of different causes. The Government is dealing with the implications of historic court cases, forcing them to rectify unfairnesses which in some cases go back nearly ten years. At the same time there is the challenge of preparing for the Pensions Dashboard, which is expected to go live for the LGPS in 2025. There is also a national shortage of experienced pension administrators, which the Fund is not immune from. The Fund's data depends on employers keeping good data records, and there can be serious consequences if this does not happen.

My final duty in this report is to provide some assurance as to the overall arrangements for the Fund. It is clearly in a good place in terms of funding. I can assure readers that the Fund's internal governance processes and structures are of a good standard. Although investment returns may decrease, it is important to remember that the Fund has a long horizon, and market fluctuations are inevitable. In common with many LGPS funds, the largest risk probably lies in the burdens placed on the administration function at a time when, despite every effort, staff recruitment remains a challenge.

William Bourne

Independent Advisor

2nd May 2023

15. Asset Pools

Background

ACCESS (A Collaboration of Central, Eastern and Southern Shires) has its origins in 2016 when 11 Local Government Pension Scheme (LGPS) Authorities agreed to begin working collectively to address the requirements of the Government’s agenda for pooling LGPS investments.

ACCESS is made up of 11 Local Government Pension Schemes (LGPS) Administering Authorities:

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



Collectively the pool has assets of £58.7 billion (of which 59% £34.4bn has been pooled which represents 85% of all listed assets) serving 3,459 employers with over 1.2 million members including 340,000 pensioners.

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

The following strategic objectives are in place:

1. Enable participating authorities to execute their fiduciary responsibilities to the Local Government Pension Scheme (LGPS) stakeholders, including scheme members and employers, as economically as possible.
2. Provide a range of asset types necessary to enable those participating authorities to execute their locally decided investment strategies as far as possible.

3. Enable participating authorities to achieve the benefits of pooling investments, preserve the best aspects of what is currently done locally, and create the desired level of local decision-making and control.

In order to achieve these objectives, the Councils have established a set of governing principles implicit within these is the democratic accountability and fiduciary duty of the Councils as Administering Authorities. The governing principles are summarised below:

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

Governance

Strategic oversight and scrutiny responsibilities remain with the Administering Authorities as does all decision making on their individual Funds asset allocation and the timing of transfers of assets from each Fund into the arrangements developed by the ACCESS Pool.

The Joint Committee (JC) has been appointed by the eleven Administering Authorities under s102 of the Local Government Act 1972, to exercise specific functions in relation to the pooling of LGPS assets. The JC's functions include the specification, procurement, recommendation of appointment of pool Operators (for active asset management) and pool-aligned asset providers (for passive asset management), to the Administering Authorities. The Joint Committee also reviews ongoing performance.

The Section 151 Officers of ACCESS Authorities provide advice to the Joint Committee in response to its decisions to ensure appropriate resourcing and support is available to implement the decisions and to run the ACCESS Pool.

The Joint Committee is further supported by the Officer Working Group (OWG) and the ACCESS Support Unit (ASU).

The Officer Working Group consists of officers with specialist LGPS skills, identified by each of the Administering Authorities whose role is to provide a central resource for advice, assistance, guidance and support for the Joint Committee.

The ACCESS Support Unit (ASU) provides the day-to-day support for running the ACCESS Pool an overview of the work by the ACCESS Support Unit.

In 2018, the ACCESS Joint Committee agreed that a unit be established to provide day to day support for the work required to run the Pool, and that Essex County Council act as Host Authority. The ACCESS Support Unit (ASU) facilitates the Joint Committee (JC) and officer groups and has responsibility for

programme management, client relationships, contract management/supplier relationships, administration and technical support services.

A business plan is developed and submitted for consideration by the JC ahead of the start of each year, prior to being recommended to each of the ACCESS Authorities.

The business plan includes milestones across listed assets (both active and passive), non-listed assets and governance. The JC also determines an annual budget to support the activities within the business plan.

The ASU has responsibility to manage this development and implementation of the business plan, within budget, whilst assessing and managing the risks for the pool. A central feature of ACCESS is the engagement of each of the eleven Authorities, and therefore the support and facilitation of stakeholder groups is key to the work of the ASU. The governance structure of the Pool ensures that dialogue with, and input from, Local Government Pension Scheme (LGPS) subject matter experts from each Authority, is gathered through the Officer Working Group (OWG) and various subgroups.

In turn, this enables the s151 Officer Group to form the recommendations that are ultimately considered by the JC. It has long been recognised that considerable expertise exists within the LGPS officer community. The full time ASU staff are therefore supplemented by part-time Technical Leads whose work for ACCESS is part of the Pool's costs.

The governance structure of ACCESS is shown below:



The Operator

Appointed in 2018 Link Fund Solutions Ltd (Link) provide the pooled operator service, overseeing an Authorised Contractual scheme for the sole use of ACCESS Authorities. Link are responsible for establishing and operating an authorised contractual scheme along with the creation of a range of investment sub-funds for active listed assets and the appointment of the investment managers to those sub-funds. This is designed to enable Administering Authorities to execute their asset allocation strategies.

Pool Aligned Assets: UBS

Appointed following a joint procurement in 2017, UBS act as the ACCESS Authorities' investment manager for passive assets.

Progress

The development of the ACCESS Pool ACS offering continues with one new sub-fund launched during the year in November 2022, which attracted £800 million funding from ACCESS Authorities that had not previously invested in the strategy.

In January 2022 MJ Hudson were appointed as implementation adviser for the establishment of pool vehicles for illiquid assets, after a competitive call off utilising the National LGPS Frameworks. During the 2022/23 financial year MJ Hudson have been developing a real estate offering to ACCESS members to meet with their strategic asset allocation to this asset class. With the expectation of funding this to start to take place in 2023/24.

The Responsible Investment guidelines for which the pool was partnered by Minerva Analytics have been formally published. The next step in creating a reporting framework was started and a procurement to find a suitable partner to help develop these is under way.

In addition to its Annual Report, ACCESS also produced a Progress Update report to provide an insight to the Pool, key activities and future plans. These are all published on the pool's website (www.accesspool.org).

The Joint Committee has welcomed representatives of the partner authorities Local Pension Boards to observe the Joint Committee meetings. Two members from each Board were able to attend a meeting at least once a year.

Pooled Assets

As at 31 March 2023, ACCESS has pooled the following assets:

Asset Class	£ billion
Global Equity Funds	15.6
UK Equity Funds	2.6
Fixed Income	4.9
Diversified Growth	1.3
Passive investments	9.9
Total Pooled Investments	34.4
Pooled Assets % of Total Listed Assets	85%
Pooled Assets % of Total Assets	59%

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

The performance of the ACCESS ACS sub-funds by asset class since inception is shown below:

Asset Class	Number of	Average assets	Performance since inception to 31 March 2023
-------------	-----------	----------------	--

	underlying managers	Assets Under management £ Billion	per manager £ Billion	Performance %	Benchmark %	Relative %
Global Equity Funds	8	15.6	2.0	13.0	9.7	3.3
UK Equity Funds	4	2.6	0.7	6.0	6.1	(0.1)
Fixed Income	5	4.9	1.0	0.6	0.2	0.4
Diversified Growth	3	1.3	0.4	4.7	5.4	(0.7)

Business Plan

The activities within last year's 2022/23 Business Plan, are shown below. The ongoing nature of a number of areas result in milestones spanning different years.

- Review of the corporate governance manual.
- Revisions and sign off by the councils of the Inter-Authority Agreement.
- ACCESS Responsible Investment guidelines agreed by the Joint Committee and recommended to Councils.
- Agree the requirements for the UK Property and Global Property mandates.
 - Procurement for implementation adviser carried out by MJ Hudson in collaboration with the Hampshire procurement officer.
 - UK Property and Global Property awarded to CBRE.
- Procurement for an independent third party to review the effectiveness of the ACCESS Pool operations.

The Business Plan for **2023/24** was agreed by the Joint Committee in December 2022 and covers:

- Independent third-party business review and implementation of any outcomes.
- Launch of emerging market sub-funds.
- Continuance of the implementation of the alternative investment programme.
- Investment of indirect UK and global property mandates with CBRE.
- Responsible Investment Phase II procurement.

- Governance: the continued application of appropriate forms of governance throughout ACCESS including the commencement of both responsible investment reporting support for the Pool, and the second contract for communications support.
- Scheduled evaluation: preparation for, and the commencement of, the re-procurement of operator services in the penultimate year of the Operator contract.

Financial Management Expected v Actual Costs and Savings

A budget for ongoing operational costs is set by the Joint Committee and is financed equally by each of the eleven Authorities. 2022/23 saw an underspend primarily due to lower than anticipated costs of external advice combined with an underspend in the technical lead recharge costs.

The table below summarises the financial position for 2022/23 along with the cumulative position since the commencement of ACCESS activity in early 2016.

	2022 - 2023		2016 - 2023	
	Actual In Year	Budget In Year	Actual Cumulative to date	Budget Cumulative to date
	£'000	£'000	£'000	£'000
Set Up Costs	-	-	1,824	1,400
Transition Costs	-	2,100	3,338	6,907
Ongoing Operational Costs	1,175	1,366	5,292	7,695
Operator & Depository Costs	4,979	4,787	17,128	20,938
Total Costs	6,154	8,253	27,582	36,940
Pool Fee Savings	(28,645)	(17,800)	(98,945)	(65,550)
Net (Savings Realised)/Costs	(22,491)	(9,547)	(71,363)	(26,510)

2022/23 saw an underspend primarily due to lower than anticipated costs of procurement and technical professional costs.

Operator and depositary fees are payable by each Authority in relation to assets invested within the Authorised Contractual Scheme established by Link Fund Solutions as pool operator.

The 2022/23 fee savings have been calculated using the Chartered Institute of Public Finance and Accountancy (CIPFA) price variance methodology and based on the average asset values over the year. This approach highlights the combined level of investment fee savings, across all ACCESS Authorities stemming from reduced charges.

In summary, since inception ACCESS has demonstrated excellent value for money, maintaining expenditure broadly in line with the DLUHC submission whilst delivering an enhanced level of savings ahead of the timeline contained in the original proposal.

Investment management costs split between pooled and non-pooled assets

	ACCESS Pool*	ACCESS Pool*	Non-ACCESS Pool	Non-ACCESS Pool	Total
	Direct £000	Indirect £000	Direct £000	Indirect £000	£000
Management Fee	345	9,575	1,694	9,773	21,387
Performance Fee	-	-	-	3,269	3,269
Transaction Costs	-	792	165	404	1,361
Custody	-	-	101	-	101
Other Costs	-	-	1,175	-	1,175
Total	345	10,367	3,135	13,446	27,293

* This includes pool aligned assets such as the jointly procured passive manager for ACCESS authorities.

Environmental, Social and Governance (ESG) and Responsible Investment (RI)

The ACCESS Authorities believe in making long term sustainable investments whilst integrating environmental and social risk considerations, promoting good governance and stewardship.

Whilst the participating authorities have an overriding fiduciary and public law duty to act in the best long-term interests of their LGPS stakeholders to achieve the best possible financial returns, with an appropriate level of risk they also recognise the importance of committing to responsible investment alongside financial factors in the investment decision making process.

Responsible Investment Guidelines:

Following the completion of a review led by Minerva Analytics, ACCESS has now published an updated Responsible Investment Guidelines. These have been developed around five pillars: governance, process, implementation, stewardship and monitoring/reporting.

The key high-level points of the Guidelines are:

- The Councils remain sovereign (particularly in relation to setting investment strategy). However, the opportunity exists for ACCESS to help coordinate RI approaches;
- All Councils agree that RI issues have the potential to impact investment returns over the short, medium and long-term;
- RI issues and concerns should be addressed primarily at the point of investment, whether that is in relation to an individual stock, or an entire portfolio;
- A number of RI priorities have been identified for the coming year, mostly associated with establishing a 'benchmark' of where the Councils' assets and asset managers sit in terms of RI concerns;
- Active stewardship remains the preferred approach when it comes to investments – with engagement over divestment being the Councils' combined approach;
- ACCESS, through the ASU and Link (the ACS Operator), will seek to ensure appropriately structured RI reporting is provided by the asset managers, so that each Council can meet its own RI reporting and communication objectives.

The Guidelines have been published in both summarised and full forms and can be found on the ACCESS website <https://www.accesspool.org>.

Voting:

The ACCESS pool has a set of voting guidelines which seeks to protect and enhance the value of its shareholdings by promoting good practice in the corporate governance and management of those companies.

The guidelines set out the principles of good corporate governance and the means by which ACCESS will seek its influence on companies. The voting activity is reported to the Joint Committee on a quarterly basis.

During the year ACCESS voted at 2,801 meeting on 34,727 resolutions.

On a quarterly basis the votes can be summarised as below:

Quarter	Number of Meetings	Votes cast For	Votes cast Against	Votes cast Other	Total Votes Cast
June 2022	1,920	24,301	3,664	605	24,301
September 2022	350	3,870	368	51	4,289
December 2022	250	2,204	297	72	2,573
March 2023	281	3,180	391	65	3,564

Engagement:

Link Fund Solutions arranges regular sessions with the Investment Managers to present to the authorities Pension Fund officers to demonstrate how they implement environmental, social and governance into their investment strategy and decision-making process.

These also give the investment manager the opportunity to discuss the engagement activities they have undertaken, what constructive dialogue was had and how they have used their influence to encourage the adoption of best practice.

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East Sussex Pension Fund - Accounts 2022/23



Fund account, net assets statement and notes

Introduction

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

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

Currently within the East Sussex Pension Fund there are 140 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 (the Fund) on behalf of all the participating employers of the Fund in East Sussex, and in turn the past and present contributing members, and their dependents.

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

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

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

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

Asset Pools

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

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

At the 31 March 2022 collectively, the pool has assets of £61.4 billion (of which 57% has been pooled) serving approximately 3,500 employers with over 1.1 million members including 310,000 pensioners.

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

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

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

Fund account, net assets statement and notes

Fund Account

2021/22 £000	2021/22 £000	Notes	2022/23 £000	2022/23 £000
		Dealings with members, employers and others directly involved in the fund		
		Contributions		
(99,617)		7	(108,941)	
(34,556)		From Employers		
		From Members	(37,980)	
	(134,173)			(146,921)
	(8,246)	Transfers in from other pension funds		(10,071)
	(142,419)	8		(156,992)
	134,595	Benefits		140,411
	10,744	Payments to and on account of leavers	10	6,283
	145,339			146,694
	2,920	Net (additions)/withdrawals from dealings with members		(10,298)
	26,671	Management expenses	11	30,756
	29,591	Net (additions)/withdrawals including fund management expenses		20,458
		Returns on investments		
	(40,549)	Investment income	12	(73,668)
	2	Taxes on income	13a	66
	(432,676)	Profit and losses on disposal of investments and changes in the value of investments	14a	162,262
	(473,223)	Net return on investments		88,660
	(443,632)	Net (increase)/decrease in net assets available for benefits during the year		109,118
	(4,244,035)	Opening net assets of the scheme		(4,687,667)
	(4,687,667)	Closing net assets of the scheme		(4,578,549)

Net Assets Statement for the year ended 31 March 2023

31 March 2022 £000		Notes	31 March 2023 £000
4,587,145	Investment assets	14	4,505,386
774	Other Investment balances	21	1,062
(1,173)	Investment liabilities	22	(1,061)
90,216	Cash deposits	14	54,418
4,676,962	Total net investments		4,559,805
15,391	Current assets	21	23,305
(4,686)	Current liabilities	22	(4,561)
4,687,667	Net assets of the fund available to fund benefits at the year end.		4,578,549

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 2023 and of the movements for the year then ended.

Ian Gutsell

Chief Finance Officer (Section 151 Officer)

Business Services Department

Date to be confirmed

Notes to the East Sussex Pension Fund Accounts for the year ended 31 March 2023

I: Description of Fund

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

The following description of the Fund is a summary only. For more detail, references should be made to the East Sussex Pension Fund Annual Report 2022/23 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and The Local Government Pension Scheme (LGPS) Regulations.

General

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

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

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

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

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

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

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

Membership

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

Organisations participating in the East Sussex Pension Fund include:

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

There are 140 employer organisations within East Sussex Pension Fund including the County Council itself, and 84,028 members as detailed below:

East Sussex Pension Fund	31 March 2022	31 March 2023
Number of employers with active members	134	140
Number of employees		
County Council	8,059	8,123
Other employers	16,455	16,568
Total	24,514	24,691
Number of pensioners		
County Council	10,125	10,505
Other employers	13,006	13,619
Total	23,131	24,124
Deferred pensioners		
County Council	14,223	14,460
Other employers	19,423	20,753
Total	33,646	35,213
Total number of members in pension scheme	81,291	84,028

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 2023. Employee contributions are matched by employers' contributions, which are set, based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022. Currently, employer contribution rates range from 0% to 49.2% of pensionable pay.

Benefits

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

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

2: Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2022/23 financial year and its position at year-end as at, 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 which is based upon International Financial Reporting Standards (IFRS) as amended for UK public sector. The accounts have been prepared on a going concern basis.

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

Accounting standards issued but not yet adopted - Under the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Fund is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued on or before 1 January 2020 but not yet adopted by the Code.

The standards introduced by the 2023/24 Code where disclosures are required in the 2022/23 financial statements are:

- a) IFRS 16 Leases (but only for those local authorities that have decided to voluntarily implement IFRS 16 in the 2023/24 year).
- b) Where an authority adopted IFRS 16 in 2022/23 but chose to defer implementation of IFRS 16 to PFI/PPP arrangements until 2023/24 information on that more specific accounting change will be required in its 2022/23 statements of accounts.
- c) Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- d) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- e) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- f) Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

Note that a) will only be applicable to local authorities that intend to voluntarily implement IFRS 16 in 2023/24, and item b) will only be applicable to local authorities that have voluntarily implemented IFRS 16 in 2022/23 but chose to defer implementation for PFI/PPP arrangements until 2023/24. It is likely that though they lead to improved reporting that items c) and d) will not have a significant impact on the amounts anticipated to be reported in the financial statements. Item e) will only be applicable to local authorities with group accounts and it is likely that there will be limited application of item f).

There were no amendments for 2022/23 for the accounts of the Pension Fund.

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

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

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

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

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3. Summary of significant accounting policies

Fund account – revenue recognition

1. Contribution income

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

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

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

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

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

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

2. Transfers to and from other schemes

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

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

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

3. Investment income

a) Interest income

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

b) Dividend income

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

c) Distributions from pooled funds

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

d) Movement in the net market value of investments

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

Fund account – expense items

4. **Benefits payable**

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

5. **Taxation**

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

6. **Management expenses**

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

a) Administrative expenses

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

b) Oversight and governance costs

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

c) Investment management expenses

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

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

Where an investment manager's fee has not been received by the balance sheet date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2022/23, £0.7m of fees is based on such estimates (2021/22: £1.2m).

Net assets statement

7. Financial assets

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

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

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

8. Foreign currency transactions

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

9. Derivatives

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

10. Cash and cash equivalents

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

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

11. Financial liabilities

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

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

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12. Actuarial present value of promised retirement benefits

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

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

13. Additional voluntary contributions

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

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

14. Contingent assets and contingent liabilities

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

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

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

4. Critical judgements in applying accounting policies

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 2015. The value of unquoted private equities at 31 March 2023 was £375 million (£374 million at 31 March 2022).

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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 is 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.

III Health Profit Share

The III health profit share is based upon the claims that the Fund has successfully made against the policy. The Fund considers that all the claims that have been made but not yet agreed by the insurer are to be successful when determining the profit share calculation.

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 20)	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. As a result of Coronavirus pandemic there is an increase in the uncertainty around the mortality provisions within the Fund, however it is too early to assess this figure at the current time so has not been included in our calculations. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, for the 2022 Valuation the actuary advised that: 1. A 0.1% decrease in the discount rate assumption would result in a increase in the pension liability by approximately £63.0m (2%) .

Item	Uncertainties	Effect if actual results differ from assumptions
		<p>2. A 0.1% increase in CPI Inflation would increase the value of liabilities by approximately £58.0 million (2%).</p> <p>3. A 0.25% Increase in mortality rates would result in an increase in the pension liability by approximately £29.0m (1%).</p> <p>4. A 0.5% Increase in Salary Assumption would result in an increase in the pension liability by approximately £36.0m (1%)</p>
Private equity	<p>Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2015). Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.</p>	<p>The total private equity investments in the financial statements are £375.1 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. The sensitivity of this figure is discussed further in Note 16 and Note 18.</p>
Infrastructure	<p>Infrastructure investments are valued at fair value in accordance with industry guidelines, based on the Fund manager valuations as at the end of the reporting period.</p> <p>These investments are not publicly, listed and as such there is a degree of estimation involved in the valuation.</p>	<p>The total infrastructure investments in the financial statements are £404.6 million. There is a risk that this investment may be under or overstated in the accounts depending on use of estimates applied in the valuation models by the investment managers. The sensitivity of this figure is discussed further in Note 16 and Note 18.</p>
Private Debt	<p>Private debt investments are valued at fair value in accordance with industry guidelines, based on the Fund manager valuations as at the end of the reporting period.</p> <p>These investments are not publicly, listed and as such there is a degree of estimation involved in the valuation.</p>	<p>The total private debt investments in the financial statements are £43.0m. There is a risk that this investment may be under or overstated in the accounts depending on use of estimates applied in the valuation models by the investment managers. The sensitivity of this figure is discussed further in Note 16 and Note 18.</p>
Climate Risk	<p>Climate risk is the potential for adverse consequences for human or ecological systems, recognising the diversity of values and objectives associated with such systems. In the context of climate change, risks can arise from potential impacts of climate change as well as human responses to climate change.</p> <p>The outcomes of these risks is unknown and as such there is a degree of estimation involved in the valuation of companies.</p>	<p>The total net investment assets of the Fund are £4,560.0 million. There is a risk that the investments may be over or understated in the accounts depending on the assumptions around policy responses to climate change in the valuation of investments. The sensitivity of the investments to valuations changes are discussed further in Note 16 and Note 18.</p>

6. Events after the balance sheet date

There have been no events after the balance sheet date of 31 March 2023, and up to the date when these accounts were authorised that require any adjustments to these accounts.

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7. Contributions Receivable

	2021/22 £000	2022/23 £000
<i>By category</i>		
Employee's contributions	34,553	37,980
Employer's contributions		
Normal contributions	83,884	96,231
Deficit recovery contributions	14,936	12,290
Augmentation contributions	800	420
Total	134,173	146,921
<i>By authority</i>		
Scheduled bodies	85,174	94,278
Admitted bodies	4,166	3,864
Administrative Authority	44,833	48,779
Total	134,173	146,921

8. Transfers in from other pension funds

	2021/22 £000	2022/23 £000
Group transfers	-	-
Individual transfers	8,246	10,071
Total	8,246	10,071

9. Benefits payable

	2021/22 £000	2022/23 £000
<i>By category</i>		
Pensions	111,786	118,076
Commutation and lump sum retirement benefits	19,179	19,491
Lump sum death benefits	3,630	2,844
Total	134,595	140,411
<i>By authority</i>		
Scheduled bodies	79,660	83,518
Admitted bodies	3,977	4,309
Administrative Authority	50,958	52,584
Total	134,595	140,411

10. Payments to and on account of leavers

	2021/22 £0	2022/23 £0
Refunds to members leaving service	326	342
Group transfers	2,700	(1,595)
Individual transfers	7,718	7,536
Total	10,744	6,283

The group transfer are members from East Sussex Fire transferring to the Surrey Pension Fund.

The estimated cost given from the actuary has reduced to £1.1m this year (£2.7m estimated in 21/22).

At 31 of March 2023 the payment for the group transfer has not taken place.

11. Management expenses

	2021/22 £000	2022/23 £000
Administrative costs	2,216	3,145
Investment management expenses	23,929	27,293
Oversight and governance costs	526	318
Total	26,671	30,756

11a) Investment management expenses – 2022/23

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

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

2021/22	Total £000	Management Fees £000	Performance Related Fees £000	Transaction costs* £000
Bonds	10	10	-	-
Equities	392	81	-	311
<i>Pooled investments</i>				
Fixed Income	2,219	2,158	-	61
Equity	7,124	6,652	-	472
Diversified growth funds	6,072	5,561	-	511
<i>Pooled property investments</i>	1,601	1,508	-	93
Private equity / infrastructure	6,372	4,787	1,585	-
	23,790	20,757	1,585	1,448
Custody	139			
Total	23,929			

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

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

During the year, the Pension Fund incurred management fees which were deducted at source for 2022/23 of £4.2m (£4.0m in 2021/22) on its private equity investments, fees of £5.5m (£2.4m in 2021/22) on its infrastructure investments, fees of £10.7m (£9.1m in 2021/22) on investments in the ACCESS Pool and fees of £3.6m (£4.6m in 2021/22) on other mandates. These fees are deducted at the individual portfolio level rather than being paid directly by the Pension Fund.

12. Investment income

	2021/22 £000	2022/23 £000
Income from equities	985	4,994
Private equity/Infrastructure income	2,161	7,059
Pooled property investments	11,971	12,476
Pooled investments - unit trusts and other managed funds	24,752	47,352
Interest on cash deposits	680	1,787
Total	40,549	73,668

13. Other fund account disclosures

13a) Taxes on income

	2021/22 £000	2022/23 £000
Withholding tax – equities	(2)	(66)
Total	(2)	(66)

13b) External audit costs

	2021/22 £000	2022/23 £000
Payable in respect of external audit for 2020/21	8	-
Payable in respect of external audit for 2021/22	35	12
Payable in respect of external audit for 2022/23	-	47
Payable in respect of other services	5	10
Grant	(10)	(10)
Total	38	59

14. Investments

	2021/22 £000	2022/23 £000
<i>Investment assets</i>		
Bonds	134,975	93,755
Equities	237,482	235,630
<i>Pooled Investments</i>		
Fixed Income	476,264	459,852
Equity	1,797,637	1,789,063
Diversified growth funds	1,036,214	819,737
Pooled property investments	390,179	328,542
Private equity/infrastructure	514,383	778,754
<i>Derivative contracts:</i>		
Futures	11	53
	4,587,145	4,505,386
Cash deposits with Custodian	90,216	54,418
Other Investment balances (Note 21)	774	1,062
Total investment assets	4,678,135	4,560,866
Investment Liabilities (Note 22)	(1,170)	(1,061)
<i>Derivative contracts:</i>		
Futures	(3)	-
Total Investment Liabilities	(1,173)	(1,061)
Net investment assets	4,676,962	4,559,805

I 4a) Reconciliation of movements in investments and derivatives

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

	Market value 1 April 2021 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Market value 31 March 2022 £000
Bonds	128,765	-	-	6,210	134,975
Equities	-	346,994	(272,967)	163,455	237,482
Pooled investments	3,353,128	155,487	(223,349)	24,849	3,310,115
Pooled property investments	319,533	34,405	(23,111)	59,352	390,179
Private equity/infrastructure	372,564	71,813	(107,111)	177,117	514,383
	4,173,990	608,699	(626,538)	430,983	4,587,134
<i>Derivative contracts</i>					
■ Futures	-	16	(23)	15	8
■ Forward currency contracts	-	726	(132)	(594)	-
	4,173,990	609,441	(626,693)	430,404	4,587,142
<i>Other investment balances:</i>					
■ Cash deposits	56,736			2,272	90,216
■ Other Investment Balances	357				774
■ Investment Liabilities	(775)				(1,170)

Net investment assets	4,230,308	432,676	4,676,962
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14b) Investments analysed by fund manager

	Market value 31 March 2022 £000	Market value 31 March 2022 %	Market value 31 March 2023 £000	Market value 31 March 2023 %
Investments in the ACCESS Pool				
ACCESS - Alpha Opportunities (M&G)	287,673	6.2%	293,179	6.4%
ACCESS - Absolute Return (Ruffer)	537,861	11.5%	478,853	10.5%
ACCESS - Corporate Debt (M&G)	148,858	3.2%	123,637	2.7%
ACCESS - Global Alpha (Baillie Gifford)	197,397	4.2%	187,271	4.1%
ACCESS - Global Equity (Longview)	525,660	11.2%	555,749	12.2%
ACCESS - Real Return (Newton)	498,354	10.7%	340,884	7.5%
ACCESS - UBS Passive	134,974	2.9%	93,752	2.1%
ACCESS - UBS Osmosis	238,150	5.1%	236,761	5.2%
	2,568,927	55.0%	2,310,086	50.7%
Investments held directly by the Fund				
Adams St Partners	206,010	4.4%	195,685	4.3%
Atlas Infrastructure	95,964	2.1%	100,931	2.2%
East Sussex Pension Fund Cash	77,869	1.7%	35,526	0.8%
Harbourvest Strategies	167,729	3.6%	179,466	3.9%
M&G Real Estate Debt	39,733	0.8%	43,036	0.9%
Pantheon	62,374	1.3%	81,166	1.8%
Prudential Infracapital	42,449	0.9%	52,959	1.2%
Schroders Property	402,175	8.6%	345,720	7.6%
Storebrand Smart Beta & ESG	510,338	10.8%	501,170	10.9%
UBS Infrastructure Fund	35,821	0.8%	36,335	0.8%
Wellington Active Impact Equity	237,481	5.1%	221,782	4.9%
Wheb Active Impact Equity	230,092	4.9%	221,839	4.9%
IFM Global Infrastructure	-	-	234,104	5.1%
	2,108,035	45.0%	2,249,719	49.3%
	4,676,962	100.0%	4,559,805	100.0%

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

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

Security	Market Value 31 March 2022 £000	% of total fund	Market value 31 March 2023 £000	% of total fund
ACCESS - Global Equity (Longview)	525,660	11.2%	555,749	12.2%
Storebrand Smart Beta & ESG Fund	510,338	10.9%	501,170	11.0%
ACCESS - Absolute Return (Ruffer)	537,861	11.5%	478,853	10.5%
ACCESS - Real Return (Newton)	498,354	10.7%	340,884	7.5%
ACCESS - Alpha Opportunities (M&G)	287,673	6.2%	293,179	6.4%
IFM Global Infrastructure	287,673	6.2%	234,104	5.1%
Wellington Active Impact Equity Fund	237,481	5.1%	221,782	4.9%

14c) Stock lending

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

15. Analysis of derivatives

Objectives and policies for holding derivatives

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

1. Futures

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

Type	Expires	Economic Exposure £000	Market Value 31 March 2022 £000	Economic Exposure £000	Market Value 31 March 2023 £000
<i>Assets</i>					
UK Equity Futures	Less than one year	150	4	153	2
Overseas Equity Futures	Less than one year	516	7	875	51
Total assets			11		53
<i>Liabilities</i>					
Overseas Equity Futures	Less than one year	129	(3)	-	-
Total liabilities			(3)		0
Net futures			8		53

2. Forward foreign currency

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

No forward foreign currency investments were held at the 31 March 23 (Nil 31 March 22)

3. Options

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

No options investments were held at the 31 March 23 (Nil 31 March 22)

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

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
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 – Equity and bonds Funds	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	The valuation is undertaken by the investment manager or responsible entity and advised as a unit or security price. Observable inputs are used. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.	Not Required
Pooled investments – Property Funds	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published Investments in unlisted property funds are valued at the net asset value (NAV). The underlying real estate assets values have been derived by independent valuers on a fair value basis and generally in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards.	The significant inputs and assumptions are developed by the respective fund manager.	Valuations could be affected by the frequency of the independent valuations between the funds.

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

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequential potential impact on the closing value of investments held at 31 March 2023 and 31 March 2022.

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

Asset Type	Assessed valuation range (+/-)	Values at 31 March 2022 £000	Value on increase £000	Value on decrease £000
Pooled Investment (1)	9%	39,733	43,309	36,157
Pooled property investments (2)	13%	390,179	440,902	339,456
Private Equity/Infrastructure (3)	25%	514,383	643,493	385,273
Total		944,295	1,127,704	760,886

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

2. All movements in the assessed valuation range derive from changes in the net asset value of the underlying real estate assets, the range in the potential movement of 13% is caused by how this value is measured.
3. All movements in the assessed valuation range derive from changes in the underlying profitability of component companies, the range in the potential movement of 24% is caused by how this profitability is measured.

16a) Fair value hierarchy

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

Values at 31 March 2023

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

Values at 31 March 2022

	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With Significant unobservab le inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss	238,267	3,405,357	944,295	4,587,919
Non-financial assets at fair value through profit and loss	-	-	-	-
Financial liabilities at fair value through profit and loss	(11)	(1,162)	-	(1,173)
Net investment assets	238,256	3,404,195	944,295	4,586,746

16b) Transfers between levels 1 and 2

During 2022/23 the fund has transferred no financial assets between levels 1 and 2.

16c) Reconciliation of fair value measurements within level 3

Period 2022/23 (values in £000)

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

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

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

Period 2021/22 (values in £000)

	Market value 1 April 2021	Transfers into Level 3	Transfers out of Level 3	Purchases during the year	Sales during the year	Unrealised gains/(losses)	Realised gains/(losses)	Market value 31 March 2022
Pooled investments	42,416	-	-	6,150	(11,175)	2,342	-	39,733
Pooled property investments	319,533	-	-	34,405	(23,093)	58,566	768	390,179
Private Equity/Infrastructure	372,564	-	-	71,813	(100,760)	114,336	56,430	514,383
Total	734,513	-	-	112,368	(135,028)	175,244	57,198	944,295

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

Level	Unrealised gains/(losses)	Realised gains/(losses)	Change in market value during the year
1 and 2	(8,876)	209,110	200,234
3	175,244	57,198	232,442
Total	166,368	266,308	432,676

17. Classification of financial instruments

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

31 March 2022

31 March 2023

Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000	Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000
Financial Assets					
134,975	-	-	93,755	-	-
237,482	-	-	235,630	-	-
3,310,115	-	-	3,068,651	-	-
390,179	-	-	328,542	-	-
514,383	-	-	778,754	-	-
11	-	-	53	-	-
-	90,216	-	-	54,418	-
-	2,178	-	-	9,332	-
774	-	-	1,062	-	-
-	13,213	-	-	13,973	-
4,587,919	105,607	-	4,506,447	77,723	-
Financial liabilities					
(3)	-	-	-	-	-
(1,170)	-	-	(1,061)	-	-
-	-	-	-	-	-
-	-	(4,686)	-	-	(4,561)
(1,173)	-	(4,686)	(1,061)	-	(4,561)
4,586,746	105,607	(4,686)	4,505,386	77,723	(4,561)

*Reconciliation to Current Assets Note 21

	2021/22 £000	2022/23 £000
Cash held by ESCC	2,178	9,332
Debtors	13,213	13,973
Current Assets	15,391	23,305

17a) Net gains and losses on financial instruments

	31 March 2022	31 March 2023
	£000	£000
<i>Financial assets</i>		
Fair value through profit and loss	430,660	(166,553)
Amortised cost – realised gains on derecognition of assets	-	-
Amortised cost – unrealised gains	2,024	4,274
<i>Financial liabilities</i>		
Fair value through profit and loss	(8)	17
Amortised cost – realised gains on derecognition of assets	-	-
Amortised cost – unrealised gains	-	-
Total	432,676	(162,262)

18. Nature and extent of risks arising from financial instruments

Risk and risk management

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

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

Market risk

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

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

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

The Fund manages these risks in two ways:

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

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

Other price risk

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

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

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the 2022/23 reporting period:

Asset Type	Potential Market Movements (+/-)
Index Linked	12.0%
Other Bonds	8.1%
UK Equities	20.5%
Global Equities	21.0%
Absolute Return	12.5%
Pooled Property Investments	13.0%
Private Equity	26.0%
Infrastructure Funds	15.0%

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

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

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

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

Asset Type	Values at 31 March 2022 £000	Value on increase £000	Value on decrease £000
Index Linked	134,975	150,497	119,453
Other Bonds	476,264	510,397	442,131
UK Equities	9,738	11,686	7,790
Global Equities	2,025,381	2,450,711	1,600,051
Absolute Return	1,036,214	1,165,741	906,687
Pooled Property Investments	390,179	440,902	339,456
Private Equity	373,740	485,862	261,618
Infrastructure Funds	140,643	157,520	123,766
Net Derivative Assets	8	260	(244)
Total assets available to pay benefits	4,587,142	5,373,576	3,800,708

Interest rate risk

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

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

The Fund's direct exposure to interest rate movements as of 31 March 2023 and 31 March 2022 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 2023 £000	Impact of 1% increase £000	Impact of 1% decrease £000
Cash and cash equivalents	54,418	54,418	54,418
Cash balances	9,332	9,332	9,332
Fixed interest securities	459,852	464,451	455,253
Index linked securities	93,755	93,755	93,755
Total change in assets available	617,357	621,956	612,758

Asset type	Carrying amount as at 31 March 2022 £000	Impact of 1% increase £000	Impact of 1% decrease £000
Cash and cash equivalents	90,216	90,216	90,216
Cash balances	2,178	2,178	2,178
Fixed interest securities	476,264	481,027	471,501
Index linked securities	134,975	134,975	134,975
Total change in assets available	703,633	708,396	698,870

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

Income Source	Interest receivable 2021/22 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash deposits/cash and cash equivalents	680	1,604	(244)
Fixed interest securities	7,325	7,325	7,325
Index linked securities	-	1,350	(1,350)
Total change in assets available	8,005	10,279	5,731

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

Currency risk

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

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

Currency exposure - asset type	Values at 31 March 2022 £000	Potential Market movement £000	Value on increase £000	Value on decrease £000
Overseas quoted securities	227,744	22,091	249,835	205,653
Overseas unit trusts	3,348,234	324,779	3,673,013	3,023,455
Total change in assets available	3,575,978	346,870	3,922,848	3,229,108

Climate Change risk

Current asset pricing may not take into account the emerging climate risk to the underlying holdings, markets may be over or underestimating the value of the assets and could lead to future price volatility. Climate change will affect economic growth and there is uncertainty in the economic outlook due to climate change which could lead to lower returns on equities or risk to future discounted cash flows. High carbon emitters are more exposed to risks from climate change particularly from a transition risk perspective. The Fund mitigates this climate change market risk through diversification and the selection of securities and

other financial instruments is monitored by the Fund to ensure it is within limits specified in the Fund's investment strategy. In addition, the Fund is underweighted in high carbon emitting stocks such as fossil fuel companies and carries out carbon foot printing of the Fund's investments and asset managers and the Fund through its collaborative partners engage with corporate management of the underlying holdings to ensure companies are responsibly managing their climate change risks. The Fund's Taskforce for Climate Related Financial Disclosure (TCFD) report is included in the Annual Report.

Credit risk

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

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

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

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

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

Summary	Asset value as at 31 March 2022 £000	Asset value as at 31 March 2023 £000
Overseas Treasury bills	11,556	17,087
NT custody cash accounts	78,660	37,332
Total overseas assets	90,216	54,419

Liquidity risk

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

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

All financial liabilities at 31 March 2023 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.

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19. Funding arrangements

Introduction

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

Asset value and funding level

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

- The market value of the Fund's assets as at 31 March 2022 was £4.69bn.
- The Fund had a funding level of 123% i.e., the value of assets for valuation purposes was 123% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a surplus of £858m.

Contribution rates

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

- the annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these falls due.
- plus, an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

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

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

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

Assumptions

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

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

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

Updated position since the 2022 valuation

Assets

Returns over the year to 31 March 2023 have been lower than expected. As at 31 March 2023, in market value terms, the Fund assets were less than they were projected to be at the previous valuation.

Liabilities

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As at 31 March 2023, the real discount rate is estimated to be higher than at the 2022 valuation due to a reduction in the long term rate of inflation.

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

The 2023 pension increase order is 10.1%. The increase in liabilities associated with this has however been more than offset by the reduction in the long-term inflation assumption. This short-term high inflation and longer term lower inflation is broadly consistent with what was assumed at the 2022 formal valuation.

Overall position

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

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

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

Dr Barry McKay FFA
Partner, Barnett Waddingham LLP

20. Actuarial present value of promised retirement benefits

Introduction

Barnett Waddingham, the Fund Actuary, have been instructed by East Sussex County Council, the administering authority to the East Sussex County Council Pension Fund (the Fund), to undertake pension expense calculations in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to members of the Fund as at 31 March 2023. The Fund Actuary have taken account of current LGPS Regulations, as amended, as at the date of this report.

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

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

This report is prepared in accordance with our understanding of IAS26 and complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100). In calculating the disclosed numbers we have adopted methods and assumptions that are consistent with IAS19.

Barry McKay FFA

Barnett Waddingham

Data used

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

31 March 2022 - results of the latest funding valuation

31 March 2022 - results of the latest IAS26 report

31 March 2023 - Fund asset statement

31 March 2023 - Fund income and expenditure items (estimated where necessary)

31 March 2023 - details of any new unreduced early retirement payments out

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

Although some of these data items have been estimated, we do not believe that they are likely to have a material effect on the results of this report.

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

Fund membership statistics

The table below summarises the membership data at 31 March 2022

Member data summary

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

Payroll

The total pensionable payroll for the employers in the Fund is set out below and is based on information provided to us by the administering authority. Estimated payroll of the year to 31 March 2023 £539,979,000

Unfunded benefits

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

Early retirements

We have requested data on any early retirements in respect of the Fund from the administering authority for the year ending 31 March 2023. We have been notified of 19 new early retirements during the year which were not allowed for at the previous accounting date. The total annual pension that came into payment was £260,020

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2023 is estimated to be -2.75% based on the Fund asset statements and Fund.

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

Asset breakdown	31 Mar 2022 £000	31 Mar 2022 %	31 Mar 2023 £000	31 Mar 2023 %
Equities	3,445,580	74%	3,219,201	71%
Bonds	751,882	16%	553,606	12%
Property	390,241	8%	733,175	16%
Cash	90,420	2%	54,520	1%
Total	4,678,123	100%	4,560,502	100%

Actuarial methods and assumptions

Valuation approach

To value the Fund's liabilities at 31 March 2023, we roll forward the value of the liabilities calculated for the latest full funding valuation using financial assumptions compliant with IAS19. This will involve an update this year to be based on the fund's 2022 funding valuation.

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

It is not possible to assess the accuracy of the estimated value of liabilities as at 31 March 2023 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2023 should not introduce any material distortions in the results provided that the actual experience of the employer and the fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate. As required under the IAS19, we have used the projected unit credit method of valuation.

Experience items allowed for since the previous accounting date

2022 valuation update

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

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

Allowance for actual pension increases

Our default approach is to allow for actual pension increases up to the accounting date as confirmed by the HM Treasury Order. In addition we allow for actual inflation experience from September 2022 to the most recent known date available. Any difference between this and the pension increase previously assumed will give rise to an experience item.

The 2023 pension increase is higher than previously assumed which will result in a higher value being placed on the defined benefit obligation and a worsening in the overall position. The impact will come through as an experience item.

McCloud/Sargeant judgments

There are currently uncertainties in relation to LGPS benefits due to the McCloud and Sargeant judgments. Remedial regulations are expected in 2023 and uncertainty over the benefit changes proposed for the LGPS will remain until these have been finalised.

Impact on liabilities

The McCloud remedy may impact the value of the liabilities in respect of accrued benefits and therefore an allowance may need to be included in an employer's report.

An allowance has already been made for McCloud at a previous accounting date in our IAS26 report. No explicit adjustment will be made in our results this year. The estimated cost of McCloud will be updated as part of the 2022 valuation update and this will reflect the approach adopted at the valuation in estimating the cost of the McCloud remedy. The difference between this cost and the cost previously incorporated into the Fund's accounting liabilities will be reflected in the liability experience item and we do not expect this to be material. It should be noted that the cost of the McCloud remedy varies with member experience (for example due to salary increases), and therefore the cost calculated at each actuarial valuation will vary, however, generally we do not expect this to be material.

Settlements and curtailments

Employers accounting under the IAS19 standard

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

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

Goodwin case

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

Guaranteed Minimum Pension (GMP) equalisation and indexation

Impact of Lloyds judgment on past transfer values

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

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

GMP Indexation Consultation response

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

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

Demographic assumptions

Mortality assumption

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

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

Base table mortality

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

Future improvements to mortality

To project future improvements in mortality, we use a model prepared by the Continuous Mortality Investigation Bureau (CMI). The CMI update their model on an annual basis, incorporating the latest mortality data in the national population.

Our standard approach is to update the improvements model to be based on that adopted for the fund's 2022 actuarial valuation.

The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)	31 Mar 2022	31 Mar 2023
Males – retiring today	21.2	21.1
Females – retiring today	23.8	24.1
Males – retiring in 20 years	22.0	22.2
Females – retiring in 20 years	25.1	25.6

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

Commutation

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

Normal retirement

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

50:50 take up

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

Other demographic assumptions

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

Financial assumptions

The key financial assumptions required for determining the defined benefit obligation for accounting are the discount rate, linked to high quality corporate bond yields, and the rate of future inflation.

We set out our standard approach to the derivation of these assumptions and sample assumptions using market conditions at 31 March 2023.

Discount rate

Under IAS19 the discount rate should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. Our standard approach to derive the appropriate discount rate is known as the Single Equivalent Discount Rate (SEDR) methodology.

We use sample cashflows for employers at each year and derive the single discount rate which results in the same liability value as that which would be determined using a full yield curve valuation (essentially each year's cashflows has a different discount rate). In carrying out this derivation we use the annualised Merrill Lynch AA rated corporate bond yield curve and assume the curve is flat beyond the 30 year point.

The sample cashflows are updated on a three-yearly basis using a full valuation of membership data. These are currently based on cashflows derived as at 31 March 2022. At 31 March 2022, using liability durations at that date, each employer is matched with a set of sample cashflows which best reflects the employer's cashflow profile and maturity. Although employers' liability duration will be remeasured at each accounting date, we assume that their cashflow profile will remain stable over the three-year period and so the sample cashflows allocated remain appropriate.

In addition, we have allowed for actual pension increases up to and including the 2023 Pension Increase Order. This is reflected in the Experience loss/(gain) on defined benefit obligation figure in the results. We have also allowed for actual CPI inflation experienced from September 2022 to March 2023.

Inflation expectations

Whilst the change in corporate bond yields is an important factor affecting the valuation of the liabilities, so too is the assumed level of future inflation as this determines the rate at which the benefits increase.

IAS19 suggests that in assessing future levels of long-term inflation we should use assumptions that would result in a best estimate of the ultimate cost of providing benefits whilst also giving consideration to the gilt market (in line with general price levels) to give us an indication of market expectation.

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

Retail Prices Index (RPI) assumption

Similar to the SEDR approach described above we intend to adopt a Single Equivalent Inflation Rate (SEIR) approach in deriving an appropriate RPI assumption.

The SEIR adopted is such that the single assumed rate of inflation results in the same liability as that resulting from applying the BoE implied inflation curve. The BoE implied inflation curve is assumed to be flat beyond the 40 year point.

Following a recent review of the market, and in particular noting the muted market reaction to the likely alignment of RPI with CPIH (Consumer Prices Index with Housing) from 2030, our view is that gilt-implied inflation rates are currently distorted by supply and demand factors at medium and longer terms. We have

therefore allowed for an Inflation Risk Premium (IRP) of 0.4% at medium and longer terms (from 9 years). This results in an overall IRP of between 0.0% p.a. and 0.25% p.a. depending on the term of the liabilities (for terms ranging from 1 year up to 30 years). Consistent with the SEDR approach, assumptions are rounded to the nearest 0.05%

Difference between RPI and CPI

It is expected that RPI will be on average 1.0% p.a. lower than it would have otherwise been from 2030 as a result of the proposed alignment of RPI to CPIH (and CPI) from that date. We have therefore assumed that the annual increase in CPI inflation will be 1.0% p.a. lower than the market implied increases in RPI for each year prior to 2030, and will be in line with RPI inflation thereafter. This results in an assumed gap between the two inflation measures of between 0.25% p.a. and 0.80% p.a. depending on the term of the liabilities (for terms ranging from 30 years down to 5 years).

Consumer Prices Index (CPI) assumption

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

Salary increases

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

Results and disclosures

We estimate that the net asset as at 31 March 2023 is assets of £607,711,000

The results of our calculations for the year ended 31 March 2023 are set out below. The figures presented in this report are prepared only for the purposes of FRS102. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

Statement of financial position as at 31 March 2023

Net pension asset in the statement of financial position as at	31-Mar-21 £000	31-Mar-22 £000	31-Mar-23 £000
Present value of defined benefit obligation *	(5,609,613)	(5,539,108)	(3,952,791)
Fair value of Fund assets (bid value)	4,244,872	4,678,123	4,560,502
Net (Liability)/Assets in balance sheet	(1,364,741)	(860,985)	607,711

* The present value of the defined benefit obligation consists of £3,952,791,000 in respect of vested obligation and £0 in respect of non-vested obligation.

Asset and benefit obligation reconciliation for the year to 31 March 2023

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	31-Mar-22 £000	31-Mar-23 £000
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Opening defined benefit obligation	(5,609,613)	(5,539,108)
Current service cost	(221,170)	(241,046)
Interest cost	(108,410)	(142,709)
Change in financial assumptions	307,673	2,453,265
Change in demographic assumptions	-	39,104
Experience loss/(gain) on defined benefit obligation	(11,029)	(623,902)
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	137,108	137,997
Past service costs, including curtailments	(2,491)	(1,173)
Contributions by Scheme participants	(31,176)	(35,219)
Unfunded pension payments	-	-
Closing defined benefit obligation	(5,539,108)	(3,952,791)
Reconciliation of opening & closing balances of the fair value of Fund assets	31-Mar-22	31-Mar-23
	£000	£000
Opening fair value of Fund assets	4,244,872	4,678,123
Interest on assets	82,740	121,717
Return on assets less interest	359,554	(242,580)
Other actuarial gains/(losses)	-	-
Administration expenses	(2,731)	(3,424)
Contributions by employer including unfunded	99,620	109,444
Contributions by Scheme participants	31,176	35,219
Estimated benefits paid plus unfunded net of transfers in	(137,108)	(137,997)
Settlement prices received / (paid)	-	-
Closing Fair value of Fund assets	4,678,123	4,560,502

The total return on the Fund's assets for the year to 31 March 2023 is loss of £-120,863,000 (2022 £442,294,000)

Sensitivity Analysis

	Approximate % increase to liabilities	Approximate monetary amount (£m)
Present value of total obligation	3,952,791	3,952,791
Sensitivity to	+0.1%	-0.1%
Discount rate	3,889,287	4,017,964
Long term salary increase	3,955,810	3,949,789
Pension increases and deferred revaluation	4,016,099	3,891,070
Sensitivity to	+1 Year	- 1 Year
Life expectancy assumptions	4,111,843	3,800,618

The information in the above note is all from our Fund Actuary - **Barnett Waddingham**.

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21. Current Assets

	31 March 2022 £000	31 March 2023 £000
Other Investment Balances		
Sales inc Currency	-	-
Investment Income Due	500	674
Recoverable Taxes	274	388
Total	774	1,062

	31 March 2022 £000	31 March 2023 £000
Current Assets		
Contributions receivable from employers and employees	11,136	11,796
Sundry Debtors	2,077	2,177
Cash	2,178	9,332
Total	15,391	23,305

22. Current liabilities

	31 March 2022 £000	31 March 2023 £000
<i>Investment Liabilities</i>		
Purchases including currency	-	(309)
Derivative Contracts Futures	(3)	-
Variation Margin	(8)	(53)
Managers Fees	(1,162)	(699)
Total	(1,173)	(1,061)

	31 March 2022 £000	31 March 2023 £000
<i>Current Liabilities</i>		
Pension Payments (inc Lump Sums)	(306)	(221)
Cash	-	-
Professional Fees	(2,798)	(2,237)
Administration Recharge	(72)	(72)
Sundry Creditors	(1,510)	(2,031)
Total	(4,686)	(4,561)

23. Additional voluntary contributions

	Market value 31 March 2022 £000	Market value 31 March 2023 £000
Prudential	22,647	17,232 ¹

¹ This does not include the terminal bonuses for the members with profits investments as these were not available from the Funds AVC provider the comparative figure for 31 March 2022 was £17,472k.

The Pension Fund Scheme provides an Additional Voluntary Contribution (AVC) facility for scheme members. Some members of the pension scheme paid voluntary contributions and transfers in of £2.504m (£2.241m 2021/22) to Prudential to buy extra pension benefits when they retire. £3.187m was disinvested from the AVC provider in 2022/23 (£3.479m 2021/22). 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.

	2021/22 £000	2022/23 £000
East Sussex County Council	4,638	4,618
Brighton & Hove City Council	2,105	2,056
Eastbourne Borough Council	289	281
Magistrates	192	199
Wealden District Council	170	168
Hastings Borough Council	169	165
Rother District Council	102	99
Lewes District Council	69	66
Brighton University	23	24
South-East Water	32	22
Westminster (used to be LPFA)	18	20
Mid-Sussex District Council	19	19
East Sussex Fire Authority	14	14
London Borough of Camden	7	8
London Borough of Southwark	6	7
The Eastbourne Academy	6	6
West Midlands Pension Fund	5	5
West Sussex County Council	4	4
Torfaen Borough Council	4	4
Sussex University	3	3
Varndean College	2	2
London Borough of Ealing	2	2
East Sussex College Group	1	1
Plumpton College	1	1
Optivo	1	1

Total

7,882

7,795

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25. Related party transactions

East Sussex County Council

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

Each member of the Pension Committee is required to declare their interests at each meeting. The Treasurer of the Pension Fund, and Members of the County Council and the Pension Committee have no material transactions with the Pension Fund.

The Council incurred costs in administering the Fund and charged £2.0m to the Fund in 2022/23 (£1.6m in 2021/22). The Council's contribution to the Fund was £46.6m in 2022/23 (£43.0 in 2020/21). All amounts due to the Fund were paid in the year. At 31 March 2023 the Pension Fund bank account held £9.8m in cash (£3.7m at 31 March 2022). The average throughout the year was £8.2m (£6.1m in 2021/22).

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 2022 £000	31 March 2023 £000
Short-term benefits	26	28
Post-employment benefits	5	5
Total	31	33

26. Contingent liabilities and contractual commitments

1. Outstanding capital commitments (investments) at 31 March 2023 totaled £236.8m (31 March 2022: £304.1m).

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 2022, the unfunded commitment was £168.8m for private equity, £48.1m for infrastructure and £19.9m for private debt. The commitments are paid over the investment timeframe of the underlying partnerships. As these partnerships mature, they are due to distribute capital back to investors. Commitments are made in US Dollars or Euros and the figures presented here are based on relevant Sterling exchange rates as at 31 March 2022.

2. Exit Payments

There were no employers whose contracts were due to end by the 31 March 2023 where an exit credit may need to be paid out. If there was 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.

3. GMP Reconciliation Project

The Guaranteed Minimum Pension (GMP) Reconciliation project was split into number stages for Local Government Pension Schemes (LGPS). The Fund has completed the discovery and GMP reconciliation phases, which reviewed data inconsistencies, raised issues with HMRC and agreed outcomes.

GMP elements of LGPS pension where State Pension Age is prior to 6 April 2016 has not increased in respect of the period 6 April 1978 to 5 April 1988. While the Post 1988 GMP element in respect of the period 6 April 1988 to 5 April 1997 might be increased up to a maximum of 3% p.a. The Government increase the State Pension for the member fully on the Pre 1988 GMP element and for Post 1988 GMP element has only increased if CPI is above 3% p.a.

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

The GMP rectification project has been postponed this year. We are still using the same third-party specialist (Mercer) to undertake the work but due to the delay they will first need to revisit the reconciliation phase as many members impacted will have changed status in the intervening period. We have now reignited the project in May 2023 and have completed a LGPS Benefit Specification and expect to export the data in June 2023. The project is expected to be completed in 2023 but we are still not in a position to quantify any under/overpayment liabilities values as at 31 March 2023.

4. Tax charges

The Fund is currently undertaking a review of the Annual Allowance pension saving statements issued and has identified some discrepancies in tax liabilities. Where the Fund has incorrectly advised a member of a tax payment, the Fund will pay any interest payments and penalties due to HMRC. As at the balance sheet date these potential interest and penalties payments were unknown.

5. Infrastructure holding

One of the Funds infrastructure managers has a minority holding in asset that it was in the process of selling which was expected to conclude in January 2023. The expected purchase of this asset did not take place and the manager has been looking into how it might now sell this asset. The company has encountered a more challenging operating environment than anticipated and it is expected that an additional equity capital raise. There is currently a lack of visibility on the price of the equity raise and the fact that the manager do not want to set a value which could create an adverse benchmark against which to set a price for the equity raise, the manager have decided to leave the Q1 2023 valuation flat versus Q4 2022 valuation. A price for the potential equity raise is expected to be set in Q2 2023 and will establish a new valuation point for the

asset, based on this new information the manager will revisit the valuation of the asset. It is our expectation that the assets Q2 2023 valuation may need to be revised downward.

27. Contingent assets

1. Employer bonds/guarantees

There are 9 admitted body employers in the Fund that hold insurance bonds to guard against the possibility of them being unable to meet their pension obligations. 4 employers are currently negotiating new bonds due to expiry of their current bonds. 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 18 other admitted bodies are covered by:

2 guarantees by Academies participating in the Fund.

12 guarantees by local authorities participating in the Fund.

3 Parent company guarantee.

1 deposit held by East Sussex County Council

2. Private market investments

At 31 March 2023, the Fund has invested £375.1 million in private equity funds managed by Adams Street and HarbourVest. The Fund has also invested £43 million in the M&G real estate debt fund VI and £404.6 million in the infrastructure funds managed by UBS, Pantheon and Infracapital and IFM

28. Impairment losses

During 2022/23, the fund has not recognised any impairment losses.

29. East Sussex Pension Fund – Active Participating Employers

	21/22 Payroll %	21/22 Amount £(000)	22/23 Payroll %	22/23 Amount £(000)	23/24 Payroll %	23/24 Amount £(000)
Scheduled Bodies - Major Authorities						
Brighton and Hove City Council	20.3	-	19.8	-	19.8	-
East Sussex County Council	17.6	5,568	17.6	4,966	19.7	-
East Sussex Fire and Rescue Service	17.9	137	17.9	109	18.7	-
Eastbourne Borough Council	19.4	-	18.9	-	17.9	-
Hastings Borough Council	17.6	508	17.6	476	22.1	-
Lewes District Council	23.6	-	23.1	-	22.1	-
Rother District Council	25.6	-	25.1	-	24.1	-
University of Brighton	17.7	-	17.2	-	17.2	-
Wealden District Council	17.6	538	17.6	499	21.0	-

	21/22 Payroll %	21/22 Amount £(000)	22/23 Payroll %	22/23 Amount £(000)	23/24 Payroll %	23/24 Amount £(000)
Other Scheduled Bodies						
Arlington Parish Council	21.6	-	21.1	-	20.1	-
Battle Town Council	21.6	-	21.1	-	20.1	-
Berwick Parish Council	21.6	-	21.1	-	20.1	-
Bexhill on Sea Town Council	-	-	18.2	-	20.1	-
Buxted Parish Council	21.6	-	21.1	-	20.1	-
Camber Parish council	21.6	-	21.1	-	20.1	-
Chailey Parish Council	21.6	-	21.1	-	20.1	-
Chiddingly Parish Council	21.6	-	21.1	-	20.1	-
Conservators of Ashdown Forest	21.6	-	21.1	-	20.1	-
Crowborough Town Council	21.6	-	21.1	-	20.1	-
Danehill Parish Council	21.6	-	21.1	-	20.1	-
Ditchling Parish Council	21.6	-	21.1	-	20.1	-
East dean & Fristan Parish Council	-	-	18.2	-	20.1	-
Fletching Parish Council	21.6	-	21.1	-	20.1	-
Firle Parish Council	-	-	18.2	-	20.1	-
Forest Row Parish Council	21.6	-	21.1	-	20.1	-
Frant Parish Council	21.6	-	21.1	-	20.1	-
Hadlow Down Parish Council	21.6	-	21.1	-	20.1	-
Hailsham Town Council	21.6	-	21.1	-	20.1	-
Hartfield Parish Council	21.6	-	21.1	-	20.1	-
Heathfield & Waldron Parish Council	21.6	-	21.1	-	20.1	-
Herstmonceux Parish Council	21.6	-	21.1	-	20.1	-
Hurst Green Parish Council	21.6	-	21.1	-	20.1	-
Icklesham Parish Council	21.6	-	21.1	-	20.1	-
Isfield Parish Council	21.6	-	21.1	-	20.1	-
Kingston Parish Council	-	-	18.2	-	20.1	-
Lewes Town Council	21.6	-	21.1	-	20.1	-
Maresfield Parish Council	21.6	-	21.1	-	20.1	-
Newhaven Town Council	21.6	-	21.1	-	20.1	-
Newick Parish Council	21.6	-	21.1	-	20.1	-
Peacehaven Town Council	21.6	-	21.1	-	20.1	-
Pett Parish Council	21.6	-	21.1	-	20.1	-
Plumpton Parish Council	21.6	-	21.1	-	20.1	-
Rye Town Council	21.6	-	21.1	-	20.1	-
Salehurst & Robertsbridge Parish Council	21.6	-	21.1	-	20.1	-
Seaford Town Council	21.6	-	21.1	-	20.1	-
Telscombe Town Council	21.6	-	21.1	-	20.1	-
Uckfield Town Council	21.6	-	21.1	-	20.1	-
Wartling Parish Council	21.6	-	21.1	-	20.1	-
Willingdon and Jevington Parish Council	21.6	-	21.1	-	20.1	-
Wivelsfield Parish Council	21.6	-	21.1	-	20.1	-
Academy Schools						
Anney Catholic Primary Academy	15.0	-	14.5	-	13.4	-
Aquinas Trust	20.5	-	20.0	-	19.0	-
ARK Schools Hastings	20.1	-	19.6	-	18.9	-
Aurora Academies Trust	19.9	-	19.4	-	18.9	-
Beacon Academy	22.5	-	22.0	-	21.0	-
Beckmead Ropemakers Academy	16.3	-	16.3	-	17.3	-

	21/22 Payroll %	21/22 Amount £(000)	22/23 Payroll %	22/23 Amount £(000)	23/24 Payroll %	23/24 Amount £(000)
Bexhill Academy	22.4	-	21.9	-	20.9	-
Bilingual Primary School	15.1	-	14.6	-	15.6	-
Breakwater Academy	16.5	-	16.0	-	19.8	-
Burfield Academy (Hailsham Primary)	19.5	-	19.0	-	19.8	-
Cavendish Academy	20.0	-	19.5	-	18.9	-
Chyngton School	-	-	21.0	-	20.4	-
Diocese of Chichester Academy Trust	23.9	-	23.4	-	22.4	-
Ditchling CE Primary	-	-	21.0	-	20.4	-
Eastbourne Academy	20.7	-	20.2	-	19.2	-
Falmer (Brighton Aldridge Community Academy)	19.5	-	19.0	-	18.9	-
Flagship School	-	-	22.3	-	21.3	-
Gildredge House Free School	19.1	-	18.6	-	18.9	-
Glyne Gap Academy	20.9	-	20.4	-	19.4	-
Hailsham Academy	19.5	-	19.0	-	18.9	-
Hawkes Farm Academy	15.9	-	15.4	-	19.8	-
High Cliff Academy	19.5	-	19.0	-	19.8	-
Jarvis Brook Academy	14.0	-	13.5	-	14.5	-
King's Church of England Free School	15.7	-	15.2	-	16.2	-
Langney Primary Academy	12.9	-	12.4	-	13.4	-
Ore Village Academy	18.0	-	17.5	-	18.5	-
Mouslecoombe Primary School	-	-	27.2	-	26.2	-
Parkland Infant Academy	14.3	-	13.8	-	14.8	-
Parkland Junior Academy	13.9	-	13.4	-	14.4	-
Peacehaven Academy	12.5	-	12.0	-	13.5	-
Peacehaven Heights	-	-	25.7	-	19.8	-
Pebsham Academy	19.0	-	18.5	-	18.9	-
Phoenix Academy	19.9	-	19.4	-	19.8	-
Portslade Aldridge Community Academy	19.4	-	18.9	-	19.9	-
King's Academy Ringmer	20.3	-	19.8	-	18.9	-
Roseland Infants	-	-	24.9	-	23.9	-
SABDEN Multi Academy Trust	23.1	-	22.6	-	19.6	-
Saxon Shore Academy	22.7	-	22.7	-	21.7	-
Seaford Academy	20.6	-	20.1	-	19.1	-
Seahaven Academy	21.0	-	20.5	-	19.5	-
Shinewater Primary Academy	14.0	-	13.5	-	14.5	-
Sir Henry Fermor Academy	14.3	-	13.8	-	14.8	-
Stafford Junior	-	-	25.7	-	24.7	-
The South Downs Learning Trust	11.7	-	11.2	-	12.2	-
The Southfield Trust	13.9	-	13.4	-	14.4	-
Telscombe Cliffs	-	-	23.8	-	19.8	-
Torfield & Saxon Mount Academy Trust	22.1	-	21.6	-	20.6	-
University of Brighton Academies Trust	19.5	-	19.0	-	18.9	-
White House Academy	17.0	-	16.5	-	19.8	-
Colleges						
Bexhill College	21.2	-	21.2	-	21.2	-
Brighton, Hove & Sussex Sixth Form College	19.8	-	19.8	-	19.8	-
East Sussex College Group	20.7	-	20.7	-	20.7	-

	21/22 Payroll %	21/22 Amount £(000)	22/23 Payroll %	22/23 Amount £(000)	23/24 Payroll %	23/24 Amount £(000)
Plumpton College	18.9	-	18.9	-	18.9	-
Varndean Sixth Form College	19.8	-	19.8	-	19.8	-
Admission Bodies						
BHCC - Wealden Leisure Ltd	33.0	-	33.0	-	27.7	-
Biffa Muncipal Ltd	28.8	-	28.8	-	27.8	-
Brighton and Hove CAB	0.0	-	0.0	-	0.0	-
Brighton and Hove Housing Trust	-	-	31.4	-	31.4	-
Brighton Dome & Festival Limited (Music & Arts Service)	0.0	-	0.0	-	4.3	-
Brighton Dome and Fest BHCC ceased	0.0	-	0.0	-	0.0	-
Care Outlook Ltd	0.0	-	0.0	-	0.0	-
Care Quality Commission	49.2	92	49.2	92	44.8	-
Churchill St Leonards	29.7	-	29.7	-	-	-
Churchill St Pauls	34.1	-	34.1	-	33.1	-
Churchill Contract Services - St Paul's CoE Academy	0.0	-	0.0	-	33.1	-
Churchill East Sussex joined and ceased*	0.0	-	0.0	-	0.0	-
Compass (The Causeway)	-	-	34.0	-	32.0	-
De La Warr Pavilion Charitable Trust	4.8	-	4.8	-	2.9	-
East Sussex Energy, Infrastructure & Development Ltd (ESEIDL)	29.2	13	29.2	13	28.2	-
EBC – Towner	31.0	7	31.0	7	22.1	-
ESCC - NSL Ltd	3.6	-	3.6	-	0.0	-
Glendale Grounds Management Ltd	29.4	-	29.4	-	28.4	-
Grace Eyre	0.0	-	0.0	-	0.0	-
Halcrow Group Ltd	5.4	-	5.4	-	23.6	-
Idverde*	0.0	-	0.0	-	33.1	-
Just Ask Estates Ltd	32.6	-	32.6	-	0.0	-
Nviro Ltd	35.3	-	35.3	-	-	-
Southern Housing	45.8	920	45.8	920	45.9	111
Royal Pavilion & Museums Trust	17.8	-	17.8	-	17.8	-
Sussex County Sports Partnership	17.7	-	17.2	-	17.2	-
Sussex Housing & Care	0.0	-	0.0	-	0.0	-
Sussex IFCA Insure Fisheries and Conversation Authority	-	-	18.2	-	20.1	-
Telent Technology Services Ltd	20.8	-	20.8	-	20.8	-
Vardean School BHCC*	0.0	-	0.0	-	0.0	-
Wave Leisure - Newhaven Fort	0.0	-	0.0	-	7.0	-
Wave Leisure Trust Ltd	0.0	-	0.0	-	7.1	-
Wave Leisure Trust Ltd - EBC	0.0	-	22.4	-	7.1	-
WDC - Wealden Leisure Ltd	33.0	-	33.0	-	26.1	-
Wealden Leisure Ltd - Portslade Sports Centre	0.0	-	0.0	-	0.0	-
White Rock Theatres Hastings Ltd	0.0	-	0.0	-	0.0	-

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30. Investment Performance

The Fund uses an independent Investment performance measurement service, provided by Pensions & Investment Research Consultants Ltd (PIRC), which measures the performance of the Fund compared with 47 other local authority pension funds. Pension Fund investment is long-term, so as well as showing the annual performance of the Fund, comparison to peers over longer periods is also detailed below.

Performance relative to the Fund's strategic benchmark

	1 year (%)	3 years (%p.a.)	5 years (%p.a.)	10 years (%p.a.)
Fund	(2.5)	9.6	6.2	7.5
Benchmark	(1.1)	9.2	5.7	6.7
Relative*	(1.4)	0.4	0.6	0.8

Investment performance relative to peer group

	1 year (%)	3 years (%p.a.)	5 years (%p.a.)	10 years (%p.a.)
Fund	(2.5)	9.6	6.2	7.5
Local Authority Average	(1.5)	9.6	6.0	7.3
Relative*	(1.0)	0.0	0.6	0.2

The Fund outperformed the (weighted) average local authority Fund over the year by 1.0% (1.8% outperformance 2021/22), ranking the East Sussex Fund in the 39th percentiles (14th 2021/22) in the local authority universe. Over three years the Fund was in line with the average (0.2% outperformance 2020/21) and was placed in the 43rd percentiles (56th 2020/21). Over five years the Fund outperformed by 0.2% (0.5% underperformance in 2020/21) and was placed in the 27th percentiles (67th 2020/21). Over ten years the fund years, the fund outperformed by 0.2% (0.1% underperformance 2020/21) and was placed in the 21st percentiles (54th 2020/21).

*Relative performance is calculated on a geometric basis as follows:

$$\left(\frac{1 + \text{Fund Performance}}{1 + \text{Benchmark Performance}} \right) - 1$$

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.

16. Draft External auditor's report

Draft - Independent auditor's report to the members of East Sussex Council on the pension fund financial statements of East Sussex Pension Fund

Draft - Opinion on financial statements

We have audited the financial statements of East Sussex Pension Fund (the 'Pension Fund') administered by East Sussex Council (the 'Authority') for the year ended 31 March 2023, which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had

regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period. In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Finance Officer's with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements and our auditor's report thereon, and our auditor's report on the Authority's and group's financial statements. The Chief Finance Officer is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements, the other information published together with the Pension Fund's financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

Responsibilities of the Authority and the Chief Finance Officer

As explained more fully in the Statement of Responsibilities set out on page 18, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Chief Finance Officer is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003).

We enquired of management and the Audit Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and

- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and any other fraud risks identified for the audit. We determined that the principal risks were in relation to the valuation of Level 2 and 3 Investments. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on year-end journals,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of Level 2 and 3 Investments,
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including [add details of risks]. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government pensions sector
- understanding of the legal and regulatory requirements specific to the Pension Fund including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

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Appendix I

Pensions Administration Strategy Statement

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

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

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

The administration strategy statement will be reviewed in line with each valuation cycle, the last revision was approved in June 2023. All scheme employers are be consulted before any changes are made to this document.

The latest version of the administration strategy statement is available on the Funds website

<https://www.eastsussexpensionfund.org/media/utsjckd3/pensions-administration-strategy-2023.pdf>

Appendix 2

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 in place at the time of the last triennial valuation, 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

The Funding Strategy Statement was updated to reflect funding principles agreed for the 2022 actuarial valuation and was approved in March 2023. The funding principles apply to employer contributions payable from 1 April 2023 to 31 March 2024.

The approach used to set asset allocations for new bodies, to calculate the bond requirements for admitted bodies and to determine any cessation debts payable by exiting employers are calculated in line with the Funding Strategy Statement. The Fund monitors the change in the funding position at a whole Fund level on a regular basis. The next review of the Funding Strategy Statement will take place over the 2025/26 year as part of the 2025 valuation exercise.

The 2019 Funding Strategy Statement is shown after this page.

The latest version of the Funding Strategy Statement is available on the Funds website:

<https://www.eastsussexpensionfund.org/media/x4lpeopm/funding-strategy-statement-2023.pdf>

Appendix 3

Investment Strategy Statement

The Local Government Pension Scheme (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 must cover:

- The Requirement to invest Fund money is a wide variety of investments
- The Authority's assessment of the suitability of particular investments and types of investments
- The Authority's approach to risk, including the ways in which risks are to be assess and managed
- The Authority's approach to pooling investments, including the use of collect investment vehicles and shared services
- The Authorities policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments
- The Authorities policy on the exercise of the rights (including voting rights) attaching to investments

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.

Responsible Investment

Responsible Investment is a fundamental part of the Fund's overarching investment strategy as set out in its ISS as a Statement of Responsible Investment Principles. 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 Funds ISS is reviewed on a continuous basis to ensure it accurately reflects the Investment Strategy of the Fund.

To view the Investment Strategy Statement in full please look at the next page.

The latest version of the Investment Strategy Statement is available on the Funds website:

www.eastsussexpensionfund.org/media/sznjpnzl/investment-strategy-statement-2021.docx

Appendix 4

Communications Strategy

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.

The Communications strategy in place during this financial year was approved 17 June 2022 and updated annually with a full review every 3 years.

To access the Communications Strategy statement in full please view the detail on the next page.

The latest version of the communications Strategy is available on the Funds website:

www.eastsussexpensionfund.org/media/lzrj0hat/communication-strategy-2022-east-sussex-pension-fund.pdf

Appendix 5

Governance Policy and Compliance Statement

The Public Services Pensions Act 2013 introduced a new framework for the governance and administration of public service pension schemes. All Local Government Pension Scheme (LGPS) Funds in England and Wales are required to publish and keep under review a Governance Compliance Statement.

The Governance Compliance Statement of the East Sussex Pension Fund is comprised from the Compliance to Statutory Guidance Statement and a Governance Policy Statement.

The Governance and Compliance Statement in place during this financial year was approved 16 June 2023 and is updated annually.

To full Governance Policy and Compliance Statement can be viewed on the next page.

The latest version of the Governance and Compliance Statement is available on the Funds website

<https://www.eastsussexpensionfund.org/media/q03plfjj/governance-and-compliance-statement-june-2023.pdf>