East Sussex Pension Fund

ANNUAL REPORT AND ACCOUNTS

2021-2022

Contents

Welcome from Chair of Pension Committee

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 2021/22. The accounts focus on the financial activity in 2021/22, but so much more has been achieved over the past year, including delivering the first full year of the Pension Administration Team as an in-house service, and continuing to build and develop the overall Pension Team to provide a robust service to our members and employers, ensuring effective governance and embedding best practice and new ways of working. The Fund was recognised for all the hard work and changes it has implemented in the last couple of years by being awarded the Local Government Pension Scheme (LGPS) Fund of the Year (over £2.5bn) at the Local Authority Pension Fund (LAPF) Investment awards 2021 and was also highly commended for its climate strategy.

The Fund had £4,688m of funds under management at 31 March 2022 to meet the accrued benefits, with a funding position of 107% comparing assets to liabilities, putting it in a very strong position. The investment return for the year to 31 March 2022 was 10.6%, which was an outperformance of the benchmark by 0.5%, with returns outperforming the benchmark in each of the 1, 3 and 5 year periods. The membership of the Fund at March 2022 was 81,291 people (active – 24,514, pensioner – 23,131 and deferred – 33,646) and 134 employer organisations.

The Pension Committee is responsible for managing the Fund, with the assistance of the Pension Board, Fund officers, external advisors and investment managers. As a part of the outputs that emerged from its governance review , the Fund fully implemented a major restructure of team resources in recognition of increasing regulatory demands on LGPS Funds and increased reporting requirements to ensure that the Fund has sufficient resources to implement its strategies and policies. Recruitment in all sectors is challenging, however, even with a number of vacancies, the Fund retained its high service standards as assessed by its Key Performance indicators.

The Fund has continued on its journey of responsible investment, and more specifically with its focus on climate change risk, with ongoing work and developments continuing into the coming months and years. The Fund has taken climate strategy as one of the key focuses of its ongoing work, to develop an in depth of understanding of the financial risks to the Fund of the climate emergency and focusing on ways in which the Fund can both reduce this risk but also find opportunities to help with the energy transition to find sustainable solutions. As a result of this strategic focus, the Fund has a Statement of Responsible Investment Principles which clearly sets out the Fund's beliefs on responsible investment and climate risk and how it manages these risks and commitments through investment decision making and implementation. The Fund's investments in companies which might carry significant longer run climate risks or in firms exposed to potential Environmental, Social and Governance (ESG) risks are only run by active managers who have a high conviction in the investments that they hold and are subject to robust screening and exclusion polices by these managers

As a result, the Fund now 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. In addition, the Fund invests in a resource efficient mandate that invests in companies with reduced carbon emissions, reduced water usage and better waste management, as well as two mandates that are Paris aligned. The Fund continues to favour engagement with companies to have a say in how they are run and influence change, rather than reduce the investable market by excluding industries. The Fund does invest with some managers with exclusion polices, but our overall preference for engagement is aligned with guidance to the Fund from all governmental bodies and investor advisory groups. To support the focus on engagement the Fund now reports on engagement activity by publishing a quarterly report on voting and engagement activity covering its managers activities as well as the Funds own activities and that of our collaborative partners and plans to submit its first Stewardship Code submission in 2022.

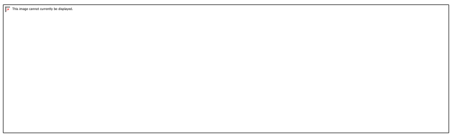
The Fund has continued to be an active member of the ACCESS (A Collaboration of Central, Eastern and Southern Shires) investment pool, together with 10 partner LGPS Funds. By the end of 2021/22 a total of £23.9bn was invested on the ACCESS authorised contractual scheme (ACS) platform, with four new sub funds launched, invested across 26 sub funds. A further £11.2bn is managed via ACCESS for passive equities as pool aligned assets. In total, 60% of

ACCESS Fund assets have been pooled. Further work is in progress to enable the ACCESS pool Authority's to start to invest in illiquid asset classes via the ACCESS pool which should start to be investable from early 2023.

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. We have made some major changes to our communications approach and the Fund website is now a ready source of up-to-date information, please log on to www.eastsussexpensionfund.org for further information.

Councillor Gerard Fox

Chairman of the East Sussex Pension Fund



Welcome from Chair of Pension Board

As the Independent Chair of the Fund's Pension Board, I am happy to highlight some of the key areas of focus of the Board over the 2021/22 financial year.

This year has seen new people join the Pension Board, giving fresh insights into steps that can be taken to drive further improvements to those made in previous years. I am pleased to note that the steps taken by the Fund, with the support of the Pension Board, were recognised when is won the large Fund of the Year Award at the Local Authority Pension Fund Investment Awards.

In the past year the Fund has launched a new approach to providing training to members of both the Pension Board and Pension Committee. This has seen a range of events being offered, helping to develop and cement knowledge and understanding levels in line with the requirements laid out in legislation.

A significant topic for the Board in the past year has been supporting the review of the Fund's policies and procedures. Following the restructure of the management structure and recruitment of a number of additional officers, which built on the work supported by the Board in 2020/21, there has been a widespread review of the internal controls at the Fund to ensure best practice is followed. Members of the Board regularly input into these workstreams to provide oversight and commentary.

The Fund participates in the ACCESS Investment pool where its assets are co-invested with other LGPS funds and the year 2021/22 saw the Pension Board being involved with discussions on how the governance of that body could be improved. Board members have offered their full support to Officers and will continue to push for further improvements.

In support of the administration of the Fund, the Pension Board has provided input into the Key Performance Indicators (KPIs) agreed with the Pensions Administration Team. I am pleased to see that the KPIs agreed are challenging and continue to drive a high level of service to the Fund's members.

Looking Forward

In my welcome last year, I discussed the expected work being done by The Pensions Regulator to combine various codes of practice. It is anticipated that this work will be complete in the financial year 2022/23. The Pension Board stands ready to support Officers of the Fund implement changes as necessary in advance of the new Code coming into force.

The Board also anticipates work will be required in the year ahead to prepare the Fund for onboarding to the Government's Pension Dashboard project, where individuals should be able to get information in one place on all the pension arrangements they are, or have been, members of The Board will also continue to assist the Pensions Administration Team with the cleansing of data and will provide input as required going forward.

The Scheme Advisory Board's recommendations from its Good Governance Project are also expected to be considered by Parliament and new legislation and guidance produced. The Fund has been monitoring these recommendations and taken steps to align itself to these suggestions. It is possible that Central Government may require some further alterations to be made.

The Pension Board would like to thank the Fund's Officers and employers for the hard work they have put in over the past year. We look forward to further improvements in the year ahead as the Fund seeks to provide the best service it can to its members.

Ray Martin

Chair of Local Pension Board

Introduction to the LGPS

lgps | Local Government Pension Scheme

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 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 of the Fund in East Sussex, and in turn the past and present contributing members, and their dependents. All duties in administering and managing the Pension Fund have been delegated to the East Sussex Pension Committee supported by the East Sussex Pension Board.

The Fund is required to:

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

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

Every three years the Fund manages a valuation of pension assets and liabilities, carried out by an independent actuary. This valuation calculates how much scheme employers should pay into the Scheme to ensure the Fund has enough money to pay the benefits, by setting employer contribution rates for each employer for the following three-year period. The most recent actuarial valuation was carried out as at 31 March 2019. The funding level for the Fund at the 2019 valuation was 107%. The next Triennial Valuation is carried out as at 31 March 2022 with changes to scheme employer contribution rates coming into effect from 1 April 2023.

Scheme Management and Advisers

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

Name of Fund support	Company/individuals
Pension Committee Members - East Sussex County Councillors	Gerard Fox (Chairman) – Conservative Ian Hollidge (from September 2021) – Conservative Paul Redstone (from June 2021) – Conservative David Tutt – Liberal Democrats Julia Hilton (from June 2021) – Green Sam Adeniji (from June 2021 to September 2021) - Conservative
Pension Board Members - pensionboard@eastsussex.gov.uk	Ray Martin – **Independent Chairman** Councillor Tom Druitt – Brighton & Hove City Council – **Employer representative** Councillor Toby Illingworth (from September 2021 - Districts & Borough Councils – **Employer representative** Councillor Chris Collier (to September 2021) – Districts & Borough Councils – **Employer representative** Stephen Osborn - Educational Bodies - **Employer representative** Niki Palermo **–** GMB **– Member Representative** Lynda Walker **–** Unison **– Member Representative** Diana Pogson **–** Pensioner **– Member Representative**
Scheme administrator	East Sussex County Council - Pensions@eastsussex.gov.uk
Bankers to the Fund	NatWest Bank
Auditor	Grant Thornton UK LLP - London
Pension Fund Officers - esccpensionsmanager@eastsussex.gov.uk	**Treasurer / S151 officer**: Ian Gutsell **Head of Pensions**: Sian Kunert **Head of Pension Administration**: Paul Punter **Investments and accounting**: Russell Wood **Governance and compliance**: Mike Burton **Employer engagement**: Tim Hillman
Actuary	Barnet Waddingham - 163 West George Street, Glasgow, G2 2JJ
Legal advisors	Appointed from National LGPS Framework for Legal Services
Investment Consultant	ISIO
Independent adviser	William Bourne
Asset Pool	ACCESS Pool
Asset Pool Operator	Link Funds Solution
Fund managers	Adams Street Partners, Atlas, Baillie Gifford* Harvourvest, Longview Partners*, M&G**, Newton*, Pantheon, Ruffer*, Schroders, Storebrand, UBS, Wellington, WHEB
Custodian	Northern Trust
AVC Provider	Prudential

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

Bodies to which the fund is member, subscriber or signatory

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

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

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

*Commitment made, Statement to be send to FRC for consideration in 2022

Governance

Pension Committee

East Sussex County Council (Scheme Manager) operates a Pension Committee (the 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. Such members are therefore expected to carry out appropriate levels of training to ensure they have the requisite knowledge and understanding to properly perform their role.

Pension Board

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

ACCESS Pool Joint Committee

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

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

In future years representatives of the Pension Boards from the 11 LGPS Funds which participate in the ACCESS Pool will attend Joint Committee meetings as observers in rotation. This is to increase transparency.

Committee membership and attendance

During the year ended 31 March 2022 there were 5 meetings of the Pension Committee, 4 meetings of the Pension Board along with the annual employers' forum.

Member attendance at committee meetings during 2021/22

a) 2021/22 - Pension Committee Members

East Sussex County Councillors	Nos. of meetings attended
Gerard Fox (Chairman)	5/5
Sam Adeniji	2/2
Penny di Cara[1]	1/1
Julie Hilton	5/5
Ian Hollidge	3/3
Paul Redstone	4/5
Colin Swansborough[2]	1/1
David Tutt	4/5

b) 2021/22 - Pension Board Members

East Sussex County Councillors	Nos. of meetings attended
Ray Martin - Independent Chairman	4/4
Councillor Chris Collier - Districts & Borough Councils	0/1
Councillor Tom Druitt - Brighton & Hove City Council	3/4
Councillor Toby Illingworth – Districts & Borough Councils	2/3
Stephen Osborn - Educational Bodies	4/4
Niki Palermo - Employee Representative - Active & Deferred	3/4
Diana Pogson - Pensioners	3/3
Lynda Walker - Employee Representative - Active & Deferred	3/4

c) 2021/22 - Member attendance at ACCESS Pool joint committee meetings

2020/21 Joint Committee Members	Nos. of meetings attended
Gerard Fox - East Sussex County Councillor	3/4
Paul Redstone – East Sussex County Councillor*	1/1

*Cllr. Redstone attended one meeting as a substitute for Cllr. Fox

The Knowledge and Skills Framework

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

- Ensure the Fund is appropriately managed and those individuals responsible for its management and administration have the appropriate knowledge and expertise;
- Ensures that there is the appropriate level of internal challenge and scrutiny on decisions and performance of the Fund;
- Ensure the effective governance and administration of the Fund; and

[1] Acted as a substitute for Cllr. Redstone

[2] Acted as a substitute for Cllr. Tutt

- Ensure decisions taken are robust and based on regulatory requirements or guidance of the Pensions Regulator, the Scheme Advisory Board (SAB) and the Secretary of State for Levelling Up, Housing and Communities.

CIPFA/Solace Knowledge and Skills Framework – Pension Fund Committees

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

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

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

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

CIPFA Technical Knowledge and Skills Framework – Local Pension Boards

CIPFA extended the Knowledge and Skills Framework in 2015 to specifically include Pension Board members, albeit there is an overlap with the original Framework. The 2015 Framework identifies the following areas as being key to the understanding of local pension board members:

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

Links to The Scheme Advisory Board's Good Governance project

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

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

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

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

The Pensions Regulator's E-learning toolkit

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

The toolkit covers 7 short modules, which are: Conflicts of Interests; Managing Risk and Internal Controls; Maintaining Accurate Member Data; Maintaining Member Contributions; Providing Information to Members and Others; Resolving Internal Disputes; Reporting Breaches of the Law.

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

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

Report of the Pension Board

Report to	**Pension Committee**
Date of meeting	**17 June 2022**
By	**Local Pension Board**
Title	**Report of Pension Board to Pension Committee**
Purpose	**Report to Pension Committee, to understand the work completed by the Pension Board**

RECOMMENDATIONS: The Pension Committee is recommended to:

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

1. Background

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

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

2. Membership and attendance

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

Employer Representatives

- Stephen Osborn - Deputy Director of Finance, University of Brighton
- Cllr. Tom Druitt - Brighton & Hove City Council
- Cllr. Chris Collier - East Sussex District and Borough Councils (to May 2021)
- Cllr. Toby Illingworth- East Sussex District and Borough Councils (from July 2021)

Member Representatives

- Lynda Walker – UNISON
- Niki Palermo – GMB
- Diana Pogson – Pensioners' representative (until December 2021)
- Neil Simpson – Pensioners' representative (from March 2022)

Independent Chair

- Ray Martin

2.2 Following the Local Elections of 5 May 2021, the employer representative nominated by the Borough and District Councils, Councillor Collier, was elected to East Sussex County Council and stood down from the Pension Board. Borough and District Councils were invited to nominate candidates to fill the vacancy. Cllr. Toby Illingworth was appointed by the Governance Committee in July 2021.

2.3 Diana Pogson stepped down at the end of her term on the Pension Board as she decided she did not wish to be considered for a new term. All Pensioner members were asked if they wished to be considered for the vacant position and after an extensive process, detailed in Board and Committee papers for the February 2022 meetings, Neil Simpson was appointed by the Governance Committee. His first Pension Board meeting was on 27 May 2022.

2.4 Attendance at meetings has generally been good since the last report to the Committee and all meetings have been quorate. Attendance at meetings is detailed on the table below. Neil Simpson was appointed after the last meeting of 2021/22, so attendance is not included in the table.

	1 June 2021	14 September 2021	5 November 2021	10 February 2022
Stephen Osborn	Y	Y	Y	Y
Cllr. Tom Druitt	Y	N	Y	Y
Cllr. Chris Collier	N			
Cllr. Toby Illingworth		Y	Y	Y
Lynda Walker	Y	Y	N	Y
Niki Palermo	Y	Y	N	Y
Diana Pogson	Y	Y	Y	
Ray Martin	Y	Y	Y	Y

3. Work of the Pensions Board

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

3.2 Members of the Pension Board sit upon, and have attended meetings of, the Communications Working Group, the Administration Working Group and the McCloud Working Group. By sitting on the working groups members of the Pension Board are able to use their knowledge and experience to support officers of the Fund during the development of new policies and procedures. This year the Pension Board members have, amongst other things, driven forward the work and thought into Communications of the Pension Fund to all stakeholders; provided input to the ACCESS Investment Pool about how it could improve its governance standards with member representation and driven consideration as to whether the Pension Board is an appropriate size.

3.3 The Pension Board considers its work programme at each meeting taking into account the regular items it sees and what is planned for upcoming Pension Committee meetings and are able to request areas of focus to be added to the Board work plan. An example of this is a request from the Pension Board for Officers to research approaches taken in relation to the size of Pension Boards at other funds in the LGPS, along with the potential advantages and disadvantages of increasing the number of Pension Board members. Such actions demonstrate a commitment to improving governance standards.

4. Actions

4.1 Since the last Pension Board report in September 2021, members of the Pension Board have supported Officers and the Pension Committee by collaborating in the production of a letter to an Employer that has consistently fallen short of expected standards. This letter was sent to the Employer's most senior officer to reinforce the message provided by Officers that improvements must be made to the provision of data to the Fund or consequences will be applied in line with the Pension Administration Strategy.

4.2 The Board has reviewed and approved new Terms of Reference for the Administration Working Group and the Communications Working Group. This took into account the setting up of the Communications Working Group and that the Working Group that pre-existed the Administration Working Group (the Data Improvement Working Group) had fulfilled its purpose and was in need of a change of emphasis to stay relevant to the operation of the Fund.

4.3 Members of the Pension Board have consistently provided input into the approach taken in relation to breaches of law. This has led to Officers being supported reporting an Employer to The Pensions Regulator for providing incorrect data. The support extended to providing input on how matters could be put right.

4.4 Due to the focus on communications and employer engagement by the Board the work on contributions monitoring and collection of funds has continued to improve over the year and the Pension Boards focus has been a key driver in getting more than half of the Fund employers onto i-connect to enable monthly data provision, meaning members data is much more robust and year end processes will be simplified for those employers and the pensions team.

4.5 As part of the work that has been undertaken by the Communications Working Group there have been major changes to the style and content of the newsletters sent by the Fund to try to present items in a way that will capture members and employers' attention and make it easier for them to focus on items of interest. In addition, consideration was given to the questions to be sent to scheme members and scheme employers for the 2022 survey to identify where improvement can be made in service provision and reporting. The working group also looked at simplification of the terminology used in the new web-site to improve usability by stakeholders and also worked with officers on re-writing the Communications Strategy which is a source of information to Scheme Members and Scheme Employers.

5. Training

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

5.2 Since the last report, Pension Board members have attended the Employers' forum; the PLSA Annual Conference and training on the forthcoming Valuation. Additionally, Pension Board members attended training on climate change and the Task Force on Climate Related Financial Disclosures.

5.3 In the February 2022 meeting, the Pension Board discussed obtaining licenses for an online training service provided by Hymans Robertson. The Board decided that it did not want to take up this opportunity and instead asked of a cheaper alternative to be explored.

6. Structure of the Pension Board

6.1 The Pension Board is currently considering whether it believes its structure could be improved. It has asked Officers to provide a paper, which will be presented to a future meeting, looking at the approaches being taken across the LGPS looking at beak practice.

6.2 The consideration of the Pension Board's structure is part of an ongoing commitment to ensure the Pension Board is operating as effectively as possible and in the best position it can be to fulfil its role of supporting the Pension Committee.

Ray Martin

Chair of ESPF Local Pension Board

Scheme Administration

Service Delivery

During 2021/22, East Sussex County Council as Administering Authority for the East Sussex Pension Fund undertook the day to day pensions administration via it's 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 (MyPensionsPortal). This includes Annual Benefit Statements, member newsletters, beneficiary nominations, updating personal details and carry out benefit calculations.

Employers also has been introduced to a new i-Connect cloud-based portal through which they can upload their monthly payroll salary and contribution data directly into the Pension Administration database. An Employers newsletter was also provided.

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

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

Internal Dispute Resolution Procedure

The LGPS is required by statute to make arrangements for the formal resolution of any disagreements on matters in relation to the scheme that may arise between the managers 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 East Sussex Pension 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 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 2021/22
First Stage	10
Upheld	8
Declined	2
Ongoing	0

Dispute category – Second Stage	Number in 2021/22
Second Stage	3
Upheld	0
Declined	3
Ongoing	0

This table reflects the position for the 2021/22 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 2020/21 but were not resolved in the same financial year.

Key administration performance indicators

Performance Indicator	Impact	Measure	Target %	Achieved by Fund %
Death notification acknowledged, recorded and documentation sent	Medium	Within 2 days	95%	100%
Award dependent benefits (Death Grants)	High	Within 5 days	95%	98%
Retirement notification acknowledged, recorded and documentation sent	Medium	Within 7 days	95%	95%
Payment of lump sum made	High	Within 5 days	95%	98%
Calculation of spouses' benefits	Medium	Within 5 days	90%	97%
Transfers In - Quote (Values)	Low	Within 10 days	90%	85%
Transfers In - Payments	Low	Within 25 days	90%	92%
Transfers Out - Quote	Low	Within 10 days	90%	98%
Transfers Out - Payments	Low	Within 10 days	90%	96%
Employer estimates provided	Medium	Within 15 days	95%	94%
Employee projections provided	Low	Within 15 days	95%	97%
Refunds	Low	Within 10 days	95%	99%
Deferred benefit notifications	Low	Within 15 days	95%	100%

Number of complaints

Scheme year	Number
2020/21	18
2021/22	47

It should be noted that there has been a fundamental shift in the definition of what is a complaint since the Pension Administration service has been brought back in-house. 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 SF3 returns.

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

Key staffing indicators

During 2021/22, staffing numbers within Pension Administration decreased from 18.9 to 17.5 FTE. The team was carrying 9 vacancies.

This provides the fund with a staff to fund member ratio of 1:4,630.

With average reportable KPI cases per member of staff ratio of 1:511

Membership

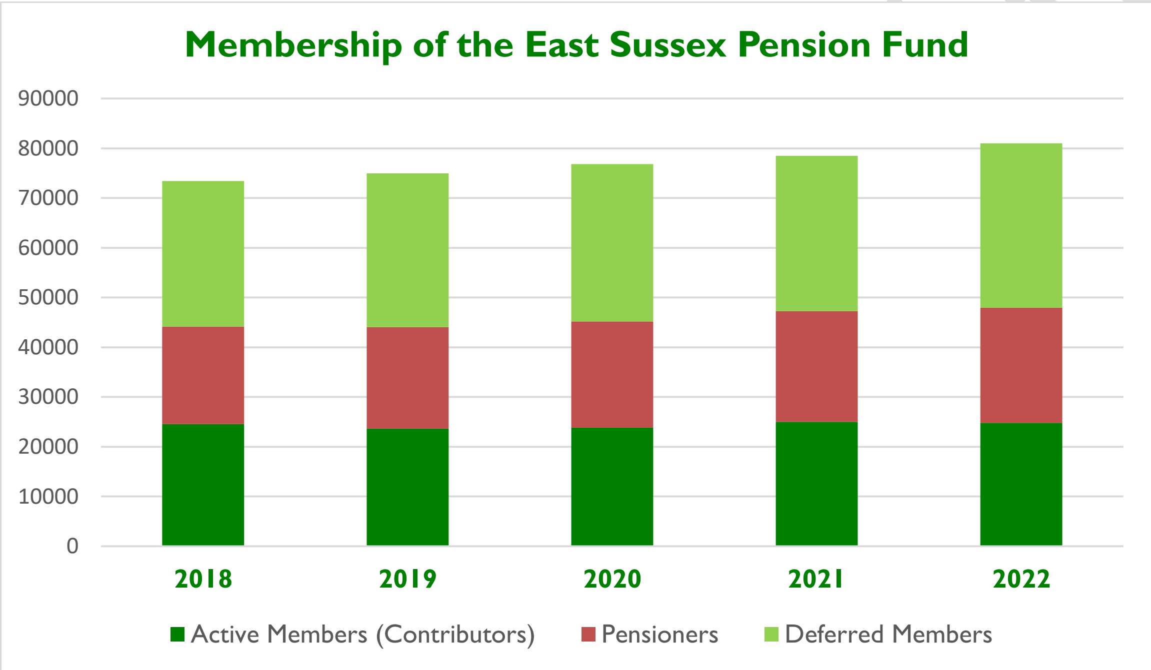
During 2021/22 the number of contributing members within the Pension Fund decreased by 0.80% from 25,002 to 24,801. In summary, the number of members contributing to the Scheme is:

Investment management expenses	Number of members 2020/21	Number of members 2021/22
East Sussex County Council	8,163	8,054
Scheduled bodies	16,360	16,349
Admitted bodies	479	398
Total	**25,002**	**24,801**

The number of pensioners in receipt of payments from the Fund increased from 22,230 to 23,173 (or 4.07%).

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

	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22
Active Members (contributors)	24,570	23,646	23,835	25,002	24,801
Pensioners (inc dependents)	19,597	20,403	21,335	22,230	23,173
Deferred Members	29,253	30,916	31,622	31,234	33,043
Total	**73,420**	**74,965**	**76,792**	**78,466**	**81,017**



Under the Local Government Pension Scheme (LGPS) (Administration) Regulations 2013, the East Sussex County Council administers the Pension Fund for approximately 81,000 individuals employed by 132 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	333
Redundancies	63
Ill Health	31
Employee's Choice of Early Pension	884
Total New Pensioners	**1,311**

2020 Annual Benefit Statement

The ABS statutory deadline was 31 August 21 (31 October last year due to Covid-19) and the results of statements issued for eligible members were as follows:

Member category	2020	2021
Actives	97.20%	96.31%
Deferred	99.77%	99.69%

The Pension Board and Committee meetings both discussed about whether it was appropriate to treat the result as a reportable breach. The decision was determined not to report but the chairs of the Board and Committee wrote to the B&HCC CEO (as that employer accounted for 62% of the failures). The letter dated 20th December 2021 was clear it was a close decision not report them to the Pensions Regulator and to ensure they are aware of the seriousness of the situation, to be clear we have their management support and a commitment to switch to i-Connect in the near future.

Actuarial report

East Sussex County Council Pension Fund
Actuary's statement as at 31 March 2022

Barnett Waddingham LLP

31 May 2022

Introduction

The last full triennial valuation of the East Sussex County Council Pension Fund (the Fund) was carried out as at 31 March 2019 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 2020.

Asset value and funding level

The results for the Fund at 31 March 2019 were as follows:

- • The market value of the Fund's assets as at 31 March 2019 was £3,633m.
- • The Fund had a funding level of 107% i.e. the value of assets for valuation purposes was 107% 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 £247m.

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 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 18.0% 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 2020.
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 Appendix 3 of the triennial valuation report.

Assumptions

The key assumptions used to value the liabilities at 31 March 2019 are summarised below: Assumptions	Assumptions used for the 2019 valuation
Financial assumptions	
Market date	31 March 2019
CPI inflation	2.3% p.a.
Long-term salary increases	2.3% p.a.
Discount rate	4.0% p.a.
Demographic assumptions	
Post-retirement mortality	
Base tables	Based on Club Vita analysis
Projection model	CMI 2018
Long-term rate of improvement	1.25% p.a.
Smoothing parameter	7.0
Initial addition to improvements *Males* *Females*	0.5% p.a. 0.25% p.a.

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 2019 valuation report.

Updated position since the 2019 valuation

Update to funding basis and assumptions

The Fund appointed a new fund actuary with effect from 1 January 2021. For employers commencing participation in the Fund on or after 1 January 2021, the calculated contribution rate will be set to meet a funding target over a specified time horizon. The funding target is set based on a single set of financial assumptions. These assumptions are set so as to achieve broad consistency with the previous fund actuary's approach.
With effect from 1 January 2021, the salary growth assumption was reviewed, and salaries are now assumed to increase at CPI plus 1.0% p.a. with no additional promotional salary scale. The derivation of CPI is discussed below.
We have updated the derivation of the CPI inflation assumption to be 0.8% p.a. below the 20 year point on the Bank of England (BoE) implied inflation curve. The assumption adopted at the 2019 valuation was that CPI would be 1.0% p.a. below the 20 year point on the BoE implied inflation curve. This update was made following the Government's response (on 25 November 2020) to the consultation on the reform of RPI, and the expectation that the UK Statistics Authority will implement the proposed changes to bring RPI in line with CPIH from 2030. This updated approach leads to a small increase in the value of liabilities.

The discount rate assumption is set with reference to the Fund's long term investment strategy and therefore reflects the long term expected return on assets for the Fund. We have included in the discount rate assumption an explicit prudence allowance of 1.1%. This incorporates an allowance for current uncertainties in LGPS benefits (relating to the effects of the McCloud/Sargeant judgement and the cost cap).

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 2022, the real discount rate is estimated to be lower than at the 2019 valuation due to lower future expected returns on assets in excess of CPI inflation.
The update to the CPI assumption mentioned above leads to a small increase in the value of liabilities. The value of liabilities will also have increased due to the accrual of new benefits net of benefits paid.

It is currently unclear what the impact of the COVID-19 pandemic is on the Fund's funding position. It is expected that COVID-related deaths will not have a material impact on the Fund's current funding level, however, impact on future mortality rates may be more significant and we will be reviewing the Fund's mortality assumption as part of the next valuation.

Assets

Returns over the year to 31 March 2022 have remained strong resulting in an increase in asset values. As at 31 March 2022, in market value terms, the Fund assets were more than where they were projected to be based on the previous valuation.

Overall position

On balance, we estimate that the funding position (allowing for the revised funding basis) has improved compared to the funding position as at 31 March 2019. Future investment returns that will be achieved by the Fund in the short term are more uncertain than usual, in particular due to market volatility following the Russia-Ukraine crisis and other economic factors such as higher levels of inflation. There is also uncertainty around future benefits due to the McCloud/Sargeant cases. The Fund could opt to monitor the funding level using LGPS Monitor on a regular basis. The next formal valuation is being carried out as at 31 March 2022 with new contributions effective from 1 April 2023.

Barry McKay FFA - Partner, Barnett Waddingham LLP

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.

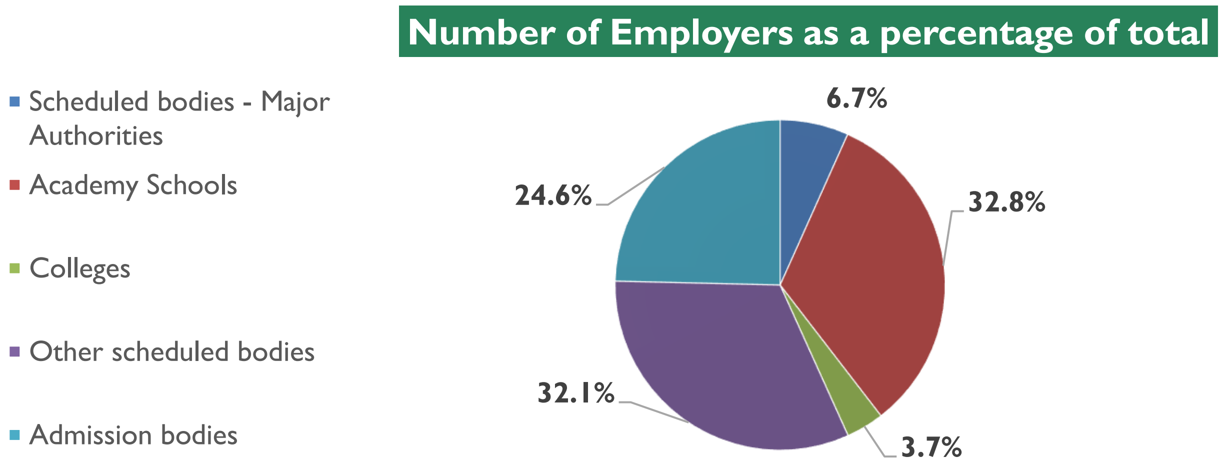
Below is a summary of the number of employers in the fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some deferred members and pensioners).

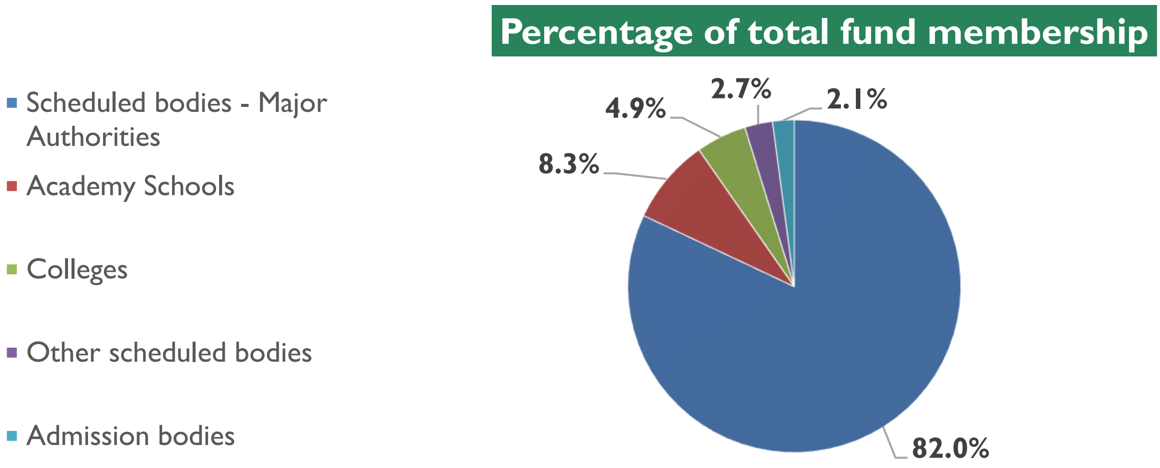
	Active	Ceased	Total
Scheduled body	101	26	127
Admitted body	33	35	68
Total	134	61	195

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	6.7%	82.0%	9
Academy Schools	32.8%	8.3%	44
Colleges	3.7%	4.9%	5
Other Scheduled Bodies	32.1%	2.7%	43
Admission Bodies	24.6%	2.1%	33

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 Pension Administration Strategy is kept under review and revised to reflect changes to LGPS regulations and Fund policies.

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

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

This administration strategy statement will be reviewed in line with each valuation cycle. 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 Admin 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 pension Fund.

The Local Government Pension Scheme regulations require employers who participate in the Local Government Pension Scheme (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 employers 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 1 occasion in a 12 month period then administration charges can be levied.

Employer contribution amounts are provided to all employers at the Employer Forum following the valuation. A reminder of the new rates are 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.

Risk management

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

Identification of risk

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

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

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

The risk register is discussed at each Pension Board and Pension Committee meeting.

Reviewing risks

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

During the Pension Board and Committee meetings, members of those bodies are encouraged to discuss and suggested changes as well as to raise any other matters they would like to be considered on the risk register. In the past year changes have been made to risk register to include the impact of international relations, including changing trade rules, and to more specifically recognise the risk of ransomware following intervention from the Pension Board and Committee.

Key risks

At the end of financial year 2021/22 the 5 most significant risks facing the Fund were:-

- Cyber security
- Key person risk
- Climate change
- Statutory member returns
- Employer data

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

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

Key person risk is identified as an area of concern due to the technical nature of some of the roles Officers working for the Fund hold. Recruitment to public service roles generally is challenging and this is not something unique to the Fund. This means it would be more difficult than it would have been previously to recruit experienced people.

This risk is mitigated by diversifying the roles of Officers so if one person leaves, or is away from work for a prolonged period, there is cover in place to minimise the impact on the operation of the Fund. Additionally, work is underway to ensure that clear process maps are in place for all tasks to provide further mitigation.

Officers also engage with their peers in other Funds. This provides support in the identification of emerging challenges and allows support with novel situations to be obtained.

Climate change was identified as a key risk because of the impact it could have on both the assets and the liabilities of the Fund. There is a risk of both short-term impacts, such as companies being fined for environmental failings, along with longer terms risks. Longer term risks include natural disasters, for example widespread flooding.

The Fund has reduced its exposure to fossil fuels along with companies with high carbon emissions or unsatisfactory energy transition plans. To do this the Fund has worked with its advisors and fund managers to provide clear instructions about how the investment strategy should be implemented. The Fund is a signatory to the UN PRI and is committed to report in line with the Task Force on Climate-Related Financial Disclosures.

To help Officers and Committee members better understand the risks associated with Climate Change training was sourced covering the science behind the issues.

Employer data is of considerable importance to the Fund. It depends on employers providing correct data in a timely manner to ensure it knows who should be members of the Fund and what there entitlements are.

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

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

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

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, with just climate change being identified as one of the 5 most material risks to the Fund pre-mitigation. However, as a whole, investment risks are of significant importance.

The Fund has identified 10 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
- Inflation

Each of these risks is listed individually on the risk register with its own scoring and mitigations. This is alongside 2 risks relating to climate change, one of which is discussed above, 1 about regulatory change in the investment landscape, 1 relating to the amount of cash held and 2 regarding the risk of fraud to the Fund.

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 fund managers
- Engaging closely with the ACCESS Pool to ensure the Fund's interests are protected
- Diversification of assets
- A capacity to rebalance portfolios between the annual formal review of the investment strategy

Reviewing our processes

The Fund is committed to ensuring it has appropriate controls in place. As such, the Fund commissions an external audit of its practices to help identify any areas where improvements can be made. Additionally, the Fund commissions a wide range of internal audits, some of which cover risk management. This year the Fund has commissioned 100 days of internal audit, although not all will just focus on risk management.

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

Financial performance

Analytical Review

The following tables provide a brief review of the major movements in the Fund Account and the Net Assets Statement for the financial year. More detail is provided in the Investment Policy and Performance report from page 30.

	2020/21 £000	2021/22 £000
Fund Account		
Net (Contributions)/withdrawals	(3,253)	2,920
Management Expenses	17,296	26,671
Return on Investments	(778,984)	(473,223)
Net Increase in Fund	**(764,941)**	**(443,632)**

	2020/21 £000	2021/22 £000
Net Asset Statement		
Bonds	128,765	134,975
Equities	-	237,482
Pooled Funds	4,045,225	4,214,677
Cash	56,736	90,216
Other	(418)	(388)
Total Investment Assets	**4,230,308**	**4,676,962**
Non-Investment Assets	13,727	10,705
Net assets of the fund available to fund benefits at the year end.	**4,244,035**	**4,687,667**

Analysis of pension contributions

The table below shows the number of primary pension contributions received late in the financial year 2021/22.

Month	Payments Due	Payments Received Late
April	129	11
May	129	9
June	127	8
July	127	3
August	127	15
September	129	11
October	129	5
November	129	4
December	130	4
January	131	2
February	133	4
March	134	2

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	2020/21	2020/21	2021/22	2021/22	2022/23
	Forecast	**Actual**	**Forecast**	**Actual**	**Forecast**
	£000	**£000**	**£000**	**£000**	**£000**
Contributions	(118,600)	(137,521)	(120.000)	(142,419)	(153,000)
Payments	134,700	134,268	135,000	145,339	149,911
Administration expenses	1,080	1,680	2,644	2,208	1,165
Oversight and governance costs	1,365	1,831	813	526	650
Investment expenses:					
fees invoiced to the fund	1,350	3,409	3,698	2,197	3,318
fees deduced at source	-	10,376	-	21,732	-
Net investment income	(27,200)	(39,070)	(39,900)	(40,547)	(41,800)
Change in market value	(134,600)	(739,914)	(153,200)	(432,676)	(179,000)
Net increase in the Fund	**(141,953)**	**(764,941)**	**(170,940)**	**(443,632)**	**(218,756))**

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	2020/21	2020/21	2021/22	2021/22	2022/23
	Forecast	Actual	Forecast	Actual	Forecast
Equities	1,403,200	1,864,834	1,958,100	2,035,119	2,126,700
Bond	611,600	572,345	577,000	571,506	576,600
Property	329,600	319,533	326,900	390,179	399,200
Alternatives	341,000	414,980	439,900	554,116	590,100
Cash	43,900	56,736	40,600	90,216	88,200
Other	869,700	1,001,880	1,041,000	1,035,815	1,075,200
Total Investment Assets	**3,599,000**	**4,230,308**	**4,383,500**	**4,676,962**	**4,856,000**

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

	2020/21	2020/21	2021/22	2021/22	2022/23
	Forecast	**Actual**	**Forecast**	**Actual**	**Forecast**
	£000	**£000**	**£000**	**£000**	**£000**
Pension Fund Staff Costs					
ESCC Recharge	385	739	1,768	1,236	1,751
Staff costs total	**385**	**739**	**1,768**	**1,236**	**1,768**
ESCC Support Services	-	-	237	150	275
Orbis Business Operations Support Services	935	894	-	-	-
Supplies and Services	145	555	689	527	890
Administration total	**1,080**	**1,449**	**926**	**677**	**1,165**
Oversight and governance costs					
ESCC Support Services	-	28	286	279	249
Supplies and Services	980	1,273	527	231	401
Third Party Payments	150	87	100	57	80
Other Income	(150)	(65)	(100)	(38)	(80)
Oversight and governance total	**980**	**1,323**	**813**	**529**	**650**

Investment Management					
Investment expenses:					
fees invoiced to the fund	1,350	2,416	3,698	3,210	3,318
fees deduced at source*	-	11,369	-	486	-
Investment Management Total	**1,350**	**13,785**	**3,698**	**3,696**	**3,318**
Management Expenses Total	**3,795**	**17,296**	**7,205**	**6,138**	**6,884**

* During the year, the Pension Fund incurred management fees which were deducted at source for 2021/22 of £4.0m (£2.2m in 2020/21) on its private equity investments, fees of £2.4m (£1.1m in 2020/21) on its infrastructure investments, fees of £9.1m (£5.1m in 2020/21) on investments in the ACCESS Pool and fees of £4.6m (£1.9m in 2019/20) on other mandates. These fees are deducted at the individual portfolio level rather than being paid directly by the Pension Fund.

Pension overpayments

When an overpayment of pension benefits has been identified the recovery of this debt needs to be pursued. The details 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
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
2017/18	Number	52	41	3	8
	Value £000	52	42	1	9

The Fund's administrator introduced mortality screening of the active pensioners each month in 2020 and this has reduced the number of overpayments. The tell us once initiative has also been implemented with the aim to further reduce the overpayments made by the Fund.

Investment policy and performance

The Fund's strategic asset allocation was revised following decisions taken at the June 2020 Committee meeting, with a number of changes implemented over the 2020/2021 financial year.

The changes to the strategic asset allocation involved restructuring the Fund's equity allocation whilst maintaining the 40% overall weighting. This 40% allocation was to be retained through the addition of active impact equity, as well as smart beta passive equity with an Environmental, Social and Governance (ESG) tilt, to replace the Fund's 'Climate Aware' and 'Fundamentally Weighted' allocations. These changes were made in line with the Fund's ESG objectives. In addition, the Fund's strategic allocation to infrastructure increased from 2% to 8%, with this being partial achieved over the period through a 2% allocation to unlisted infrastructure. The remainder will be considered further and built up over time.

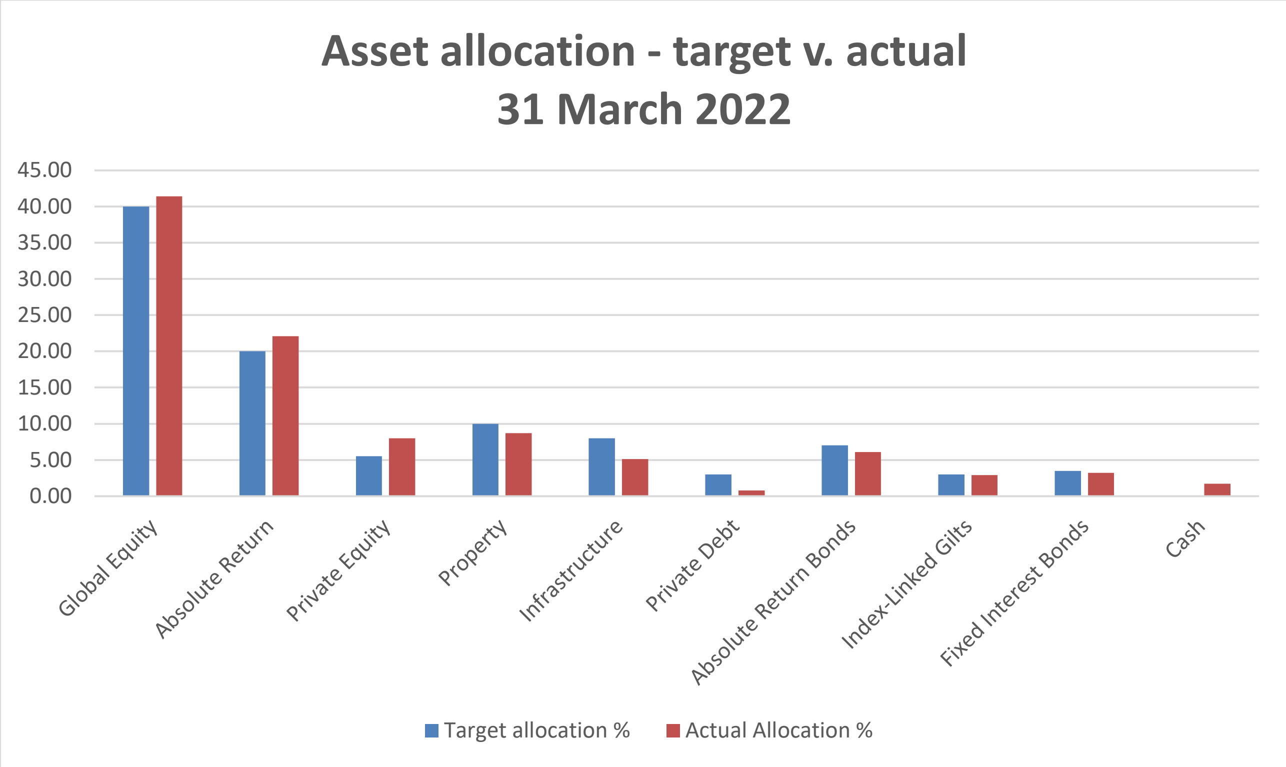
In order to achieve the strategic allocations mentioned above, the Fund made allocations of 5% (c. £200m) to Wellington Global Impact Fund and WHEB Sustainability Fund respectively, as well as a 10% (c. £400m) allocation to Storebrand Global ESG Plus Fund. These allocations were funded through termination of the Fund's Fundamentally Weighted Equity Index Fund, and the Climate Aware Equity Fund, as well as a reduction in the UK equities allocation held with UBS, in order to align more broadly to a global market cap index. The residual excess funds were rolled into the Fund's allocation in Longview Global Equity, increasing its strategic allocation from 7% to 10%. In addition, the Fund made a 2% (c. £80m) investment to the ATLAS Global Infrastructure Fund to meet the 2% strategic allocation to listed infrastructure, funded by modest reductions to the absolute return and index linked gilt target allocations.

The Committee demonstrate their consideration of ESG and climate related issues through the abovementioned equity restructuring. Similarly, the Fund's fossil fuel exposure is estimated on a quarterly basis, with this estimated as c.2% of total Fund assets as at 31 March 2021.

Asset Allocation

The Fund's asset allocation maintains a significant allocation to equities, which are expected to be a core driver of returns over the long term, but typically the most volatile. However, the equity portfolio is diversified across regions and styles to target a balanced exposure. The increase to the Fund's infrastructure allocation provides additional diversification to the portfolio, as well as contractual type returns, which are expected to provide a more certain return once fully deployed. Infrastructure is also expected to provide an inflation-linked source of income. The Fund also 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.



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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 allocation is broadly split 50/50 in terms of active and passive, with the active sleeve allocated half to a global equity mandate with Longview, and half to active impact equity strategies split equally between Wellington and WHEB. The passive sleeve is split 50/50 passive regional funds, weighted broadly in line with global market capitalisation, and ESG systematic/smart beta, with the regional fund allocation held with UBS, and the Smart Beta ESG invested in Storebrand. At the March 2021 meeting, the Committee indicated a slight preference for active management and a continued focus on ESG with the intention of investing in a new 'core' active manager as well as an allocation to Osmosis Resource Efficiency, which is likely to be implemented in H2 2021.
- 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.
- 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.
- The Fund's infrastructure holdings are split between M&G, UBS, Pantheon (all unlisted) and ATLAS (listed), who adopt varying styles and focus areas.
- Private equity mandates are split between Adams Street and HarbourVest with new allocations due to be made with each manager over the course of 2021.

The Committee intend to undergo a full strategy review in H2 2021 and will potentially implement new mandates and additional investment managers to achieve a more efficient portfolio towards the end of 2021.

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, be that 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).The Fund's strategic asset allocation was unchanged during the year to 31 March 2020, set out below, strategic target and actual allocations, at the end of the 2020/21 financial year.

Custodian

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

The responsibilities of the Custodian are:

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

Investment Allocations pooled and unpooled

Mandate	Q1 2021 (£m)	Actual (%)	Target (%)	Q1 2022 (£m)	Actual (%)	Target (%)
Pooled Investments						
Link ACS Funds						
ACCESS - Global Equity (Longview)	458.8	10.8%	10.0%	525.6	11.2%	10.0%
ACCESS - Global Alpha (Ballie Gifford)	-	-	-	197.4	4.2%	5.0%
ACCESS - Absolute Return (Ruffer)	510.0	12.1%	10.0%	537.8	11.5%	10.0%
ACCESS - Real Return (Newton)	492.3	11.7%	10.0%	498.4	10.7%	10.0%
ACCESS - Sterling Corporate Bond (M&G)	158.4	3.7%	3.5%	148.9	3.2%	3.5%
ACCESS - Alpha Opportunities (M&G)	-	-	-	287.7	6.2%	7.0%
Total Link ACS Funds	**1,619.5**	**38.3%**	**33.5%**	**2,195.8**	**47.0%**	**45.5%**
ACCESS Passive Manger						
UBS - 5yr ILG	128.8	3.0%	3.0%	135.0	2.9%	3.0%
UBS - Osmosis Resource Efficient Core Equity (ex-FF)	-	-	-	238.2	5.1%	5.0%
UBS - Global Emerging Markets	62.2	1.5%	1.5%	-	-	-
UBS - Regional Equities	299.9	7.1%	7.0%	-	-	-
UBS - UK Equities	66.7	1.6%	1.5%	-	-	-
Total Access Passive Manager	**557.6**	**13.2%**	**13.0%**	**373.2**	**8.0%**	**8.0%**
Total Pooled Investments	**2,177.1**	**51.5%**	**46.5%**	**2,569.0**	**55.0%**	**53.5%**
Non-Pooled Investments						
Equities (passive):						
Storebrand - Global ESG Plus	454.5	10.7%	10.0%	510.3	10.8%	10.0%
Equities (active):						
Wellington - Global Impact	222.8	5.3%	5.0%	237.5	5.1%	5.0%
WHEB- Sustainability	222.7	5.3%	5.0%	230.1	4.9%	5.0%
Total Equities	**900.0**	**21.3%**	**20.0%**	**977.9**	**20.8%**	**20.0%**
Bonds:						
M&G - Alpha Opportunities	285.1	6.7%	7.0%	-	-	-
Total Bonds	**285.1**	**6.7%**	**7.0%**	**-**	**-**	**-**
Other Investments:						
Schroder - Property	347.8	8.2%	10.0%	402.2	8.6%	10.0%
M&G - Infrastructure	32.7	0.8%	2.0%	42.4	0.9%	2.0%
Pantheon - Infrastructure	38.1	0.9%	2.0%	62.4	1.3%	2.0%
UBS - Infrastructure	37.7	0.9%	2.0%	35.8	0.8%	2.0%
Atlas - Infrastructure	77.3	1.8%	2.0%	96.0	2.1%	2.0%
Adams Street - Private Equity	154.5	3.6%	2.8%	206.0	4.4%	2.8%
HarbourVest - Private Equity	110.5	2.6%	2.8%	167.7	3.6%	2.7%
M&G Real Estate Debt VI	42.4	1.0%	3.0%	39.7	0.8%	3.0%
Cash account	31.4	0.7%	0.0%	77.9	1.7%	0.0%
Total Other Investments	**872.4**	**20.5%**	**26.5%**	**1,130.1**	**24.2%**	**26.5%**
Total Non-Pooled Investments	**2,057.5**	**48.5%**	**53.5%**	**2,108.0**	**45.0%**	**46.5%**
Total	**4,234.6**	**100.0%**	**100.0%**	**4,677.0**	**100.0%**	**100.0%**

An analysis of fund assets, by geography, as at the reporting date of 31 March 2021

	UK £m	Non-UK £m	Global £m	Total £m
Equities	10	228	1,797	2,035
Bonds	284	-	288	572
Property (direct holdings)	-	-	-	-
Alternatives	430	-	514	944
Cash and cash equivalents	27	63	-	90
Other	-	-	1,036	1,036
Total	**1,039**	**291**	**3,347**	**4,677**

An analysis of investment income accrued during the reporting period 2020/21

	UK £000	Non-UK £000	Global £000	Total £000
Equities	173	812	8,224	9,209
Bonds	2,759	-	1,656	4,415
Property (direct holdings)	-	-	-	-
Alternatives	11,970	-	2,162	14,132
Cash and cash equivalents	683	(3)	-	680
Other	-	-	12,113	12,113
Total	**15,585**	**809**	**24,155**	**40,549**

In the above tables:

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

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

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

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

Investment Performance

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

Mandate	1 year			3 year (p.a.)			5 year (p.a.)		
	Fund	Benchmark	Relative*	Fund	Benchmark	Relative*	Fund	Benchmark	Relative*
Pooled Investments									
ACCESS - Global Equity (Longview)	14.58%	15.39%	-0.82%	10.49%	14.58%	-4.09%	10.71	15.35	-4.64
ACCESS - Global Alpha (Ballie Gifford)	-13.92%	3.07%	-16.99%	-	-	-	-	-	-
ACCESS - Absolute Return (Ruffer)	5.45%	2.74%	2.71%	13.54%	2.90%	10.64%	-	-	-
ACCESS - Real Return (Newton)	1.24%	2.74%	-1.50%	3.46%	2.86%	0.6%	-	-	-
ACCESS - Sterling Corporate Bond (M&G)	-6.04%	-6.70%	0.65%	-2.19%	-3.53%	1.34%	-	-	-
ACCESS - Alpha Opportunities (M&G)	-1.14%	0.38%	-1.52%	-	-	-	-	-	-
UBS - 5yr ILG	4.82%	4.85%	-0.03%	3.25%	3.27%	-0.03%	5.02%	5.03%	-0.01%
UBS - Osmosis Resource Efficient Core Equity (ex-FF)	4.41%	5.34%	-0.94%	-	-	-	-	-	-
Non-Pooled Investments									
Storebrand - Global ESG Plus	12.14%	15.39%	-3.25%	13.63%	15.96%	-2.33%	-	-	-
Wellington - Global Impact	6.93%	12.42%	-5.49%	7.66%	12.77%	-5.11%	-	-	-
WHEB- Sustainability	3.27%	15.39%	-12.12%	3.82%	15.44%	-11.61%	-	-	-
Schroder - Property	20.68%	23.145	-2.46%	6.92%	8.05%	-1.14%	7.33%	7.81%	-0.475
M&G - Infrastructure	8.09%	9.06%	-0.97%	6.89%	5.065	1.83%	8.04%	4.77%	3.27%
Pantheon - Infrastructure	19.63%	9.06%	10.57%	9.25%	5.06%	4.19%	7.96%	4.70%	3.25%
UBS - Infrastructure	9.02%	9.06%	-0.04%	-2.99%	5.06%	-8.05%	-0.75%	3.51%	-4.26%
Atlas - Infrastructure	24.11%	21.63%	2.47%	15.31%	15.95%	-0.63%	-	-	-
Adams Street - Private Equity	55.98%	13.85%	42.12%	32.535	14.82%	17.71%	24.58%	11.55%	13.03%
HarbourVest - Private Equity	74.18%	13.85%	60.33%	28.64%	14.82%	13.825	22.85%	11.55%	11.30%
M&G Real Estate Debt VI	6.04%	4.24%	1.80%	2.74%	4.50%	-1.76%	-	-	-
Cash account	-2.96%	0.12%	-3.07%	-2.93%	0.26%	-3.195	-2.91%	0.32%	-3.23%
Total	**10.60%**	**10.11%**	**0.49%**	**8.90%**	**7.71%**	**1.19%**	**7.20%**	**6.40%**	**0.80%**

*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.

Responsible Investment

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

Task Force on Climate-related Financial Disclosures (TCFD)

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

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

The Fund support the 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.

Governance

The East Sussex Pension Fund is part of the Local Government Pension Scheme (LGPS) and the purpose of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, on a defined benefits basis. East Sussex County Council (ESCC) is the administering authority for the Fund, under the Constitution the Pension Committee has delegated authority to exercise the powers in respect of the management of the Fund. The Fund is neither owned nor controlled by ESCC, Fund assets are earmarked for pension payments and ringfenced from 'Council Money'. There are around 140 employers and more than 82,000 members, whose pension payments are funded by through employer and member contributions and investment returns. The Pension Committee (the Committee), comprising elected councillors, is responsible for Fund oversight and policy setting.

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

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

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

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

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

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

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

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

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

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

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

The Fund report the stewardship activity of the investment managers and that of the Fund in a quarterly report and will be submitting its Stewardship Code report to the FRC in 2022. In addition the Fund publish an implementation statement within its annual report to show how its approved RI beliefs have been embedded within the Funds investment activities.

All of the Funds investment managers are assessed in relation to EGS 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 EGS risk, with mitigations through the Funds climate strategy.

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

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

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

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

Strategy

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

The Funds strategic analysis of its climate risk also identified that the Fund could benefit from increasing its exposure to sustainable investments designed to benefit from or contribute to the transition from a fossil fuel economy to a carbon free economy. This work helps to solidify the Fund's belief that ESG opportunities may be found in impact funds investing in companies whose profits are derived from providing solutions to some of the World's more serious environmental, sustainability, demographic, and social challenges e.g., cleaner products and processes, renewable energy, health, nutrition, sustainable agriculture, shelter, clean water, and sanitation etc. Where successful, such companies would be expected to exhibit above average long-term growth characteristics.

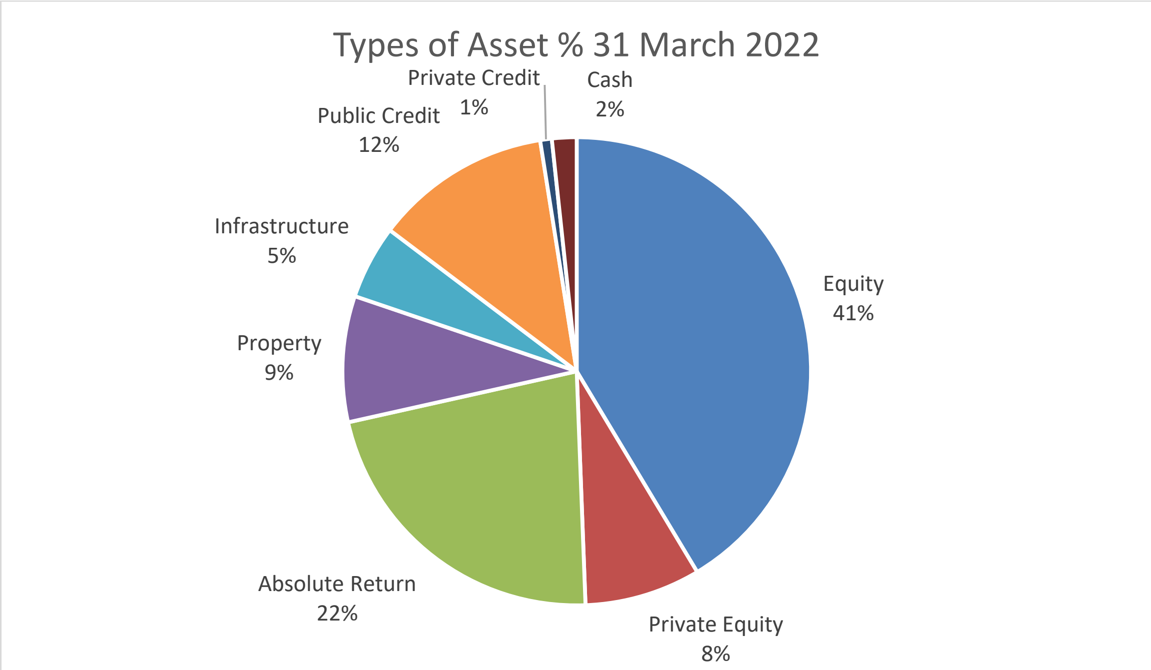
The Fund does not directly invest in any specific company; instead, it invests through a combination of holdings in passive index funds and in pooled funds through active investment managers who take considered choices over the underlying companies it invests in with a looking at the financial resilience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

Climate Risk

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

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

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



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

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

The Committee were clear in the inevitability that the transition from a fossil fuel to a carbon free economy will 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. By the end of 2021/22 the Fund had no exposure to fossil fuels and a significantly lower carbon footprint that than mainstream investment indexes, through the listed equity allocation which was 40% of the Strategic Asset Allocation. Instead the Fund's investment strategy was to invest 10% into a Paris aligned smart beta, 5% in a resource efficient index fund which excluded fossil fuels, invest 10% into active impact and sustainability managers investing in energy transition solutions and green revenues. Of the remaining 15%, 10% is invested in the Funds global equity manager who has a low carbon footprint due to no investment in energy and materials companies and 5% in a Global Paris Aligned active equity mandate.

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

Climate Opportunities

There are also climate opportunities. For example, companies which improve resource efficiency in relation to energy usage, water and waste management can result in better run business with cost savings and competitive advantages. Investment into innovation in technology can assist the energy transition such as development of electric vehicles, advances in LED technology, geothermal power. Other opportunities can include investment in renewable energy sources such as solar, wind, biofuels as to meet global reduction targets energy generation source needs to move to clean energy sources and away from burning of fossil fuels.

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

Future actions

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

The Fund has made allocations to deploy future commitments to infrastructure that minimises climate risk whist taking appropriate investment risk and suitable returns or looking at opportunities from renewable and other new technologies.

The Fund will put in a submission to the FRC stewardship code in 2022 to evidence and reflect on the Funds stewardship activities in relation to climate related matters and other EGS areas of focus.

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.

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
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

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

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

Statement of Responsible Investment Principles outline investment beliefs within ESG, implementation of decisions and monitoring of EGS factors and has a strong focus on climate change
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 to avoid high risk companies and exploit opportunities, including decision to invest in impact fund in September 2020
Trim unconscious exposure to companies with high Carbon emission, poor energy transition plans and or fossil fuel companies, through agreed removal of traditional index funds
Member of Institutional Investors group on climate change
The fund carry out annual carbon foot printing to better understand the carbon exposure and energy transition plans within the portfolio
Signatory to UN PRI with first planned submission in 2022 and commitment to report TCFD's with a first attempt in the Annual Report for 2020/21

The Fund has planned for climate scenario modelling in late 2021 which will help better understand this risk and allow further consider approaches in tackling these risks.
The Fund continue to have some occasional exposure to high carbon emitting or fossil fuel sector companies from a tactical perspective to use its vote to help drive the sector forward through engagement and voting using the power of a collective voice. 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
Very small outstanding percentage exposure with fossil fuel companies that extract oil and gas or coal, which if the sector fall to zero value, the impact of the Fund would be negligible in market movement perspectives.

Physical Climate Risk

Property Investments

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

Physical risks from climate change across Schroders Capital Partnership Funds

Acute Shocks	Average	Min	Max
Drought Hazard	5.1	4.0	7.7
Extra-tropical Cyclone Hazard	5.7	2.3	6.8
Severe Storm Hazard	8.6	7.7	10.0
Wildfire Hazard	8.6	8.3	9.2
Landslide Hazard	9.4	8.3	10.0
Flood Hazard	9.4	7.7	10.0
Coastal Flood Hazard	9.6	3.7	10.0
Tropical Storm and Cyclone Hazard	9.9	9.8	10.0
Tsunami Hazard	10.0	10.0	10.0
Chronic Stresses	**Average**	**Min**	**Max**
Heating Degree Days (current climate)	3.2	2.6	3.4
Heating Degree Days (future climate)	3.5	2.9	3.7
Water Pollution	3.9	2.5	7.2
Water Stress	4.8	2.7	8.8
Heat Stress (future climate)	5.7	5.6	5.9
Heat Stress (current climate)	6.0	6.0	6.2
Air Quality	7.4	6.8	8.5
Sea Level Rise	9.8	6.8	10.0
Cooling Degree Days (future climate)	9.9	9.8	10.0
Cooling Degree Days (current climate)	10.0	10.0	10.0

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

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

Metrics and targets

Liquid Asset Classes

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

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

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

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

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

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

Listed Global Equity – 41.4% of Fund Assets

The Fund have six listed equity managers, four active and two index based making up 41.4% of the portfolio as at 31 March 2022. All six portfolios are included in the metrix information within the Moody's carbon footprinting report and all mandates exclude fossil fuel companies.

Absolute/Real Return – 22.1% of Fund Assets

The Fund have two Absolute / Real Return managers, which make up 22.1% of the portfolio as at 31 March 2022. These madates are unrestricted as to what the menagers can invest as they provide a defensive response for the Funds portfolio in the time of market volitility and uncertainty. These manadate 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.

Fixed Income – 12.2% of Fund Assets

Carbon Foot printing Summary

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

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

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

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

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

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

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

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

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

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

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

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

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

Illiquid Asset Classes

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

Private Equity – 8.0% of Fund Assets

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

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

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

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

Property – 8.7% of Fund Assets

The Global Alliance for Buildings and Construction and UN Environment Programme 2020 global status report for buildings and construction report published in December 2020 highlighted that the Buildings contribute approximately 40 % of global carbon emissions, 28 % through building operations and 11 % from embodied carbon from building materials and construction.

The Funds property Manager Schroders is a signatory to the UK's Better Buildings Partnership which requires members to publish a net zero carbon pathway for their portfolio including direct and indirect investments, together with a delivery plan. The Commitment covers new and existing buildings, Scope 1, 2 and 3 emissions and both operational and embodied carbon, making it one of the most ambitious climate commitments for property owners. In addition the signatories are committed to disclose energy performance of portfolios and climate resilience strategies.

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

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

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

	Coverage of portfolio	Scope 1&2 emissions (carbon tonnes)	Scope 3 emissions (carbon tonnes)	Total Emissions (scope 1,2 &3)	Carbon tonnes per £m

Emissions Reported	53.2%	746	632	1,378	6.4
Emissions Estimated	88.6%	1,215	1,203	2,418	6.7

Infrastructure – 5.1% of Fund Assets

Private Credit – 0.8% of Fund Assets

RI implementation

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

Commitment	Progress	Further Action
To continue to measure and report on carbon-equivalent emissions throughout the equity portfolios	The Fund has undertaken an analysis of the Equity and Fixed Income investments with a third-party provider Moodys for the third year.	Develop understanding of the different metrics. Review the Carbon-equivalent emission provider market. Evaluate carbon emissions of equites and corporate fixed income. 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.	The Fund is looking for more options within the IIGCC to support further development and implementation of IIGCC research into the Fund's strategy.
To continue to research and support the deployment of new impact capital into projects set to benefit from the transition to a low carbon economy	Increased our investments into investments with stated sustainable goals with a further 5% invested in a paris aligned active equity mandate and moved our remaining passive holdings 5% of the Fund to a resource efficiency weighted index this adds to the 10% the Fund invested into impact managers and 10% into climate	The Equity portion of the Fund has a strong alignment to benefiting from the energy transition. The Fund will therefore review opportunities in other asset classes such as its fixed income.

	risk passive product to take the total amount of the Funds assets into 30% into specific funds looking to benefit from the transition to low carbon economy.	Working with ACCESS to develop suitable solutions within the Pool.
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 and is working with managers and other advisors in how to calculate this for 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. Responding to the government's consultation on the TCFD reporting for the LGPS and provide. Working with other LGPS Funds to understand how they will be getting the required information. Once guidance is provided we will be seeking to understand the how managers can assist with this 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 Moody's which also highlights companies which they consider to be high emitters 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 an Fossil Fuel company and will run these through the TPI data this analysis is used by the fund during meetings with the Fund managers.	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.

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. This is allowing the fund to identify and enhance the report year on year and provide readers with better understanding of the Fund. Along with this the Fund has received 2 years of ESG assessments of it investment Managers from its conducted by its investment consultant. We continue to engage with our investment managers over there 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 report detailing the work the Fund has been undertaking.	The Fund will be responding 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. Work with Third parties to develop and implement enhancements to its current reporting.
To report annually in accordance with TCFD recommendations.	The Fund will provides a TCFD section within its Annual Report covering all elements where sufficient data is held and identifying areas which are not yet complete. There is currently no guidance for LGPS Funds on TCFD reporting.	We are considering the consultation from DLUHC on TCFD reporting and will respond with our considerations. Once this has been responded to and there is clarify 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 but has not yet been required to provide	During Q4 2022 and Q1 2023 the Fund will prepare the necessary information to

	information to the PRI for assessment.	maintain our signatory status to the PRI.
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.	We have been requesting quarterly information from the managers on engagement and voting and have been providing our own quarterly report detailing our monitoring of the managers. Alongside this we also provide information on the managers engagements and commitments such as to which organisations they are signatories.	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. To improve communication with stakeholders of the Fund. The Fund continues to monitor the investments managers through carbon footprinting and ESG reviews by our investment consultant. The Fund is committed to working with ACCESS to improve the RI function within the Polol and provide better reporting. Ensuring that the Funds managers sign up to relevant commitments with TCFD and 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. We have been working with the National LGPS Framework on the replacement 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 has drafted a submission and will be looking to submit this during 2022.	To submit our submission to the FRC in 2022.

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

PRI Principles for Responsible Investment https://www.unpri.org/

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

IIGCC Institutional Investors Group on Climate Change 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.

Local Authority Pension Fund Forum [LAPFF | The leading voice for local authority pension funds across the UK (lapfforum.org)](lapfforum.org)

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

PENSIONS FOR PURPOSE [Home | Pensions For Purpose]

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

Home | Financial reporting council

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

Home | Task Force on Climate-Related Financial Disclosures

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

Independent adviser's report

East Sussex Pension Fund - Independent Advisor's Report 2022

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

In last year's report, I suggested that economies would rebound from the COVID dip, but that I did not expect equity markets to do much better than go sideways. I noted that higher inflation was a major risk which the Fund was addressing by investing in infrastructure and other real assets. I also remarked on the considerable improvements in governance and resourcing which the Fund had made, as well as the progress made towards aligning its portfolio with a lower carbon world. As I write this year's report, COVID restrictions have just been lifted, two years after their first imposition. At the same time, Russia has invaded Ukraine, upsetting Western underlying assumptions in many ways. Most economies have indeed recovered the growth lost over the COVID lockdowns, but at the cost of a surge in inflation. Food and energy prices have seen large rises and U.S. inflation has risen to over 7%, the highest for several decades.

Central banks have reacted by withdrawing some of their monetary largesse and raising interest rates from the near zero levels in place during the pandemic. Bond market yields have risen substantially from the summer 2020 lows, though they are still well below normal historical levels. Equity markets have been surprisingly resilient, buoyed by earnings early in the year, though indices have been falling in 2022 as valuations of many tech stocks collapsed.

The Fund is in good financial health, with a well-diversified asset portfolio which should provide protection in most scenarios. I would expect the funding level at the 31st March 2022 valuation to be in the region of 100% unless there is a dramatic fall in markets. As the number of active members declines, pension payments are starting to exceed contributions, and the Fund will need to rely more on investment income to cover the shortfall. This is normal for all pension funds as they become more mature.

Perhaps the most important decision made in the past two years has been to build up the internal team managing the Fund. Managing an LGPS fund has become increasingly complex on all fronts. On the administration side, the team has had to cope with the recalculations caused by several judicial judgements on top of its normal business, and a change to monthly data collection. On the investment side, new climate change legislation as well as the Government's levelling-up agenda has substantially increased the required investment monitoring and oversight. On governance, the ever-increasing complexity of the ACCESS pooling structure as well as higher general governance expectations all need Officers' attention. There is of course a cost attached to the larger team, but in my view it is one worth paying to ensure the Fund's effective management.

I mentioned last year the considerable initiative to mitigate the financial risk to the Fund from the world's needed transition to a lower carbon economy. That has continued over the past twelve months, with the shift of the final passive equity holdings into two more carbon-aligned strategies.

However, it is a journey still in progress. The Fund will have to comply with new climate change risk disclosure requirements, including consideration of different climate scenarios, by 2023. There is more work to be done in other parts of the portfolio. New developments and metrics may lead us to different conclusions in the future. For example, the surge in energy prices over the past six months has led to a general acceptance by most parties that fossil fuels will play a role in getting to net carbon zero by 2050. The tragic events in Ukraine have brought energy security to the fore, and as a result natural gas is unlikely to fulfil the role which had been pencilled in for it. There is also a considerable debate about nuclear power. In this rapidly evolving world, the Fund's holdings in diversified growth funds provide it with some flexibility because their broad remit enables them to respond to changes more nimbly.

Even without the events of the first three months of 2022, some long-term trends have been changing. The last thirty years or so have been dominated by low inflation, falling bond yields, lower labour costs as the world became more global, and a backstop provided by central banks in the form of easy monetary policy. Equities and risk assets have responded by rising to unprecedented valuations.

These are all likely to look different in the future. Most importantly, bond yields are rising. If inflation continues to rise, they are likely to normalise further. This in turn will affect the valuations of all long-term investments, including infrastructure, equities, and real estate, as the discount rate used to value them will be higher. It also increases the risk for more leveraged entities, including governments, because they will find it more expensive to refinance their debts.

The outlook for inflation is important to the fund because its liabilities are linked to consumer inflation without a direct cap. There are some secondary mitigations built in, such as the Scheme level cost cap mechanism, but the first line of defence lies with the Fund's investment strategy. Here we have over time been building up exposure to assets such as infrastructure, which can be expected to produce a rising income stream. However, these will only provide a limited defence if inflation turns out to be sustained at levels above 5%.

The swing factor, at least in the short term, will be the behaviour of central banks. If they choose to focus on bringing down inflation by clawing back some of the past 15 years' monetary largesse, they increase the risk of recession. At the time of writing they are talking tough, but political and economic reality may oblige them to revert to looser monetary policy again.

I have focused this year's report on investments because the greater risks seem to lie there. Implementation of the Fund's strategic asset allocation is increasingly done through the ACCESS pool, as required by government guidance, and this process is likely to continue. It is therefore essential that the governance arrangements in place allow the Fund proper oversight of ACCESS' activities.

My final duty in this report is to provide some assurance as to the overall governance arrangements for the Fund. I can assure readers that the Fund is appropriately resourced in terms of staffing, and that its internal governance processes and structures are of a good standard. While nobody should read too much into a single award, I am delighted that it has won the *Best Fund Over £2.5bn* award at the delayed LAPSIF 2021 Awards. I view this as a well-deserved tribute to the hard work by Officers, Committee and Local Pension Board members over the past three years.

William Bourne
Independent Advisor
1st April 2022

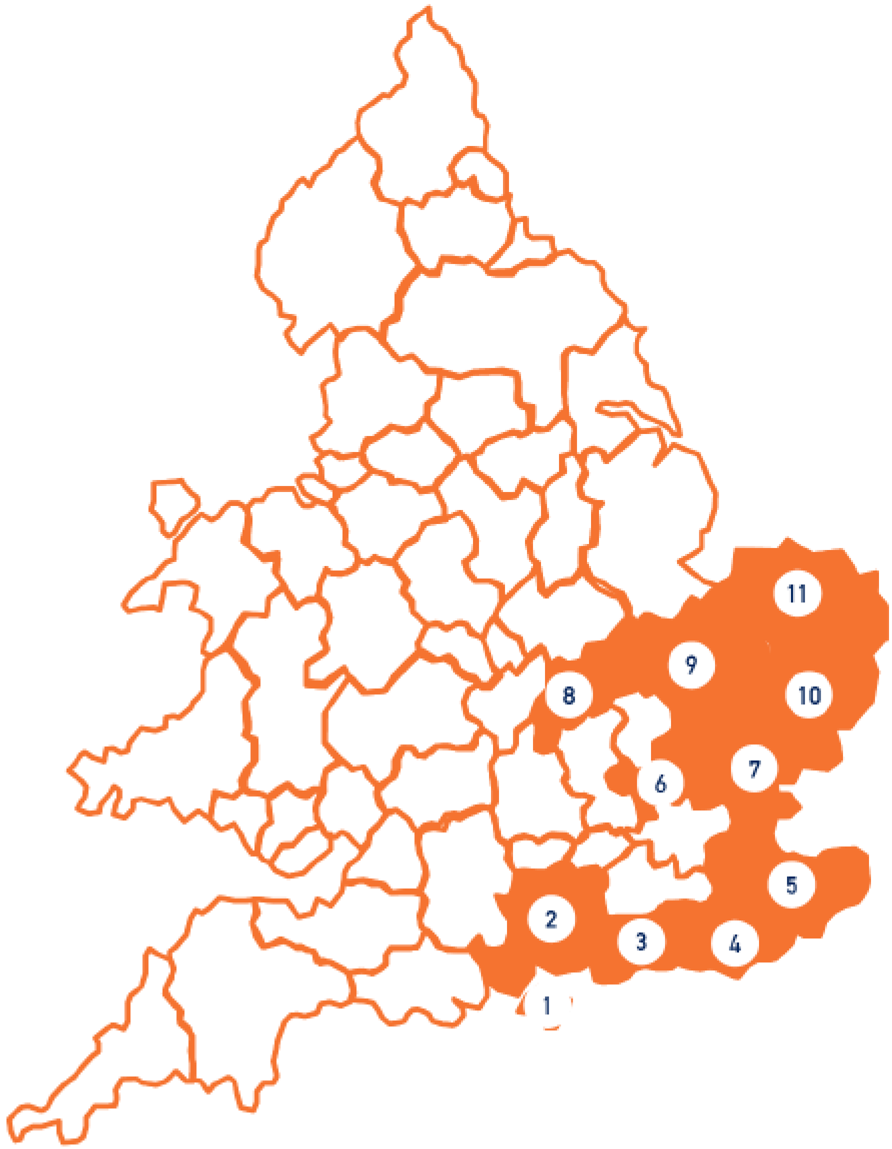
Asset pools

Background

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

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

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



Collectively the pool has assets of £60 billion (of which 59% has been pooled) serving 3,500 employers with over 1.1 million members including 310,000 pensioners.
The ACCESS Administering Authorities are committed to working together to optimise benefits and efficiencies on behalf of their individual and collective stakeholders, operating with a clear set of objectives and principles that drives the decision making process.

The following strategic objectives are in place:

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

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

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

Governance

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

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

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

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

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

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

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

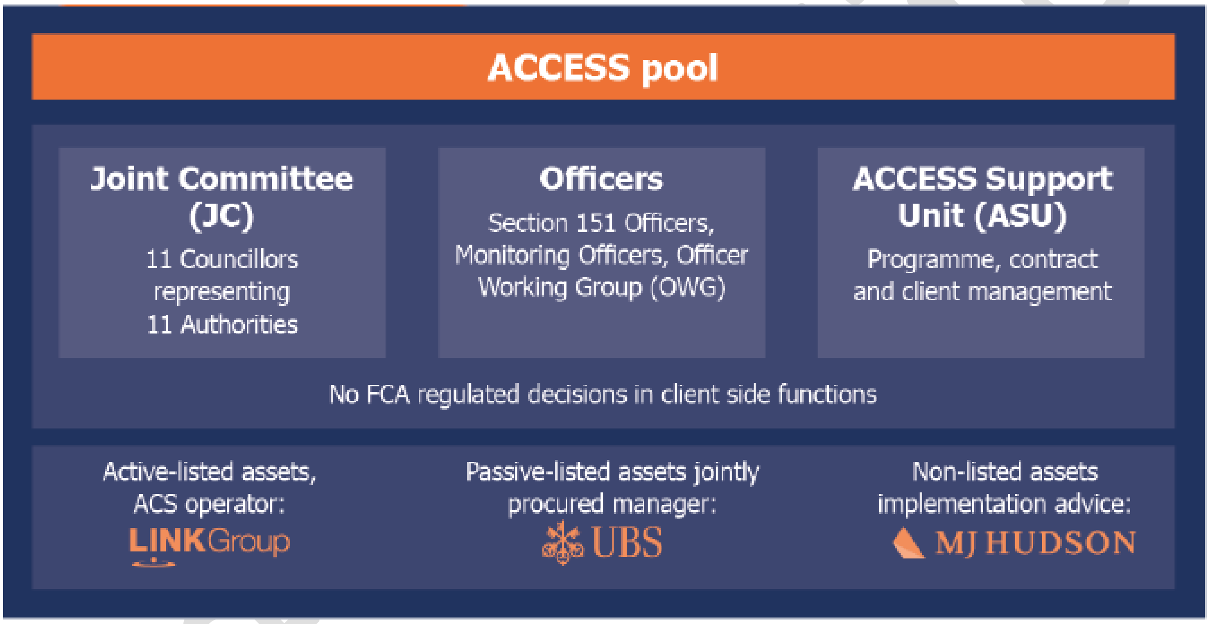
A business plan is developed and submitted for consideration by the JC ahead of the start of each year, prior to being recommended to each of the ACCESS Authorities.

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

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

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

The governance structure of ACCESS is shown below:



The Operator

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

Pool Aligned Assets: UBS

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

Progress

The development of the ACCESS Pool continues at pace with an additional four subfunds opened during the year to assist the authorities in achieving diversification within their investment strategies attracting an additional £3.2 billion investment into the Pool.

In January 2022 MJ Hudson were appointed as implementation adviser for the establishment of pool vehicles for illiquid assets, after a competitive call off utilising the National LGPS Frameworks.

As implementation advisor, MJ Hudson will provide support to the Pool in selecting individual investment opportunities and investment managers to build portfolios in a range of illiquid assets including private equity, private debt, infrastructure and initially, real estate.

Another key achievement during the year was the development of updated Responsible Investment guidelines for which the pool was partnered by Minerva Analytics. Once consultation has been completed the guidelines will be formally published.

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

In the year ahead we welcome representatives of the Local Pension Boards to observe the future Joint Committee meetings. Two members from each Board will be able to attend a meeting at least once a year.

Pooled Assets

As at 31 March 2022, ACCESS has pooled the following assets:

	£ billion
Passive investments	11.2
ACS Investments	
UK Equity Funds	2.5
Global Equity Funds	15.3
UK Fixed Income	4.5
Diversified Growth	1.6
Total Pooled Investments	**35.1**

*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.

Key milestones achieved in 2021/22

Actively managed listed assets:

- Further progress was made in pooling active listed assets within the Authorised Contractual Scheme (ACS) managed by the Pool's appointed Operator, Link Fund Solutions. Between July 2021 and February 2022, a further four sub-funds were launched.
- Link's appointment of BlackRock expands the UK Equity capacity within the Pool, the appointment of Macquarie broadens the Global Equity coverage whilst the addition of ACS mandates for Fidelity and M&G extends the Fixed Income offering.
- Six Authorities participated as original investors within these sub-funds which totalled £3.2bn.

Alternative/non-listed assets:

- In January 2022, following a procurement via the National LGPS frameworks, ACCESS announced the appointment of MJ Hudson as implementation adviser for the pooling of illiquid assets including private equity, private debt, infrastructure and real estate.

Passive assets:

- Ongoing monitoring and engagement continued with jointly procured passive manager, UBS.

Responsible Investment:

- Minerva Analytics were appointed through a procurement via National LGPS frameworks, as the ACCESS Environmental, Social & Governance (ESG) adviser.
- Review of the ESG polices alongside an engagement with officers from each of the 11 ACCESS Authorities, Minerva Analytics drafted revised and updated Responsible Investment (RI) guidelines for the Pool

Objectives for 2022/23

Actively managed listed assets:

- Further pooling active listed assets within the Authorised Contractual Scheme (ACS) managed by the Pool's appointed Operator, Link Fund Solutions which will include emerging market equity and further fixed income sub-funds.

Alternative/non-listed assets:

- Launch of the Pool's first illiquid asset investment vehicles. MJ Hudson will be undertaking procurement exercises to appoint a UK Core Manager and a Global Real Estate allocator.
- Initial work will commence on the planning for other illiquid asset investment platforms.

Passive assets:

- Ongoing monitoring and engagement with jointly procured passive manager, UBS.

Responsible Investment Guidelines:

- Following consultation with the ACCESS Authorities the updated Responsible Investment Guidelines will be published.
- Work will commence on establishing criteria to develop a matrix to report on key performance indicators to demonstrate how the responsible investment guidelines have been implemented.

Financial Management Expected v Actual Costs and Savings

A budget for ongoing operational costs is set by the Joint Committee and is financed equally by each of the eleven Authorities. 2021/22 saw an underspend primarily due to lower than anticipated costs of external advice combined with an underspend in the technical lead recharge costs.

The table below summarises the financial position for 2021/22 along with the cumulative position since the commencement of ACCESS activity in early 2016.

	2020/21	**2020/21**	**2020/21**	**2020/21**
	Actual	**Budget**	**Actual**	**Budget**
	In Year	**In Year**	**Cumulative to date**	**Cumulative to date**
	£'000	**£'000**	**£'000**	**£'000**
Set Up Costs	-	-	1,824	1,400
Transition Costs	2,664	4,408	3,338	6,907
Ongoing Operational Costs	1,046	1,247	4,117	4,795
Operator & Depository Costs	4,845	4,787	12,149	11,364
Total Costs	8,555	10,442	**21,428**	**24,466**
Pool Fee Savings	(28,038)	(15,700)	(70,300)	(47,750)
Net (Savings Realised)/Costs	**(19,483)**	**(5,258)**	**(48,872)**	**(23,284)**

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

The 2021/22 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 original submission to Government whilst delivering an enhanced level of savings ahead of the timeline contained in the original proposal.

Investment management costs split between pooled and non-pooled assets

	ACCESS Pool*	ACCESS Pool*	Non-ACCESS Pool	Non-ACCESS Pool	Total
	Direct £000	Indirect £000	Direct £000	Indirect £000	£000
Management Fee	60	9,116	2,241	8,435	**19,852**
Performance Fee	-	-	-	1,585	**1,585**
Transaction Costs	321	643	165	319	**1,448**
Custody	-	-	139	-	**139**
Other Costs	-	-	903	-	**903**
Total	**381**	**9,759**	**3,448**	**10,339**	**23,927**

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

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

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

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

Responsible Investment:

ACCESS appointed Minerva Analytics as its Environmental, Social & Governance (ESG) adviser. Following a review of the ESG policies, and engagement with officers from each of the authorities Minerva Analytics drafted consolidated Responsible Investment (RI) guidelines for the Pool.

Following a period of consultation, it is expected that finalised Guidelines will be adopted by the Pool during 2022.

Voting:

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

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

During the year ACCESS voted at 2,391 meeting on 32,834 resolutions.

Engagement:

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

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

Fund account, net assets statement and notes

East Sussex Pension Fund Account

2020/21 £000	2020/21 £000		Notes	2021/22 £000	2021/22 £000
		Dealings with members, employers and others directly involved in the fund			
		Contributions	7		
(100,042)		From Employers		(99,617)	
(31,435)		From Members		(34,556)	
	(131,477)				(134,173)
	(6,044)	Transfers in from other pension funds	8		(8,246)
	(137,521)				(142,419)
	128,707	Benefits	9		134,595
	5,561	Payments to and on account of leavers	10		10,744
	134,268				145,339
	(3,253)	**Net (additions)/withdrawals from dealings with members**			2,920
	17,296	Management expenses	11		26,671
	14,043	**Net (additions)/withdrawals including fund management expenses**			29,591
		Returns on investments			
	(39,089)	Investment income	12		(40,549)
	19	Taxes on income	13a		2
	(739,914)	Profit and losses on disposal of investments and changes in the value of investments	14a		(432,676)
	(778,984)	**Net return on investments**			(473,223)
	(764,941)	**Net (increase)/decrease in net assets available for benefits during the year**			(443,632)
	(3,479,094)	Opening net assets of the scheme			(4,244,035)
	(4,244,035)	**Closing net assets of the scheme**			(4,687,667)

Net Assets Statement for the year ended 31 March 2022

31 March 2021 £000	a.	Notes	31 March 2022 £000
4,173,990	Investment assets	14	4,587,145
357	Other Investment balances	21	774
(775)	Investment liabilities	22	(1,173)
56,736	Cash deposits	14	90,216
4,230,308	**Total net investments**		**4,676,962**
15,675	Current assets	21	15,391
(1,948)	Current liabilities	22	(4,686)
4,244,035	**Net assets of the fund available to fund benefits at the year end.**		**4,687,667**

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 2022 and of the movements for the year then ended.

Ian Gutsell

Chief Finance Officer (Section 151 Officer)

Business Services Department

XX September 2022

Notes to the East Sussex Pension Fund Accounts for the year ended 31 March 2022

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 2021/22 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and The Local Government Pension Scheme (LGPS) Regulations.

1. 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, the district 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 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 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.

2. Membership

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

Organisations participating in the East Sussex Pension Fund include:

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

East Sussex Pension Fund	31 March 2021	31 March 2022
Number of employers with active members	127	**134**
Number of employees		
County Council	8,163	8,059
Other employers	16,839	16,455
Total	**25,002**	**24,514**
Number of pensioners		
County Council	9,805	10,125
Other employers	12,425	13,006
Total	**22,230**	**23,131**
Deferred pensioners		
County Council	13,805	14,223
Other employers	17,429	19,423
Total	**31,234**	**33,646**
Total number of members in pension scheme	**78,466**	**81,291**

3. 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 2022. Employee contributions are matched by employers' contributions, which are set, based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019. Currently, employer contribution rates range from 0.0% to 49.2% of pensionable pay.

4. Benefits

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

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

2: Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2021/22 financial year and its position at year-end as at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 which is based upon International Financial Reporting Standards (IFRS) as amended for UK public sector. The accounts have been prepared on a going concern basis.

Accounting standards issued but not yet adopted - Under the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, the Fund is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued on or before 1 January 2020 but not yet adopted by the Code. The standards introduced by the 2022/23 Code where disclosures are required in the 2021/22 financial statements are:

- IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2022/23 year).
- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:
    - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
    - IAS 37 (Onerous contracts) – clarifies the intention of the standard
    - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
    - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

None of the matters covered in the annual improvements are dealt with in detail in the 2022/23 Code. During the consultation process on the 2022/23 Code CIPFA/LASAAC did not envisage them having a significant effect.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

There were no amendments for 2021/22 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 Policy Statement. Copies can be obtained by contacting the Council's Pensions team or alternatively are available from https://www.eastsussexpensionfund.org/

ACCESS Pool – There is no specific accounting policy for the Pool. The ACCESS Pool is not a legal entity in itself but is governed by the Inter Authority Agreement signed by each Administering Authority. The formal decision-making body within the ACCESS Pool is the ACCESS Joint Committee, which has let the management of the asset pool to Link Fund Solutions Ltd, appointed to provide a pooled operator service. 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.

5. 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.

6. 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

7. 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.

8. 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.

9. 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 2021/22, £1.2m of fees is based on such estimates (2020/21: £0.8m).

Net assets statement

10. 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).

11. 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.

12. 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.

13. 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.

14. Financial liabilities

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

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

15. 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).

16. 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).

17. Contingent assets and contingent liabilities

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

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

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

4: Critical judgements in applying accounting policies

Unquoted private equity investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment managers using International Private Equity and Venture Capital Valuation Guidelines 2015. The value of unquoted private equities at 31 March 2022 was £374 million (£265 million at 31 March 2021).

Pension fund liability

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

Use of Financial Instruments

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

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 2019 Valuation the actuary advised that: 1. A 0.2% increase in the discount rate assumption would result in a decrease in the pension liability by approximately £113 million (3%). 2. A 0.2% increase in benefit increases and CARE revaluation would increase the value of liabilities by approximately £95 million (3%). 3. A 0.25% change in mortality rates would increase the liability by approximately £25 million (0.7%).
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 there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £373.7 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 fund managers. The sensitivity of this figure is discussed further in Note 16 and Note 18.

Item	Uncertainties	Effect if actual results differ from assumptions
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 £140.6 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.
Private Debt	Private debt investments are valued at fair value in accordance with industry guidelines, based on the Fund manager valuations as at the end of the reporting period. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private debt investments in the financial statements are £39.7 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.
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 £4,677.0 million. There is a risk that the investments may be over or understated in the accounts depending on the assumptions around policy responses to climate change in the valuation of investments. The sensitivity of the investments to valuations changes are discussed further in Note 16 and Note 18.

6: Events after the balance sheet date

There have been one event since 31 March 2022, and up to the date when these accounts were authorised that require any adjustments to these accounts. This related to the disbandment of legal proceedings for tax reclaims on certain dividends and the removal of a contingent asset and the creation of a contingent liability.

7: Contributions Receivable

	2020/21 £000	2021/22 £000
By category		
Employee's contributions	31,435	34,553
Employer's contributions		
Normal contributions	83,643	83,884
Deficit recovery contributions	15,336	14,936
Augmentation contributions	1,063	800
Total	**131,477**	**134,173**
By authority		
Scheduled bodies	84,803	85,174
Admitted bodies	3,653	4,166
Administrative Authority	43,021	44,833
Total	**131,477**	**134,173**

8: Transfers in from other pension funds

	2020/21 £000	2021/22 £000
Group transfers	-	-
Individual transfers	6,044	8,246
Total	**6,044**	**8,246**

9: Benefits payable

	2020/21 £000	2021/22 £000
By category		
Pensions	108,927	111,786
Commutation and lump sum retirement benefits	17,194	19,179
Lump sum death benefits	2,586	3,630
Total	**128,707**	**134,595**
By authority		
Scheduled bodies	76,492	79,660
Admitted bodies	3,781	3,977
Administrative Authority	48,434	50,958
Total	**128,707**	**134,595**

10: Payments to and on account of leavers

	2020/21 £0	2021/22 £0
Refunds to members leaving service	242	326
Group transfers	-	2,700
Individual transfers	5,319	7,718
Total	**5,561**	**10,744**

11: Management expenses

	2020/21	2021/22
	£000	**£000**
Administrative costs	1,680	2,216
Investment management expenses	13,785	23,929
Oversight and governance costs	1,831	526
Total	**17,296**	**26,671**

11a: Investment management expenses

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

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

2020/21	Total	Management Fees	Performance Related Fees	Transaction costs*
	£000	**£000**	**£000**	**£000**
Bonds	38	14	-	24
Equities	802	113	-	689
Pooled investments	-	-	-	-
Fixed Income	1,769	1,769	-	-
Equity	2,872	2,593	-	279
Diversified growth funds	3,373	3,373	-	-
Pooled property investments	1,307	1,307	-	-
Private equity / infrastructure	3,563	3,563	-	-
	13,724	12,732	-	992
Custody	61			
Total	13,785			

*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 2021/22 of £4.0m (£2.2m in 2020/21) on its private equity investments, fees of £2.4m (£1.1m in 2020/21) on its infrastructure investments, fees of £9.1m (£5.1m in 2020/21) on investments in the ACCESS Pool and fees of £4.6m (£1.9m in 2020/21) on other mandates. These fees are deducted at the individual portfolio level rather than being paid directly by the Pension Fund.

12: Investment income

	2020/21 £000	2021/22 £000
Income from bonds	122	-
Income from equities	654	985
Private equity/Infrastructure income	1,458	2,161
Pooled property investments	9,584	11,971
Pooled investments - unit trusts and other managed funds	25,402	24,752
Interest on cash deposits	1,869	680
Class Actions	-	-
Total	**39,089**	**40,549**

13: Other fund account disclosures

13a: Taxes on income

	2020/21 £000	2021/22 £000
Withholding tax – equities	(19)	(2)
Total	**(19)**	**(2)**

13b: External audit costs

	2020/21 £000	2021/22 £000
Payable in respect of external audit for 2018/19	-	-
Payable in respect of external audit for 2019/20	5	-
Payable in respect of external audit for 2020/21	35	8
Payable in respect of external audit for 2021/22	-	35
Payable in respect of other services	5	5
Grant	-	(10)
Total	**45**	**38**

* The final fee for 2019/20 was agreed after the audit opinion was received for 2019/20
** The final fee for 2020/21 was agreed after the audit opinion was received for 2020/21

14: Investments

	2020/21 £000	2021/22 £000
Investment assets		
Bonds	128,765	134,975
Equities	-	237,482
Pooled Investments		
Fixed Income	485,996	476,264
Equity	1,864,834	1,797,637
Diversified growth funds	1,002,298	1,036,214
Pooled property investments	319,533	390,179
Private equity/infrastructure	372,564	514,383
Derivative contracts:		
Futures	-	11
	4,173,990	**4,587,145**
Cash deposits with Custodian	56,736	90,216

Other Investment balances (Note 21)	357	774
Total investment assets	**4,231,083**	**4,678,135**
Investment Liabilities (Note 22)	(775)	(1,170)
Derivative contracts:		
Futures	-	(3)
Total Investment Liabilities	**(775)**	**(1,173)**
Net investment assets	**4,230,308**	**4,676,962**

14a: Reconciliation of movements in investments and derivatives

	Market value 1 April 2021 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Market value 31 March 2022 £000
Bonds	**128,765**	-	-	6,210	**134,975**
Equities	**-**	346,994	(272,967)	163,455	**237,482**
Pooled investments	**3,353,128**	155,487	(223,349)	24,849	**3,310,115**
Pooled property investments	**319,533**	34,405	(23,111)	59,352	**390,179**
Private equity/infrastructure	**372,564**	71,813	(107,111)	177,117	**514,383**
	4,173,990	**608,699**	**(626,538)**	**430,983**	**4,587,134**
Derivative contracts					
■ Futures	**-**	16	(23)	15	**8**
■ Forward currency contracts		726	(132)	(594)	**-**
	4,173,990	**609,441**	**(626,693)**	**430,404**	**4,587,142**
Other investment balances:					
■ Cash deposits	**56,736**			2,272	**90,216**
■ Other Investment Balances	**357**				**774**
■ Investment Liabilities	**(775)**				**(1,170)**
Net investment assets	**4,230,308**			**432,676**	**4,676,962**

	Market value 1 April 2020 £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 2021 £000
Bonds	**212,331**	-	(92,246)	8,680	**128,765**
Equities	**-**	618,587	(534,059)	(84,528)	**-**
Pooled investments	**2,579,793**	253,354	(246,139)	766,120	**3,353,128**
Pooled property investments	**318,129**	11,928	(9,059)	(1,465)	**319,533**
Private equity/infrastructure	**291,413**	77,295	(47,943)	51,799	**372,564**
Commodities	-	-	-	-	-

Multi Asset	-	-	-	-	-
	3,401,666	**961,164**	**(929,446)**	**740,606**	**4,173,990**
Derivative contracts					
■ Forward currency contracts	-	575	(162)	(413)	-
	3,401,666	**961,739**	**(929,608)**	**740,193**	**4,173,990**
Other investment balances:					
■ Cash deposits	**63,715**			**(279)**	**56,736**
■ Other Investment Balances	**340**				**357**
■ Investment Liabilities	**(475)**				**(775)**
Net investment assets	**3,465,246**			**739,914**	**4,230,308**

14b: Investments analysed by fund manager

	Market value 31 March 2021 £000	%	Market value 31 March 2022 £000	%
Investments in the ACCESS Pool				
ACCESS - Alpha Opportunities (M&G)	-	0.0%	287,673	6.2%
ACCESS - Absolute Return (Ruffer)	458,786	10.8%	537,861	11.5%
ACCESS - Corporate Debt (M&G)	158,430	3.7%	148,858	3.2%
ACCESS - Global Alpha (Baille Gifford)	-	0.0%	197,397	4.2%
ACCESS - Global Equity (Longview)	492,250	11.6%	525,660	11.2%
ACCESS - Real Return (Newton)	510,048	12.1%	498,354	10.7%
ACCESS - UBS Passive	557,483	13.3%	134,974	2.9%
ACCESS - UBS Osmosis	-	0.0%	238,150	5.1%
	2,176,997	51.5%	**2,568,927**	55.0%
Investments held directly by the Fund				
Adams St Partners	154,497	3.7%	206,010	4.4%
Atlas Infrastructure	77,324	1.8%	95,964	2.1%
East Sussex Pension Fund Cash	30,674	0.7%	77,869	1.7%
Harbourvest Strategies	110,515	2.6%	167,729	3.6%
M&G Real Estate Debt	42,416	1.0%	39,733	0.8%
Pantheon	38,120	0.9%	62,374	1.3%
Prudential Infracapital	32,707	0.8%	42,449	0.9%
Schroders Property	344,204	8.1%	402,175	8.6%
Storebrand Smart Beta & ESG	454,529	10.7%	510,338	10.8%
UBS Infrastructure Fund	37,697	0.9%	35,821	0.8%
Wellington Active Impact Equity	222,751	5.3%	237,481	5.1%
Wheb Active Impact Equity	222,727	5.3%	230,092	4.9%
M&G Absolute Return Bonds	285,150	6.7%	-	0.0%
	2,053,311	48.5%	**2,108,035**	45.0%
	4,230,308		**4,676,962**	100.00%

* 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 2021 £000**	**% of total fund**	**Market value 31 March 2022 £000**	**% of total fund**
ACCESS - Absolute Return (Ruffer)	458,786	10.8%	537,861	11.5%
ACCESS - Global Equity (Longview)	492,250	11.6%	525,660	11.2%
Storebrand Smart Beta & ESG Fund	454,529	10.7%	510,338	10.9%

ACCESS - Real Return (Newton)	510,048	12.1%	498,354	10.7%
ACCESS - Alpha Opportunities (M&G)	-	0.0%	287,673	6.2%
Wellington Active Impact Equity Fund	222,751	5.3%	237,481	5.1%
Wheb Active Impact Equity Fund	222,727	5.3%	230,092	4.9%
M&G Absolute Return Bonds	285,150	6.7%	-	0.0%

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 2021 £000	Economic Exposure £000	Market Value 31 March 2022 £000
Assets					
UK Equity Futures	Less than one year	-	-	150	4
Overseas Equity Futures	Less than one year	-	-	516	7
Total assets			**-**		**11**
Liabilities					
Overseas Equity Futures	Less than one year	-	-	129	(3)
Total liabilities			**-**		**(3)**
Net futures			**-**		**8**

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 22 (Nil 31 March 21)

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 22 (Nil 31 March 21)

16: Fair value – basis of valuation

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

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

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

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

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequential potential impact on the closing value of investments held at 31 March 2022 and 31 March 2021.

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

Asset Type	Assessed valuation range (+/-)	Values at 31 March 2021 £000	Value on increase £000	Value on decrease £000
Pooled Investment (1)	9%	42,416	46,233	38,599
Pooled property investments (2)	13%	319,533	361,072	277,994
Private Equity/Infrastructure (3)	25%	372,564	464,960	280,168
Total		**734,513**	**872,265**	**596,761**

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 25% 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 2022	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	238,267	3,405,357	944,295	4,587,919
Non-financial assets at fair value through profit and loss	-	-	-	-
Financial liabilities at fair value through profit and loss	(11)	(1,162)	-	(1,173)
Net investment assets	**238,256**	**3,404,195**	**944,295**	**4,586,746**

Values at 31 March 2021	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	357	3,439,477	734,513	4,174,347
Non-financial assets at fair value through profit and loss	-	-	-	-
Financial liabilities at fair value through profit and loss	-	(775)	-	(775)
Net investment assets	**357**	**3,438,702**	**734,513**	**4,173,572**

16b: Transfers between levels 1 and 2

During 2021/22 the fund has transferred no financial assets between levels 1 and 2.

16c: Reconciliation of fair value measurements within level 3

Period 2021/22	Market value 1 April 2021 £000	Transfers into Level 3 £000	Transfers out of Level 3 £000	Purchases during the year £000	Sales during the year £000	Unrealised gains/(losses) £000	Realised gains/(losses) £000	Market value 31 March 2022 £000
Pooled investments	**42,416**	-	-	6,150	(11,175)	2,342	-	**39,733**
Pooled property investments	**319,533**	-	-	34,405	(23,093)	58,566	768	**390,179**
Private Equity/Infrastructure	**372,564**	-	-	71,813	(100,760)	114,336	56,430	**514,383**
Total	**734,513**	**-**	**-**	**112,368**	**(135,028)**	**175,244**	**57,198**	**944,295**

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

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

Period 2020/21	**Market value 1 April 2020 £000**	Transfers into Level 3 £000	Transfers out of Level 3 £000	Purchases during the year £000	Sales during the year £000	Unrealised gains/(losses) £000	Realised gains/(losses) £000	**Market value 31 March 2021 £000**
Pooled investments	**30,583**	-	-	18,074	(6,715)	474	-	**42,416**
Pooled property investments	**318,129**	-	-	11,928	(9,274)	(4,459)	3,209	**319,533**
Private Equity/Infrastructure	**291,413**	-	-	77,295	(47,943)	24,207	27,592	**372,564**
Total	**640,125**	**-**	**-**	**107,297**	**(63,932)**	**20,222***	**30,801***	**734,513**

*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	566,319	122,572	**688,891**
3	20,222	30,801	**51,023**
Total	**586,541**	**153,373**	**739,914**

17: Classification of financial instruments

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

31 March 2021				**31 March 2022**		
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			
128,765	-	-	Bonds	134,975	-	-
-	-	-	Equities	237,482	-	-
3,353,128	-	-	Pooled investments	3,310,115	-	-
319,533	-	-	Pooled property investments	390,179	-	-
372,564	-	-	Private equity/infrastructure	514,383	-	-
-	-	-	Derivative contracts	11	-	-
-	56,736	-	Cash	-	90,216	-
-	1,560	-	Cash held by ESCC*	-	2,178	-
357	-	-	Other investment balances	774	-	-
-	14,115	-	Debtors *	-	13,213	-

4,174,347	**72,411**	-	**Total Financial Assets**	**4,587,919**	**105,607**	-
			Financial liabilities			
-	-	-	Derivative contracts	(3)	-	-
(775)	-	-	Other investment balances	(1,170)	-	-
-	-	-	Cash held by ESCC	-	-	-
-	-	(1,948)	Creditors	-	-	(4,686)
(775)	-	**(1,948)**	**Total Financial Liabilities**	**(1,173)**	-	**(4,686)**
4,173,572	**72,411**	**(1,948)**	**Total Financial Instruments**	**4,586,746**	**105,607**	**(4,686)**

*Reconciliation to Current Assets Note 21

	2020/21 £000	2021/22 £000
Cash held by ESCC	1,560	2,178
Debtors	14,115	13,213
Current Assets	**15,675**	**15,391**

17a: Net gains and losses on financial instruments

	31 March 2021 £000	**31 March 2022 £000**
Financial assets		
Fair value through profit and loss	740,512	430,660
Amortised cost – realised gains on derecognition of assets	-	-
Amortised cost – unrealised gains	(598)	2,024
Financial liabilities		
Fair value through profit and loss	-	(8)
Amortised cost – realised gains on derecognition of assets	-	-
Amortised cost – unrealised gains	-	-
Total	**739,914**	**432,676**

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 programme.

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.

a) Market risk

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

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

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

The Fund manages these risks in two ways:

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 2021/22 reporting period:

Asset Type	Potential Market Movements (+/-)
Index Linked	12%
Other Bonds	7%
UK Equities	20%
Global Equities	21%
Absolute Return	13%
Pooled Property Investments	13%
Private Equity	30%
Infrastructure Funds	12%

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

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

Asset Type	Values at 31 March 2021 £000	Value on increase £000	Value on decrease £000
Index Linked	128,765	143,573	113,957
Other Bonds	485,996	512,310	459,682
UK Equities	825,342	990,410	660,274
Global Equities	1,039,492	1,257,785	821,199
Absolute Return	1,002,298	1,127,585	877,011
Pooled Property Investments	319,533	361,072	277,994
Private Equity	264,039	343,251	184,827
Infrastructure Funds	108,525	121,548	95,502
Net Derivative Assets	-	-	-
Total assets available to pay benefits	**4,173,990**	**4,857,534**	**3,490,446**

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 at 31 March 2022 and 31 March 2021 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 2022 £000**	**Impact of 1% increase £000**	**Impact of 1% decrease £000**
Cash and cash equivalents	90,216	90,216	90,216
Cash balances	2,178	2,178	2,178
Fixed interest securities	476,264	481,027	471,501
Index linked securities	134,975	134,975	134,975
Total change in assets available	**703,633**	**708,396**	**698,870**

Asset type	**Carrying amount as at 31 March 2021 £000**	**Impact of 1% increase £000**	**Impact of 1% decrease £000**
Cash and cash equivalents	56,736	56,736	56,736
Cash balances	1,560	1,560	1,560
Fixed interest securities	485,996	490,856	481,136
Index linked securities	128,765	128,765	128,765
Total change in assets available	**673,057**	**677,917**	**668,197**

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

Income Source	**Interest receivable 2020/21 £000**	**Value on 1% increase £000**	**Value on 1% decrease £000**
Cash deposits/cash and cash equivalents	1,869	2,452	1,286
Fixed interest securities	14,072	14,072	14,072
Index linked securities	122	1,410	(1,166)
Total change in assets available	**16,063**	**17,934**	**14,192**

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 2022**	**Potential Market movement**	**Value on increase**	**Value on decrease**

	£000	£000	£000	£000
Overseas quoted securities	227,744	22,091	249,835	205,653
Overseas unit trusts	3,348,234	324,779	3,673,013	3,023,455
Total change in assets available	**3,575,978**	**346,870**	**3,922,848**	**3,229,108**

Currency exposure - asset type	Values at 31 March 2021 £000	Potential Market movement £000	Value on increase £000	Value on decrease £000
Overseas unit trusts	2,326,940	225,713	2,552,653	2,101,227
Total change in assets available	**2,326,940**	**225,713**	**2,552,653**	**2,101,227**

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.

b) Credit risk

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

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

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

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

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

Summary	Asset value as at 31 March 2021 £000	Asset value as at 31 March 2022 £000
UK Treasury bills	-	
Overseas Treasury bills	23,531	11,556
Bank current accounts		
NT custody cash accounts	33,205	78,660
Total overseas assets	**56,736**	**90,216**

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that 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 2022 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 2019 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 2020.

Asset value and funding level

The results for the Fund at 31 March 2019 were as follows:

- The market value of the Fund's assets as at 31 March 2019 was £3,633m.
- The Fund had a funding level of 107% i.e. the value of assets for valuation purposes was 107% 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 £247m.

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 18.0% 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 2020.

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 Appendix 3 of the triennial valuation report.

Assumptions

The key assumptions used to value the liabilities at 31 March 2019 are summarised below:

Assumptions	Assumptions used for the 2019 valuation
Financial assumptions	
Market date	31 March 2019
CPI inflation	2.3% p.a.
Long-term salary increases	2.3% p.a.
Discount rate	4.0% p.a.
Demographic assumptions	
Post-retirement mortality	
Base tables	Based on Club Vita analysis
Projection model	CMI 2018
Long-term rate of improvement	1.25% p.a.
Smoothing parameter	7.0
Initial addition to improvements	
Males	0.5% p.a.
Females	0.25% p.a.

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 2019 valuation report.

Updated position since the 2019 valuation

Update to funding basis and assumptions

The Fund appointed a new fund actuary with effect from 1 January 2021. For employers commencing participation in the Fund on or after 1 January 2021, the calculated contribution rate will be set to meet a funding target over a specified time horizon. The funding target is set based on a single set of financial assumptions. These assumptions are set so as to achieve broad consistency with the previous fund actuary's approach.

With effect from 1 January 2021, the salary growth assumption was reviewed, and salaries are now assumed to increase at CPI plus 1.0% p.a. with no additional promotional salary scale. The derivation of CPI is discussed below.

The Fund actuary have updated the derivation of the CPI inflation assumption to be 0.8% p.a. below the 20-year point on the Bank of England (BoE) implied inflation curve. The assumption adopted at the 2019 valuation was that CPI would be 1.0% p.a. below the 20-year point on the BoE implied inflation curve. This update was made following the Government's response (on 25 November 2020) to the consultation on the reform of RPI, and the expectation that the UK Statistics Authority will implement the proposed changes to bring RPI in line with CPIH from 2030. This updated approach leads to a small increase in the value of liabilities.

The discount rate assumption is set with reference to the Fund's long term investment strategy and therefore reflects the long term expected return on assets for the Fund. The Fund Actuary have included in the discount rate assumption an explicit prudence allowance of 1.1%. This incorporates an allowance for current uncertainties in LGPS benefits (relating to the effects of the McCloud/Sargeant judgement and the cost cap).

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 2021, the real discount rate is estimated to be lower than at the 2019 valuation due to lower future expected returns on assets in excess of CPI inflation.

The update to the CPI assumption mentioned above leads to a small increase in the value of liabilities. The value of liabilities will also have increased due to the accrual of new benefits net of benefits paid.

It is currently unclear what the impact of the COVID-19 pandemic is on the Fund's funding position. It is expected that COVID-related deaths will not have a material impact on the Fund's current funding level, however, impact on future mortality rates may be more significant and we will be reviewing the Fund's mortality assumption as part of the next valuation.

Assets

Returns over the year to 31 March 2022 have been strong, helping to offset the significant fall in asset values at the end of the previous year. As at 31 March 2022, in market value terms, the Fund assets were more than where they were projected to be based on the previous valuation.

Overall position

On balance, the Fund Actuary estimate that the funding position (allowing for the revised funding basis) has improved compared to the funding position as at 31 March 2019.

Future investment returns that will be achieved by the Fund in the short term are more uncertain than usual, in particular the return from equites due to actual and potential reductions and suspensions of dividends.

There is also uncertainty around future benefits due to the McCloud/Sargeant cases and the cost cap process.

The next formal valuation is being carried out as at 31 March 2022 with new contributions effective from 1 April 2023.

20: Actuarial present value of promised retirement benefits

Introduction

Barnett Waddingham, the Fund Actuary, have been instructed by East Sussex County Council, the administering authority to the East Sussex County Council Pension Fund (the Fund), to undertake pension expense calculations in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to members of the Fund as at 31 March 2022. The Fund Actuary have taken account of current LGPS Regulations, as amended, as at the date of this report.

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

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

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

This report should be read in conjunction with the post accounting date briefing note for disclosures as at 31 March 2022.

Roisin McGuire FFA Associate
Barnett Waddingham

Data used

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

31 March 2019	- results of the latest funding valuation
31 March 2021	- results of the latest IAS26 report
31 March 2022	- Fund asset statement
31 March 2022	- Fund income and expenditure items (estimated where necessary) to
31 March 2022	- details of any new unreduced early retirement payments out to

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

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

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

Employer membership statistics

The table below summarises the membership data at 31 March 2019

Member data summary

	Number	Salaries/Pensions £000	Average age
Actives	22,718	414,051	52
Deferred pensioners	36,094	43,738	51
Pensioners	20,328	102,766	69

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 2022. We have been notified of 44 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 £320,000

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2022 is estimated to be 10.36%. The actual return on Fund assets over the year may be different.
The estimated asset allocation for the Fund is as follows (noting that due to rounding they may not total 100%):

Asset breakdown	31 Mar 2021	31 Mar 2021	31 Mar 2022	31 Mar 2022
	£000s	%	£000s	%
Equities	3,227,118	76%	3,445,580	74%
Bonds	627,339	15%	751,882	16%
Property	319,533	8%	390,241	8%
Cash	70,882	2%	90,420	2%
Total	**4,244,872**	**100%**	**4,678,123**	**100%**

Actuarial methods and assumptions

Valuation approach

To assess the value of the Fund's liabilities at 31 March 2022, we have rolled forward the value of Fund's liabilities calculated for the funding valuation as at 31 March 2019, using financial assumptions that comply with IAS19.

A 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 liability as at 31 March 2022 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2022 should not introduce any material distortions in the results provided that the actual experience of 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.

Experience items allowed for since the previous accounting date

Experience items arise due to differences between the assumptions made as part of the roll forward approach and actual experience. This includes (but is not limited to) assumptions made in respect of salary increases, pension increases, mortality, and member transfers. Any experience items accounted for will be observed in the asset and/or defined benefit obligation reconciliation tables in the appendices in the individual employer's report.

Allowance for actual pension increases

Our standard approach is to include actual pension increase experience up to the accounting date. The impact will come through as an experience item. The 2022 pension increase is higher than previously assumed which will result in a higher value being placed on the defined benefit obligation and a worsening in the overall position. The impact may differ depending on the employer's previous assumption and if an employer has not previously allowed for actual pension increases up to 2021.

Ukraine crisis – impact on approach

As a result of this crisis, many equity markets across the globe have witnessed significant falls, but so far the impact has been felt most prominently in equities with a close link to Russian markets, i.e. Russian equities themselves and in European tilted funds. Beyond equity markets, we have also seen volatility in government bond and credit markets. However, there has been no large directional move to date. The expected longer-term impact on gilt yields will largely depend on how these developments affect inflation (for example, through disruption to the supply of energy and commodities), and how central banks react to this.

From an accounting perspective, we are comfortable that our current methodology in deriving assumptions continues to be appropriate with the current uncertainties in the market. We can also confirm that our approach is in line with the current FRS102/IAS19 accounting standard. Therefore, we do not propose to change our approach in light of this crisis.
We recognise the current volatility in the market and the effect this is having across various asset classes globally.

Guaranteed Minimum Pension (GMP) Equalisation

Impact of Lloyds judgement 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 judgement. Please see [FRS102/IAS19/IAS26 Glossary and FAQs (bwllp.co.uk)] for further details.

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. Details of the consultation outcome can be found here Public Service Pensions: Guaranteed Minimum Pension Indexation consultation - GOV.UK (www.gov.uk)

Our standard 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 FRS102/IAS19/IAS26 Glossary and FAQs (bwllp.co.uk) for further details.

Demographic/Statistical assumptions

Our standard approach is to use demographic assumptions in line with the latest actuarial valuation. For more information please see the latest valuation report. For the assumptions as at 31 March 2022, we propose adopting the CMI_2020 model, further details of which are set out below.

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 judgement 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.

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.
At the last accounting date, unless an employer opted out, we updated the demographic assumptions to use the CMI_2020 Model.

The CMI published their updated CMI_2021 Model in March 2022. We do not propose to update our standard approach to use the CMI_2021 Model as we do not expect this to have a significant impact on the value of the liabilities for those employers who adopted our standard approach last year.

The CMI have made a material change to CMI_2020 (compared to previous versions) due to the impact of abnormal mortality data in 2020. This change introduces a "2020 weight parameter" for the mortality data in 2020 so that the exceptional mortality experienced due to the coronavirus pandemic can be incorporated without having a disproportionate impact on results. The CMI have confirmed the core value of this parameter will be 0% (i.e. no allowance for 2020 mortality data). However, the CMI encourages users to consider the parameter in detail before adopting a certain value, and not to take the core values as the CMI's "recommendation".
Changing the 2020 weight parameter has a material impact on projected mortality improvements from 2020. Placing a higher weight on data for 2020 leads to materially lower future mortality improvements as you would expect. However, the impact of the 2020 weight parameter on future mortality improvements "dissipates" over time, with the effect completely disappearing by 2040.

Our view is that the overall outlook for best-estimate future mortality improvements looks more negative than implied by the core CMI_2020, with the adverse consequences of the pandemic seeming to outweigh the positive ones.

The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)	31 Mar 2021	31 Mar 2022
Retiring today		
Males	21.1	21.2
Females	23.7	23.8
Retiring in 20 years		
Males	21.9	22.0
Females	25.0	25.1

We have also assumed that:

- Members will exchange half of their commutable pension in respect of pre-April 2008 service and 75% of their commutable pension in respect of their post 2008 service, for cash at retirement. For every £1 of pension that members commute, they will receive a cash payment of £12 as set out in the Regulations.
- Members retire following the retirement age pattern assumption as specified by the Scheme Advisory Board for preparing Key Performance Indicators.; and
- 1% of active members will take up the option to pay 50% of contributions for 50% of benefits.

Financial assumptions

The financial assumptions used to calculate the results in the Appendices are as follows:

Year ended	31/03/2020 p.a.	31/03/2021 p.a.	31/03/2022 p.a
Discount rate	**2.30%**	**1.95%**	**2.60%**
Pension increases (CPI)	**1.90%**	**2.85%**	**3.25%**
Salary increases	**1.90%**	**2.85%**	**3.25%**

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 possible outcomes using market conditions at 31 March 2022.

Discount rate

Under both the IAS19 and FRS102 standards 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 duration year (from 2 to 30 years) 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 standard assumptions set for an employer will be based on their individual duration. For example, an employer with an estimated liability duration of 13 years will adopt assumptions consistent with those derived using the 13-year cashflows.

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. FRS102 simply refers to a best estimate of the financial variables used in the liability calculation.
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 value (when discounted using the yield curve valuation described above) as that resulting from applying the BoE implied inflation curve. The BoE implied inflation curve is assumed to be flat beyond the 40-year point.
Following a recent review of the market, and in particular noting the muted market reaction to the likely alignment of RPI with CPIH (Consumer Prices Index with Housing) from 2030, our view is that gilt-implied inflation rates are currently distorted by supply and demand factors at medium and longer terms. We have therefore allowed for an Inflation Risk Premium (IRP) of 0.4% at medium and longer terms (from 10 years). This results in an overall IRP of between 0.0% p.a. and 0.3% p.a. depending on the term of the liabilities (for terms ranging from 2 years up to 30 years).
Consistent with the SEDR approach, assumptions are rounded to the nearest 0.05% and we intend to use sample cashflows for employers at each duration year (from 2 to 30 years) in deriving the assumptions for employers.

Difference between RPI and CPI

It is expected that RPI will be on average 1.0% p.a. lower than it would have otherwise been from 2030 as a result of the proposed alignment of RPI to CPIH (and CPI) from that date. We have therefore assumed that the annual increase in CPI inflation will be 1.0% p.a. lower than the market implied increases in RPI for each year prior to 2030, and will be in line with RPI inflation thereafter. This results in an assumed gap between the two inflation measures of between 0.25% p.a. and 0.85% p.a. depending on the term of the liabilities (for terms ranging from 30 years down to 5 years).

Results and disclosures

We estimate that the net liability as at 31 March 2022 is a liability of £860,985

The results of our calculations for the year ended 31 March 2022 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 2022

Net pension asset in the statement of financial position as at	31-Mar-20 £000s	31-Mar-21 £000s	31-Mar-22 £000s
Present value of defined benefit obligation	4,378,000	5,609,613	5,539,108
Fair value of Fund assets (bid value)	3,465,246	4,244,872	4,678,123
Net Liability in balance sheet	**912,754**	**1,364,741**	**860,985**

*Present value of funded obligation consists of £5,539,108,000 in respect of vested obligation and £0 in respect of non-vested obligation.

Asset and benefit obligation reconciliation for the year to 31 March 2022

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	31-Mar-21 £000s	31-Mar-22 £000s
Opening defined benefit obligation	**4,378,000**	**5,609,613**
Current service cost	151,881	221,170
Interest cost	99,610	108,410
Change in financial assumptions	1,202,783	(307,673)
Change in demographic assumptions	(71,775)	-
Experience loss/(gain) on defined benefit obligation	(55,900)	11,029
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	(128,225)	(137,108)
Past service costs, including curtailments	3,809	2,491
Contributions by Scheme participants	29,430	31,176
Unfunded pension payments	-	-
Closing defined benefit obligation	**5,609,613**	**5,539,108**

Reconciliation of opening & closing balances of the fair value of Fund assets	31-Mar-21 £000s	31-Mar-22 £000s
Opening fair value of Fund assets	**3,465,246**	**4,244,872**
Interest on assets	79,719	82,740
Return on assets less interest	701,817	359,554
Other actuarial gains/(losses)	-	-
Administration expenses	(3,496)	(2,731)
Contributions by employer including unfunded	100,381	99,620
Contributions by Scheme participants	29,430	31,176
Estimated benefits paid plus unfunded net of transfers in	(128,225)	(137,108)
Settlement prices received / (paid)	-	-
Closing Fair value of Fund assets	**4,244,872**	**4,678,123**

The total return on the Fund's assets for the year to 31 March 2021 is £781,536,000.

Sensitivity Analysis

Sensitivity Analysis	Approximate % increase to liabilities	Approximate monetary amount (£m)
Present value of total obligation	5,539,108	
Sensitivity to	**+0.1%**	**-0.1%**
Discount rate	5,446,007	5,633,894
Long term salary increase	5,547,028	5,531,232
Pension increases and deferred revaluation	5,625,280	5,454,375
Sensitivity to	**+1 Year**	**- 1 Year**
Life expectancy assumptions	5,795,053	5,294,810

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

21: Current assets

	31 March 2021 £000	31 March 2022 £000
Other Investment Balances		
Sales inc Currency	-	-
Investment Income Due	82	500
Recoverable Taxes	275	274
Total	**357**	**774**

	31 March 2021 £000	31 March 2022 £000
Current Assets		
Contributions receivable from employers and employees	10,870	11,136
Sundry Debtors	3,245	2,077
Cash	1,560	2,178
Total	**15,675**	**15,391**

22: Current liabilities

	31 March 2021 £000	31 March 2022 £000
Investment Liabilities		
Purchases including currency	-	-
Derivative Contracts Futures	-	(3)
Variation Margin	-	(8)
Managers Fees	(775)	(1,162)
Total	**(775)**	**(1,173)**

	31 March 2021 £000	31 March 2022 £000
Current Liabilities		
Pension Payments (inc Lump Sums)	(184)	(306)
Cash	-	-
Professional Fees	(64)	(2,798)
Administration Recharge	(51)	(72)
Sundry Creditors	(1,649)	(1,510)
Total	**(1,948)**	**(4,686)**

23: Additional voluntary contributions

	Market value 31 March 2021 £000	Market value 31 March 2022 £000
Prudential	21,944	22,647

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 £2.241m (£2.067m 2020/21) to Prudential to buy extra pension benefits when they retire. £3.479m was disinvested from the AVC provider in 2021/22 (£2.607m 2020/21). 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.

	2020/21 £000	2021/22 £000
East Sussex County Council	4,793	4,638
Brighton & Hove City Council	2,261	2,105
Eastbourne Borough Council	308	289
Magistrates	212	192
Hastings Borough Council	175	169
Wealden District Council	174	170
Rother District Council	111	102
Lewes District Council	71	69
South-East Water	29	32
Brighton University	24	23
Mid-Sussex District Council	19	19
Westminster (used to be LPFA)	18	18
East Sussex Fire Authority	17	14
London Borough of Camden	7	7
London Borough of Southwark	6	6
The Eastbourne Academy	6	6
West Midlands Pension Fund	5	5
West Sussex County Council	4	4
Torfaen Borough Council	4	4
Sussex University	3	3
Varndean College	2	2
London Borough of Ealing	2	2
East Sussex College Group	1	1
Plumpton College	1	1
Optivo	-	1
Capita Hartshead	14	-
Total	**8,267**	**7,882**

25: Related party transactions

East Sussex County Council

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

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

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

The Council incurred costs in administering the Fund and charged £1.6m to the Fund in 2020/21 (£1.9m in 2010/21). The Council`s contribution to the Fund was £43.4m in 2021/22 (£43.0 in 2020/21). All amounts due to the Fund were paid in the year. At, 31 March 2022 the Pension Fund bank account held £3.7m in cash (£1.6m at 31 March 2021). The average throughout the year was £6.1m (£8.4 in 2020/21).

25a: Key management personnel

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

	31 March 2021	31 March 2022

	£000	£000
Short-term benefits	26	26
Post-employment benefits	5	5
Total	**31**	**31**

26: Contingent liabilities and contractual commitments

1. Outstanding capital commitments (investments) at 31 March 2022 totalled £304.1m (31 March 2021: £232.3m).

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 2021, the unfunded commitment was £211.2m for private equity, £69.1m for infrastructure and £23.8m 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 2021.

2. Exit Payments

There were 3 employers whose contracts were due to end by the 31 March 2022 where an exit credit may need to be paid out. The Fund needs to obtain final information from the employers and then will need to commission the final cessation report from the actuaries to ascertain if an exit payment is due for these employers.

3. GMP Reconciliation Project

The Guaranteed Minimum Pension (GMP) Reconciliation project was split into number stages for Local Government Pension Schemes (LGPS). The Fund has completed the discovery and GMP reconciliation phases, which reviewed data inconsistencies, raised issues with HMRC and agreed outcomes. GMP elements of LGPS pension where State Pension Age is prior to 6 April 2016 has not increased in respect of the period 6 April 1978 to 5 April 1988. While the Post 1988 GMP element in respect of the period 6 April 1988 to 5 April 1997 might be increased up to a maximum of 3% p.a. The Government increase the State Pension for the member fully on the Pre 1988 GMP element and for Post 1988 GMP element has only increased if CPI is above 3% p.a.

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

The Fund has contracted a specialist provider who are carrying out the rectification project with the aim of completing the project by the 31st of October 2022. As such, we are unable to quantify the under/overpayment liability values as at 31 March 2022

4. Tax charges

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

5. Recovery of dividend taxation

Following rulings given by the European Court of Justice, along with a number of other local authority pension funds, the East Sussex Pension Fund was pursuing the recovery of tax paid on certain dividends. Due to some adverse rulings impacting the likelihood of recovery of the tax paid on certain dividends the test claimant withdrew from the claim. No other claimant wished to take on the test claimant role and this claim is now moving to disbandment. This is likely to incur additional adverse cost, which is not currently quantifiable.

27: Contingent assets

1. Employer bonds/guarantees

There are 8 admitted body employers in the Fund that hold insurance bonds to guard against the possibility of them being unable to meet their pension obligations. 3 employers are currently negotiating new bonds due to expiry of their current bonds. These bonds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default.

In addition to these bonds, pension's obligations in respect of 12 other admitted bodies are covered by:

9 guarantees by local authorities participating in the Fund.

2 Parent company guarantee.

1 deposit held by East Sussex County Council

2. Private market investments

At 31 March 2021, the Fund has invested £373.7 million in private equity funds managed by Adams Street and HarbourVest. The Fund has also invested £39.7 million in the M&G real estate debt fund VI and £140.6 million in the infrastructure funds managed by UBS, Pantheon and Infracapital.

28: Impairment losses

During 2021/22, the fund has not recognised any impairment losses.

29: East Sussex Pension Fund – Active Participating Employers

Employer Name	2020/21		2021/22		2022/23	
	Payroll %	Amount £(000)	Payroll %	Amount £(000)	Payroll %	Amount £(000)
Scheduled Bodies - Major Authorities						
Brighton and Hove City Council	20.8	-	20.3	-	19.8	-
East Sussex County Council	17.6	6,141	17.6	5,568	17.6	4,966
East Sussex Fire and Rescue Service	17.9	164	17.9	137	17.9	109
Eastbourne Borough Council	19.9	-	19.4	-	18.9	-
Hastings Borough Council	17.6	538	17.6	508	17.6	476
Lewes District Council	24.1	-	23.6	-	23.1	-
Rother District Council	26.1	-	25.6	-	25.1	-
University of Brighton	18.2	-	17.7	-	17.2	-
Wealden District Council	17.6	576	17.6	538	17.6	499
Other Scheduled Bodies						
Arlington Parish Council	22.1	-	21.6	-	21.1	-
Battle Town Council	22.1	-	21.6	-	21.1	-
Berwick Parish Council	22.1	-	21.6	-	21.1	-
Buxted Parish Council	22.1	-	21.6	-	21.1	-
Camber Parish council	22.1	-	21.6	-	21.1	-
Chailey Parish Council	22.1	-	21.6	-	21.1	-
Chiddingly Parish Council	22.2	-	21.6	-	21.1	-
Conservators of Ashdown Forest	22.1	-	21.6	-	21.1	-
Crowborough Town Council	22.1	-	21.6	-	21.1	-
Danehill Parish Council	22.1	-	21.6	-	21.1	-
Ditchling Parish Council	22.1	-	21.6	-	21.1	-
Fletching Parish Council	22.1	-	21.6	-	21.1	-
Forest Row Parish Council	22.1	-	21.6	-	21.1	-
Frant Parish Council	22.1	-	21.6	-	21.1	-
Hadlow Down Parish Council	22.1	-	21.6	-	21.1	-
Hailsham Town Council	22.1	-	21.6	-	21.1	-

Employer Name	2020/21		2021/22		2022/23	
	Payroll %	Amount £(000)	Payroll %	Amount £(000)	Payroll %	Amount £(000)
Hartfield Parish Council	22.1	-	21.6	-	21.1	-
Heathfield & Waldron Parish Council	22.1	-	21.6	-	21.1	-
Herstmonceux Parish Council	22.1	-	21.6	-	21.1	-
Hurst Green Parish Council	22.1	-	21.6	-	21.1	-
Icklesham Parish Council	22.1	-	21.6	-	21.1	-
Isfield Parish Council	22.1	-	21.6	-	21.1	-
Lewes Town Council	22.1	-	21.6	-	21.1	-
Maresfield Parish Council	22.1	-	21.6	-	21.1	-
Newhaven Town Council	22.1	-	21.6	-	21.1	-
Newick Parish Council	22.1	-	21.6	-	21.1	-
Peacehaven Town Council	22.1	-	21.6	-	21.1	-
Pett Parish Council	22.1	-	21.6	-	21.1	-
Plumpton Parish Council	22.1	-	21.6	-	21.1	-
Ringmer Parish Council	22.1	-	21.6	-	21.1	-
Rye Town Council	22.1	-	21.6	-	21.1	-
Salehurst & Robertsbridge Parish Council	22.1	-	21.6	-	21.1	-
Seaford Town Council	22.1	-	21.6	-	21.1	-
Telscombe Town Council	22.1	-	21.6	-	21.1	-
Uckfield Town Council	22.1	-	21.6	-	21.1	-
Wartling Parish Council	22.1	-	21.6	-	21.1	-
Willingdon and Jevington Parish Council	22.1	-	21.6	-	21.1	-
Wivelsfield Parish Council	22.1	-	21.6	-	21.1	-
Academy Schools						
Annecy Catholic Primary Academy	15.5	-	15.0	-	14.5	-
Aquinas Trust	21.0	-	20.5	-	20.0	-
ARK Schools Hastings	20.6	-	20.1	-	19.6	-
Aurora Academies Trust	20.4	-	19.9	-	19.4	-
Beacon Academy	23.0	-	22.5	-	22.0	-
Beckmead Ropemakers Academy	16.3	-	16.3	-	16.3	-
Bexhill Academy	22.9	-	22.4	-	21.9	-
Bilingual Primary School	15.6	-	15.1	-	14.6	-
Breakwater Academy	17.0	-	16.5	-	16.0	-
Burfield Academy (Hailsham Primary)	20.0	-	19.5	-	19.0	-
Cavendish Academy	20.5	-	20.0	-	19.5	-
Diocese of Chichester Academy Trust	24.4	-	23.9	-	23.4	-
Eastbourne Academy	21.2	-	20.7	-	20.2	-
Falmer (Brighton Aldridge Community Academy)	20.0	-	19.5	-	19.0	-
Gildredge House Free School	19.6	-	19.1	-	18.6	-
Glyne Gap Academy	21.4	-	20.9	-	20.4	-
Hailsham Academy	20.0	-	19.5	-	19.0	-
Hawkes Farm Academy	16.4	-	15.9	-	15.4	-
High Cliff Academy	20.0	-	19.5	-	19.0	-
Jarvis Brook Academy	14.5	-	14.0	-	13.5	-
King's Church of England Free School	16.2	-	15.7	-	15.2	-
Langney Primary Academy	13.4	-	12.9	-	12.4	-
Ore Village Academy	18.5	-	18.0	-	17.5	-
Parkland Infant Academy	14.8	-	14.3	-	13.8	-
Parkland Junior Academy	14.4	-	13.9	-	13.4	-
Peacehaven Academy	13.0	-	12.5	-	12.0	-
Pebsham Academy	19.5	-	19.0	-	18.5	-

Employer Name	2020/21		2021/22		2022/23	
	Payroll %	Amount £(000)	Payroll %	Amount £(000)	Payroll %	Amount £(000)
Phoenix Academy	20.4	-	19.9	-	19.4	-
Portslade Aldridge Community Academy	19.9	-	19.4	-	18.9	-
King's Academy Ringmer	20.8	-	20.3	-	19.8	-
SABDEN Multi Academy Trust	23.6	-	23.1	-	22.6	-
Saxon Shore Academy	22.7	-	22.7	-	22.7	-
Seaford Academy	21.1	-	20.6	-	20.1	-
Seahaven Academy	21.5	-	21.0	-	20.5	-
Shinewater Primary Academy	14.5	-	14.0	-	13.5	-
Sir Henry Fermor Academy	14.8	-	14.3	-	13.8	-
The South Downs Learning Trust	12.2	-	11.7	-	11.2	-
The Southfield Trust	14.4	-	13.9	-	13.4	-
Torfield & Saxon Mount Academy Trust	22.6	-	22.1	-	21.6	-
University of Brighton Academies Trust	20.0	-	19.5	-	19.0	-
White House Academy	17.5	-	17.0	-	16.5	-
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						
BHCC - Wealden Leisure Ltd	33.0	11	33.0	-	33.0	-
Biffa Muncipal Ltd	28.8	-	28.8	-	28.8	-
Brighton and Hove CAB	0.00	-	0.0	-	0.0	-
Brighton Dome & Festival Limited (Music & Arts Service)	0.0	-	0.0	-	0.0	-
Care Outlook Ltd	0.0	-	0.0	-	0.0	-
Care Quality Commission	49.2	92	49.2	92	49.2	92
Churchill St Leonards	29.7	-	29.7	-	29.7	-
Churchill St Pauls	34.1	-	34.1	-	34.1	-
De La Warr Pavilion Charitable Trust	4.8	-	4.8	-	4.8	-
Eastbourne Homes – SEILL	19.2	-	19.2	-	19.2	-
East Sussex Energy, Infrastructure & Development Ltd (ESEIDL)	29.2	13	29.2	13	29.2	13
EBC – Towner	31.0	7	31.0	7	31.0	7
ESCC - NSL Ltd	3.6	-	3.6	-	3.6	-
Glendale Grounds Management Ltd	29.4	-	29.4	-	29.4	-
Grace Eyre	0.0	-	0.0	-	0.0	-
Halcrow Group Ltd	5.4	-	5.4	-	5.4	-
Just Ask Estates Ltd	32.6	3	32.6	-	32.6	-
Nviro Ltd	35.3	-	35.3	-	35.3	-
Optivo	45.8	920	45.8	920	45.8	920
Royal Pavilion & Museums Trust	17.8	-	17.8	-	17.8	-
Sussex County Sports Partnership	18.2	-	17.7	-	17.2	-
Sussex Housing & Care	0.0	-	0.0	-	0.0	-
Telent Technology Services Ltd	20.8	-	20.8	-	20.8	-
Wave Leisure - Newhaven Fort	0.0	-	0.0	-	0.0	-
Wave Leisure Trust Ltd	0.0	-	0.0	-	0.0	-
WDC - Wealden Leisure Ltd	33.0	-	33.0	-	33.0	-
Wealden Leisure Ltd - Portslade Sports Centre	0.0	-	0.0	-	0.0	-

Employer Name	2020/21		2021/22		2022/23	
	Payroll %	Amount £(000)	Payroll %	Amount £(000)	Payroll %	Amount £(000)
White Rock Theatres Hastings Ltd	0.0	-	0.0	-	0.0	-

30: Investment Performance

The Fund uses an independent Investment performance measurement service, provided by Pensions & Investment Research Consultants Ltd (PIRC), which measures the performance of the Fund compared with 54 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	10.6	8.9	7.2	9.1
Benchmark	10.1	7.7	6.4	7.9
Relative*	0.5	1.2	0.8	1.2

Investment performance relative to peer group

	1 year (%)	3 years (%p.a.)	5 years (%p.a.)	10 years (%p.a.)
Fund	10.6	8.9	7.2	9.1
Local Authority Average	8.6	8.3	7.1	8.9
Relative*	1.8	0.6	0.1	0.2

The Fund outperformed the (weighted) average local authority Fund over the year by 1.8% (0.6% underperformance 2020/21), ranking the East Sussex Fund in the 14 percentiles (69th 2020/21) in the local authority universe. Over three years the Fund outperformed by 0.6% (0.2% outperformance 2020/21) and was placed in the 29 percentiles (56th 2020/21). Over five years the Fund outperformed by 0.1% (0.5% underperformance in 2020/21) and was placed in the 40 percentiles (67th 2020/21). Over ten years the fund years, the fund outperformed by 0.2% (0.1% underperformance 2020/21) and was placed in the 38 percentiles (54th 2020/21).

*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.

External auditor's report

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Appendix 1. Pensions administration strategy

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

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

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

The administration strategy statement will be reviewed in line with each valuation cycle, the last revision was approved in September 2020 with the strategy coming into effect 1 January 2021. All scheme employers are be consulted before any changes are made to this document.

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

www.eastsussexpensionfund.org/resources/

Appendix 2. Funding strategy statement

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

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

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

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

The Funding Strategy Statement was reviewed during the year to reflect funding principles agreed for the 2019 actuarial valuation, with the new version signed off in March 2020. The FSS can be found in full at https://www.eastsussexpensionfund.org/media/nnbflaxw/east-sussex-pension-fund-funding-strategy-statement-march-2020.pdf. The new funding principles applied to employer contributions payable from 1 April 2020.

Contribution rates payable by participating employers over the year to 31 March 2019 were set at the 2016 valuation in line with the principles summarised in the Funding Strategy Statement dated February 2019. Similarly, the approach used to set asset allocations for new bodies, to calculate the bond requirements for admitted bodies and to determine any cessation debts payable by exiting employers has been in line with that Funding Strategy Statement.

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

The next review of the Funding Strategy Statement will take place over the 2022/23 year as part of the 2022 valuation exercise.

The FSS that was in place in relation to 2021/22 is included as an appendix to this report.

Appendix 3. Investment Strategy Statement

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

They must consult with persons they deem appropriate when drawing up their statement. Any material change in investment strategy must be included in a revised Investment Strategy Statement (ISS). The statement must cover:

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

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

Responsible Investment

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

The Funds ISS is reviewed on a continuous basis to ensure it accurately reflects the Investment Strategy of the Fund.

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

www.eastsussexpensionfund.org/resources/

Appendix 4. Communications Strategy

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

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

The Communications strategy in place during this financial year was approved 22 June 2020 and updated annually with a full review every 3 years.

The latest version of the communications Strategy is available on the Funds website
www.eastsussexpensionfund.org/resources/

Appendix 5. Governance Policy and Compliance Statement

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

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

The Governance and Compliance Statement in place during this financial year was approved 22 June 2021 and is updated annually.

The latest version of the Governance and Compliance Statement is available on the Funds website www.eastsussexpensionfund.org/resources/