East Sussex Pension Fund

ANNUAL REPORT AND ACCOUNTS

2023-2024

www.eastsussexpensionfund.org

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Welcome from Chair of Pension Committee

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

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

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

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

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

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

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

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

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

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

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

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

Councillor Gerard Fox

Chairman of the East Sussex Pension Fund Pension Committee

Welcome from Chair of Pension Board

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

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

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

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

The year ahead

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

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

Ray Martin

Chair of Local Pension Board

Introduction to the LGPS

Local Government Pension Scheme

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

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

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

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

The Fund is required to:

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

Overall Fund Management

Scheme Management and Advisers

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

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

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

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

Bodies to which the fund is member, subscriber or signatory

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

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

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

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

Risk management

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

Integrating risk management into governance practices

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

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

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

Identification of risk

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

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

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

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

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

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

Risk mitigation

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

- Cyber Security
- Employer data
- Investment Pooling

Cyber Security

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

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

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

Employer data

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

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

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

Investment pooling

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

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

Investment risk

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

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

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

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

Mitigations for the 4 risks identified include:

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

Shared services

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

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

Investment risk

Reviewing our processes

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

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

Governance and Training

Pension Committee

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

Pension Board

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

ACCESS Pool Joint Committee

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

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

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

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

Committee membership and attendance

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

Member attendance at committee meetings during 2023/24:

2023/24 - Pension Committee Members

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

2023/24 - Pension Board Members

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

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

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

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

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

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

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

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

The Knowledge and Skills Framework

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

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

CIPFA/Solace Knowledge and Skills Framework – Pension Fund Committees

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

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

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

- Actuarial methods, standards and practice.

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

CIPFA Technical Knowledge and Skills Framework – Local Pension Boards

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

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

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

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

Links to The Scheme Advisory Board's Good Governance project

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

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

- Representation – Funds will produce and publish a policy on the representation of members and employers, explaining how voting rights work;

- Knowledge and Understanding – Highlighting that key individual should have the knowledge and understanding to fulfil their functions, including the s.151 Officer;

- Service delivery – This covers publishing details of decision makers' roles and responsibilities, publishing an administration strategy, reporting on performance, and including the Committee in business planning, and;

- Compliance and Improvement – Undergoing a biannual Independent Governance review.

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

The Pensions Regulator's E-learning toolkit

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

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

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

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

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

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

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

Members of the Pension Committee require an understanding of:

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

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

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

Expectations on Pension Committee Members

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

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

Local Pension Board

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

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

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

Local Pension Board members must be conversant with:

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

Training attended by Pension Board and Pension Committee

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

Pension Committee

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

Pension Board

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

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

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

[5] In post for 2 months before resigning

Work undertaken by the Pension Board and Pension Committee

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

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

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

Conflicts of interest

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

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

Key officers

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

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

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Financial Performance

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

Analytical Review

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

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

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

Analysis of pension contributions

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

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

No interest was charged on any of the late payments.

Forecasts

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

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

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

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

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

Management Expenses - Forecast

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

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

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

Pension overpayments

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

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

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

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

Fund account, Net Assets Statement and Notes

East Sussex Pension Fund - Accounts 2023/24

Fund account, net assets statement and notes

Introduction

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

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

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

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

Administering Authority Responsibilities

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

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

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

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

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

Asset Pools

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

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

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

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

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

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

Fund account, net assets statement and notes

Fund Account

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

Net Assets Statement for the year ended 31 March 2024

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

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

Treasurers Certificate

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

Ian Gutsell

Chief Finance Officer (Section 151 Officer)

Business Services Department

Date to be confirmed

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

1: Description of Fund

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

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

General

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

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

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

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

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

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

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

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

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

Membership

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

Organisations participating in the East Sussex Pension Fund include:

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

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

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

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

Funding

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

Benefits

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

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

2: Basis of preparation

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

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

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

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

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

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

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

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

• clarify how lending conditions affect classification, and

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

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

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

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

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

• targeted disclosure requirements for affected entities.

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

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

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

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

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

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

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

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

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

3. Summary of significant accounting policies

Fund account – revenue recognition

1. **Contribution income**

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

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

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

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

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

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

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

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

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

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

3. **Investment income**

a) Interest income

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

b) Dividend income

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

c) Distributions from pooled funds

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

d) Movement in the net market value of investments

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

Fund account – expense items

4. **Benefits payable**

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

5. **Taxation**

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

6. **Management expenses**

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

a) Administrative expenses

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

b) Oversight and governance costs

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

c) Investment management expenses

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

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

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

Net assets statement

7. **Financial assets**

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

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

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

8. **Foreign currency transactions**

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

9. **Derivatives**

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

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

10. **Cash and cash equivalents**

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

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

11. **Financial liabilities**

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

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

12. Actuarial present value of promised retirement benefits

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

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

13. Additional voluntary contributions

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

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

14. Contingent assets and contingent liabilities

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

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

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

4. Critical judgements in applying accounting policies

Pension Fund liability

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

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

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

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

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

6. Events after the balance sheet date

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

7. Contributions Receivable

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

8. Transfers in from other pension funds

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

9. Benefits payable

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

10. Payments to and on account of leavers

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

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

11. Management expenses

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

11a) Investment management expenses – 2023/24

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

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

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

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

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

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

12. Investment income

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

13. Other fund account disclosures

13a) Taxes on income

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

13b) External audit costs

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

14. Investments

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

14a) Reconciliation of movements in investments and derivatives

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

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

14b) Investments analysed by fund manager

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

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

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

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

14c) Stock lending

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

15. Analysis of derivatives

Objectives and policies for holding derivatives

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

1. Futures

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

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

2. Forward foreign currency

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

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

3. Options

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

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

16. Fair value – basis of valuation

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

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

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

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

Sensitivity of assets valued at level 3

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

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

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

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

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

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

16a) Fair value hierarchy

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

Values at 31 March 2024

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

Values at 31 March 2023

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

16b) Transfers between levels 1 and 2

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

16c) Reconciliation of fair value measurements within level 3

Period 2023/24 (values in £000)

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

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

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

Period 2022/23 (values in £000)

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

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

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

17. Classification of financial instruments

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

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

*Reconciliation to Current Assets Note 21

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

17a) Net gains and losses on financial instruments

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

18. Nature and extent of risks arising from financial instruments

Risk and risk management

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

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

Market risk

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

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

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

The Fund manages these risks in two ways:

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

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

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

Other price risk

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

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

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

Other price risk – sensitivity analysis

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

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

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

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

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

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

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

Interest rate risk

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

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

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

Interest rate risk sensitivity analysis

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

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

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

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

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

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

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

Currency risk

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

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

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

Climate Change risk

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

Credit risk

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

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

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

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

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

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

Liquidity risk

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

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

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

Refinancing risk

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

19. Funding arrangements

Introduction

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

Asset value and funding level

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

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

Contribution rates

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

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

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

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

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

Assumptions

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

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

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

Updated position since the 2022 valuation

Assets

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

Liabilities

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

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

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

Overall position

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

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

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

Dr Barry McKay FFA
Partner, Barnett Waddingham LLP

20. Actuarial present value of promised retirement benefits

Introduction

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

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

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

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

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

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

Barry McKay FFA
Partner

Data used

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

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

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

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

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

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

Employer membership statistics

The table below summarises the membership data at 31 March 2022

Member data summary

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

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

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

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

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

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

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

Actuarial methods and assumptions

Valuation approach

To value the Fund's liabilities at 31 March 2024, we roll forward the value of the liabilities calculated for the latest full funding valuation using financial assumptions compliant with IAS19 and FRS102. This will involve an update this year to be based on the fund's 2022 funding valuation.
The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.
It is not possible to assess the accuracy of the estimated value of liabilities as at 31 March 2024 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2024 should not introduce any material distortions in the results provided that the actual experience of the employer and the fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.
As required under the IAS19, we have used the projected unit credit method of valuation.

Experience items allowed for since the previous accounting date

2023 valuation update

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

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

Allowance for inflation experience

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

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

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

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

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

Asset ceiling methodology
Our calculations assume that:

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

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

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

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

Settlements and curtailments

Employers accounting under the IAS19 standard

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

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

Goodwin case

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

Guaranteed Minimum Pension (GMP) equalisation and indexation

Impact of Lloyds judgment on past transfer values

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

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

GMP Indexation Consultation response

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

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

Demographic assumptions

Mortality assumption

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

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

Base table mortality

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

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

The assumed life expectations from age 65 are:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Statement of financial position as at 31 March 2024

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

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

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

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

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

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

Sensitivity Analysis

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

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

21. Current Assets

	31 March 2023 £000	31 March 2024 £000
Other Investment Balances		
Sales inc Currency	-	-
Investment Income Due	674	826
Recoverable Taxes	388	507
Total	**1,062**	**1,333**

	31 March 2023 £000	31 March 2024 £000
Current Assets		
Contributions receivable from employers and employees	11,796	13,068
Sundry Debtors	2,177	2,095
Cash	9,332	5,031
Total	**23,305**	**20,194**

22. Current liabilities

	31 March 2023 £000	31 March 2024 £000
Investment Liabilities		
Purchases including currency	(309)	(1460)
Derivative Contracts Futures	-	-
Variation Margin	(53)	(39)
Managers Fees	(699)	(1,183)
Total	**(1,061)**	**(2,682)**

	31 March 2023 £000	31 March 2024 £000
Current Liabilities		
Pension Payments (inc Lump Sums)	(221)	(549)
Cash	-	-
Professional Fees	(2,237)	(15)
Administration Recharge	(72)	(328)
Sundry Creditors	(2,031)	(2,191)
Total	**(4,561)**	**(3,083)**

23. Additional voluntary contributions

	Market value 31 March 2023 £000	Market value 31 March 2024 £000
Prudential	17,232	19,229

The Pension Fund Scheme provides an Additional Voluntary Contribution (AVC) facility for scheme members. Some members of the pension scheme paid voluntary contributions and transfers in of £2.854m (£2.504m 2022/23) to Prudential to buy extra pension benefits when they retire. £2,050m was disinvested from the AVC provider in 2023/24 (£3.187m 2022/23). Contributions and benefits to scheme members are made directly between the scheme member and the AVC provider. The AVC funds are not, therefore, included in the Pension Fund Accounts.

24. Agency Services

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

	2022/23 £000	2023/24 £000
East Sussex County Council	4,618	4,891
Brighton & Hove City Council	2,056	2,127
Eastbourne Borough Council	281	286
Magistrates	199	208
Wealden District Council	168	180
Hastings Borough Council	165	172
Rother District Council	99	106
Lewes District Council	66	64
University of Brighton	24	26
South-East Water	22	21
Westminster (used to be LPFA)	20	21
Mid-Sussex District Council	19	18
East Sussex Fire Authority	14	12
London Borough of Camden	8	8
London Borough of Southwark	7	7
The Eastbourne Academy	6	7
West Midlands Pension Fund	5	5
West Sussex County Council	4	5
Torfaen Borough Council	4	4
Sussex University	3	4
Varndean College	2	2
London Borough of Ealing	2	2
East Sussex College Group	1	1
Plumpton College	1	1
Optivo	1	1
Total	**7,795**	**8,179**

25. Related party transactions

East Sussex County Council

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

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

The Council incurred costs in administering the Fund and charged £2.5m to the Fund in 2023/24 (£2.0m in 2022/23). The Council's contribution to the Fund was £49.4m in 2023/24 (£46.6 in 2022/23). All amounts due to the Fund were paid in the year. At 31 March 2024 the Pension Fund bank account held £6.9m in cash (£9.8m at 31 March 2023). The average throughout the year was £9.6m (£8.2m in 2022/23).

Key management personnel

The Pension Committee and Chief Finance Officer of East Sussex County Council hold the key positions in the financial management of the East Sussex Pension Fund. Their remuneration is set out below:

	31 March 2023 £000	31 March 2024 £000
Short-term benefits	35	37
Post-employment benefits	5	6
Total	**40**	**43**

The amount disclosed represents an assumed 22% of the Chief Finance Officer's remuneration devoted to the Fund

26. Contingent liabilities and contractual commitments

1. Outstanding capital commitments (investments) at 31 March 2024 totalled £202.6m (31 March 2023: £236.8m).

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

At, 31 March 2024, the unfunded commitment was £131.6m for private equity, £39.6m for infrastructure and £31.4m for private debt. The commitments are paid over the investment timeframe of the underlying partnerships. As these partnerships mature, they are due to distribute capital back to investors. Commitments are made in US Dollars or Euros and the figures presented here are based on relevant Sterling exchange rates as at 31 March 2024.

2. Exit Payments

There were 8 scheme employers which ceased by the end of 31 March 2024 where an exit credit may need to be paid out. The Fund needs to obtain final information from the employers and then obtain final cessation reports from the Fund Actuary to ascertain if an exit payment or credit is due relating to these employers. The Fund has obtained 3 of these cessation reports and one indictive report, estimating the maximum potential exit credit based on the indicative cessation date. The Pension Committee will be required to make any decision as to the payment of any exit credit in line with the Fund's exit credit policy, taking into account representations from the relevant employers and associated risk sharing arrangements. The total potential exit credit that could be paid out by the Fund is expected to range from £0-£2.4m.

3. GMP Reconciliation Project

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

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

The effect of LGPS pensions not showing the correct amount of GMP for its members would mean that their pension might be increased incorrectly. This can result in underpayments and overpayments, at a member specific level. For pensioners below GMP age and non-pensioners the impact is more of record keeping and a matter of changing their Altair records to show the correct split of benefit between GMP and non-GMP without changing the actual overall benefit accrued to date.

The correction of any discrepancies found in the rectification is known as GMP rectification and these changes began to be implemented in March 2024. There were circa 2k pensioners in scope for rectification but less than 300 impacted by over and underpayments (with a few exceptions held back for further investigation) were written to on 27 March 2024. It was agreed that underpayments would be settled immediately (38 cases) whereas overpayments to date were written-off. In addition, for the overpayment cases (246) they were given three months' notice of the reduction in pension so these will be effective from their June 2024 payments.

There remains some ongoing GMP reconciliation and rectification queries and questions with the third-party specialist (Mercer {Aptia}) to resolve which will likely lead to further cases have their records changed and possibly a few pensioners with over or underpayments being implemented later. The vast majority of changes in liabilities were small and will be implemented by 30 June 2024.

27. Contingent assets

1. Employer bonds/guarantees

There are 7 admitted body employers in the Fund that hold insurance bonds to guard against the possibility of them being unable to meet their pension obligations. These bonds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default.

In addition to these bonds, pension's obligations in respect of 15 other admitted bodies are covered by:

2 guarantees by Academies participating in the Fund.
9 guarantees by local authorities participating in the Fund.
1 guarantee by Parent company sub-contracting to one part of the company, hence being guarantor for itself.
1 Parent company guarantee.
1 deposit held by East Sussex County Council.
1 Subsumption Agreement

28. Impairment losses

During 2023/24, the fund has not recognised any impairment losses.

29. East Sussex Pension Fund – Active Participating Employers

	22/23 Payroll %	22/23 Amount £000	23/24 Payroll %	23/24 Amount £000	24/25 Payroll %	24/25 Amount £000
Scheduled Bodies - Major Authorities						
Brighton and Hove City Council	19.8	-	19.8	-	19.8	-
East Sussex County Council	17.6	4,966	19.7	-	19.7	-
East Sussex Fire and Rescue Service	17.9	109	18.7	-	18.7	-
Eastbourne Borough Council	18.9	-	17.9	-	17.9	-
Hastings Borough Council	17.6	476	22.1	-	22.1	-
Lewes District Council	23.1	-	22.1	-	22.1	-
Rother District Council	25.1	-	24.1	-	24.1	-
University of Brighton	17.2	-	17.2	-	17.2	-
Wealden District Council	17.6	499	21.0	-	21.0	-
Other Scheduled Bodies						
Battle Town Council	21.1	-	20.1	-	20.1	-
Berwick Parish Council	21.1	-	20.1	-	20.1	-
Bexhill on Sea Town Council	18.2	-	20.1	-	20.1	-
Buxted Parish Council	21.1	-	20.1	-	20.1	-
Camber Parish council	21.1	-	20.1	-	20.1	-
Chailey Parish Council	21.1	-	20.1	-	20.1	-
Chiddingly Parish Council	21.1	-	20.1	-	20.1	-
Conservators of Ashdown Forest	21.1	-	20.1	-	20.1	-
Crowborough Town Council	21.1	-	20.1	-	20.1	-
Danehill Parish Council	21.1	-	20.1	-	20.1	-
Ditchling Parish Council	21.1	-	20.1	-	20.1	-
East Dean & Friston Parish Council	18.2	-	20.1	-	20.1	-
Ewhurst Parish Council	-	-	20.1	-	20.1	-
Fletching Parish Council	21.1	-	20.1	-	20.1	-
Firle Parish Council	18.2	-	20.1	-	20.1	-
Forest Row Parish Council	21.1	-	20.1	-	20.1	-
Frant Parish Council	21.1	-	20.1	-	20.1	-
Hadlow Down Parish Council	21.1	-	20.1	-	20.1	-
Hailsham Town Council	21.1	-	20.1	-	20.1	-
Hartfield Parish Council	21.1	-	20.1	-	20.1	-
Heathfield & Waldron Parish Council	21.1	-	20.1	-	20.1	-
Herstmonceux Parish Council	21.1	-	20.1	-	20.1	-
Hurst Green Parish Council	21.1	-	20.1	-	20.1	-
Icklesham Parish Council	21.1	-	20.1	-	20.1	-
Isfield Parish Council	21.1	-	20.1	-	20.1	-
Kingston Parish Council	18.2	-	20.1	-	20.1	-
Lewes Town Council	21.1	-	20.1	-	20.1	-
Maresfield Parish Council	21.1	-	20.1	-	20.1	-
Newhaven Town Council	21.1	-	20.1	-	20.1	-
Newick Parish Council	21.1	-	20.1	-	20.1	-
Peacehaven Town Council	21.1	-	20.1	-	20.1	-
Pett Parish Council	21.1	-	20.1	-	20.1	-

	22/23 Payroll %	22/23 Amount £000	23/24 Payroll %	23/24 Amount £000	24/25 Payroll %	24/25 Amount £000
Plumpton Parish Council	21.1	-	20.1	-	20.1	-
Rye Town Council	21.1	-	20.1	-	20.1	-
Salehurst & Robertsbridge Parish Council	21.1	-	20.1	-	20.1	-
Seaford Town Council	21.1	-	20.1	-	20.1	-
Telscombe Town Council	21.1	-	20.1	-	20.1	-
Uckfield Town Council	21.1	-	20.1	-	20.1	-
Wartling Parish Council	21.1	-	20.1	-	20.1	-
Willingdon and Jevington Parish Council	21.1	-	20.1	-	20.1	-
Wivelsfield Parish Council	21.1	-	20.1	-	20.1	-
Academy Schools						
Annecy Catholic Primary Academy	14.5	-	13.4	-	14.4	-
Aquinas Trust	20.0	-	19.0	-	18.9	-
ARK Schools Hastings	19.6	-	18.9	-	18.9	-
Aurora Academies Trust	19.4	-	18.9	-	18.9	-
Beacon Academy	22.0	-	21.0	-	20.0	-
Beckmead Ropemakers Academy	16.3	-	17.3	-	18.3	-
Bexhill Academy	21.9	-	20.9	-	19.9	-
Bilingual Primary School	14.6	-	15.6	-	16.6	-
Breakwater Academy	16.0	-	19.8	-	19.8	-
Burfield Academy (Hailsham Primary)	19.0	-	19.8	-	19.8	-
Cavendish Academy	19.5	-	18.9	-	18.9	-
Chantry Community Primary	-	-	18.9	-	18.9	-
Chyngton School	21.0	-	20.4		19.0	-
Diocese of Chichester Academy Trust	23.4	-	22.4	-	21.4	-
Ditchling CE Primary	21.0	-	20.4	-	19.4	-
Eastbourne Academy	20.2	-	19.2	-	18.9	-
Falmer (Brighton Aldridge Community Academy)	19.0	-	18.9	-	18.9	-
Flagship School	22.3	-	21.3	-	20.3	-
Gildredge House Free School	18.6	-	18.9	-	18.9	-
Glyne Gap Academy	20.4	-	19.4	-	18.9	-
Hailsham Academy	19.0	-	18.9	-	18.9	-
Hawkes Farm Academy	15.4	-	19.8	-	19.8	-
High Cliff Academy	19.0	-	19.8	-	19.8	-
Hollington Primary	-	-	18.9	-	18.9	-
Jarvis Brook Academy	13.5	-	14.5	-	15.5	-
King's Church of England Free School	15.2	-	16.2	-	17.2	-
Langney Primary Academy	12.4	-	13.4	-	14.4	-
Little Common School	-	-	18.9	-	18.9	-
Ore Village Academy	17.5	-	18.5	-	18.9	-
Mouslecoombe Primary School	27.2	-	26.2	-	25.2	-
Newick CE School	-	-	18.9	-	18.9	-
Ninfield CE Primary School	-	-	18.9	-	18.9	-
Parkland Infant Academy	13.8	-	14.8	-	15.8	-
Parkland Junior Academy	13.4	-	14.4	-	15.4	-
Peacehaven Academy	12.0	-	13.5	-	14.5	-
Peacehaven Heights	25.7	-	19.8	-	19.8	-
Pebsham Academy	18.5	-	18.9	-	18.9	-
Phoenix Academy	19.4	-	19.8	-	19.8	-
Portslade Aldridge Community Academy	18.9	-	19.9	-	18.9	-

	22/23 Payroll %	22/23 Amount £000	23/24 Payroll %	23/24 Amount £000	24/25 Payroll %	24/25 Amount £000
King's Academy Ringmer	19.8	-	18.9	-	18.9	-
Roseland Infants	24.9	-	23.9	-	22.9	-
SABDEN Multi Academy Trust	22.6	-	19.6	-	18.9	-
Saxon Shore Academy	22.7	-	21.7	-	20.7	-
Seaford Academy	20.1	-	19.1	-	18.9	-
Seahaven Academy	20.5	-	19.5	-	18.9	-
Shinewater Primary Academy	13.5	-	14.5	-	15.5	-
Sir Henry Fermor Academy	13.8	-	14.8	-	15.8	-
Stafford Junior	25.7	-	24.7	-	23.7	-
St Andrew's School	-	-	18.9	-	18.9	-
The Haven School	-	-	18.9	-	18.9	-
The South Downs Learning Trust	11.2	-	12.2	-	13.2	-
The Southfield Trust	13.4	-	14.4	-	15.4	-
Telscombe Cliffs	23.8	-	19.8	-	19.8	-
Tollgate School	-	-	18.9	-	18.9	-
Torfield & Saxon Mount Academy Trust	21.6	-	20.6	-	19.6	-
University of Brighton Academies Trust	19.0	-	18.9	-	18.9	-
Uplands Community College	-	-	20.4	-	19.4	-
West Blatchington Primary	-	-	18.9	-	18.9	-
White House Academy	16.5	-	19.8	-	19.8	-
Colleges						
Bexhill College	21.2	-	21.2	-	21.2	-
Brighton, Hove & Sussex Sixth Form College	19.8	-	19.8	-	19.8	-
East Sussex College Group	20.7	-	20.7	-	20.7	-
Plumpton College	18.9	-	18.9	-	18.9	-
Varndean Sixth Form College	19.8	-	19.8	-	19.8	-
Admission Bodies						
Balfour Beatty	-	-	28.5	-	28.5	-
BHCC - Wealden Leisure Ltd	33.0	-	27.7	-	27.7	-
Biffa Muncipal Ltd	28.8	-	27.8	-	26.8	-
Brighton and Hove CAB	-	-	-	-	-	-
Brighton and Hove Housing Trust	31.4	-	31.4		31.4	
Brighton Dome & Festival Limited (Music & Arts Service)	-	-	4.3	-	4.3	-
Care Outlook Ltd	-	-	-	-	-	-
Care Quality Commission	49.2	92	44.8	-	44.8	-
Churchill Contract Services	-	-	30.4	-	30.4	-
Compass (The Causeway)	34.0	-	32.0	-	31.0	-
Cucina Restaurants Ltd	-	-	24.3	-	24.3	-
De La Warr Pavilion Charitable Trust	4.8	-	2.9	-	2.9	-
East Sussex Energy, Infrastructure & Development Ltd (ESEIDL)	29.2	13	28.2	-	28.2	-
EBC – Towner	31.0	7	22.1	-	22.1	-
ESCC - NSL Ltd	3.6	-	-	-	-	-
Glendale Grounds Management Ltd	29.4	-	28.4	-	28.4	-
Grace Eyre	-	-	-	-	-	-
Idverde	-	-	33.1	-	33.5	-
Just Ask Estates Ltd	32.6	-	-	-	-	-
Lodestar Cleaning Contracts Ltd	-	-	25.1	-	25.1	-
Southern Housing	45.8	920	45.9	111	45.9	111

	22/23 Payroll %	22/23 Amount £000	23/24 Payroll %	23/24 Amount £000	24/25 Payroll %	24/25 Amount £000
Royal Pavilion & Museums Trust	17.8	-	17.8	-	17.8	-
Sussex County Sports Partnership	17.2	-	17.2	-	17.2	-
Sussex Housing & Care	-	-	-	-	-	-
Sussex IFCA Insure Fisheries and Conversation Authority	18.2	-	20.1	-	20.1	-
Telent Technology Services Ltd	20.8	-	20.8	-	20.8	-
Wave Leisure Trust Ltd	-	-	7.1	-	7.1	-
Wave Leisure Trust Ltd - EBC	22.4	-	7.1	-	7.1	-
WDC - Wealden Leisure Ltd	33.0	-	26.1	-	26.1	-
Wealden Leisure Ltd - Portslade Sports Centre	-	-	-	-	-	-

30. Investment Performance -only been given preliminary information may change

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

Performance relative to the Fund's strategic benchmark

	1 year (%)	3 years (%p.a.)	5 years (%p.a.)	10 years (%p.a.)
Fund	8.0	5.2	6.3	7.7
Benchmark	12.3	7.0	6.8	7.3
Relative*	(4.4)	(1.8)	(0.5)	0.4

Investment performance relative to peer group

	1 year (%)	3 years (%p.a.)	5 years (%p.a.)	10 years (%p.a.)
Fund	8.0	5.2	6.3	7.7
Local Authority Average	9.4	5.4	6.5	7.6
Relative*	(1.3)	(0.2)	(0.2)	0.1

The Fund underperformed the (weighted) average local authority Fund over the year by 1.2% (1.0% outperformance 2022/23), ranking the East Sussex Fund in the 72nd percentiles (39th 2022/23) in the local authority universe. Over the three years the Fund underperformed by 0.1 % (0.0% outperformance 2022/23) and was placed in the 44th percentile (43rd percentile in 2022/23). Over five years the Fund underperformed by 0.2% (0.2% outperformance in 2022/23) and was placed in the 61st percentile (27th percentile 2022/23). Over ten years the fund years, the fund outperformed by 0.1% (0.2% outperformance 2022/23) and was placed in the 36th percentiles (21st percentile 2022/23).

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

((1 + Fund Performance) / (1 + Benchmark Performance)) - 1

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

Investments and Funding

Investment Strategy Statement Implementation

Activity in 2023/24

The Fund's strategic asset allocation was revised following decisions taken at the September 2023 Committee meeting. The changes that were agreed have been reflected in the strategic benchmark and implemented over the 2023/2024 financial year.

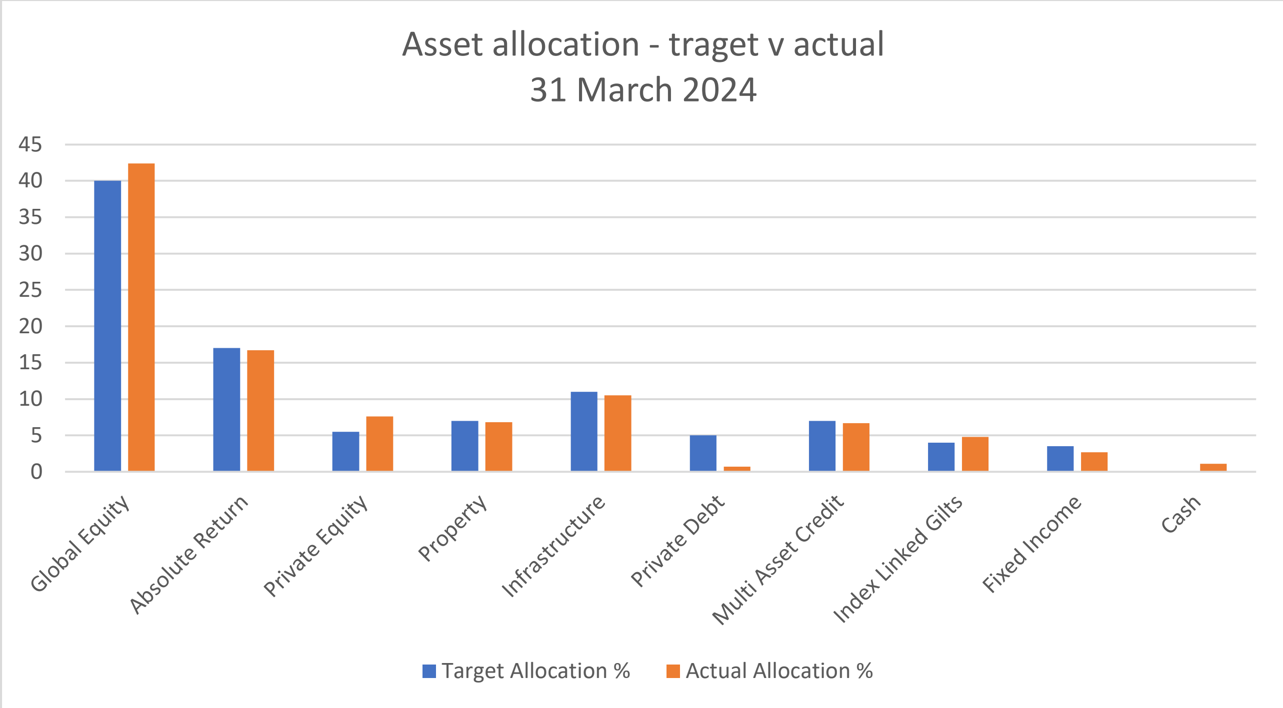
The agreed strategic changes involved a reduction in target allocation for inflation-linked property (from 4.0% to 0%) and a reallocation of the proceeds to index-linked gilts (target increasing from 0% to 4.0%). The inflation property allocation was yet to be implemented and the index-linked gilt allocation was already at the target level, increased through tactical allocation throughout the year, when the new allocations were agreed. It was agreed to maintain the overall allocation to equity unchanged at 40% but to restructure the underlying holding. The target allocation to the passively managed sustainable funds would be equally split, to provide a better balance between the approaches taken. The target allocation to Storebrand would be reduced (from 10% to 7.5%), whilst the target allocation to Osmosis would be increased (from 5.0% to 7.5%).

The Committee demonstrate their consideration of Environmental, Social, and Governance (ESG) and climate related issues through the abovementioned changes. Similarly, the Fund's fossil fuel exposure is estimated on a quarterly basis, with this estimated as 2.4% of total Fund assets as at 31 March 2024.

Asset Allocation

The Fund's asset allocation maintains a significant allocation to equities, which are expected to be a core driver of returns over the long term, but typically the most volatile. However, the equity portfolio is diversified across regions and styles to target a balanced exposure. The Fund's infrastructure allocation provides additional diversification to the overall portfolio, as well as contractual type returns, which are expected to provide a more certain and stable return profile going forwards. The Fund maintains a significant allocation to property, providing further diversification from traditional investment markets such as equities and bonds.

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


Asset allocation - traget v actual
31 March 2024
45
40
35
30
25
20
15
10
5
0
Global Equity
Absolute Return
Private Equity
Property
Infrastructure
Private Debt
Multi Asset Credit
Index Linked Gilts
Fixed Income
Cash
Target Allocation %
Actual Allocation %

Independent adviser's report

East Sussex Pension Fund – Independent Advisor's Report 2024

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

I will start my report with investments. My report last year noted the rise in inflation and interest rates and the resulting steep rise in bond yields. Since then inflation in western economies has fallen back to much closer to the 2% level targeted by many central banks. While they have kept interest rates higher, they have adopted a relatively liberal monetary policy. The consequence has been that the recession which was widely forecast for 2023 has been largely avoided.

Against this background, equity indices have risen, though the narrow leadership by a small number of tech companies meant that most active managers found it difficult to outperform them. The bond yield curve, inverted since the LDI crisis in 2022, has levelled out considerably. However, infrastructure and climate change transition companies, where the Fund has significant allocations, have struggled as investors and managers alike adjusted their valuations to the new bond yield environment. Investors' expectations of the growth of renewable energy companies were perhaps too high and have also been reined back.

2024 has already been a year of elections, with the U.S. still to come. An important theme in the West is levels of debt much higher than those historically considered acceptable. This has resulted from higher spending over the COVID lockdowns and the increasing demands of health, social care, and defence. As a result politicians of whatever colour have little room for fiscal manoeuvre without the cost of debt service impacting their budgets. For example, the U.S. government in 2023 ran a primary fiscal deficit of about 7% a year and about 16% of all its expenditure went on servicing debt.

China has different problems: low growth, partly because of the reverse in globalisation, which I mentioned last year and partly because of the travails of its real estate sector, has led to deflation. The authorities have reacted by reducing interest rates but are finding it difficult to generate growth again.

The Fund's funding level remains high, and quite possibly higher today than the 123% assessed in March 2022. I remind readers that it stood at 81% when my role as Independent Advisor commenced in 2014. However, it would be unwise to be complacent: a resurgence in inflation at some point is almost inevitable, which will increase the Fund's liabilities. A healthy surplus provides some protection against the need to raise contributions further.

The Fund is also gradually turning cash negative as the number of active members declines and pension payments exceed contributions. Officers are therefore modelling future cashflow over the short and longer term to ensure that there is sufficient income from our investments to meet any shortfall and ensure pensions are indeed paid on time.

During the year the Government published a consultation into the future investment strategy of all LGPS funds. While no regulations have since been published, it has since set a number of targets and ambitions around pooling, intended to reduce costs and increase general economic growth. While these goals may be laudable, the Fund's only purpose is to pay its members' pensions on time; part of my role is to ensure that political or other agendas are not allowed to distract it from this objective.

The ACCESS pool which was set up by eleven LGPS funds to implement investments jointly, has made some progress during the year. However, the Government will be looking for an acceleration in the rate of asset transition to pools in the future, and possibly consolidation in the number of funds and pools. This poses a risk of disruption for all LGPS funds including this one.

Administration is as important a function as investment management is in ensuring that pensions are paid in full and on time. As I commented last year, the pressures on the Fund's team continue to increase: government projects such as the Pensions Dashboard and the rectification of past unfairnesses (McCloud, GMP) and employers who fail to keep good data records are just two examples. The rise in buy-outs of private sector schemes has also led to a national shortage of experienced pension administrators.

My final duty in this report is to provide some assurance as to the overall arrangements for the Fund. As last year, from a financial perspective the funding level is healthy. I can assure readers that the Fund's internal governance processes and structures are of a good standard and that it is sufficiently resourced both on the investment and the administration side. Although investment returns may decrease, it is important to remember that the Fund has a long horizon, and market fluctuations are inevitable. In common with many LGPS funds, the highest risks today probably lie in the potential for disruption from Government interference and the burdens placed on the administration function.

William Bourne

Independent Advisor

10th July 2024

Funding strategy statement implementation

The Funding Strategy Statement (FSS) focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. The FSS is prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013, CIPFA guidance and in collaboration with the Fund's actuary in place at the time of the last triennial valuation Barnett Waddingham, after consultation with the Fund's employers and investment adviser.

The FSS sets out how the Administering Authority has balanced the conflicting aims of:

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

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

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

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

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

The latest version of the Funding Strategy Statement is available on the Fund's website: https://www.eastsussexpensionfund.org/media/x4lpeopm/funding-strategy-statement-2023.pdf

Investment administration and custodianship

The Fund uses the services of a specialist custodian bank (Northern Trust) to safeguard its assets to prevent them from being stolen or lost. The custodian can hold stocks, bonds, or other assets in electronic or physical form on behalf of the Fund.

The custodian bank however does more than provide asset protection. They are also an asset servicing business ensuing that the investment administration of the Fund is in order. The services encompass a much broader range of data, operations, Banking & Markets, and decision-support functions. The spectrum of asset servicing products they offer ranges from fundamental core custody and accounting services to more advanced data and fund servicing offerings, as outlined at a high-level below.

The responsibilities of the Custodian are:

Core Custody Services

- Sub-custody
- Safekeeping
- Trade Settlement
- Income Collection
- Corporate Actions
- Tax Reclaims, including document completion for clients (including the UK)
- Proxy Voting
- Class Action Recoveries

Value Added and Reporting Services

- Investment Accounting (asset valuation)
- Performance Measurement

- Quarterly Office of National Statistics (ONS) Reporting
- Client Services
- On-line client portal system administration and user maintenance and training
- Provision of Service Level Agreement (SLA) and Key Performance Indicators (KPI)
- Markets Services
- Cash Management
- Foreign Exchange services
- Transition (Onboarding and Exit Management)

OPTIONAL SERVICES INCLUDING BUT NOT LIMITED TO:

Added Value Services

- Annual Financial Accounting (Chartered Industry of Public Finance and Accounting (CIPFA) Compliant)
- Over-the-Counter (OTC) pricing and settlement – Swap booking, valuation, lifecycle event management
- Collateral management service and European Market Infrastructure Regulation (EMIR) reporting
- Unitisation
- Master Record Keeping (Consolidated reporting for different legal entities)
- Cash account netting for same currency and entity
- Provision of bespoke Service Level Agreement (SLA) and Key Performance Indicators (KPI)

Alternative Asset Servicing

- Alternative Funds, for example:
  - Pooled Funds
  - Real Estate Funds
  - Private Equity Funds
  - Infrastructure Funds
  - Hedge Funds
- Direct Holdings, for example:
  - Direct Private Debt
  - Loan Servicing
  - Direct Private Equity (limited partnership (LP))
  - Private Equity Administration / Capital Call services

Reporting and Analytics

- Environmental, Social and Governance (ESG) Services and Reporting – Pre and Post-trade reporting
- Risk Analytics
- Compliance Monitoring
- Look through to pooled fund holdings

Investment Managers

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

- The Fund's equity mandate is split across a number of managers, having previously been largely allocated to UBS. The equity allocation is now weighted in favour of active management strategies, reflecting the Committee's preference for active management and an ESG focus, with the equity holdings broadly split 62.5/37.5 in terms of active and passive. The active sleeve is split across global equity mandates with Longview and Baillie Gifford, as well as impact equity strategies managed by Wellington and WHEB. The passive, or systematic, sleeve is split between two ESG systematic/smart beta strategies, one with Storebrand, and the other with Osmosis (implemented by UBS).
- Absolute return mandates are held with Newton and Ruffer and allow managers to flexibly alter allocations to a variety of underlying asset classes based on specific market conditions.
- The Fund's property mandate is held with Schroders, with a 'fund of funds' approach adopted, adding an additional layer of diversification to the mandate. The property holding will transfer to a CBRE managed fund on the Access Pool in the near future.
- Corporate bonds, absolute return credit and commercial real estate debt mandates are managed by M&G, while the Fund's passive index-linked gilts mandate is held with UBS. As noted above, during 2022, the Fund agreed the decision at add an additional credit mandate managed by BlueBay with the expectation this will be implemented on the ACCESS pool in the coming months.
- The Fund's infrastructure holdings are split between M&G, UBS, Pantheon (all unlisted) ATLAS (listed) and most IFM (unlisted), who adopt varying styles and focus areas.
- Private equity mandates are split between Adams Street and HarbourVest.

The Fund has the following objectives for its investment managers:

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

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

Investment Allocations pooled and un-pooled

Mandate	Q1 2023 (£m)	Actual (%)	Target (%)	Q1 2024 (£m)	Actual (%)	Target (%)
Pooled Investments						
ACS Funds						
ACCESS - Global Equity (Longview)	555.7	12.2%	10.0%	521.6	10.6%	10.0%
ACCESS - Global Alpha (Ballie Gifford)	187.3	4.1%	5.0%	217.3	4.4%	5.0%
ACCESS - Absolute Return (Ruffer)	478.9	10.5%	10.0%	450.4	9.2%	10.0%
ACCESS - Real Return (Newton)	340.9	7.5%	7.0%	368.2	7.5%	7.0%
ACCESS - Sterling Corporate Bond (M&G)	123.6	2.7%	3.5%	131.1	2.7%	3.5%
ACCESS - Alpha Opportunities (M&G)	293.2	6.4%	7.0%	330.5	6.7%	7.0%
Total Link ACS Funds	**1,979.6**	**43.4%**	**42.5%**	**2,019.1**	**41.1%**	**42.5%**
Pool Aligned						
ACCESS - UBS - 5yr ILG	93.7	2.1%	-	234.9	4.8%	4.0%
ACCESS - UBS - Osmosis	236.8	5.2%	5.0%	397.6	8.1%	7.5%
ACCESS - IFM - Infrastructure	-	-	-	246.9	5.0%	5.0%
Total Pool Aligned	**330.5**	**7.3%**	**5.0%**	**879.4**	**17.9%**	**16.5%**
Total Pooled Investments	**2,310.1**	**50.7%**	**47.5%**	**2,898.5**	**59.0%**	**59.0%**
Non-Pooled Investments						
Equities (passive):						
Storebrand - Global ESG Plus	501.2	10.9%	10.0%	465.3	9.5%	7.5%
Equities (active):						
Wellington - Global Impact	221.8	4.9%	5.0%	247.3	5.0%	5.0%
WHEB- Sustainability	221.8	4.9%	5.0%	238.0	4.8%	5.0%
Total Equities	**944.8**	**20.7%**	**20.0%**	**950.6**	**19.3%**	**17.5%**
Other Investments:						
Schroder - Property	345.7	7.6%	11.0%	336.0	6.8%	7.0%
IFM - Infrastructure	234.1	5.1%	5.0%	-	-	-
M&G - Infrastructure	53.0	1.2%	1.0%	49.4	1.0%	1.0%
Pantheon - Infrastructure	81.2	1.8%	2.0%	87.0	1.8%	2.0%
UBS - Infrastructure	36.3	0.8%	1.0%	35.4	0.7%	1.0%
Atlas - Infrastructure	100.9	2.2%	2.0%	99.9	2.0%	2.0%
Adams Street - Private Equity	195.7	4.3%	2.8%	189.5	3.9%	2.8%
HarbourVest - Private Equity	179.5	3.9%	2.7%	181.6	3.7%	2.7%
M&G Real Estate Debt VI	43.0	0.9%	5.0%	35.1	0.7%	5.0%
Cash account	35.5	0.8%	-	52.2	1.1%	-
Total Other Investments	**1,304.9**	**28.6%**	**32.5%**	**1,066.1**	**21.7%**	**23.5%**
Total Non-Pooled Investments	**2,249.7**	**49.3%**	**52.5%**	**2,016.7**	**41.0%**	**41.0%**
Total	**4,559.8**	**100.0%**	**100.0%**	**4,915.2**	**100.0%**	**100.0%**

Management expenses

In the course of its activities the Pension Fund incurs fees and costs incurred by third parties which affect overall investment returns of the Fund. The main component of these costs is management fees derived from the value of assets under management. There are also performance fees (paid when investments perform above a threshold) and transaction fees (these are the costs incurred when buy and selling investments) that impact on the investment returns.

With all investments there are decisions to be made around the risk appetite of the investor. Different assets have different risks associated with them and this drives the amount of return that the Fund expects of the investment. The amount of return that the investment makes drives the amount that a manager can charge for there services. A passive equity manager of a £500m portfolio that is only looking to replicate the index return will charge a low fee say £0.3m where as an active manager trying to out-perform the index by 4%, will charge a higher fee say £3m. The active manager is looking to add an addition £20m in value of the assets for a cost of £2.7m for the investor this would be a positive gain of £17.3m.

To understand the different types of fees charged by managers the Fund requests that all its managers sign up the Scheme Advisory Board's Code of Transparency. The Fund uses the data provided by fund managers via the Code templates to determine the fees that have been charged for the year and adjusts the accounts accordingly.

	Assets Under Management £m	1 year performance	Fees and Costs £m	Fee Per AUM
Fixed Income	731.6	4.9%	2.0	0.27%
Equity	2,087.1	17.2%	7.6	0.36%
Diversified growth funds	818.6	0.3%	4.8	0.59%
Pooled property investments	336.0	0.5%	1.6	0.48%
Private Equity/Infrastructure	889.7	0.9%	6.2	0.70%
			22.2	
Custody			0.1	
Total			**22.3**	

Asset Tables

£m Asset values as at 31 March 2024	**Pooled**	**Under pool management**	**Not Pooled**	**Total**
Equities (including convertible shares)	738.9	397.6	950.6	2,087.1
Bonds	461.6	234.9	-	696.5
Property	-	-	336.0	336.0
Hedge funds	-	-	-	-
Diversified Growth Funds (including multi-asset funds)	818.6	-	-	818.6
Private equity	-	-	371.1	371.1

£m Asset values as at 31 March 2024	Pooled	Under pool management	Not Pooled	Total
Private debt	-	-	35.1	35.1
Infrastructure	-	246.9	271.7	518.6
Derivatives	-	-	-	-
Cash and net current assets	-	-	52.2	52.2
Other	-	-	-	-
Total	**2,019.1**	**879.4**	**2,016.7**	**4,915.2**

Supplementary table

UK Investment

£m Asset values as at 31 March 20XX	Pooled	Under pool management	Not Pooled	Total
UK Listed Equities	147.5	14.8	58.0	**220.3**
UK Government Bonds	168.4	234.9	0.0	**403.3**
UK Infrastructure	0.0	44.3	120.7	**165.0**
UK Private Equity	0.0	0.0	32.3	**32.3**
Total	**315.9**	**294.0**	**211.0**	**820.9**

Leveling up

£m Asset values as at 31 March 20XX	Pooled	Under pool management	Not Pooled	Total
UK Leveling up				

Investment Performance –

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

Mandate	1 year fund	1 year benchmark	Relative*	3 year fund (p.a)	3 year benchmark (p.a)	Relative*	5 year fund (p.a)	5 year benchmark (p.a)	Relative*
Pooled Investments									
ACCESS - Global Equity (Longview)	18.1%	22.5%	(4.4)%	12.7%	11.8%	0.8%	11.0%	12.8%	(1.8)%
ACCESS - Global Alpha (Ballie Gifford)	16.0%	20.6%	(4.6)%	(2.0)%	8.0%	(10.0)%	-	-	-
ACCESS - Absolute Return (Ruffer)	(5.9)%	7.6%	(13.6)%	(0.2)%	5.2%	(5.4)%	5.4%	4.4%	1.1%
ACCESS - Real Return (Newton)	8.0%	7.6%	0.4%	1.8%	5.2%	(3.4)%	3.9%	4.3%	(0.4)%
ACCESS - Sterling Corporate Bond (M&G)	6.1%	5.8%	0.2%	(6.1)%	(6.3)%	0.2%	(1.2)%	(1.8)%	0.7%
ACCESS - Alpha Opportunities (M&G)	12.3%	8.1%	4.2%	4.7%	5.7%	(0.9)%	5.4%	4.9%	0.6%
ACCESS - UBS - 5yr ILG	(6.9)%	(6.8)%	(0.0)%	(12.1)%	(12.1)%	(0.1)%	(6.6)%	(6.5)%	(0.0)%
ACCESS - UBS - Osmosis Resource Efficient Core Equity (ex-FF)	22.5%	22.5%	0.0%	12.3%	12.5%	(0.2)%	-	-	-
ACCESS - IFM - Infrastructure	6.0%	5.2%	0.8%	6.3%	5.7%	0.6%	-	-	-
Non-Pooled Investments									
Storebrand - Global ESG Plus	20.5%	22.5%	(1.9)%	9.9%	11.8%	(2.0)%	10.7%	12.4%	(1.7)%
Wellington - Global Impact	11.6%	20.6%	(9.0)%	3.6%	10.1%	(6.5)%	4.2%	10.5%	(6.3)%
WHEB- Sustainability	7.3%	22.5%	(15.2)%	2.2%	11.8%	(9.6)%	2.5%	12.2%	(9.7)%
Schroder - Property	0.5%	(0.7)%	1.2%	2.4%	1.5%	0.9%	1.7%	1.4%	0.3%
M&G - Infrastructure	(19.2)%	5.2%	(24.4)%	(0.9)%	8.7%	(9.6)%	1.9%	6.4%	(4.5)%

Pantheon - Infrastructure	8.9%	5.2%	3.8%	16.9%	8.7%	8.2%	11.7%	6.4%	5.3%
UBS - Infrastructure	(1.1)%	5.2%	(6.3)%	7.2%	8.7%	(1.5)%	0.7%	6.4%	(5.8)%
Atlas - Infrastructure	(1.0)%	0.4%	(1.4)%	8.9%	6.5%	2.5%	7.1%	5.8%	1.3%
Adams Street - Private Equity	(1.7)%	22.2%	(23.9)%	12.0%	11.7%	0.3%	15.9%	13.1%	2.8%
HarbourVest - Private Equity	(0.3)%	22.2%	(22.4)%	21.0%	11.7%	9.3%	16.7%	13.1%	3.6%
M&G Real Estate Debt VI	9.7%	9.1%	0.6%	4.7%	6.7%	(2.0)%	3.3%	5.9%	(2.6)%
Cash account	(2.1)%	5.0%	(7.1)%	(1.1)%	2.5%	(3.5)%	(1.8)%	1.6%	(3.4)%
Total	**7.9%**	**12.3%**	**(4.4)%**	**5.2%**	**7.0%**	**(1.8)%**	**6.3%**	**6.8%**	**(0.5)%**

*Relative performance is calculated on a geometric basis as opposed to the simpler arithmetic method the geometric method makes it possible to directly compare long-term relative performance with shorter-term relative performance.
1 Since inception figures used where full data for a period is not available.

Responsible Investment

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

Task Force on Climate-related Financial Disclosures (TCFD)

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

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

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

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

Governance

The East Sussex Pension Fund is part of the Local Government Pension Scheme (LGPS). The purpose of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, on a defined benefits basis. East Sussex County Council (ESCC) is the administering authority for the Fund. Under the Council's Constitution the Pension Committee has delegated authority to exercise the powers in respect of the management of the Fund. The Fund is neither owned nor controlled by ESCC, Fund assets are earmarked for pension payments and ringfenced from 'Council Money'. There are around 144 employers and more than 85,000 members, whose pension payments are funded by through employer and member contributions and investment returns. The Pension Committee (the Committee), comprising elected councillors, is responsible for Fund oversight and policy setting.

The Committee are responsible for agreeing the Investment Strategy Statement, climate change strategies, the responsible investment of the Fund, and report on these activities.
The Pension Committee receive assistance in performing these functions via:

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

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

Responsible Investment Beliefs

The following beliefs underpin the Fund's Responsible Investment principles and policies:

- ESG factors, including climate risk, can present material financial risks to asset values and returns.
- Implementation of effective RI policies can reduce risk and has potential to enhance returns.
- Engagement with investment managers ("IMs") and investee companies can be effective in protecting and enhancing the long-term value of investments.

- Collaboration with other asset owners and IMs will help improve the effectiveness of engagement.
- Effective oversight of RI requires monitoring of ESG and CR metrics and the actions of IMs and investee companies.
- RI is aligned with ESPF's fiduciary responsibilities in the management and oversight of ESPF's investments.
- ESG opportunities may be found in Impact Funds investing in companies whose profits are derived from providing solutions to some of the World's more serious environmental, sustainability and social challenges e.g. cleaner products and processes, renewable energy, health, nutrition, sustainable agriculture, shelter, clean water and sanitation etc.
- Resource efficient companies can drive increased returns for the benefit of the scheme members and stability of contribution rates for Scheme Employers, as resource efficiency reduces dependency on natural resources resulting in reduced input costs and less dependence on volatile commodity prices.

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

The SRIP explains the Fund's approach to the oversight and monitoring of the Fund's investment activities from a Responsible Investment (RI) and Stewardship perspective. Including how it uses its RI beliefs to guide its investment decisions and the principles that it follows.

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

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

Alongside these principles and beliefs the Committee have set out the ESG themes that they consider to be the priority areas for the Fund. These are:

- Climate Change
- Human Rights
- Biodiversity
- Corporate Governance
- Sustainable Production and Consumption

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

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

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

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

The Fund report the stewardship activity of the investment managers and that of the Fund in a quarterly ESG report and an annual stewardship report and is a signatory to the FRC Stewardship Code in 2022, a copy of the report can be seen on the Funds website at https://www.eastsussexpensionfund.org/media/gvynzxjj/stewardship-report-east-sussex-pension-fund.pdf. In addition, the Fund publish an implementation statement within its annual report to show how its approved RI beliefs have been embedded within the Fund's investment activities.

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

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

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

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

Fund's designated training officer. Training is picked up at all Pension Committee and Pension Board meetings through the work plan and a report on training is covered twice a year.

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

The Committee is subject to fiduciary duties with respect to investment matters. As a result, the Fund must only use its power to invest the assets for investment purposes, to generate the best realistic return over the long-term, given the need to control for risks, to enable benefits to be paid to members when due. Investment decisions must be taken prudently, with a reasonable level of skill and care, and on the basis of proper advice, acting in the members' best (financial) interests.

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

Strategy

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

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

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

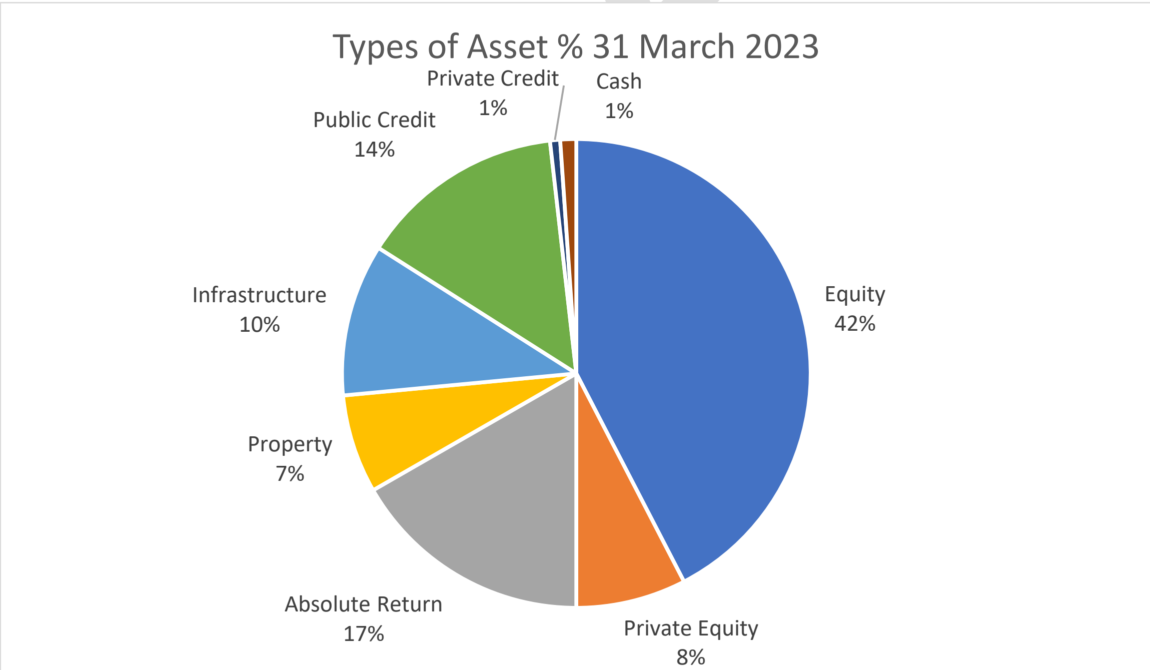
The Fund does not directly invest in any specific company; instead, it invests through a combination of holdings in passive index funds and in pooled funds through active investment managers who take considered choices over the underlying companies it invests in with a looking at the financial resilience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

Climate risk

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

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

The Fund's investment strategy showing the types of assets is shown in the chart below.



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

As a result of the wide-reaching climate risks, the Fund takes a holistic view of its investments rather than focusing on a single company sector and focuses on the quality and ability of the investment manager teams who carry out the detailed research for selection of the underlying companies in the portfolio. To do this the Fund undergo due diligence on the selection of a manager; meet and communicate with managers throughout the year to discuss company holdings, decisions, performance, and team structures; carry out annual carbon foot printing which also considers companies energy transition plans; carry out an annual ESG assessment of all investment managers within the portfolio. The 2022 triennial valuation has taken into account climate risk in order to understand the potential risks to the liabilities of the Fund.

The Fund has not yet carried out detailed climate scenario analysis of the investment portfolio.

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

To address these risks and opportunities the Fund restructured its equity positions in 2021 by removing traditional passive equity investments. Within listed equities, by the end of 2021/22 the Fund had no exposure to fossil fuels and a significantly lower carbon footprint than mainstream investment indexes. This was further adjusted during the 2023/24 year to balance out the Funds passive investments to an equal weighting between the funds 2 mandates.

The listed equity allocation which is 40% of the Strategic Asset Allocation, makes up a large portion of investments. The Fund's investment strategy was changed to invest 7.5% into a Paris aligned smart beta, 7.5% in a resource efficient index fund which excluded fossil fuels, invest 10% into active impact and sustainability managers investing in energy transition solutions and green revenues. Of the remaining 15%, 10% is invested in the Fund's global equity manager who has a low carbon footprint due to no investment in energy and materials companies and 5% in a global Paris aligned active equity mandate.

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

Climate opportunities

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

The Fund has taken substantial measures to better align itself with the challenges of climate change and the energy transition and is considered one of the leaders in this space in its actions. These actions include investing 25% of the equity funds, or £485.3m, in Impact Managers who select companies whose core products or services achieve a positive impact on the environment or socially, or those companies that provide solutions to sustainability challenges. In addition, the Fund removed traditional passive index equity exposure (where there is unconscious exposure to a company) moving £465.3m of this to a fossil-free smart beta equity strategy that aims for long-term alignment with the Paris Agreement goals and exhibits lower carbon risk with climate solutions and higher ESG scores than the world index. With £397.6m invested into a resource efficient index that focuses on companies that more effectively manage carbon, water and waste while excluding fossil fuel companies. The Fund has also invested £217.3m into an active equity manger looking at investing into Paris aligned companies.

Future actions

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

The Fund has made an investment into a multi-asset credit sustainable mandate this will look to achieve a total return from investments in higher yielding fixed income asset classes through active security selection, asset allocation and capital preservation techniques, combined with environmental, social and governance (ESG) criteria. The product will exclude issuers who are exposure to a range of activities including controversial weapons, thermal coal and fossil fuels. Developing the fund's private credit investments strategy and how to incorporate sustainable investment into this asset class.

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

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

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

Risk management

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

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

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

Possible trigger of climate risk on the Fund

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

Possible consequences of climate risk on the Fund

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

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

- Statement of Responsible Investment Principles (SIRP) outlines investment beliefs including Climate Risk. The Fund take the SRIP into account for implementation of decisions and monitoring of investment managers, carbon emissions and climate risk to the Fund
- Investment Working Group and ESG working group consolidated into a single group to ensure ESG is in the heart of all investment decisions
- Restructuring of the equity portfolio removed structural exposure to fossil fuel companies to avoid high risk companies from a climate perspective
- The Fund are able to exploit opportunities from the low energy transition by investing in climate impact funds and resource efficient companies
- The Fund has trimmed unconscious exposure to companies with high Carbon emission, poor energy transition plans and or fossil fuel companies, through removal of traditional index funds

- Member of Institutional Investors group on climate change (IIGCC), the Fund also expects its managers to be IIGCC members
- The Fund carries out annual carbon foot printing to better understand the carbon exposure and energy transition plans within the portfolio. Additionally, the Fund carries out ESG impact assessment of all investment managers which includes a climate score.
- Signatory to UN PRI
- Commitment to report TCFD's with a first attempt published in the 2021 Annual Report
- The Fund has planned for climate scenario modelling which will help better understand this risk and allow further consider approaches in tackling these risks
- Where exposed to fossil fuels, the Fund uses its vote to drive engagement and improved practices. A number of Fund managers are Climate 100+ engagement partners, leading on this work with top emitting companies, while all managers are IIGCC members for collaborate weighting of AUM to influence action. Managers have escalation plans for when engagement is not effective which includes disinvesting from the high carbon or fossil fuel company.
- Focus on Climate change through training to committee and officers
- Focus on Climate Change in decision making and strategy changes
- Immaterial impact to the Fund value from direct exposure to fossil fuel companies in the instance of carbon taxes, valuation falls or stranded assets due to the underweight, very low exposure to this sector and no structural allocation of these companies.

Metrics and targets

Liquid Asset Classes included in Carbon Footprinting

The Fund has used a third-party provider Northern Trust to undertake comparative analysis of the Fund's equity and absolute return managers carbon foot printing (carbon footprint is the measure of the volume of carbon dioxide (CO_2 eq.) emitted by issuers) and Paris Alignment of the investee companies.

This foot printing covers almost 70% of assets under management at an investment manager level within the Fund's total asset value as at 31st March 2023. All of the Fund's listed equities were in scope for this exercise, but certain assets (fixed interest, derivatives and cash balances) were not, due to a lack of reportable GHG emissions data associated with them. From a starting 1,621 individual investments worth £2,354.4 million held in 9 different investment portfolios, 1,591 investments worth £2,322.6m were actually assessed using company GHG emissions data collected by Minerva.

For the purpose of the analysis performed by Northern Trust this takes into consideration Scope 1, 2 and 3 emissions where these are defined as:

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

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

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

Listed Global Equity – 42.4% of Fund Assets

The Fund have six listed equity managers, four active and two index based making up 42.4% of the portfolio as at 31 March 2024. All six portfolios are included in the metrics information within the Minerva's carbon footprinting report and all mandates exclude fossil fuel companies. All managers have strong engagement and stewardship approaches and are members of the PRI, IIGCC and are Stewardship code signatories.

Absolute/Real Return – 16.7% of Fund Assets

The Fund have two Absolute / Real Return managers, which make up 16.7% of the portfolio as at 31 March 2024. These madates are unrestricted as to what the menagers can invest as they provide a defensive response for the Fund's portfolio in the time of market volitility and uncertainty. These manadates are in place to reserve capital. Both managers have strong engagment and stewardship approaches and are both members of the Net Zero Asset Managers Initiative and climate action 100+ as engagement leads.

Listed Infrastructure – 2.0% of Fund Assets

The Fund has one listed infrastructure manager, Atlas, which is covered by the carbon footprinting analysis making up 2.0% of Fund assets. The manager is a member of IIGCC, NetZero Asset Managers Initiative, PRI and a Stewardship code signatory.

Carbon Footprinting Exercise 2023/24

The Fund has used a third-party provider, Northern Trust, to undertake analysis of the Fund's carbon footprint (i.e., the measure of the Fund's 'share' of the volume of Green House Gas equivalent (GHGe) emissions generated by the Fund's investee companies) as at 31st March 2024.

The outputs from this exercise are slightly different from the results reported in the Fund's Annual Report and Accounts last year. As Northern Trusts approach to calculating carbon footprints is slightly different from the previous provider's approach.

Northern Trust's approach to carbon footprinting does not generate data where none is reported – it uses data disclosed by the Fund's investee companies. Where a company has not disclosed any GHG emissions data, this is data in itself, since non-disclosing companies should be encouraged to make disclosures.

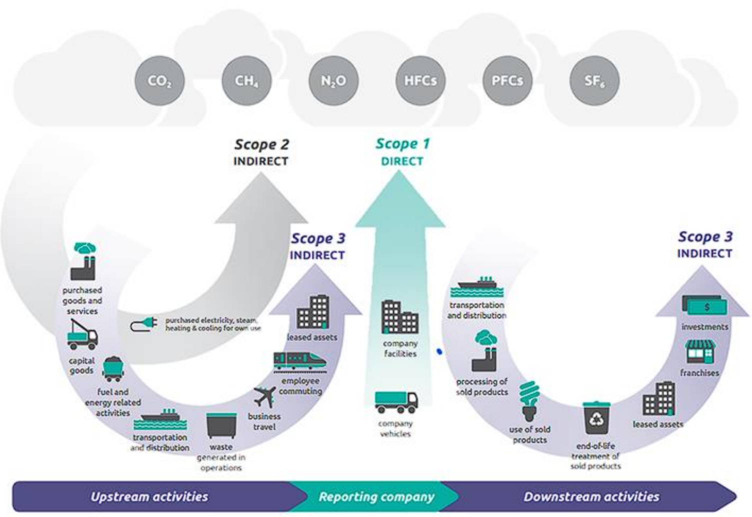
GHG Emissions

In line with the previous year, Northern Trust sought to provide the Fund with any 'Scope 3' GHG disclosure information available, in addition to Scope 1 and Scope. The different types of disclosures are defined as follows:

Categorization	Description
Scope 1	GHG emissions from owned or controlled sources
Scope 2 (Location-based)	GHG emissions of indirect emissions from the generation of purchased energy.
Scope 3	All indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions

More information on the components included in each Scope is set out in the graphic below:

GHG Emissions - Scope 1, 2 and 3



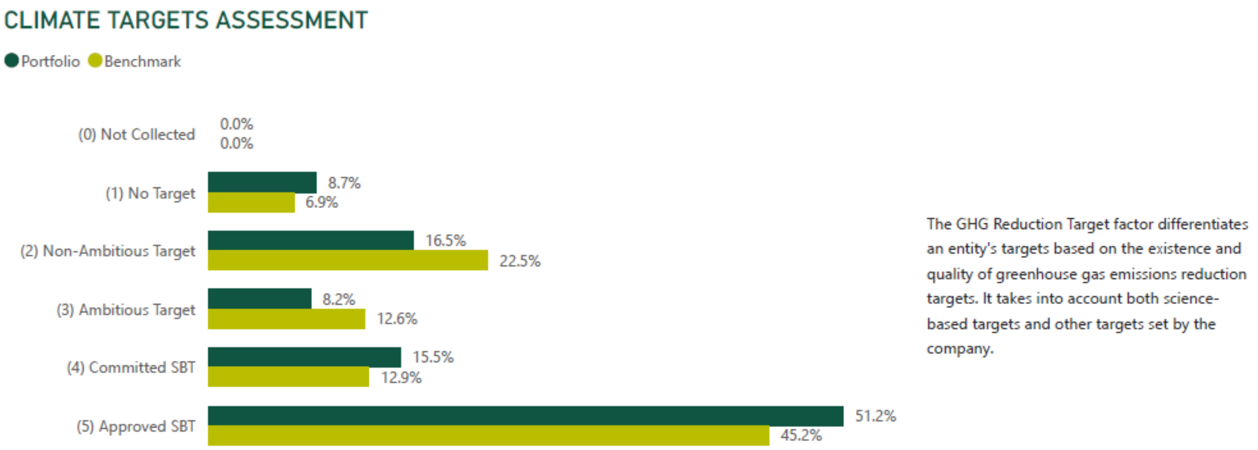
Scope 1	▪ Fuel combustion ▪ Company vehicles ▪ Company facilities ▪ Fugitive emissions (emissions from unintentional or intentional release of GHGs to the atmosphere)
Scope 2	▪ Purchased electricity, heat and steam
Scope 3	▪ Purchased goods and services ▪ Business travel ▪ Employee commuting ▪ Waste disposal ▪ Use of sold products ▪ Transportation and distribution (up- and downstream) ▪ Investments ▪ Leased assets and franchises

Source: Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard

Carbon Footprinting Analysis Results - Summary

The high level results of the carbon footprinting exercise are shown below:

Metric	Results		Comments
Total Carbon Emmissions (tCO2e)	Scope 1 & 2	72,371.50	The absolute greenhouse gas emissions associated with a portfolio, expressed in tons CO2e.
	Scope 1, 2 & 3	1,044,166.80	
Carbon Footprint (tCO2e) / GBP Invested	Scope 1 & 2	41.1	Total carbon emissions for a portfolio normalized by the market value of the portfolio, expressed in tons CO2e / millions invested.
	Scope 1, 2 & 3	593.4	
Carbon Intensity (tCO2e) / GBP Revenue	Scope 1 & 2	97.30	This metric combines the total emissions / millions invested approach with a similar logic to determine an investor's share of revenue and subsequently dividing one by the other. By linking to revenue, the metric aims at describing the greenhouse gas efficiency of the underlying companies.
	Scope 1, 2 & 3	1,403.30	
Weighted Average Carbon Intensity (tCO2e) / GBP Revenue	Scope 1 & 2	81.60	Portfolio's exposure to carbon-intensive companies, expressed in tons CO2e / millions of revenue.
	Scope 1, 2 & 3	1,131.60	



The key takeaways are that:

1) Where disclosures were made, the Fund's investee companies emitted 72,371.50 tCO_2e

2) The Fund's share of the GHG emissions made by its investee companies is just over 41.1 (tCO2e) / GBP Invested;

3) Over 51% of the Fund's investee companies have Greenhouse gas reuction targets that have been approved as science based targets.

Absolute Emissions

The following table shows the total carbon emissions for the Fund and for each investment manager mandate included in the scope of work:

Manager	Value £m	Scope 1	Scope 2	Scope 1 & 2	Scope 3	Scope 1,2 & 3
All	3,136.7	58,906.2	13,465.3	72,371.5	971,795.3	1,044,166.8
Equity						
Ballie Gifford	217.3	6,454.7	1,155.1	7,609.8	91,016.6	98,626.4
Longview	521.6	1,926.3	1,508.4	3,434.7	80,870.1	84,304.7
Osmosis	397.6	4,378.9	2,119.0	6,497.9	128,314.8	134,812.7
Storebrand	465.3	4,665.4	2,983.4	7,648.8	238,767.2	246,416.0
Wellington	247.3					
WHEB	238.0	1,422.3	761.0	2,183.4	169,984.6	172,168.0
Fixed Income						
M&G Corporate Bonds	131.1	2,300.5	590.3	2,890.8	29,151.7	32,042.5
Absolute return						

Newton	368.2	7,759.8	1,366.3	9,126.2	125,877.7	135,003.9
Ruffer	450.4	10,496.8	814.6	11,311.4	78,357.3	89,668.7
Listed Infrastructure						
Atlas	99.9	19,501.4	2,167.1	21,668.5	29,455.3	51,123.8

The figures shown above reflect the actual disclosures made by the Fund's investee companies that Minerva were able to identify and collect. The table reflects the actual GHG emissions disclosure position as far as they could determine, and the total amount of GHG emissions is clearly connected to the size of the portfolio, in terms of the number of companies held. This explains why the figures for, say, Osmosis are larger than the figures for Wheb – since the Osmosis portfolio holds 549 individual assets, versus the 40 assets in the Wheb portfolio.

Carbon Footprint

The following table shows the total carbon footprint for the Fund and for each investment manager mandate included in the scope of work:

Manager	Value £m	Scope 1	Scope 2	Scope 1&2	Scope 3	Scope 1,2 &3
All	3,136.7	33.5	7.7	41.1	552.2	593.4
Equity						
Ballie Gifford	217.3	35.6	6.4	42	501.9	543.9
Longview	521.6	4.9	3.8	8.7	205.9	214.6
Osmosis	397.6	14.8	7.2	21.9	433.2	455.2
Storebrand	465.3	13.1	8.4	21.5	671.3	692.8
Wellington	247.3					
WHEB	238.0	7.7	4.1	11.8	915	926
Fixed Income						
M&G Corporate Bonds	131.1	52.2	13.4	65.6	661.7	727.3
Absolute return						
Newton	368.2	51.1	9	60.1	828.7	888.8
Ruffer	450.4	168.5	13.1	181.6	1,257.80	1,439.30
Listed Infrastructure						
Atlas	99.9	217.3	24.2	241.5	328.3	569.7

The Fund's current carbon footprint - i.e., its 'share' of the emissions made by its investee companies - equates to c. 72,371 tonnes of CO2e emissions. Again, the figures shown are clearly connected to the size of the individual portfolio, and also the size of investment held in each investee company.

Emissions Intensity

The following table shows the carbon intensity of the Fund and for each investment manager mandate included in the scope of work:

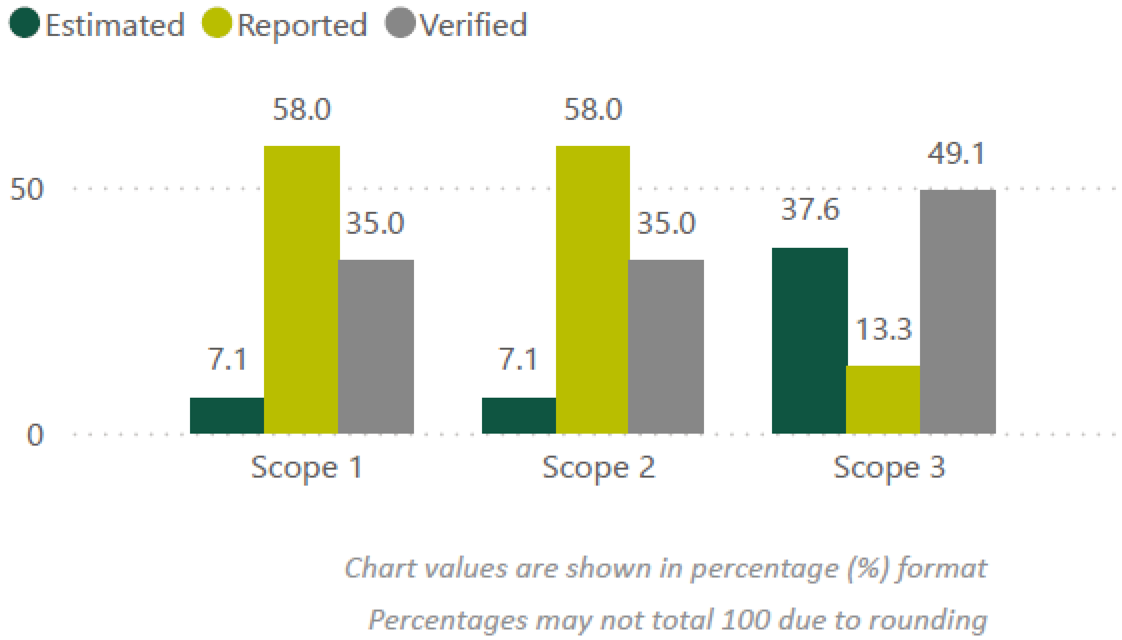
Manager	Value £m	Scope 1	Scope 2	Scope 1&2	Scope 3	Scope 1,2 &3
All	3,136.7	79.2	18.1	1306.0	97.3	1403.3
Equity						
Ballie Gifford	217.3	104.8	18.8	123.6	1478.0	1601.5
Longview	521.6	11.2	8.8	20.0	470.7	490.6
Osmosis	397.6	33.8	16.3	50.1	989.1	1039.2
Storebrand	465.3	29.8	19.1	48.9	1525.6	1574.4
Wellington	247.3					
WHEB	238.0	25.0	13.4	38.3	2985.2	3023.6
Fixed Income						
M&G Corporate Bonds	131.1	102.1	26.2	128.3	1294.3	1422.6
Absolute return						
Newton	368.2	152.5	26.9	179.3	2473.7	2653.0
Ruffer	450.4	156.2	12.1	168.3	1166.1	1334.4
Listed Infrastructure						
Atlas	99.9	725.2	80.6	805.8	1095.4	1901.2

The Fund's current carbon intensity - i.e., its 'share' of the emissions made by its investee companies - equates to c. 1306.0 tonnes of CO2e emissions. Again, the figures shown are clearly connected to the size of the individual portfolio, and also the size of investment held in each investee company.

Data Quality

The following table shows Northern Trust's assessment of the quality of the GHG emissions disclosures made by the Fund's investee companies:

DATA QUALITY

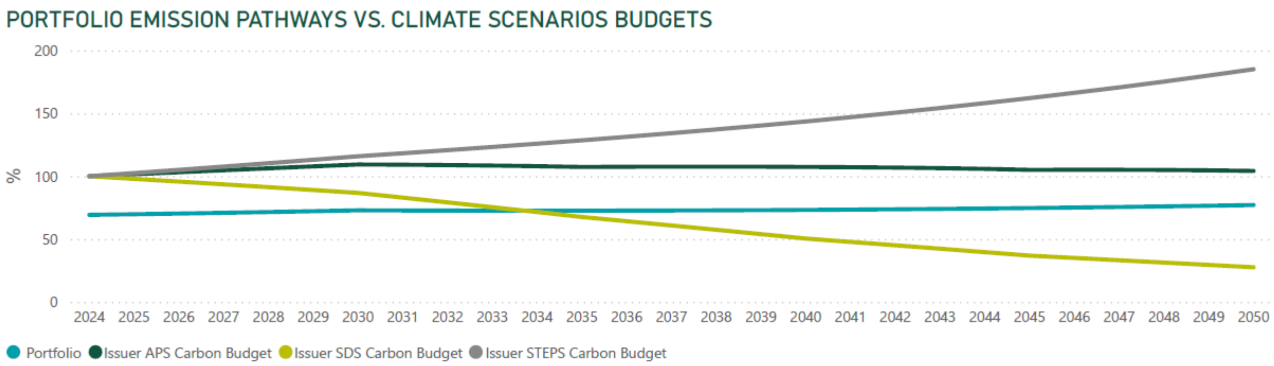


The results show that almost 50% of the Fund's investee companies are disclosing GHG emissions that have been verified by a third party in line with the GHG Protocol. This is an encouraging result for the first time that this metric has been measured, since all investee companies need to disclose their GHG emissions on an annual basis to allow investors such as the Fund to monitor the absolute levels of emission, and also track progress in reducing emissions towards achieving Net Zero. However, we also recognize that our investment managers need to engage with the 25% of our investee companies that either use 'estimated' data or do not disclose any GHG emissions.

CLIMATE SCENARIO ALIGNMENT

The scenario alignment analysis compares current and future portfolio greenhouse gas emissions with the carbon budgets for the IEA Sustainable Development Scenario (SDS), Stated Policies Scenario (STEPS) and the Announced Pledges Scenario (APS).

Performance is shown as the percentage of assigned budget used by the portfolio.



The ISS ESG portfolio temperature score is calculated by comparing the portfolio owned projected emissions in 2050 with the available owned carbon budgets for SDS, STEPS and CPS. The score is an interpolation between the two nearest scenario temperature thresholds based on the respective overshoot. The temperature score has a range between 1.5 and 6.

Portfolio Temperature Score 2.3

Liquid Asset Classes excluded in Carbon Footprinting

Fixed Income – 14.2% of Fund Assets

The Fund have three public fixed income portfolios two managed by M&G and invested through the ACCESS LGPS pool and one passive index linked gilts mandate managed by UBS as an ACCESS pool aligned investment.

The Fixed Income mandates were not included in the Carbon Footprinting for March 2023 as Minerva were only able to match approximately a third of the investments in these funds back to parent issuers who also had listed equities, and so were likely to have disclosed publicly any information relating to their GHG emissions. Given this low level of matching, they were not included in the analysis. The manager is a member of IIGCC and Climate Action 100+.

M&G use MSCI as their main third-party data provider for greenhouse gas emissions data. MSCI collect data once per year from most recent corporate sources, including: Annual Reports, Corporate Social Responsibility Reports and websites. In addition, MSCI's ESG Research uses the carbon emissions data reported through CDP (formerly the Carbon Disclosure Project) or government databases (when reported data is not available through direct corporate disclosure). As with any mass data collection, there are methodology limitations. The weighted average carbon intensity is the carbon footprint metric used in fixed income mandates to measure carbon emissions. To calculate the carbon emissions of the Fund, M&G have used the MSCI weighted average carbon intensity (portfolio weight x (carbon emissions/$million sales), rather than just simply the carbon emissions. This is because when weighting regular carbon emissions, MSCI calculates it based on an ownership principle (i.e., it assumes the holding is equity, using equity market capitalisation as the denominator). Fixed income investors are lenders to companies, not owners of companies. M&G are therefore better able to obtain the carbon footprint of a fixed income mandate by looking at the Fund's weighted average carbon intensity, measured by C02 emissions (in tons) per $ million sales, which doesn't apply the ownership principle used by MSCI. The metric is reported to the Fund on a quarterly basis so that investors may monitor the long- term trend of carbon emissions within their bond portfolios. For benchmarked portfolios, M&G will provide the metric for both the portfolio and benchmark. For non-benchmarked portfolios, M&G provide the metric for the portfolio and, where appropriate, a comparable market index.

The M&G Alpha Opportunities Fund weighted average carbon intensity is 118.14 (carbon coverage 75.67%). This compared to the benchmark 50% Barclays Global Agg IG and 50% Barclays Global Agg HY which is 273.22 (carbon coverage 88.90%)

The M&G LF ACCESS Sterling corporate bod Fund has a weighted average carbon intensity of 123.33. This compared to the benchmark 50% - iBoxx Sterling Non-Gilts Index 50% - iBoxx Sterling Over 15 Year Non-Gilts Index which is 102.17.

The passive index linked gilts mandate comprising 4.8% of the Fund this is not covered by the carbon footprinting analysis. As these are United Kingdom government bonds there is not currently an agreed way to consider the carbon footprint of these investments.

Illiquid Asset Classes
Outside of the Minerva's carbon footprinting the Fund have tried to obtain information directly from the investment managers as to their cabon emissions and footprint. Illiquid assets constitute 23.6% of the Fund's portfolio. The following information has been obtained by asset class. The Fund will engage with managers over the next year to aim for increased exposure and more detailled metrics for futrure reporting.

Private Equity – 7.6% of Fund Assets
The Fund have two private equity managers, which make up 7.6% of the portfolio as at 31 March 2024. Neither of these managers have published any metrics under TCFD however both are members of the Initiative Climat International (iCI) which is a General Partner led initiative to collaborate on risk analysis tools to aid private equity action on climate change. Members of iCI commit to recognising the risks and opportunities that climate change presents to their investments, contribute to the Paris Agreement's objectives, and actively engage with portfolio companies to reduce their greenhouse gas emissions. Members work collaboratively across a variety of working groups to implement their commitments.

In addition to this, one of the private equity funds, currently weighted at 3.7% of the portfolio (Harbourvest) has aligned its climate strategy with TCFD. As part of the Metrics and Targets commitment, they have partnered with a carbon accounting platform to produce fund-level reporting on greenhouse gas emissions data, using proxy data based on industry average. As part of their commitment to continue to improve data quality within reporting, the manager has joined the ESG Data Convergence Initiative (EDCI), hosted by ILPA, which seeks to standardize ESG metrics and provide a means of comparative reporting and benchmarking on ESG for private markets.

One of the Fund's Private Equity funds, which is currently 3.9% of the portfolio value has been able to provide a Weighted Average Carbon Intensity (WACI) of your portfolio as an Emissions Intensity metric as at 31/03/2024.

Company Scope 1 + Scope 2 (tCO2e/USDmn)	88.25
Company Direct + First Tier (tCO2e/USDmn)	125.18

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

Property – 6.8% of Fund Assets

Schroders PLC are a founding member of the Net Zero Asset Managers initiative (NZAM), an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C; and to supporting investing aligned with net zero emissions by 2050 or sooner. The Global Alliance for Buildings and Construction and UN Environment Programme 2022 global status report for buildings and construction report highlighted that the buildings contribute approximately 37 % of global carbon emissions. Schroders is a signatory to the UK's Better Buildings Partnership which requires members to publish a net zero carbon pathway for their portfolio including direct and indirect investments, together with a delivery plan. The Commitment covers new and existing buildings, Scope 1, 2 and 3 emissions and both operational and embodied carbon, making it one of the most ambitious climate commitments for property owners. In addition, the signatories are committed to disclose energy performance of portfolios and climate resilience strategies.

The carbon emissions have been calculated by multiplying the percentage ownership by client in each of the underlying fund investments by the respective fund's carbon emission output in tonnes as reported by each Fund Manager. The output of each fund is summed to create an emissions total. Actual Emissions have been reported on 61% of the portfolio. Where we do not have 100% data coverage in any one fund, we have extrapolated the data up to 100% coverage by assuming those assets with missing data produce the same emissions as the average of all assets where data has been reported. The actual emissions have been extrapolated to provide an estimated emissions of the portfolio with coverage of 79.9%.

The emissions data in the table below is provided to the Investment Manager by third party fund managers through the annual GRESB submissions made in July 2023 and accessed in October 2023 and has not been audited by Schroders.

	Coverage of portfolio	Scope 1&2 emissions (carbon tonnes)	Scope 3 emissions (carbon tonnes)	Total Emissions (scope 1,2 &3)	Carbon tonnes per £m
Actual Emissions Reported	**61.0%**	**590**	**1,700**	**2,290**	**11.5**
Emissions Estimated & Actual	**79.9%**	**719**	**2,579**	**3,299**	**12.7**

Infrastructure – 8.5% of Fund Assets

The Fund have four Infrastructure managers which comprise 8.5% of Fund assets at 31 March 2024. One of the infrastructure managers (IFM) comprising 5.0% of the portfolio have reported the following:

	Total scope 1 emissions [ktCO2e]	Total scope 2 emissions [ktCO2e]	Scope 3 emissions [ktCO2e]	Portfolio net attributable emissions [ktCO2e]
Total Portfolio	**17,053**	**2,674**	**165,137**	**3,100**

Another manager (UBS) which comprises 0.7% of the portfolio has provided the following table:

2023	Scope 1 emissions (CO_2e tonnes)	Scope 2 emissions (CO_2e tonnes)	Scope 3 emissions (CO_2e tonnes)	Total Emissions (scope 1,2 &3)
Emissions Reported for Fund 1	**1,509,998**	**95,430**	**254,506**	**1,859,934**
Emissions Reported for Fund 3	**551**	**4,873**	**94**	**5,518**

**Note: The large total Scope 3 emission for fund 3) is an estimated value only and includes majority coming from the emission due to manure purchasing and upstream transportation.*

A third manager (M&G Infracapital) comprising 1.0% of the portfolio has provided the following table:

2023	Scope 1 emissions (CO_2e tonnes)	Scope 2 emissions (CO_2e tonnes)	Scope 3 emissions (CO_2e tonnes)	Total Emissions (scope 1,2 &3)
Emissions Reported	**226,701**	**40,321**	**65,613**	**332,636**

The last manager (Pantheon) comprising 1.8% of the portfolio has confirmed there is no carbon emission data currently available for our investment with them, however are currently working on emissions reporting. Since 2023, Sustainability data has been one of four core projects of the managers Sustainability Committee, with the goal of being able to automate the generation of ESG reports by Q4 2024.

Private Credit – 0.7% of Fund Assets

The Fund have one Private Credit manager which comprises 0.7% of Fund assets at 31 March 2024. There is no carbon emission data currently available for this investment.

RI implementation Statement for 2024/25

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

Commitment	Progress	Further Action
To continue to measure and report on carbon-equivalent	The Fund has undertaken an analysis of the Equity and Fixed Income investments with a third-party provider for the	Develop further understanding of the different metrics.

Commitment	Progress	Further Action
emissions throughout the equity portfolios	fifth year bringing in a new provider to give information that will be more aligned to the anticipated LGPS Carbon reporting requirements.	Review the Carbon-equivalent emission provider market. Work with Investment managers of other asset classes to improve asset class coverage.
To continue our work with IIGCC and Climate Action 100+	The Fund has been an active participant in the IIGCC corporate program with the Chair of the Pension Committee sitting on the IIGCC Corporate Programme Advisory Group. The Fund attends training items and research webinars provided by IIGCC.	The Fund is looking for more options within IIGCC to support further development and implementation of IIGCC research into the Fund's strategy.
To continue to research and support the deployment of new impact capital into projects set to benefit from the transition to a low carbon economy	75% of the Fund's equity mandates have been invested into specific climate conscious investments. With 10% of the Fund's total portfolio with active managers into impact managers, 5% actively managed in Paris Aligned portfolio, 7.5% into climate risk passive product and 7.5% into a resource efficiency weighted index. The Fund has moved a further 3.5% of Fund assets into a sustainable multi asset credit fund in Q1 of 2024/25 financial year.	The Fund will continue to assess the alignment of the remaining equity position to ensure it is invested in a compatible way to our RI policies. The Fund will review the characteristics of the equity investments to ensure these mandates are investing inline with the investment rationale of the Fund. The Fund will continue evaluating the fixed income options to ensure that where we are able to identify sustainable investment practices. Working with ACCESS to develop a suitable passive like equity offering and promote suitable solutions within the Pool.

Commitment	Progress	Further Action
To assess the carbon intensity of all assets (using estimates if necessary) by the end-2022 reporting cycle, supported by external managers and GPs	The Fund has to date only considered the carbon intensity of the liquid holdings, around 70% of the Fund assets, through a third-party foot printing provider. The Fund receives Carbon foot printing information from its property manager and part of its Private Equity portfolio. The Fund is working with managers and other advisors in how to calculate this for the remainder of the alternative space.	The Fund is liaising with its external managers of the harder to measure assets and request that all managers' report in line with TCFD reporting requirements. Awaiting the outcome of the government's consultation on the TCFD reporting for the LGPS and looking to report in line with this. Working with other LGPS Funds, ACCESS, Fund managers, custodian and other third parties to provide more information and determine how they will be getting the required information.
Using data from the Transition Pathway Initiative (TPI), to engage alongside our collaborative partners to encourage companies to adopt business models and strategies that are in line with the aims of the Paris agreements.	The Carbon reporting provided by Northen Trust will be used to support our challenge to managers where this highlights companies which are reporting high emittions and have poor quality transition plans. The Fund will request explanations from managers regarding these companies along with running them through the TPI to understand their view. The Fund also reviews companies that are classified by the Investment manager as a Fossil Fuel company and will run these through the TPI data this analysis is used by the fund	The Fund continues to work on improving its information on its underlying holdings with the aim to get quarterly information to further analyse on different criteria including TPI analysis.

Commitment	Progress	Further Action
	during meetings with the Fund managers.	
Implement processes that adhere to Taskforce for Climate-related Financial Disclosures (TCFD) recommendations on mandatory reporting and governance requirements related to climate risk as they are expected to apply to the LGPS.	The Fund is incorporating as much of aspects of the TCFD guidance for private pensions schemes into its Annual Report. This is building on the report provided last year, allowing the Fund to identify and enhance the report year on year and provide readers with better understanding of emissions and climate strategy. Along with this the Fund has received 4 years of ESG assessments of its investment Managers from its conducted by its investment consultant. We continue to engage with our investment managers over their own reporting and are encouraging them to report in line with TCFD where they are not already doing. We undertake carbon foot printing of the Fund. We have been producing a quarterly engagement reports detailing the work the Fund has been undertaking. The Fund responded to the consultation on the TCFD reporting in the LGPS and is a supporter of this being implemented.	The Fund is awaiting the outcome to the consultation on the TCFD reporting in the LGPS and is a supporter of this being implemented. The Fund will look to implement the guidance once this is published and continue to develop its reporting. The Fund will continue to work with Third parties to develop and implement enhancements to its current reporting. Including PRI and UK Stewardship reporting. The Fund will investigate how climate scenario analysis can help define its climate strategy and how this can be implemented.
To report annually in accordance with TCFD recommendations.	The Fund provide a TCFD section within its Annual Report covering all elements where sufficient data is held	We are awaiting the response to the consultation from DLUHC on TCFD reporting and when the regulations are

Commitment	Progress	Further Action
	and identifying areas which are not yet complete. There is currently no guidance for LGPS Funds on TCFD reporting.	set out and there is clarity on the final requirements, the Fund will implement a fully compliant report within the guidelines set out for the LGPS.
Signatory to the United Nations Principles for Responsible Investment (PRI)	The Fund has signed up to the PRI and has provided its first set of information to the PRI for assessment. The Fund received the results of the assessment and received at least 4 stars in each category.	During Q3 2024 the Fund will prepare and submit the necessary information to maintain our signatory status to the PRI. We anticipate receiving our second assessment report in Q4 2024 and look forward to improving our responsible investment activities based on the findings.
Encourage the Fund's investment managers to provide transparency by reporting relevant and accessible ESG-related information. This includes their commitments to and alignment with the UK Stewardship Code 2020, the TCFD, the PRI and GRESB, where appropriate.	The Fund have been requesting quarterly information from the managers on engagement and voting and have been publishing a quarterly report detailing our monitoring of the managers. Alongside this the Fund also provide information on the managers engagements and commitments such as to which organisations they are signatories. The Fund receive an impact assessment of the Fund managers from its Investment Consultant annually to ensure that they are stewards our assets in line with their policies and our expectations. As part of our engagement with managers is to request that they consider signing up to UK Stewardship Code	We will be maintaining the engagement and voting information capture and are working to improve the information that is published as part of our engagement report. Look to improve communication with stakeholders of the Fund. The Fund continues to monitor the investments managers through carbon foot printing and ESG reviews by our investment consultant. The Fund is committed to working with ACCESS to improve the RI function within the pool and provide better reporting. Ensuring that the Fund's managers sign up to relevant commitments with TCFD and

Commitment	Progress	Further Action
	2020, IIGCC, TCFD, the PRI and GRESB. ACCESS has been doing a lot of work within the RI space and has revised it guidelines we continue to work with ACCESS to develop the report framework around the RI guidelines.	UK stewardship code 2020 being priorities.
Working collaboratively to increase the reach, efficiency, and effectiveness of RI. We work with a host of like-minded partner funds, service providers and related organisations striving to attain best practice in the industry and to improve industry standards.	ACCESS has set up a RI working group to build upon the RI guidelines of which we are an active member. The Fund was a founding sponsor for the current active National LGPS Framework Stewardship framework. We have been engaged with IIGCC and have signed up to some of the initiatives coming from this collaboration. The Fund is an active participant in the LAPFF Executive Committee.	We shall be looking to continue to explore opportunities with ACCESS to improve the RI opportunities. Increase the involvement in collaborative RI initiatives and look to be signatories to shareholder resolutions where appropriate.
Report annually in accordance with the UK Stewardship Code requirements, and we are committed to adhering with the requirements of the new UK Stewardship Code 2020.	The Fund submits its annual Stewardship Report to the FRC in October and has maintained its signatory status.	Work to improve the submission to the FRC in 2024 to maintain signatory status and improve our processes based on the outcomes of the previous report.

Collaboration

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

https://www.unpri.org/

Principles for Responsible Investment (PRI). We have been a signatory to the PRI since 2020 and are working on our first submission on how we implement the six Principles of Responsible Investment into our everyday work to be good stewards of capital, which has been submitted for 2024. PRI is an important partner, providing excellent guidance on responsible investment and we work closely with them on the future direction of the organisation

https://www.iigcc.org

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

LAPFF | The leading voice for local authority pension funds across the UK (lapfforum.org)

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

Home | Pensions For Purpose

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

Home | Financial reporting council

The Financial reporting council sets UK Accounting, Audit and Actuarial standards. The fund has committed to report under the FRC's Stewardship code, pledging to manage capital in a way that creates long term value and leads to sustainable benefits for the economy, the environment and society. The Fund's has submitted its report form the past 2 years and have been accepted as a signatory.

Home | Task Force on Climate-Related Financial Disclosures

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

Pooling

Background

ACCESS (A Collaboration of Central, Eastern and Southern Shires) has its origins in 2016 when 11 Local Government Pension Scheme (LGPS) Authorities agreed to begin working collectively to address the requirements of the Government's agenda for pooling LGPS investments. .The first ACCESS Inter Authority Agreement was signed in late June 2017.

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

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

Collectively the pool has assets of £64.6 billion (of which 70% £44.7bn has been pooled) serving over 3,500 employers with over 1.2 million members.

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

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

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

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

Governance

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

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

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

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

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

The ACCESS Support Unit (ASU) provides the day-to-day support for running the ACCESS Pool and has responsibility for programme management, contract management and supplier relationship, administration and technical support services. 2020/21 saw the approval of two additional roles to increase support capacity of the ASU which is hosted by Essex County Council. Appointments were made to these positions in March 2021 and July 2021.These roles are also supplemented with additional technical support from Officers within the ACCESS Authorities.

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

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

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

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

The Operator

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

Pool Aligned Assets

UBS were appointed following a joint procurement in 2017, and act as the ACCESS Authorities' investment manager for passive assets. JP Morgan and IFM were approved in 2024 to provide open ended infrastructure investments to the Pool. Aviva were appointed in 2024 to provide long lease real estate investments and CBRE have been appointed to provide UK and Global Property investments.

Progress

ACCESS submitted its pooling proposal to Government in July 2016 with detailed plans for establishing and moving assets into the pool. Included in the proposal was an indicative timeline of when assets will be pooled, and ACCESS has continued to make excellent progress .against the principal milestones set out. ACCESS currently has £44.724 billion assets pooled, and net savings of £92.4 million by March 2024. An additional £1.250 billion has been committed to investments in the Pool for 2024/25. As at 31 March 2024, almost 70% of assets have been pooled.

Pooled Assets

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

Asset Class	£ billion
Global Equity Funds	**16.2**
UK Equity Funds	**2.0**
Emerging Markets Equity Funds	**0,8**
Fixed Income	**8.7**
Diversified Growth	**1.2**
Passive investments	**11.9**
Infrastructure	**1.7**
Real Estate	**2.2**
Total Pooled Investments	**44.7**

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

The investment return on active listed assets annualised over 5 years was 9.8% against benchmark returns of 8.9% and outperformance of 0.9% annualised over 5 years.

Business Plan

The key milestones achieved from activities within last year's 2023/24 Business Plan, are shown below:

- Approval and launch of sub-funds reflecting the strategic asset allocation needs of the ACCESS Funds.
- Work with CBRE to implement the property mandates.
- Pool alignment of infrastructure funds.
- Procurement and implementation of long lease real estate.
- Procurement of timberlands mandate.
- Preparation for, and the commencement of the procurement of the operator services.
- Implementation of outcomes from third party review.
- Commencement of Responsible Investment reporting support for the Pool.
- Additional resources appointed to the ASU to support the activities of the ACCESS Pool.

ACCESS is well placed to continue to develop the pool and progress will continue. It is anticipated that 2024/25 will see key activities within the following themes:

- Reprocurement of the operator services.
- Implementation of private equity and private debt solutions established by Apex.
- Submission of UK Stewardship code application.
- Implementation of reviewed voting guidelines.
- Complete the implementation of outcomes from third party review.
- Review the arrangements of Local Pension Board observes at Joint Committee meetings.

Financial Management Expected v Actual Costs and Savings

The table below summarises the financial position for 2023/24 along with the cumulative position since the commencement of ACCESS activity in early 2016.

A budget for ongoing operational costs is set by the Joint Committee and is financed equally by each of the eleven Authorities. 2023/24 saw a slight overspend, primarily due to higher than anticipated costs of external advice combined with an underspend in the technical lead recharge costs.

	2023-2024		2016-2024	
	Actual In Year £'000	**Budget In Year £'000**	**Actual Cumulative to date £'000**	**Budget Cumulative to date £'000**
Set Up Costs	-	-	1,824	1,400
Transition Costs	-	-	3,338	6,907
Ongoing Operational Costs	1,608	1,559	6,900	9,254
Operator & Depository Costs	5,264	5,771	23,392	26,709
Total Costs	6,872	7.330	35,454	44,270
Pool Fee Savings	(30,794)	(19,900)	(129,739)	(85,450)
Net (Savings Realised)/Costs	(23,922)	(12,570)	(94,285)	(41,180)

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

The 2023/24 fee savings have been calculated using the CIPFA price variance methodology and based on the average asset values over the year. This approach highlights the combined level of investment fee savings, across all ACCESS Authorities stemming from reduced charges.

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

Investment management costs split between pooled and non-pooled assets

	ACCESS Pool*	ACCESS Pool*	Non-ACCESS Pool	Non-ACCESS Pool	Total
	Direct	Indirect	Direct	Indirect	
	£000	£000	£000	£000	£000
Management Fee	585	9,299	2,407	9,462	21,753
Performance Fee	-	(485)	-	(36)	(521)
Transaction Costs	-	387	-	577	964
Custody	-	-	107	-	107
Other Costs	-	-	-	-	-
Total	585	9,201	2,514	10,003	22,303

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

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

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

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

ACCESS has reviewed its own ESG/RI guidelines to reflect both the requirements of the Authorities and the expectations associated with this fundamental aspect of institutional investment.

PIRC have been appointed to provide advice on future appropriate reporting requirements to provide transparency to stakeholders, monitor adherence to the Guidelines and inform discussion on ESG/RI matters.

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

The voting guidelines sets out the principles of good corporate governance and the means by which ACCESS will seek to exercise its influence on companies. During the year, votes on behalf of ACCESS Authorities were cast at 2,614 meetings on 37,483 resolutions and UBS voted at 11,577 meetings on 134,800 resolutions on ACCESS investments held with them.

Administration

Service Delivery

During 2023/24, East Sussex County Council as Administering Authority for the East Sussex Pension Fund undertook the day-to-day pensions administration via its in-house pensions team.

The Pensions Administration team were responsible for:

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

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

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

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

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

With effect from 1 September 2023 most of the Fund printing and postage services were transferred to the ESCC Post Hub. From 1 April 2024 the support for the pensioner payroll and pensions helpdesk were also bought in-house.

Key administration performance indicators

Performance Indicator	Impact	Measure	Target %	Achieved by Fund %
Death notification acknowledged, recorded and documentation sent	Medium	Within 2 days	95%	100%
Award dependent benefits (Death Grants)	High	Within 5 days	95%	98%
Retirement notification acknowledged, recorded and documentation sent	Medium	Within 7 days	95%	95%
Payment of lump sum made	High	Within 5 days	95%	99%
Calculation of spouses' benefits	Medium	Within 5 days	90%	100%
Transfers In - Quote (Values)	Low	Within 10 days (Aggregation 15 d)	90%	96%
Transfers In - Payments	Low	Within 5 days (Aggregation 25 d)	90%	99%
Transfers Out - Quote	Low	Within 10 days (Aggregation 15 d)	90%	95%
Transfers Out - Payments	Low	Within 10 days (Aggregation 25 d)	90%	90%
Employer estimates provided	Medium	Within 15 days	95%	99%
Employee projections provided	Low	Within 15 days	95%	99%
Refunds (inc frozen refunds wef Aug 22)	Low	Within 10 days	95%	90%
Deferred benefit notifications	Low	Within 15 days	95%	93%
Aggregation Quote	Medium	Within 15 days	95%	36%
Aggregation Actual	Medium	within 10 days	95%	75%

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

Number of complaints

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

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

Financial indicators of administrative efficiency

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

Investment management expenses	ESPF Unit costs per member 2022/23	ESPF Unit costs per member 2023/24	Benchmark unit costs 2022/23
Excluded	**£41.2**	**£46.5**	**£43.1**
Included	**£366.0**	**£307.6**	**£309.0**

Key staffing indicators

During 2023/24, staffing numbers within the Pensions Administration area remained at 26 FTE. The team was carrying 3 vacancies.

This provides the Fund with a staff (26) to fund member (85,417) ratio of 1:3,285

With average reportable KPI cases (16,294) per member of staff (26) ratio of 1:627

Membership

During 2023/24 the number of "Active" contributing members within the Pension Fund increased by 0.80% from 24,691 to 24,888. In summary, the number of members contributing to the Scheme is:

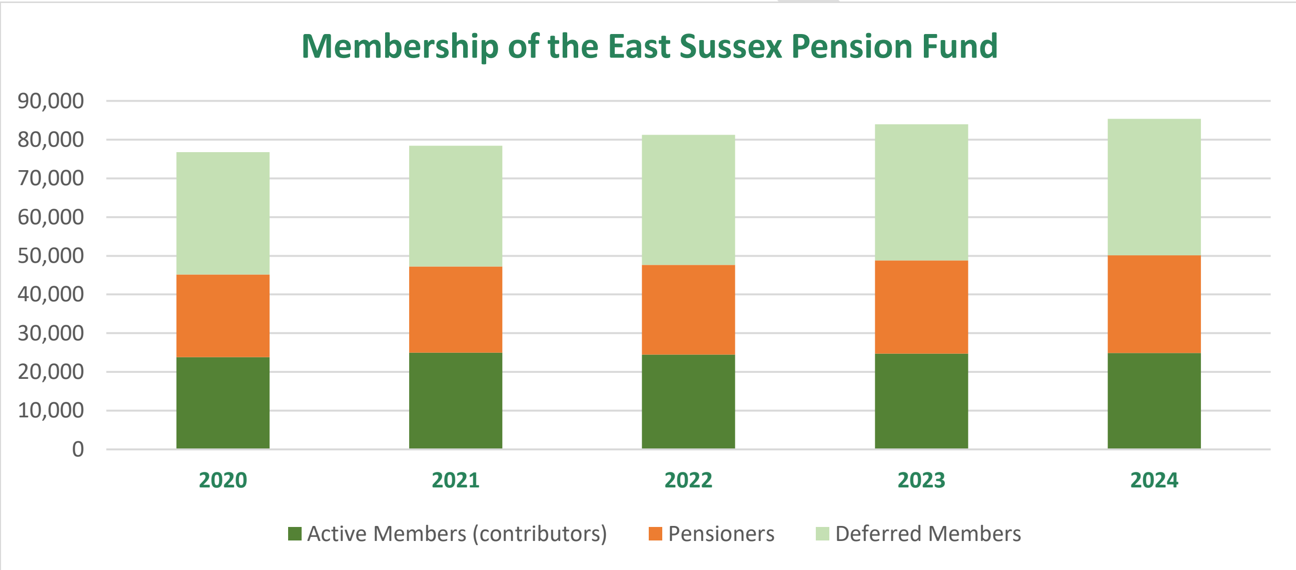
	Number of members 2022/23	Number of members 2023/24
East Sussex County Council	**8,123**	**8,003**
Brighton & Hove City Council	**7,412**	**7,564**
Academies	**3,738**	**3,998**
Colleges	**2,740**	**2,703**
Other	**2,678**	**2,620**
Total	**24,691**	**24,888**

The number of pensioners in receipt of payments from the Fund increased from 24,124 to 25,288 (or 4.83%).

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

	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Active Members (contributors)	23,835	25,002	24,514	24,691	24,888
Pensioners (inc dependents)	21,335	22,230	23,131	24,124	25,288
Deferred Members	31,622	31,234	33,646	35,213	35,240
Total	76,792	78,466	81,291	84,028	85,416

Under the Local Government Pension Scheme (LGPS) (Administration) Regulations 2013, the East Sussex County Council administers the Pension Fund for approximately 85,000 individuals employed by 144 different organisations. Underpinning everything we do is a commitment to putting our members first, demonstrating adherence to good practices in all areas of our business and controlling costs to ensure we provide outstanding value for money.



New pensioners by pensioner type

Pensioner type	Number
Normal Retirements	**606**
Redundancies	**53**
Ill Health	**26**
Employee's Choice of Early Pension	**756**
Total New Pensioners	**1,441**

2023 Annual Benefit Statement

The ABS statutory deadline was 31 August 23 and the results of statements issued for eligible members were as follows:

Member category	2021	2022	2023
Actives	96.31%	96.70%*	**95.90%**
Deferred	99.69%	99.79%	**99.72%**

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

Employers

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

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

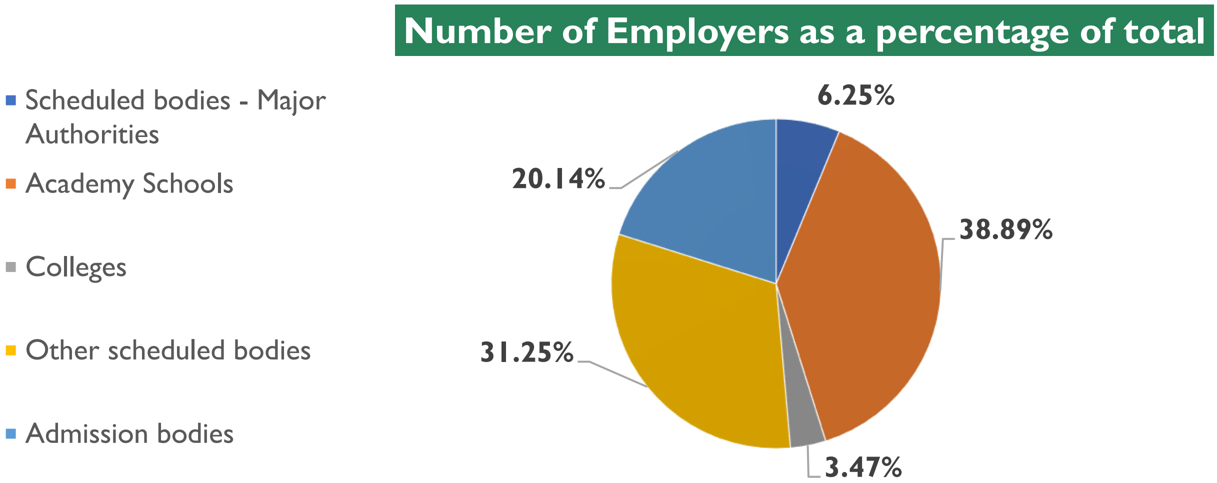
Below is a summary of the number of employers in the fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some deferred members and pensioners).

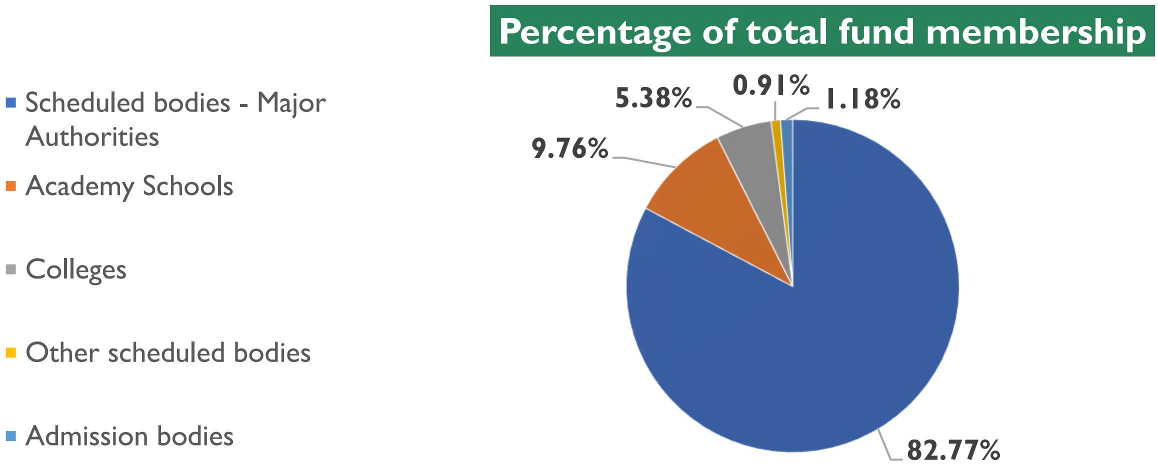
	Active	Ceased	Total
Scheduled body	115	20	135
Admitted body	29	45	74
Total	**144**	**65**	**209**

Employer statistics by Employer type

Employer Type	Number of Employers as a percentage of total	Percentage of total fund membership	Number of Employers in Group
Scheduled Bodies – Major Authorities	6.25%	82.77%	9
Academy Schools	38.89%	9.76%	56
Colleges	3.47%	5.38%	5
Other Scheduled Bodies	31.25%	0.91%	45
Admission Bodies	20.14%	1.18%	29

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





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

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

In particular it sets out:

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

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

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

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

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

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

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

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

Employer deadlines

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

If the above deadlines are not met, then warnings are issued. If an employer breaches the above deadlines on more than one occasion in a 12-month period, then administration charges can be levied. Employer contribution amounts are provided to all employers at the Employer's Forum following the valuation. A reminder of the new rates is also annually sent to employers in March. The new amounts are sent in March in preparation for the new rates to be applicable from the April contribution payment.

Communications Policy

The Communication Strategy sets out how the East Sussex Pension Fund will engage, educate, and fulfil the needs of its stakeholders including members and employers. This is in line with Regulation 61 of the Local Government Pension Scheme (LGPS) Regulations 2013.

The Fund uses a range of methods for members and employers to provide key information.

Newsletters

The Fund will publish newsletters via email which will generally direct members/employers to the website. The newsletter will cover current pension topics linked to the LGPS and the wider pensions industry, along with important messages. Further articles may be sent highlighting issues of importance, such as changes in scheme regulation or operation as they arise.

Active members – two newsletters a year. In April 2023 the Fund produced (for the 1st time) a postal booklet for members with essential information about the Scheme. This was well received and attracted high call volume from members. A subsequent e-newsletter was issued in March 2024.

Deferred and Pensioner members – one newsletter a year. This was by way of a member booklet issued by post.

Employer newsletters – three newsletters were issued in 2023/24.

Website

The Fund has its own website (https://www.eastsussexpensionfund.org/) which provides extensive information and guides about the LGPS, factsheets, forms and up to date news about the Fund's activities and achievements. This should be members main source of scheme information. There are specific sections dedicated to different types of members.

- Joining the scheme
- No longer paying in
- Paying in
- Pensioners

In addition, members have access to the LGPS website. This site is for members of the Local Government Pension Scheme (LGPS) in England and Wales and their families. The website has recently been transformed to improve the user experience.

Employers also have their own dedicated page within the website with information specific to them.

Please note that we use electronic communication as our primary means of contacting members, but they do have the right to opt out and receive information by post.

Annual benefit statements

Annual Benefit Statements are provided to all active and deferred members (by the 31st of August each year) which details members current pension accrued to date and a projection to their Normal Retirement Age (actives only). The statements are made available online via member self-service or posted to members who have opted out of electronic communications (where addresses are known).

'My Pension' - member self-service website

Members have online access (once registered) to their current LGPS pension record held by East Sussex Pension Fund. Members can update their expression of wish nomination(s), email address, home address and communication preferences. The Fund started to promote a new version of 'My Pension' ahead of a proposed launch in quarter 2, 2024.

Training

In the second half of 2023 the Fund began to pilot LGPS training to employees within ESCC. The feedback from those who have attended the sessions was extremely positive. We will look to roll this training out wider in the future.

In 2023 the Employer Engagement team have provided support and in-person training for employers.

Examples of these:

- Full day in house training covering all sections of the fund.
- Roadshows
- Schools
- On site with employers
- Online virtual sessions
- Employer Forum

Pensioners / dependants

Annual Pension Increase statements are sent to all pensioners informing them of the percentage rate their pension will increase by and their revised pension payment for the

Pensioners are also issued with payment advice slips in March, April and May. P60 notifications are issued annually (usually in April or May) and provide members with a breakdown of the payments they have received over the last financial year. P60s and payslips are provided by default online via our member self-service website or issued in the post for others.

Prospective Members - Employer engagement

The Fund works with scheme employers to assist them in the joining arrangements for the LGPS. The Fund will also ensure that the benefits available to are highlighted regularly to employers through mention in conversations, newsletters and the employer forum.

Internal Dispute Resolution Procedure

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

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

Dispute category – First stage	Number in 2023/24
First Stage	10
Upheld	7
Declined	1
Ongoing	2

Dispute category – Second Stage	Number in 2023/24
New at Second Stage	**1**
Upheld – outcome change	**0**
Upheld – no outcome change	**0**
Declined	**1**
Ongoing	**0**

This table reflects the position for the 2023/24 financial year and is not the current position. Not all complaints resolved in this timeframe were raised in the same financial year and the numbers quoted include complaints raised in 2022/23 but were not resolved in the same financial year.

Actuarial report

East Sussex County Council Pension Fund

Actuary's statement as at 31 March 2024

Barnett Waddingham LLP

30 October 2024

Introduction

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

Asset value and funding level

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

- The smoothed value of the Fund's assets for funding purposes as at 31 March 2022 was £4.619m.
- The Fund had a funding level of 122.8% i.e. the value of assets for funding purposes was 122.8% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a surplus of £858m.

Contribution rates

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

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

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

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

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

Assumptions

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

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

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

Updated position since the 2022 valuation

Assets

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

Liabilities

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

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

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

Overall position

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

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

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

Barry McKay FFA

Partner, Barnett Waddingham LLP

External Audit Opinion

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

Opinion on financial statements

To Follow

DRAFT

Additional Information

Freedom of information requests

In the financial year 2023/24 the Fund received 10 Freedom of Information requests covering 11 topics.

The topics covered were:

- 1 request relating to climate risk;
- 1 request relating to a report covering divestment and engagement when dealing with; companies exposed to fossil fuels;
- 1 request related the divestment report and also enquired about staff salaries; and
- 7 requests were about Fund investments

All the Freedom of Information requests received were responded within the required timeframe.

The Fund also received 13 other requests for personal information. Of these, 9 were received from representatives of members or former members of the Fund and the remaining 4 were received by the Financial Services Compensation Scheme.

10 of these requests had been responded to by the end of the financial year, with one request withdrawn. Of the outstanding requests, one has since been resolved with the other request not being fulfilled as the person raising the request did not verify their identity to show they are entitled to the data.

The statement of compliance with the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills

Evidence to demonstrate compliance with the Knowledge Code of Practice

The role played by Internal Audit in providing assurance and managing risk, and a summary of assurance activity undertaken during the year

The role of Internal Audit in relation to the East Sussex Pension Fund is to provide assurance on the Fund's governance, risk management and internal controls. An annual Internal Audit Strategy and Plan is developed, following discussions with the Fund's management and the chairs of the Committee and Board. The plan is prioritised around the key risks to the Fund and, following scrutiny by the Board, is approved by the Committee, incorporating any changes they may require, prior to the beginning of the year.

The plan is delivered during the year, providing an audit opinion on each of the areas identified for review. Our reports highlight any areas where controls could be strengthened and include management actions to address them. We present our reports to both the Board and the Committee and give members the chance to raise any questions they may have.

In 2023/24, we provided assurance in the following areas:

- Cash management
- The administration of pension benefits
- Investment and accounting
- The collection of contributions