



ANNUAL REPORT AND ACCOUNTS

2024-2025



These Annual Report and Accounts reflect the position of East Sussex Pension Fund at the end of the 2024/25 financial year (31 March 2025). Any policies and strategies that are referenced are those in place on 31 March 2025.

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Welcome from Chair of Pension Committee

Welcome to the East Sussex Pension Fund Annual Report for 2024/25

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 2024/25. The accounts focus on the financial activity in the year to 31 March 2025. The membership of the Fund on 31 March 2025 was 86,784 people (24,964 active, 26,762 pensioners and 35,057 deferred) and there were 149 schemes employers. This was a year in which the government launched its 'Fit for the Future' consultation, a wide- and far-ranging consultation focussed on further consolidation of pooling, governance and local investment. The consultation has potentially far-reaching implications for the Fund that are still being worked through and will result in the Fund changing its investment pooling arrangements. Further details on this important consultation are set out below.

It has been yet another turbulent year in terms of global markets with geopolitical uncertainty continuing and impacting markets, but the Fund has been robust and provided a strong service to our scheme members and employers.

In July 2024, the new Chancellor of the Exchequer Rachel Reeves, announced a pensions' review to boost investment and tackle waste in the pensions system, stating that action will be taken to unleash the full investment might of the c£360bn LGPS to make it an engine for growth and tackle the £2bn that is being spent on fees. The work announced, focusing on investments, was stated to be the first phase in reviewing the pensions landscape.

Following further liaison with LGPS funds, pools and officers the Chancellor announced in her Mansion House speech on 14th November 2024 that the government would launch a consultation to ensure that the LGPS was "Fit for the Future" with a view to accelerating pooling of assets by March 2026 and supporting the Chancellor's aims of accelerating growth and investment in the UK. The consultation focussed on three key areas:

- Reforming the LGPS asset pools: with a single model, whereby LGPS Administering Authorities (AAs) will delegate investment strategy implementation to the pool; Financial Conduct Authority (FCA) registration of pools;
- Boosting LGPS investment in their localities and regions in the UK: by having a target allocation to local investment that supports local economic priorities; working with local authorities.
- Strengthening the governance of both AAs and LGPS pools: building on the 2021 Good Governance review.

Both the Fund and the ACCESS (A Collaboration of Central, Eastern and Southern Shires) investment pool, of which the Fund is a member, responded to the consultation. As at the date of writing it is unclear what the outcome of the consultation will mean for the Fund as the ACCESS response to the consultation was not supported by government. The consultation had resulted in a period of uncertainty and upheaval for the LGPS as a whole.

The Fund, together with the 10 other partner LGPS Funds that invest in the ACCESS Pool have worked extensively to develop the offering by the ACCESS Pool both in relation to investment options and the governance and responsible investment arrangements within the Pool.

Due to the impact of the "Fit for the Future" Consultation a number of ongoing workstreams have been paused. By the end of 2024/25 the ACCESS Pool has grown to £49.3bn invested within pooled arrangements. This equates to 74% of partner fund assets being pooled. £30.4bn was invested on the

ACCESS authorised contractual scheme (ACS) platform; £12.5bn managed via the ACCESS passive manager; 2.7bn invested in pool governed infrastructure mandates; and 3.7bn in pooled Real Estate.

The Fund continues to have a strong focus on ensuring effective governance, and will work to ensure any changes as recommended by the 'Fit for the Future' consultation are implemented in a timely and robust manner. The Fund has also continued to roll out a number of robots to automate some of its Pensions Administration processes, to free up time of officers to work on more complicated tasks.

This year had yet again witnessed continuing volatility in the global economy, particularly in the early part of 2025. Global stock markets reached record levels at 31 March 2025 but significant reversals followed the accounting year end driven by the uncertainty generated from the threat of US tariffs. As of March 2025 the UK's inflation rate decreased to 2.6% following substantial increases in previous years. Pension increases for the year were 1.7% down from 6.7% and 10.1% in the preceding two years.

The Pension Committee continued the implementation of some changes to the Investment strategy in the year, reallocating the uncommitted strategy allocation from inflation linked property to index-linked gilts in order to reduce risk in the portfolio. The Fund increased its allocation to indexed-linked gilts over the year by 3% as previously agreed trigger levels were reached allowing the Fund to benefit from the high bond yields.

The investment return for the year to 31 March 2025 was a positive 7.9%, however when compared to the benchmark, this was an underperformance of 4.4%. This was in part due to our investment managers being underweight in the seven large US technology companies (the Magnificent Seven) that have performed very strongly over the period. Instead, investment have been prudent and have been focused on sustainable and impact growth Funds.

Global markets in 2024/25 were characterized by continued uncertainty, largely due to geopolitical tensions and fast evolving monetary policies. Global economic growth was more modest than in previous post pandemic years at just over 3%. Europe, China, and Emerging Market economies generally maintained their momentum, and the United States continued its trend of being the driving force behind global growth.

The trend towards economic isolationism continued (this would be exacerbated in April 2025 with liberation Day in the United States) with countries keen to derisk supply chains by reducing their dependency on certain countries and regions which in turn led to a slowing of trade growth. Political developments continued to be at the forefront of investors' minds, both internationally and domestically, with the continued rise of populism potentially set to affect financial stability.

Global Equity markets saw mixed performance, with the US markets continuing to show signs of strong growth. Global Bond markets experienced a period of heightened volatility, while Private Equity markets demonstrated an increase in activity from the previous year.

Following the aggressive interest rate rises of 2022/23, the period saw a global decline of reported inflation figures. Both the World Bank and International monetary Fund predict that this trend will continue, with many central banks (including the Federal Reserve, European Central Bank and the Bank of England) reacting by lowering interest rates.

The Fund has become cashflow negative from the scheme member activities; this is in part due to the slight contribution reductions for many of the scheme employers following the strong funding position of the valuation, and also the high inflation uplift given to all pensions in payment at the start of the year. The Fund continues to generate sufficient cashflow from its investments and member activities.

The Committee will focus on income over future years, when considering strategy, to ensure we continue to have sufficient income in the long term to pay pensions.

Despite all of this, the Fund is well diversified, very well-funded and has defensive elements to its investment strategy. The Fund's strategy and risk management processes continue to help us to make sure we can keep paying our members pensions now and into the future.

2025 is a valuation year and the Fund's next triennial valuation will be assessed as at 31st March 2025. The scheme actuary regularly tracks the movement of this funding position and on 31 March 2025 the expected the funding level is estimated be approximately 123%. The Fund continues to be in a very strong position when comparing assets to liabilities.

As a global long-term investor, the Pensions Committee continues to recognise that climate change presents significant long-term risks to the value and security of pension scheme investments, and climate opportunities and responsible investment are a significant factor driving returns. The Fund has continued its journey of responsible investment, and more specifically with its focus on climate change risk. We have a detailed Statement of Responsible Investment Principles (SRIP) which sets out the Fund's beliefs on responsible investment and environmental, social and governance risks and how it manages those risks and commitments through investment decision making and implementation.

As a Fund, we are keen advocates for active stewardship and report on engagement activity quarterly, evidencing voting and engagement, covering both our own and our managers activities. The Fund was successful in retaining its FRC Stewardship Code signatory status in the year, meeting the industry's strictest requirements.

The Pension Committee and Pension Board continue to work tirelessly to transform the East Sussex Pension Fund landscape. We are having to do this against a backdrop of uncertainty and a significant amount of extra work generated by the 'Fit for the Future' consultation. 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 a period of extensive change for the Fund and the LGPS as a whole.

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



Councillor Gerard Fox

Chairman of the East Sussex Pension Fund Pension Committee

Welcome from Chair of Pension Board

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

I am pleased to report that the membership of the Board has been much continued to be stable over the most recent accounting period. The new members of the Pension Board have adapted well to the role and continue to make positive impacts to the stewardship of the Fund.

The Board went into the 2024/25 financial year with a target to improve its oversight of investment decision making by the Pension Committee. Whilst such decisions lie wholly within the remit of the Pension Committee, the governance of these decisions is subject to oversight from the Board. I am happy to say that, after working closely with Officers, the Pension Board has been able to achieve this goal and improved its understanding of the factors influencing decision-making to ensure the Committee's fiduciary duty to act in best interests of members is complied with.

The year ahead

Membership of the Pension Board is expected to be relatively stable over the year, with one retirement resulting in a vacancy that needs to be filled. Continued commitment to training and development remains key and we will continue to actively encourage members to take part in the training available to them.

Governance and oversight of LGPS pension funds is likely to be an evolving arena over the coming year as we wait for the government's response to the 'Fit for the Future' consultation. Board will work with Officers and Committee members to ensure that the Fund's governance and oversight is managed in line with expectations that arise from consultation and also pay due regard to the requirements of The Pension's Regulator's code that as it applies to the LGPS.

Cyber risk and business continuity planning will also be a focus for the Board this year and Board members will work with officers to ensure this important aspect of risk management for the Fund is reviewed.

As a Board we will recognise the significant work that lies ahead both in relation to the potential governance reforms outlined above and the potential impact of the pooling arrangements of the Fund's assets.

Ray Martin

Chair of Local Pension Board

Introduction to the LGPS

Local Government Pension Scheme

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

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

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

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

The Fund is required to:

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

Overall Fund Management

Scheme Management and Advisers

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

Name of Fund support	Company/individuals
Pension Committee Members - East Sussex County Councillors	Gerard Fox (Chairman) – Conservative Ian Hollidge – Conservative Paul Redstone – Conservative David Tutt – Liberal Democrats Georgia Taylor – Green Party
Pension Board Members - pensionboard@eastsussex.gov.uk	Independent Chairman Ray Martin Employer representatives Nigel Manvell – Brighton & Hove City Council (to March 2025) Councillor Andrew Wilson – Borough and District Councils Tim Oliver – University of Brighton (to May 2024) Linda Hughes – Southfield Learning Trust (from June 2024) Member representatives Trevor Redmond – Unison Zoe O'Sullivan – Active/Deferred representative Neil Simpson – Pensioners' representative
Scheme administrator	East Sussex County Council - Pensions@eastsussex.gov.uk
Bankers to the Fund	NatWest Bank
Auditor	Grant Thornton UK LLP – London https://www.grantthornton.co.uk/
Pension Fund officers - escppensionsmanager@eastsussex.gov.uk	Chief Finance Officer (S151 officer): Ian Gutsell Head of Pensions: Susan Greenwood Head of Pensions Administration: Paul Punter Pension Manager: Investments and accounting: Russell Wood
Actuary	Barnet Waddingham - 163 West George Street, Glasgow, G2 2JJ
Legal Advisors	Appointed from National LGPS Framework for Legal Services

Name of Fund support	Company/individuals
Investment Consultant	Hymans Robertson LLP - 20 Waterloo Street, Glasgow, G2 6DB https://www.hymans.co.uk/
Independent Adviser	William Bourne https://www.linchpin-advisory.com/
Asset Pool	ACCESS Pool – https://www.accesspool.org/
Asset Pool Operator	Waystone
Investment Managers	Adams Street Partners, https://www.adamsstreetpartners.com/ Atlas, https://www.atlasinfrastructure.com/ Baillie Gifford*, https://www.bailliegifford.com/en/uk/individual-investors/ Bluebay*, https://www.rbcbluebay.com/en/institutional/ CBRE*, https://www.cbre.co.uk/ Harbourvest, https://www.harbourvest.com/ IFM Investors**, https://www.ifminvestors.com/en-gb/ Longview Partners*, https://www.longview-partners.com/ M&G**, https://www.mandg.com/ Newton*, https://www.newtonim.com/uk-institutional/ Pantheon, https://www.pantheoninfrastructure.com/ Ruffer*, https://www.ruffer.co.uk/en/ Wellington, https://www.wellington.com/en WHEB https://www.whebgroup.com/
Custodian	Northern Trust
AVC Provider	Prudential https://www.mandg.com/pru/customer/en-gb

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

Bodies to which the fund is member, subscriber or signatory

Pensions UK

Local Authorities Pension Fund Forum (LAPFF)

CIPFA Pensions Network

Local Government Association (LGA)

Local Government Pension Scheme National Framework:

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

Principles for Responsible Investing (PRI)

Institutional Investors Group on Climate Change (IIGCC)

Pensions for Purpose
Financial Reporting Council (FRC) Stewardship Code 2020
Scheme Advisory Board (SAB)
UK Sustainable Investment and Finance Association (UKSIF)



Risk management

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

Integrating risk management into governance practices

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

The risk register is considered at each Pension Board and Pension Committee meeting with Officers explaining the changes to the risk landscape along with identifying areas where it is suspected change may occur in the future, such as events which are believed likely to have a future inflationary impact. In the first quarter of 2025, the Local Pension Board held a dedicated risk workshop to undertake a "deep dive" review of the Fund's risk register. This exercise enabled a thorough examination of key risks, controls, and mitigation strategies, and served as a forum for collective challenge and discussion.

Following the workshop, a number of updates and refinements were made to the risk register, reflecting the outcomes and recommendations of the session. These changes were subsequently incorporated into the Fund's governance documentation.

This proactive approach demonstrates the Local Pension Board's strong commitment to effective risk management and illustrates the Fund's alignment with recognised best practice in governance.

The governance practices of the Fund, along with other topics, have further oversight through a program of both internal and external audits. The Fund is also subject to a wide-ranging external audit each year, with this service being provided by Grant Thornton.

Identification of risk

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

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

- The risks;
- how likely they are;
- how much of an impact the risk would have on crystallisation;

- mitigations in place; and
- the effect of the mitigations on the risk.

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

The Fund also continues to track its "exempt risks". This covers risks which inherently revolve around confidential information that cannot be disclosed in a public domain. This allows the Pension Board, Pension Committee and Officers to have open discussions about the risks which may impact the Fund without the risk of breaching duties of confidentiality or releasing commercially sensitive information.

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

Risk mitigation

The key risks to the Fund, as at July 2025, are:

- Cyber Security
- Employer data
- Investment Pooling

Cyber Security

The Fund takes cyber security and information security incredibly seriously. All new Officers are required to undertake training on these topics before they are granted full access to computer systems. Officers are also engaged with internal, mandatory training in the areas of cyber and BCP.

Officers are engaging with external advisers to review the Fund's cyber security and resilience capabilities. This review will include an assessment of existing controls and vulnerabilities, as well as recommendations for enhancement.

In parallel, external input will also be sought to inform and strengthen the Fund's Business Continuity Plan, ensuring alignment with industry standards and emerging risks.

This work is scheduled to commence in Q3/Q4 2025 and forms part of the Fund's broader commitment to operational resilience and robust risk management.

Employer data

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

The Fund has an Employer Engagement Team which works closely with the organisations that participate in the Fund. This helps employers to understand their responsibilities and to cleanse the data they provide to

the Fund. To ease the flow of data, employers are being onboarded to a system which allows for the provision of member data on a monthly basis with built in tolerances to help identify potential errors.

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

Investment pooling

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

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

Investment risk

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

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

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

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

Mitigations for the 4 risks identified include:

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

Shared services

Officers are aware of both the risk and opportunities presented by sharing some key services with the wider Local Authority.

In terms of Business Continuity, the Fund is represented on the appropriate working group to ensure it has sight of issues being addressed across the Council and has a voice to ensure its interests are not neglected.

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

Reviewing our processes

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

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



Governance and Training

Pension Committee

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

<https://democracy.eastsussex.gov.uk/ieListDocuments.aspx?CId=615&MId=6100&Ver=4&Info=1&MD=Constitution&bcr=1>

The terms of reference can be found under Part 3 Table 5

Pension Board

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

<https://democracy.eastsussex.gov.uk/ieListDocuments.aspx?CId=615&MId=6100&Ver=4&Info=1&MD=Constitution&bcr=1>

The terms of reference can be found under Part 3 Table 5

ACCESS Pool Joint Committee

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

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

- Monitor investment performance

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

Committee membership and attendance

During the year ended 31 March 2025 there were 4 meetings of the Pension Committee, 4 meetings of the Pension Board along with the annual Employers' Forum.

Member attendance at committee meetings during 2024/25:

2024/25 - Pension Committee Members

East Sussex County Councillors	Nos. of meetings attended
Councillor Gerard Fox (Chairman)	4/4
Councillor Georgia Taylor	4/4
Councillor David Tutt	4/4
Councillor Georgia Taylor	4/4
Councillor David Tutt	4/4

2024/25 - Pension Board Members

Board Members	Nos. of meetings attended
Ray Martin – Independent Chairman	4/4
Nigel Manvell – Brighton & Hove City Council	3/4
Zoe O'Sullivan - Active & Deferred	3/4
Trevor Redmond – Active and Deferred	2/4
Neil Simpson – Pensioner	4/4
Councillor Andrew Wilson – Borough and District Councils Councillor	4/4
Linda Hughes – The Southfield Trust	3/3

2024/25 - Member attendance at ACCESS Pool joint committee meetings

2024/25 Joint Committee Members	Nos. of meetings attended
Councillor Gerard Fox	3/4

During 2024/25 the Pension Board saw a change in its makeup, with the following people being appointed and resigning:

- Nigel Manvell – retired February 2025
- Linda Hughes – appointed June 2024

The Knowledge and Skills Framework

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

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

CIPFA/Solace Knowledge and Skills Framework – Pension Fund Committees

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

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

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

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

CIPFA Technical Knowledge and Skills Framework – Local Pension Boards

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

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

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

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

Links to The Scheme Advisory Board's Good Governance project

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

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

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

The Pensions Regulator's E-learning toolkit

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

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

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

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

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

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

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

Members of the Pension Committee require an understanding of:

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

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

Expectations on Pension Committee Members

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

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

Local Pension Board

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

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

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

Local Pension Board members must be conversant with:

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

Training attended by Pension Board and Pension Committee

In the financial year 2024/25 members of both the Pension Board and Pension Committee attended a range of training sessions. These were a mix of sessions led by Officers, in-house events led by one of the Fund's advisors and external training events. All Board and Committee members are also provided with a list of articles and podcasts each month that have a training benefit. The time spent at formal sessions, which excludes personal development such as online toolkits, is listed below.

Pension Committee

East Sussex County Councillors	Hours of training events attended
Councillor Gerard Fox (Chairman)	1.5
Councillor Ian Hollidge	5
Councillor Paul Redstone	18.5
Councillor Georgia Taylor	22.45
Councillor David Tutt	2.5

Pension Board

Board Members	Hours of training events attended
Ray Martin (Chair)	2.5
Councillor Bharti Gajjar - Brighton & Hove City Council ¹	-
Nigel Manvell – Brighton & Hove City Council ²	1
Tim Oliver - Educational Bodies	-
Zoe O'Sullivan - Active & Deferred	8
Trevor Redmond – Active and Deferred	10
Neil Simpson – Pensioner	6
Lynda Walker - Active & Deferred ³	16.5
Councillor Andrew Wilson – Borough and District Councils	3

Work undertaken by the Pension Board and Pension Committee

In financial year 2024/25 the Pension Board heard, and provided input for, reports on a variety of topics covering the governance and administration of the Fund. This included discussion of the risk register, which is a standing item on the agenda of both the Pension Board and Pension Committee.

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

<https://democracy.eastsussex.gov.uk/documents/s67795/9.%20Report%20from%20chair%20of%20the%20Board.pdf>

¹ In post for 4 months, including induction period

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

³ In post for 2 months before resigning

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

Conflicts of interest

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

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

Key officers

The following roles made up the senior Officer Group in Financial Year 2024/25:

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



Financial Performance

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

Analytical Review

The following tables provide a brief review of the major movements in the Fund Account and the Net Assets Statement for the financial year. More detail is provided in the Investment Policy and Performance report from page 29.

	2023/24	2024/25
	£000	£000
Fund Account		
Net (Contributions)/withdrawals	3,352	6,610
Management Expenses	26,278	29,588
Return on Investments	(383,440)	(92,378)
Net Increase in Fund	(353,810)	(56,180)

	2023/24	2024/25
	£000	£000
Net Asset Statement		
Bonds	234,909	357,460
Equities	395,972	412,833
Pooled Funds	4,215,384	4,091,566
Cash	70,293	111,311
Other	(1,310)	1,525
Total Investment Assets	4,915,248	4,974,695
Non-Investment Assets	17,111	13,844
Net assets of the fund available to fund benefits at the year end.	4,932,359	4,988,539

Analysis of pension contributions

The table below shows the number of primary pension contributions received late in the financial year 2024/25.

Month	Payments Due	Payments Received Late
April	148	1
May	148	2
June	149	3
July	148	5
August	146	3
September	151	2
October	151	5
November	151	4
December	151	4
January	155	1
February	155	4
March	156	0

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	2023/24	2023/24	2024/25	2024/25	2025/26
	Forecast	Actual	Forecast	Actual	Forecast
	£000	£000	£000	£000	£000
Contributions	(161,929)	(166,107)	(186,884)	(186,882)	(208,000)
Payments	166,328	169,459	197,188	193,492	227,300
Administration expenses	3,696	3,377	3,725	3,504	3,800
Oversight and governance costs	689	598	736	665	700
Investment expenses:					
Management Fees	28,352	22,303	23,187	25,419	26,800
Net investment income	(76,300)	(68,794)	(71,200)	(84,105)	(90,100)
Change in market value	(177,000)	(314,646)	(194,900)	(8,273)	(233,000)
Net increase in the Fund	(216,064)	(353,810)	(228,149)	(56,180)	(272,500)

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	2023/24	2023/24	2024/25	2024/25	2024/25
	Forecast	Actual	Forecast	Actual	Forecast
Equities	2,115,800	2,185,980	2,295,300	2,145,269	2,270,700
Bond	515,200	696,549	707,000	848,485	901,800
Property	336,100	321,613	329,300	314,095	322,100
Alternatives	875,200	823,502	877,000	806,037	824,800
Cash	45,600	70,293	55,500	111,311	148,100
Other	848,500	817,311	848,700	749,498	777,000
Total Investment Assets	4,736,700	4,915,248	5,112,800	4,974,695	5,244,500

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

	2023/24	2023/24	2024/25	2024/25	2025/26
	Forecast	Actual	Forecast	Actual	Forecast
	£000	£000	£000	£000	£000
Pension Fund Staff Costs					
ESCC Recharge	2,023	1,958	2,436	2,334	2,460
Staff costs total	2,023	1,958	2,436	2,334	2,460
Administration Costs					
ESCC Support Services	475	315	531	344	348
Supplies and Services	1,179	1,125	773	851	994
Income		(21)	(15)	(21)	(5)
Administration total	1,654	1,419	1,289	1,174	1337
Oversight and governance costs					
ESCC Support Services	37	37	37	37	37
Supplies and Services	652	562	699	628	705
Third Party Payments	81	118	89	92	92
Other Income	(81)	(119)	(89)	(92)	(92)
Oversight and governance total	689	598	736	665	742
Investment Management (excluding manager fees)					
Custodian	97	107	100	102	106
Investment Management Total	97	107	100	102	106
Monitored Management Expenses Total	4,463	4,082	4,561	4,275	4,645
Investment Management Not Monitored*					
Management Fees	28,352	22,196	23,087	25,313	26,800
Investment Management not monitored Total	28,352	22,196	23,087	25,313	26,800
Management Expenses Total	32,815	26,278	27,648	29,588	31,445

* The decision was taken that investment management fees would no longer be monitored through the budget monitoring process in 2023/24.

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

Pension overpayments

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

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

Year	Value	Overpaid Pensioners	Recoveries	Write Off	Outstanding
2024/25	Number	33	29	2	2
	Value £000	17	16	0	1
2023/24	Number	43	38	2	3
	Value £000	51	32	1	17
2022/23	Number	69	51	13	5
	Value £000	50	30	18	2
2021/22	Number	42	26	13	3
	Value £000	32	22	7	3
2020/21	Number	19	4	0	15
	Value £000	9	1	0	8

The 24/25 value of the invoices written off this year was less than a thousand pounds.

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



East Sussex Pension Fund - Accounts 2024/25



Fund Account, Net Assets Statement and Notes to the accounts

Introduction

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

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

Currently within the East Sussex Pension Fund there are 149 participating employers. A full list of participating employers is given at note 29.

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

Administering Authority Responsibilities

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

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

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

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

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

Asset Pools

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

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

At the 31 March 2025 collectively, the pool has assets of £66.7 billion (of which 74% has been pooled) serving approximately 3,500 employers with over 1.2 million members.

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

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

Following the November 2024 Mansion House speech the government published a consultation entitled “Local Government Pension Scheme: Fit for the Future”. This discussed further in the note 6. Events after the balance sheet date.

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

Fund account, net assets statement and notes

Fund Account

2023/24 £000	2023/24 £000	Notes	2024/25 £000	2024/25 £000
		Dealings with members, employers and others directly involved in the fund		
		Contributions		
(115,497)		7	(121,570)	
(39,521)		From Employers		
		From Members	(43,424)	
	(155,018)			(164,994)
	(11,089)	Transfers in from other pension funds		(21,888)
	(166,107)	8		(186,882)
	155,608	Benefits		177,514
	13,851	Payments to and on account of leavers	10	15,978
	169,459			193,492
	3,352	Net (additions)/withdrawals from dealings with members		6,610

26,278	Management expenses	11	29,588
29,630	Net (additions)/withdrawals including fund management expenses		36,198
	Returns on investments		
(68,871)	Investment income	12	(84,215)
77	Taxes on income	13a	110
(314,646)	Profit and losses on disposal of investments and changes in the value of investments	14a	(8,273)
(383,440)	Net return on investments		(92,378)
(353,810)	Net (increase)/decrease in net assets available for benefits during the year		(56,180)
(4,578,549)	Opening net assets of the scheme		(4,932,359)
(4,932,359)	Closing net assets of the scheme		(4,988,539)

Net Assets Statement for the year ended 31 March 2025

31 March 2024 £000		Notes	31 March 2025 £000
4,846,304	Investment assets	14	4,861,860
1,333	Other Investment balances	21	2,016
(2,682)	Investment liabilities	22	(492)
70,293	Cash deposits	14	111,311
4,915,248	Total net investments		4,974,695
20,194	Current assets	21	16,643
(3,083)	Current liabilities	22	(2,799)
4,932,359	Net assets of the fund available to fund benefits at the year end.		4,988,539

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 2025 and of the movements for the year then ended.

Ian Gutsell

Chief Finance Officer (Section 151 Officer)

Business Services Department

Date to be confirmed

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

I: Description of Fund

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

The following description of the Fund is a summary only. For more detail, references should be made to the East Sussex Pension Fund Annual Report 2024/25 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and The Local Government Pension Scheme (LGPS) Regulations.

General

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

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

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

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

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

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

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

Membership

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

Organisations participating in the East Sussex Pension Fund include:

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

There are 149 employer organisations within East Sussex Pension Fund including the County Council itself, and 86,784 members as detailed below:

East Sussex Pension Fund	31 March 2024	31 March 2025
Number of employers with active members	144	149
Number of employees		
County Council	8,003	7,889
Other employers	16,885	17,076
Total	24,888	24,965
Number of pensioners		
County Council	10,898	11,472
Other employers	14,390	15,290
Total	25,288	26,762
Deferred pensioners		
County Council	14,288	13,973
Other employers	20,952	21,084
Total	35,240	35,057
Total number of members in pension scheme	85,416	86,784

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 2025. Employee contributions are matched by employers' contributions, which are set, based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022. Currently, employer contribution rates range from 0% to 45.9% of pensionable pay.

Benefits

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

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

www.eastsussexpensionfund.org

2: Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2024/25 financial year and its position at year-end as at 31 March 2025. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 which is based upon International Financial Reporting Standards (IFRS) as amended for UK public sector. The accounts have been prepared on a going concern basis. The accounts have been prepared on a going concern basis which management believes to be right as the latest valuation provided by our actuary has set the Funding level at 123% contributions rates were set for 3 years, the fund strategy statement is being followed and we are collecting contributions in line with these. We have £5.0bn in assets that are generating investment returns in line with expectations and the benefits continue to be covered from contributions and investment income.

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

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

The standards introduced by the 2025/26 Code where disclosures are required in the 2024/25 financial statements are:

- a) IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability) issued in August 2023. The amendments to IAS 21 clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.
- b) IFRS 17 Insurance Contracts issued in May 2017. IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts.
- c) The changes to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible noninvestment assets and a requirement to value intangible assets using the historical cost approach. These have the same effect as requiring a change in accounting policy due to an amendment to standards, which would normally be disclosed under IAS 8. However, the adaptations also include a relief from the requirements of IAS 8 following a change in accounting policy.
- d) It is likely there will be limited application of items a) and b), although authorities will need to consider their individual circumstances in case either of these standards apply.

There were no amendments for 2024/25 for the accounts of the Pension Fund.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits.

The code gives administering authorities the option to disclose this information in the net asset statement, in the notes to the accounts or appending an actuarial report prepared for this purpose. The Pension Fund has opted to disclose this information in Note 20.

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

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

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

3. Summary of significant accounting policies

Fund account – revenue recognition

1. Contribution income

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

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

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

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

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

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

2. Transfers to and from other schemes

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

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

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

3. Investment income

a) Interest income

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

b) Dividend income

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

c) Distributions from pooled funds

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

d) Movement in the net market value of investments

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

Fund account – expense items

4. **Benefits payable**

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

5. **Taxation**

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

6. **Management expenses**

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

a) Administrative expenses

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

b) Oversight and governance costs

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

c) Investment management expenses

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

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

Where an investment manager's fee has not been received by the balance sheet date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2024/25, £0.43m of fees is based on such estimates (2023/24: £1.2m).

Net assets statement

7. Financial assets

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

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

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

8. Foreign currency transactions

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

9. Derivatives

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

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

10. Cash and cash equivalents

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

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

11. Financial liabilities

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

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

12. Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 26 and relevant actuarial standards.

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

13. Additional voluntary contributions

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

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

14. Contingent assets and contingent liabilities

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

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

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

4. Critical judgements in applying accounting policies

Pension Fund liability

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

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

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

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

Private equity	Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2015). Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £359 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.
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 £423.3 million . There is a risk that this investment may be under or overstated in the accounts depending on use of estimates applied in the valuation models by the investment managers. The sensitivity of this figure is discussed further in Note 16 and Note 18.
Pooled Property	Pooled Property investments are valued at closing bid prices if both bid and offer prices are published; or if single priced, at the closing single price. Pooled property funds have derived underlying assets that have been valued by independent external valuers on a fair value basis in accordance with industry guidelines.	The total Pooled Property investments in the financial statements are £314.9 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 £4,975.0 million . There is a risk that the investments may be over or understated in the accounts depending on the assumptions around policy responses to climate change in the valuation of investments. The impact would be across the whole Fund but not necessary equally across asset classes. We consider that there is a price risk – sensitivity of £672M which is discussed further in Note 16 and Note 18.

6. Events after the balance sheet date

In November 2024 the Chancellor made a speech at Mansion House following this the government published a consultation entitled “Local Government Pension Scheme: Fit for the Future”. As part of this the ACCESS Pool was requested to provide a proposal to Government on how it would meet the requirements set out in consultation at the end of February 2025. The Pensions Minister Torsten Bell and Local Government Minister Jim McMahon wrote to all ACCESS Authorities on 9 April 2025 in response to the ACCESS Pool’s proposal. This letter indicated that Government did not support ACCESS’s February proposal and invited each ACCESS Authority to identify which pool they wish to partner with going forward. This will require the East Sussex Pension Fund to consider its pooling arrangements during 2025 and work to move its assets across to a new LGPS pool provider. Currently the financial impact of this cannot currently be made or estimated.

7. Contributions Receivable

	2023/24 £000	2024/25 £000
<i>By category</i>		
Employee’s contributions	39,521	43,424
Employer’s contributions		
Normal contributions	114,257	120,825
Deficit recovery contributions	357	277
Augmentation contributions	883	3,737
Employers in surplus (exit credits paid)	-	(3,269)
Total	155,018	164,994
<i>By authority</i>		
Scheduled bodies	101,458	110,568
Admitted bodies	3,217	3,099
Administrative Authority	50,343	54,596
Employers in surplus (exit credits paid)	-	(3,269)
Total	155,018	164,994

The contribution includes the exit credit payments of 5 scheme employers which had ceased before end of 31 March 2025 where an exit credit payment were made in 2024/25. The total of the exit payments for the 5 employers totalled £3.3m.

8. Transfers in from other pension funds

	2023/24 £000	2024/25 £000
Group transfers	-	-
Individual transfers	11,089	21,888
Total	11,089	21,888

9. Benefits payable

	2023/24 £000	2024/25 £000
<i>By category</i>		
Pensions	131,847	144,512
Commutation and lump sum retirement benefits	20,305	29,087
Lump sum death benefits	3,456	3,915
Total	155,608	177,514
<i>By authority</i>		
Scheduled bodies	93,156	106,990
Admitted bodies	4,890	5,556
Administrative Authority	57,562	64,968
Total	155,608	177,514

10. Payments to and on account of leavers

	2023/24 £000	2024/25 £000
Refunds to members leaving service	408	780
Group transfers	(137)	-
Individual transfers	13,580	15,198
Total	13,851	15,978

11. Management expenses

	2023/24 £000	2024/25 £000
Administrative costs	3,377	3,504
Investment management expenses	22,303	25,419
Oversight and governance costs	598	665
Total	26,278	29,588

I 1a) Investment management expenses – 2024/25

2024/25	Total £000	Management Fees £000	Performance Related Fees £000	Transaction costs* £000
Bonds	17	17	-	-
Equities	659	659	-	-
Pooled investments				
Fixed Income	2,211	2,146	-	65
Equity	5,965	5,436	-	529
Diversified growth funds	5,086	4,552	-	534
Pooled property investments	1,431	1,431	-	0
Private equity / infrastructure	9,948	8,555	1,381	12
	25,317	22,796	1,381	1,140
Custody	102			
Total	25,419			

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

2023/24	Total £000	Management Fees £000	Performance Related Fees £000	Transaction costs* £000
Bonds	85	85	-	-
Equities	500	500	-	-
Pooled investments				
Fixed Income	1,972	1,935	-	37
Equity	7,110	6,513	-	597
Diversified growth funds	4,769	4,465	-	304
Pooled property investments	1,586	1,560	-	26
Private equity / infrastructure	6,174	6,695	(521)	-
	22,196	21,753	(521)	964
Custody	107			
Total	22,303			

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

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 2024/25 of £5.2m (£4.0m in 2023/24) on its private equity investments, fees of £4.7m (£1.7m in 2023/24) on its infrastructure investments, fees of £10.4m (£9.2m in 2024/25) on investments in the ACCESS Pool and fees of £5.0m (£4.2m in 2024/25) on other mandates. These fees are deducted at the individual portfolio level rather than being paid directly by the Pension Fund.

12. Investment income

	2023/24 £000	2024/25 £000
Income from equities	5,561	7,496
Private equity/Infrastructure income	1,958	2,554
Pooled property investments	11,801	14,686
Pooled investments - unit trusts and other managed funds	47,288	56,805
Interest on cash deposits	2,263	2,674
Total	68,871	84,215

13. Other fund account disclosures

13a) Taxes on income

	2023/24 £000	2024/25 £000
Withholding tax – equities	(77)	(110)
Total	(77)	(110)

13b) External audit costs

	2023/24 £000	2024/25 £000
Payable in respect of external audit for 2021/22	-	17
Payable in respect of external audit for 2022/23	-	4
Payable in respect of external audit for 2023/24	98	-
Payable in respect of external audit for 2024/25	-	102
Payable in respect of other services	-	5
Total	98	128
Grant	(11)	(15)
Total	87	113

14. Investments

	2023/24 £000	2024/25 £000
<i>Investment assets</i>		
Bonds	234,909	357,460
Equities	395,972	412,834
<i>Pooled Investments</i>		
Fixed Income	496,738	519,444
Equity	1,790,008	1,732,436
Diversified growth funds	818,621	747,974
Pooled property investments	321,613	314,095
Private equity/infrastructure	788,404	777,616
<i>Derivative contracts:</i>		
Futures	39	1
	4,846,304	4,861,860
Cash deposits with Custodian	70,293	111,311
Other Investment balances (Note 21)	1,333	2,016
Total investment assets	4,917,930	4,975,187
Investment Liabilities (Note 22)	(2,682)	(472)
<i>Derivative contracts:</i>		
Futures	-	(20)
Total Investment Liabilities	(2,682)	(492)
Net investment assets	4,915,248	4,974,695

14a) Reconciliation of movements in investments and derivatives

	Market value 1 April 2024 £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 2025 £000
Bonds	234,909	152,000	-	(29,449)	357,460
Equities	395,972	118,486	(111,907)	10,283	412,834
Pooled investments	3,105,367	194,821	(284,561)	(15,773)	2,999,854
Pooled property investments	321,613	5,363	(23,478)	10,597	314,095
Private equity/infrastructure	788,404	30,525	(73,323)	32,010	777,616
	4,846,265	501,195	(493,269)	7,668	4,861,859
<i>Derivative contracts</i>					
■ Futures	39	1,732	(1,771)	(19)	(19)
■ Forward currency contracts	-	-	-	-	-
	4,846,304	502,927	(495,040)	7,649	4,861,840
<i>Other investment balances:</i>					
■ Cash deposits	70,293			624	111,311
■ Other Investment Balances	1,333				2,016
■ Investment Liabilities	(2,682)				(472)
Net investment assets	4,915,248			8,273	4,974,695

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

14b) Investments analysed by fund manager

	Market value 31 March 2024 £000	Market value 31 March 2024 %	Market value 31 March 2025 £000	Market value 31 March 2025 %
Investments in the ACCESS Pool				
ACCESS - Alpha Opportunities (M&G)	330,522	6.7%	195,138	3.9%
ACCESS - Absolute Return (Ruffer)	450,410	9.2%	455,167	9.1%
ACCESS - Corporate Debt (M&G)	131,119	2.7%	124,462	2.5%
ACCESS - Global Alpha (Baillie Gifford)	217,275	4.4%	213,485	4.3%
ACCESS - Global Equity (Longview)	521,637	10.6%	510,196	10.3%
ACCESS - Global Infrastructure (IFM)	246,864	5.0%	267,901	5.4%
ACCESS - Passive Index Linked (UBS)	234,918	4.8%	357,452	7.2%
ACCESS - Passive Osmosis (UBS)*	397,602	8.1%	415,406	8.4%
ACCESS - Real Estate Fund (CBRE)*	-	-	338,685	6.8%
ACCESS - Real Return (Newton)	368,211	7.5%	292,812	5.9%
ACCESS – Total Return Credit (RBC Blue Bay)	-	-	171,429	3.4%
	2,898,558	59.0%	3,342,133	67.2%
Investments held directly by the Fund				
Adams Street Partners*	189,505	3.9%	174,134	3.5%
Atlas Infrastructure	99,922	2.0%	104,380	2.1%
East Sussex Pension Fund Cash	52,172	1.1%	76,814	1.5%
Harbourvest Partners*	181,573	3.7%	185,473	3.7%
M&G	35,098	0.7%	28,419	0.6%
Pantheon	87,045	1.8%	77,297	1.6%
Infracapital	49,369	1.0%	42,836	0.9%
Schroders *	336,032	6.8%	3,495	0.1%
Storebrand	465,360	9.5%	450,317	9.1%
UBS Infrastructure	35,389	0.7%	35,337	0.7%
Wellington Management	247,275	5.0%	253,400	5.0%
Wheb	237,950	4.8%	200,660	4.0%
	2,016,690	41.0%	1,632,562	32.8%
	4,915,248	100.0%	4,974,695	100.0%

* These mandates is where the investment manager oversees the East Sussex Pension Fund's investments in a range of underlying investments these are not a single investments into an investment fund.

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

Security	Market Value 31 March 2024 £000	% of total fund	Market value 31 March 2025 £000	% of total fund
WS ACCESS Global Equity Fund	521,637	10.6%	510,196	10.3%
AMX UCITS CCF - Storebrand - Global ESG Plus	465,360	9.5%	450,317	9.1%
WS ACCESS Absolute Return Fund	450,410	9.2%	455,167	9.1%
UBS Life UK Over 5 Year Index-Linked Tracker Fund	234,918	4.8%	357,452	7.2%
WS ACCESS Real Return Fund	368,211	7.5%	292,812	5.9%
IFM Global Infrastructure	246,864	5.0%	267,901	5.4%
Wellington Global Impact Fund	247,275	5.0%	253,400	5.0%

14c) Stock lending

The East Sussex Pension Fund has not operated a direct stock lending programme since 13 October 2008 but stock lending may occur in some of our pooled vehicles the fund is 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	Market Value 31 March 2024 £000	Economic Exposure	Market Value 31 March 2025 £000
		£000		£000	
Assets					
UK Equity Futures	Less than one year	240	10	-	-
Overseas Equity Futures	Less than one year	1,239	29	138	1
Total assets			39		1
Liabilities					
UK Equity Futures	Less than one year	-	-	257	(2)
Overseas Equity Futures	Less than one year	-	-	2,145	(18)
Total liabilities			-		(20)
Net futures			39		(19)

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 25 (Nil 31 March 24)

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 25 (Nil 31 March 24)

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

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

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequential potential impact on the closing value of investments held at 31 March 2025 and 31 March 2024.

Asset Type	Assessed valuation range (+/-)	Values at 31 March 2025 £000	Value on increase £000	Value on decrease £000
Pooled Investment (1)	9%	28,419	30,977	25,861
Pooled property investments (2)	15.2%	314,095	361,837	266,353
Private Equity/Infrastructure (3)	20%	777,616	933,139	622,093
Total		1,120,130	1,325,953	914,307

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

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 15% 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 2025

	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	414,851	3,328,895	1,120,130	4,863,876
Non-financial assets at fair value through profit and loss	-	-	-	-
Financial liabilities at fair value through profit and loss	(20)	(472)	-	(492)
Net investment assets	414,831	3,328,423	1,120,130	4,863,384

Values at 31 March 2024

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

16b) Transfers between levels 1 and 2

During 2024/25 and 2023/24 the fund has transferred no financial assets between levels 1 and 2.

16c) Reconciliation of fair value measurements within level 3

Period 2024/25 (values in £000)

	Market value 1 April 2024	Transfers into Level 3	Transfers out of Level 3	Purchases during the year	Sales during the year	Unrealised gains/(losses)	Realised gains/(losses)	Market value 31 March 2025
Pooled investments	35,096	-	-	-	(9,112)	2,435	-	28,419
Pooled property investments	321,612	-	-	5,363	(23,478)	(40,580)	51,178	314,095
Private Equity/Infrastructure	788,408	-	-	30,525	(73,323)	4,863	27,143	777,616
Total	1,145,116	-	-	35,888	(105,913)	(33,282)	78,321	1,120,130

*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	(118,044)	81,278	(36,766)
3	(33,282)	78,321	45,039
Total	(151,326)	159,599	8,273

Period 2023/24 (values in £000)

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

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

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

17. Classification of financial instruments

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

31 March 2024			31 March 2025		
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					
234,909	-	-	357,460	-	-
395,972	-	-	412,834	-	-
3,105,367	-	-	2,999,854	-	-
321,613	-	-	314,095	-	-
788,404	-	-	777,616	-	-
39	-	-	1	-	-
-	70,293	-	-	111,311	-
-	5,031	-	-	2,134	-
1,333	-	-	2,016	-	-
-	15,163	-	-	1,115	-
4,847,637	90,487	-	4,863,876	114,560	-
Financial liabilities					
-	-	-	(20)	-	-
(2,682)	-	-	(472)	-	-
-	-	(3,072)	-	-	(2,055)
(2,682)	-	(3,072)	(492)	-	(2,055)
4,844,955	90,487	(3,072)	4,863,384	114,560	(2,055)
Total Financial Instruments					

*Reconciliation to Current Assets Note 21

	2023/24	2024/25 £000
Cash held by ESCC	5,031	2,134
Contributions	13,068	13,394
Debtors	5,031	1,115
Current Assets	20,194	16,643

Reconciliation to Current Liabilities Note 22

	2023/24	2024/25 £000
Pension Payments	(549)	(744)
Professional Fees	(15)	(15)
Administration	(328)	(8)
Recharge		
Sundry Creditors	(2,191)	(2,032)
Current Assets	(3,083)	(2,799)

17a) Net gains and losses on financial instruments

	31 March 2024 £000	31 March 2025 £000
<i>Financial assets</i>		
Fair value through profit and loss	314,645	7,654
Amortised cost – realised gains on derecognition of assets	-	
Amortised cost – unrealised gains	1	606
<i>Financial liabilities</i>		
Fair value through profit and loss	-	13
Amortised cost – realised gains on derecognition of assets	-	-
Amortised cost – unrealised gains	-	-
Total	314,646	8,273

18. Nature and extent of risks arising from financial instruments

Risk and risk management

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

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

Market risk

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

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

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

The Fund manages these risks in two ways:

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

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

Other price risk

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

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

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

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the 2024/25 reporting period:

Asset Type	Potential Market Movements (+/-)
Index Linked	7.8%
Other Bonds	6.6%
UK Equities	18.0%
Global Equities	18.0%
Absolute Return	2.7%
Pooled Property Investments	15.2%
Private Equity	26.6%
Infrastructure Funds	14.5%

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 2025 £000	Value on increase £000	Value on decrease £000
Index Linked	357,460	385,342	329,578
Other Bonds	519,444	553,727	485,161
UK Equities	15,240	17,983	12,497
Global Equities	2,130,030	2,513,435	1,746,625
Absolute Return	747,974	768,168	727,778
Pooled Property Investments	314,095	361,837	266,353
Private Equity	354,245	448,474	260,016
Infrastructure Funds	423,371	484,760	361,982
Net Derivative Assets*	1	(338)	340
Total assets available to pay benefits	4,861,860	5,533,388	4,190,330

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

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

Interest rate risk

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

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

The Fund's direct exposure to interest rate movements as of 31 March 2025 and 31 March 2024 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 2025 £000	Increased Value £000	Decreased Value £000
Cash and cash equivalents	111,311	111,311	111,311
Cash balances	2,134	2,134	2,134
Fixed interest securities	519,444	524,638	514,250
Index linked securities	357,460	361,035	353,885
Total change in assets available	990,349	999,118	981,580

*note that a 1% increase in interest rate negatively affects the value of fixed income and Index linked securities, and vice-versa

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

Income Source	Interest receivable 2024/25 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash deposits/cash and cash equivalents	2,674	3,808	1,540
Fixed interest securities	15,517	15,517	15,517
Index linked securities	-	-	-
Total change in assets available	18,191	19,325	17,057

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

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 2025 £000	Potential Market movement £000	Value on increase £000	Value on decrease £000
Overseas quoted securities	397,594	39,759	437,353	357,835
Overseas unit trusts	3,263,576	326,358	3,589,934	2,937,218
Total change in assets available	3,661,170	366,117	4,027,287	3,295,053

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

Climate Change risk

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

Credit risk

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

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

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

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

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

Summary	Asset value as at 31 March 2024 £000	Asset value as at 31 March 2025 £000
Overseas Treasury bills	15,336	-
Variation Margin	-	225
NT custody cash accounts	54,958	111,086
Total overseas assets	70,294	111,311

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 2025 are due within one year.

Refinancing risk

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

19. Funding arrangements

Introduction

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

Asset value and funding level

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

- The market value of the Fund's assets as at 31 March 2022 was £4.69bn.
- The Fund had a funding level of 123% i.e., the value of assets for valuation purposes was 123% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a surplus of £859m.

Contribution rates

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

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

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

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

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

Assumptions

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

Assumptions	Assumptions used for the 2022 valuation
Financial assumptions	
Market date	31 March 2022
CPI inflation	2.9% p.a.
Long-term salary increases	3.9% p.a.
Discount rate	4.6% p.a.
Demographic assumptions	
Post-retirement mortality	
Base tables	Based on Club Vita analysis
Projection model	CMI 2021
Long-term rate of improvement	1.25% p.a.
Smoothing parameter	7.0
Initial addition to improvements	
Males	0% p.a.
Females	0% p.a.
2020/21 weighting parameter	5%

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

Updated position since the 2022 valuation

Assets

Investment returns on the Fund's assets over the three years to 31 March 2025 have been lower than assumed at the previous actuarial valuation, but have been positive. The Fund also has had a positive cash flow over the period, and so the market value of assets at 31 March 2025 has increased since the formal valuation.

Liabilities

Inflation over the three years to 31 March 2025 has been higher than the long-term average assumed at the 2022 valuation. However, this has been largely offset by changes in financial assumptions underlying the valuation funding model and future expectations of inflation and investment returns. The value of liabilities has overall increased mainly due to interest accruing on those liabilities and due to further accrual of members' benefits over the period.

20. Actuarial present value of promised retirement benefits

The figures below have been prepared by the Fund's actuary, only for the purposes of providing the information required by IAS 26 (Accounting and Reporting by Retirement Benefit Plans). They are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation. In calculating the net liability, the actuary adopted methods and assumptions that are consistent with IAS 19. In conducting the 2022 actuarial valuation referred to in note 19, the Actuary has taken into account the investment policy when determining the assumptions to be used.

Employer membership statistics

The table below summarises the membership data at 31 March 2022

Member data summary

	Number	Salaries/Pensions £000	Average age
Actives	24,672	500,451	47
Deferred pensioners	39,993	48,986	51
Pensioners	23,183	116,050	72

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2025 is calculated to be -1.78% based on the Fund asset statements and Fund cashflows as set out in the Data section preceding this section.

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

Asset breakdown	31 Mar 2024 £000	31 Mar 2024 %	31 Mar 2025 £000	31 Mar 2025 %
Equities	3,375,056	69%	3,248,343	65%
Bonds	731,646	15%	876,903	18%
Property	740,347	15%	737,596	15%
Cash	69,379	1%	127,401	3%
Total	4,916,428	100%	4,990,243	101%

Demographic assumptions

Mortality assumption

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

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

Base table mortality

The base table mortality assumptions adopted for the Funds' latest triennial funding valuations were best estimate assumptions and we will therefore be using the same assumptions as standard for accounting. For employers participating in an English or Welsh LGPS fund, the last actuarial valuation was at 31 March 2022.

For England and Wales, the next triennial valuation date is as at the accounting date, 31 March 2025. The results of the 2025 valuation will not be finalised at the time of preparing reports, nor assumptions agreed with the relevant LGPS fund. An update to base mortality tables will follow next year as part of 31 March 2026 reporting

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.

The CMI have released the 2023 version of their model and so we intend to further update our mortality assumptions to use the 2023 core model as standard for all employers. This represents a change from the last accounting date when the 2022 version of the model was used for most employers. The latest version of the core model places no weight on the exceptional mortality experienced during 2020 and 2021 as a result of the Covid pandemic, but places some reliance on mortality data that has been observed since. Specifically, a weighting of 15% is applied to mortality in the 2022 and 2023 years' data. The impact of updating the model is expected to be a slight reduction in life expectancies for all employers, largely reflecting the heavier than average mortality that was experienced during 2022 and 2023.

The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)	31 Mar 2024	31 Mar 2025
Males – retiring today	20.9	20.9
Females – retiring today	23.8	23.9
Males – retiring in 20 years	21.9	21.9
Females – retiring in 20 years	25.4	25.4

Results and disclosures

We estimate that the net asset as at 31 March 2025 is assets of £1,282.517

The results of our calculations for the year ended 31 March 2025 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 2025

Net pension asset in the statement of financial position as at	31-Mar-23	31-Mar-24	31-Mar-25
	£000	£000	£000
Present value of defined benefit obligation *	(4,042,513)	(4,153,325)	(3,707,726)
Fair value of Fund assets (bid value)	4,560,502	4,916,428	4,990,243
Net Assets in balance sheet	517,989	763,103	1,282,517

* The present value of the defined benefit obligation consists of £3,677,277,000 in respect of vested obligation and £30,449,000 in respect of non-vested obligation.

Asset and benefit obligation reconciliation for the year to 31 March 2025

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	31-Mar-24 £000	31-Mar-25 £000
Opening defined benefit obligation	(4,042,513)	(4,153,325)
Current service cost	(108,881)	(111,033)
Interest cost	(191,204)	(200,358)
Change in financial assumptions	36,157	604,366
Change in demographic assumptions	46,447	10,377
Experience loss/(gain) on defined benefit obligation	(12,789)	11,876
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	158,371	173,829
Past service costs, including curtailments	(1,203)	(3,737)
Contributions by Scheme participants	(37,710)	(39,721)
Unfunded pension payments	-	-
Closing defined benefit obligation	(4,153,325)	(3,707,726)

Reconciliation of opening & closing balances of the fair value of Fund assets	31-Mar-24 £000	31-Mar-25 £000
Opening fair value of Fund assets	4,560,502	4,916,428
Interest on assets	218,797	240,672
Return on assets less interest	145,535	(153,029)
Other actuarial gains/(losses)	-	-
Administration expenses	(3,906)	(4,220)
Contributions by employer including unfunded	116,161	124,500
Contributions by Scheme participants	37,710	39,721
Estimated benefits paid plus unfunded net of transfers in	(158,371)	(173,829)
Settlement prices received / (paid)	-	-
Closing Fair value of Fund assets	4,916,428	4,990,243

The total return on the Fund's assets for the year to 31 March 2025 is a gain of £393,701,000 (2024 gain of £364,332,000).

Sensitivity Analysis

	31 March 2025 £000 Present value of total obligation = £3,707,726	
Sensitivity to	+0.1%	-0.1%
Discount rate	3,653,533	3,763,247
Long term salary increase	3,710,886	3,704,588
Pension increases and deferred revaluation	3,761,615	3,655,109

Sensitivity to	+1 Year	- 1 Year
Life expectancy assumptions	3,843,289	3,577,506

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

21. Current Assets

	31 March 2024 £000	31 March 2025 £000
Other Investment Balances		
Sales inc Currency	-	-
Investment Income Due	826	1,268
Other Investment Assets	-	19
Recoverable Taxes	507	729
Total	1,333	2,016

	31 March 2024 £000	31 March 2025 £000
Current Assets		
Contributions receivable from employers and employees	13,068	13,394
Sundry Debtors	2,095	1,115
Cash	5,031	2,134
Total	20,194	16,643

22. Current liabilities

	31 March 2024 £000	31 March 2025 £000
<i>Investment Liabilities</i>		
Purchases including currency	(1,460)	(42)
Derivative Contracts Futures	-	(20)
Variation Margin	(39)	-
Managers Fees	(1,183)	(430)
Total	(2,682)	(492)

	31 March 2024 £000	31 March 2025 £000
<i>Current Liabilities</i>		
Pension Payments (inc Lump Sums)	(549)	(744)
Cash	-	-
Professional Fees	(15)	(15)
Administration Recharge	(328)	(8)
Sundry Creditors	(2,191)	(2,032)
Total	(3,083)	(2,799)

23. Additional voluntary contributions

	Market value 31 March 2024 £000	Market value 31 March 2025 £000
Prudential	19,229	19,986

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 £4.2m (£3.0m 2023/24) to Prudential to buy extra pension benefits when they retire. £4.4m was disinvested from the AVC provider in 2024/25 (£2.050m 2023/24). 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.

	2023/24 £000	2024/25 £000
East Sussex County Council	4,891	5,024
Brighton & Hove City Council	2,127	2,164
Eastbourne Borough Council	286	290
Magistrates	208	211
Wealden District Council	180	175
Hastings Borough Council	172	175
Rother District Council	106	108
Lewes District Council	64	63
University of Brighton	26	25
South-East Water	21	14
Westminster (used to be LPFA)	21	21
Mid-Sussex District Council	18	21
East Sussex Fire Authority	12	8
London Borough of Camden	8	8
London Borough of Southwark	7	7
The Eastbourne Academy	7	7
West Midlands Pension Fund	5	6
West Sussex County Council	5	6
Torfaen Borough Council	4	4
Sussex University	4	2
Varndean College	2	2
London Borough of Ealing	2	2
East Sussex College Group	1	1
Plumpton College	1	1
Optivo	1	1
Total	8,179	8,346

25. Related party transactions

East Sussex County Council

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

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

The Council incurred costs in administering the Fund and charged £2.9m to the Fund in 2024/25 (£2.5m in 2023/24).

The Council's contribution to the Fund was £53.0m in 2024/25 (£49.4m in 2023/24). All amounts due to the Fund were paid in the year. At 31 March 2025 the Pension Fund bank account held £3.6m in cash (£6.9m at 31 March 2024). The average throughout the year was £8.1m (£9.6m in 2023/24).

Key management personnel

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

	31 March 2024 £000	31 March 2025 £000
Short-term benefits	37	38
Post-employment benefits	6	6
Total	43	44

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

26. Contingent liabilities and contractual commitments

1. Outstanding capital commitments (investments) at 31 March 2025 totaled £168.3m (31 March 2024: £202.6m).

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 2025, the unfunded commitment was £98.9m for private equity, £28.9m for infrastructure and £40.6m 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, Euros, or Sterling and the figures presented here are based on relevant Sterling exchange rates as at 31 March 2025.

2. Exit Payments

There were 2 scheme employers which ceased by the end of 31 March 2025 where an exit credit may need to be paid out.

The Fund needs to obtain final information from the employers and then obtain final cessation reports from the Fund Actuary to ascertain if an exit payment or credit is due relating to these employers. The Fund has to then estimate the maximum potential exit credit based on the indicative cessation date. The Pension Committee will be required to make any decision as to the payment of any exit credit in line with the Fund's exit credit policy, considering representations from the relevant employers and associated risk sharing arrangements. The two exit payment amounts that are currently unknown to the fund.

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 correction of any discrepancies found in the rectification is known as GMP rectification.

For pensioners below GMP age and non-pensioners the impact is more of record keeping and a matter of changing their Altair records to show the correct split of benefit between GMP and non-GMP without changing the actual overall benefit accrued to date. There were 780 records requiring an adjustment to match the HMRC records and these were corrected in April 2025.

There were circa 2k pensioners in scope for rectification but less than 300 impacted by over and underpayments (with a few exceptions held back for further investigation) were written to on 27 March 2024. It was agreed that underpayments would be settled immediately for 38 cases, whereas overpayments to date were written-off. In addition, for the 246 overpayment cases, they were given three months' notice of the reduction in pension so these were effective from their June 2024 payments. There remains circa 300 ongoing GMP reconciliation and rectification queries for pensioners and questions with the third-party specialist (Mercer {Aptia}) to resolve which will likely lead to further cases have their records changed and possibly a few pensioners with over or underpayments being implemented later in 2025. It is anticipated the vast majority of changes in liabilities will be small.

4. Virgin Media Case

The Fund Officers/Committee are aware of the 'Virgin Media Ltd v NTL Pension Trustees II Ltd (and others)' case. There is a potential for the outcome of the case to have an impact on UK pension schemes. The case specifically affects defined benefit schemes that provided contracted-out benefits before 6 April 2016 based on meeting the reference scheme test. Where scheme rules were amended, potentially impacting benefits accrued from 6 April 1997 to 5 April 2016, schemes needed the actuary to confirm that the reference scheme test was still being met by providing written confirmation under Section 37 of the Pension Schemes Act 1993. In the Virgin Media case the judge ruled that alterations to the scheme rules were void and ineffective because of the absence of written actuarial confirmation required under Section 37 of the Pension Schemes Act 1993. The case was taken to The Court of Appeal in June 2024 and the original ruling was upheld.

As a result, there may be a further liability to the East Sussex Pension Fund for Local Government Pension Scheme benefits that were reduced by previous amendments, if those amendments prove invalid (i.e. were made without obtaining s37 confirmation).

In these circumstances the S37 certificates should be held by the Government Actuary's Department (GAD) as the LGPS Scheme Actuary. HM Treasury have started reviewing the records of all public sector pension schemes and is assessing the implications of this case. It is not possible at present to estimate the potential impact, if any, on the Local Government Pension Scheme or the Fund and consequently on the defined benefit obligation in the financial statements.

27. Contingent assets

I. 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 of these bonds have expired in the financial year 24-25. These bonds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default.

In addition to these bonds, pension's obligations in respect of 14 other admitted bodies are covered by:

2 guarantees by Academies participating in the Fund.

9 guarantees by local authorities participating in the Fund.

1 guarantee by Parent company sub-contracting to one part of the company, hence being guarantor for itself.

1 deposit held by East Sussex County Council.

1 Subsumption Agreement

28. Impairment losses

During 2024/25, the fund has not recognised any impairment losses.

29. East Sussex Pension Fund – Active Participating Employers

	23/24 Payroll %	23/24 Amount £000	24/25 Payroll %	24/25 Amount £000	25/26 Payroll %	25/26 Amount £000
Scheduled Bodies - Major Authorities						
Brighton and Hove City Council	19.8	-	19.8	-	19.8	-
East Sussex County Council	19.7	-	19.7	-	19.7	-
East Sussex Fire and Rescue Service	18.7	-	18.7	-	18.7	-
Eastbourne Borough Council	17.9	-	17.9	-	17.9	-
Hastings Borough Council	22.1	-	22.1	-	22.1	-
Lewes District Council	22.1	-	22.1	-	22.1	-
Rother District Council	24.1	-	24.1	-	24.1	-
University of Brighton	17.2	-	17.2	-	17.2	-
Wealden District Council	21.0	-	21.0	-	21.0	-
Other Scheduled Bodies						
Arlington Parish Council	20.1	-	20.1	-	20.1	-
Battle Town Council	20.1	-	20.1	-	20.1	-
Beckley Parish Council	-	-	20.1	-	20.1	-
Berwick Parish Council	20.1	-	20.1	-	20.1	-
Bexhill on Sea Town Council	20.1	-	20.1	-	20.1	-
Buxted Parish Council	20.1	-	20.1	-	20.1	-
Camber Parish Council	20.1	-	20.1	-	20.1	-
Chailey Parish Council	20.1	-	20.1	-	20.1	-
Chiddingfold Parish Council	20.1	-	20.1	-	20.1	-
Conservators of Ashdown Forest	20.1	-	20.1	-	20.1	-
Crowborough Town Council	20.1	-	20.1	-	20.1	-
Danehill Parish Council	20.1	-	20.1	-	20.1	-
Ditchling Parish Council	20.1	-	20.1	-	20.1	-
East Dean & Friston Parish Council	20.1	-	20.1	-	20.1	-
Ewhurst Parish Council	20.1	-	20.1	-	20.1	-
Fletching Parish Council	20.1	-	20.1	-	20.1	-
Firle Parish Council	20.1	-	20.1	-	20.1	-
Forest Row Parish Council	20.1	-	20.1	-	20.1	-
Frant Parish Council	20.1	-	20.1	-	20.1	-
Hadlow Down Parish Council	20.1	-	20.1	-	20.1	-
Hailsham Town Council	20.1	-	20.1	-	20.1	-
Hartfield Parish Council	20.1	-	20.1	-	20.1	-
Heathfield & Waldron Parish Council	20.1	-	20.1	-	20.1	-
Herstmonceux Parish Council	20.1	-	20.1	-	20.1	-
Hurst Green Parish Council	20.1	-	20.1	-	20.1	-
Icklesham Parish Council	20.1	-	20.1	-	20.1	-
Isfield Parish Council	20.1	-	20.1	-	20.1	-
Kingston Parish Council	20.1	-	20.1	-	20.1	-
Lewes Town Council	20.1	-	20.1	-	20.1	-
Maresfield Parish Council	20.1	-	20.1	-	20.1	-
Newhaven Town Council	20.1	-	20.1	-	20.1	-
Newick Parish Council	20.1	-	20.1	-	20.1	-
Peacehaven Town Council	20.1	-	20.1	-	20.1	-
Pett Parish Council	20.1	-	20.1	-	20.1	-
Plumpton Parish Council	20.1	-	20.1	-	20.1	-

	23/24 Payroll %	23/24 Amount £000	24/25 Payroll %	24/25 Amount £000	25/26 Payroll %	25/26 Amount £000
Rodmell Parish Council	-	-	20.1	-	20.1	-
Rye Town Council	20.1	-	20.1	-	20.1	-
Salehurst & Robertsbridge Parish Council	20.1	-	20.1	-	20.1	-
Seaford Town Council	20.1	-	20.1	-	20.1	-
Telscombe Town Council	20.1	-	20.1	-	20.1	-
Uckfield Town Council	20.1	-	20.1	-	20.1	-
Wartling Parish Council	20.1	-	20.1	-	20.1	-
Willingdon and Jevington Parish Council	20.1	-	20.1	-	20.1	-
Wivelsfield Parish Council	20.1	-	20.1	-	20.1	-
Academy Schools						
Annecy Catholic Primary Academy	13.4	-	14.4	-	15.4	-
Aquinas Trust	19.0	-	18.9	-	18.9	-
ARK Schools Hastings	18.9	-	18.9	-	18.9	-
Aurora Academies Trust	18.9	-	18.9	-	18.9	-
Beacon Academy	21.0	-	20.0	-	19.0	-
Beckmead Ropemakers Academy	17.3	-	18.3	-	18.9	-
Benfield Primary School	-	-	18.9	-	18.9	-
Bexhill Academy	20.9	-	19.9	-	18.9	-
Bilingual Primary School	15.6	-	16.6	-	17.6	-
Breakwater Academy	19.8	-	19.8	-	19.8	-
Burfield Academy (Hailsham Primary)	19.8	-	19.8	-	19.8	-
Cavendish Academy	18.9	-	18.9	-	18.9	-
Chantry Community Primary	18.9	-	18.9	-	18.9	-
Chyngton School	20.0	-	19.0	-	18.9	-
Diocese of Chichester Academy Trust	22.4	-	21.4	-	20.4	-
Ditchling CE Primary	20.4	-	19.4	-	18.9	-
Eastbourne Academy	19.2	-	18.9	-	18.9	-
Falmer (Brighton Aldridge Community Academy)	18.9	-	18.9	-	18.9	-
Flagship School	21.3	-	20.3	-	19.3	-
Gildredge House Free School	18.9	-	18.9	-	18.9	-
Glyne Gap Academy	19.4	-	18.9	-	18.9	-
Hailsham Academy	18.9	-	18.9	-	18.9	-
Hangleton Primary School	-	-	18.9	-	18.9	-
Hawkes Farm Academy	19.8	-	19.8	-	19.8	-
High Cliff Academy	19.8	-	19.8	-	19.8	-
Hollington Primary	18.9	-	18.9	-	18.9	-
Jarvis Brook Academy	14.5	-	15.5	-	16.5	-
King's Church of England Free School	16.2	-	17.2	-	18.2	-
Langney Primary Academy	13.4	-	14.4	-	15.4	-
Little Common School	18.9	-	18.9	-	18.9	-
Ore Village Academy	18.5	-	18.9	-	18.9	-
Mouslecoombe Primary School	26.2	-	25.2	-	24.2	-
Newick CE School	18.9	-	18.9	-	18.9	-
Ninfield CE Primary School	18.9	-	18.9	-	18.9	-
Parkland Infant Academy	14.8	-	15.8	-	16.8	-
Parkland Junior Academy	14.4	-	15.4	-	16.4	-
Peacehaven Academy	13.5	-	14.5	-	15.5	-
Peacehaven Heights	19.8	-	19.8	-	19.8	-

	23/24 Payroll %	23/24 Amount £000	24/25 Payroll %	24/25 Amount £000	25/26 Payroll %	25/26 Amount £000
Pebsham Academy	18.9	-	18.9	-	18.9	-
Phoenix Academy	19.8	-	19.8	-	19.8	-
Portslade Aldridge Community Academy	19.9	-	18.9	-	18.9	-
King's Academy Ringmer	18.9	-	18.9	-	18.9	-
Ringmer Primary	-	-	18.9	-	18.9	-
Robertsbridge Community College	-	-	18.9	-	18.9	-
Roseland Infants	23.9	-	22.9	-	21.9	-
SABDEN Multi Academy Trust	19.6	-	18.9	-	18.9	-
Saxon Shore Academy	21.7	-	20.7	-	19.7	-
Seaford Academy	19.1	-	18.9	-	18.9	-
Seahaven Academy	19.5	-	18.9	-	18.9	-
Shinewater Primary Academy	14.5	-	15.5	-	16.5	-
Sir Henry Fermor Academy	14.8	-	15.8	-	16.8	-
Stafford Junior	24.7	-	23.7	-	22.7	-
St Andrew's School	18.9	-	18.9	-	18.9	-
The Haven School	18.9	-	18.9	-	18.9	-
The South Downs Learning Trust	12.2	-	13.2	-	14.2	-
The Southfield Trust	14.4	-	15.4	-	16.4	-
Telscombe Cliffs	19.8	-	19.8	-	19.8	-
Tollgate School	18.9	-	18.9	-	18.9	-
Torfield & Saxon Mount Academy Trust	20.6	-	19.6	-	18.9	-
University of Brighton Academies Trust	18.9	-	18.9	-	18.9	-
Uplands Community College	20.4	-	19.4	-	18.9	-
West Blatchington Primary	18.9	-	18.9	-	18.9	-
White House Academy	19.8	-	19.8	-	19.8	-
Colleges						
Bexhill College	21.2	-	21.2	-	21.2	-
Brighton, Hove & Sussex Sixth Form College	19.8	-	19.8	-	19.8	-
East Sussex College Group	20.7	-	20.7	-	20.7	-
Plumpton College	18.9	-	18.9	-	18.9	-
Varndean Sixth Form College	19.8	-	19.8	-	19.8	-
Admission Bodies						
Balfour Beatty	28.5	-	28.5	-	28.5	-
BHCC - Wealden Leisure Ltd	27.7	-	27.7	-	27.7	-
Biffa Muncipal Ltd	27.8	-	26.8	-	25.8	-
Brighton and Hove Housing Trust	31.4	-	31.4	-	31.4	-
Brighton Dome & Festival Limited (Music & Arts Service)	4.3	-	4.3	-	4.3	-
Care Outlook Ltd	-	-	-	-	-	-
Care Quality Commission	44.8	-	44.8	-	44.8	-
Churchills Lot 1	-	-	16.8	-	16.8	-
Churchills Lot 2 (Cleaners)	-	-	22.4	-	22.4	-
Cucina Restaurants Ltd	24.3	-	24.3	-	24.3	-
Cucina (The Turing House)	-	-	26.4	-	26.4	-
De La Warr Pavilion Charitable Trust	2.9	-	2.9	-	2.9	-
East Sussex Energy, Infrastructure & Development Ltd (ESEIDL)	28.2	-	27.2	-	26.2	-

	23/24 Payroll %	23/24 Amount £000	24/25 Payroll %	24/25 Amount £000	25/26 Payroll %	25/26 Amount £000
EBC – Towner	22.1	-	22.1	-	22.1	-
Grace Eyre	-	-	-	-	-	-
Idverde	33.1	-	33.5	-	33.5	-
Just Ask Estates	-	-	-	-	-	-
Lodestar Cleaning Contracts Ltd	25.1	-	25.1	-	25.1	-
Southern Housing	45.9	111	45.9	115	45.9	120
Royal Pavilion & Museums Trust	17.8	-	17.8	-	17.8	-
SB Coaching Ltd	-	-	13.2	-	14.2	-
Sussex IFCA Insure Fisheries and Conversation Authority	20.1	-	20.1	-	20.1	-
Telent Technology Services Ltd	20.8	-	20.8	-	20.8	-
Wave Leisure Trust Ltd	7.1	-	7.1	-	7.1	-
Wave Leisure Trust Ltd - EBC	22.4	-	22.4	-	22.4	-
WDC - Wealden Leisure Ltd	26.1	-	26.1	-	26.1	-
WSP Ltd	-	-	28.5	-	28.5	-
Wealden Leisure Ltd - Portslade Sports Centre	-	-	-	-	-	-

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 62 other local authority pension funds. *These numbers are based on the latest available sample of 42.* 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	1.0	2.0	7.5	6.3
Benchmark	5.4	5.4	9.0	6.7
Relative*	(4.4)	(3.3)	(1.6)	(0.4)

Investment performance relative to peer group

	1 year (%)	3 years (%p.a.)	5 years (%p.a.)	10 years (%p.a.)
Fund	1.0	2.0	7.5	6.3
Local Authority Average	3.6	3.6	8.3	6.7
Relative*	(2.5)	(1.5)	(0.7)	(0.3)

The Fund underperformed the (weighted) average local authority Fund over the year by 2.5% (1.2% 2023/24), ranking the East Sussex Fund in the 93rd percentile (72nd 2023/24) in the local authority universe. Over the three years the Fund underperformed by 1.5 % (0.1% 2023/24) and was placed in the 88th percentile (44th percentile in 2023/24). Over five years the Fund underperformed by 0.7% (0.2% in 2023/24) and was placed in the 73rd percentile (61st percentile 2022/23).

Over ten years, the fund underperformed by 0.3% (0.1% outperformance 2023/24) and was placed in the 65th percentile (36th percentile 2023/24).

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

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

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

Investments and Funding

Investment Strategy Statement Implementation

Overview

The Fund's strategic asset allocation remained unchanged over the 2024/25 financial year, at 40% global equities, 5.5% private equity, 17% diversified growth, 10.5% public credit, 5% private credit, 11% infrastructure, 7% real estate, and 4% index-linked gilts. This strategic benchmark remains consistent with the strategy outlined in the Investment Strategy Statement approved at the September 2023 Committee meeting.

During the reporting period, Hymans Robertson LLP were appointed as the Fund's investment advisors, effective from 1 February 2025. As part of the appointment, a review of the investment strategy would be undertaken alongside the actuarial valuation, effective from reporting year end. The aim of the review is to assess whether the current investment strategy remains suitable considering the Government's 'Fit for the Future' consultation, as well as changes in the funding position, contribution rates, and market outlook.

The Committee take consideration of Environmental, Social, and Governance (ESG) and climate related issues when considering the Fund's investment strategy. The Fund's fossil fuel exposure is estimated on a quarterly basis, with this estimated as 1.26%* of total Fund assets as at 31 March 2025.

Asset Allocation

Growth: The Fund maintains a significant allocation to growth assets, primarily through listed equities and private equity. These investments are expected to drive long-term returns, though are typically the most volatile. To help manage this risk, the equity portfolio is diversified across geographies and investment styles to achieve a balanced growth exposure. The private equity allocation complements the public equities markets by offering a higher return potential in exchange for reduced liquidity and longer investment horizons, supporting the Fund's long-term growth objectives.

Income: The Fund invests across a range of income-generating assets to support a more stable return profile and generate income. This includes infrastructure, diversified growth strategies, public and private credit, and real estate. Infrastructure offers inflation-linked, contractual income streams and diversified return exposure. Credit investments further contribute to diversification and liquidity, while diversified growth strategies and real estate provide additional sources of return that are less directly linked to public equity markets.

Protection: The Fund's allocation to index-linked gilts provides explicit inflation protection, plays a key role in dampening volatility and aligning the portfolio with the Fund's long-term liabilities, helping to provide greater certainty around funding outcomes.

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 allocation remains weighted in favour of actively managed strategies, reflecting the Committee's preference for active management and an ESG focus, with the listed equity holdings broadly split 62.5/37.5 in terms of active and passive, as at 31 March 2025. The active sleeve is split across global equity mandates with Longview and Baillie Gifford, as well as impact equity strategies managed by Wellington and WHEB. The passive, or systematic, sleeve is split between two ESG systematic/smart beta strategies, one with Storebrand, and the other with Osmosis (implemented by UBS).
- Private equity mandates are split between Adams Street and HarbourVest.
- 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 of funds' property mandate was previously held with Schroders. Following a procurement exercise conducted by ACCESS, this property holding was transferred to a CBRE Real Estate fund on the Access Pool, over the past year.
- 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. Over 2024, the Fund added an additional public credit mandate managed by BlueBay.
- The Fund's infrastructure holdings are split between M&G, UBS, Pantheon (all unlisted) ATLAS (listed) and most IFM (unlisted), who adopt varying styles and focus areas.

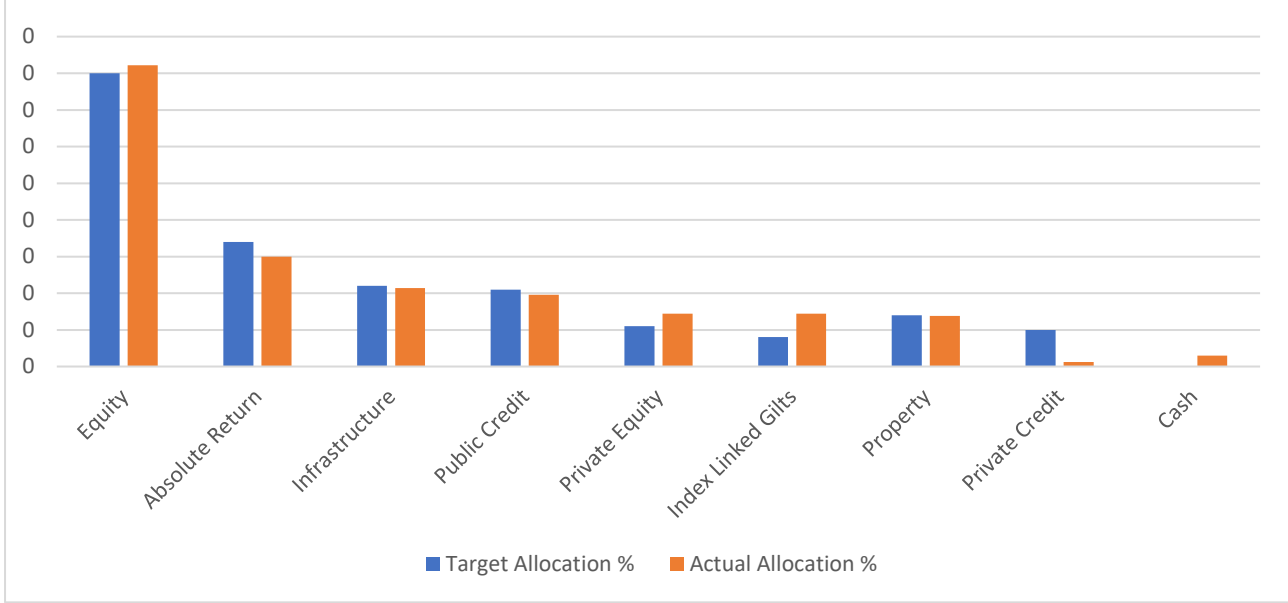
The Fund has the following objectives for its investment managers:

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

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

Note: *M&G Infrastructure ICP II and III fossil fuel data as at year end 2024.

Asset allocation - target v actual
31 March 2025



Independent adviser's report



East Sussex Pension Fund – Independent Advisor's Report 2025

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

I will start my report with investments. The year terminated with a sharp deterioration in market conditions, as the U.S.A imposed sweeping tariffs on other countries, starting what looks like a global tariff war. If pursued, this would be unequivocally negative for both economic growth and markets, as well as being inflationary. It is so damaging to all parties that it is more a question of when rather than whether it is reversed, but the timing may well be too late to avoid serious detriment to global trade and prosperity.

A further threat to the valuation of the Fund's assets comes from higher bond yields, although they are the one outcome capable of stopping Trump in his tracks. At Fund level, there will be a negative impact on the valuation of longer duration assets such as private equity, infrastructure and real estate. Against this background, the Fund must brace itself for volatile markets and weaker returns from its investments.

The Fund's diversified portfolio of assets provides some protection against market turmoil, and the valuation of liabilities will also have fallen. The funding level at the March 2025 valuation will therefore probably be not too far below the 123% assessed in March 2022. I remind readers again that it stood at 81% when my role as Independent Advisor commenced in 2014.

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

The biggest challenge facing the Fund at the time of writing is the Government's rejection of the plan by ACCESS (the pool which the Fund is a shareholder in alongside ten other funds) to set up a new entity to meet the new pooling requirements. The Fund is expected, either separately or jointly with other ACCESS members, to join one of the six pools which have been given the go-ahead. While this is unlikely to affect investment returns greatly, it will certainly lead to disruption and significantly higher costs. While the Scheme Manager will continue to be responsible for administration, its investment role will under these proposals be limited to setting the high level asset allocation.

The Government is also putting pressure on all pension funds to invest in the U.K. While this may be laudable from society's perspective, the Fund's only purpose is to pay its members' pensions on time. Part of my role is to ensure that political or other agendas are not allowed to distract it from this objective.

I am far from convinced that these changes will be to the benefit of members or employers, and the higher costs are likely to lead to higher contributions. In the worst case, the cost cap mechanism may result in their impacting members' benefits too.

Another challenge comes from Sussex' designation as one of the seven priority areas to become unitary authorities. East Sussex County Council, the current Scheme Manager, will cease to exist, and its functions will be taken over by another body. At the time of writing, there is no clarity on who that will be.

Administration is as important a function as investment management is in ensuring that pensions are paid in full and on time. My comments are the same as last year's: the pressures on the Fund's team from regulatory and other Government initiatives continue to increase, and there is a national shortage of experienced pension administrators. Against this background, the Administration team continue to provide a good and cost-effective service.

My final duty in this report is to provide some assurance as to the overall arrangements for the Fund. From a financial perspective the funding level is healthy, though the recent market falls are a reminder how quickly that can change. This is one reason why the actuarial adviser to the Fund rightly takes a conservative approach to setting contributions.

I can assure readers that the Fund's internal governance processes and structures are of a good standard and that it is sufficiently resourced both on the investment and the administration side. Although investment returns may decrease, it is important to remember that the Fund has a long horizon, and market fluctuations are inevitable. In common with many LGPS funds, the highest risks today undoubtedly lie in the potential for disruption from Government interference and regulatory change.

William Bourne
Independent Advisor
14th April 2025

Funding strategy statement implementation

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

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

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

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

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

The Funding Strategy Statement was updated to reflect funding principles agreed for the 2022 actuarial valuation and was approved in March 2023. The funding principles apply to employer contributions payable from 1 April 2024 to 31 March 2025.

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

The latest version of the Funding Strategy Statement is available on the Fund's website:

<https://www.eastsussexpensionfund.org/forms-and-publications/>

Investment administration and custodianship

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

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

The responsibilities of the Custodian are:

Core Custody Services

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

Value Added and Reporting Services

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

OPTIONAL SERVICES INCLUDING BUT NOT LIMITED TO:

Added Value Services

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

Alternative Asset Servicing

- Alternative Funds, for example:
 - Pooled Funds
 - Real Estate Funds
 - Private Equity Funds
 - Infrastructure Funds

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

Reporting and Analytics

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

Investment Managers

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

- The Fund's listed equity investments are weighted in favour of active management strategies, reflecting the Committee's preference for active management and including an ESG focus, with the equity holdings broadly split 62.5/37.5 in terms of active and passive. The active sleeve is split across global equity mandates with Longview and Baillie Gifford, as well as impact equity strategies managed by Wellington and WHEB. The passive sleeve is split between two ESG systematic/smart beta strategies, one with Storebrand, and the other with UBS tracking an index provided by Osmosis.
- 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 CBRE the property manager appointed by ACCESS (formerly this sat outside the pool with Schroders), within a transition mandate to sell down the Fund's previous 'fund of funds' approach. The intention is to invest this into a direct property pooled solution.
- 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. With an additional multi asset credit mandate managed by BlueBay.
- The Fund's infrastructure holdings are split between M&G, UBS, Pantheon (all closed ended unlisted), ATLAS (listed) and IFM (Open ended unlisted), who adopt varying styles and focus areas.
- Private equity mandates are split between Adams Street and HarbourVest in fund of fund products to provide diversification of area and style.

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The Fund has the following objectives for its investment managers:

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

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

Investment Allocations pooled and un-pooled

Mandate	Q1 2024 (£m)	Actual (%)	Target (%)	Q1 2025 (£m)	Actual (%)	Target (%)
Pooled Investments						
ACS Funds						
ACCESS - Global Equity (Longview)	521.6	10.6%	10.0%	510.2	11.0%	10.0%
ACCESS - Global Alpha (Ballie Gifford)	217.3	4.4%	5.0%	213.5	4.6%	5.0%
ACCESS - Absolute Return (Ruffer)	450.4	9.2%	10.0%	455.2	9.7%	10.0%
ACCESS - Real Return (Newton)	368.2	7.5%	7.0%	292.8	6.3%	3.0%
ACCESS - Sterling Corporate Bond (M&G)	131.1	2.7%	3.5%	124.5	2.7%	3.5%
ACCESS - Alpha Opportunities (M&G)	330.5	6.7%	7.0%	195.1	4.2%	3.5%
ACCESS - Total Return Credit (RBC Bluebay)	-	-	-	171.4	3.7%	3.5%
Total Link ACS Funds	2,019.1	41.1%	42.5%	1,962.7	42.2%	38.5%
Pool Aligned						
ACCESS – Passive over 5yr Index Linked Gilts (UBS)	234.9	4.8%	4.0%	357.5	7.2%	4.0%
ACCESS - Passive Osmosis Resource Efficient Core Equity Index (UBS)	397.6	8.1%	7.5%	415.4	8.4%	7.5%
ACCESS - Infrastructure (IFM)	246.9	5.0%	5.0%	267.9	5.4%	5.0%
ACCESS - Real Estate (CBRE)	-	-	-	338.7	6.8%	7.0%
Total Pool Aligned	879.4	17.9%	16.5%	1,379.5	27.8%	23.5%
Total Pooled Investments	2,898.5	59.0%	59.0%	3,342.2	67.2%	66.0%
Non-Pooled Investments						
Equities (passive):						
Storebrand - Global ESG Plus	465.3	9.5%	7.5%	450.3	9.7%	7.5%
Equities (active):						
Wellington - Global Impact	247.3	5.0%	5.0%	253.4	5.4%	5.0%
WHEB- Sustainability	238.0	4.8%	5.0%	200.7	4.3%	5.0%
Total Equities	950.6	19.3%	17.5%	904.4	19.4%	17.5%
Other Investments:						
Schroders - Property	336.0	6.8%	7.0%	3.5	0.1%	-
M&G - Infrastructure	49.4	1.0%	1.0%	42.8	0.9%	1.0%
Pantheon - Infrastructure	87.0	1.8%	2.0%	77.3	1.7%	2.0%
UBS - Infrastructure	35.4	0.7%	1.0%	35.3	0.8%	1.0%
Atlas - Infrastructure	99.9	2.0%	2.0%	104.4	2.3%	2.0%
Adams Street - Private Equity	189.5	3.9%	2.8%	174.1	3.8%	2.8%
HarbourVest - Private Equity	181.6	3.7%	2.7%	185.5	4.0%	2.7%
M&G Real Estate Debt VI	35.1	0.7%	5.0%	28.4	0.6%	5.0%
Cash account	52.2	1.1%	-	76.8	1.7%	-
Total Other Investments	1,066.1	21.7%	23.5%	728.1	15.9%	16.5%
Total Non-Pooled Investments	2,016.7	41.0%	41.0%	1,632.5	35.3%	34.0%
Total	4,915.2	100.0%	100.0%	4,974.7	100.0%	100.0%

Management expenses

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

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

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

2024/25	Assets Under Management £m	1 year performance	Fees and Costs £m	Fee Per AUM
Equity	2043.5	0.14%	6.6	0.32%
Fixed Income	876.9	-1.12%	2.2	0.25%
Diversified growth funds	748.0	2.17%	5.1	0.68%
Pooled property investments	342.2	-0.38%	1.4	0.41%
Private Equity/Infrastructure	887.3	3.52%	10.0	1.13%
			25.3	
Custody			0.1	
Total			25.4	

2023/24	Assets Under Management £m	1 year performance	Fees and Costs £m	Fee Per AUM
Equity	2,087.1	17.2%	7.6	0.36%
Fixed Income	731.6	4.9%	2.0	0.27%
Diversified growth funds	818.6	0.3%	4.8	0.59%
Pooled property investments	336.0	0.5%	1.6	0.48%
Private Equity/Infrastructure	889.7	0.9%	6.2	0.70%
			22.2	
Custody			0.1	
Total			22.3	

Asset Tables

£m Asset values as at 31 March 2025	Pooled	Under pool management	Not Pooled	Total
Equities (including convertible shares)	723.7	415.4	904.4	2,043.5
Bonds	491.0	357.5	-	848.5
Property	-	338.7	3.5	342.2
Hedge funds	-	-	-	-
Diversified Growth Funds (including multi-asset funds)	748.0	-	-	748.0
Private equity	-	-	359.6	359.6
Private debt	-	-	28.4	28.4
Infrastructure	-	267.9	259.8	527.7
Derivatives	-	-	-	-
Cash and net current assets	-	-	76.8	76.8
Other	-	-	-	-
Total	1,962.7	1,379.5	1,632.5	4,974.7

£m Asset values as at 31 March 2024	Pooled	Under pool management	Not Pooled	Total
Equities (including convertible shares)	738.9	397.6	950.6	2,087.1
Bonds	461.6	234.9	-	696.5
Property	-	-	336.0	336.0
Hedge funds	-	-	-	-
Diversified Growth Funds (including multi-asset funds)	818.6	-	-	818.6
Private equity	-	-	371.1	371.1
Private debt	-	-	35.1	35.1
Infrastructure	-	246.9	271.7	518.6

£m Asset values as at 31 March 2024	Pooled	Under pool management	Not Pooled	Total
Derivatives	-	-	-	-
Cash and net current assets	-	-	52.2	52.2
Other	-	-	-	-
Total	2,019.1	879.4	2,016.7	4,915.2

UK Investment

£m Asset values as at 31 March 2024	Pooled	Under pool management	Not Pooled	Total
UK Listed Equities	289.9	15.2	76.3	381.4
UK Government Bonds	131.1	-	-	131.1
UK Infrastructure	-	30.3	130.2	160.5
UK Private Equity	-	-	36.3	36.3
Total	420.9	45.5	242.9	709.4

Leveling up

£m Asset values as at 31 March 2024	Pooled	Under pool management	Not Pooled	Total
UK Leveling up	11.9	77.4	81.1	170.4

Investment Performance –

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

Mandate	1 year fund	1 year benchmark	Relative*	3 year fund	3 year benchmark	Relative*	5 year fund	5 year benchmark	Relative*
	%	%	%	% (p.a)	% (p.a)	%	% (p.a)	% (p.a)	%
<i>Pooled Investments</i>									
ACCESS - Global Equity (Longview)	(1.82)	4.76	(6.58)	7.02	8.30	(1.27)	13.74	15.20	(1.46)
ACCESS - Global Alpha (Ballie Gifford)	(1.28)	4.87	(6.15)	2.81	7.62	(4.82)	(1.82)	7.13	(8.95)
ACCESS - Absolute Return (Ruffer)	2.43	7.34	(4.91)	(1.16)	6.72	(7.88)	4.96	5.14	(0.18)
ACCESS - Real Return (Newton)	1.77	7.34	(5.57)	1.97	6.72	(4.75)	4.96	5.14	(0.17)
ACCESS - Sterling Corporate Bond (M&G)	(0.88)	(1.51)	0.63	(4.42)	(4.64)	0.22	(2.06)	(2.63)	0.56
ACCESS - Alpha Opportunities (M&G)	8.56	7.84	0.72	7.50	7.23	0.28	8.26	5.64	2.63
ACCESS – Passive over 5yr Index Linked Gilts (UBS)	(10.47)	(10.44)	(0.03)	(16.64)	(16.58)	(0.06)	(9.03)	(8.99)	(0.04)
ACCESS - Passive Osmosis Resource Efficient Core Equity Index (UBS)	4.40	4.76	(0.36)	8.36	8.30	0.07	9.66	9.92	(0.25)
ACCESS - Infrastructure (IFM)	8.52	4.63	3.89	7.27	5.23	2.04	-	-	-
ACCESS - Total Return Credit (RBC Bluebay)	5.71	7.48	(1.76)	-	-	-	-	-	-
ACCESS Real Estate (CBRE)	(0.38)	3.95	(4.33)	-	-	-	-	-	-
<i>Non-Pooled Investments</i>									
Storebrand - Global ESG Plus	3.14	4.76	(1.62)	6.87	8.30	(1.43)	8.90	10.58	(1.68)

Mandate	1 year fund	1 year benchmark	Relative*	3 year fund	3 year benchmark	Relative*	5 year fund	5 year benchmark	Relative*
	%	%	%	% (p.a)	% (p.a)	%	% (p.a)	% (p.a)	%
Wellington - Global Impact	2.16	4.87	(2.70)	2.07	7.62	(5.55)	3.75	9.17	(5.42)
WHEB- Sustainability	(16.06)	4.76	(20.82)	(4.90)	8.30	(13.20)	(2.42)	10.43	(12.85)
M&G - Infrastructure	(3.86)	4.63	(8.49)	(4.65)	7.24	(11.89)	0.51	6.68	(6.18)
Pantheon - Infrastructure	1.57	4.63	(3.06)	10.71	7.24	3.47	10.34	6.68	3.65
UBS - Infrastructure	(4.95)	4.63	(9.58)	2.45	7.24	(4.79)	(1.48)	6.68	(8.16)
Atlas - Infrastructure	4.46	13.41	(8.95)	2.84	4.01	(1.17)	6.54	7.53	(0.99)
Adams Street - Private Equity	0.67	6.23	(5.56)	(3.25)	9.13	(12.38)	14.00	15.79	(1.79)
HarbourVest - Private Equity	2.58	6.23	(3.66)	1.41	9.13	(7.71)	14.71	15.79	(1.08)
M&G Real Estate Debt VI	7.76	8.84	(1.08)	5.29	8.23	(2.94)	4.62	6.64	(2.02)
Cash account	4.46	4.91	(0.45)	6.27	4.09	2.17	4.36	2.47	1.89
Total	1.00	5.48	(4.48)	2.08	5.47	(3.39)	7.52	9.10	(1.58)

*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.

I Since inception figures used where full data for a period is not available.

Climate Report

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 (PRI)). Stewardship is the responsible allocation and management of capital across the institutional investment community to create sustainable value for beneficiaries, the economy and society.

The Financial Stability Board created the Taskforce on Climate-related Financial Disclosures (TCFD) to improve and increase reporting of climate-related financial information in 2015. The Fund support the TCFD recommendations, to provide a framework to communicate the steps the Fund is taking to manage climate related risks, and committed to reporting under TCFD in its Statement of Responsible Investment Principles.

The Ministry of Housing Communities and Local Government (MHCLG) ran a consultation in November 2020 on Local Government Pension Scheme (England and Wales): Governance and reporting of climate change risks. The purpose of this consultation was to seeks views on proposals to LGPS administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the TCFD. The details in the consultation have provided some insight into the requirements of climate reporting by LGPS Funds.

This Climate Report reflects the reporting requirements against the TCFD Framework taking into account the details included in the MHGLC consultation. 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.

TCFD is structured around four thematic areas of Governance, Strategy, Risk Management and metrics and targets. This report follows this structure.



Governance

The East Sussex Pension Fund is part of the Local Government Pension Scheme (LGPS). The purpose of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, on a defined benefits basis. East Sussex County Council (ESCC) is the administering authority for the Fund. Under the Council's Constitution the Pension Committee has delegated authority to exercise the powers in respect of the management of the Fund. The Fund is neither owned nor controlled by ESCC, Fund assets are earmarked for pension payments and ringfenced from 'Council Money'. There are around 149 employers and more than 86,000 members, whose pension payments are funded by through employer and member contributions and investment returns. The Pension Committee (the Committee), comprising elected councillors, is responsible for Fund oversight and policy setting.

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

The Pension Committee receive assistance in performing these functions via:

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

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

Responsible Investment Beliefs

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

- ESG factors, including climate risk, can present material financial risks to asset values and returns.
- Implementation of effective RI policies can reduce risk and has potential to enhance returns.
- Engagement with investment managers ("IMs") and investee companies can be effective in protecting and enhancing the long-term value of investments.
- Collaboration with other asset owners and IMs will help improve the effectiveness of engagement.
- Effective oversight of RI requires monitoring of ESG and CR metrics and the actions of IMs and investee companies.
- RI is aligned with ESPF's fiduciary responsibilities in the management and oversight of ESPF's investments.
- ESG opportunities may be found in Impact Funds investing in companies whose profits are derived from providing solutions to some of the World's more serious environmental, sustainability and

social challenges e.g. cleaner products and processes, renewable energy, health, nutrition, sustainable agriculture, shelter, clean water and sanitation etc.

- Resource efficient companies can drive increased returns for the benefit of the scheme members and stability of contribution rates for Scheme Employers, as resource efficiency reduces dependency on natural resources resulting in reduced input costs and less dependence on volatile commodity prices.

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

<https://www.eastsussexpensionfund.org/forms-and-publications/>

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

The Principles that are set out in detail within the SRIP are aligned to the six PRI principles, as the Fund is a PRI signatory:

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.

The Fund are committed to review the weakest mandates based on the carbon data, metrics and analysis and determine what action will be taken in engagement with investment managers.

The engagement priorities for the Fund are -

Environmental

1. Climate change –emission reporting and reduction, sector transition pathways and investment in renewable energy and technical solutions
2. Enhancing biodiversity, regeneration and protection of forests and conservation of oceans and marine resources
3. Sustainable consumption and production. Preventing pollution and waste including plastic waste and promoting circular economy
4. Agriculture, food security and Food Waste

Social

1. Human rights including forced labour, companies operating in conflict zones and destruction to communities
2. Promoting gender equality and social inclusion
3. Inclusive and equitable education
4. Water security and access to sanitation
5. Eradicate poverty and hunger

Governance

1. Executive pay or dividend linked to sustainable and growth performance
2. Business / Company leadership with experts on boards
3. Company board focus on providing products, goods or a service through effective and sustainable corporate governance
4. Diversity of boards, workforce and policies
5. Anti-bribery and corruption

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

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

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

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

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

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

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

The Fund invests through investment managers who carry out detailed research on the prospects for individual companies and industries and have access to company management.

On selection of an investment manager the Fund ensure the manager is aligned with the same stewardship beliefs as the Fund with a detailed set of evaluation criteria for ESG and Stewardship.

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

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

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

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

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

Strategy

The Fund has recognised that Climate risk is a financial risk to the Fund, both through its investments and impacts to liabilities and funding position. The investment risks identified to date around the climate impacts on the Fund have been around the structure of the Fund's investments, namely the use of passive investments and the transition from a fossil fuel based global economy to a carbon free economy.

The Fund made significant changes in the structure of its investment strategy through 2021 and 2022, to remove any unconscious exposure to climate risk inherent within its large traditional market capital based passive equity investments.

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

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

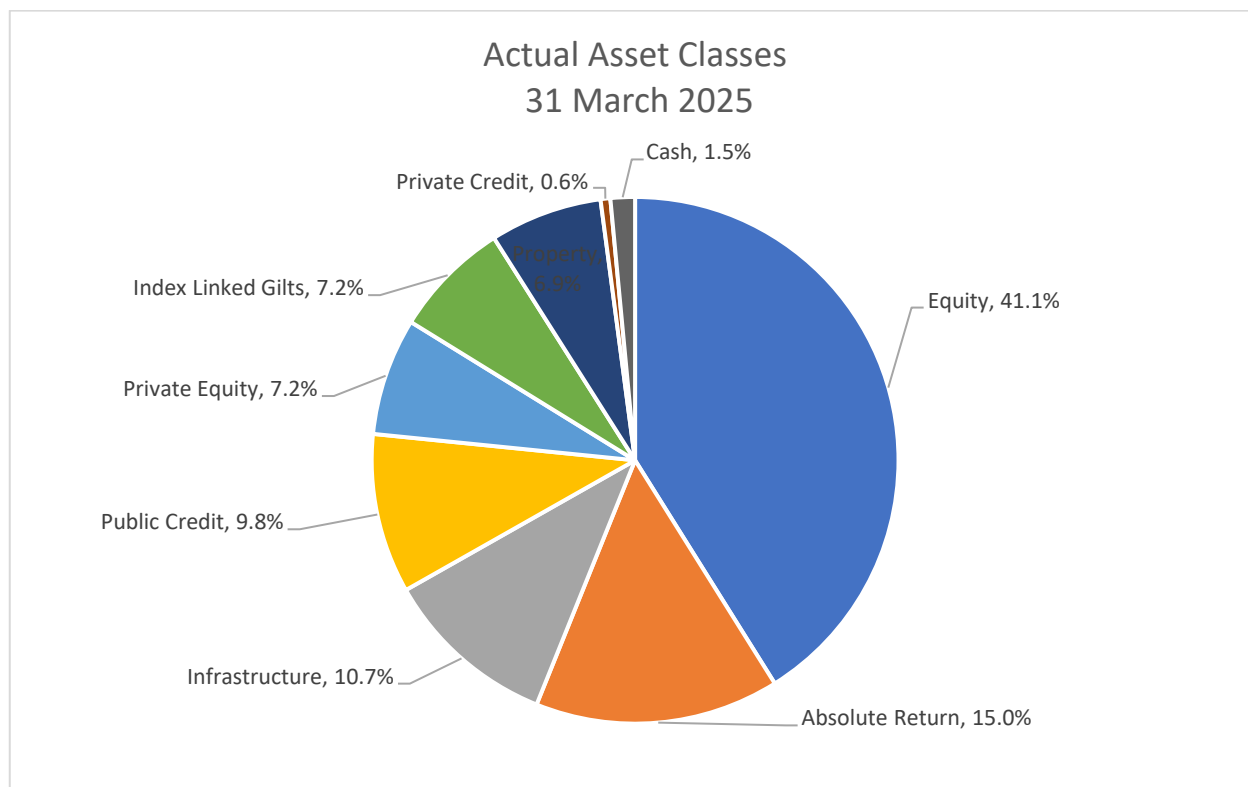
The Fund does not directly invest in any specific company; instead, it invests through a combination of holdings in passive index funds and in pooled funds through active investment managers who take considered choices over the underlying companies it invests in with a looking at the financial resilience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

Climate risk

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

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

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

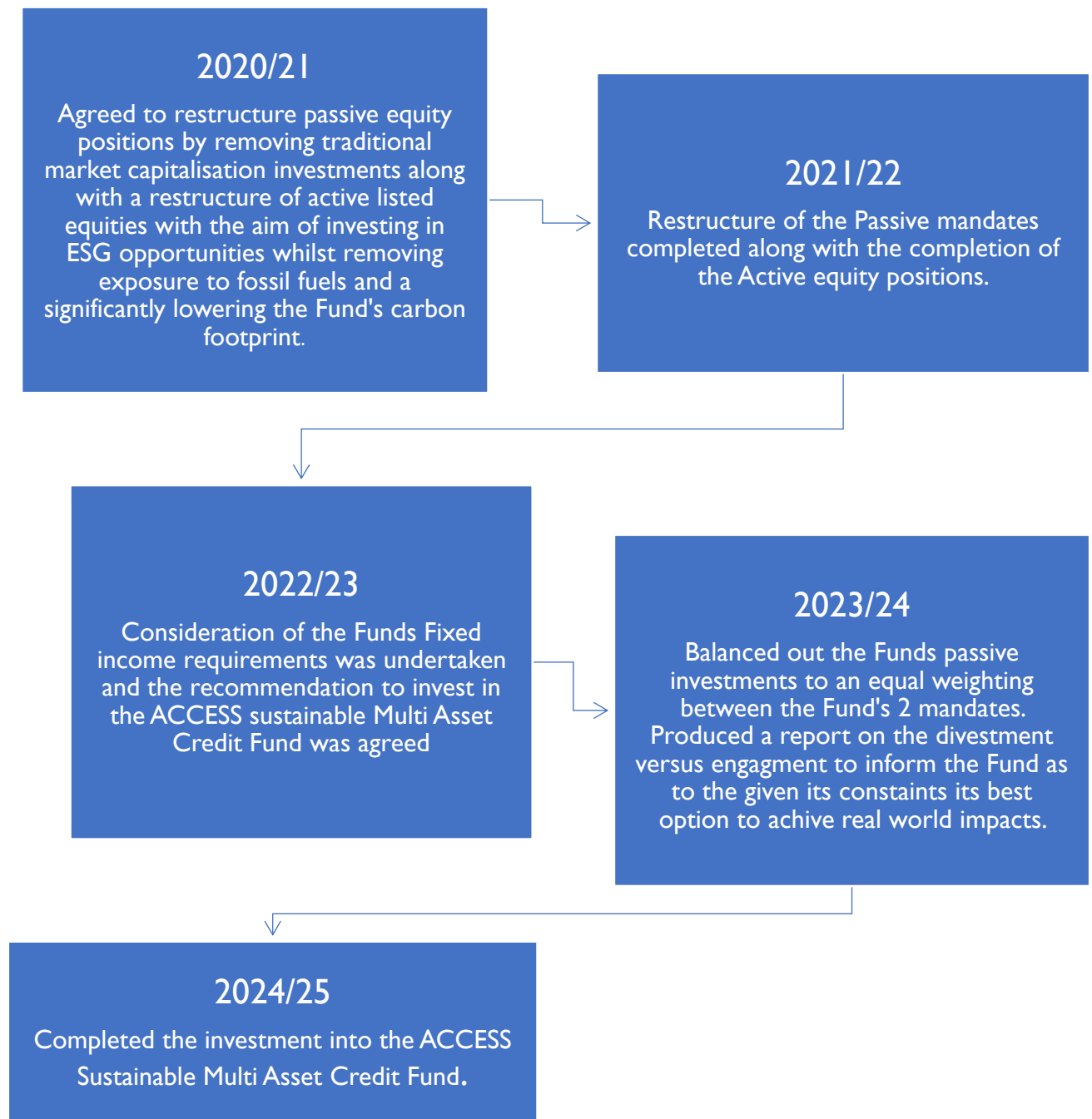


Climate risk can impact on all these asset types. For example, in the property allocation there may be physical risk with buildings in areas that may have an increased chance of flooding with extreme rainfall or sea level rises; or transition risks through the cost of retrofitting buildings with heat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

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

The Committee believe that there is an inevitability that the transition from a fossil fuel to a carbon free economy will occur. As a consequence, where traditional market capitalisation indexes, which are designed to succeed if the old fossil fuel economy persists, are carrying an inherent unintended bias to fossil fuels. This also results in a opportunity to access and provide capital to those companies that are looking to enable and benefit from the transition from fossil fuels and this was regarded as a priority for the Fund.

To address these risks and opportunities the Fund has undertaken several strategic changes over the past 5 years. The below diagram sets out the main activities the Fund has undertaken over the past 5 years:



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

Climate opportunities

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

The Fund has taken substantial measures to better align itself with the challenges of climate change and the energy transition and is considered one of the leaders in this space in its actions. These actions include investing 25% of the equity funds, or £454.1m, 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 £450.3m of this to a fossil-free smart beta equity strategy that aims for long-term alignment with the Paris Agreement goals and exhibits lower carbon risk with climate solutions and higher ESG scores than the world index. With £415.4m invested into a resource efficient index that focuses on companies that more effectively manage carbon, water and waste while excluding fossil fuel companies. The Fund has also invested £213.5m into an active equity manager looking at investing into Paris aligned companies. The Fund has made an investment of £171.4m into a multi-asset credit sustainable mandate this will look to achieve a total return from investments in higher yielding fixed income asset classes through active security selection, asset allocation and capital preservation techniques, combined with environmental, social and governance (ESG) criteria. The product will exclude issuers who are exposure to a range of activities including controversial weapons, thermal coal and fossil fuels.

Future actions

The Fund will consider how the impact of the governments fit for the future consultation and pension schemes bill will provide opportunities to improve the responsible investment activities of the Fund with its new pooling partner.

The Fund will continue to develop its understanding of climate risk and opportunity within its investment portfolio in line with the Funds new LGPS Pool. Consider 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 will continue to review its investment strategy statement and statement on responsible investment principles. This will ensure that the Fund is keeping these up to date with best practice and improving practices.

Maintain stewardship code signatory status by producing a 2024 stewardship report. Provide the PRI the with the information required in their return to identify and improve weaknesses in our practices and policies and ensure we are considering where we diverge from others with our activities.

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

Risk management

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

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

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

Possible trigger of climate risk on the Fund

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

Possible consequences of climate risk on the Fund

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

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

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

Metrics and targets

Carbon Footprinting Exercise 2024/25

The Fund has used a third-party provider, Northern Trust, to undertake analysis of the Fund's carbon footprint (i.e., the measure of the Fund's 'share' of the volume of Green House Gas equivalent (GHGe) emissions generated by the Fund's investee companies) as at 31st March 2025.

This covers almost 61% of assets under management at an investment manager level within the Fund's total asset value as at 31st March 2025. 100% of the Fund's listed equities, 100% of absolute return and 15% of the fixed income were included. Certain assets (some fixed interest, infrastructure, private equity, derivatives and cash balances) were not, due to a lack of reportable GHG emissions data associated with them.

Northern Trust's approach to carbon footprinting uses estimates to generate data where none is reported and uses data disclosed by the Fund's investee companies where it is reported.

Liquid Asset Classes included in Carbon Footprinting

Listed Global Equity – 41.1% of Fund Assets

The Fund have six listed equity managers, four active and two index based making up 41.1% of the portfolio as at 31 March 2025. All Six portfolios are included in the metrics information within the Northern Trust's carbon footprinting report and all mandates exclude fossil fuel companies. All managers have strong engagement and stewardship approaches and are members of the PRI, IIGCC and are Stewardship code signatories.

Absolute/Real Return – 15.0% of Fund Assets

The Fund have two Absolute / Real Return managers, which make up 15.0% of the portfolio as at 31 March 2025. These mandates are unrestricted as to what the managers can invest in as they provide a defensive response for the Fund's portfolio in the time of market volatility and uncertainty. These mandates are in place to preserve capital. Both managers have strong engagement and stewardship approaches and are both members of the Net Zero Asset Managers Initiative and climate action 100+ as engagement leads.

Listed Infrastructure –2.1% of Fund Assets

The Fund has one listed infrastructure manager, Atlas, which is covered by the carbon footprinting analysis making up 2.1% of Fund assets. The manager is a member of IIGCC, NetZero Asset Managers Initiative, PRI and a Stewardship code signatory.

Fixed Income – 2.5% of Fund Assets

The Fund have four fixed income portfolios two managed by M&G and one by Bluebay, invested through the ACCESS LGPS pool and one passive index linked gilts mandate managed by UBS as an ACCESS pool aligned investment these combined are 17.0% of the Funds' assets. Only our M&G corporate bond mandate is included in the Northern Trust report representing 2.5% of our Fixed income investments, Northern Trust were not able to get enough relevant information for the other three mandates.

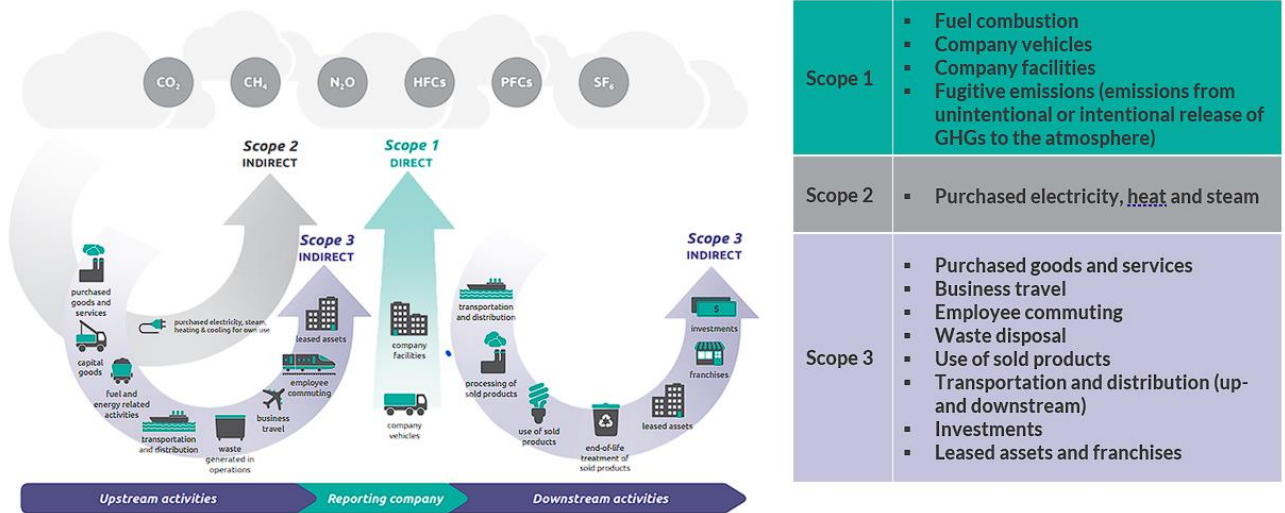
GHG Emissions

In line with the previous year, Northern Trust sought to provide the Fund with any 'Scope 3' GHG disclosure information available, in addition to Scope 1 and Scope 2. The different types of disclosures are defined as follows:

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

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

GHG Emissions - Scope 1, 2 and 3



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

Carbon Footprinting Analysis Results - Summary

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

31 March 2025

Metric	Results		Comments
Total Carbon Emissions (tCO ₂ e)	Scope 1 & 2	67,854.8	The absolute greenhouse gas emissions associated with a portfolio, expressed in tons CO ₂ e.
	Scope 1, 2 & 3	813,542.3	
Carbon Footprint (tCO ₂ e) / GBP Invested	Scope 1 & 2	28.3	Total carbon emissions for a portfolio normalized by the market value of the portfolio, expressed in tons CO ₂ e / millions invested.
	Scope 1, 2 & 3	339.7	
Carbon Intensity (tCO ₂ e) / GBP Revenue	Scope 1 & 2	90.2	This metric combines the total emissions / millions invested approach with a similar logic to determine an investor's share of revenue and subsequently dividing one by the other. By linking to revenue, the metric aims at describing the greenhouse gas efficiency of the underlying companies.
	Scope 1, 2 & 3	1,081.6	
Weighted Average Carbon Intensity (tCO ₂ e) / GBP Revenue	Scope 1 & 2	72.4	Portfolio's exposure to carbon-intensive companies, expressed in tons CO ₂ e / millions of revenue.
	Scope 1, 2 & 3	969.4	

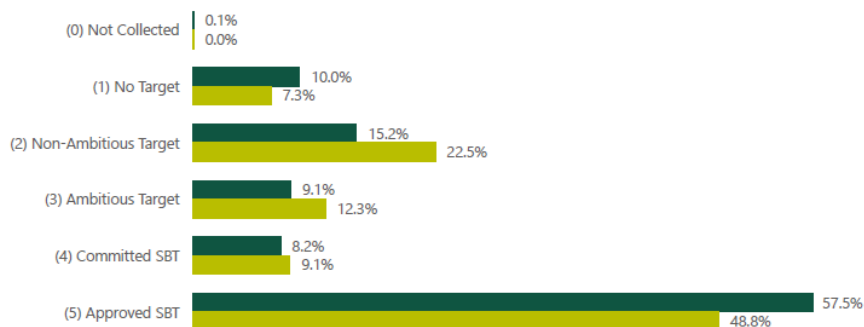
31 March 2024

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

31 March 2025

CLIMATE TARGETS ASSESSMENT

● Portfolio ● Benchmark

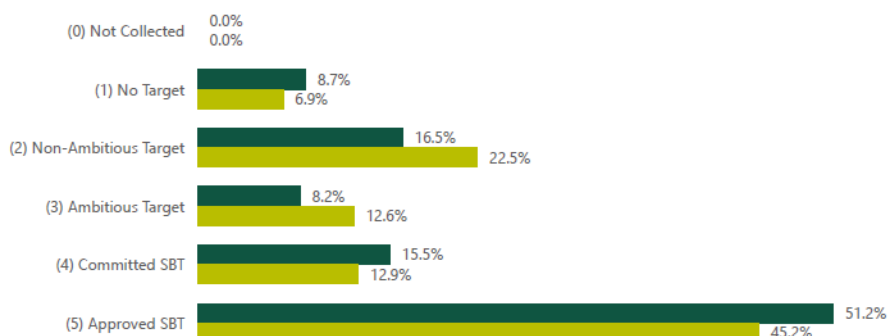


The GHG Reduction Target factor differentiates an entity's targets based on the existence and quality of greenhouse gas emissions reduction targets. It takes into account both science-based targets and other targets set by the company.

31 March 2024

CLIMATE TARGETS ASSESSMENT

● Portfolio ● Benchmark



The GHG Reduction Target factor differentiates an entity's targets based on the existence and quality of greenhouse gas emissions reduction targets. It takes into account both science-based targets and other targets set by the company.

The key takeaways are that:

- 1) Where disclosures were made, the Fund's investee companies emitted 67,854.8 (72,371.5 March 24) tCO_{2e}
- 2) The Fund's share of the GHG emissions made by its investee companies is 28.3 (41.1 March 24) tCO_{2e} / GBP Invested;
- 3) Over 57% of the Fund's investee companies have Greenhouse gas reduction targets that have approved science based targets.

Absolute Emissions

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

31 March 25

Manager	Value £m	Scope 1	Scope 2	Scope 1 & 2	Scope 3	Scope 1,2 & 3
All	3,020.4	53,539.0	14,315.8	67,854.8	745,687.5	813,542.3
Equity						
Ballie Gifford	213.5	3,208.2	661.0	3,869.2	52,779.0	56,648.2
Longview	510.2	1,301.4	1,188.8	2,490.2	36,354.7	38,844.9
Osmosis	415.4	3,430.3	1,697.2	5,127.5	131,421.7	136,549.2
Storebrand	450.3	3,913.3	2,226.0	6,139.3	188,575.9	194,715.2
Wellington	253.4	2,678.5	1,322.9	4,001.4	91,820.9	95,822.3
WHEB	200.7	3,069.1	2,164.8	5,233.9	56,512.3	61,746.2
Fixed Income						
M&G Corporate Bonds	124.5	1,254.9	358.8	1,613.7	23,129.0	24,742.7
Absolute return						
Newton	292.8	2,179.9	617.1	2,797.1	43,914.3	46,711.3
Ruffer	455.2	21,969.9	2,526.7	24,496.5	97,053.6	121,550.1
Listed Infrastructure						
Atlas	104.4	10,533.5	1,552.5	12,086.0	24,126.1	36,212.1

31 March 24

Manager	Value £m	Scope 1	Scope 2	Scope 1 & 2	Scope 3	Scope 1,2 & 3
All	2,889.4	58,906.2	13,465.3	72,371.5	971,795.3	1,044,166.8
Equity						
Ballie Gifford	217.3	6,454.7	1,155.1	7,609.8	91,016.6	98,626.4
Longview	521.6	1,926.3	1,508.4	3,434.7	80,870.1	84,304.7
Osmosis	397.6	4,378.9	2,119.0	6,497.9	128,314.8	134,812.7
Storebrand	465.3	4,665.4	2,983.4	7,648.8	238,767.2	246,416.0
WHEB	238.0	1,422.3	761.0	2,183.4	169,984.6	172,168.0
Fixed Income						
M&G Corporate Bonds	131.1	2,300.5	590.3	2,890.8	29,151.7	32,042.5

Manager	Value £m	Scope 1	Scope 2	Scope 1 & 2	Scope 3	Scope 1,2 & 3
Absolute return						
Newton	368.2	7,759.8	1,366.3	9,126.2	125,877.7	135,003.9
Ruffer	450.4	10,496.8	814.6	11,311.4	78,357.3	89,668.7
Listed Infrastructure						
Atlas	99.9	19,501.4	2,167.1	21,668.5	29,455.3	51,123.8

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

It is encouraging that despite a larger amount of assets being included in the March 25 analysis the total absolute emissions of our mandates have gone down to 67,854.8 tCO₂e for scope 1&2 (72,371.5 tCO₂e March 2024) and 813,542.3 tCO₂e for scope 1,2 & 3 (1,044,166.8 tCO₂e March 2024).

Carbon Footprint

The following table shows the total carbon footprint for the Fund and for each investment manager mandate included in the scope of work. This is defined as the total carbon emissions for a portfolio normalized by the market value of the portfolio, expressed in tons CO₂e / millions invested:

31 March 25

Manager	Value £m	Scope 1	Scope 2	Scope 1 & 2	Scope 3	Scope 1,2 & 3
All	3,020.4	22.4	6.0	28.3	311.4	339.7
Equity						
Ballie Gifford	213.5	15.6	3.2	18.8	256.7	275.5
Longview	510.2	2.6	2.3	4.9	71.8	76.7
Osmosis	415.4	8.3	4.1	12.4	318.4	330.8
Storebrand	450.3	8.7	5.0	13.7	421.2	434.9
Wellington	253.4	10.9	5.4	16.3	373.4	389.7
WHEB	200.7	15.9	11.2	27.1	292.3	319.4
Fixed Income						
M&G Corporate Bonds	124.5	28.7	8.2	36.9	528.5	565.4
Absolute return						
Newton	292.8	15.5	4.4	19.8	311.3	331.2
Ruffer	455.2	200.0	23.0	223.0	883.6	1,106.7
Listed Infrastructure						
Atlas	104.4	119.5	17.6	137.1	273.8	410.9

31 March 24

Manager	Value £m	Scope 1	Scope 2	Scope 1 & 2	Scope 3	Scope 1,2 & 3
All	2,889.4	33.5	7.7	41.1	552.2	593.4
Equity						
Ballie Gifford	217.3	35.6	6.4	42	501.9	543.9
Longview	521.6	4.9	3.8	8.7	205.9	214.6
Osmosis	397.6	14.8	7.2	21.9	433.2	455.2
Storebrand	465.3	13.1	8.4	21.5	671.3	692.8
WHEB	238.0	7.7	4.1	11.8	915	926
Fixed Income						
M&G Corporate Bonds	131.1	52.2	13.4	65.6	661.7	727.3
Absolute return						
Newton	368.2	51.1	9	60.1	828.7	888.8
Ruffer	450.4	168.5	13.1	181.6	1,257.80	1,439.30
Listed Infrastructure						
Atlas	99.9	217.3	24.2	241.5	328.3	569.7

The Fund's current carbon footprint - i.e., its 'share' of the emissions made by its investee companies - equates to 28.3 (41.1 in March 24) tonnes of CO₂e emissions. This is a significant reduction from the position in March 24.

Emissions Intensity

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

31 March 2025

Manager	Value £m	Scope 1	Scope 2	Scope 1&2	Scope 3	Scope 1,2 &3
All	3,020.4	71.2	19.0	90.2	991.4	1,081.6
Equity						
Ballie Gifford	213.5	64.5	13.3	77.7	1,060.4	1,138.1
Longview	510.2	8.8	8.0	16.7	244.5	261.3
Osmosis	415.4	24.3	12.0	36.3	930.4	966.8
Storebrand	450.3	26.1	14.8	41.0	1,257.9	1,298.8
Wellington	253.4	35.8	17.7	53.5	1,226.9	1,280.4
WHEB	200.7	59.1	41.7	100.9	1,089.0	1,189.9
Fixed Income						
M&G Corporate Bonds	124.5	69.9	20.0	89.9	1,288.5	1,378.4
Absolute return						
Newton	292.8	73.6	20.8	94.4	1,481.7	1,576.1
Ruffer	455.2	326.4	37.5	363.9	1,441.9	1,805.9
Listed Infrastructure						
Atlas	104.4	503.2	74.2	577.3	1,152.5	1,729.8

31 March 2024

Manager	Value £m	Scope 1	Scope 2	Scope 1&2	Scope 3	Scope 1,2 &3
All	2,889.4	79.2	18.1	97.3	1306.0	1403.3
Equity						
Ballie Gifford	217.3	104.8	18.8	123.6	1478.0	1601.5
Longview	521.6	11.2	8.8	20.0	470.7	490.6
Osmosis	397.6	33.8	16.3	50.1	989.1	1039.2
Storebrand	465.3	29.8	19.1	48.9	1525.6	1574.4
WHEB	238.0	25.0	13.4	38.3	2985.2	3023.6
Fixed Income						
M&G Corporate Bonds	131.1	102.1	26.2	128.3	1294.3	1422.6
Absolute return						
Newton	368.2	152.5	26.9	179.3	2473.7	2653.0
Ruffer	450.4	156.2	12.1	168.3	1166.1	1334.4
Listed Infrastructure						
Atlas	99.9	725.2	80.6	805.8	1095.4	1901.2

The Fund's current carbon intensity - i.e., its 'share' of the emissions made by its investee companies - equates to c. 90.2 (97.3 in March 24) tonnes of CO₂e emissions.

Data Quality

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

31 March 2025

DATA QUALITY

● Estimated ● Reported ● Verified

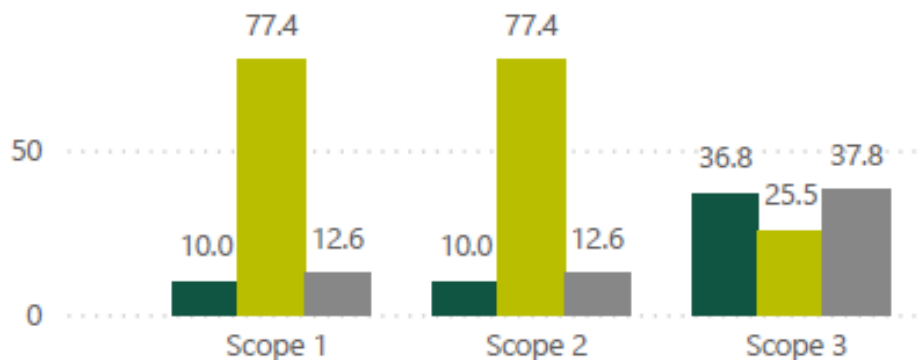


Chart values are shown in percentage (%) format
Percentages may not total 100 due to rounding

DATA QUALITY

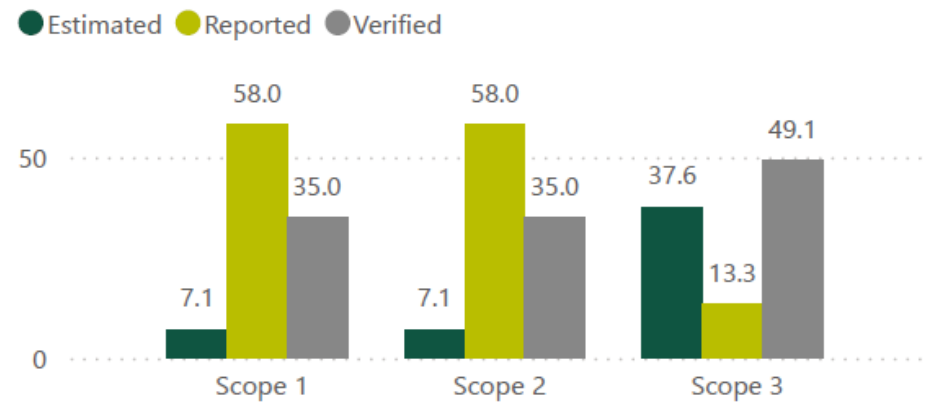


Chart values are shown in percentage (%) format
Percentages may not total 100 due to rounding

The results show that there has been a significant drop in the verified data that is being reported by companies falling to 12.6% from 35.0% in 2024. There is also an increase in the percentage of companies not reporting now at 10.0% compared to 7.1% in 2024. This means that there has been a weakening of carbon data.

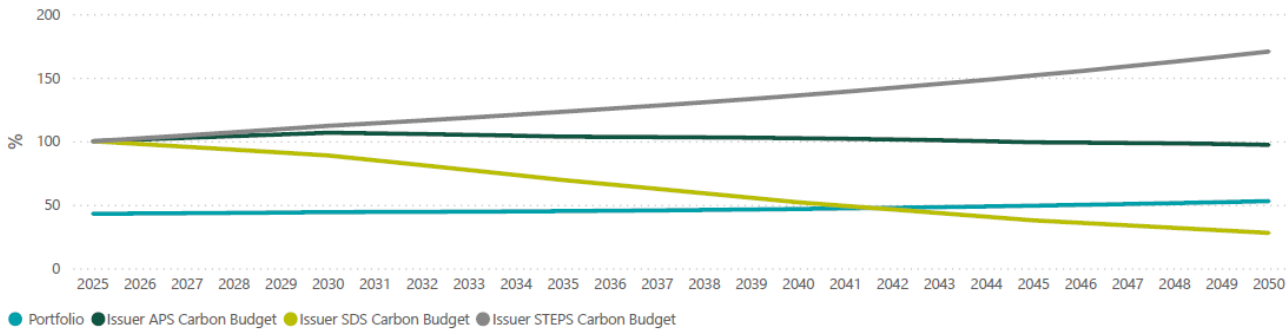
CLIMATE SCENARIO ALIGNMENT

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

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

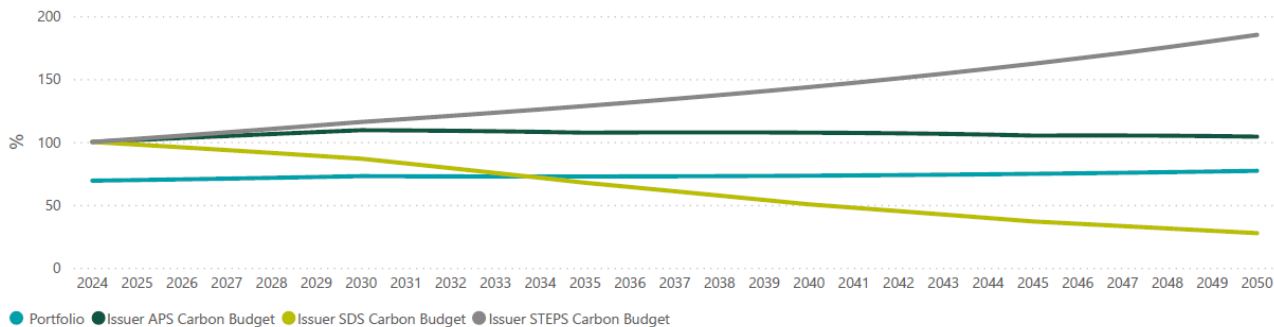
31 March 2025

PORTFOLIO EMISSION PATHWAYS VS. CLIMATE SCENARIOS BUDGETS



31 March 2024

PORTFOLIO EMISSION PATHWAYS VS. CLIMATE SCENARIOS BUDGETS



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

Portfolio Temperature Score was 1.9 (2.3 in March 24) Degrees

Liquid Asset Classes excluded in Carbon Footprinting

Fixed Income – 14.5% of Fund Assets

The Fund have three fixed income portfolios one managed by M&G and one managed by Bluebay and invested through the ACCESS LGPS pool and one passive index linked gilts mandate managed by UBS as an ACCESS pool aligned investment. Northern Trust were not able to get enough relevant information for these investments.

M&G have provided the following information for the Alpha Opportunities Fund

31 March 2025	Scope 1 and 2 emissions (CO ₂ e tonnes)	Scope 3 emissions (CO ₂ e tonnes)	Total Emissions (scope 1,2 &3)
Emissions Reported	133,786	1,283,821	1,417,607

BlueBay have provided the following information for the Total Return Credit Fund.

31 March 2025	Scope 1 and 2 emissions (CO ₂ e tonnes)	Scope 3 emissions (CO ₂ e tonnes)	Total Emissions (scope 1,2 &3)
Emissions Reported	36,025	231,079	259,819

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

Illiquid Asset Classes

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

Private Equity – 7.2% of Fund Assets

The Fund have two private equity managers, which make up 7.2% of the portfolio as at 31 March 2025. Neither of these managers have published any metrics under TCFD however both are members of the Initiative Climat International (iCI) which is a General Partner led initiative to collaborate on risk analysis tools to aid private equity action on climate change.

Members of iCI commit to recognising the risks and opportunities that climate change presents to their investments, contribute to the Paris Agreement's objectives, and actively engage with portfolio companies to reduce their greenhouse gas emissions. Members work collaboratively across a variety of working groups to implement their commitments.

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

One of the Fund's Private Equity funds, which is currently 3.5% of the portfolio value has been able to provide a Weighted Average Carbon Intensity (WACI) of the portfolio as an Emissions Intensity metric as at 31/03/2025.

Company Scope 1 + Scope 2 (tCO ₂ e/USDmn)	56.55
Company Direct + First Tier (tCO ₂ e/USDmn)	54.60

1. The MSCI ACWI Wtd Avg Carbon Intensity (t CO₂e/\$M Sales) as of June 28, 2024, was 796. This includes Scope 1, 2 and 3. MSCI no longer publicly reports Scope 1 & 2 data for its benchmarks. The comparable WACI Scope 1, 2 and 3 figure for the East Sussex portfolio at the end of Q2 2024 was 502 t CO₂e/\$M Sales.
2. Direct and First Tier Indirect (which includes some elements of Scope 3), suitable for benchmarking against the S&P Global LargeMidCap which was 200 as of June 28, 2024.
3. This data is calculated based on estimation factors (in tCO₂e/mUSD revenue) at the The Global Industry Classification Standard (GICS) Sub-industry level, provided by S&P Global Trucost.

Property – 6.8% of Fund Assets

CBRE, the Fund's property investment manager comment that they future-proof investments and operations, and understand the need to focus on climate mitigation and adaptation as essential components of risk mitigation and value creation. They seek to address climate risks and enhance investment return opportunities by focusing on delivering net zero greenhouse gas (GHG) performance and physical resilience. They seek to align their CBRE IM corporate operations with those of their parent organization, CBRE Group, Inc. (CBRE), and its commitment to reach net zero GHG emissions across the value chain by 2040, which follows the Science Based Targets initiative (SBTi). CBRE Investment Management has a Net Zero by 2050 target for select direct and indirect private real estate and infrastructure investments.

During the onboarding of the portfolio CBRE have begun the collection of data and metrics from the underlying investments and managers. For the period as at end 31st December 2024, this exercise is based on the real estate sectors GRESB initiative. Data was released at the beginning of October to participants, and is now being assessed and analysed by our Indirect Regional Investment Teams, prior to subsequent report. Based on the data available to them at the start of October 2025 (GRESB 2024, reporting year 2023 data), we are able to run a partial portfolio analysis to facilitate the Fund's reporting requirements.

CBRE IM Indirect only report absolute emissions using actual data and do not recommend undertaking extrapolation or estimation, without clarity on the methodology previously applied and potential variations to this.

As such we have classified all of the data in this analysis as actual emissions, based on data reported by underlying managers following the GRESB methodology. For the purposes of the Fund's disclosure and TCFD related reporting of indirect investments, the emissions should be treated as Scope 3 Category 15 – financed emissions.

2024	Coverage of portfolio	Scope 1&2 emissions (carbon tonnes)	Scope 3 emissions (carbon tonnes)	Total Emissions (scope 1,2 &3)	Carbon tonnes per £m
Actual Emissions Reported	29.40%	215.64	625.32	840.96	7.39
Emissions Estimated & Actual	n/a	n/a	n/a	n/a	n/a

Infrastructure – 8.9% of Fund Assets

The Fund have four Infrastructure managers which comprise 8.9% of Fund assets at 31 March 2025. One of the infrastructure managers (IFM) comprising 5.4% of the portfolio have reported the following:

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

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

2024	Scope 1 emissions (CO ₂ e tonnes)	Scope 2 emissions (CO ₂ e tonnes)	Scope 3 emissions (CO ₂ e tonnes)	Total Emissions (scope 1,2 &3)
Emissions Reported for Fund 3	1,181.27	4,577.05	204,422.95	210,181.27

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

2024 Emissions Reported (Fund Level)	Scope 1 emissions (CO ₂ e tonnes)	Scope 2 emissions (CO ₂ e tonnes)	Scope 3 emissions (CO ₂ e tonnes)	Total Emissions (scope 1,2 &3)
Infracapital Partners III	257,970	2,599	66,260	326,830
Infracapital Greenfield Partners II	2,030	3,683	266,858	272,571
Total Emissions Reported	260,000	6,282	333,119	599,401

The last manager (Pantheon) comprising 1.8% of the portfolio has provided the following data.

	Scope	Value	Actual	Proxy	Total
Emissions(tCO₂e)	Scope 1 and 2	19,869	87%	13%	100%
	Scope 3	22,798	76%	24%	100%
	Total	42,667	87%	13%	100%
Carbon Footprint²(tCO₂e/\$m invested)	Scope 1 and 2	10	87%	13%	100%
	Scope 3	12	76%	24%	100%
	Total	22	87%	13%	100%
WACI³(tCO₂e/\$m revenue)	Scope 1 and 2	899	91%	5%	96%
	Scope 3	1,645	76%	20%	96%
	Total	2,543	91%	5%	96%

Private Credit – 0.6% of Fund Assets

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

RI implementation Statement for 2024/25

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

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

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

Commitment	Progress	Further Action
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.	during meetings with the Fund managers. The Fund is incorporating as much of aspects of the TCFD guidance for private pensions schemes into its Annual Report. This is building on the report provided last year, allowing the Fund to identify and enhance the report year on year and provide readers with better understanding of emissions and climate strategy. Along with this the Fund has received 4 years of ESG assessments of its investment Managers from its conducted by its investment consultant. We continue to engage with our investment managers over their own reporting and are encouraging them to report in line with TCFD where they are not already doing. We undertake carbon foot printing of the Fund. We have been producing a quarterly engagement reports detailing the work the Fund has been undertaking. The Fund responded to the consultation on the TCFD reporting in the LGPS and is a supporter of this being implemented.	The Fund is awaiting the outcome to the consultation on the TCFD reporting in the LGPS and is a supporter of this being implemented. The Fund will look to implement the guidance once this is published and continue to develop its reporting. The Fund will continue to work with Third parties to develop and implement enhancements to its current reporting. Including PRI and UK Stewardship reporting. The Fund will investigate how climate scenario analysis can help define its climate strategy and how this can be implemented.
To report annually in accordance with TCFD recommendations.	The Fund provide a TCFD section within its Annual Report covering all elements where sufficient data is held and identifying areas which are not yet complete. There is currently no guidance for	We are awaiting the response to the consultation from DLUHC on TCFD reporting and when the regulations are set out and there is clarity on the final requirements, the Fund will implement a fully compliant report within the

Commitment	Progress	Further Action
	LGPS Funds on TCFD reporting.	guidelines set out for the LGPS.
Signatory to the United Nations Principles for Responsible Investment (PRI)	The Fund has signed up to the PRI and has provided its first set of information to the PRI for assessment. The Fund received the results of the assessment and received at least 4 stars in each category.	During Q3 2024 the Fund will prepare and submit the necessary information to maintain our signatory status to the PRI. We anticipate receiving our second assessment report in Q4 2024 and look forward to improving our responsible investment activities based on the findings.
Encourage the Fund's investment managers to provide transparency by reporting relevant and accessible ESG-related information. This includes their commitments to and alignment with the UK Stewardship Code 2020, the TCFD, the PRI and GRESB, where appropriate.	The Fund have been requesting quarterly information from the managers on engagement and voting and have been publishing a quarterly report detailing our monitoring of the managers. Alongside this the Fund also provide information on the managers engagements and commitments such as to which organisations they are signatories. The Fund receive an impact assessment of the Fund managers from its Investment Consultant annually to ensure that they are stewards our assets in line with their policies and our expectations. As part of our engagement with managers is to request that they consider signing up to UK Stewardship Code 2020, IIGCC, TCFD, the PRI and GRESB. ACCESS has been doing a lot of work within the RI space and has revised it guidelines we continue to work with ACCESS to develop the report framework around the RI guidelines.	We will be maintaining the engagement and voting information capture and are working to improve the information that is published as part of our engagement report. Look to improve communication with stakeholders of the Fund. The Fund continues to monitor the investments managers through carbon foot printing and ESG reviews by our investment consultant. The Fund is committed to working with ACCESS to improve the RI function within the pool and provide better reporting. Ensuring that the Fund's managers sign up to relevant commitments with TCFD and UK stewardship code 2020 being priorities.

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

Collaboration

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



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

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



<https://www.iigcc.org>

Institutional Investors Group on Climate Change (IIGCC) has the collective weight of over €51 trillion from over 350 members and is leading the way on a global stage for investors to help realise a low carbon future.

IIGCC helps shape sustainable finance policy and regulation for key sectors of the economy and supports members in adopting active ownership and better integrated climate risks and opportunities into investment processes. The Fund's Pension Committee Chair is currently a representative on the IIGCC Corporate Programme Advisory Group. The corporate programme focuses on supporting investors to engage with companies to align portfolios with the goal of net zero by 2050. In addition to the Fund's own membership of IIGCC, the Fund asks its managers to also be members providing a double lock on engagement.



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

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



[Home | Pensions For Purpose](#)

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



[Home | Financial reporting council](#)

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



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

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

The UK Sustainable Investment and Finance Association is a membership organisation for those in the finance industry committed to growing sustainable and responsible finance in the UK. By creating the space for networking and showcasing good practice across the sector, UKSIF bring together the broad community to highlight success and create connections. UKSIF has a long track record of successfully influencing government policy, giving a strong voice to members to push forward the need for a sustainable future delivered in a way that works for the industry, positions the UK as the world leader, and creates opportunities for innovation.

Pooling

Background

The pooling landscape that first started to take shape in 2016 did not specify a particular model. ACCESS (A Collaboration of Central, Eastern and Southern Shires) 11 Local Government Pension Scheme (LGPS) Authorities agreed to begin working collectively to address the requirements of the Government's agenda for pooling LGPS investments. The first ACCESS Inter Authority Agreement was signed in late June 2017.

The pool structure ACCESS chose to create continued the market sourced approach the ACCESS Authorities have always adopted, and although some other pools took different pathways, ACCESS were not alone in the model adopted.



2024/25 has been dominated by the Government's Pension Review and the implications for LGPS pools. Following last September's Call for Evidence, the Consultation entitled LGPS: Fit for the future was launched after the Chancellor's November Mansion House speech. This developed original Government thinking and consolidated the notion of "one model" for all pools.

Against a March 2026 deadline for pools to be built around an FCA regulated investment management company, options included merger and, for those with models such as ACCESS, building an FCA company.

In order to comply with the expectations of LGPS Fit for the future ACCESS launched Project Castle initiating an intense period of dialogue, engagement and analysis. The result was a detailed assessment of options culminating in a submission to Ministers in late February, setting out the rationale for why the most effective course of action for our pool was to build our own FCA investment management company.

As will be widely known, shortly after the end of 2024/25, in early April, ACCESS was extremely disappointed when Ministers indicated that they had chosen not to support ACCESS's proposal. The Joint Committee, ACCESS Authorities and the ACCESS Support Unit continue to work through the implications of that decision.

In response to this the ESPF confirmed a preferred pooling partner as Border to Coast Pensions Partnership. Established as a regulated asset manager in 2018, they are one of the largest LGPS pools in the UK. Their purpose is to make a difference for the LGPS by providing cost-effective, innovative, and responsible investment opportunities that deliver returns over the long-term. The ESPF will work towards becoming a shareholder in Border to Coast Pensions Partnership by the 31 March 2026.

Current arrangement

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 £66.7 billion (of which 74% £49.3bn has been pooled) serving over 3,500 employers with over 1.2 million members.

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

The following strategic objectives are in place:

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

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

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

Governance

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

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

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

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

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

The ACCESS Support Unit (ASU) provides the day-to-day support for running the ACCESS Pool and has responsibility for programme management, contract management and supplier relationship, administration and technical support services.

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

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

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

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

The Operator

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

Pool Aligned Assets

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

Progress

ACCESS submitted its pooling proposal to Government in July 2016 with detailed plans for establishing and moving assets into the pool.

Included in the proposal was an indicative timeline of when assets will be pooled, and ACCESS has continued to make excellent progress against the principal milestone of having £30.6 billion assets pooled and estimated savings of £21.0 million by March 2027 exceeding the assets pooled by £18.7 billion and the savings by £14 million.

Pooled Assets

As at 31 March 2025, 74% of assets have been pooled.

As at 31 March 2025, ACCESS has pooled the following assets:

Asset Class	£ billion
Global Equity Funds	16.6
UK Equity Funds	1.6
Emerging Markets Equity Funds	1.2
Fixed Income	10.1
Diversified Growth	0.9
Passive investments	12.5
Infrastructure	2.1
Real Estate	3.7
Timberland	0.6
Total Pooled Investments	49.3

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

The investment return on active listed assets annualised over 5 years was 11.8% against benchmark returns of 11.2% and outperformance of 0.6% annualised over 5 years.

Financial Management Expected v Actual Costs and Savings

The table below summarises the financial position for 2024/25 along with the cumulative position since the commencement of ACCESS activity in early 2016.

A budget for ongoing operational costs is set by the Joint Committee and is financed equally by each of the eleven Authorities. 2024/25 saw a slight overspend, primarily due to higher than anticipated costs of external advice and additional work required in response to the governments Fit for the Future consultation and new pooling requirements.

	2024-2025	2024-2025	2016-2025	2016-2025
	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	-	-	3,338	6,907
Ongoing Operational Costs	1,617	1,314	8,517	10,568
Operator & Depository Costs	5,791	6,082	28,183	32,791
Total Costs	7,408	7,396	41,862	51,666
Pool Fee Savings	(35,394)	(21,400)	(165,133)	(106,850)
Net (Savings Realised)/Costs	(27,986)	(14,004)	(123,271)	(55,184)

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

The 2024/25 fee savings have been calculated using the CIPFA price variance methodology and based on the average asset values over the year. This approach highlights the combined level of investment fee savings, across all ACCESS Authorities stemming from reduced charges.

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

Administration

Service Delivery

During 2024/25, East Sussex County Council as Administering Authority for the East Sussex Pension Fund undertook the day-to-day pensions administration via its in-house pensions team.

The Pensions Administration team were responsible for:

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

Communication with members is, where possible, via the Member Self Service cloud-based website (My Pensions Portal). This includes Annual Benefit Statements, member newsletters, beneficiary nominations, updating personal details and carry out benefit calculations. The My Pensions Portal was upgraded and re-launched in July 2024 with a new look, design and branding, with more graphics to help understanding. New features include simpler log-in, improved security (two stage authentication), new retirement planner, ABS broken down into easier chunks, access for pensioners to printable payslips and P60's. All members were written to asking them to register to access the new portal.

Employers have been either using or introduced to the i-Connect cloud-based portal through which they can upload their monthly payroll salary and contribution data directly into the Pensions Administration database. As at 31 March 2005 only ten Employers were still too onboard to i-Connect. Employers' newsletters were also provided.

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

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

With effect from 1 September 2023 most of the Fund printing and postage services were transferred to the ESCC Post Hub. The remainder (mainly pensioner payroll related) were migrated on 1 September 2024.

From 1 April 2024 the support for the pensioner payroll and pensions helpdesk (including TUPE staff) were also bought in-house.

The Fund proactively continues to focus on data quality in preparation for the Pensions Dashboards and appointed Heywood Limited as its Integrated Service Provider.

The Annual Allowance (AA) limit increased from £40k to £60k for 2023/24 so fewer members were expected to be impacted. All the necessary calculations were completed in September 2024, with ten cases over the AA limit and only one where tax was due.

Efforts continue with the robotics programme to integrate wider automation within pension administration to carry out straight-forward repetitive tasks/actions. In November 2024 a robot called Drusillas went live. This robot processes the refund of member pension contributions. The checking stage of each case continues to be authorized by a pensions Officer. ESPF currently have five live robots saving about 5,000 hours of work a year, creating circa £150k of financial savings.

The Digital Assistant is a Chatbot designed to sit on the ESPF website and answer FAQ. The project is well underway, and Officers are working with an external provider ICS.AI who have created a draft set of 298 questions and answers. These will be reviewed in the Summer of 2025 and then the Digital Assistant can be integrated on some key pages of the website by the end of 2025.

Following an evaluated the LGPS Framework bids and completion of the appropriate due diligence the Pension Administration Software contract was awarded by the Pensions Committee to Heywood Limited. The contract will commence on 28 April 2026 for a five-year term, with an option to extend up to 26 April 2034.

Administration Performance

Historically, the Pension Board and Pension Committee have reviewed performance of completed tasks against a relatively small number of Key Performance Indicators. The Pension Administration Team workflow management system deals with more than a hundred different tasks. Following a discussion with the Pension Board and Pension Committee, to be fully open and transparent, from April 2024 a new report was created within Altair Insights to disclose performance against all the tasks undertaken. The new format provided wider and more detailed management information including what tasks were received, what was completed, what remained outstanding (and clarifying how many of these could be actively worked upon). In August 2024, the monthly reporting was expanded to show, for each task, the average time taken, and the longest time taken in relation to tasks completed outside of the Service Level Agreement.

Activity	CIPFA Annex A Casework Reference	CIPFA No. of B Days	ESPF SLA Target	Items outstanding at start of period 01/04/2024	Post received	Post completed	Completed within SLA	% Complete within SLA	Completed outside SLA	Average No. days taken *	Longest No. days taken *	Items outstanding at end of period 31/03/2025	open tasks at end of period 31/03/2025
Aggregation- Payment	A13		10	146	2,977	2,717	1,816	66.8%	901	9.8	265	140	69
Aggregation- Quote			15	309	2,020	1,657	902	54.4%	755	15.2	165	213	181
APC/AVC's			10	18	488	468	459	98.1%	9	1.4	48	30	2
Deaths – initial letter acknowledging death of member	A1 & B1	5	2	5	369	372	369	99.2%	3	0.1	1	1	0
Deaths- With Benefits	A2 & B2	10	5	123	698	633	531	83.9%	102	3.2	123	130	20
Deaths-No Further Benefits	B2	10	5	44	509	520	428	82.4%	92	4.1	135	23	2
Deferred Benefits	A5 & B8	30	15	244	3,023	2,718	2,243	82.5%	475	10.7	416	332	139
Divorce Quotes	A9 & B12	45	15	5	51	48	48	100%	0	0.9	n/a	4	4
Divorce - Proceeding	A10 & B13	15	25	0	127	124	124	100%	0	3.0	n/a	4	2
General Enquiries			10	108	2,936	2,874	2,807	97.7%	67	1.3	121	97	29
Interfund in- Payment	A6 & B9	15	25	57	929	554	550	99.3%	4	2.5	166	118	4
Interfund In- Quote			10	344	827	378	219	57.9%	159	24.5	193	377	16
Interfund Out- Payment	A7 & B10	15	25	23	579	521	448	86.0%	73	12.8	77	32	9
Interfund Out- Quote			15	33	399	330	293	88.8%	37	6.4	138	26	14
Refunds- Frozen			10	83	2,167	2,005	1,449	72.3%	556	36.1	648	167	98
Refunds- Payment	A8 & B11	10	5	23	1,104	1,082	984	90.9%	98	1.8	29	21	17
Retirements – letter notifying actual retirement benefits	A3, A4 & B5, B6	15	7	48	1,962	1,933	1,759	91.0%	174	3.4	37	39	22
Retirements – letter notifying estimate of retirement benefits	A11 & B3, B4, B15	15	15	15	2,259	2,245	2,205	98.2%	40	3.6	24	18	16
Retirements – process and pay pension benefits on time	B7	15	5	267	2,556	2,129	1,988	93.4%	141	2.4	66	267	56
Transfer In- Payment	A6 & B9	15	25	49	314	189	184	97.4%	5	2.0	19	38	6
Transfer In- Quote			10	116	272	169	69	40.8%	100	25.8	157	116	11
Transfer Out- Payment	A7 & B10	15	10	15	80	53	49	92.5%	4	2.6	1	25	4
Transfer Out- Quote			10	25	522	461	410	88.9%	51	4.2	43	30	18
Trivial Commutation			10	0	104	96	96	100%	0	1.5	3	3	1
Grand Totals				2,100	27,272	24,276	20,430	84.2%	3,846			2,251	740

New Joiners

A12 & B14

40

* these columns were only added Aug 24

Opt outs

A14

Priority 1
Priority 2
Priority 3
Priority 4
Priority 5

The Admin Strategy is a mixture of 90% or 95% KPI targets and these can vary within the task list

92%+
87%+
<87%

<1K
1k to 1.5k
>1.5k

Month	o/s* at start	Post received	Post completed	Completed in SLA**	% within SLA	Outside SLA**	Total o/s* at end	Open tasks at end
Apr 24	2,100	1,790	1,828	1,422	77.8%	406	2,042	580
May 24	1,846	2,021	1,755	1,472	83.9%	283	2,082	556
Jun 24	1,905	1,857	1,763	1,531	86.8%	232	1,975	345
Jul 24	1,810	2,612	1,984	1,743	87.9%	241	2,404	882
Aug 24	2,215	3,024	2,326	1,991	85.6%	335	2,891	1,253
Sep 24	2,059	2,040	1,761	1,458	82.8%	303	2,904	1,252
Oct 24	2,549	2,347	2,518	2,015	80.0%	503	2,341	707
Nov 24	2,090	2,015	1,963	1,596	81.3%	367	2,080	423
Dec 24	1,919	1,541	1,522	1,360	89.4%	162	1,892	398
Jan 25	1,719	3,126	2,279	2,078	91.2%	201	1,892	1,069
Feb 25	2,372	2,368	2,148	1,793	83.5%	355	2,557	1,034
Mar 25	2,283	2,364	2,355	1,977	83.9%	378	2,251	740

*o/s = outstanding

**SLA = Service Level Agreement

Number of complaints

Scheme year	Number
2021/22	47
2022/23	46
2023/24	33
2024/25	35

The Pension Administration Team record any inkling of a complaint or where there is a possible maladministration with a financial consequence for the Fund.

Financial indicators of administrative efficiency

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

Investment management expenses	ESPF Unit costs per member 2023/24	ESPF Unit costs per member 2024/25	Benchmark unit costs 2023/24
Excluded	£46.5	£48.0	£43.6
Included	£307.6	£340.9	£315.0

Key staffing indicators

During 2024/25, staffing numbers within the Pensions Administration area (including the helpdesk team) increased from 26 FTE to 32 FTE. The team was carrying 2 vacancies.

This provides the Fund with a staff (32) to fund member (86,784) ratio of 1:2,712

With average reportable KPI cases (24,202) per member of staff (32) ratio of 1:756.31

Membership

During 2024/25 the number of “Active” contributing members within the Pension Fund increased by 0.31% from 24,888 to 24,965. In summary, the number of members contributing to the Scheme is:

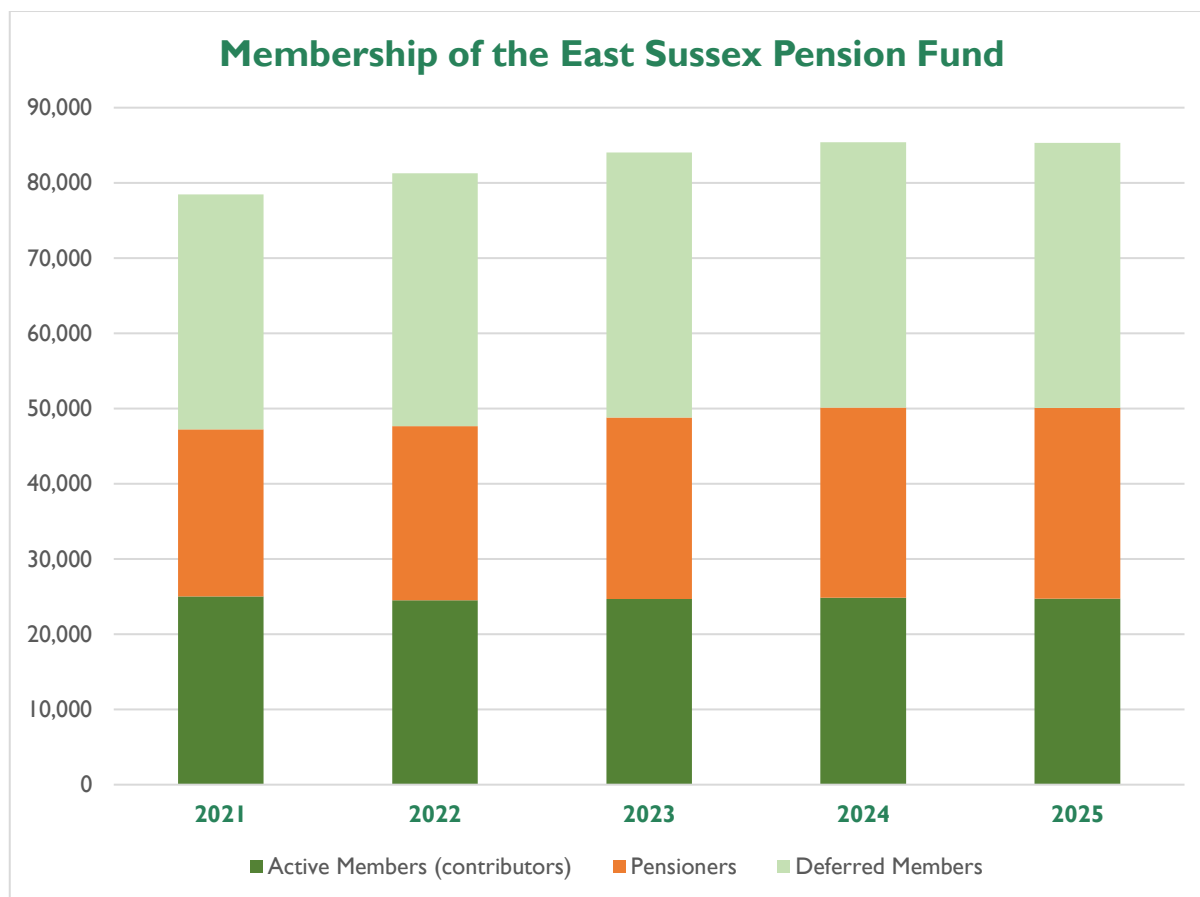
	Number of members 2023/24	Number of members 2024/25
East Sussex County Council	8,003	7,889
Brighton & Hove City Council	7,564	7,484
Academies	3,998	4,437
Colleges	2,703	2,656
Other	2,620	2,499
Total	24,888	24,965

The number of pensioners in receipt of payments from the Fund increased from 25,288 to 26,762 (or 5.83%).

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

	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
Active Members (contributors)	25,002	24,514	24,691	24,888	24,965
Pensioners (inc dependents)	22,230	23,131	24,124	25,288	26,762
Deferred Members	31,234	33,646	35,213	35,240	35,057
Total	78,466	81,291	84,028	85,416	86,784

Under the Local Government Pension Scheme (LGPS) (Administration) Regulations 2013, the East Sussex County Council administers the Pension Fund for approximately 86,000 individuals employed by 150 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	946
Redundancies	119
Ill Health	43
Employee's Choice of Early Pension	687
Total New Pensioners	1,795

2024 Annual Benefit Statement

The ABS statutory deadline was 31 August 2024 and the results of statements issued for eligible members were as follows:

Member category	2022	2023	2024
Actives	96.70%*	95.90%	99.24%
Deferred	99.79%	99.72%	99.99%

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

Administration key performance indicators

Table C - Communications and engagement

Ref	Engagement with online portals	Percentage as at 31 March	
C1	% of active members registered	42.65% *	
C2	% of deferred member registered	32.24% *	
C3	% of pensioner and survivor members	49.03% *	
C4	% total of all scheme members registered for self-service	40.35% *	
C5	Number of registered users by age		
		Member Current Age	Active Users
		0-20	51
		21-30	1,196
		31-40	2,983
		41-50	4,859
		51-60	8,707
		61-70	7,327
		71-80	2,818
		81-90	496
		Over 90	62
		Grand Total	28,499
Excluding Duplicates (i.e. number of members - only one member record counted where they have several records) – table as at 30/10/2025			
C6	% of all registered users that have logged onto the service in the last 12 months	Due to the upgrade all registered since July 24 so 100%	

*Excluding members who have specifically opted out of electronic communication

Ref	Communication	Number
C7	Total number of telephone calls received in year	12,509 via pensions helpdesk (April 2024 to March 25)
C8	Total number of email and online channel queries received	17,973 via pensions@eastsussex.gov.uk (April 24 to March 25)
C9	Number of scheme member events held in year (total of in-person and online)	6-member training events (Jan 25)

Ref	Communication	Number
C10	Number of employer engagement events held in year (in-person and online)	1 employer forum in Nov 24, held online.
C11	Number of active members who received a one-to-one (in-person and online)	One meeting with a pass through employer, not a direct employer within the fund
C12	Number of times a communication (i.e newsletter) issued to: a) Active members b) Deferred members c) Pensioners	2 1 1

Table D - Resources

Ref	Resources as at 31 March	Number / %
D1	Total number of all administration staff (FTE)	32 FTE
D2	Average service length of all administration staff	6.9 years
D3	Staff vacancy rate as %	2
D4	Ratio of all administration staff to total number of scheme members (all staff including management)	86,784/32 = 1:2,712
D5	Ratio of administration staff (excluding management) to total number of scheme members	86,784/28 = 1:3,099

Table E - Data Quality

Ref	Annual benefit statements	%
E1	Percentage of annual benefit statements issued as at 31 August	99.13%

Please provide a short commentary below if the score above is less than 100%

ABS not run for 231 actives & 267 deferreds. As at 28/10/25 all deferreds ABS issued and only 42 actives outstanding

Ref	Data category	Score			
E3	Common data score	97.2% as at 29/08/24			
E4	Scheme specific data score	93.3% as at 29/08/24			
E5	Percentage of active, deferred and pensioner members recorded as 'gone away' with no home address held, or address is known to be out of date				
			Status	Group	
		Gone Away	I	4	5 or 6
		N	89.23%	59.22%	79.89%
		Y	0.41%	5.16%	0.26%
		Total	100.00%	100.00%	100.00%
			Status	Group	
		Gone Away	I	4	5 or 6
		N	21,826	20,055	22,947
		Y	100	1747	74
		Total	24,461	33,864	28,725
		Tables as at 30/10/2025			
E6	Percentage of active, deferred and pensioner members with an email address held on file				
			Status	Group	
		Email Held	I	4	5 or 6
		N	9.91%	26.78%	23.94%
		Y	90.09%	73.22%	76.06%
		Total	100.00%	100.00%	100.00%
			Status	Group	
		Email Held	I	4	5 or 6
		N	2,423	9,068	6,878
		Y	22,038	24,796	21,847
		Total	24,461	33,864	28,725
Ref	Employer performance				Score
E7	Percentage of employers set up to make monthly data submissions				91% - 13 Employers Outstanding
E8	Percentage of employers who submitted monthly data on time during the reporting year				N/A

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	122	16	138
Admitted body	27	57	84
Total	149	73	222

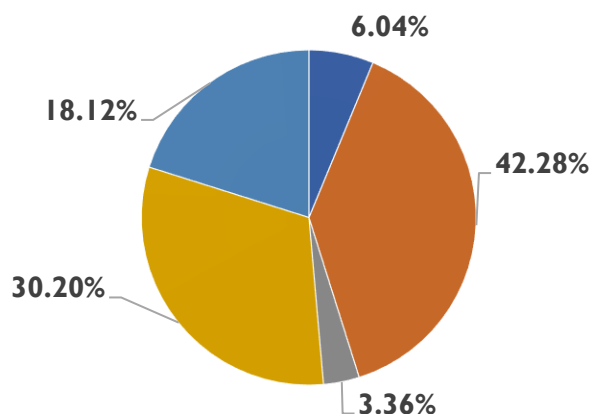
Employer statistics by Employer type

Employer Type	Number of Employers as a percentage of total	Percentage of total fund membership	Number of Employers in Group
Scheduled Bodies – Major Authorities	6.04%	80.41%	9
Academy Schools	42.28%	11.45%	63
Colleges	3.36%	5.43%	5
Other Scheduled Bodies	30.20%	0.60%	45
Admission Bodies	18.12%	2.11%	27

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

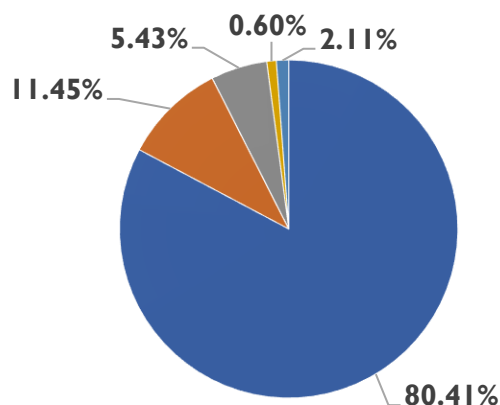
Number of Employers as a percentage of total

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



Percentage of total fund membership

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



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

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

In particular it sets out:

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

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

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

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

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

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

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

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

Employer deadlines

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

If the above deadlines are not met, then warnings are issued. If an employer breaches the above deadlines on more than one occasion in a 12-month period, then administration charges can be

levied. Employer contribution amounts are provided to all employers at the Employer's Forum following the valuation. A reminder of the new rates is also annually sent to employers in March. The new amounts are sent in March in preparation for the new rates to be applicable from the April contribution payment.

Communications Policy

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

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

Newsletters

The Fund will advertise newsletters via email which will direct members/employers to the website. Newsletter articles can be viewed on the website itself, or a downloadable pdf is available as an alternative. The newsletter will cover current pension topics linked to the LGPS and the wider pensions industry, along with important messages. Further information may be sent on an ad-hoc basis highlighting issues of importance, such as changes in scheme regulation or operation as they arise.

Active members

Two newsletters a year. These are typically issued around mid-year and the end of each year. The mid-year version is produced in conjunction with several other LGPS Funds and is Plain English accredited.

Deferred members – one newsletter, typically issued mid-year in conjunction with other Funds.

Pensioners – one newsletter, typically produced Q4 of each year.

Employers – three newsletters were issued in 2024/25 and made available on the 'employer' page of our website.

Website

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

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

There is a page dedicated to retirement.

Employers also have their own dedicated page within the website.

The Fund produce a range of guides/fact sheets for both members and employers to aid understanding of the pension scheme. These are available online within an extensive forms and publications library.

In addition, members have access to the national LGPS website. This site is for members of the Local Government Pension Scheme (LGPS) in England and Wales and their families.

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

‘My Pension’ - member self-service website

Members have online access (once registered) to their current LGPS pension record held by East Sussex Pension Fund. In July 2024 we launched an upgraded, improved site designed to help members keep up to date with their pension.

‘My Pension’ offers:

- Simple registration and login – no need to remember usernames, security questions, members just login with their email address and password.
- Updated look and design – making the site easier to understand and move around.
- Online annual benefit statements – broken down into simpler chunks to help members understand what pension benefits they have.
- Retirement planning tool - this allows members to set retirement goals and identify whether they are on track to reach them.
- Benefit calculators - members can see an estimate of their benefits if they leave the Scheme or wish to consider voluntary retirement.

‘My Pension’ also offers the ability to update personal details, nominations for death benefits and more. The updated version of ‘My Pension’ transforms the way members access and engage with vital pension information online.

The new website was promoted on the website, via both email and post and through employers (on the premise they would share information with employees). A landing page was set up to aid registration, common questions and answers, video demonstrations etc.

Annual benefit statements

Annual Benefit Statements are provided to active and deferred members (by the 31st of August each year) which detail members’ pension accrued to date (in the latest Scheme year) and a projection to their Normal Retirement Age (actives only). The statements are made available online via ‘My Pension’ or posted to members who have opted out of electronic communications (where addresses are known).

Member training

For the first time in 2025 the Fund provided virtual training for contributing Fund members.

Name of course	What does the course cover?
Introduction to the Local Government Pension Scheme	Whether you are new to the Scheme or been a member for a while, this session covers the benefits of being in the LGPS.
Your Pension MOT	A course designed to help you keep up to date and engaged with your pension, with lots of handy tips thrown in.
Preparing for retirement	This course will help if you are thinking ahead to retirement and want to know more about the process, how your benefits are calculated and answers to key retirement questions.

The feedback from those who have attended the sessions was extremely positive.

Employer training

The Employer Engagement team provide support and in-person training for employers on request. The Fund also make employers aware of courses/online training available through the Local Government Association and any other information produced in the industry that may be useful to LGPS employers.

In November each year, the Fund hold a Forum. The day is a fantastic opportunity for employers to learn more about how the Fund is run, understand their responsibilities as an employer, and meet the team responsible for supporting them. The Fund also produce an employer toolkit, designed to support employers in the main processes and procedures they are responsible for under the Local Government Pension Scheme.

Pensioners / dependants

Annual Pension Increase statements are sent to all pensioners informing them of the percentage rate their pension will increase by and their revised pension payment for the next tax year. The Fund publish the increase rate on the 'Pensioner' website page as soon as it is known.

Pensioners are also issued with payment advice slips in March, April, and May.

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

Prospective Members - Employer engagement

The Fund works with scheme employers to help them in the joining arrangements for the LGPS. The Fund will also ensure that the benefits available are highlighted regularly to employers through mention in conversations, newsletters, and the employer forum. In addition, there is a bespoke 'joining the Scheme' page available on our website.

Internal Dispute Resolution Procedure

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

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

Dispute category – First stage	Number in 2024/25
First Stage	4
Upheld	1
Declined	3
Ongoing	0

Dispute category – Second Stage	Number in 2024/25
New at Second Stage	0
Upheld – outcome change	0
Upheld – no outcome change	0
Declined	0
Ongoing	0

This table reflects the position for the 2024/25 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 2023/24 but were not resolved in the same financial year.

Actuarial report



East Sussex County Council Pension Fund

Actuary's statement as at 31 March 2025

Barnett Waddingham LLP

29 November 2025

Introduction

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

Asset value and funding level

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

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

Contribution rates

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

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

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

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

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

Assumptions

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

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

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

Updated position since the 2022 valuation

Assets

Investment returns on the Scheme's assets over the year to 31 March 2025 have been strong, estimated at 8% p.a. The Fund also has a positive cash flow, and so the market value of assets at 31 March 2025 has increased since the formal valuation.

Liabilities

Inflation over the three years to 31 March 2025 has been higher than the long-term average assumed at the 2022 valuation. However, this has been largely offset by changes in financial assumptions underlying the valuation funding model and future expectations of inflation and investment returns. The value of liabilities has overall increased mainly due to interest accruing on those liabilities and due to further accrual of members' benefits over the period.

Overall position

The 2025 valuation of the Fund is now underway, and the results will not be finalised until 31 March 2026.

However, early indications suggest that the funding level will be relatively similar compared to what it was at the last formal valuation in 2022.

The 2025 valuation of the Fund will set revised contributions for all employers due over the period from 1 April 2026 to 31 March 2029.

Barry McKay FFA / Partner, Barnett Waddingham LLP

External Audit Opinion

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

To follow

Additional Information

Freedom of information requests

In the financial year 2024/25 the Fund received 17 Freedom of Information requests covering 6 topics.

The topics covered were:

- 1 request relating to ESCC;
- 1 request relating to pensions in payment and the amount of pensions at various sizes (£50,000, £100,000);
- 1 request related to climate risk/modelling
- 1 request related to the percentage of pension payouts compared to the income the fund generates.
- 1 request concerning transfer out cases (main scheme and AVCs).
- 12 requests were about Fund investments

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

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

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

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

CIPFA Knowledge and Skills Framework – Pension Fund Committees

There is a developing expectation from central Government and The Pensions Regulator that members of Pension Committees should have the same level of knowledge and understanding as Pension Board members. The Fund holds the same view and the Pension Committee has committed to attending appropriate training in line with the SAB's 'good governance' project signals a much stronger requirement on Pension Committee members knowledge and understanding.

The CIPFA framework, 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.
- 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.
- Actuarial methods, standards and practices.

Evidence to demonstrate compliance with the Knowledge Code of Practice

The Fund invites the Pension Board, the Pension Committee and key Officers to complete a self-assessment of their knowledge and understanding of pension matters. This self-assessment is based on the guidance provided by CIPFA and The Pensions Regulator. The completed questionnaires are used by Officers to assess the training needs of both the Board and Committee as a whole and individual members and records are kept on file.

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

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

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

In 2024/25, we provided assurance in the following areas:

- Compliance with regulatory requirements
- The administration of pension benefits
- Investments and accounting
- Financial controls

Appendix I – Pensions Administration Strategy Statement

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

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

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

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

The version of the administration strategy statement that applied on 31 March 2025 is available on the Fund's website

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

Appendix 2 – Funding Strategy Statement

ES East Sussex PF Pension Fund

FUNDING STRATEGY STATEMENT 2023



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Introduction

This is the Funding Strategy Statement for the East Sussex Pension Fund (the Fund). It has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 as amended (the Regulations) and describes East Sussex County Council's strategy, in its capacity as administering authority, for the funding of the East Sussex Pension Fund.

The Fund's employers and the Fund Actuary, Barnett Waddingham LLP, have been consulted on the contents of this statement.

This statement should be read in conjunction with the Fund's Investment Strategy Statement (ISS) and has been prepared with regard to the guidance (*Preparing and Maintaining a funding strategy statement in the LGPS 2016 edition*) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Purpose of the Funding Strategy Statement

The purpose of this Funding Strategy Statement (FSS) is to:

- Establish a clear and transparent fund-specific strategy that will identify how employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as nearly constant a primary contribution rate as possible, as defined in Regulation 62(6) of the Regulations;
- Ensure that the regulatory requirements to set contributions to meet the future liability to provide Scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the Fund are met; and
- Take a prudent longer-term view of funding those liabilities.



Aims and purpose of the Fund

The aims of the Fund are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to all relevant parties (such as the taxpayers, scheduled, resolution and admitted bodies), while achieving and maintaining Fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the Fund and employers, and the risk appetite of the administering authority and employers alike; and
- Seek returns on investment within reasonable risk parameters.

The purpose of the Fund is to:

- Pay pensions, lump sums and other benefits to Scheme members as provided for under the Regulations;
- Meet the costs associated in administering the Fund; and
- Receive and invest contributions, transfer values and investment income.

Funding objectives

Contributions are paid to the Fund by Scheme members and the employing bodies to provide for the benefits which will become payable to Scheme members when they fall due.

The funding objectives are to:

- Ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund;
- Ensure the solvency of the Fund;
- Set levels of employer contribution rates to target a 100% funding level over an appropriate time period and using appropriate actuarial assumptions, while taking into account the different characteristics of participating employers;
- Build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective; and
- Adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the taxpayer from an employer defaulting on its pension obligations.
- In developing the funding strategy, the administering authority should also have regard to the likely outcomes of the review carried out under Section 13(4)(c) of the Public Service Pensions Act 2013. Section 13(4)(c) requires an independent review of the actuarial valuations of the LGPS funds; this involves reporting on whether the rate of employer contributions set as part of the actuarial valuations are set at an appropriate level to ensure the solvency of the Fund and the long-term cost efficiency of the Scheme so far as relating to the pension Fund. The review also looks at compliance and consistency of the actuarial valuations.



Key parties

The key parties involved in the funding process and their responsibilities are set out below.

The administering authority

The administering authority for the Fund is East Sussex County Council. The main responsibilities of the administering authority are to:

- Operate the Fund in accordance with the LGPS Regulations;
- Collect employee and employer contributions, investment income and other amounts due to the Fund as stipulated in the Regulations;
- Invest the Fund's assets in accordance with the Fund's Investment Strategy Statement;
- Pay the benefits due to Scheme members as stipulated in the 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;
- Manage the actuarial valuation process in conjunction with the Fund Actuary;
- Prepare and maintain this FSS and also the ISS after consultation with other interested parties;
- Monitor all aspects of the Fund's performance;
- Effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and Scheme employer; and
- Enable the Local Pension Board to review the valuation process as they see fit.

Scheme employers

In addition to the administering authority, a number of other Scheme employers participate in the Fund.

The responsibilities of each employer that participates in the Fund, including the administering authority, are to:

- Collect employee contributions and pay these together with their own employer contributions, as certified by the Fund Actuary, to the administering authority within the statutory timescales;
- Notify the administering authority of any new Scheme members and any other membership changes promptly;
- Develop a policy on certain discretions and exercise those discretions as permitted under the Regulations;
- Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures; and
- Pay any exit payments due on ceasing participation in the Fund.

Scheme members

Active Scheme members are required to make contributions into the Fund as set by the Department for Levelling Up, Housing and Communities (DLUHC).

Fund Actuary

The Fund Actuary for the Fund is Barnett Waddingham LLP.

The main responsibilities of the Fund Actuary are to:

- Prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency after agreeing assumptions with the administering authority and having regard to the FSS and the Regulations;
- Prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill-health retirement costs, compensatory added years costs, etc;
- Provide advice and valuations on the exiting of employers from the Fund;
- Provide advice and valuations relating to new employers, including recommending the level of bonds or other forms of security required to protect the Fund against the financial effect of employer default;
- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations;
- Ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to their role in advising the Fund; and
- Advise on other actuarial matters affecting the financial position of the Fund.

Funding strategy

The factors affecting the Fund's finances are constantly changing, so it is necessary for its financial position and the contributions payable to be reviewed from time to time by means of an actuarial valuation to check that the funding objectives are being met.

The most recent actuarial valuation of the Fund was carried out as at 31 March 2022. The results of the 2022 valuation are set out in the table below:

2022 valuation results	Amounts (£)
Surplus (Deficit)	£858m
Funding level	123%

On a whole Fund level, the primary rate required to cover the employer cost of future benefit accrual is 20.2% of payroll p.a.

The individual employer contribution rates are set out in the Rates and Adjustments Certificate which forms part of the Fund's 2022 valuation report.

The actuarial valuation involves a projection of future cashflows to and from the Fund. The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund. A summary of the methods and assumptions adopted is set out in the sections below.

Funding method

The key objective in determining employers' contribution rates is to establish a funding target and then set levels of employer contribution rates to meet that target over an agreed period.

The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund.

For all employers, the method adopted is to consider separately the benefits accrued before the valuation date (past service) and benefits expected to be accrued after the valuation date (future service). These are evaluated as follows:

- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service. It makes allowance for future increases to members' pay and pensions. A funding level in excess of 100% indicates a surplus of assets over liabilities; while a funding level of less than 100% indicates a deficit; and
- The future service funding rate (also referred to as the primary rate as defined in Regulation 62(5) of the Regulations) is the level of contributions required from the individual employers which, in combination with employee contributions is expected to cover the cost of benefits accruing in future.
- The adjustment required to the primary rate to calculate an employer's total contribution rate is referred to as the secondary rate, as defined in Regulation 62(7). Further details of how the secondary rate is calculated for employers is given below in the Deficit recovery/surplus amortisation periods section.

The approach to the primary rate will depend on specific employer circumstances and in particular may depend on whether an employer is an “open” employer – one which allows new staff access to the Fund, or a “closed” employer – one which no longer permits new staff access to the Fund. The expected period of participation by an employer in the Fund may also affect the total contribution rate.

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

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

The approach by employer may vary to reflect an employer’s specific circumstance, however, in general the closed employers in the Fund are admission bodies who have joined the Fund as part of an outsourcing contract and therefore the Attained Age Method is used in setting their contributions. All other employers (for example councils, higher education bodies and academies) are generally open employers and therefore the Projected Unit Method is used. The administering authority holds details of the open or closed status of each employer.

Valuation assumptions and funding model

In completing the actuarial valuation, it is necessary to formulate assumptions about the factors affecting the Fund's future finances such as price inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc.

The assumptions adopted at the valuation can therefore be considered as:

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

Future price inflation

The base assumption in any valuation is the future level of price inflation over a period commensurate with the duration of the liabilities, as measured by the Retail Price Index inflation (RPI). This is derived using the 20 year point on the Bank of England implied Retail Price Index (RPI) inflation curve, with consideration of the market conditions over the six months straddling the valuation date. The 20 year point on the curve is taken as 20 years is consistent with the average duration of an LGPS Fund. A deduction of 0.3% p.a. is applied to the yield at the 20 year point to reflect the shape of the yield curve. A further deduction of 0.4% p.a. is applied to reflect the view that investors are willing to pay a premium for inflation-linked products in return for protection against unexpected inflation.

Future pension increases

Pension increases are linked to changes in the level of the Consumer Price Index inflation (CPI). Inflation as measured by the CPI has historically been less than RPI principally due to different calculation methods. However, RPI is due to be aligned with CPIH (CPI but with allowance for housing costs) from 2030.

Therefore, reflecting the anticipated amendment to RPI from 2030 and therefore the relative difference between RPI and CPI, a deduction of 0.35% p.a. is made to the RPI assumption to derive the CPI assumption.

Future pay increases

As some of the benefits are linked to pay levels at retirement, it is necessary to make an assumption as to future levels of pay increases. Historically, there has been a close link between price inflation and pay increases with pay increases exceeding price inflation in the longer term. The long-term pay increase assumption adopted as at 31 March 2022 was CPI plus 1.0% p.a. which includes allowance for promotional increases.

Future investment returns/discount rate

To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values.

The discount rate that is applied to all projected liabilities reflects a prudent estimate of the rate of investment return that is expected to be earned from the Fund's long-term investment strategy by considering average market yields in the six months straddling the valuation date. The discount rate so determined may be referred to as the "ongoing" discount rate.

It may be appropriate for an alternative discount rate approach to be taken to reflect an individual employer's situation. This may be, for example, to reflect an employer targeting a cessation event or to reflect the administering authority's views on the level of risk that an employer poses to the Fund. The Fund Actuary will incorporate any such adjustments after consultation with the administering authority.

A summary of the financial assumptions adopted for the 2022 valuation is set out in the table below:

Financial assumptions as at 31 March 2022	Amounts
RPI inflation	3.2% p.a.
CPI inflation	2.9% p.a.
Pension/deferred pension increases and CARE revaluation	In line with CPI inflation
Pay increases	CPI inflation + 1.0% p.a.
Discount rate	4.6% p.a.

Asset valuation

For the purpose of the valuation, the asset value used is the market value of the accumulated fund at the valuation date, adjusted to reflect average market conditions during the six months straddling the valuation date. This is referred to as the smoothed asset value and is calculated as a consistent approach to the valuation of the liabilities.

The Fund's assets are notionally allocated to employers at an individual level by allowing for actual Fund returns achieved on the assets and cashflows paid into and out of the Fund in respect of each employer (e.g. contributions received and benefits paid).

Demographic assumptions

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

Further details of the assumptions adopted are included in the Fund's 2022 valuation report.

McCloud/Sargeant judgements

When the Government reformed public service pension schemes in 2014 and 2015 they introduced protections for older members. In December 2018, the Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. A consultation has been run in relation to the changes proposed for the LGPS and legislation is now being drafted to bring forward these changes. We understand the updated Regulations are to be consulted on over the course of 2022 with revised Regulations effective from October 2023.

For the 2022 valuation, as required by the Department for Levelling Up, Housing & Communities, in calculating the value of members' liabilities it was assumed that:

- The current underpin (which only applies to those members within 10 years of their NPA at 31 March 2012) will be revised and will apply to all members who were active in the Scheme on or before 31 March 2012 and who join the post 1 April 2014 scheme without a disqualifying service gap;
- The period of protection will apply from 1 April 2014 to 31 March 2022 but will cease when a member leaves active service or reaches their final salary scheme normal retirement age (whichever is sooner);
- Where a member remains in active service beyond 31 March 2022 the comparison of their benefits will be based on their final salary when they leave the LGPS or when they reach their final salary scheme normal retirement age (again whichever is sooner);
- Underpin protection will apply to qualifying members who leave active membership of the LGPS with an immediate or deferred entitlement to a pension; and
- The underpin will consider when members take their benefit.

Further details of the McCloud/Sergeant judgement can be found below in the Regulatory risks section.

Based on the member data provided, and the above understanding of the proposed Regulations, the Fund Actuary has assessed the impact of the underpin protection for each active member in the Fund. Both benefits have been calculated for each member and the higher benefit valued to determine the appropriate liability for that member and relevant employer.

Guaranteed Minimum Pension (GMP) indexation and equalization

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](#).

The 2022 valuation approach 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, the Fund will be required to pay the entire inflationary increase.

Stabilisation mechanism

The LGPS Regulations (Regulation 62 (5)(b)) specify that the actuary must have regard to the desirability of maintaining as nearly constant a primary rate as possible. However it is a key objective of the fund to maintain stability of total rates as far as possible. The Fund therefore adopts a stabilisation approach to achieve this aim.

Where an employer is categorised as an employer type in the following table, the employer's total contribution will be stabilised as shown in the table. Decreases apply if the employer has a funding level greater than 115%. Increases apply if the funding level is less than 115% and the current rate is less than the 2022 primary rate, otherwise the employer continues to pay the current rate.

Type of employer	Maximum total contribution increase over the next 3 years, effective from 1 April 2023	Maximum total contribution decrease over the next 3 years, effective from 1 April 2023
Major authorities (e.g. all councils, Police and Fire services)	1% of pay	1% of pay
Academies (including academies in the Academy Pool)	1% of pay p.a.	1% of pay p.a.

Note: the stabilisation mechanism and limits will be reviewed at the next tri-ennial valuation exercise, expected as at 31 March 2025.

Note: As the Academy Pool has been formed for the 2022 valuation and academies are currently paying different contribution rates, the academy rates will be set, using the above mechanism, and step towards the contribution rate calculated for the Pool.

Deficit recovery/surplus amortisation periods

Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, it is recognised that at any particular point in time, the value of the accumulated assets will be different to the value of accrued liabilities, depending on how the actual experience of the Fund differs to the actuarial assumptions. This theory applies at an individual employer level; each employer in the Fund has their own share of deficit or surplus attributable to their section of the Fund.

Where the valuation for an employer discloses a deficit then the level of required employer contributions includes an adjustment to fund the deficit. The deficit recovery period will depend on employer type, employer covenant and other relevant factors, but in any case, will not exceed a period of 20 years. The adjustment may be set either as a percentage of payroll or as a fixed monetary amount.

Where the valuation for an employer discloses a surplus then the level of required employer contribution may include an adjustment to amortise the surplus.

The deficit recovery period or amortisation period that is adopted for any particular employer will depend on:

- The significance of the surplus or deficit relative to that employer's liabilities;
- The covenant of the individual employer (including any security in place) and any limited period of participation in the Fund;
- The remaining contract length of an employer in the Fund (if applicable); and
- The implications in terms of stability of future levels of employers' contribution.
- In 2021, the Fund commissioned an employer covenant analysis from PwC.

For employers not covered by the Stabilisation Mechanism above, the following approach will be applied. The Administering Authority have discretion to adopt a different approach where this is more appropriate to reflect the situation specific to the employer.

Type of employer	Approach to amortise surplus/deficit	Maximum recovery period
Colleges	Where the funding level is greater than 115% on the employer's funding assumptions, the surplus in excess of 115% is amortised over the maximum recovery period. Deficit is amortised over an appropriate period up to the maximum recovery period	15 years
Community Admission Bodies	Where the funding level is greater than 115% on the employer's funding assumptions, the surplus in excess of 115% is amortised over the maximum recovery period. Deficit is amortised over an appropriate period up to the maximum recovery period	Average future working lifetime of active members
Transferee Admission Bodies	Surplus/deficit is amortised over an appropriate period up to the maximum recovery period	Remaining contract term

Pooling of individual employers

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

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

Forming/disbanding a funding pool

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

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

Funding pools should be monitored on a regular basis, at least at each actuarial valuation, in order to ensure the pooling arrangement remains appropriate.

The funding pools adopted for the Fund at the 2022 valuation are summarised in the table below:

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

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

Town and Parish Councils Pool

All Town and Parish Councils (T&PCs) will pay the same contribution rate, although their individual funding position will be tracked at employer level individually.

A T&PC may defer a cessation valuation if the last member leaves the scheme, but the T&PC is intending to offer the scheme to a new employee. This will be agreed with the Fund and any deficit payments, as calculated by the Actuary, due by the T&PC must continue to be paid during the suspension period. Any suspension period will be time-limited to a maximum of three years and at the discretion of the Fund. Once the T&PC has an active member, the pooled contribution rate will be paid.

If there are no active members at the end of the suspension period or a T&PC Pool Member chooses to close scheme participation to new employees, then a cessation valuation will be carried out to determine an exit payment/credit and that employer would no longer be a Member of the T&PC Pool. This will protect the remaining Pool Members from the change of employer characteristics which apply after closure. If a T&PC becomes insolvent and is unable to meet their pension liabilities, then the Fund will, in the first instance, secure any payments required to meet these liabilities from any guarantor. If there is no guarantor, then these liabilities will fall to the T&PC pool.

The cessation valuation will be carried out in line with the Fund's policy as set out in the "Cessation valuations" section below.

The Academy Pool

Eligibility

Academies, multi-academy trusts (MAT) and free schools are all eligible to join the Academy Pool and participate in the pooling arrangement.

Joining and leaving the Academy Pool

New academies

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

Funding at start

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

An existing academy or MAT can only join or leave the Pool at each tri-ennial valuation. If an academy or MAT decline to join the Pool or leave the Pool for any reason then they will not be allowed to join or re-join the Pool at future dates, unless there are exceptional circumstances and at the sole discretion of the Administering Authority. If an academy or MAT want to leave the Academy Pool they may only do so at the next tri-ennial valuation.

Contribution rate

The pooled contribution rate for the Academy Pool Members will be calculated allowing for the stabilisation mechanism set out above. The contribution rates for the period 1 April 2023 to 31 March 2026, for each Pool Member will be stepped towards the calculated pooled rate.

The contribution rate payable when a new academy or free school joins the Academy Pool will be in line with the contribution rate certified for the Academy Pool at the 2022 valuation.

If the new academy or free school elects not to join the Academy Pool, the contribution rate will be calculated based on the funding position at the start as calculated above and membership data at the date prior to conversion.

In addition, Academy Pool Members are required to make additional contributions of 0.75% p.a. of pay to meet the costs of non-ill health (redundancy, efficiency, flexible retirement etc) early retirements.

Funding

The assets and liabilities will be reassessed and updated at each tri-ennial valuation. Each Academy Pool Member will have the same funding level based on the total assets and liabilities of the Academy Pool. Assets allocated to each Academy Pool Member is therefore the product of their individual liabilities and the funding level of the Academy Pool.

Cessation of an academy

If an academy participating in the Academy Pool ceases participation in the Fund, a cessation valuation is carried out by the Fund's actuary. The valuation approach is as follows:

- The funding level of the Academy Pool is calculated at the cessation date using the Fund's ongoing assumptions updated to reflect market conditions at the cessation date.
- The value of the liabilities attributable to the ceasing academy are calculated at the cessation date using the Fund's ongoing assumptions updated to reflect market conditions at the cessation date. The assets allocated to the academy is the product of the funding level of the Academy Pool and the value of the academy's ongoing liabilities calculated at the cessation date
- The academy's liabilities are recalculated using a minimum risk basis (minimum risk liabilities) and the debt, if any, is the difference between the minimum risk liabilities and the allocated assets

Risk-sharing

There are employers that participate in the Fund with a risk-sharing arrangement in place with another employer in the Fund.

For example, there are employers participating in the Fund with pass-through provisions: under this arrangement the pass-through employer does not take on the risk of underfunding as this risk remains with the letting authority or relevant guaranteeing employer. When the pass-through employer ceases participation in the Fund, it is not responsible for making any exit payment, nor receiving any exit credit, as any deficit or surplus ultimately falls to the letting authority or relevant guaranteeing employer.

At the 2022 valuation, risk-sharing arrangements were allowed for by allocating any deficit/liabilities covered by the risk-sharing arrangement to the relevant responsible employer.

Contribution payments

Employers pay contributions on a monthly basis. Primary contributions are certified as a percentage of payroll and therefore amounts paid by employers each month will fluctuate in line with payroll each month. Secondary contributions can be certified as a percentage of payroll or as a monetary amount. Monetary amounts are typically payable in 12 equal monthly instalments throughout the relevant year.

Employers must pay contributions in line with the Rates and Adjustments Certificate, but they may be able to alter the timing of contributions payable and/or pay in additional contributions with agreement from the administering authority. No discount will be offered in exchange for early payment of either primary or secondary contributions.

New employers joining the Fund

When a new employer joins the Fund, the Fund Actuary is required to set the contribution rates payable by the new employer and allocate a share of Fund assets to the new employer as appropriate. The most common types of new employers joining the Fund are admission bodies and new academies. These are considered in more detail below for admission bodies, with academies covered above.

Admission bodies

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

From 1 April 2019, the default approach has been for admission bodies to join the Fund under a pass-through arrangement (although exceptions will be considered on a case-by-case basis at the Fund's discretion). Pass through arrangements allow for the pension risks to be shared between the letting employer and new contractor. Typically the majority of the pension risk is borne by the letting employer and thus the liability is retained on their balance sheet – as such the contractor would not be required to pay any deficit or receive any surplus at the end of the contract (subject to any agreed exceptions).

However, there is some flexibility within a pass-through arrangement. In particular there are two different routes that the letting employer may wish to adopt as set out under the 'Contribution rate' section below.

The Administering Authority is willing to administer either of the two options as long as the approach is documented in the Admission Agreement. The Admission Agreement should ensure that some element of risk transfers to the contractor where it relates to the contractor's decisions and where it is unfair to burden the letting employer with that risk. For example, the contractor should typically be responsible for pension costs that arise from:

- above average pay increases, including the effect in respect of service prior to contract commencement even if the letting employer takes on responsibility for the latter under (ii) above; and
- redundancy and early retirement decisions

Funding at start of contract

For pass-through and full transfer of risk arrangements, it may be appropriate for the new admission body to be allocated a share of Fund assets equal to the value of the benefits transferred, i.e. the new admission body starts off on a fully funded basis. This is calculated on the relevant funding basis and the opening position may be different when calculated on an alternative basis (e.g. on an accounting basis).

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

Contribution rate

The Fund's default approach will be to set up pass-through arrangements using "Option 1 - Fixed primary rate at outset" for all new contractors. Clearly as the risk ultimately resides with the employer letting the contract, it is for them to agree the appropriate route with the contractor:

Option 1 - Fixed primary rate at outset (default approach)

Under this approach, the contractor pays a fixed contribution rate throughout the contract. The contribution rate is calculated by the Fund actuary at the outset based on the membership profile of the transferring staff, to ensure full funding by the end of the contract (i.e. no surplus or deficit). For the avoidance of doubt, the rate would not change at future valuations and there is no exit payment or exit credit payable on termination of the admission agreement.

Option 2 – Pooled approach

Under this approach, the contractor's contribution rate is pooled with the letting authority and therefore the contribution rate is always equal to that which the letting authority is paying. In other words, the contractor will pay the same rate as the letting authority throughout the lifetime of the contract and it will move in line with any changes to the letting authority's rate at future valuations.

The pooled rate is the **total** contribution rate (made up of both the primary and secondary rate). Many letting authorities will currently be paying their primary rate as a percentage of payroll and their secondary rate as a monetary amount. For the purposes of the pooled rate, the secondary rate will be converted to a percentage of payroll and added to the primary rate.

Accounting

Under the Option 1 pass-through arrangement, for accounting purposes, the contractor's obligation is simply to pay the agreed contribution rate. The contractor would not be expected to include any liability in respect of their LGPS pension participation on their balance sheet. Instead, the letting authority would include it in their disclosures. The contractor may report its participation in the LGPS as if it were a defined contribution scheme.

Under the Option 2 pass-through arrangement, it is less clear whether the contractor needs to include a liability on their balance sheet as they are subject to some pensions risk but they never have to meet a past service funding deficit so it could be argued that they have no accounting balance sheet obligation. In these cases, the contractor and letting authority should check with their auditors what their requirements are.

Security

To mitigate the risk to the Fund that a new admission body will not be able to meet its obligations to the Fund in the future, the new admission body may be required to put in place a bond in accordance with Schedule 2 Part 3 of the Regulations, if required by the letting authority and administering authority.

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

Risk-sharing

Although pass-through is the default approach, new admission bodies and the relevant letting authority may make a commercial agreement to deal with the pensions risk differently. For example, it may be agreed that the pensions risk is shared between the letting authority and the new admission body.

The administering authority may consider risk-sharing arrangements on a case-by-case basis at the Fund's discretion. Any such arrangement should not lead to any undue risk to the other employers in the Fund.

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

Contribution reviews between actuarial valuations

It is anticipated for most Scheme employers that the contribution rates certified at the formal actuarial valuation will remain payable for the period of the rates and adjustments certificate. However, there may be circumstances where a review of the contribution rates payable by an employer (or a group of employers) under Regulation 64A is deemed appropriate by the administering authority.

A contribution review may be requested by an employer or be required by the administering authority. Such reviews may be triggered by significant events including but not limited to: an employer approaching exit from the Fund, significant reductions in payroll, altered employer circumstances, Government restructuring affecting the employer's business, or failure to pay contributions or arrange appropriate security as required by the Administering Authority.

The review may only take place if one of the following conditions are met:

- (i) it appears likely to the administering authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;
- (ii) it appears likely to the administering authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or
- (iii) a Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review. A request under this condition can only be made if there has been a significant change in the liabilities arising or likely to arise and/or there has been a significant change in the ability of the Scheme employer to meet its obligations to the Fund.

Guidance on the administering authority's approach considering the appropriateness of a review and the process in which a review will be conducted is set out in the Fund's separate Contribution review policy. This includes details of the process that should be followed where an employer would like to request a review.

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

Note that where a Scheme employer seems likely to exit the Fund before the next actuarial valuation then the administering authority can exercise its powers under Regulation 64(4) to carry out a review of contributions with a view to providing that assets attributable to the Scheme employer are equivalent to the exit payment that will be due from the Scheme employer. These cases do not fall under the separate contribution review policy.

With the exception of any cases falling under Regulation 64(4), the administering authority will not accept a request for a review of contributions where the effective date is within 12 months of the next Rates and Adjustments Certificate.

The result of a review may be to require increased or decreased contributions (by reviewing the actuarial assumptions adopted and/or moving to monetary levels of deficit recovery contributions), and/or an increased level of security or guarantee.

Cessation valuations

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

Any deficit in the Fund in respect of the exiting employer will be due to the Fund as a single lump sum payment, unless it is agreed by the administering authority and the other parties involved that an alternative approach is permissible. For example:

- It may be agreed with the administering authority that the exit payment can be spread over some agreed period;
- the assets and liabilities relating to the employer may transfer within the Fund to another participating employer; or
- the employer's exit may be deferred subject to agreement with the administering authority, for example if it intends to offer Scheme membership to a new employee within the following three years or where a deferred debt arrangement is agreed.
- Similarly, any surplus in the Fund in respect of the exiting employer may be treated differently to a payment of an exit credit, subject to the agreement between the relevant parties and any legal documentation.

In assessing the value of the liabilities attributable to the exiting employer, the Fund Actuary may adopt differing approaches depending on the employer and the specific details surrounding the employer's cessation scenario.

For example, if the administering authority is satisfied that there is another employer willing to take on responsibility for the liabilities (or that there is some other form of guarantee in place) then the cessation position may be calculated on the ongoing funding basis.

Alternatively, if there is no guarantor in the Fund willing to accept responsibility for the residual liabilities of the exiting employer, then those liabilities may be assessed on a basis more prudent than the ongoing funding basis. The assumptions adopted will be consistent with the current ongoing funding position, but with additional prudence included to take into account potential uncertainties and risk e.g. due to adverse market changes, additional liabilities arising from regulatory or legislative change and political/economic uncertainties. The appropriate level of prudence on this basis was reviewed as part of the Fund's 2022 valuation, when a stochastic analysis was used to assess the "success probabilities" of certain levels of prudence. The Fund's approach is to target a 90% success probability that an exiting employer's assets plus the calculated exit payment/exit credit will be sufficient to meet the residual liabilities. This corresponds to a 3.1% prudence level. This adjustment will be reviewed on a regular basis, and as a minimum as part of each actuarial valuation of the Fund.

Exit credit policy

The Local Government Pension Scheme (LGPS) (Amendment) Regulations 2018 were introduced in May 2018 which allow administering authorities to make an exit credit payment to exiting employers. A copy of the Fund's Exit Credit Policy is available on the Funds website.

Managing exit payments

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

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

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

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

Guidance on the administering authority's policy for entering into, monitoring and terminating a DDA or DSA is set out in the Fund's separate DSA and DDA policies. This includes details of when a DDA or a DSA may be permitted and the information required from the employer when putting forward a request for a DDA or DSA.

Regulatory factors

At the date of drafting this FSS, the government is currently consulting on potential changes to the Regulations, some which may affect the timing of future actuarial valuations. This is set out in the *Local government pension scheme: changes to the local valuation cycle and the management of employer risk* consultation document.

Further details of this can be found in the Regulatory risks section below.

Bulk transfers

Bulk transfers of staff into or out of the Fund can take place from other LGPS Funds or non-LGPS Funds. In either case, the Fund Actuary for both Funds will be required to negotiate the terms for the bulk transfer – specifically the terms by which the value of assets to be paid from one Fund to the other is calculated.

The agreement will be specific to the situation surrounding each bulk transfer but in general the Fund will look to receive the bulk transfer on no less than a fully funded transfer (i.e. the assets paid from the ceding Fund are sufficient to cover the value of the liabilities on the agreed basis).

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

Links with the Investment Strategy Statement (ISS)

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

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



Investment Strategy Statement

September 2021

Risks and counter measures

Whilst the funding strategy attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that there are risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives.

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

Financial risks

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

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

However, the Investment and Pension Fund Committee regularly monitors the investment returns achieved by the fund managers and receives advice from the independent advisers and officers on investment strategy.

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

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

Demographic risks

Longevity

Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity. For example, an increase of one year to life expectancy of all members in the Fund will increase the liabilities by approximately 3% - 4%.

The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review. The Fund commissions bespoke longevity analysis by Club Vita in order to assess the mortality experience of the Fund and help set an appropriate mortality assumption for funding purposes.

Non ill-health retirement costs

The liabilities of the Fund can also increase by more than anticipated as a result of the additional financial costs of early retirements and ill-health retirements. It is assumed that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire). (NB the relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014).

The administering authority monitors the incidence of early retirements and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

Employers are required to pay additional contributions ('strain') wherever an employee retires before attaining this age. The actuary's funding assumptions do not allow for early retirement except on grounds of ill-health. Certain employers, all of which are subject to the stabilisation mechanism, pay an additional 0.75% of pay per annum to meet expected non-ill health early retirement strain costs. Non stabilised employers (and stabilised employers choosing not to pay the additional 0.75% p.a. of pay) are required to pay additional contributions ('strain') whenever an employee retires before attaining retirement age.

Ill health retirement costs

The administering authority monitors ill-health retirements and employers are required to meet any additional costs arising from ill-health retirements. Some employers have an external insurance policy in place to mitigate this risk and so these employers are not required to make any additional payments relating to ill-health retirements.

Climate risk

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

The Fund therefore has a fiduciary duty to consider climate change risk when making investment decisions and to ensure any decisions support the effective management of climate change. The Fund therefore expects their appointed investment managers to be informed about climate change risks and take investment opportunities accordingly within their processes.

As part of the 2022 valuation, the Fund Actuary provided the Fund with a climate risk analysis which assessed the potential exposure of the Fund's funding position to climate risk under different climate scenarios and considered the resilience of the Fund's funding strategy. The Fund will continue to assess this risk on a regular basis.

Maturity risk

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

The cashflow profile of the Fund needs to be considered alongside the level of maturity: as a Fund matures, the ratio of active to pensioner members falls, meaning the ratio of contributions being paid into the Fund to the benefits being paid out of the Fund also falls. This therefore increases the risk of the Fund having to sell assets in order to meet its benefit payments.

The government has published a consultation (*Local government pension scheme: changes to the local valuation cycle and management of employer risk*) which may affect the Fund's exposure to maturity risk. More information on this can be found in the Regulatory risks section below.

Regulatory risks

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

The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme.

However, the administering authority participates in any consultation process of any proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

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

- If the LGPS was to be discontinued in its current form it is not known what would happen to members' benefits.
- The potential effects of GMP equalisation between males and females, if implemented, are not yet known.
- More generally, as a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the government.
- The State Pension Age is due to be reviewed by the government in the next few years.

At the time of preparing this FSS, specific regulatory risks of particular interest to the LGPS are in relation to the McCloud/Sargeant judgements and the timing of future funding valuations consultation. These are discussed in the sections below.

McCloud/Sargeant judgements

The Court of Appeal judgment on the McCloud and Sargeant cases, relate to age discrimination against the age-based transitional provisions put into place when the new judicial pension arrangements were introduced in 2015. The members argued that these transitional provisions were directly discriminatory on grounds of age and indirectly discriminatory on grounds of sex and race, based on the correlation between these two factors reflected in the judicial membership. The Tribunal ruled against the Government, deeming the transitional provisions as not a proportionate means of achieving a legitimate aim.

The Government subsequently applied to the Supreme Court to appeal the judgement but their application was denied on 27 June 2019. On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. A ministerial statement in response to this was published on 13 May 2021 and revised Regulations are awaited to bring a remedy into play.

At the time of drafting this FSS, Regulations and therefore confirmation of the remedy are not yet finalised and are expected in 2023.

Consultation: Local government pension scheme: changes to the local valuation cycle and management of employer risk

On 8 May 2019, the government published a consultation seeking views on policy proposals to amend the rules of the LGPS in England and Wales. The consultation covered:

- amendments to the local fund valuations from the current three year (triennial) to a four year (quadrennial) cycle;
- a number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle;
- proposals for flexibility on exit payments;
- proposals for further policy changes to exit credits; and
- proposals for changes to the employers required to offer LGPS membership.

The proposals for flexibility on exit payments and for further policy changes to exit credits have been finalised, however, are still to be finalised for the remaining three proposals. This FSS will be revisited once the outcome is known and reviewed where appropriate.

Timing of future actuarial valuations

LGPS valuations currently take place on a triennial basis which results in employer contributions being reviewed every three years. In September 2018 it was announced by the Chief Secretary to HMT, Elizabeth Truss, that the national Scheme valuation would take place on a quadrennial basis (i.e. every four years) along with the other public sector pension schemes. These results of the national Scheme valuation are used to test the cost control cap mechanism and HMT believed that all public sector scheme should have the cost cap test happen at the same time.

Changes to employers required to offer LGPS membership

At the time of drafting this FSS, under the current Regulations further education corporations, sixth form college corporations and higher education corporations in England and Wales are required to offer membership of the LGPS to their non-teaching staff.

With consideration of the nature of the LGPS and the changes in nature of the further education and higher education sectors, the government has proposed to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS. Given the significance of these types of employers in the Fund, this could impact on the level of maturity of the Fund and the cashflow profile. For example, increased risk of contribution income being insufficient to meet benefit outgo, if not in the short term then in the long term as the payroll in respect of these types of employers decreases with fewer and fewer active members participating in the Fund.

This also brings an increased risk to the Fund in relation to these employers becoming exiting employers in the Fund. Should they decide not to admit new members to the Fund, the active membership attributable to the employers will gradually reduce to zero, triggering an exit under the Regulations and a potential significant exit payment. This has the associated risk of the employer not being able to meet the exit payment and thus the exit payment falling to the other employers in the Fund.

Employer risks

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

- Structural changes in an individual employer's membership;

- An individual employer deciding to close the Scheme to new employees; and
- An employer ceasing to exist without having fully funded their pension liabilities.

However, the administering authority monitors the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined and takes advice from the Fund Actuary when required. In particular, the Fund will commission an employer risk review from an external adviser or the Fund Actuary on a regular basis, every three years as a minimum, to help identify the employers in the Fund that might be considered as high risk. In the case of admitted bodies, the Fund has a policy of requiring some form of security from the employer, in the form of a guarantee or a bond, in case of employer default where the risk falls to the Fund. Where the risk of default falls on the liabilities of an original letting authority, the Fund provides advice to the letting authority to enable them to make a decision on whether a guarantee, some other form of security or a bond should be required.

In addition, the administering authority keeps in close touch with all individual employers participating in the Fund to ensure that, as administering authority, it has the most up to date information available on individual employer situations. It also keeps individual employers briefed on funding and related issues.

Governance risks

Accurate data is necessary to ensure that members ultimately receive their correct benefits. The administering authority is responsible for keeping data up to date and results of the actuarial valuation depend on accurate data. If incorrect data is valued then there is a risk that the contributions paid are not adequate to cover the cost of the benefits accrued.



Monitoring and review

This FSS is reviewed formally, in consultation with the key parties, at least every three years to tie in with the triennial actuarial valuation process.

The most recent valuation was carried out as at 31 March 2022, certifying the contribution rates payable by each employer in the Fund for the period from 1 April 2023 to 31 March 2026.

The timing of the next funding valuation is due to be confirmed as part of the government's *Local government pension scheme: changes to the local valuation cycle and management of employer risk* consultation which closed on 31 July 2019. At the time of drafting this FSS, it is anticipated that the next funding valuation will be due as at 31 March 2025.

The administering authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary.

Appendix I – Additional information on cessation approach to support employers

In assessing the value of the liabilities attributable to the exiting employer, the Fund Actuary may adopt differing approaches depending on the employer and the specific details surrounding the employer's cessation scenario.

For example, if the administering authority is satisfied that there is another employer willing to take on responsibility for the liabilities (or that there is some other form of guarantee in place) then the cessation position may be calculated on the ongoing funding basis.

Alternatively, if there is no guarantor in the Fund willing to accept responsibility for the residual liabilities of the exiting employer, then those liabilities may be assessed on a basis more prudent than the ongoing funding basis.

New 2023 approach for full cessations

Where there is no guarantor in the Fund willing to accept responsibility for the residual liabilities of the exiting employer the full cessation discount rate will be linked to that used for ongoing funding, but with a higher and constant level of prudence incorporated to reflect the higher risk associated with the employer not having an available guarantor.

Rational

The key advantage of this approach is to reduce the reliance on gilt yields to the extent that the Fund actually invests in this asset class. The link to the Fund's actual investment strategy is retained, meaning that assets and liabilities should move in similar directions leading to more stable full cessation positions. This approach is anticipated to be seen as fairer to employers ceasing at different dates, as the premium to be paid above that of ongoing funding will remain constant. Furthermore, by anchoring the full cessation discount rate to the ongoing discount rate, the Fund can be more confident of receiving a suitably prudent exit payment.

Stochastic Modelling

To determine an appropriate level of prudence to incorporate within the full cessation basis, the Fund Actuary have utilised stochastic modelling. Stochastic modelling involves running thousands of projections representing possible future economic scenarios and deriving probabilities of certain outcomes. The model determines the theoretical probability – the “success probability” – that long term fund returns exceed the assumed returns used to set the exit payment. A lower assumed return results in a higher success probability and higher chance that the exit payment will be sufficient to pay all the benefits.

The Fund actuary carried out modelling projecting 10,000 future economic scenarios over a 30 year time horizon beginning 31 March 2022.

This modelling can be used to target a certain percentage likelihood based on the Fund's risk appetite and the likely impact on the affordability of the resulting exit payment to ceasing employers.

The Fund actuary, approved by the Pension Committee, set the success probability to 90% to provide a high level of security to the Fund, as this means that in nine cases out of ten, under the assumptions and time horizon governing our modelling, the exit payment will be at least sufficient to fund the residual liabilities. This corresponds to an effective annual return of 2.8% p.a based on the assumptions and modelling. This is looked at in terms of the level of “prudence” built into the

discount rate. This is the deduction that is made to the best estimate of the future returns to arrive at a discount rate which, according to the actuarial assumptions, the Fund's actual future returns are more likely than not to exceed on average.

The best estimate assumption of 5.7% p.a. was advised as part of the results of the 2022 valuation. Under the stochastic modelling the best estimate return corresponds approximately to a 50% likelihood of success, i.e. there is an approximately equal chance that future returns will be higher or lower than the best estimate return. The ongoing valuation basis agreed for the Fund's 2022 valuation applied a prudence level of 1.1%, which will remain fixed until the next review in 2025. It corresponds to a 70% chance of success based on the stochastic modelling.

The new approach to adopt a success probability of 90% for full cessations corresponds to a prudence level of 3.1%. The key advantage to the new approach is that it will benefit from the stability that is present within the ongoing funding basis and will not be unduly affected by the volatility of gilt yields. This prudence level will be reviewed on a regular basis and as a minimum as part of each actuarial valuation of the Fund.

Impact on full cessation positions

The value placed on liabilities under a full cessation is sensitive to the assumptions used and the average time to payment of the benefits, also known as the duration. The latter will be different for each employer depending on their particular membership profile, however assuming a typical duration of 17 years (equivalent to the duration for the Fund as a whole) it is estimated that full cessation liabilities will be around 40% higher than under the ongoing funding basis. As the level of prudence built into the new full cessation basis would remain constant until the next review then this "premium" above the ongoing basis will also remain fixed and will not generally be materially affected by changes in market conditions. This brings a much higher level of stability to the valuation of full cessation liabilities.

The resulting exit payment or credit is then calculated as the difference between the value of the liabilities and the notional asset share in the employer's section of the Fund. However, as the link to the Fund's investment strategy is retained, the assets and liabilities will tend to move in similar directions at the same time helping to provide stability to the value placed on the exit payment or credit.

Consistent with the ongoing basis, the Fund actuary will retain a smoothed approach to further ensure stability. Rather than take 'spot' yields and market values of assets at the cessation date the Fund actuary will use smoothed yields and asset values spanning up to a 6-month period around the valuation date. This will ensure that any short-term financial shocks do not unduly affect the valuation of assets or the assumptions used to value the liabilities.

Effective date

The revised full cessation approach was approved by the Pension Committee on 16 June 2023 with immediate effect.

Appendix 3 - Investment Strategy Statement

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

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

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

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

Responsible Investment

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

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

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

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

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



Investment Strategy Statement

Including
Appendix A – Rebalancing Policy
Appendix B – Statement of Responsible Investment
Principles

September 2023

Introduction and background

This is the Investment Strategy Statement (ISS) of the East Sussex Pension Fund (the Fund), which is administered by East Sussex County Council, (the Administering Authority). The ISS is made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the Regulations).

The ISS has been prepared by the Pension Committee (“the Pension Committee”) having taken advice from the Fund’s investment adviser, Isio. The Pension Committee acts on the delegated authority of the Administering Authority. The ISS, which was approved by the Pension Committee on 28 September 2021, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Pension Committee has consulted on the contents of the Fund’s investment strategy with such persons it considers appropriate.

The Pension Committee seeks to invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Funding Strategy Statement.

Investment Principles

The Fund has set the following Investment Principles

Long-term investors We are long-term investors with a focus on ensuring we can pay pensions to our beneficiaries now and into the future. We will invest in a wide range of assets to ensure strong diversification and can be defensive to market changes.

Responsible investors We are responsible investors and believe we can reduce risk and generate enhanced returns by investing in companies and assets that are sustainable and well governed. We strive to be active stewards of our investments and hold our investment managers and underlying companies to account.

Evidence based approach We ensure all investment decisions are based on evidence and expert advice to ensure we can protect the interest of the Funds beneficiaries and comply with our fiduciary duties.

Collaborative We are keen collaborators with our peers and industry partners to drive forward best practice and improve efficiencies.

Robust Governance The Fund has a robust governance framework and ensures that all decisions within the Fund are made with appropriate oversight and we are transparent and accountable.

Risk and return The Fund recognises that it needs to balance risk with return and ensures Environment Social and Governance (ESG) factors are considered in determining risk.

The suitability of particular investments and types of investments

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, on a defined benefits basis. This funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.

The Pension Committee aims to manage the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions are agreed by the Fund employers to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary and/or inflation increases in line with the relevant LGPS scheme rules.

The Pension Committee has translated its objectives into a suitable strategic asset allocation benchmark for the Fund. This benchmark is consistent with the Pension Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities. The Pension Committee discusses the appropriateness of the Fund's strategic asset allocation at least once a year.

The Fund carries out an asset liability modelling exercise in conjunction with each actuarial valuation. A number of different contribution and investment strategies are modelled, and the future evolution of the Fund considered under a wide range of different scenarios. The Pension Committee considers the chances of achieving their long term funding target and also considers the level of downside risk in the various strategies by identifying the low funding levels which might emerge in the event of poor outcomes.

This approach helps to ensure that the investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members), together with the level of disclosed surplus or deficit (relative to the funding basis used).

In addition, the Pension Committee monitors investment strategy on an ongoing basis, focusing on factors including, but not limited to:

- Suitability given the Fund's level of funding and liability profile
- The level of expected risk
- Outlook for asset returns
- Environmental Social and Governance factors

Investment of money in a wide variety of investments

Asset classes

The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities, fixed interest and index linked bonds, cash, property, credit and infrastructure, either directly or through the ACCESS LGPS pool. The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks.

The Pension Committee reviews the nature of Fund investments on a regular basis, with particular reference to suitability and diversification. The Pension Committee seeks and considers written advice from a suitably qualified person in undertaking such a review, in line with the LGPS

(Management and Investment of Funds) Regulations 2016. If, at any time, investment in a security or product not previously known to the Pension Committee is proposed, appropriate advice is sought and considered to ensure its suitability and diversification and training is provided, if relevant.

The Fund's target investment strategy is set out below. The table also includes the maximum percentage of total Fund value that it will invest in these asset classes. In line with the 2016 Regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of Fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007.

The maximum invested figures can be seen in the rebalancing ranges agreed by the Pension Committee within its rebalancing policy. Whilst strategy allocation changes are to be implemented or commitments made and yet to be called, some positions may be out of the anticipated ranges.

Table 1: Fund allocation

Asset Type	Asset Class	Active/Passive	Liquid/Illiquid	Previous SAA %	Asset Allocation %	Change %	Role within the strategy
Global Equities	Quality	Active	Liquid	10	10	-	Growth
Global Equities	Growth Paris Aligned	Active	Liquid	5	5	-	Growth
Global Equities	Sustainable Growth	Active	Liquid	10	10	-	Growth
Global Equities	Climate Aware Smart Beta	Passive	Liquid	10	7.5	-2.5	Growth
Global Equities	Resource Efficient	Passive	Liquid	5	7.5	2.5	Growth
Private Equity	Global	Active	Liquid	5.5	5.5	-	Growth
Diversified Growth	Absolute Return	Active	Liquid	10	10	-	Defensive Growth
Diversified Growth	Real Return	Active	Liquid	7	7	-	Defensive Growth
Fixed Income	Diversified Credit	Active	Liquid	10.5	7	-3.5	Defensive Growth
Fixed Income	Corporate Bonds	Active	Liquid	0	3.5	3.5	Defensive Growth
Fixed Income	Index Linked Gilts	Passive	Liquid	0	4	4	Inflation protection
Fixed Income	Private Credit	Active	Illiquid	5	5	-	Defensive Growth
Infrastructure	Global Listed	Active	Liquid	1	1	-	Defensive Growth / Inflation Protection
Infrastructure	Global Private	Active	Illiquid	10	10	-	Defensive Growth / Inflation Protection
Real Estate	Balanced Property	Active	Illiquid	7	7	-	Defensive Growth / Income / Inflation protection
Real Estate	Long Inflation Linked Property	Active	Illiquid	4	-	-4	Income / Inflation protection

Flexibility and Evolution

To enable the Fund to implement the investment strategy and move flexibility in response to risk and opportunities, the Fund has a range of acceptable positions in each asset class which is laid out in the rebalancing policy in Appendix I. By monitoring the actual allocation on a regular basis the Fund can ensure it does not notably deviate from the target allocation. Where appropriate the Fund will set trigger limits in which investment should be made to benefit from market opportunities. The S151 officer has the delegated authority to make investment decisions outside of the approved strategy of up to 5% to respond quickly to market opportunities and risks.

Managers

The Pension Committee has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

Each investment manager has an agreed benchmark to compare returns against, so that in aggregate, they are consistent with the overall asset allocation for the Fund. As the Fund does not invest in any segregated mandate these benchmarks are considered when assessing the appropriateness of a sub fund within the LGPS pool or on selection of a new pooled fund. The Fund's investment managers will hold a mix of underlying holdings which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles.

When the Pension Committee approves a change to the investment strategy, the Pension Committee instructs officers and the investment consultants to implement the strategic asset allocation investment decision. This can be by accessing a suitable sub fund from the ACCESS LGPS pool, where manager selection sits at pool level; or where there is no solution to implement the strategy through the LGPS pool, officers will carry out a manager selection process led by the Investment Consultant to short list the options available and assess these against the best strategic fit for the Fund. A recommendation is then laid out to the Pension Committee as to the most suitable implementation solution to meet the approved investment strategy.

The approach to risk, including the ways in which risks are to be measured and managed

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.

The principal risks affecting the Fund are set out below.

Funding risks

- Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.
- Changing demographics – The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits.

- Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial ‘contagion’, resulting in an increase in the cost of meeting the Fund’s liabilities.

The Fund measures and manages financial mismatch in two ways. As indicated above, the Pension Committee has set a strategic asset allocation benchmark for the Fund, which is reviewed on at least an annual basis. This benchmark was set taking into account asset liability modelling which focused on probability of success and level of downside risk.

The results from the 2023 valuation highlighted that the Fund is fully funded and has a good chance of retaining this fully funded position in future without adopting an over prudent approach towards its investment strategy. The Pension Committee assesses risk relative to the strategic benchmark by monitoring the Fund’s asset allocation and investment returns quarterly. The Pension Committee also assesses risk relative to liabilities by monitoring the funding position regularly.

The Pension Committee reviews the demographic assumptions of the Fund every three years as part of its triennial valuation, to mitigate the risk that changes to longevity and other factors would have on the Fund. In addition, Fund officers meet regularly with the Fund Actuary to ensure any major swings in longevity assumptions due to environmental or medical changes can be identified early.

The Pension Committee seeks to mitigate systemic risk through a diversified portfolio; across asset classes, sectors, geographical region, investment manager styles and considers correlation of risk and return across different asset classes in construction of the investment strategy. It is not possible to make specific provision for all possible eventualities that may arise under this heading.

Asset risks

- Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- Illiquidity - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.
- Currency risk – The risk that the currency of the Fund’s assets underperforms relative to Sterling (i.e. the currency of the liabilities).
- Environmental, social and governance (“ESG”) – The risk that ESG related factors reduce the Fund’s ability to generate the long-term returns. The Fund believes that climate change poses material risks to the Fund but that it also presents positive investment opportunities.
- Climate Risk – The risk to asset values and liabilities in response to climate change from physical or transition risk including regulatory changes.
- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.
- Pooling risk – The risk that the LGPS investment pool is unable to offer suitable investment opportunities or the risk around the ability to liquidate assets to meet liabilities.

The Fund measures and manages these assets risks through the Fund’s investment performance monitoring processes including through the strategic asset allocation benchmark which invests in a diversified range of asset classes. The Pension Committee has put in place rebalancing arrangements to ensure the Fund’s “actual allocation” does not deviate substantially from its target. The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund’s asset concentration risk. By investing across a range of assets, including liquid quoted equities and bonds, as well as property, the Pension Committee has recognised the need for access to liquidity in the short term.

The Fund invests in a range of overseas markets which provides a diversified approach to currency markets; the Pension Committee also assesses the Fund's currency risk during their risk analysis.

Details of the Fund's approach to managing ESG risks are set out later in this document.

The Pension Committee has considered the risk of underperformance by any single investment manager and have attempted to reduce this risk by appointing more than one manager for various asset classes. In addition, the Fund has an allocation to passive mandates which have a lower tracking error to the market; the Fund accesses these through products that have an ESG tilt. The Pension Committee assess the Fund's managers' performance on a regular basis, and will take steps, including potentially replacing one or more of their managers if underperformance persists or there are other concerns with the investment management or philosophy.

Other provider risk

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Pension Committee seeks suitable professional advice.
- Custody risk - The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- Credit default - The possibility of default of a counterparty in meeting its obligations.
- Stock Lending- The Fund will participate in any stock-lending arrangements in the future as part of the LGPS ACCESS pool. The Fund will ensure that robust controls are in place to protect the security of assets before entering into any stock lending arrangements. The manager(s) of pooled funds may undertake a certain amount of stock lending on behalf of unit-holders. Where a pooled fund engages in this activity the extent is fully disclosed by the manager (unless the assets are invested in LGPS pooled arrangements in which case this will be delegated to the Pool Operator).

The Fund monitors and manages risks in these areas through a process of regular scrutiny of its providers, and audit of the operations it conducts, or has delegated such monitoring and management of risk to the appointed investment managers or ACCESS LGPS pool as appropriate (e.g. custody risk in relation to pooled funds). The Pension Committee has the power to replace a provider should serious concerns exist.

The approach to pooling investments, including the use of collective investment vehicles and shared services

The Fund is a participating scheme in the ACCESS Pool. The ACCESS pool was set up following the 2015 Investment reform criteria and pooling guidance published in 2015.

Assets to be invested in the Pool

The Fund's intention is to invest its assets through the ACCESS Pool as and when suitable Pool investment solutions become available. The ACCESS Pool has launched numerous sub-funds in which the East Sussex Pension Fund now participates and there are further launches in the pipeline, which the Fund plan to be involved with. As the ACCESS pool is managed through a procured operator service there will be a pause in new asset sub fund launches while the operator re-procurement activities take place.

The Fund holds investments with Longview, Ruffer, Newton, Baillie Gifford and M&G through the ACCESS Authorised Contractual Scheme (ACS). In addition, the Fund has passive exposure to UBS

who administer the Osmosis index for the Fund which was procured and is governed through the ACCESS pool.

An indicative timetable for investing through the Pool was set out in the July 2016 submission to Government. The key criteria for assessment of Pool solutions will be as follows:

1. That the Pool enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund
2. That there is a clear financial benefit to the Fund in investing in the solution offered by the Pool, should a change of provider be necessary

At the time of preparing this statement the Fund has elected not to invest the following assets via the ACCESS Pool for the following reasons:

Table 2 – Assets held outside the Pool

Asset class	Manager	Target % of Fund assets	Benchmark	Reason for not investing via the ACCESS Pool
ESG tilted passive equity	Storebrand	7.50%	MSCI All Countries World	This strategy is not currently available through the ACCESS funds platform. This should be a temporary position outside the pool. The ACCESS Joint Committee agreed in September 2023 that a sub fund meeting these criteria should be added to the ACS. This has now been passed to the pool operator to consider how this will be implemented.
Active Sustainable Equity	WHEB /Wellington	10.00%	MSCI All Countries World	Currently, there are no impact funds available through the ACCESS funds platform that satisfy the Funds Responsible Investment requirements for active sustainable equity. These will be held outside the pool temporarily until the pool is able to launch RI investment options that meets the Fund impact criteria. The pool is continually amending sub funds and providing new opportunities which may provide an option for these to be moved to the pool in the near future The Fund will work with the Pool to try and add products of this nature to the offerings through the Pool.
Private Equity	Harbourvest Partners / Adam Street Partners	5.50%	MSCI All Countries World	Existing illiquid asset programmes will run off at normal lifecycle to avoid crystallising exit costs and loss of illiquidity premium earned. The Fund will work with the Pool to offer this asset class for new investments.

Asset class	Manager	Target % of Fund assets	Benchmark	Reason for not investing via the ACCESS Pool
Infrastructure	M & G Infracapital / UBS Infrastructure / Pantheon	4.00%	GBP 3 Month LIBOR	Existing illiquid asset programmes will run off at normal lifecycle to avoid crystallising exit costs and loss of illiquidity premium earned. The Fund will work with the Pool to offer this asset class for new investments.
Private Debt	M & G	3.00%	GBP 3 Month LIBOR	Existing illiquid asset programmes will run off at normal lifecycle to avoid crystallising exit costs and loss of illiquidity premium earned. The Fund will work with the Pool to offer this asset class for new
Operational cash	East Sussex County Council	0.00%	N/A	East Sussex Pension Fund needs to manage its cash flow to meet statutory liabilities, including monthly pension payroll payments, therefore, a reasonable level of operational cash will be required to maintain efficient administration of schemes and would be held outside the Pool.

Any assets not currently invested in the Pool will be reviewed at least every three years to determine whether the rationale remains appropriate, and whether it continues to demonstrate value for money. The next such review will take place no later than 2026.

Structure and governance of the ACCESS Pool

East Sussex is a member of the ACCESS pool along with the following 10 other pension funds:

Cambridgeshire

Kent

Essex

Norfolk

Hampshire

West Northamptonshire

Hertfordshire

Suffolk

Isle of Wight

West Sussex

All eleven funds are committed to collaboratively working together to meet the criteria for pooling and have signed an Inter Authority Agreement to underpin their partnership. ACCESS is working to a business plan in order to create the appropriate means to pool investments.

The ACCESS Funds have set out how they meet the pooling criteria, the pool's structure, governance arrangements and services to be shared in the submission made to the Government in

July 2016, which is available on ACCESS's website <http://www.accesspool.org/>. The pool make further representations to the Government annually to report savings achieved by the LGPS pool.

The "ACCESS Pool" is not a legal entity. However, a Joint Committee (JC), comprising elected Pension Committee representative from each Administering Authority and supported by the Officer Working Group has been established via an Inter Authority Agreement. Papers from previous and future ACCESS JC meetings papers can be found using the following link:
<https://democracy.kent.gov.uk/mgOutsideBodyDetails.aspx?ID=898>

ACCESS has taken advice on its sub-fund design and development of investment opportunities available. The pool appointed Link Fund Solutions to establish and operate the ACS carrying out all the FCA regulated aspects of the pool on liquid assets. Link are responsible for the overall management of the ACS including the creation of investment sub funds and the appointment of Investment managers on this platform. A thorough due diligence process is undertaken before the Investment Managers are appointed and robust monitoring and governance is applied to the managers on an ongoing basis including an annual assessment of value. The ACS manages a significant portion of participating Authorities' liquid assets.

Passive assets are pool aligned Investments managed under the Pool Governance processes. The value of assets held within the Pool includes passively managed assets which are held in Life Policies. The Life Policies themselves will necessarily remain an agreement between the participating Authority and the appointed external investment manager. This was acknowledged as an acceptable outcome by Government. All passive assets will therefore be held outside the ACS and will not be managed or administered by the Pool Operator.

How social, environmental or corporate governance (ESG) considerations are taken into account in the selection, non-selection, retention and realisation of investments

To clearly define the approach adopted by the Pension Committee to these issues, the Pension Committee approved a Statement of Responsible Investment Principle (SRIP) which is available in Appendix B. Within this statement it is recognised that environmental, social, and corporate governance factors can influence long term investment performance and the ability to achieve long term sustainable returns.

The Fund's responsible investment (RI) principles are:

- a. We will apply **long-term thinking** to deliver **long-term sustainable returns**.
- b. We will seek **sustainable returns** from **well-governed assets**.
- c. We will use an **evidence-based** long term investment appraisal to inform **decision-making** in the implementation of RI principles and consider the costs of RI decisions consistent with our fiduciary duties.
- d. We will evaluate and manage **carbon exposure in order to mitigate risks to the Fund from climate change**.
- e. We will be **active stewards** of our assets to ensure **value to our beneficiaries**
- f. We will achieve ESG improvements through **collaborate engagement**
- g. We will be **transparent** in our RI reporting

The Committee takes RI matters very seriously with a designated policy which is reviewed annually. In addition the Fund conducts a review its investment managers' approach to RI and discusses a range of ESG issues at each manager review meeting.

ESG policies are reviewed before investments are made with a detailed set of ESG criteria for manager selection, to ensure the longevity of the investment portfolio. Managers are then assessed annually through carbon foot printing and an annual impact assessment where each manager is allocated an ESG score and a climate score with an action plan set out.

The Committee have made a number of sustainable investments as part of the Investment strategy which address environmental and societal challenges while generating competitive financial returns. These investments seek to generate return through climate opportunities. These include for example, energy efficiency companies, renewable energy projects, companies or products that improve access to basic life essentials, companies that reduce inequality and companies or products that mitigate the effects of climate change.

At the present time the Committee does not take into account non-financial factors when selecting, retaining, or realising its investments.

The exercise of rights (including voting rights) attaching to investments

Voting rights

The Pension Committee has delegated the exercise of voting rights to the investment manager(s) on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, the Fund's managers have produced written guidelines of their process and practice in this regard, which is considered as part of the appointment of an investment manager process. The managers are strongly encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies under Regulation 7(2)(f). The Fund's investment managers are also expected to file or co-file shareholder resolutions on important issues at the investee companies in the interests of agitating for better governance. For investments held through the ACCESS pool in a segregated sub-fund, investment managers are required to vote in line with the ACCESS pool voting guidelines, whereas where investments are in a pooled vehicle the Pension Fund accepts the investment manager will vote in line with its own policy. There is a requirement for the investment manager to explain the rationale for its decisions and ultimately the Pension Committee has the option to disinvest from the investment fund if it is dissatisfied with the manager's decisions and actions.

The Fund believes that Collaboration with other asset owners and Investment Managers is an effective way to help improve the effectiveness when exercising their rights and responsibilities on engagement with the invested companies; to this end the Fund are members of the LAPFF, IIGCC and the PRI. The Fund encourages all of its Investment Managers to be signed up to the PRI and IIGCC collaborations and to demonstrate effective stewardship through submissions of the UK Stewardship Code 2020.

As a member of the Local Authority Pension Fund Forum (LAPFF) the Fund send Investment managers voting alerts from LAPFF to take into consideration on their voting for the Fund and to either vote in line with the recommendations or explain why they have voted differently based on their specific research considerations. The Fund recognise that the research teams of the investment managers may have a different insight to the research team at LAPFF and they may not always agree on the best approach, so an explanation is expected in these cases.

The Fund produce and publish a voting and engagement report, quarterly, to demonstrate implementation of the Funds exercise of rights and engagement activities. The ACCESS pool collate and report the voting of all the managers within the pool and advise of any votes against the ACCESS voting guidelines. This information is then discussed as part of the investment performance report at each Joint Committee meeting.

Stewardship

The Fund understands that stewardship aims to promote the long term success of companies in such a way that the ultimate providers of capital also prosper. The Pension Committee has formally agreed to adhere to the Stewardship Code as published by the Financial Reporting Council, and was approved as a signatory under 2020 Stewardship code requirements in February 2023. The Stewardship Code sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them. Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. A copy of the Funds Stewardship Report can be found on the Funds website <https://www.eastsussexpensionfund.org/forms-and-publications/> The Fund seeks to retain status every year.

In addition to its own commitment to the Stewardship code the Fund expects its investment managers to also be signatories or comply with the Stewardship Code.

In addition to the Fund's views on the Stewardship Code, the Fund believes in collective engagement and is a member of the LAPFF, the UN Principles of Responsible Investment (PRI) and the Institutional Investors Group on Climate Change (IIGCC), to collectively exercise a voice across a number of ESG principles including climate change benefiting from the scale of investment compared to engaging alone. The Fund expects as a minimum, all its liquid investment managers to also be signatories of IIGCC and PRI.

The Fund expect Investment Managers to engage with investee companies on material ESG issues and discusses engagement issues with Investment Managers at each review meeting. Investment Manager engagement is reported in the Funds quarterly report alongside activities that the Fund has achieved through its collaborative groups or own action.

Investment Management Stewardship Code and collaborative engagement membership

Manager	PRI Signatory date	Stewardship Code 2020	IIGCC
Longview Global Equity	08/04/2010	Yes - 2021	Yes
Baillie Gifford - Paris Aligned Fund	26/06/2007	Yes - 2021	Yes
Wellington – Global Impact Fund	26/04/2012	Yes - 2021	Yes
WHEB - Sustainability Fund	31/05/2012	Yes - 2021	Yes
Storebrand – Global ESG Plus Fund	27/04/2006	Yes - 2022	Yes
UBS - Osmosis	22/04/2009	Yes - 2021 (both UBS and Osmosis)	Yes
M&G Absolute Return	11/01/2013	Yes - 2021	Yes
M&G Corporate Bonds	11/01/2013	Yes - 2021	Yes
Newton Absolute Return	13/02/2007	Yes - 2021	Yes
Ruffer Absolute Return	15/01/2016	Yes - 2021	Yes
Pantheon Infrastructure	05/10/2007	No	No
ATLAS Global Infrastructure Equity Fund	18/03/2019	No	Yes
Harbourvest – Private Equity	25/11/2013	No	No
Adams Street – Private Equity	29/10/2010	No	No
Schroders – Property	29/10/2007	Yes - 2021	Yes
M&G Infrastructure	11/01/2013	Yes - 2021	Yes

Appendices

Appendix A – Rebalancing Policy

Appendix B – Statement of Responsible Investment Principle.

Appendix A



Rebalancing Policy

September 2023

Introduction

This is the policy outlining the parameters and process for Rebalancing of the East Sussex Pension Fund (the Fund) investment portfolio in line with the Funds Investment Strategy Statement (ISS).

Regulatory Basis

The ISS is made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (“the Regulations”) and prepared by the Pension Committee (“the Committee”) having taken advice from the Fund’s investment adviser.

The Committee seeks to invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund. This Re-Balancing policy will be used to ensure excess Fund money is invested in line with the ISS and that the investment portfolio continues to follow the Committee’s strategic asset allocation.

Rebalancing

The Committee has set a strategic benchmark for the Fund that identifies three main classes of investment strategy, which the Committee considers has the appropriate risk and reward characteristics for the employers in the Fund. These high level strategic benchmarks are Growth, Income and Protection. These are then underpinned by a strategic asset allocation, for the asset classes the Fund invests in to gain diversification and manage the risk appropriately. The asset class targets are subsequently met by the appointments of individual managers who are set a portfolio to provide exposure to the asset classes in the strategic benchmark. The managers are expected to provide the market return (beta) for the asset classes in their mandates plus (for the actively managed mandates) additional returns from their active management (alpha) of the investments.

Over time the differential of relative performance between the asset classes and managers results in actual asset allocations (both at a strategic and portfolio level) which deviates from the agreed targets. Deviations from the targets result in tracking error, and a shift in the risk/return profile of the Fund which can have an impact on the Funding level as calculated by the Fund Actuary. Therefore, rebalancing is required to ensure that the appropriate risk is being taken by the Fund.

Rebalancing of asset weightings, entails portfolio transactions, so the benefit has to be weighed against the costs incurred, both in trading and indirectly in the market. Costs of rebalancing are broadly linear (selling twice as much of an asset will cost roughly twice as much). The net benefit of rebalancing is therefore the impact of tracking error less the costs of rebalancing. The exception to this is certain pooled funds where a dilution levy may be triggered if a seller is liquidating a significant holding in the Fund.

The trigger point for a rebalance should be when the benefits of the switch outweigh the costs involved.

The trigger determines when to rebalance, but not by how much. To rebalance all the way to the target allocation is not considered to be cost effective, as the costs of rebalancing all the way tend to outweigh the benefits. The Fund’s policy is therefore to rebalance to midpoint from the target allocation and the trigger point in graduated steps were possible.

In normal market conditions

The key risk being run within a pension fund is the proportion invested between the growth, protection and income generating assets. Then to a lesser extent the mix of asset classes that makes up these strategic positions. The Fund’s rebalancing procedures will work on the basis that if a trigger

point is passed on the strategic positions, this will result in a rebalancing event to take place, following the rules set out below.

If a trigger point is reached by an asset class this will then trigger a rebalance, which may or may not be within the same strategic level looking to bring the most underweight position back in line. The rebalancing will take into consideration if this needs to be done on multiple asset classes to offer the best cost effective rebalancing is actioned.

This policy does not go into the lower level of detail in terms of which investment manager money will be moved from or provide triggers for these as this may cause too much unwanted movements that are not beneficial to the Fund.

In periods of heightened market volatility

The rebalancing policy will be temporarily suspended or slowed if market conditions enter a period of heightened market volatility or other uncertainty as this could force the Fund to sell positions that it does not want to at a price that is not of benefit to the Funds members. That is to say that the cost benefit calculation that this policy is set on may not be valid in these situations and no rebalancing will take place until more certainty on the cost benefit can be derived.

In the situation where the market moves into an advantageous position which enables the Fund to invest outside the Investment Strategy Statement or this rebalancing policy. This would be where the Fund is able to lower the risk in the portfolio whilst maintaining the appropriate the return profile, the Chief Finance Officer will have the ability to invest 5% of the Fund outside the ISS and rebalancing policy.

Liquidity

Rebalancing decisions will be made with due consideration of the liquidity of the underlying assets. In the case of illiquid assets, the total commitment will be considered as part of the rebalancing calculation as these can take several years to manifest into actual investments. The uncalled commitments will often be held in a low volatility liquid asset classes in the interim and these funding arrangements will not be subject to rebalancing. Details of liquidity arrangements of the Funds' investments are held in a separate operational document.

Rebalancing Ranges

The following ranges have been agreed by the Committee to set as points at which rebalancing should take place.

Strategic Area	Strategic target (%)	Range (%)
Growth	62.5	51.5 – 73.5
Income	27.0	18.0 – 36.0
Protection	10.5	8.5 – 14.5
Total	100.0	

Asset class	Liquid/Illiquid	Strategic target (%)	Range (%)
Listed Equities	Liquid	40.0	35.0 – 45.0
Private Equity	Illiquid	5.5	2.5 – 8.5
Absolute Return	Liquid	17	14.0 – 20.0
Total Growth		62.5	52.5 – 72.5

Asset class	Liquid/Illiquid	Strategic target (%)	Range (%)
Balanced Property	Illiquid	7.0	5.0 – 9.0
Index Linked Gilts	Liquid	4.0	2.0 – 6.0
Infrastructure	Illiquid	11.0	8.0 – 14.0
Private Credit	Illiquid	5.0	3.0 – 7.0
Total Income		27.0	18.0 – 36.0

Asset class	Liquid/Illiquid	Strategic target (%)	Range (%)
Diversified Credit	Liquid	10.5	7.0 – 12.0
Cash	Liquid	0.0	0.0 – 2.0
Total Protection		10.5	7.0 – 14.0

Principles of Rebalancing

The following principles will determine how the rebalancing process for the Fund will operate.

- **Rebalancing would be monitored on a quarterly basis via the investment monitoring report** - Authority to rebalance will be delegated to, and implemented by, Head of Pensions in liaison with the Investment Implementation Working Group. The Officers and advisers will consider transaction costs and current market conditions ahead of implementation.
- **Quarterly rebalancing will apply only to liquid assets** - Due to the transaction costs and illiquidity associated with the other investments such as property, infrastructure, private debt and private equity rebalancing for those asset classes will be considered on an annual/ad hoc basis.
- **Each benchmark allocation would have a weighted tolerance range** – A tolerance range will be defined for growth and matching assets and each underlying mandate; these tolerance ranges will be used in determining when rebalancing will be considered;
- **Cash holdings to be used for rebalancing** - Where possible any net investments or disinvestments should be used to manage allocations, for example, by investing any surplus cash into the most underweight asset class.
- **Rebalancing will occur at two levels; at the growth, income and protection level, and at the mandate level** – The rebalancing process will determine if rebalancing is required between growth, income and protection assets, and separately if rebalancing is required between asset classes. However, it is more important to be willing to incur transaction costs if necessary to rebalance between bonds and equities, for example, than switching between managers with similar mandates (e.g. active and passive global equities).
- **Rebalancing transactions will aim to rebalance allocations out with their tolerance ranges to the midpoint (at least) of the tolerance range** – The mid-point of the tolerance range is the mid-point between a benchmark allocation and its upper or lower tolerance limit. Assuming an asset class with a 40% allocation and a 35%-45% tolerance range, the upper mid-point would be the halfway point between 40-45% (i.e. 42.5%). The lower mid-point would be the halfway point between 35% and 40% (i.e. 37.5%). Historical analysis suggests that this is the best way of balancing the impact of transaction costs against returns.
- **Illiquid asset rebalancing** - The allocations to illiquid assets such as private equity and infrastructure will vary with general market movements and are not easily altered, due to the illiquid nature of the asset classes. Therefore, we will also consider commitments made and cashflows to drive any rebalancing being carried out in relation to the Fund's illiquid investments. Due to the nature of illiquid assets with timeliness of access to the market and long commitment call down periods, the illiquid assets will often be adrift of the strategic asset allocation while money is awaiting to be called by the investment managers, so these allocations will often be held in a low volatility liquid asset classes in the interim.
- **The long-term strategic target allocation implementation** – where a long-term strategic target allocation has been agreed but not yet fully implemented we will not look to rebalance any current asset class allocation that is in breach of the defined tolerance ranges if the breach is in the desired direction of travel of the Fund's long-term target allocation. This will avoid unnecessary transaction costs.
- **5% allowance to the Chief Finance Officer** – With advice provided by the Investment Implementation Working Group the Chief Finance Officer has the delegation to invest 5% of the Fund outside of the ISS, implementation plan and rebalancing policy. Any investment made through this delegation will be reported to the Committee at the next available opportunity. This will also trigger a review of the investment strategy of the Fund.
- Beyond this rebalancing policy and in line with the Council Constitution the Chief Finance officer has the delegated authority to take action or decide any other Pension Fund related matter

on behalf of the Administering Authority in special or emergency situations, in consultation with the Chair of the Pension Committee, including but not limited to where delay in the purchase or sale of investments might be detrimental to the interests of the East Sussex Pension Fund.



Statement of Responsible Investment Principles

September 2023

Introduction

At East Sussex Pension Fund (**ESPF, the Fund**), we believe that Responsible Investment (**RI**) supports the purpose of the Local Government Pension Scheme (**LGPS**) to provide retirement income for individuals. We believe that RI can reduce the risk associated with the invested assets that the Fund owns to allow it to pay pensions when they are due. Responsible investment is therefore a significant factor driving returns alongside other investment considerations.

This Statement of Responsible Investment Principles (**SRIP**) complements ESPF's Investment Strategy Statement (**ISS**). The SRIP explains the Funds approach to the oversight and monitoring of the Fund's investment activities from an RI and Stewardship perspective.

What is 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.

While acknowledging the potential benefits of incorporating ESG factors into the investment process, the Fund recognises that there are many different approaches, there is no universally agreed standard of ESG measurement or assessment, and some methodologies may enhance returns while others may not. There may also be inherent conflicts between the Environmental, Social and Governance factors forming the ESG framework.

As a consequence, while acknowledging the opportunities for ESG factors to reduce risk and provide opportunity, careful attention is required in manager or index selection to methodologies which incorporate both qualitative, quantitative and forward-looking approaches.

RI is not the same as Ethical Investment. Ethical Investment is an approach determined by an investor's specific views, usually based on a set of personal values. These values can take precedence over financial considerations of an individual. The power to invest the assets of the Fund must be made for the investment purpose of ensuring that benefits can be paid to members and their contingent beneficiaries when due, as a result the Fund will identify and mitigate material financial risk when making decisions and not based on personal or political values. Instead of being considered as either an "Ethical" or an "Unethical" investor, the Fund will be a responsible steward of capital. At ESPF, we are guided in our roles as quasi-trustees, executive officers and investment managers by the legal principle of fiduciary duty.

The Pension Committee (**the Committee**), comprising five East Sussex County Council councillors, is the decision-making body of the Fund and is responsible for Fund oversight and policy setting. In carrying out its obligations, this group of quasi-trustees must take into consideration the views of its main stakeholders, members and employers.

As a global long-term investor, ESPF recognises that climate change presents significant long-term risks to the value and security of pension scheme investments and capital markets more broadly. As a result, the Fund recognises climate risk to be a significant financial risk and addresses climate risk separately to wider ESG factors.

About this document

East Sussex Pension Fund's Statement of Responsible Investment Principle was approved by the Fund's Pension Committee in September 2023. It will be reviewed and updated at least every three years.

The objectives of this Statement of Responsible Investment Principles are to:

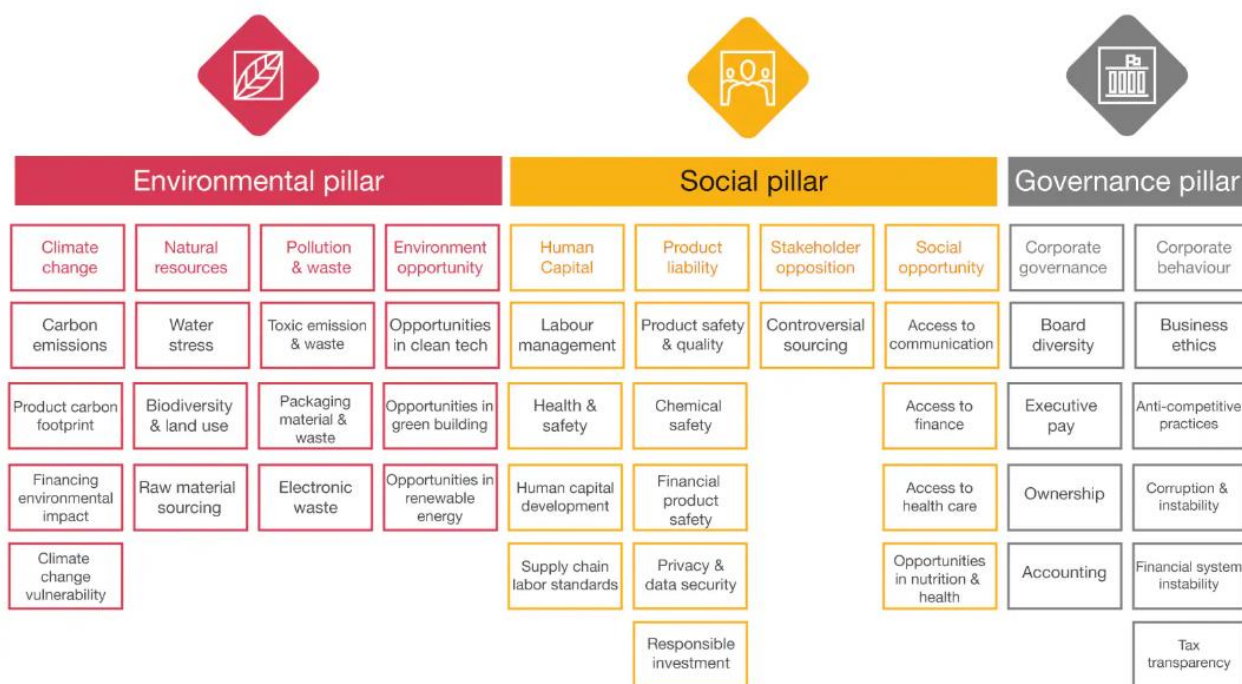
- reduce the likelihood that ESG factors, including climate risk, will negatively impact asset values and returns;
- set out a framework to inform stakeholders on the action ESPF is taking to address and manage ESG and climate risks.

The Fund will report on its progress against the principles in our Annual Report against the Taskforce on Climate Related Financial Disclosures framework.



Pillars of ESG

Sustainability is about creating long-term value by implementing strategies that incorporate environmental, social and governance (ESG) factors as well as financial factors. ESG is wider than just environmental issues which are often a key focus, sustainability requires the social and governance factors to also be considered. ESG reporting requires disclosure of information, data and metrics to represent the long term added value across the three pillars.



Source: www.pwc.com/mt/en/publications/sustainability/esg-what-is-it-all-about.html

Responsible Investment Beliefs

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

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

ESG Themes

Climate Change

As an LGPS Fund we are long-term investors with liabilities reaching beyond the year 2100. The objective of the Fund is to meet the current and future pension benefits of our members now and when they fall due. The Committee believe that, over the expected lifetime of the Fund, climate change presents both risks and opportunities with the potential to be financially material to the performance of the investment portfolio; recent trends in climate indicate an increasing physical risk to some assets and geographical regions. As such, we consider climate change issues across the Fund and specifically in areas such as Strategic Asset Allocation, Investment Strategy, Investment Manager Selection and Risk Management with the aim of minimising adverse financial impacts and maximising the opportunities for long-term economic returns on our assets.

Climate change risks and opportunities are a primary focus of the Fund's investment strategy with strategic asset allocations to sustainable impact funds and funds with alignment to the Paris Agreement. The Fund engages with Investment Managers on holdings where there are high emissions or climate physical or transition risks to ensure there is a robust rationale for investment and an understanding of transition plans of the investee company and where relevant a clear engagement plan. The Fund expects investment managers to have clear escalation strategies in place for stewardship of the Fund's assets.

Human Rights

As a responsible institutional investor, the Fund uses its influence to encourage the promotion and protection of human rights around the world. This is achieved through regular direct engagement with a variety of stakeholders including policy makers, investment managers, and investee companies to ensure that corporate practices are in line with the Fund's human rights commitments.

The Fund remains diligent in its responsibility to ensure effective oversight and governance surrounding human rights in all companies in which it invests. With a view towards ending practices such as forced labour and human trafficking, ESPF pushes for supply chain transparency across its investment portfolio. By directly engaging with companies and investment managers, the Fund aims to drive the improvement of corporate human rights practices around the world.

As detailed in the Fund's Stewardship Report, human rights stewardship is directly integrated into our investment strategies. To this end, ESPF continually assesses and reports on its underlying exposure to companies with human rights concerns. An example of this can be found in the Fund's Statement on Israel and the Occupied Territories, which annually reviews the human rights situation in the Occupied Palestinian Territories in relation to our investment strategies.

Biodiversity

Amid the ongoing climate crisis, the Fund recognises the strong interlinkages between climate change and biodiversity. As such, ESPF considers it a priority to enhance biodiversity and contribute towards the regeneration of wildlife habitats. With nearly a third of all monitored species currently under threat of extinction due to human pressures, the importance of biodiversity regeneration is unmistakable.

Engagement on the topic of biodiversity is a vital tool in the Fund's broader strategy to combat environmental risks. Through direct engagement with investment managers, the Fund has started to see increasing focus of biodiversity strategies within the investment managers approaches and in its investee companies. Additionally, the Fund carefully considers sustainability practices (including strategies for biodiversity regeneration) in its manager selection processes.

The Fund remains steadfast in its commitment to tackle the loss of biodiversity and considers this to be a priority in the focus of environmental issues. As a member of IIGCC, the Fund will utilise the work of nature action 100 and will adopt the framework from the Taskforce for Nature related Financial Disclosures (TNFD) when it is able.

Corporate Governance

As one of the key pillars of ESG, the Fund is committed to the promotion of good corporate governance practices across its portfolio. These practices include (but are not limited to) board diversity, fair pay, tax transparency, corruption, money laundering and business ethics.

ESPF views good corporate governance as the root of responsible investment. The Fund incorporates these beliefs into its broader investment approach, making use of voting, shareholder resolutions, corporate engagement, and manager monitoring to ensure good governance practices are being implemented across its portfolio.

Through its investment managers, the Fund encourages and facilitates investee companies to meet targets in areas such as gender representation, diverse recruitment, and financial transparency. Additionally, the Fund encourages its investee companies to improve their reporting standards on governance strategies.

ESPF continually reviews the corporate governance practices of its investee companies to ensure compliance with our core values of good governance.

Sustainable Production and Consumption

With climate concerns being at the forefront of the Fund's responsible investment strategy, ESPF is devoted to encouraging practices of sustainable production and consumption across its portfolio. At its core, this entails the prevention of pollution, reduction of waste, and the promotion of a circular economy.

To provide a comprehensive approach to the various sustainability challenges that the earth faces, the Fund heavily invests in climate impact funds which aim to encourage sustainable methods of production and consumption. In line with these priorities, the Fund is invested in critical infrastructure to support the shift to sustainable production and consumption such as water recycling centres and renewable energy solutions.

Through direct and collective engagement through the Local Authority Pension Fund Forum (LAPFF), the Fund encourages investee companies to implement sustainable business practices in their operations. ESPF remains committed to tackling climate risk in all forms, which includes the promotion of sustainable production and consumption practices.

Obligations of the Pension Committee and duty to our members

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

To ensure the Pension Committee can do this, the Fund recognises that ESG issues can positively and negatively impact on financial performance. In addition, the Fund recognise that climate risk is a financial risk and support the view that limiting global warming to 1.5 degree could help curb the catastrophic impacts to the financial standing of the Fund and our members wellbeing of climate change. The Fund want its members to be proud that it has a focus on climate change and the actions it has, and will continue to take, to work towards a better future.

The Fund will aim to understand the evidence in light of research and policy developments to inform the investment approach applying long-term thinking to integrate ESG, including climate risk and opportunities, into investment decision making.

ESPF and the ACCESS pool

The Fund is a participating scheme Fund in the ACCESS LGPS Pool alongside 10 other partner Funds. Individually and collectively the Councils that make up the ACCESS pool believe that investments made on behalf of scheme members should be sustainable in the short, medium and long-term through the fundamental identification and integration of ESG factors into the investment selection, monitoring and deselection process. The ACCESS pool has published a set of RI guidelines for the pool to follow and implement reporting at the pool level.



While ESPF and the other ACCESS Councils 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, the 11 Funds collectively recognise that RI considerations increasingly reflect real financial risks, and so these factors should also be embedded in the investment decision-making process.

There are four levels where the ACCESS pool will consider how RI issues can be addressed both through the pool and individually -

- Investment level Integration: Incorporating ESG & RI issues into the everyday individual investment selection, monitoring and engagement processes.
- Manager level Expectations: Setting explicit expectations at the investment manager mandate level.
- Council level Policy: Setting an overarching policy, generated from core investment beliefs, which shapes the direction of travel.
- Pool level Guidelines: Incorporating the common policies and beliefs of the Councils to create a set of Guidelines summarising the Pool's approach.

ESPF remains responsible for deciding which asset classes it wants to invest in and the size of the allocation. This is set out in the Investment Strategy Statement (ISS). The ACCESS pool, invest our money in line with our strategy by selecting Investment Managers to implement the risk and return criteria of the Fund's investment strategies. Where investment options to implement the ISS, are not on the ACCESS pool platform, ESPF will work with the pool to provide investable products that meet the Funds ISS requirements.

ESPF will work with the pool to drive improvements in the stewardship activities of the pool, aim for a best in class voting policy and ensure the pool can support the underlying Funds in there reporting requirements,

through participation in the ESG working group, decision making through the ACCESS Joint Committee representation and other opportunities within the pool that arise.

Integrating RI into Strategy Implementation

At ESPF we are committed to acting as responsible investors and fully integrating our approach to ESG, including climate risk, into investment processes.

The Fund's approach is to invest in companies that have a high and sustainable return on investment. The Fund does not exclude sectors from its investible universe based on their participation in certain industries, instead the emphasis is on assessing the sustainability and financial risk of a holding.

Fully integrating ESG into the Fund's investment process means that the Pension Committee, is in possession of all the facts to determine how ESG impacts the investment case, including valuation and is in a position to engage with the investment managers.

ESPF will review annually all strategy mandates and managers against climate metrics (e.g. impact on portfolio, manager compliance, exposure to certain sectors). For all new mandates we will consider climate-related risks and objectives explicitly as part of the selection criteria.

The Fund is committed to carrying out engagement with Investment Managers on specific issues and risks identified by the climate related data and engagement priorities.

The Fund will consider options for scenario analysis and how this will provide an enhanced understanding of portfolio risk to integrate into investment decision making. All decision making, and investment monitoring, considers climate related risk and opportunities. We will develop regular reporting of ESG and CR metrics to inform decision making and help assess and monitor progress towards our RI objectives.

Principles for Responsible Investment Approach

The Fund is a signatory to the United Nations Principles for Responsible Investment (**PRI**), an organisation which supports and enables asset owners and asset managers to work collaboratively towards RI best practice.

As a signatory, ESPF has committed to implement the six principles with the aspiration of contributing to the development of a more sustainable global financial system. We outline the ESPF approach to the six principles.

Principle 1 - We will incorporate ESG issues into investment analysis and decision-making processes.

The implementation of ESPF's investment strategy is delegated by the Pension Committee to officers and external investment managers (IMs) to invest the Fund's assets. How ESG factors are incorporated into investment analysis and decision-making processes varies according to the asset category and manager. All investments are externally managed through pooled vehicles, either directly with the Investment Manager or through the LGPS ACCESS pool. Investment Managers are expected to report to the Taskforce for Climate related Financial Disclosures (TCFD) framework and support the Funds production of its climate reporting.

As part of the governance arrangements with the IM's, where the manager carries out scenario analysis, the Fund will ask for details of the scenarios as well as the output of the analysis in relation to the Fund's portfolio. Where portfolio-level analysis is not available, the Fund will ask for the results of any other analysis that the asset manager is using to identify and assess climate-related risks in relation to the portfolio, such as carbon footprint data. The Fund will ask what the asset managers are doing differently as a result of the analysis, to mitigate the risks. Where no scenario analysis is taking place, the Fund will ask about asset managers' plans for adopting scenario analysis and encourage faster action if this is not ambitious enough.

The Fund gains its exposure to equity markets by recourse to a combination of Active managers and Passive index funds. The holdings of Active Managers are by their nature transitory and subject to continual change through the manager's stock selection process. Managers of passive index funds replicate an index and so have a longer run exposure to companies and sectors over which limited due diligence is performed. The choice of passive index is therefore an important deliberation. Where possible, the Fund seeks to acquire exposure to indices that are tilted in favour of companies that benefit from greener revenues, are less carbon intensive, and are better positioned than their peers to adapt to the Energy Transition. In some markets this option is not possible.

The ESPF have the following categories of asset managers:

Active Equity managers (pooled funds): As a part of the appointment process, we ensure that Managers demonstrate that they incorporate ESG filters into their investment analysis and asset acquisition processes. We monitor the managers' performance on a quarterly basis alongside all other investment matters, and review the PRI transparency reports of external managers, where available. Managers are encouraged to join PRI, IIGCC and Climate Action 100+ as signatories, where they are not already members.

Passive Index Funds with ESG tilts: Passive indices offer a low-cost complement to Active Managers. We select Passive indices based on the index's ability to reduce exposure to climate risks and to capture opportunities for investment in companies that are forward looking, generating green revenues, and better aligned to navigating the Energy Transition.

Corporate Credit managers: during the appointment process, we assess the approach of managers to incorporating ESG issues into their investment analysis and decision-making processes. We monitor the managers' implementation of the approach on a quarterly basis alongside all other investment matters, and

review the PRI transparency reports of external managers, where available. It is our ambition to appoint managers who devote greater focus in providing finance to companies or projects that are more compatible with the aims of the Paris Agreement.

Property managers: The capacity for Managers to incorporate ESG factors into the investment process alongside other key investment criteria will be required, monitored, and regularly reviewed. Managers will be encouraged to adopt PRI Transparency and GRESB reporting and take an active approach in assessing physical climate risks to the portfolio assets, retrofitting costs and biodiversity challenges of the sector.

Real Asset management (infrastructure) managers: during the appointment process, we assess the approach of managers to incorporating ESG issues into their investment analysis and decision-making processes. We monitor the managers' implementation of the approach on a quarterly basis alongside all other investment matters, and review PRI transparency and GRESB reports of external managers, where available. The Fund expects its infrastructure managers to ensure all investment assets are future proofed from a climate change perspective with assessment of physical climate risk and decarbonisation of existing infrastructure assets.

Principle 2 - We will be active owners and incorporate ESG issues into our ownership policies and practices.

The Fund implements this principle through a range of activities –

Voting: The Fund's asset managers vote on resolutions at the Annual General Meetings (AGM) and Extraordinary General Meetings (EGM) of the Fund's equity holdings.

Shareholder resolutions: The Fund's asset managers also file or co-file shareholder resolutions on important issues at the Fund's investee companies in the interests of agitating for better governance.

Stock lending: ESPF does not participate in direct stock lending but may invest in investment funds which use stock-lending.

Corporate engagement: The Fund's managers engage with our investee companies on material ESG issues. The Fund are members of the LAPFF, IIGCC and PRI.

Government engagement: we engage with government through responding to government consultations and aim to influence policy makers through the Funds collaborative engagement groups initiatives.

Manager monitoring: we actively and regularly monitor the approach of our investment managers to ESG issues including escalation strategies, and what portfolio activity has occurred as a result of managing ESG risks. In addition, the Fund considers its ESG impact assessment report annually and propose initiatives or actions for managers to consider as enhancements to their ESG practices.

Principle 3 - We will seek appropriate disclosure on ESG issues by the entities in which we invest.

As an indirect investor, investing into pooled investment vehicles through the ACCESS pool or directly with Investment managers it will approach this principle through its relationship with the Investment managers. The approach we take on disclosure at the company and manager level is -

Investee companies: through our investment managers we encourage the companies, whose shares the Fund owns, to report on relevant ESG metrics. These include the reporting of greenhouse gas emissions in line with the recommendations of TCFD. Company weighting in the Resource Efficient passive index will be skewed to those companies who do report ESG information.

Investment Managers: we 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, TCFD, PRI and GRESB, where appropriate.

Principle 4 - We will promote acceptance and implementation of the Principles within the investment industry.

The Fund aims to be transparent about being a signatory to the PRI and about how we implement the Principles. The Pension Committee monitors its carbon footprint and energy transition at portfolio level and asset manager level. ESPF also review asset manager voting and engagement on a quarterly basis. The quarterly reports on voting and engagement activity are published on the Fund's website to demonstrate implementation of the Principles and to promote them.

Investment Managers: we endorse the PRI Principles to our managers and encourage them to become full signatories to PRI. Where this is not possible, we encourage our managers to use the six principles to guide their RI approach.

Partnership with PRI: we partner with PRI to promote the universal use of the principles, and work with PRI during any consultations to improve the effectiveness of the principles and further improve RI adherence across the industry.

Principle 5 - We will work together to enhance our effectiveness in implementing the Principles.

The Fund are committed to 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. A list of the collaborative groups we work with are included later in this document.

Principle 6 - We will each report on our activities and progress towards implementing the Principles.

The Fund have committed to reporting through several routes including –

PRI Assessment: we will provide extensive details of our investment activities annually to the PRI for its independent assessment of our approach to RI.

PRI Reports: we will publish our PRI transparency report annually on our website and publish our PRI assessment results on our website and in our annual report.

TCFD: we are committed to report annually in accordance with Taskforce for Climate-related Financial Disclosures (TCFD) recommendations.

Stewardship Code: we are a signatory to the FRC Stewardship Code, and we are committed to reporting and retaining this status annually.

Engagement

The Fund scrutinises governance at every stage of the investment process and aims to influence governance through voting and engagement. This is an integral part of what makes a business sustainable, successful and a suitable investment target.

The Fund carry out engagement through its investment managers where Fund officers provide challenge to manager decisions, engagement actions and policy. The Investment Manager carries out the direct engagement investee companies. Where material risks remain following engagement activity, managers retain the ability to divest, since the failure to engage destroys value in the longer term. The issue of engagement is a vital aspect of ownership. In addition, the Fund engages through its collaborative partnerships including LAPFF who carry out direct engagement with the underlying companies across the LGPS investment portfolios.

The Fund entrusts its assets to investment managers whose duty it is to represent the Fund's interest. Representing the Fund's interests, as owners, through engagement increases knowledge and understanding of the company and leads to more accurate assessment of the firm's risks and opportunities and therefore the valuation assumption. Engagement through voting can effect corporate change and improve businesses to derive a broader social benefit.

The Fund are committed to review the weakest mandates based on the carbon data, metrics and analysis and determine what action will be taken in engagement with investment managers.

The engagement priorities for the Fund are -

Environmental

1. Climate change –emission reporting and reduction, sector transition pathways and investment in renewable energy and technical solutions
2. Enhancing biodiversity, regeneration and protection of forests and conservation of oceans and marine resources
3. Sustainable consumption and production. Preventing pollution and waste including plastic waste and promoting circular economy
4. Agriculture, food security and Food Waste

Social

1. Human rights including forced labour, companies operating in conflict zones and destruction to communities
2. Promoting gender equality and social inclusion
3. Inclusive and equitable education
4. Water security and access to sanitation
5. Eradicate poverty and hunger

Governance

1. Executive pay or dividend linked to sustainable and growth performance
2. Business / Company leadership with experts on boards
3. Company board focus on providing products, goods or a service through effective and sustainable corporate governance
4. Diversity of boards, workforce and policies
5. Anti-bribery and corruption

Escalation

The Fund expects Investment Managers to disclose their policies and procedures for escalation in their own Stewardship Code reporting. We expect Investment Managers to conduct robust and continual research on underlying holdings; engage with the company's management team; collaborate with other institutional shareholders; vote at AGM's; file shareholder resolutions; or partially/entirely disinvest from holdings where there is financial risk. The Investment Manager will seek to add value to their clients through improved company share performance following such escalation. Engagement and divestment can work together as

part of escalation. Engagement is a long process however the Fund expects managers to have time limits on when engagement is not working or the ability to acknowledge when Boards of companies are not interested in engaging with investors.

Escalation activities in the Fund are also approached through voting alerts from LAPFF to Investment Managers on how to vote for shareholder resolutions, and managers removing companies as they no longer meet the expected standard for investment. These activities ensure the Fund is not holding assets where there is a material financial risk of future failure, reputational damage or other penalties a company may incur.

Where the Fund believes an Investment Manager to be holding assets bearing financial risk to the Fund and outside of the Fund's long term Investment Beliefs and Investment Strategy, the Fund will take the following escalating actions:

- Communicate with the Manager and ask them to explain the position of the holding in the portfolio.
- Request information on any engagement or escalation activity undertaken, engagement outcomes, transition plan analysis and an assessment of financial risk.
- Pension Committee will write to the Manager to outline its concerns. This may be followed up with a meeting with the Manager and Pension Committee.
- Engage with its Investment Consultant and Independent adviser to understand financial risks for continuing investment with a view on risk and return of the Investment methodology and approach.
- Managers' activities will be considered in light of the Investment Management Agreement (IMA) where relevant, Subscription documents and due diligence or Prospectus if invested by the ACCESS Pool, and manager section paperwork.
- Engage with other invested pool members and pool operator if investment is via the ACCESS pool to understand wider concerns and risk.

View on Voting rights

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 carries out for the Fund to ensure the Investment Managers are complying with the requirements on them set by the Fund and ability of the manager to invest in the best interest of the Fund beneficiaries. During direct manager meetings with the Fund discussions take place on voting and engagement, rational of, specific holdings to understand physical and transition risk as well as transparency of the Fund's exposure to carbon emissions and other ESG data sets.

For investments held through the ACCESS pool in a segregated sub-fund the expectation is that investment managers will vote in line with the pool's RI policy, whereas, where investments are in a pooled vehicle the Pension Fund accepts the investment manager will vote in line with its own policy. Under both approaches the Fund requires for the investment manager to explain the rationale for its decisions.

As a member of LAPFF the Fund share voting alerts from the research team of LAPFF to ask Investment Manager to consider the view and recommendations in their voting on behalf of the Fund. Where IM's vote differently to the LAPFF recommendations the Fund ask for explanations and basis of the voting decision.

Collaboration

We work individually, and with our collaborative partners, to drive for openness and transparency on climate related issues affecting our investments.

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 including



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

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



<https://www.iigcc.org>

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



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

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



[Home | Pensions For Purpose](#)

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



The Financial reporting council sets UK Accounting, Audit and Actuarial standards. The Fund is a signatory to 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.



[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.



We are a member of the UK Sustainable Investment and Finance Association (UKSIF) - the leading membership organisation for sustainable and responsible finance in the UK.

Climate Change Commitments and Reporting

ESPF recognises the importance of the Paris Agreement of the United Nations Framework Convention on Climate Change. The central aim of the agreement is to strengthen the response to the global threat of climate change by:

- keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius;
- strengthening the ability of countries to deal with the impacts of climate change through appropriate financial flows, a new technology framework and an enhanced capacity building framework;
- enhancing transparency of action and support through a more robust transparency framework.

ESPF understands that the Paris Agreement is creating change that represents both significant risks to, and opportunities for, the Fund.

As such we make the following commitments to climate monitoring and action:

- To continue to measure and report on carbon-equivalent emissions throughout the listed portfolios and illiquid asset classes where possible.

- To continue our work with IIGCC and Climate Action 100+ indirectly via our IIGCC membership and Investment Managers.
- 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.
- To assess the carbon intensity of all assets (using estimates if necessary) supported by external managers and GPs.
- Using data from the Transition Pathway Initiative (TPI) to help assess company transition plans to engage with our Investment Managers and alongside our collaborative partners to encourage companies to adopt business models and strategies that are in line with the aims of the Paris agreements.
- Climate reporting in line with 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 a signatory to the FRC Stewardship Code and commits to annually publishing its Stewardship Report to maintain its signatory status. The Stewardship Report monitors the stewardship activities and outcomes of the Fund's management of its investment portfolio and active ownership of the Fund assets. This includes reporting on RI issues and specific climate-related risks and opportunities.

The Pension Committee:

- affirms the Fund's commitment to integrate ESG factors, such as carbon efficiency trends into its decision-making.
- delegates scrutiny and engagement with investment managers to Fund officers, with advice from the Investment Working Group, to ensure that they take ESG issues, including climate change and carbon risk, into account;
- affirms the Fund's policy of not divesting solely on the grounds of non-financial factors;
- notes that the Fund will monitor research on the link between climate risk and financial performance to inform future investment strategy, such as stock selection criteria for quantitative strategies;
- agrees that the Fund will use its shareholdings in companies that perform poorly on carbon efficiency measures to influence engagement activity.

Data Metrics and Targets

The Fund subscribe to data services and analytical tools, including company and industry specific data, to help understand and manage the climate risk within the Fund. The Fund commit to an assessment of all existing mandates against quantitative risk metrics based on carbon footprinting reports annually.

The Fund have committed to select at least one absolute Green House Gas (GHG) emission metric and as far as able, report Scope 1, 2 and 3 GHG emissions, one emissions intensity metric, if able, this will be the carbon footprint, a Data Quality metric, reporting the proportion the value of its assets for which its total reported emissions were Verified, Reported, Estimated or Unavailable and one non-emissions metric, if able, this will Paris Alignment Metric, reporting the percentage of the value of their assets for which there is a public net zero commitment by 2050 or sooner against which to assess Fund assets on climate related risks and opportunities. At least annually, we will set one target to manage climate related risk with respect to the chosen metrics and measure performance against this target.

We note that carbon-equivalent foot printing produces simple metrics that can be misinterpreted. It encourages selective divestment of the shares of high emission companies as some investors 'greenwash' their portfolios. Rather than divesting, we encourage our managers to incorporate an analysis of carbon output into their risk assessment of individual companies and their stocks. In addition, we actively engage with companies to align their business strategies with the targets of the Paris Agreement. Where analysis of carbon risk (or any other risk) points to poor financial outcomes, divestment is, of course, an option.

Energy Transition

The Fund recognises that an Energy Transition is under way. It seeks to balance the reality that the transformation of the global energy sector from fossil fuel-based systems to a system of energy from renewable sources is underway, with the understanding this will take time and that the world's energy demand will continue to grow. Where viable opportunities arise, the Fund will seek to increase its exposure to renewable infrastructure assets. Where the Fund's investment managers hold exposures to fossil fuel assets, it expects its managers through escalating engagement to elicit transition plans from those companies such that their engineering expertise, cashflows, and capital convening powers are increasingly deployed in support of the energy transition.

The Fund is aware that there are a range of possible transition scenarios, evolving physical climate related risks and potential opportunities. There are also many uncertainties. This makes portfolio construction around such scenarios very challenging. Instead, the Fund seeks to broadly align its investment approach with the objectives of IIGCC and Climate Action 100+ initiatives.

Training and Resources

The work on Responsible Investment and climate change is led at Pension Committee level as decision makers in setting ambitious aims and targets. Addressing the financial risks from climate change is a constant in our approach and in all Pension Committee meetings and is included in the Funds risk register that is considered at each committee meeting. Responsible Investment implementation and reporting responsibilities sit within the Investments Team with full oversight by the Head of Pensions.

Pension Committee and Pension Board are committed to undertake a comprehensive CPD programme on RI issues and climate change-related risks and opportunities to ensure decision makers and those implementing decisions are knowledgeable in ESG matters including climate change. A training plan is in place for the Fund and reported on annually. Once a year a specific climate change training session will be provided; Committee Members and Officers will be provided with access to a range of training, webinars and conferences throughout the year, as set out in monthly training communications from the training coordinator.

The Pension Committee consistently challenge advisers and officers on issues of climate change to ensure that due process and attention is given to this issue by the Fund. Officers ensure that ESG methodology and implementation is challenged at all Investment manager meetings.

Budget is allocated for RI consultancy and data services annually. Where possible these will be procured through the LGPS Stewardship framework.

Conflicts of Interest

The Fund has a Conflicts of Interest Policy that sets out how we manage conflicts of interest in our day-to-day business. The Policy is applicable to Committee Members, Board Members, Fund Officers and suppliers and advisers to the Fund, setting out the necessary principles to manage and mitigate key risks and safeguard the Fund. A copy of the Conflicts of Interest policy is available on the Fund website. All Fund officers undertake regular training, conflicts of interest forms a core part of the annual corporate training requirements. The Fund recognises the importance of managing potential conflicts of interest. Declaration of conflict of interests is a standing agenda item at the start of all Pension Committee meetings. A public register of Pension Committee members' declaration of interests is also maintained and audited annually. We also record any outside business interests that officers may have, and where these may cause of conflict with business decision making these are monitored closely.

With respect to Stewardship, it is possible that actual or perceived conflicts of interest may arise through the normal course of business in relation to the execution of our Stewardship activity. The more we engage with managers and investee companies, vote at AGMs, vote on shareholder resolutions and engage or communicate with policy makers and governments in jurisdictions within which we invest, the greater the potential for conflicts of interest or the perception of them to arise. These conflicts relate to potential tensions between our fiduciary duties as asset owners on behalf of our members, our role as a public sector pensions service provider, the responsibility of East Sussex County Council as Administering authority and individual political or personal views of the Pension Committee members or officer team.

As laid out in the obligations of the Pension Committee section above, the Fund's primary responsibility is to act in the interests of its beneficiaries, who are the members of the scheme on whose behalf we invest their pension contributions. As a Stewardship Code signatory, the Fund are aligned and report against the 12 stewardship principles with the aim to enhance the quality of engagement between investors and companies to help improve long-term risk-adjusted returns to shareholders.

The day-to-day delivery of the voting and engagement activity is delegated to the Investment Managers. Where the investment is made through the ACCESS pool the Investment Managers will follow the ACCESS voting guidelines.

From time to time the Fund responds to consultations from the UK government and UK regulators in relation to corporate governance and stewardship activity. This is part of the Fund's active stewardship priorities in supporting the efficient functioning of markets and promoting higher standards of corporate governance, reporting and transparency. Engagements and representations will be in line with Fund policies and major consultation responses will be approved at the Committee level.

The Fund will only partake in open letters to governments where these are researched and lead by the Fund's collaborative partners where there is no political bias or conflict from the wider political pressure on the County Council as Administering Authority.

There will be instances where the interests of the Fund's scheme employers, scheme members and wider County Council beliefs will diverge, in these instances when exercising our stewardship responsibilities only the interests the Fund's beneficiaries will be taken into account in line with the Fund's fiduciary duties and under advice from its consultants or advisers.

Appendix 4 – Communications Strategy

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

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

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

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

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

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

Communication strategy 2022



The Communication Strategy sets out how the East Sussex Pension Fund (the Fund) will engage, educate, and fulfil the needs of its stakeholders including members and employers. East Sussex Pension Fund are committed to developing communication which is relevant and engaging and is also clear and easy to navigate.

This statement outlines the Communication strategy for the East Sussex Pension Fund (the Fund) as per Regulation 61 of the Local Government Pension Scheme (LGPS) Regulations 2013. In consultation with Fund employers and scheme members through their representatives on the Pension Board or other feedback mechanisms for fund employers and scheme members this strategy will be reviewed annually and updated as necessary following each review.

East Sussex County Council (the administering authority) is responsible for the local administration of the Fund, which is part of the LGPS. The Fund liaises with circa 130 scheme employers to provide a valuable package of benefits to over 81,000 members.

The Fund has a large number of stakeholders but has identified the following distinct groups as its key stakeholders each with slightly different communication needs:

- Scheme members (active, deferred, pensioner and dependent members) and their representatives
- Prospective members
- Scheme employers and prospective Scheme employers
- Pension Committee and Pension Board members
- Pension Fund staff
- Pension Fund advisors and managers
- Other interested organisations including HM Revenue & Customs (HMRC), the Department of Leveling Up, Housing and Communities (DLUHC), other relevant Government Departments and the Scheme Advisory Board (SAB)
- Council Tax payers, members of the public and other cohorts not directly linked to the scheme

The main means of communication with our key stakeholders are outlined in this statement, which includes making the best use of technology where appropriate, to provide quicker and more efficient communications for the Fund's stakeholders. The fund will ensure that they provide communication methods that are accessible to all.

Communication with Scheme Members

The Fund uses a variety of methods to communicate with active, deferred and pensioner members, and differentiates between them when delivering key messages to each specific audience group. Scheme members can nominate representatives that the Fund will communicate with on their behalf, subject to the provision of an appropriate letter of authority signed by the scheme member. The Pension Board will be asked to comment on any new communication measures being considered and their views taken into consideration before this strategy is updated.

The core communication objective is that all members understand the valuable package of benefits available through the LGPS, are kept up to date with any changes in scheme benefits, can access scheme information and have an awareness of the overall investment strategy and performance of the Fund.



All members - communication methods

Contacting the fund

The Pensions Helpline is a dedicated telephone number for queries. Telephone lines are open 9am to 4pm Monday to Friday (except bank holidays). Phone number: 0300 200 1022

Email: pensions@eastsussex.gov.uk

Post: East Sussex Pension Fund, Administration Team, County Hall, St Anne's Crescent, Lewes, BN7 1UE

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

Active members – two newsletters a year

Deferred and Pensioner members – one newsletter a year

Website

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

There are specific sections dedicated to different types of members.

[Joining the scheme](#)

[No longer paying in](#)

[Paying in](#)

[Pensioners](#)

In addition, members have access to the [LGPS website](#). This site is for members of the Local Government Pension Scheme (LGPS) in England and Wales and their families. The website has recently been transformed to improve the user experience. There is loads of great content including easy to use tools and calculators, useful links, hints and tips, videos and lots of information to support scheme members.

Active members - communication methods

Annual benefit statement - Statements are provided which details members current pension accrued to date and a projection to their Normal Retirement Age. These are provided to active scheme members by 31st August each year. The statements are made available online via member self-service or posted to members who have opted out of electronic communications (where addresses are known). The administration team will provide an annual update to the Pension Board to evidence that this is happening.

Member self-service Portal (My Pension)

Members have online access (once registered) to their current LGPS pension held by East Sussex Pension Fund and their entitlement at retirement. There is the function to make pension projections at any time in the future, where a member is over 55 and under the age of 75, that will include any LGPS reduction or enhancement factors. Members can also update their expression of wish nomination(s), email address, home address and communication preferences.

Prospective Members – communication methods

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

Deferred Members – communication methods

Annual benefit statement – Statements are provided which details members current deferred pension and a projection to their Normal Retirement Age. These are provided to deferred scheme members by 31st August each year. The statements are made available online via member self-service or posted to members who have opted out of electronic communications (where addresses are known). The ESPF administration team will provide an annual update to the Pension Board to evidence that this is happening.

Member self-service Portal – Deferred members have online access (once registered) to their current LGPS pension held by East Sussex Pension Fund and their entitlement at retirement. There are calculators available showing how much their pension would be worth if they were to take their deferred benefits into payment or if they passed away. Members can also manually update their expression of wish nomination(s), email address, home address and communication preferences.

Pensioner Members – communication methods

Member self-service Portal – Pensioners have online access (once registered) to their current LGPS pension held by East Sussex Pension Fund. They can view (not print) pay slips* and P60s and access a calculator which show how much their pension would be worth if they were to die whilst in receipt of a pension. Members can also manually update their expression of wish nomination(s), email address, home address and communication preferences.

*Issued in March, April and May or when net pay changes by more than £5.

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

Payment Advice/P60 - Pensioners are issued with payment advice slips in March, April and May. P60 notifications are issued annually (usually in April or May) and provide members with a breakdown of the payments they have received over the last financial year. P60s and pay slips are viewable online for those members who have registered for member self-service or issued in the post for others.



Communication with Scheme Employers

To assist scheme employers participating in the LGPS, the Fund has a range of communication materials and methods that aims to increase their understanding of pension issues and help them fulfil their responsibilities as scheme employers.

Administration Strategy – The Pension Administration strategy provides an overview of how the Fund and scheme employers will work together to achieve a high-quality service. It sets out, in detail, the obligations and responsibilities of both the Fund and the scheme employer to achieve set performance standards. This is [available on the Fund's website](#).

This document includes Service Level Agreements (SLAs) which ensure best practice and compliance with audit requirements. The SLA sets out, in detail, the obligations and responsibilities of the scheme employer, the administering authority and the administrator, concerning all aspects of LGPS administration.

These Agreements are reviewed and updated annually taking into account changes made to the regulations and feedback from the Fund's scheme employers. All the Fund's scheme employers are consulted on the administrative strategy following any revision to ensure they acknowledge their responsibilities.

Annual Report and Accounts - The audited accounts of the Fund are prepared as of 31 March each year and published on our website, usually in early December.

Designated employer contact -The Fund will request each scheme employer designate a named individual for Employer engagement with the appropriate delegations and provide a named payroll contact for the employer.

Employer forum – An annual forum for all scheme employers to provide information and training on administration activity, investment performance, actuarial insights and any scheme changes and current issues

impacting the Fund and the LGPS. These offer a great opportunity for employers and Fund Officers to get together, to exchange news and views. Information such as presentations, questions and answers and handouts will be posted onto the employer section of the website after the event.

Employer newsletter – The Fund publishes a regular newsletter, aimed specifically at employers. It covers topical issues, technical information requiring employer attention and changes to regulations that impact on their duties and responsibilities. The newsletters are issued at least 3 times per year and are housed on our website.

Funding and investment – The Fund seek to provide and help employers understand the Funding Strategy Statement and Investment Strategy Statement including the performance of the Fund's Investment's (given its impact on employer contribution levels).

General Guidance and Assistance - The pension administration team or Employer Engagement Team can be contacted during normal office hours and are always available to answer any questions raised by Scheme employers.

HR and payroll guides – The ESPF website has several guides available including LGPS31 Employer contribution guide, HR guide, outsourcing and admission agreements guide and payroll guide to the LGPS. LGPS31 forms will also be issued to the employer's payroll contact annually reflecting any change in rates as set out in the actuarial rates certificate.

Individual employer meetings – The Employer Engagement Team can arrange face to face or virtual meetings with employers on request.

Training – The Fund are happy to support both group and individual training sessions for employers. For example, training on how to submit end of year returns, i-connect support, the responsibilities of a new employer to the Fund and support in preparing policies such as the Discretionary Policy.

Valuation Reports – a report issued every three years setting out the estimated assets and liabilities of the Fund as a whole, as well as setting out individual employer contribution rates for a three-year period commencing one year from the valuation date.

Website - There is an employer page on the ESPF website with lots of information including the latest employer information, forms and guides, i-Connect and employer newsletters.

Communication - The Pension Committee

In accordance with the Local Government Pension Scheme Regulations, associated legislation and the Pensions Committee terms of reference, the Pension Committee is responsible for all functions and responsibilities relating to the management of the East Sussex Pension Fund, this includes making arrangements for the investment, administration and management of the Pension Fund, receiving advice as appropriate from the Pension Board. The Pension Committee also agrees Policy Statements, as required under the LGPS regulations, and decides on the admission and cessation of bodies to the Pension Fund.

The Fund works closely with the Pension Committee and the Pension Board, and the core communication objective is to ensure that all scheme members are fully informed on pensions matters including investment, funding, audit, governance, administration and risk. They have regular training to ensure they have sufficient knowledge to fulfil their duties and responsibilities.

Members and Employers can locate further information on the Pension Committee including meetings, agendas and contact details [via the ESCC website](#).

Communication - The Pension Board

The Public Service Pensions Act 2013 requires the establishment of a Pension Board with the responsibility for “assisting the Scheme Manager” in securing compliance with all relevant pensions law, regulations and directions.

The Pension Board’s role is one of providing assurance in and governance of the scheme administration and helping to ensure that the East Sussex Pension Fund complies with the code of practice issued by the Pension Regulator.

Members and Employers can locate further information on the Pension Board including meetings, agendas and contact details [via the ESCC website](#). Board members are representatives for scheme members and employers and feed into reports and activities of the Fund to the Pension Committee to ensure the Committee make effective decisions. Board members can be contacted at PensionBoard@eastsussex.gov.uk.

Communication – Pension Fund staff

It’s critical that Fund staff are kept up to date with important information on the LGPS, changes to policy and procedure within the Fund and the wider legislative and regulatory pensions industry. The Fund ensure that all staff have access to the relevant information and technical knowledge to enable them to perform their duties. This is achieved via use of email, personal development plans, performance management meetings, internal meetings, training events, a training strategy implemented through the Funds training coordinator and access to relevant qualifications.

Communication with other Key Stakeholders

ACCESS Pool - The Fund is a member of the ACCESS pool established by a group of 11 Councils, to invest assets on a pooled basis for the LGPS Funds administered by those Councils. It is important that ACCESS understands each Fund's investment strategy so that the pooled assets are invested in accordance with the investment strategies of the underlying Funds. Communication with ACCESS will be in several ways including directly at officer level and Joint Committee. The Pension Committee will receive regular updates on the activities of ACCESS and will also be responsible for deciding the assets to be invested in ACCESS. The Pension Board will receive regular updates on the governance activities of the pool and feed through views of the members and employers they represent.

Actuary* - The Fund communicates with the Fund Actuary to discuss funding levels, employer contributions, accounting information for scheme employers and the apportionment of the assets and calculation of the liabilities of the Fund.

AVC Provider - Additional Voluntary Contributions (AVC) are held and invested separately from the LGPS. The Fund's AVC current provider is Prudential Limited. Prudential provide communications directly to the AVC members. Communication with the Fund include assurance that records are complete, accounting information, range of products available and service review discussions. Fund officers provide an annual assurance report to the Pensions Committee.

Investment Managers & advisers* – The Fund regularly liaise with Investment Managers who invest on our behalf and with the Funds Investment Consultant and independent investment Advisor who provide help and advice on the asset allocation and investment strategy of the Fund.

Local Government Association (LGA) - The LGA liaises with LGPS Funds, Scheme Advisory Board (SAB) and DLUCH to ensure that all LGPS regulations are administered correctly as per the secretary of state's instructions.

Department of Leveling Up, Communities and Housing (DLUCH) - The Fund has regular contact with DLUCH as a responsible LGPS Fund, participating and responding to consultations, as required.

Scheme Advisory Board (SAB) - The national SAB was established following the Public Services Pensions Act 2013. It provides advice to the Fund and Local Pension Boards in relation to the effective and efficient administration and management of the Scheme and their funds. The Fund therefore liaises with the SAB as appropriate.

The Pensions Regulator - The Pensions Regulator's remit has been extended to the Public Sector because of the Public Services Pensions Act 2013. The Fund liaises with the Regulator as required to ensure that it is compliant with the Pensions Regulator's Code of Practice.

Other - The Fund may also communicate with other stakeholders such as HMRC, Information Governor, National Insurance database, Tell us once service, Pensions Ombudsman, Moneyhelper, Ill health insurers.

*The Fund Actuary, Independent Adviser and Investment Adviser attend Pension Committee meetings.

Communication with council tax payers and members of the public

The primary focus of the Fund is to communicate with members and employers but are aware that council tax payers and members of the public may have a vested interest in the management of the Fund. The fund will rarely issue any proactive communication to either council tax payers or members of the public. However, where the fund are asked specific questions or has news which affects the wider community reactive commentary will be provided. Any questions should be sent to pensionfundinvestments@eastsussex.gov.uk where a response will be provided within 30 working days.

Regulatory basis for Communications Strategy

The LGPS is a statutory scheme, established by an Act of Parliament. Regulation 61 of the Local Government Pension Scheme Regulations 2013, reproduced below, provides the conditions and regulatory guidance surrounding the production and implementation of Communications Strategies:

Statements of policy concerning communications with members and Scheme employers

61. (1) An administering authority must prepare, maintain, and publish a written statement setting out its policy concerning communications with:

- (a) members;
- (b) representatives of members;
- (c) prospective members; and
- (d) Scheme employers.

(2) The statement must set out its policy on:

- (a) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers;
- (b) the format, frequency and method of distributing such information or publicity;
- and
- (c) the promotion of the Scheme to prospective members and their employers.

(3) The statement must be revised and published by the administering authority following a material change in their policy on any of the matters referred to in paragraph (2).

This strategy has been developed to include the information required by those provisions and to describe the Fund's approach in relation to meeting these requirements in the delivery of communications. Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 and other legislation includes various requirements relating to the provision of pension information (in addition to the requirements in the LGPS Regulations). The Fund aims to adhere with all such legislation and related statutory or best practice guidance. This includes the Pension Regulator's Code of Practice.

There are other regulatory requirements that the Fund adheres to, including the [General Data Protection Regulations](#) and the [Freedom of Information Act](#).

Our Aims and Objectives

To ensure that we are communicating effectively with our key stakeholders and that we continue to enhance the service we offer, we have set the following objectives:

Members

To ensure our members understand the value of the package of benefits available through the LGPS.

To promote the benefits of the LGPS, as a valuable part of the pay and rewards package of employees who are entitled to join the Scheme.

To provide sufficient information and options so members can make informed decisions about their benefits.

To establish where gaps in member knowledge and understanding exist so we can look to develop effective training and resources to address these.

To improve the access members have to their Local Government Pension Scheme by promoting online use of our self-service facility 'My Pension'.

Employers

To support employers in fulfilling their responsibilities relating to the LGPS.

To help employers respond to LGPS issues/consultations that affect them or their employees.

Applies to all

To communicate using plain English in a clear, concise, accessible manner.

To ensure the most appropriate means of communication is used, considering the different needs of different stakeholders, including providing more accessibility through greater use of technology where appropriate.

To ensure that both members and employers have an awareness of the [investment strategy](#) and overall performance of the Investment Fund.

To regularly evaluate the effectiveness of communications with key stakeholders with a primary focus on scheme members and employers and shape future communications appropriately.

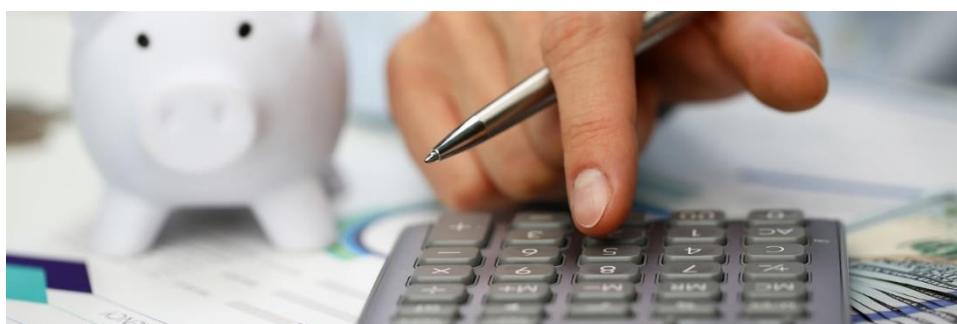
To ensure all Fund officers understand the key messages and approach in order that they can communicate with stakeholders effectively.



Measurement of our Communication Objectives

The Fund will monitor success against our communication objectives as listed here.

Objectives	Measurement
To ensure our members understand the value of the package of benefits available through the LGPS. To promote the benefits of the LGPS, as a valuable part of the pay and rewards package of employees who are entitled to join the Scheme. To provide sufficient information and options so members can make informed decisions about their benefits. To establish where gaps in member knowledge and understanding exist so we can look to develop effective training and resources to address these.	▪ Bulk email engagement ratings (% opened & click through rate). Available when email marketing software in place. ▪ Satisfaction levels achieved in annual member surveys and monthly helpdesk surveys. ▪ Responses to any specific member Communication questions in annual survey. ▪ Feedback from the Pension Board and Communications Working Group. ▪ Feedback from communications issued to members and employers received through the administration team, helpdesk or employer engagement teams. ▪ Analyse website visits and duration. ▪ Measure success of feedback from members to questions and answers available via a chatbot (chatbots are programs built to automatically engage with received messages). The Fund is looking to implement a chatbot in 2022.
To improve the access members have to their Local Government Pension Scheme by promoting online use of our self-service facility 'My Pension'.	▪ Increase the total number of members registered for the self-service portal by 10% by year end 2022. ▪ Increased use of member self-service portal features by existing users. ▪ Reduction in queries to helpdesk.



Objectives	Measurement
To communicate using plain English in a clear, concise, accessible manner.	▪ Employer and member satisfaction levels analysed from surveys conducted with both groups. ▪ Monitor enquiries from stakeholders following key events and communications. ▪ Bulk email engagement ratings (% opened & click through rate). ▪ Ensure documents are verified for accessibility purposes. The fund will ensure that there is a clear version and dating process so that members and employers are always working from the latest iteration.
To ensure the most appropriate means of communication is used, considering the different needs of different stakeholders, including providing more accessibility through greater use of technology where appropriate.	▪ Increasing use of digital services for both scheme members and scheme employers. ▪ Monitor use and effectiveness of current and new forms of communication with key stakeholder groups. ▪ Responses to any specific questions in annual survey issued to scheme employers and scheme members in this area. ▪ Ensure that all forms and scheme literature is accessible to all.
To regularly evaluate the effectiveness of communications with key stakeholders with a primary focus on scheme members and employers and shape future communications appropriately.	▪ Undertaking a satisfaction survey annually. ▪ Detailed analysis of survey results is used to identify areas to improve communications in future, and trends monitored from previous years. ▪ Compliments and complaints are recorded and trends analysed. ▪ The Communications Working Group will work with the Pension Board to annually evaluate the effectiveness of communications.

Objectives	Measurement
To ensure that both members and employers have an awareness of the investment strategy and overall performance of the Investment Fund.	▪ Ensure that the investment area of the website always houses current information on investment strategy, responsible investment principles, stewardship, asset allocation and performance. ▪ Conduct training with employers on funding and investment
To ensure all Fund officers understand the key messages and approach in order that they can communicate with stakeholders effectively.	▪ Communicate key scheme changes via email and ensure regular attendance of pension and project meetings where appropriate. ▪ Ensure officers have personal development plans and regular performance management meetings. ▪ Attendance of relevant training events. ▪ Officers have access to relevant qualifications and display continual professional development. ▪ Officers ensure that all corporate training modules are completed. ▪ Conduct an annual assessment of officer's skills against CIPFA's Knowledge and Skills Framework and ensure gaps are rectified and improvement noted. • All training is logged by the Funds training coordinator.
To ensure that both members and employers have an awareness of the investment strategy and overall performance of the Investment Fund.	▪ Ensure that the investment area of the website always houses current information on investment strategy, responsible investment principles, stewardship, asset allocation and performance. ▪ Conduct training with employers on funding and investment.

Communications Working Group

The Fund has a Communications Working Group made up of officers, Board members and union representatives that oversee communications from the fund and aim to improve the user experience of key stakeholders of the Fund. This group can advise the board and committee of possible improvements in communications including policy and delivery methods.

Measuring performance against objectives

An overview of our performance against these objectives will be officially reported within the Fund's annual report and accounts. If performance is substantially below standard (whether by a large margin for a short period of time or a small margin for a longer period) the Fund will formulate an improvement plan. This will be reported to the Pension Committee and Pension Board together with an ongoing update on achievement against the improvement plan.

Delivery of Communications

Responsibility for Fund management is delegated to the Pension Committee, taking into consideration advice from the Pension Board. The Committee will seek to monitor the implementation of this Strategy on a regular basis.

The day-to-day delivery of member communication and associated administration related communications and information governance is undertaken by the Fund's administration team, supported by other pension officers. The delivery of scheme employer support (including payroll and data) and other stakeholder related communications is jointly provided by the Administration Team and Employer Engagement Team.

The Fund has at its disposal a wide range of options for communicating with the diverse groups that it needs to serve. The method of communication will vary depending on what needs to be communicated and to whom but electronic will be the preferred option. The methods used by the Fund to communicate with all interested parties are detailed in this strategy paper.

General Communication

When considering how to communicate with our stakeholders the intended audience is considered to ensure that messages are delivered in a useful and easy to follow manner. Communication is tailored to the recipient's needs, making sure that messages are clear, consistent and use plain English. Communications are delivered using the most appropriate method and there will be continued development of digital platforms to encourage greater online accessibility to the Fund's services for all stakeholders.

Every communication should have a clear purpose and fit into the overall communications plan, to ensure that they are cost effective. The Fund actively seeks feedback from each of its key stakeholders to continually review, enhance and improve communication methods. The Fund also adheres to other legislative requirements, including the General Data Protection Regulations, Freedom of Information Act, and pension disclosure legislation. The Fund also aims to adhere to good practice standards such as the National Website Standards.

Branding

The Fund acknowledges that our visual identification is one of our most powerful assets. It tells people who we are and influences how they remember and relate to us. The Fund will look to improve the use of their current brand (logo, font, colour palette, dos and don'ts, use of different file types) during 2022. This will help distinguish the Fund from East Sussex County Council whilst still appearing as part of the same organisation.

Ongoing work will also take place to ensure the Fund has a distinctive identity which captures what people think about the scheme - achieved by tone, language, visuals, and style of communication. This could potentially draw on the theme of security (defined benefit) and lifestyle (how regular engagement with your pension plan shapes your quality of life in retirement).

Accessibility

The Fund is committed to ensuring that all stakeholders can access services equally and knows that some individuals may require information to be provided in specific formats. While demand for alternative formats remains low, the Fund can issue documents in braille, large print, or audio format on request.

General Data Protection Regulations (GDPR)

GDPR came into force on 25 May 2018 and requires Privacy Notices to be published by the Fund, so we are transparent on how personal data is used.

The Fund has produced and published both full and summarised Privacy Notices on their website explaining how the Pension Fund collects personal data, what that data is used for, with whom that data is shared and the rights of individuals regarding their data.



Key Risks

The key (potential) risks to the delivery of this Strategy are outlined below. The Head of Pensions along with other officers will work with the Pension Committee and Pension Board in monitoring these and other key risks and considering how to respond to them.

Staffing

- Lack or reduction of skilled resources due to difficulty retaining and recruiting staff
- Risk of loss key / senior staff resulting in lost knowledge and skills in the Pensions Team
- Staff absence due to sickness
- Failure to communicate with staff members in relation to scheme changes
- Lack of decision making due to loss of Pension Committee/Pension Board member

IT and Infrastructure

- Lack of adequate software or IT solutions – particularly in the digital communications area

Legislation and change in external markets/environment/employer

- Significant external factors, such as national change, impacting on workload
- A major change to the LGPS legislative environment
- Significant increase in the number of employing bodies causing strain on day-to-day delivery

Communication errors

- Issuing incorrect or inaccurate communications
- Failure to maintain scheme employer database leading to information not being sent to the correct person
- Lack of clear communication to scheme employers, scheme members and pensioners

Costs

All costs relating to this Strategy are met directly by the Fund (unless indicated).

Approval, Review and Consultation

This Communications Strategy was approved on 17 June 2022 by the East Sussex Pension Committee. It will be formally reviewed annually and updated by the Committee at least every three years or sooner if the communications arrangements or other matters included within it merit reconsideration (including if there are any changes to the LGPS or other relevant Regulations or Guidance need to be considered).

Further Information

If you require further information about this Communications Strategy, please contact:

Susan Greenwood, Head of Pensions or Paul Linfield, Pension Communication Manager
East Sussex Pension Fund East Sussex Pension Fund

Email: susan.greenwood@eastsussex.gov.uk Email: Paul.Linfield@eastsussex.gov.uk

Appendix 5 - Governance Policy and Compliance Statement

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

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

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

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

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

Governance and Compliance Statement

June 2024



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Governance Policy Statement

Introduction

This is the Governance Policy Statement of the East Sussex Pension Fund (the Fund). The Fund is managed by East Sussex County Council (ESCC) who is the Adminstrating Authority (Scheme Manager) on behalf of all the relevant scheme employers. All Local Government Pension Scheme (LGPS) Funds in England and Wales are required to publish and keep under review a Governance Compliance Statement.

The Public Services Pensions Act 2013 (The Act) introduced a new framework for the governance and administration of public service pension schemes. The Act has a material impact on existing governance arrangements in the Local Government Pension Scheme (LGPS), which are enforced by changes to the LGPS regulations.

As a result of the Act, The Pensions Regulator introduced codes of practice covering specific areas relating to public sector pension schemes. The Code of Practice which previously applied to Public Service Pension Schemes, Code of Practice 14, was superseded by the General Code in March 2024.

As Administering Authority, ESCC is the designated statutory body responsible for administering the Fund of behalf of the constituent Scheduled and Admitted Bodies in the relevant area. The LGPS regulations specify that, in investing the Fund's money, regard must be given to the need for diversification and for proper advice obtained at reasonable intervals.

Governance of East Sussex Pension Fund

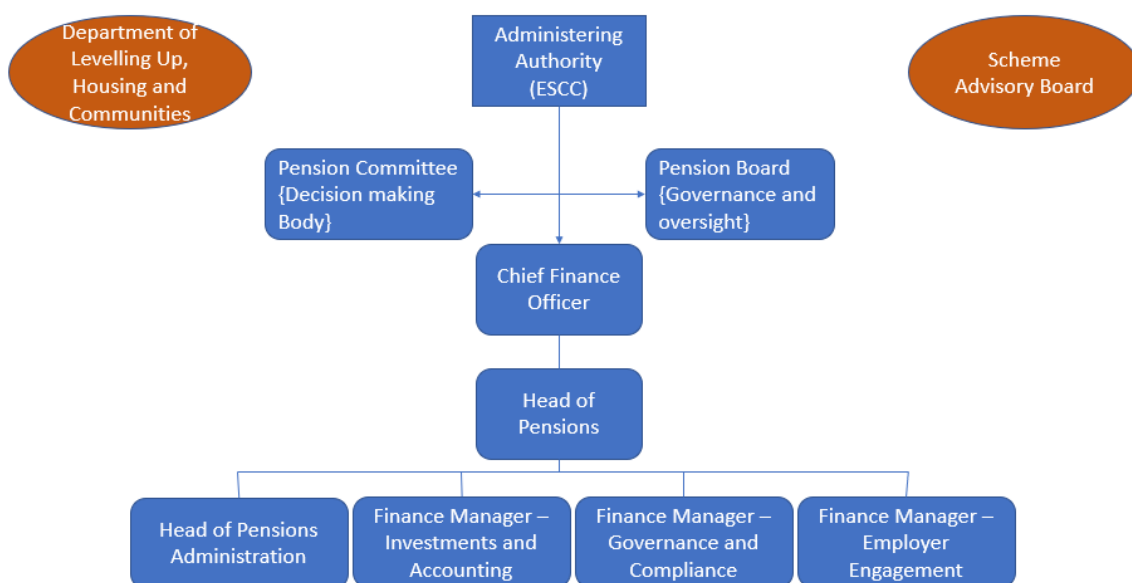
ESCC operates a Cabinet style decision-making structure. Under the Constitution, the Pension Committee has delegated authority to exercise the powers of the County Council in respect of all powers and duties in relation to its functions as the Scheme Manager and Administering Authority for the Fund, including the approval of the Fund admission agreements.

Delegations by the administering authority are published in the Council's constitution which can be accessed [here](#)

The Fund governance focuses on:

- The effectiveness of the Pension Committee, the Local Pension Board (Pension Board) and Officers to which delegated function has been passed, including areas such as decision-making processes, knowledge and competencies.
- The establishment of policies and their implementation.
- Clarity of areas of responsibility between Officers and Pension Committee/Board members.
- The ability of the Pension Committee/Board and Officers to communicate clearly and regularly with all stakeholders.
- The ability of the Pension Committee/Board and Officers to ask for the appropriate information and advice and to interpret that information in their supervision and monitoring of the Scheme in all areas.
- The management of risks and internal controls to underpin the framework.

The Overall responsibility for the governance of the Local Government Pension Scheme and for the approval of this document resides with the Pension Committee. To aid the decision making process a decision making and responsibilities matrix has been developed.



Responsibilities of the East Sussex Pension Committee

The Pension Committee is established as the Fund's delegated scheme manager and is responsible for arrangements for the investment, administration funding, communication, risk management and the overall governance process surrounding the Fund. It acts with the delegated authority of ESCC, which is the formal scheme manager.

The Pension Committee is responsible for setting all Fund policies including the setting of the appropriate funding target.

The Pension Committee will exercise its functions in accordance with fiduciary duties, safeguarding the interests of the beneficiaries of the Fund.

Committee Members must take decisions in accordance with their public law obligations, including the obligations of reasonableness, rationality and impartiality.

Committee Members are required to be rigorous about conflicts of interest and potential conflicts of interest, actual or perceived, as laid out in the Conflict of Interest Policy.

The Committee is subject to the statutory obligation of political balance in the membership of the Committee. Whilst all Committee Members bring with them their own knowledge and experience, political views should form no part of the consideration of issues or of the decision-making process.

Detailed terms of reference for the Committee are included as **Appendix A**.

Attendance of Committee meetings is reported in the Annual Report.

Responsibilities of the East Sussex Pension Board

The Pension Board's primary role is to assist the Fund in ensuring that the Fund is managed and administered effectively and efficiently.

The Pension Board will provide assistance to ESCC as the Administering Authority and 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 TPR.
- ensure effective and efficient governance and administration of the LGPS; and
- any other matters as the LGPS regulations may specify.

The role of the Pension Board is to provide oversight of these matters and it is not a decision-making body. The Board seeks assurance that due process is followed by the Fund.

Detailed terms of reference for the Board are included as **Appendix B**.

Attendance of Board meetings is covered in the Annual Report.



Operational Procedures of the Pension Committee & Pension Board

The Pension Committee and Pension Board is advised by the Chief Finance Officer (in their capacity as section 151 Officer) and a number of external expert advisors including but not limited to the Fund Actuary, Legal Adviser, Investment Consultant and Independent Adviser, as required by the Pension Committee or Pension Board.

The Pension Committee and Pension Board receive full reports on all necessary matters as decided by the Chief Finance Officer, along with matters as requested by the Pension Committee or Pension Board for detailed reports and discussion. Provision exists for the calling of special meetings if circumstances demand.

The work plan of both Pension Board and Pension Committee is set out in a work program agreed at each quarterly meeting. This helps the stakeholders understand what will be discussed at future meetings. The Pension Board and Pension Committee consider reports on administration of the Fund, the Risk Register and any breaches of the law at all core meetings.

Agendas and reports for both the Board and Committee are published on the ESCC website at least 5 working days in advance of the meeting. All meetings are open to the public except where the Board and Committee resolve to exclude the press and public due to the consideration of information that is exempt under section 12A of the Local Government Act 1972. Meetings are held in person with some capacity for attendance online. The meetings of both the Pension Board and Pension Committee are made available to the public through a webcast.

The Pension Committee receives and reviews quarterly reports in relation to Investment matters including all its Investment Fund Managers through its Investment Consultant, Isio. The Pension Committee is also advised by an additional Independent Advisor, Linchpin Advisory Ltd, to help balance the advice providing additional challenge and debate to decision making.

The Pension Board meets around two weeks in advance of the Pension Committee to enable the Board to consider and comment on the reports due to be considered by the Committee. The Pension Board also have sight of the last Pension Committee minutes for completeness on discussions and decisions made by the Pension Committee. The Board's minutes are included as part of the Pension Committee agenda pack and the independent chair of the Board attends the Committee meetings commenting on discussion points raised by the Board on each item. This ensures the Committee takes into account the comments of scheme member and scheme employer representatives of the Board, ahead of the Committee making decisions.

The Fund produces a Funding Strategy Statement which sets out the approach to funding related matters. The strategy takes into account advice from the Fund Actuary and seeks to ensure a consistent approach to all employers, including the Council where it acts as an employer rather than the Administering Authority.

Frequency of meetings of the East Sussex Pension Committee

The Pension Committee is scheduled to meet at least 4 times a year with an additional meeting scheduled to discuss the investment strategy. Attendance at these meetings is reported in the annual report.

Frequency of meetings of the East Sussex Pension Board

The Pension Board is scheduled to meet at least 4 times a year. Attendance at these meetings is reported in the annual report.

Membership of the Pension Committee

ESCC appoints five members to the Pension Committee in accordance with political balance provisions contained in s.15 Local Government and Housing Act 1989. These provisions require that the make-up of the Committee is in line with the political balance of the Local Authority – ESCC.

The Pension Committee is currently made up of 3 Conservative, 1 Liberal Democrat and 1 Green Councillor. All members of the Committee have voting rights.

Whilst ESCC is also a scheme employer, the appointment of the Pension Committee is under the capacity of ESCC as Administering Authority and, as such, the Committee members are not appointed as scheme employer representatives but representatives of the Administering Authority to act on behalf of all Scheme members and Scheme employers.

This is made expressly clear in the Pension Committee Terms of Reference where it states “No matters relating to East Sussex County Council's responsibilities as an employer participating within the East Sussex Pension Fund are delegated to the Pension Committee”. The members of the Pension Committee are required to consider “views expressed by employing organisations and staff representatives in relation to the operation of the East Sussex Pension Fund” but are not permitted to take decisions to benefit any particular employer ahead of the overall interests of the Fund.

The Local Government Association (LGA) obtained legal opinion from James Goudie QC in January 2015 where it was confirmed that a Pension Committee with investment decision making powers is a Finance Committee and is, therefore, restricted in its membership, excluding non-elected members onto the Committee unless there is a separate subcommittee for investment decisions, which consists solely of elected members of the Administering Authority. For the Fund, investment decisions are taken by the Pension Committee.

The current roles and responsibilities set out in the Terms of Reference of the Pension Committee, indicate that this Pension Committee is appointed to regulate and control the finance of the Fund. As such non-ESCC Councillors would not be permitted to be allowed to be members of the Pension Committee via section 102(3) of the Local Government Act 1972.

The Pension Committee is required under the 2016 LGPS Investment Regulations to take ‘proper advice’ – meaning the advice of a person whom the authority reasonably considers to be qualified by their ability in and practical experience of financial matters in formulating its investment strategy. Whilst all Committee Members bring with them their own knowledge and experience, political views should form no part of the consideration of issues or of the decision-making process. Committee Members must act as fiduciaries, safeguarding the interests of those to whom they owe their duties. Committee Members must take decisions in accordance with their public law obligations, including the obligations of reasonableness, rationality and impartiality.

Membership of the Pension Board

In accordance with Regulation 107 of the LGPS Regulations 2014, a Pension Board must include an equal number of employer and member representatives with a minimum requirement of no less than four in total. In considering the size of the East Sussex Pension Board, the Administering Authority has taken into consideration number of factors including:

- The size of the Fund governing arrangement and decision-making process.
- The number of scheme members, number and size of employers within the Fund and any collective arrangements in place for them to make decisions or provide input in relation to Fund matters.
- The direct and indirect cost of establishing and operating the Board.

The Pension Board consists of 7 members as follows:

- Scheme Employer representative x 3 (to represent all employers within the scheme)

- Scheme Member representative x 3 (to represent all members of the scheme; active, deferred and pensioners)
- Independent Chair x 1

Employer representatives and scheme member representatives have voting rights. The Independent Chair does not have voting rights.

Where possible, the employer representatives will be appointed to represent each of Brighton and Hove City Council, as the second largest scheme employer after ESCC; the five district and borough councils; and all other employers. However, in practice, all will actively represent the full range of employers in the scheme.

An independent chair is appointed to enhance the experience, continuity, knowledge, impartiality and performance of the Board. The chair of the Board is invited to attend Pension Committee meetings where they are able to report back on discussions and recommendations from the Board, to represent the views of the employer and member representatives into Fund decision making. All Pension Board members are welcome to attend the Pension Committee meetings.

The term of office for Board members is 4 years. This can be extended following reselection by 2 years.

Pension Board Representatives nomination/appointment

The methodology for appointing employer and member representatives is not prescribed by the Regulations. It is therefore up to the Administering Authority to establish an appropriate process, which has been included within the Pension Board terms of reference. For details see Appendix B to this statement.

Pension Board representatives are normally appointed for a term of 4 years. Appointments are made by the Governance Committee. The Governance Committee can also agree a temporary extension of up to 2 years. In the case of multiple appointments and re-appointments the Governance Committee may choose to appoint members on a mixture of full and 2-year terms to minimise the number of vacancies needing simultaneous appointments in the future.

Where a Pension Board Representative has their term extended this can only happen once before a full appointment process will be run.

In the past year it has been necessary to appoint people to vacant positions for both member and employer representatives.

For the employer representative vacancies, two members of the Pension Board stood down from their positions in the financial year. For one of these vacancies, a potential replacement was put forward by Brighton and Hove City Council. This nominee was approved by the Governance Committee and met with the Chair of the Pension Board and Pensions Manager – Governance and Compliance prior to attending their first meeting. At time of writing, the second post remains vacant. Fund Officers have contacted all employers, asking them to put forward nominees. These nominations will then be assessed with interviews offered to appropriate candidates.

For the member vacancies, two new member representatives were appointed in July 2023. All members were invited to put themselves forward for the positions and a Trade Union asked whether it wanted to put someone forward, an invitation it declined. Following a review of applications and an interview process, the Governance Committee agreed the two appointments taking into the skills and experience of the various candidates to select people it thought would add most value to the Pension Board.

Vice Chair appointment

Meetings of the Pension Board cannot go ahead without the Chair or Vice Chair present, so there is a risk that a meeting of the Board would not be able to proceed if the Chair is unable to attend for any reason.

The Pension Board agreed that in order to maintain the balance between scheme members and employer representation that a scheme member vice chair and an scheme employer vice chair would be nominated from the existing Pension Board members, and that the role of vice chair would alternate between scheme member and employer at each meeting.

Consultation with Employing Authorities

All employing bodies are kept informed of current pension issues, such as proposed changes in the regulations and their implications, by a regular newsletter. They are encouraged to get in touch if they have questions.

In addition to these electronic briefings, the Fund holds an annual Employers' Forum to which all scheduled and admitted bodies of the Fund are invited. This meeting is held in person. It covers both actuarial and investment issues and has historically contained a presentation from the Fund's Actuary. In 2023 Employers received information about a range of topics including Environmental Investments, an update on the administration of the Fund and the importance of paying contributions in a timely manner.

An annual survey is carried out with employers to get input into the administration of the Fund.

Where there are proposed changes to the Administration Strategy or to the Funding Strategy Statement, employers are consulted prior to implementation of the revisions.

The Fund has an Employer Engagement team to specifically focus on improving the information sharing and support to scheme employers. This team works in consultation with other Fund Officers to ensure an effective, joined up service is provided.

Consultation with Scheme Members

All active members receive newsletters twice a year to and Pensioner members once a year. These newsletters update on pension issues, especially on any changes affecting benefits. These updates are shared with all employers.

The Fund carries out an annual survey with active and pensioner members to seek their views on the administration of the Fund. In 2023 the main focus was on communication to help the Fund understand how members prefer to be communicated with and what information they would like to receive. For the first time a booklet providing a summary of the previous years account and key highlights was provided to members.

More detail on the approach to communication is covered in the separate Communication Statement, which is available on the website.

Working Groups

The Fund has set up a number of working groups to help progress specific projects or areas of focus. The Pension Board are able to initiate working groups to focus on areas that would benefit from focus of the employer or member representatives.

An update is provided at each Pension Board and Pension Committee meeting to report back on the activities of each working group as appropriate.

In 2023/24 the Fund had two working groups. An investment implementation working group and an administration working group. The McCloud working group of previous years was subsumed into the administration working group and the Communications working group was determined to have fulfilled its objectives.

Each working group has its own terms of reference and membership which is firstly discussed at Pension Board and approved by Pension Committee.

The Chair of the Pension Committee is invited to join the Investment Implementation Working Group, while membership of the group is Officers and Advisers. All other working groups consist of a mix of Officers, Pension Board members and Pension Committee members.

Conflicts of interest

A conflict of interest is a financial or other interest which is likely to prejudice a person's exercise of their duties as a member of the Pension Board or Pension Committee. It is not permitted for a Pension Board member to have an actual conflict of interest.

To prevent conflicts of interest members of the Pension Board, Committee and Officers are required to disclose interests. Potential conflicts are also disclosable as a standing item on the agenda for Board and Committee meetings. Interests which may lead to a potential conflict are additionally reviewed annually. The policy equally applies to advisers, suppliers and contractors who are required to disclose information about potential conflicts of interest as part of their contractual terms, with this being part of the procurement process.

Where a potential conflict of interest is identified the person with the potential, or perceived, conflict is not able to take part in discussions on the topic; excluded from voting; or otherwise has the conflict managed at the discretion of the Chair or Vice Chair as appropriate.

The Fund has a conflict of interest policy which is published on its website - [Conflict of interest policy - East Sussex Pension Fund](#). This policy is due for its triennial review in September 2024.

A register of interests is maintained for the Fund by the Democratic Services Team.

Knowledge and understanding

It is a requirement that members of the Pension Board have sufficient knowledge and understanding to carry out their function. Where a new member joins the Pension Board, they are to develop this level of knowledge as soon as possible.

Whilst the law does not stipulate a timeframe for gaining this knowledge, it does for a new trustee of a private occupational scheme and an inference can be drawn that the same six-month time period should apply.

The Scheme Advisory Board's (SAB) Good Governance Report says that Officers and Committee members should also have sufficient knowledge and understanding to carry out their functions. The Fund's Training Strategy is in line with this recommendation and applies to Pension Board and Pension Committee members as well as officers. It is linked to the CIFPA Knowledge and Skills matrix.



The Fund has a Pensions Training Co-Ordinator. This Officer engages with the Chairs of both the Pension Board and Pension Committee to establish the individual needs of members, as well as liaising with Officers,

to develop a detailed training plan. This plan will be in line with the published Training Policy. Details of the events individuals attend are recorded.

New members of the Pension Board and Pension Committee, along with those already in role and relevant Officers, are invited to induction training. Some of this training is provided by the Fund's legal, actuarial and investment advisors.

The Fund carried out a training needs analysis in 2023 with Committee and Board members through a self-assessment questionnaire. The results of these training needs led to the creation of the annual training plan for Board and Committee members and is being used to develop the content of training events which will be offered to Pension Board and Pension Committee members over the forthcoming year.

Training attendance is covered in detail as part of the Annual Report.

The Fund invite members of both the Pension Board and Pension Committee to a range of in-house and external training sessions and conferences to help develop their knowledge and skills relevant to their roles. In addition, officers attend training sessions and conferences in compliance with the training strategy and their professional CPD requirements to stay current. Notification of forthcoming training opportunities is provided at least once per month. The Fund have a budget assigned for training to ensure this is a priority of the Fund and sufficient resources available.

Interaction with Officers

Fund Officers carry out the day-to-day work involved with running the Fund. They are divided into Accounting and Investment, Pensions Administration, Employer Engagement, Governance and Compliance and Projects. All teams are overseen by the Head of Pensions who reports to the Chief Finance Officer.

The Chief Finance Officer has two roles as the s.151 Officer for the Pension Fund and, separately, the s.151 Officer for the Council acting in its capacity as Local Authority.

Officers provide papers for both the Pension Board and Pension Committee in advance of meetings. The content consists of information to bring to the attention of the Pension Board and Pension Committee, together with information requested by the Pension Board and Pension Committee through the quarterly agreed workplan.

Where the Pension Board has concerns that the Pension Committee is not acting in line with the principles of good governance it can raise the matter with the Chief Monitoring Officer and, by extension, the Governance Committee.

Good Governance report

In February 2021 the SAB published an updated version of its report following its review of good governance across the LGPS. This report covers representation, conflicts of interest and knowledge and understanding.

The findings of these areas are referred to in the relevant sections above. Additionally, the SAB made several recommendations in the areas of service delivery along with compliance and improvement.

The SAB recommends that all funds in the LGPS should have a Pension Administration Strategy. The Fund updated and enhanced its policy in 2023 to ensure this is fit for purpose and more accessible. This strategy was shared with employers in the Fund as part of a consultation process prior to implementation. The Pension Administration Strategy is also publicly available on the Fund's website. This policy is reviewed at least every three years.

The SAB has also recommended that funds in the LGPS document decision making levels. The Fund carried out a review of its existing policies and procedures in 2023, making changes to its Constitution in order to meet best practice.

It is anticipated that findings from the Good Governance report will be adopted into legislation across 2024/25.

Admissions to the Fund

Where a new employer seeks to join the Fund a policy is in place to smooth the admission process. When the Fund becomes aware of a new employer, the new employer is sent a copy of the relevant documentation to help guide it through the process.

Pension Administration Strategy

The Fund operates a Pension Administration Strategy in accordance with Regulation 59 Local Government Pension Scheme Regulations 2013. This document considers the relationship between the Fund and participating employers, setting out expectations for both the delivery of services and detailing the employers' obligations.

The Administration Strategy is kept under review and formally reviewed by the Pension Committee, in its role as delegated Scheme Manager, at least every three years or when there is a material change in the Fund policies. Any changes to the strategy are subject to a period of consultation.

Audit review of service provision

The ESCC Internal Audit team carries out independent appraisals of the County Council's systems under the direction of the Chief Operating Officer. The Pension Fund has commissioned 70 days of audit to review various aspects of its service provision. An annual audit plan is reviewed and approved at the start of the year with all audit findings reports being considered and discussed at each Pension Board and Pension Committee meeting once the reports are finalised.

In 2022/23 the internal audit team carried out audits on cyber security, the ACCESS Support Unit, i-Connect and Pension Fund Governance.

Business planning

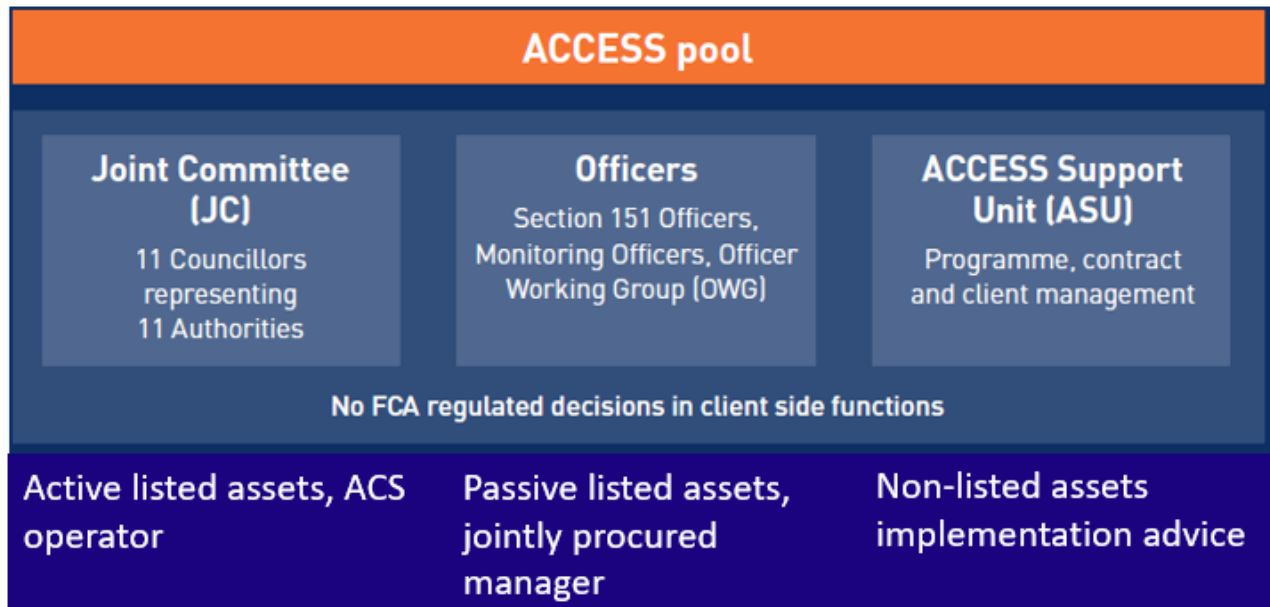
The Fund maintains a business plan annually. At each Committee and Board meeting there is a discussion of the work to be conducted in each quarterly meeting over the next 12 months, allowing members of both the Board and Committee to request additional tasks be added as needed.

The Fund budget is approved by the Pension Committee on an annual basis.

Key Performance Indicators are reported against each quarter. The relevant documents are published as part of the Board and Committee meeting packs, which can be located at [Browse meetings - Pension Board | East Sussex County Council](#) and [Browse meetings - Pension Committee | East Sussex County Council](#).

LGPS Asset Pooling Governance - ACCESS Pool

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



ACCESS Pool Governance

The diagram above sets out the overarching ACCESS structure.

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

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

The Joint Committee is responsible for ongoing contract management and budget management for the Pool and is supported by the S151 Officers, Officer Working Group and the ACCESS Support Unit. The Officer Working Group are Officers identified by the Administering Authorities whose role is to provide a central resource for advice, assistance, guidance and support for the Joint Committee.

The ACCESS Support Unit (ASU) provides the day-to-day support for running the ACCESS Pool and has responsibility for program management, contract management, administration and technical support services.

The Section 151 Officer of each Pension Fund provide advice to the Joint Committee and in response to decisions made by the Joint Committee ensure appropriate resourcing and support is available to implement the decisions and to run the ACCESS Pool.

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

At its meeting on Monday 7 March 2022, the ACCESS Joint Committee agreed proposals enabling each ACCESS Authority's Local Pension Board to send two observers, on a rotational basis, to Joint Committee meetings. In practice, observers from three ACCESS Authority Local Pension Boards at a time will attend JC meetings in person, allowing each Pension Board to be represented at least once a year.

The observers can be drawn from scheme member representatives, employer representatives or independent members. This arrangement was continued for 2023/24.

ACCESS Operator

Waystone Group were appointed to provide a pooled operator service. Waystone is responsible for operating an authorised contractual scheme (ACS) along with the creation of a range of investment sub-funds to meet the needs of the investing authorities enabling them to execute their asset allocation strategies and the appointment of the investment managers to those sub-funds. The operator role is FCA regulated.

ACCESS Implementation Adviser for illiquid assets

The ACCESS Pool has appointed APEX, the specialist service provider to the asset management industry, as implementation advisor for the pooling of illiquid assets, including private equity, infrastructure, private debt and real estate. As implementation advisor, APEX will provide support to the Pool in selecting individual investment opportunities and investment managers to build portfolios in a range of illiquid assets.

Effective date

This training strategy was reviewed at Pension Board on 5 June 2024 and approved at Pension Committee 19 June 2024.

Review of Governance Policy Statement

Responsibility for this document resides with the Chief Finance Officer and will be reviewed by no less frequently than annually.

This document will be reviewed if there are any material changes in the administering authority's governance policy or if there are any changes in relevant legislation or regulation.

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Delegation of Functions

The following functions are delegated by the Administering Authority: **Scheme**

Administration

Governance Principles: Effective committee delegation; appropriate accountability; rigorous supervision and monitoring

Including, but not exclusively or limited to, record keeping, calculation of and payment of benefits, reconciliation and investment of contributions, preparation of annual accounts, and provision of membership data for actuarial valuation purposes.

The Administering Authority has responsibility for “Scheme Administrator” functions as required by HM Revenues and Customs (HMRC) under the Finance Act 2004.

Delegated to:

Pension Committee (monitoring)

Chief Finance Officer (Pension Fund Governance and Investment implementation)

Funding

Governance Principles: Effective committee delegation; appropriate accountability; written plan policies

Including, but not exclusively or limited to, setting of the appropriate funding target for the Local Government Pension Scheme. The Chief Finance Officer shall be responsible for maintaining the Funding Strategy Statement (FSS) and business plan. The Pension Committee shall be responsible for approving the FSS and business plan.

Delegated to:

Pension Committee (policy approval)

Chief Finance Officer (maintaining FSS and policy implementation)

Investment

Governance Principles: Effective committee delegation; appropriate accountability; written plan policies

Including, but not exclusively or limited to, setting of an appropriate investment strategy or strategies, selection of investment managers, setting of performance benchmarks and regular monitoring of performance. The Pension Committee shall be responsible for agreeing the Investment Strategy Statement (ISS).

Delegated to:

Pension Committee (strategy approval, manager selection, benchmarks, monitoring)

Chief Finance Officer (Pension Fund investment implementation)

Communications

Governance Principle: Effective information flow; written plan policies

Including, but not limited to, setting of a communication strategy, issuing of benefit statements, newsletters, and annual report. The Pension Committee shall be responsible for agreeing the Communications Policy.

Delegated to:

Pension Committee (policy approval)

Chief Finance Officer (Pension Fund policy implementation)

Risk Management

Governance Principle: Effective committee delegation; appropriate accountability; written plan policies

Including the identification, evaluation and monitoring of risks inherent within the Local Government Pension Scheme. The Pension Committee shall be responsible for approving the Risk Register. The Chief Finance Officer shall be responsible for maintaining the risk register.

Delegated to:

Pension Committee (pension fund risk register approval)

Chief Finance Officer (maintaining the pension fund risk register)

Delegations by the administering authority are published in the Council's constitution which can be accessed in full [here](#).

Compliance Statement

The Fund fully complies with the best practice guidelines on governance, issued by the Department for Levelling Up, Housing and Communities, for details see the table below.

A - Structure

Task	Compliance status
The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Fully Compliant
That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Fully Compliant
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Fully Compliant
That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Fully Compliant

B – Committee membership and representation

Task	Compliance status
That all key stakeholders are afforded the opportunity to be represented. within the main or secondary committee structure. These include: - i) employing authorities (including non-scheme employers, eg, admitted bodies). ii) scheme members (including deferred and pensioner scheme members), iii) where appropriate, independent professional observers, and iv) expert advisors (on an ad-hoc basis).	Fully Compliant
That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision-making process, with or without voting rights.	Fully Compliant

C – Selection and role of lay members

Task	Compliance status
That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Fully Compliant
That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	Fully Compliant

D – Voting

Task	Compliance status
The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Fully Compliant

E – Training/Facility time/expenses

Task	Compliance status
That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Fully Compliant
That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Fully Compliant
That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	Fully Compliant

F – Meetings (frequency/quorum)

Task	Compliance status
That an administering authority's main committee or committees meet at least quarterly.	Fully Compliant
That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Fully Compliant
That an administering authority who does not include lay members in their formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Fully Compliant

G – Access

Task	Compliance status
That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Fully Compliant

H – Scope

Task	Compliance status
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Fully Compliant

I – Publicity

Task	Compliance status
That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Fully Compliant



Appendix A

Pension Committee terms of reference and membership

Membership

The East Sussex Pension Committee will be composed of five members of East Sussex County Council, determined by the Council at the Council's Annual Meeting. (N.B. When making nominations Members should have regard to the need to ensure a balance of experience and continuity).

Named substitutes are permitted for East Sussex County Council members.

Terms of Reference

The Pension Committee's will exercise on behalf of East Sussex County Council all of the powers and duties in relation to its functions as the Scheme Manager and Administering Authority for the East Sussex Pension Fund except where they have been specifically delegated to another Committee. The Pensions Committee will exercise its functions in accordance with the fiduciary duties of the Council as the administering authority of the East Sussex Pension Fund.

The Pension Committee will have the following specific roles and functions, taking account of advice from officers and the Fund's professional advisers:

- Ensuring the Fund is administered, managed and pension payments are made in compliance with the regulations and having regard to statutory guidance that govern the operation of the Local Government Pension Scheme from time to time, and other legislation.
- Determining the Fund's aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund, including but not limited to funding, investment, administration, communication and governance.
- Determining how the various administering authority discretions are operated for the Fund.
- Monitoring the implementation of all Fund policies and strategies on an ongoing basis.
- In relation to the LGPS ACCESS Pension Fund Pool:
 - Considering pooling matters including recommendations made by the ACCESS Joint Committee;
 - determining the transition of the assets held by East Sussex Pension Fund in relation to the Pool and the funds or sub-funds operated by the Operator;
 - recommending to the Governance Committee a member of the East Sussex County Council Pension Committee to the Joint Committee as and when required, having regard to the advice of the Head of Pensions;
 - appointing an East Sussex County Council officer to working groups such as the Officer Working Group as and when required;

- advising the representative on the Joint Committee and Officer Working Group on such matters as may be required;
 - monitoring the performance of the LGPS ACCESS Pool and its Operator and recommending actions to the ACCESS Joint Committee, Officer Working Group or ACCESS Support Unit, as appropriate;
 - receiving and considering reports from the LGPS ACCESS Joint Committee, Officer Working Group and the Operator;
 - undertaking any other decisions or matters relating to the operation or management of the LGPS ACCESS Pool as may be required, including but not limited to appointment, termination or replacement of the Operator and approval of the strategic business plan.
- Making arrangements for actuarial valuations, ongoing monitoring of liabilities and undertaking any asset/liability and other relevant studies.
 - Making decisions relating to employers joining and leaving the Fund. This includes approving which employers are entitled to join the Fund, and any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.
 - Agreeing the policy for exit credits and terms on which employers may leave the Fund.
 - Approving decisions on cessations, post cessation arrangements, guarantees and bonds.
 - Agreeing the terms and payment of bulk transfers into and out of the Fund.
 - Ensuring robust risk management arrangements are in place, considering and making recommendations in relation to the internal audit strategy and internal audit report pertaining to the management of the fund and reviewing its findings.
 - Agreeing the Fund's annual business plan and annual and medium term budgets, and monitoring progress against them.
 - Selection, appointment and dismissal of the Fund's advisers and suppliers, including actuary, benefit consultants, investment consultants, global custodian, fund managers, lawyers, pension fund administrator, Additional Voluntary Contribution providers and independent professional advisors. This includes determining the services to be provided and monitoring those services, including where this relates to shared services arrangements.
 - Agreeing the Fund's Knowledge and Skills Policy and monitoring compliance with the policy.
 - Agreeing the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.
 - Considering views expressed by employing organisations and staff representatives in relation to the operation of the East Sussex Pension Fund.
 - Considering the Fund's financial statements and approving an Annual Report on the activities of the Fund in line with legislation and guidance.

- Considering the Breaches Register at every quarterly Pension Fund meeting and reviewing recommendations from the Pensions Board.

Notes: 1. No matters relating to East Sussex County Council's responsibilities as an employer participating within the East Sussex Pension Fund are delegated to the Pension Committee.

Notes: 2 As a Non-Executive Committee, no matters relating to the Pension Fund's non-executive responsibilities as Scheme Manager are delegated to an Executive of East Sussex County Council.

Notes: 3 The Committee's primary contacts will be the Head of Pensions, Chief Finance Officer and its retained advisors

Training

The East Sussex Pension Fund has a dedicated Knowledge and Skills Policy which applies to all members of the Committee, and which includes the expectation to attend regular training sessions in order they may maintain an appropriate level of knowledge and skills to perform their role effectively.



Appendix B

Constitution and terms of reference of the East Sussex Pension Board

Introduction

The Pension Board is established by East Sussex County Council (ESCC) under the powers of Section 5 of the Public Services Pensions Act 2013 and regulation 106 of the Local Government Pension Scheme (LGPS) Regulations 2013 ("the LGPS regulations" which includes such regulations as govern the Local Government Pension Scheme from time to time). ESCC is the scheme manager (and administering authority) to the East Sussex Pension Fund (ESPF).

The East Sussex Pension Fund Board was appointed by East Sussex County Council (the Scheme Manager and Administering Authority to East Sussex Pension Fund) as its Local Pensions Board in accordance with section 5 of the Public Service Pensions Act 2013 and Part 3 of the Local Government Pension Scheme Regulations 2013. As such, Parts 4 Rules of Procedure (Council's procedural Standing Orders) sub-parts 1, 2, 3, 4, 5 and 6 of the Constitution of East Sussex County Council do not apply to this Pension Fund Board unless expressly referred to within and permitted by these Terms of Reference and Rules of Procedure.

The Board will exercise all its powers and duties in accordance with legislation and these Terms of Reference and Rules of Procedure. The Board shall have the power to do anything which is considered to facilitate, or is conducive or incidental to, the discharge of its functions.

Powers of the Pension Board

The Pension Board will exercise all its powers and duties in accordance with the law and this Terms of Reference.

ESCC considers this to mean that the Pension Board is providing oversight of these matters and, accordingly, the Pension Board is not a decision-making body in relation to the management of the Fund but instead can make recommendations to assist in such management. The Fund's management powers and responsibilities which have been, and may be, delegated by ESCC to committees, sub-committees and officers of ESCC, remain solely the powers and responsibilities of those committees, subcommittees and officers including but not limited to the setting and delivery of the Fund's strategies, the allocation of the Fund's assets and the appointment of contractors, advisors and fund managers. The Pension Board operates independently of the ESPF Pension Committee.

The Pension Board will ensure that in performing their role it:

- is done effectively and efficiently and
 - complies with relevant legislation and
- is done by having due regard and in the spirit of The Pensions Regulator's Code of Practice and any other relevant statutory or non-statutory guidance.

Objectives and role of the Pension Board

The role of the Pension Board is defined by the LGPS Regulations as being to assist the Scheme Manager (ESCC as Administering Authority) to:

- secure compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the LGPS and requirements imposed in relation to the LGPS by the Pensions Regulator;
- ensure the effective and efficient governance and administration of the LGPS. This should be interpreted as covering all aspects of governance and administration of the LGPS including funding and investments.

In doing this the Pension Board:

- Shall assist the Scheme Manager with such matters as the LGPS Regulations and guidance may specify.
- Shall seek assurance that due process is followed with regard to the Pension Committee and may review any decisions made by or on behalf of the Scheme Manager or action taken by the Scheme Manager.
- Shall seek assurance that any identified issues raised by Pension Board members are considered.
- Shall comment on and assist in identifying and managing breaches of the law in relation to ESPF matters.
- Shall make representations and recommendations to the Pension Committee as appropriate and shall consider and, as required, respond to any Government / Responsible Authority or Scheme Advisory Board requests for information or data concerning the Fund.
- May also undertake other tasks, including (but not limited to):
 - assisting the Pension Committee by reviewing aspects of the performance of the ESPF – for example by reviewing the risk management arrangements within ESPF (although the Pension Committee will remain accountable for risk management);
 - reviewing administration standards or performance or review efficacy of ESPF member and employer communications;
 - reviewing published policies to ensure they remain fit for purpose and are complete;
 - reviewing ESPF annual reports; or being part of any consultation process with the purpose of adding value to that process based on, for example, their representation of employers and ESPF members;
 - discussing strategic matters such as communications where requested by the Pension Committee.
- Will produce an annual report which is shared with the Scheme Manager. It will outline the work of the Pension Board throughout the scheme year, which will help to –
 - inform all interested parties about the work undertaken by the Pension Board
 - assist the Pension Board in reviewing its effectiveness and identifying improvements in its future operations.
- Shall carry out an annual self-assessment of the effectiveness of the Pension Board, and produce a report on this which will be shared with the Pension Committee.
- Must provide a record of each meeting to the following Pension Committee meeting and may make reports and recommendations to the Pension Committee insofar as they relate to the role of the Pension Board.
- Shall assist in considering whether the East Sussex Pension Fund is being managed in accordance with the LGPS and other relevant legislation, including consideration of cases that have been referred to the Pension Regulator and/or the Pension Ombudsman; recommending changes to processes, training and/or guidance where necessary.
- Shall monitor administrative processes and support continuous improvements.
- Will ensure the scheme administrator supports employers to communicate the benefits of the LGPS to scheme members and potential new members.

Membership

The Pension Board shall consist of:

- 3 employer representatives - employer representatives that can offer the breadth of employer representation for the ESPF.
- 3 scheme member representatives – member representatives nominated to ensure a broad representation of scheme membership (active, deferred, and pensioners). Two will be nominated by the trade unions, and the rest will be drawn from the total ESPF active, deferred and pensioner membership.
- Independent Chair - The Pension Board shall be chaired by an Independent Chair.

Substitutes for Board members are not permitted.

The Quorum of the Board will be 3 Members, excluding the Independent Chair. To be quorate the meeting must include at least one employer representative and one scheme member representative.

The Board has the power to set up working groups.

Appointment of members of the Pension Board

The appointment process has been approved by the Governance Committee.

All appointments to the Pension Board shall be by the Governance Committee under delegated authority from the County Council, including the Independent Chair.

The Vice Chair will alternate between scheme member representatives and employer representatives at each meeting. The Vice Chairs will be nominated from the existing Board members whenever one of the existing Vice Chairs is replaced.

Appointments to the Pension Board shall be managed, wherever possible, so that appointment and termination dates are staggered such that there remains continuity for one meeting to the next.

Term of office

Employer representative appointments will expire after a 4-year period from their date of appointment by the Governance Committee or such time as resolved by the Governance Committee. The Governance Committee may agree an extension to this period by up to a further 2 years after which there shall be a further appointment process. Reappointment of existing members is permitted. Appointment will automatically cease if the individual is no longer in the employment of that employer, no longer holds office in relation to that employer or is no longer an elected member of that employer, as appropriate.

Scheme member representative appointments will expire after a 4-year period from their date of appointment by the Governance Committee or such time as resolved by the Governance Committee. The Governance Committee may agree an extension to terms of office up to a further 2 years after which there shall be a further appointment process.

Reappointment of existing members is permitted. Appointment will automatically cease if the individual is no longer a trade union representative or representative of ESPF members (in accordance with the criteria set by the Governance Committee).

The Independent Chair appointment will expire after a period of 4 years from their date of appointment by the Governance Committee. The Governance Committee may agree an extension to terms of office by up to a further 2 years after which there shall be a further appointment process. Reappointment of the Independent Chair is permitted.

Term dates may not be exact due to the period of the appointment process. The term of office may therefore be extended for this purpose or other exceptional circumstances by up to three months with the agreement of the Governance Committee.

A Pension Board member who wishes to resign shall submit their resignation in writing to the Independent Chair. A suitable notice period must be given, of at least 1 month, to enable a replacement member to be found.

The role of the Pension Board members requires the highest standards of conduct and the ESCC Code of Conduct for Members will apply to the Pension Board's members. ESCC Standards Committee will monitor and act in relation to the application of the Code.

Poor performance will result in corrective action being taken, and in exceptional circumstances the removal of the Pension Board member by the Governance Committee.

Removal of the Independent Chair will be by the Governance Committee.

Chairing

It will be the role of the Chair to:

- Settle with officers the agenda for a meeting of the Pension Board.
- Manage the meetings to ensure that the business of the meeting is completed.
- Ensure that all members of the Pension Board show due respect for process and that all views are fully heard and considered.
- Strive as far as possible to achieve a consensus as an outcome.
- Ensure that the actions and rationale for decisions taken are clear and properly recorded.
- Uphold and promote the purpose of the Pension Board, and to ensure that meetings are properly conducted and professional advice is followed.
- To use their expertise and experience and liaise with the Head of Pensions to arrange such advice as required subject to agreement by the Head of Pensions on such conditions as that officer determines.
- Sign the minutes of each Pension Board meeting following approval by the Board.
- Prepare with the Head of Pensions an appropriate budget for the Pension Board's consideration before being formally considered by the Scheme Manager along with the ESPF Annual Budget.
- Liaise with officers and advisors on the requirements of the Pension Board, including advanced notice for Scheme Manager officers to attend and arranging dates and times of Board meetings.

- Provide guidance on all points of procedure and order at meetings having regard to advice from officers.

Other tasks which may be deemed appropriate by the Scheme Manager for the Independent Chair of the Pension Board.

- Liaise with the Chair of the Pension Committee as deemed appropriate.

Other tasks that may be requested by the Board, within the remit of these Terms of Reference and subject to agreement with the Head of Pensions.

- Annually review and report on the activities of the Pension Board.
- Commission a triennial review of LGPS & public pension fund non-statutory best practice guidance (referencing the SAB & other relevant bodies deemed relevant by the Board) which then brings recommendations to the Committee (when appropriate) for amendments to the operation of the Fund. Support arrangements and administration.

ESCC officers will provide governance, administrative and professional support to the Pension Board, and ESCC Member Services will provide secretariat support to the Pension Board, and as such will ensure that:

- Meetings are timetabled for at least four times per year.
- Adequate facilities are available to hold meetings.
- An annual schedule of meetings is produced.
- Suitable arrangements are in place to hold additional meetings if required.
- Papers are distributed 5 clear working days before each meeting except in exceptional circumstances.
- Draft minutes of each meeting are normally circulated 7 working days following each meeting including all actions, decisions and matters where the Pension Board was unable to reach a decision will be recorded.
- Final reports, minutes and agendas relating to the Pension Committee are shared appropriately with the Board.

The records of the meetings may, at the discretion of the Board, be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part I of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A (2) of that Act.

The minutes and any consideration of the Pension Board shall be submitted to the Pension Committee.

The Pension Board must comply with the General Data Protection Regulation and the Scheme Manager's data protection policy. It must also adhere to the Scheme Manager's requirements, controls and policies for Freedom of Information Act compliance.

Expert advice and access to information, including the Pension Committee

The Pension Board will have access to professional advice and support provided by officers of ESCC and, via them and where appropriate, advisers to the ESPF. In addition, Pension Board members will receive the final reports, minutes and agendas relating to the Pension Committee, save where the Committee expressly decides otherwise such as where an item is exempt, although this is anticipated to be in exceptional cases.

Insofar as it relates to its role, the Pension Board may also:

- Request information and reports from the Pension Committee or any other body or office responsible for the management of the Fund.
- Examine decisions made or actions taken by the Pension Committee or any other body or officer responsible for the management of the Fund.
- Access independent professional advice from actuaries, other independent advisers, and investment managers as required, where there are major matters being considered, i.e., investment strategy, triennial valuation, etc.
- Access to professional advice regarding non-major decisions will require the approval of the Pension Committee for additional resources.
- Attend all or any part of a Pensions Committee meeting unless they are asked to leave by the Committee or as a result of a conflict of interest.

ESCC officers will provide such information as is requested that is available without incurring unreasonable work or costs.

Knowledge and Skills

Pension Board members will be required to have the ‘capacity’ to carry out their duties and to demonstrate a high level of knowledge and of their role and understanding of:

- The scheme rules (i.e., regulations).
- The schemes administration policies.
- The Public Service Pensions Act (i.e., being conversant with pension matters relating to their role) and the law relating to pensions.

A program of updates and training events will be organised by ESPF officers.

It is for individual Pension Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board.

In line with this requirement, Pension Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Pension Board members are therefore required to:

- Participate in training events (a written record of relevant training and development will be maintained).
- Undertake a personal training needs analysis or other means of identifying any gaps in skills, competencies and knowledge relating to Pension Board matters.
- Comply with the Fund's Knowledge and Skills Policy insofar as it relates to Pension Board members.

Standards and Conflicts of Interest

A conflict of interest is defined in the Public Service Pensions Act 2013 as: “in relation to a person, means a financial or other interest which is likely to prejudice the person’s exercise of functions as a member of the Pension Board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme).”

The Public Service Pensions Act 2013 requires that members of the Pension Board do not have conflicts of interests. As such all members of the Pension Board will be required to declare any interests and any potential conflicts of interest in line with legal requirements in the Public Service Pensions Act 2013 and the Pension Regulator’s code. These declarations are required as part of the appointment process, as well as at regular intervals throughout a member’s tenure.

The Pension Board shall adopt a policy for identifying and managing potential conflicts of interest.

Members of the Pension Board must provide, as and when requested by the Scheme Manager, such information as the Scheme Manager requires to identify all potential conflicts of interest and ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest at appointment or whilst a member of the Pension Board.

Part 5(1) of ESCC Code of Conduct shall apply in relation to the standards of conduct of Pension Board members, insofar as they can be reasonably considered to apply to the role of members of the Board, including the non-disclosure of confidential information.

Members of the Pension Board must adhere to the requirements of the ESPF Procedure for Monitoring and Reporting Breaches of the Law and should be mindful of the individual legal requirements in Section 70 of the Pensions Act 2004 relation to reporting breaches of the law in relation to ESPF matters.

Access to the Public and Publication of Pension Board information

Members of the public may attend the Pension Board meeting and receive papers, which will be made public in accordance with the Access to Information Rules in ESCC's Constitution.

In accordance with the Public Service Pensions Act 2013, ESCC is required to publish information about the Pension Board and up-to-date information will be posted on the ESPF website showing:

- a. Names of and information regarding the Pension Board members

- b. How the scheme members and employers are represented on the Pension Board
- c. Responsibilities of the Pension Board as a whole
- d. Full terms of reference and policies of the Pension Board and how it operates.

In accordance with good practice, ESPF may publish other information relating to the Pension Board as considered appropriate from time to time, and which may include:

- a. the agendas and meeting records
- b. training and attendance logs
- c. an annual report on the work of the Pension Board.

All or some of this information may be published using the following means or other means as considered appropriate from time to time:

- a. on the ESPF website – <https://www.eastsussex.gov.uk/yourcouncil/pensions/members/>
- b. on the ESCC website – <http://www.eastsussex.gov.uk>,
- c. within the ESPF Annual Report and Accounts,
- d. within the ESPF's Governance Policy and Compliance Statement.

Information may be excluded on the grounds that it would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act.

Expense reimbursement, remuneration and allowances

All Pension Board members will be entitled to claim travel and subsistence allowances for attending meetings relating to Pension Board business (including attending training) at rates contained in the Members' Allowances Scheme in the ESCC's Constitution. In addition, scheme member representatives may be paid an allowance equivalent to the co-optees' allowance in the ESCC Scheme of Members' Allowances in relation to time spent at meetings and training events relating to their role as a ESPF Pension Board member, unless they are attending they are attending during their normal working day without a reduction in pay or leave (in which case no allowance will be paid for that time). The Independent Chair's remuneration will be approved by the Governance Committee following consultation with the Chair of the Pension Committee. All costs will be recharged to the Fund.

Accountability

The Pension Board collectively and members individually are accountable to the Scheme Manager (ESCC), the Pensions Regulator, and the Local Government Pension Scheme Advisory Board. The Local Government Pension Scheme Advisory Board will advise the Responsible Authority (in the case of the LGPS the MHCLG) and the Scheme Manager. The Pensions Regulator will also be a point of escalation for whistle blowing or similar issues.

Decision Making Process

Employer representatives and scheme member representatives have voting rights, albeit the Pension Board is expected to operate on a consensus basis. The Independent Chair does not have voting rights.

In the event of an equal number of votes being cast for or against a proposal there shall be no casting vote, but the proposal shall be considered to have been rejected. The Scheme Manager shall be alerted when a decision is reached in this manner.

Reporting and escalation

The Pension Board must provide minutes of each meeting to the following Pension Committee meetings and may make reports and recommendations to the Pension Committee insofar as they relate to the role of the Pension Board. Any such reports or recommendations must be provided in advance of the next Pension Committee meeting to the S151 Officer.

An annual report of the Pension Board must be provided to the S151 Officer and the Pension Committee and be published in the Fund's Annual Report and Accounts.

Where the Pension Board considers that a matter brought to the attention of the Pension Committee has not been acted upon or resolved to their satisfaction, the Pension Board will provide a report to the Monitoring Officer.

The Breaches Register will be presented at each meeting and considered by the Pension Board who may make recommendations to the Pension Committee.

Review, Interpretation and Publication of Terms of Reference and Rules of Procedure

These Terms of Reference have been agreed by ESCC. The Council will monitor and evaluate the operation of the Pension Board and may review these Terms of Reference and Rules of Procedure from time to time.

These Terms of Reference are incorporated into the Council's Constitution and published on the Council's website and may be amended by the same means as permitted for the Constitution. It will also form part of the ESPF's Governance Policy and Compliance Statement which will be made available in accordance with the requirements of the LGPS Regulations.

