

West Sussex Pension Fund Annual Report 1 April 2022 to 31 March 2023



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Foreword by the Chairman of the Pension Committee

I am pleased to provide an update on the Pension Fund's activities during 2022/23.

At the end of March, the Bank of England Base Rate reached 4.25%. 12 months earlier it was 0.75%. This rapid tightening of monetary policy in response to surging inflation created a challenging backdrop for investors and whilst the Pension Fund has been reviewing its investments, cashflow and funding strategy it maintains a long term approach to managing the Pension Scheme in the best interests of its nearly 86,000 members.

On 31 March 2023 the fund was valued at £5,324m, (compared to £5,470m at 31 March 2022). Overall, the Fund outperformed the market with a return of -2.3% versus a market index of -4.6%. In part this was due to its holdings in consumer staples - companies that provide goods and services that people use daily, like food, clothing, or other personal products - which performed well. However not holding energy companies within the equity portfolio (which were the best performing sector over the year) did have some impact on performance. Early in 2022/23 we moved from the Global Alpha Equity Fund to the Global Alpha Paris Aligned Equity Fund, which includes an objective to have a weighted average greenhouse gas intensity lower than an index aligned to the Paris Agreement. In addition to the returns generated, the Committee is also keen to ensure that the portfolios invested in by the Pension Fund, and the managers appointed, have established investment processes which support the approach to long term stewardship and demonstrate their active consideration of environmental, social and governance principles. Their approach is described in more detail within this report.

During the 2022/23 financial year the Fund successfully completed the 31 March 2022 Actuarial Valuation by the statutory deadline (31 March 2023). Member benefits are guaranteed, but this is a key health-check for the Pensions Committee to ensure it remains on course to hold enough assets to pay the pension benefits built up by participating members. This showed funding positions had improved (on average) from 112% to 125% over the three years, and as a result 88% of employers were able to benefit from a reduction in their contribution rate from 1 April 2023.

Alongside the Actuarial Valuation the Pensions Committee also undertook a review of the investment strategy. This allows changes to the membership profile, benefit cashflows and contributions to be taken into consideration and ensure that the mix of investments held continue to support the Pension Fund to meet its objectives of stable and affordable employer contributions. During the next few months, the Pensions Committee will reflect on the findings from this review and consult on its revised Investment Strategy Statement.

Another area which crosses the year is the McCloud judgment. This is based on a claim that members of public service pension schemes, including the Local Government Pension Scheme (LGPS), were discriminated against when changes to the schemes were introduced from 2014. Whilst the implementation date is October 2023, the fund has been working proactively with employers to ensure it has as much information as possible collected from employers in readiness to implement changes to benefits. Members and employers will be updated as the work progresses.

Jeremy Hunt
Chairman of the Pension Committee

Foreword by the Chairman of the Pension Advisory Board

The Pension Advisory Board, established in 2015, assists the Scheme Manager in ensuring compliance with regulations; the application of guidance and legislation; implementing requirements imposed by the Pensions Regulator; and securing effective and efficient governance and administration. The Board meets four times during each financial year.

The Board is required to have a minimum of four members with equal representation of employers and scheme members – six members are appointed currently. I act as the independent chairman and do not have voting rights. Each member has demonstrated their commitment to meeting their responsibilities, by maintaining a suitable level of knowledge and understanding of the issues, by preparing for each meeting and by participating effectively in the Board's discussions.

The Board has continued to operate well and has reverted to physical meetings on a 'hybrid' basis allowing virtual access where necessary. The business for each meeting has been planned by reference to the Business Plan agreed for 2022/23 and is based on the responsibilities of the Board and guidance issued about key issues to be covered. The plan has been comprehensively addressed during the year and there have been no disputes in the decisions reached. Key items covered include administration performance, communications, policy statements, cyber security, new regulations and guidance, the pooling arrangements with ACCESS, and knowledge and skills requirements. However, there is some frustration that new initiatives affecting governance have stalled centrally (by central government and national regulators) over the past three years.

The Board uses the Local Government Pensions Committee (LGPC), the Scheme Advisory Board (SAB) and the Pensions Regulator (tPR) websites as points of reference for the Scheme regulations and guidance, and to track any changes. The regular updates issued by the SAB are particularly useful and are reported to each meeting.

The Board has formulated its training plan, in conjunction with the Pensions Committee, to cover the individual requirements of each member based on guidance issued by CIPFA, using the suggested framework to ensure coverage of all items over a reasonable period. Training is concentrated on the use of the Hymans Robertson LGPS Online Learning Academy (LOLA), introduced in 2021 for Board and Committee members. Progress on training is monitored and discussed at each meeting and reviewed annually in the year-end performance reviews. A training log is maintained.

The Board is satisfied that the West Sussex Pension Fund is operated in compliance with statutory regulations and other legislation, and with guidance issued by the Department for Levelling Up, Communities and Housing (DLUHC). The requirements imposed by tPR are being met and their proposed new General Code of Practice is expected in the summer. The Board continues to monitor the effectiveness and efficiency of the governance and administration arrangements.

Peter Scales
Chairman of the Pension Advisory Board

The West Sussex Local Government Pension Scheme

The Scheme

The Local Government Pension Scheme (LGPS) is one of the largest public sector pension schemes in the UK. It is a nationwide pension scheme with currently 6.3 million members across almost 20,000 employers.

The LGPS in England and Wales is administered locally through 86 local pension funds. West Sussex County Council is required to maintain a pension fund for its employees and those of other Scheme Employers within its area.

The LGPS is a valuable part of the pay and reward package for employees. Benefits are set nationally and summarised below.

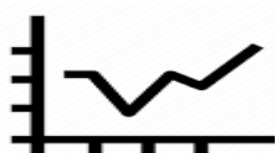


The LGPS is a 'defined benefit' Scheme which means each year 1/49th of a member's pensionable pay (or 1/98th if a member elects to pay into the 50/50 section of the Scheme) is put into their pension account.

Pension benefits are based on membership in the Scheme and are set in Regulations – they are not dependent on the returns achieved by the Fund on its investments.



A pension is usually payable from a member's normal pension age which is linked to their State Pension age (with a minimum of 65). However there are circumstances where a pension is paid earlier, including if a member leaves their job due to ill health or is made redundant.



Pension accounts and pensions in payment are adjusted each April in line with the cost of living. The increase is based on the September-to-September adjustment to the Consumer Prices Index (CPI). The CPI index for the year up to September 2022 was 10.1%, and this increase was applied in April 2023.



The Scheme includes several options for members including the ability to pay half normal contributions in return for half the normal pension amount (the 50/50 section), boosting a pension by paying more, retiring early and exchanging some pension for tax-free cash on retirement.



The rate of contributions a member will pay is set nationally and range from 5.5% to 12.5%, dependent on a member's pay. The average contribution from employees is 6.5% nationally.

Employer contributions are set every three years by the local Fund. The employer contribution rates for employers in the West Sussex Scheme range from 0.0% to 46.3% of pensionable pay for the financial year ending 31 March 2023.

Scheme Participation

The table below summarises the mix of employers participating in the West Sussex LGPS. In total there were 312 employers on 31 March 2023.

		With active members	No active members	Total
Scheduled Bodies, Resolution Bodies, Colleges, and Academies	Regulations allow employees of certain bodies to join the Scheme including the County Council, District and Borough Councils, Sussex Police & Crime Commissioner, non-uniformed personnel employed by the Chief Constable, some employees within Town and Parish Councils and non-teaching staff at Colleges and Academies.	171	32	203
Admitted Bodies	These include voluntary, charitable, and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.	45	64	109
Total		216	96	312

There were 85,957 members within the West Sussex Scheme on 31 March 2023 across the 312 employers, split between active, deferred and pensioner members.

- **Active membership**

These are members who continue to pay into the Scheme to build up their LGPS pension. How much pension is built up in the LGPS is based on pay and length of participation.

At the 2022 valuation, just under half of the active membership in the West Sussex LGPS consisted of part time female employees, with an average salary of £12,768 per annum. The whole fund average salary was £20,152 per annum.

- **Deferred membership**

These members have left their job or the Scheme before retirement (and who have contributed to the Scheme for two years). The deferred pension will be held in the LGPS until the member chooses to take their deferred pension benefits, or it is transferred to another pension arrangement.

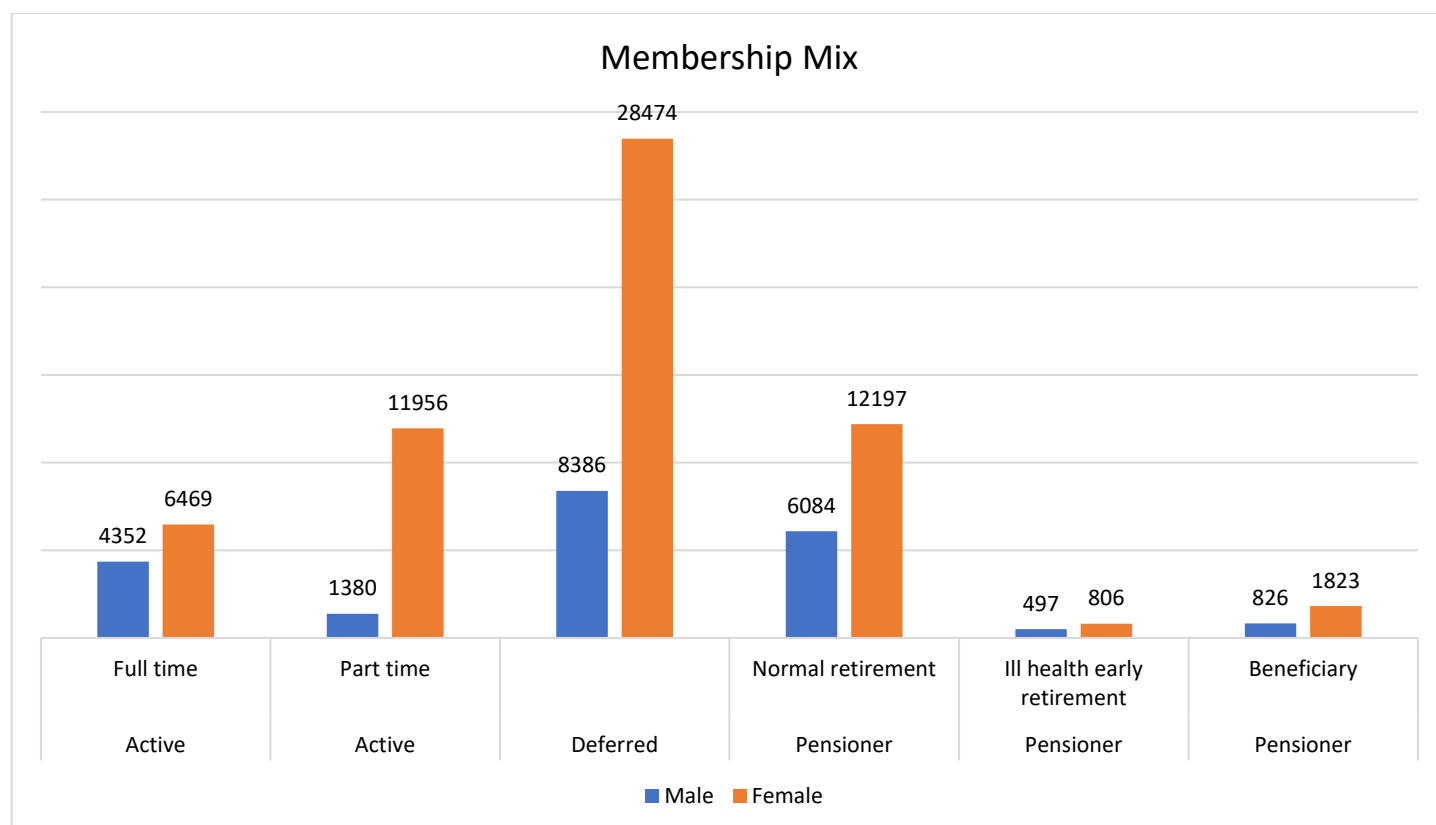
The average deferred pension pot in the West Sussex LGPS is £1,433 per annum (based on the 2022 valuation).

- **Pensioner members**

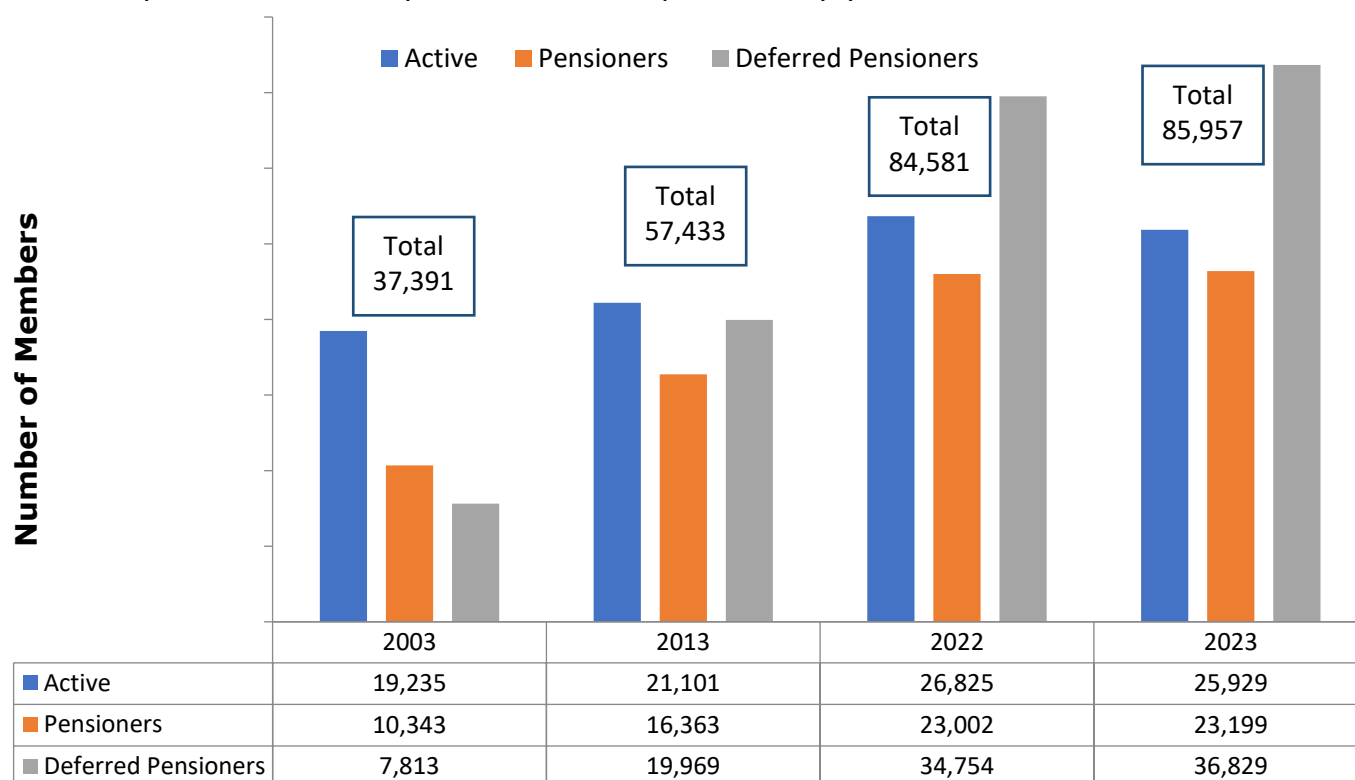
These members are in receipt of a pension from the LGPS, whether based on their own participation in the Scheme or as a beneficiary.

At the 2022 valuation, the average pension in the West Sussex LGPS was £4,884 per annum.

The mix of membership at the 2022 valuation is illustrated below:



Membership has increased by 130% over the past twenty years, as illustrated below.



Scheme Management

The LGPS is a public sector pension scheme, with its rules made, and changed, only with the approval of Parliament.

However, the Scheme is administered locally by pension funds across the country who make decisions about the governance and administration arrangements, how pension contributions are invested, the appointment of advisers and managers and the funding strategy. For the West Sussex LGPS, these responsibilities are delegated to the West Sussex Pensions Committee, who have a collective responsibility to serve the interests of Fund members and employers.

The Pensions Committee are supported by the Pension Advisory Board who help the Pension Fund comply with the LGPS rules, overriding pensions legislation and guidance from the Pensions Regulator.

Senior officers of West Sussex County Council also have responsibility to manage the scheme operationally and advise the Pensions Committee in how it discharges its responsibilities in relation to the Scheme.

The Pension Fund's full Governance Statement (PDF) can be found [here](#) and information about meetings of the Pensions Committee and Pensions Advisory Board are published on the website.

The Pensions Committee has appointed third-party investment managers to manage the assets of the Fund according to set mandates. These mandates reflect long term performance expectations and require that appointed managers consider several factors – including financial – when making decisions about which companies to buy, sell and retain.

Information about the managers and advisers to the Fund and Pension Committee and Pension Advisory Board members can be found in [Appendix 1B – Officers and Advisers](#).

The Pension Fund and its Performance

The LGPS is paid for by member and employer contributions, and investment returns.

Members are paid their benefits at the point of retirement based on their pay and length of participation - it is not dependent on the returns achieved on the Fund's assets.

The table below summarises the Pension Fund's accounts for 2021/22 and 2022/23.

Net Assets	2021/22 £'000	2022/23 £'000
Net assets of the Scheme at the start of the year	5,483,193	5,494,106
<u>Receipts</u>		
Member contributions	32,142	35,088
Employer contributions	111,547	116,646
Transfers in by members from other pension schemes	9,064	12,315
Other	102	7
<u>Investments</u>		
Investment income	58,083	122,867
Decrease on investments	-59,402	-284,155
<u>Payments</u>		
Benefits paid	-120,440	-129,432
Management expenses	-12,801	-20,700
Payment to and on account of leavers	-7,383	-10,041
Net assets of the Scheme at the end of the year	5,494,106	5,336,704

Additional information about the Pension Fund's administration, management and transactions costs, overpayment recovery and contribution receipts can be found in [Appendix 2B – Further Financial Information](#).

NOTE:

1. Figures subject to final approval by the Regulation and Audit Committee in December 2023.
2. There is a difference on the total due to roundings.

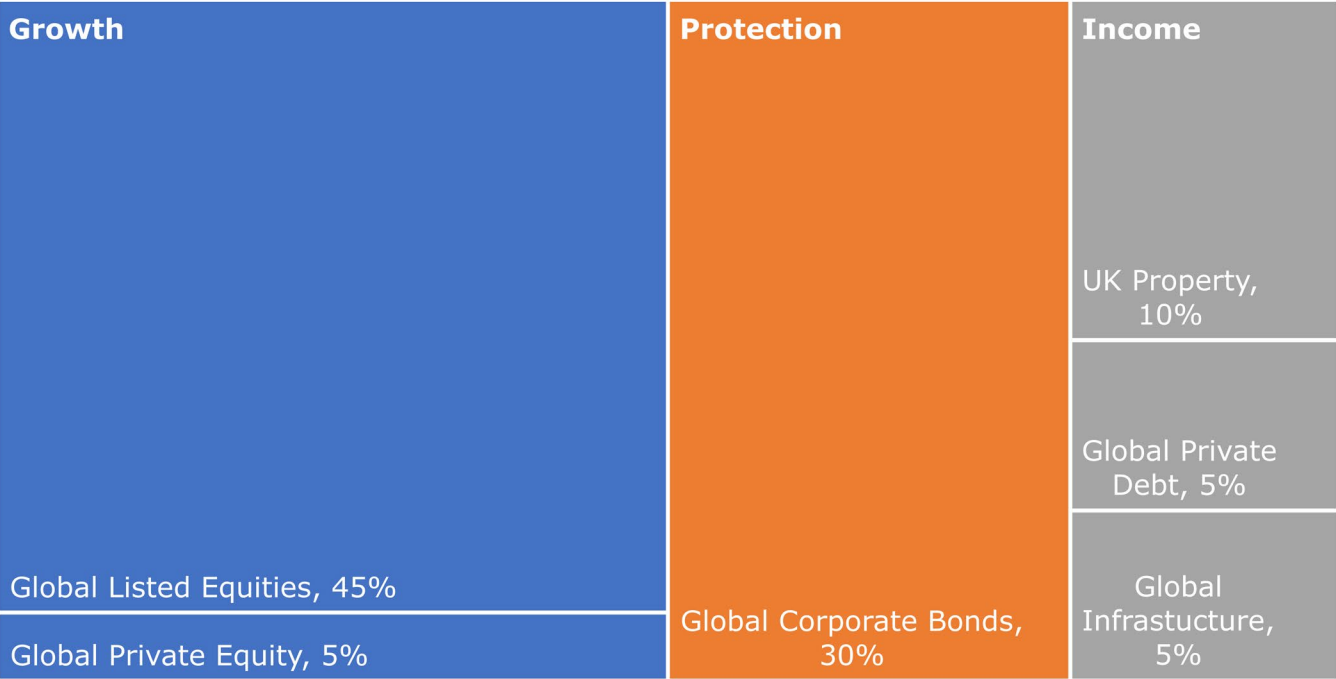
Investment Assets

The Pensions Committee has responsibility for determining and implementing the investment strategy of the Fund to pay benefits and to manage the cost of the Scheme.

The strategy invests Fund money in a wide variety of investments and is based on detailed advice from the Fund Actuary, Investment Consultant, and Investment Adviser through the completion of Asset Liability Modelling work.

The current strategic asset allocation is illustrated below.

- Growth assets** are expected to provide returns in line with equity markets.
The Pensions Committee have recently invested in one equity fund which does not invest in tobacco, fossil fuels and controversial weapons, or in companies whose conduct indicate corruption or violation of human rights. The other equity fund invested in is managed in line with the objectives of the Paris Agreement and screens out carbon intensive companies that do not, or will not, play a major role in the energy transition.
- Income assets** provide an additional income stream for example from rents on property or interest payments on loans.
Whilst property has been part of the portfolio for a long time, the Pensions Committee have recently made their first investment in private debt funds and made their first allocation to a global infrastructure fund, investing £250m in the JPMorgan Infrastructure Investment Fund. Private debt refers to making loans to companies to typically finance company growth, acquisitions, mergers and buy outs. Infrastructure refers to the basic facilities and system serving a country, region, or community and includes transport networks, utilities, and power distribution.
- Protection assets** store value and reduce volatility the of funding levels relative to variations in interest rates and inflation pricing, such as bonds.
The Pensions Committee have recently reduced its holdings in government bonds in favour of corporate bonds, reflecting the higher long term anticipated returns.



The strategic asset allocation, illustrated above, reflects the long-term weighting to various asset classes. However, it is expected that the actual positions will vary against target in the shorter term, reflecting market movements and the pattern of transactions within the underlying portfolios.

Whilst this can have an impact on the overall portfolio return, the Committee believes that it should not take short term decisions. Rebalancing can however be used to avoid any unintentional deviation, although no rebalancing was required during the year.

The table below sets out the asset allocation on 31 March 2023 against the strategy:

	£'000	% Of Fund value	Strategy %
Listed Equities	2,701,752	50.8	45.0
Private Equity	141,907	2.7	5.0
Total Growth Assets	2,843,659	53.5	50.0
Direct Property	490,475	9.2	10.0
Private Debt	196,652	3.7	5.0
Infrastructure	259,276	4.9	5.0
Total Income Assets	946,403	17.8	20.0
Bonds	1,508,459	28.3	30.0
Total Protection Assets	1,508,459	28.3	30.0
Other Investments	25,663	-	-
Total	5,324,185	100.0	100.0

NOTE:

1. Figures subject to final approval by the Regulation and Audit Committee on 01 December 2023.
2. The total does not include cash internally managed by WSCC on behalf of the Pension Fund of £7.6m (31 March 2022: £6.4m)
3. Legacy private equity commitments are in run off.
4. Differences in the total are due to roundings.

Investment Performance

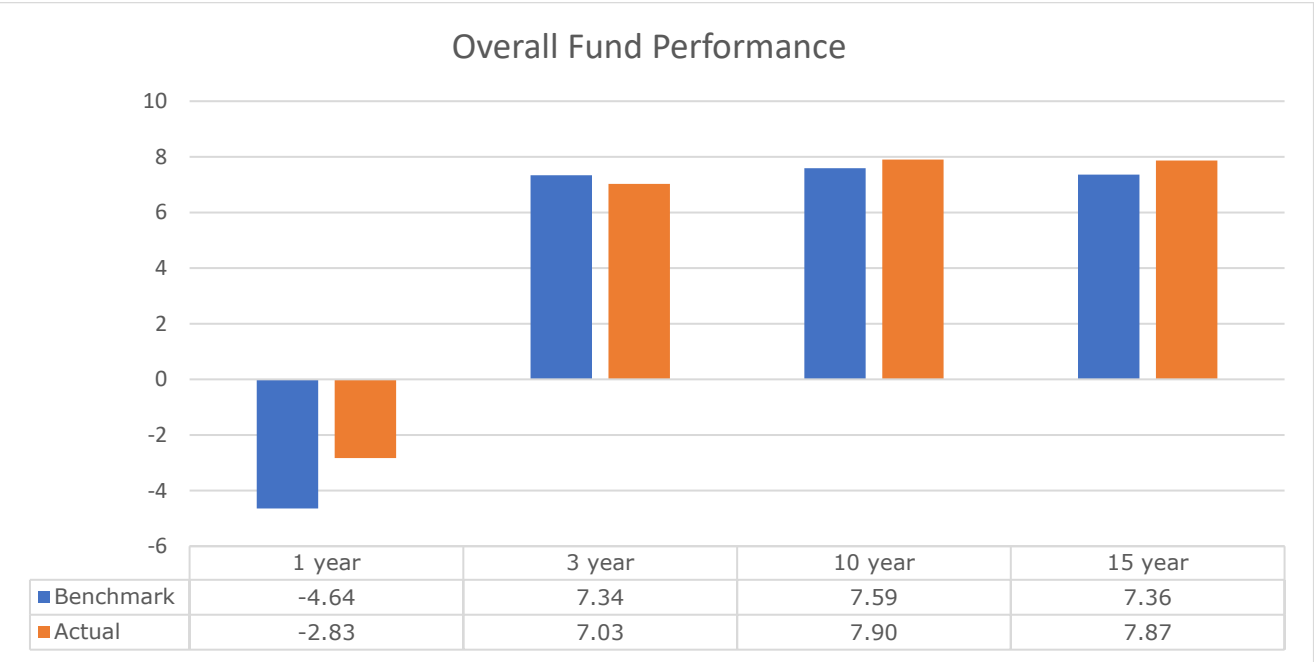
The Fund’s overall performance over the year and longer term is illustrated below.

The market environment over the twelve months to 31 March 2023 has been challenging, with uncertainty continuing to govern the economic outlook.

The continued war in Ukraine prompted shocks in the global energy markets which were exacerbated by supply chains disruptions and lockdowns in China earlier in the year.

Consequently, there has been a surge in inflation, with aggressive interest rate rises by many central banks placing increased pressure on the financial systems.

Whilst markets have been negative during the year, overall the Fund has outperformed its benchmark.



This outperformance is in part because of the Pension Fund having more in equity assets than its strategic asset allocation during a period. Because equity markets overall returned -1.0% at a time when other asset classes, such as bonds or property, were returning -10.3% and -13.0%, holding more than the strategic allocation in these relatively better performing asset classes was beneficial. Outperformance will also be because of individual stock selection decisions by the managers.

Further detail about performance by individual manager can be found in [Appendix 4 – Investment Performance](#) and in the following pages.

Growth assets

The Fund has allocated 45% of its portfolio to listed equities and 5% to private equity to provide portfolio growth and reduce the contribution required from employers.

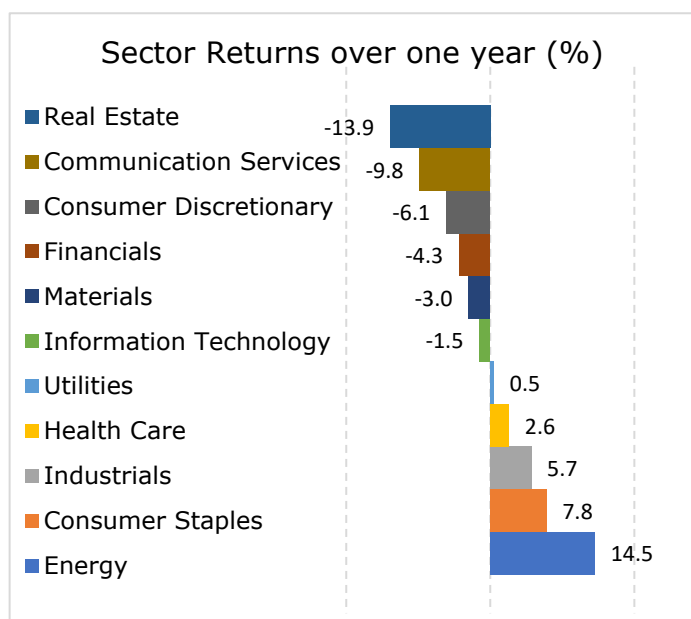
Listed Equities

The Fund's listed equity portfolio is held in two funds. Both equity managers hold high quality companies or those they believe will deliver substantial growth in the future, and exposure to industries, sectors, and countries is the result of where the managers typically find the best companies rather than a market index. This can mean that the performance is quite different to the market.

To put this into context as at the 31 March 2023, the equity funds comprised 125 companies out of approximately 3,000 within the market index and whilst the portfolios had no holdings in the energy sector, which was by far the best performing industry over the year, over 40% of the portfolio was held in companies defined as Consumer Staples which provided a return of 8%. These defensive and high-quality companies shielded the portfolio from some of the market volatility.

The chart below illustrates the market returns for the year by sector alongside table showing the Fund's weightings as at 31 March 2023.

Over the year the equity portfolios invested in by the Fund returned +2.6% against a benchmark of -1.0%.



Sector	Equity Weighting
Real Estate	0%
Communication Services	2%
Consumer Discretionary	16%
Financials	2%
Materials	4%
Information Technology	4%
Utilities	0%
Health Care	19%
Industrials	9%
Consumer Staples	42%
Energy	0%

Private Equity

The private equity portfolio is held by the Fund as a diversifier and an opportunity to provide additional return compared to the listed equity market. This additional return is in part because of its long-term nature.

Within the sector during the year, the initial strong activity - driven by post pandemic rebound - was followed by a significant drop off because of uncertainty and falls in the public markets.

Whilst short term performance figures for private equity should be treated with some caution, over the year the total private equity return was +16.8% against a target of -0.7%.

Income assets

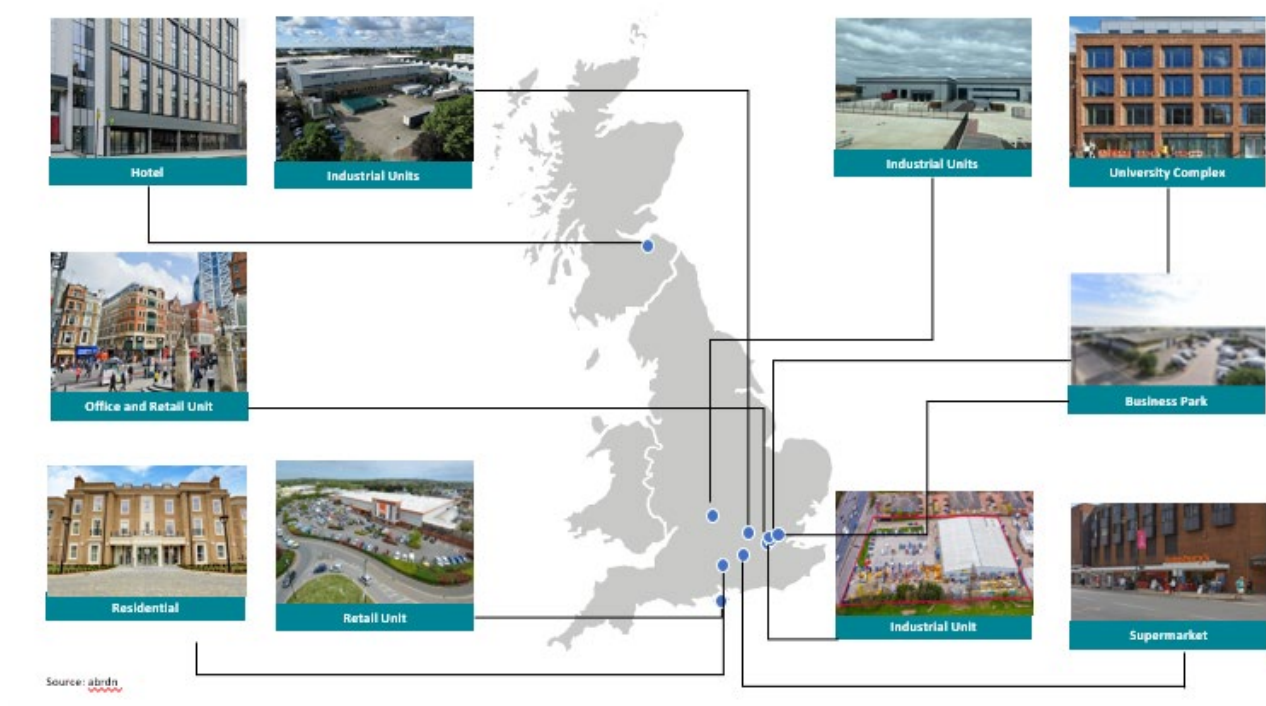
The Pension Fund needs to ensure that there is enough cash in the bank to pay benefits whilst allowing other investments to be held for the longer term is important. To achieve this the Fund invests in asset classes which produce income. The Fund has allocated 10% of its portfolio to property, a 5% allocation to private debt and a 5% to infrastructure investments.

Property

The Fund's long-term strategic aim is to hold a low-risk portfolio to provide the target return over the long term.

The repricing of the commercial property market during the year has impacted overall returns with interest rates rises (and the cost of debt) continuing to affect asset pricing,

The portfolio includes 33 properties across the UK from industrial and retail units, supermarkets, University buildings and a hotel. 47% of the portfolio relates to industrial, which was one of the strongest performing sections. Notwithstanding this, the portfolio returned -13.3% against a market index -13.0% over the last year. The picture below shows the ten largest holdings in the portfolio.



In addition to valuations, income is an important deliverable from the portfolio. The strong rental income (£23.5m for the year) and minimal voids played favorably on performance.

Private Debt

Private Debt consists of loans to companies which are not provided by banks or public markets and instead are provided by private investors. The approach taken to private debt aligns with the other investment portfolios – well researched, quality opportunities sourced by managers who actively engage with the company.

During a time of rising capital costs and tightening financial conditions from conventional lenders, demand for private credit providers has increased. As with private equity, short term performance needs to be seen in context but during the year, the portfolios returned 22.6%

against an index of 6.0% with sectors such as healthcare and biotech, technology and software, communication and education business holding up relatively well over the short term.

Infrastructure

The fund invests in an infrastructure fund, which itself holds investments in utilities, transportation and renewable energy. During the year, the infrastructure fund made significant acquisitions to expand its portfolio, including a US utility company with a focus on decarbonisation and a global renewables company. This reflects the fund managers approach to reducing the carbon footprint across the portfolio.

The return for this investment for the year was 5.1% against an index of 8.0%.

Protection Assets

Whilst it is important to reduce the cost of benefits through investment returns, it is also important to protect the strong funding position that has been built up. The Fund has allocated 30% of its portfolio to bonds to act as its 'stabilisers' by reducing year on year volatility and reduce the chances of poorer funding outcomes over the medium / long term.

Bonds

Global bond markets had a volatile year, with corporate bonds outperforming government bonds.

At the end of March, the Bank of England Base Rate reached 4.25%. 12 months earlier it was 0.75%. This rapid tightening of monetary policy in response to inflation created a challenging backdrop for bonds and returns were negative. Recent stresses in the banking sector with the collapse of Silicon Valley Bank and Credit Suisse show the 'risk of something breaking' due to higher interest rates is quite likely and further volatility in bond prices is to be expected. better valuations as they emerge.

While absolute returns for the bond portfolios were negative (-11.5%) net, the fund portfolios marginally outperformed their benchmark index (-11.8%). Portfolio managers had expected UK gilt yields to rise and therefore positioned the portfolio with an underweight relative to the index, contributing positively to relative returns. They had also been more attracted to certain overseas sovereign bonds such as Australia, Peru and South Africa, and each has performed well more recently.

Stewardship

To support the approach to long term stewardship the Fund seeks to integrate Environmental, Social and Governance issues throughout its investment decision-making process, from setting investment strategy to monitoring the Fund's investment managers – taking appropriate advice.

There are several initiatives which the portfolio managers participate which recognise the importance of ESG risk and opportunities within the investment process and represent thought leadership and policy advocacy. Some of these are described below:



All the Pension Fund's managers are signatories to the United Nations [Principles for Responsible Investment](#). By being a signatory, the investment managers have committed to incorporating ESG issues into investment analysis and decision-making processes and for their active ownership practices to promote responsible investment principles.



Most managers appointed by the Pensions Committee are supporters of the [Taskforce for Climate Related Financial Disclosures \(TCFD\)](#). This has been set up in recognition that understanding the financial risks and opportunities related to climate change and the potential financial implications relies on businesses disclosing clear, comparable and consistent information.



Each of the Pension Fund's equity and bond managers ([Baillie Gifford](#), [Fidelity](#) and [Macquarie](#)) are signatories to the UK Stewardship Code. This sets high stewardship standards for asset owners and asset managers, and for service providers that support them. By being a Stewardship Code signatory, the managers have been able to demonstrate their purpose, investment beliefs, strategy, and culture enable stewardship that creates long term value for investor.



Several of fund managers appointed by the Pensions Committee are investor participates in Climate Action 100+ which is a direct engagement focused collaboration with companies that are critical to the net-zero emissions transition.



The Fund's appointed property investment manager measures the property portfolio against the Global Real Estate Sustainability Benchmark (GRESB) assessment process. The portfolio received a 3-star rating (the maximum is five) reflecting the good policies and procedures in place to integrate and manage ESG risks.

The Pension Fund's infrastructure manager (JP Morgan) also participates in GRESB. The portfolio received a 4 star ranking in 2022 (the maximum is five).

In addition to benchmarking to inform continuous improvement, participating in GRESB allows managers to share ESG learnings and best practices and proactively engage and collaborate with the industry.

The Pension Committee also expects each of the fund managers to work with companies to deliver a positive and measurable societal and/or environmental outcome, combined with an appropriate level of financial return. Examples are below:



Global consumer delivery company

Engagement with the company's head of ESG to discuss a broad range of ESG topics including climate strategy, unionisation and employee health and safety.

Ongoing progress to company's climate strategy and enhanced disclosure on health and safety statistics were provided.



Sustainable innovation

Engagement with 35 companies during voting season to understand how these companies are considering sustainability factors in their innovation processes.

All companies engaged to confirm that sustainable innovation was a strategic opportunity and an important area for the companies to increase value and revenue.



Building materials company

Establish engagement priorities as part of the Climate Action 100+.

As part of our collaborative engagement three key priorities were requested from the company to integrate the costs of external and internal carbon initiatives into its accounts, improve disclosure around carbon targets and lobbying and understanding decarbonisation innovation.



Russia / Ukraine

Engagement with management to understand the portfolios exposure towards Russia and or Ukraine by identifying how much revenue, production and procurement the individual portfolio companies could assign to the two countries.

No direct material exposure or significant financial indirect exposure was recorded.



Financial Services company

Discussion of CEO succession after current CEO will step down after 10 years leading the group.

Satisfied that the succession progress is in hand – current CEO will stay on until handover to new CEO is completed.

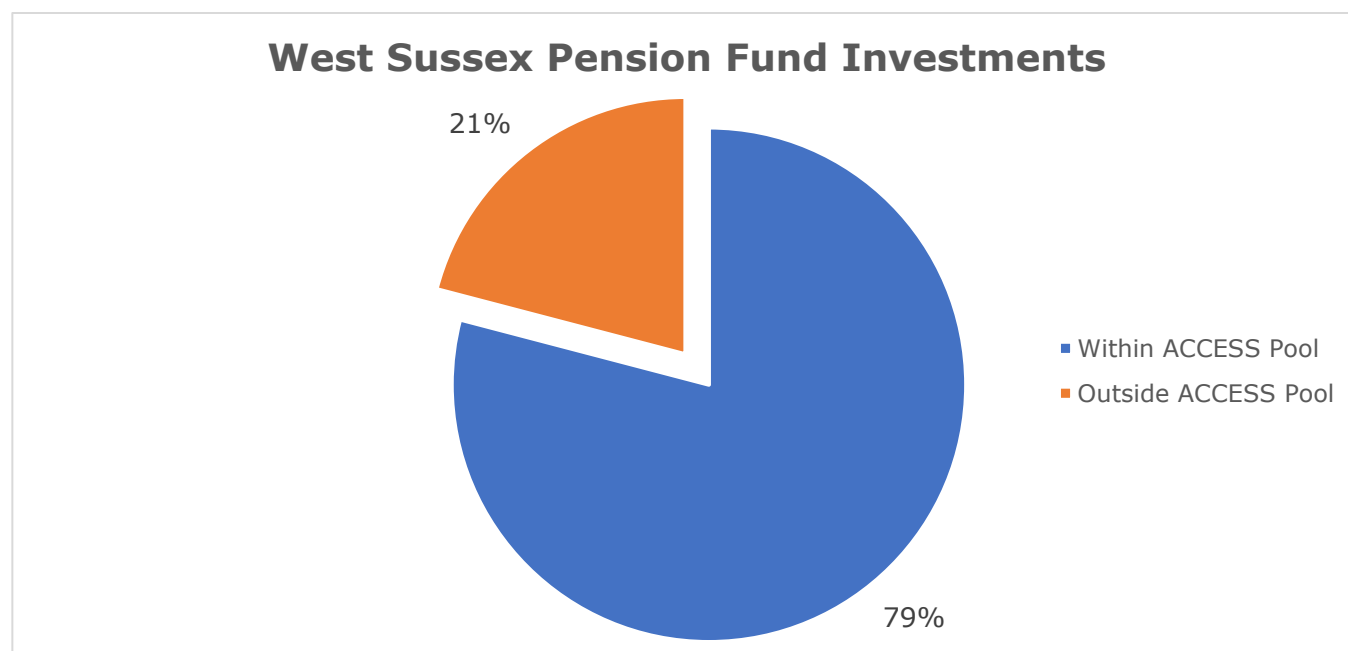
Investment Pooling

In 2016 the Government required LGPS Authorities to work together to achieve benefits of scale, improve governance and decision making, provide excellent value for money and provide improved capacity and capability to invest in infrastructure.

West Sussex collaborates with ten other LGPS funds (shown below) to form the ACCESS pool in order to meet the Government's objectives by making available a range of asset types to meet locally decided investment strategies, whilst also ensuring local democratic accountability and the ability of authorities to continue to meet their fiduciary responsibilities.



To date West Sussex have transitioned all equity and bond investments to funds established by the ACCESS pool. The chart below illustrates the investments made via the ACCESS Pooling arrangements on 31 March 2023.



Work is underway to make arrangements for the pooling of illiquid assets including private equity, private debt, infrastructure and real estate.

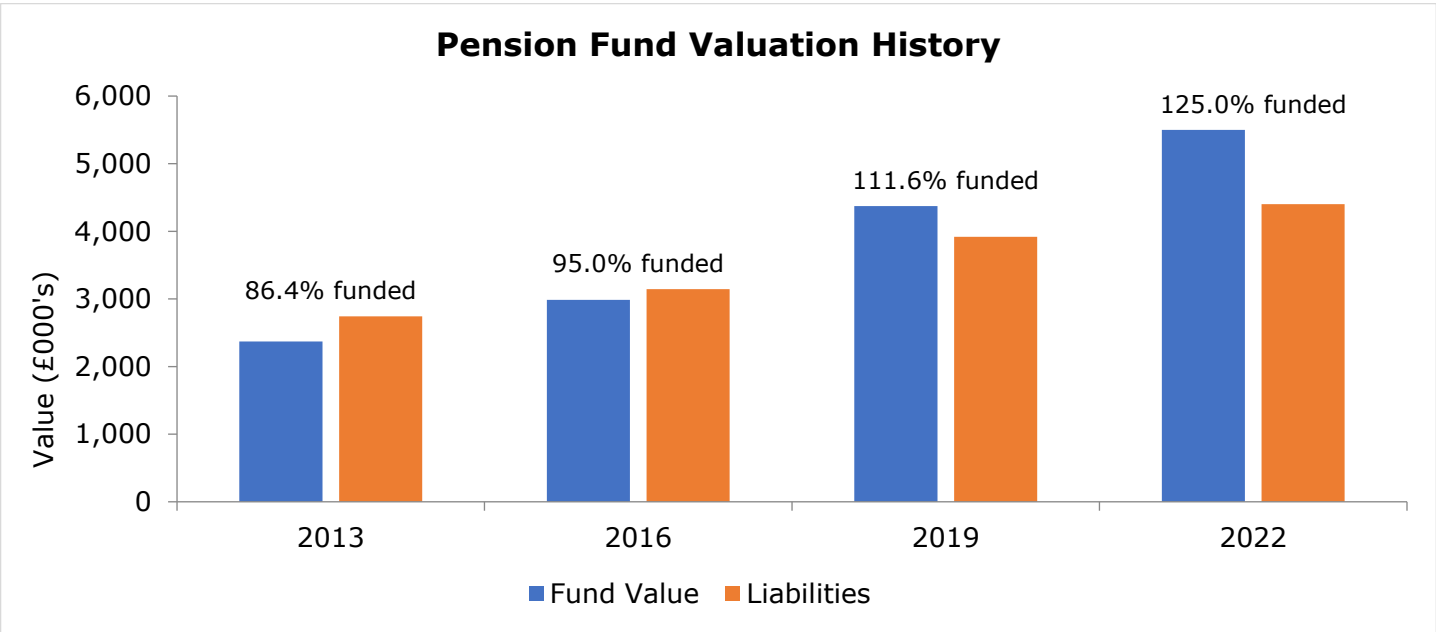
However, the West Sussex Pension Fund intends to retain its existing direct portfolio allocations outside the Pool because the portfolio has been built to its specific target requirements and the required levels of diversification, any movement of these holdings would have significant cost implications, such as Stamp Duty Land Tax (SDLT), and previous cost analysis shows that increasing direct mandate size does not result in incremental costs savings.

The Annual Report for ACCESS can be found on its [website](#).

Funding Position

A key health check of the Pension Fund’s performance is the Pension Fund’s valuation which is carried out by the Fund’s actuary every three years.

Work has been completed on the 31 March 2022, the funding level at this date was 125%, (31 March 2019: 112%, 31 March 2016: 95%).



Administration Performance

A key objective of the Fund is to deliver a good administration service to all stakeholders with processes and procedures to ensure that good quality information is held, that it receives all income due and makes payments to the right people at the right time.

Hampshire County Council has provided the Pension Administration service for the Fund since 4 March 2019. The equivalent of 27 full time members of staff are assigned to the administration of the Fund, this has increased from 25 in 2021/22. The average number of cases per staff in 2022/23 was 796 and the ratio of staff to fund members is 1 to 3,431.¹

It is considered that the Fund demonstrates value for money through its performance over the year, particularly:

- **Number of complaints**

Members and employers are invited to provide feedback about their experiences of dealing with the Fund, to assist with improving the service. The Pension Fund webpages contain the [compliments and complaints process](#). During 2022/23, nine formal complaints were received, compared to ten in 2021/22. There were no trends in the complaints, and they were not considered to identify a consistent failure or poor service. As part of the complaint resolution process, actions to prevent recurrence are considered and put in place if necessary.

- **Number of compliments**

Twenty-six compliments were received in 2022/23. These included comments on customer service and communication.

- **CSE Accreditation**

Re-assessment was completed in January 2023. The administration team continue to meet the required Customer Service Excellence (CSE) standard and continue to meet the required CSE standards across the 57 areas assessed. Key strengths highlighted included putting the customer at the heart of service delivery and ensuring services are easily accessible to all customers through a provision of a range of alternative channels.

- **Use of Technology**

The Fund believe that the effective use of technology and self-service will improve the administration service to members and employers. Over the year just over 6,000 additional members (an increase of 21%) have registered to utilise the Member Portal meaning that 35,042 members can now use the system to receive benefit statements, run estimates and download payslips (where applicable). The number registered on the Employer Portal as of 31 March 2023 is 163, compared to 144 as at 31 March 2022.

- **Performance against Administration Strategy**

The administration team have achieved 100% compliance in the performance indicators as listed in the case type table on the next page. In addition, 99.5% of Annual Benefit Statements and 100% of required Pension Savings Statements were published within the statutory deadline.

¹ Analysis based on 19,895 cases (compared to 19,996 cases in 2021/22 and 18,574 cases in 2020/21). This includes all cases listed in the Administration Strategy analysis plus changes of address, bank details and death grant nominations, refund quotes, general record maintenance and all Payroll related work but excludes bulk processing (such as applying pensions increase, processing annual returns, producing annual benefit statements and providing the valuation data) and the handling of phone calls and emails from members and employers has not been included.

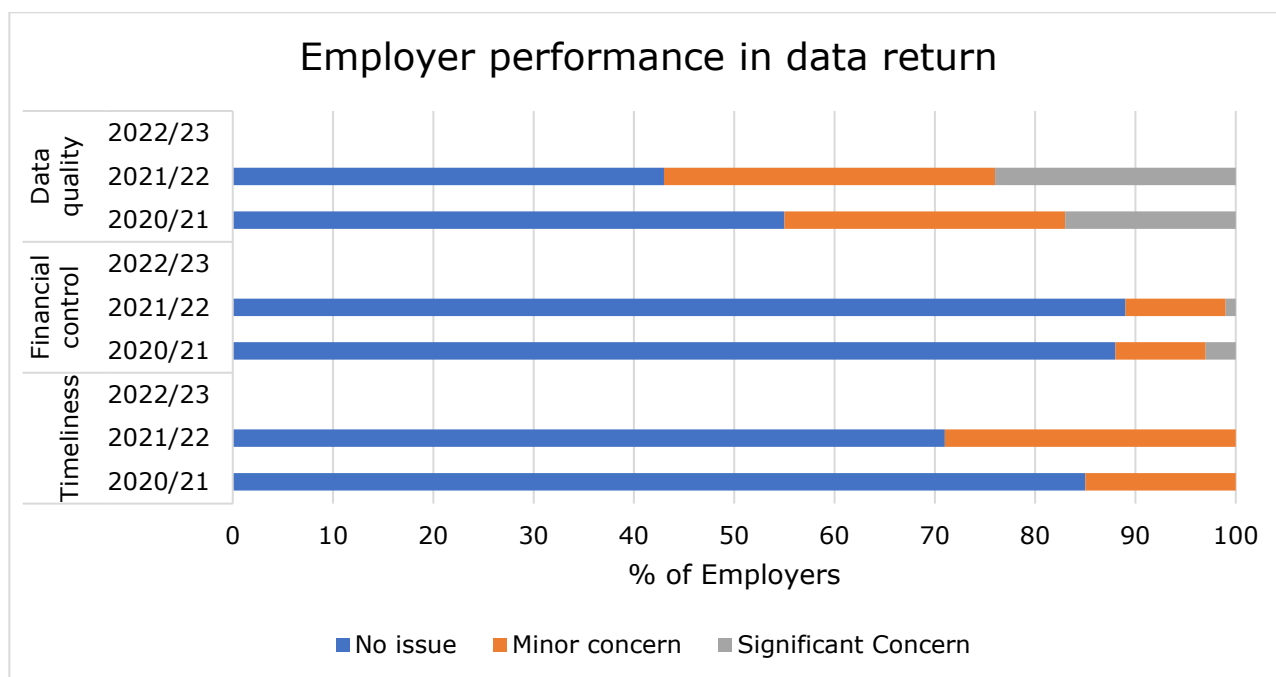
Case Type	No. Cases	Target working days	% On target
Change in Member Details -updating the member records to reflect informed change of details.	175	15	100%
Death Benefits – to acknowledge in writing that we have been notified of the death of a member and include claim forms.	623	5	100%
Death Benefits – notification to beneficiaries and advise of their entitlements including method of calculation.	474	15	100%
Divorce Estimates – to provide estimates/actuals for pension sharing.	144	15	100%
Leaver Forms – notification of benefits and rights to deferred member upon receipt of all necessary information.	3,501	30	100%
Leavers – repay contribution with less than two years membership upon receipt of all necessary information.	546	20	100%
Leavers – payment of individual transfers out upon receipt of all necessary information.	311	15	100%
Leavers – bulk transfers out will be agreed between the Administering Authority, its Actuary the Administrator and the Receiving Scheme.	0	Individual case basis	n/a
New Starters – set up member record once new starter form received.	5,230	20	100%
New Starters – notification to member of transfer in of pension payment and update the members pension record.	267	15	100%
New Starters – bulk transfers the performance level will be agreed between the Administering Authority, its Actuary the Administrator and the Predecessor Scheme.	0	Individual case basis	n/a
Payment of Retirement Benefits once receipt of all necessary paperwork has been received.	1,283 ²	15	100%
Retirement Estimates once accurate pensionable pay detail have been received from an Employer.	337	15	100%

² The figures shown are the number of cases processed during the year. However there were 1,264 actual retirements between 1 April 2022 and 31 March 2023 Of these 28 were ill health early retirements, 35 were as a result of redundancy and 1,201 were voluntary retirements (i.e. a member reaching normal retirement age).

Employer Performance

To ensure the Administering Authority can comply with its statutory regulations, timely and accurate information is necessary from Scheme Employers. As part of the efforts to drive data improvements, the administration team now review Employer Performance for timeliness, financial control and data quality as part of the Annual Return process.

The definition of the performance categories are shown below along with the percentage of employers in each section for the last two years.



Data Quality

Key to the administration of the Scheme is good quality member data to ensure we keep track of each employer's position, collect the right contributions, invest appropriately and pay benefits to members as and when they fall due.

The Pension Regulator requires that the Fund carries out checks against the presence of "common data" which is necessary for basic pension administration (e.g. surname, National Insurance number, date of birth) and "conditional data" which is specific for the administration of the LGPS (e.g. employment records and history). The results for 2022/23 for the Fund are shown below:

Type of Data	Target	2021/22	2022/23
Common Data	100%	98%	98%
Conditional Data	N/A	92%	93%

Risk and Control

Risk Register

The Pension Fund maintains a risk register to identify key risks, consider and assess the significance, likelihood of occurrence and potential impact of the risk. Where possible, measures are then put in place to reduce the risk. The full risk register is presented to the Pensions Committee at the beginning of each financial year and updates and themes are reviewed by the Committee quarterly. The risk register for the year can be found on the Pension Fund website which shows the risk scores and measures in place to mitigate where possible.

Key areas of risk are highlighted below:

Climate risk has the potential to impact Pension Fund investment returns, inflation and life expectancies.	Cyber crime resulting in potential service disruption, financial or data loss.	Increase in variety and number of employers participating in the Scheme resulting in the risk of non-compliance with obligations.
The Fund Investment Strategy is not appropriate to meet the Funds liabilities and cash flow requirements.	Insufficient resources to comply with the Administering Authority's Regulatory responsibilities and ability to deliver the business plan.	Poor quality data resulting in error and misstatement.
Officer, Committee and Board knowledge and understanding resulting in poor decision making and disengagement on key issues and loss of professional investor status under MiFID II.	Ability of asset pool to allow participating authorities to execute their locally decided investment strategies.	Failure to secure value for money through managing contracts with third parties.
Political environment (locally or nationally) impact on investment markets and legislative requirements.	Conflict of interest for members and employers.	Fund not able to implement changes as result of McCloud judgement due to insufficient resources or incomplete information held by employers.

Audit

The internal audit team are responsible for evaluating the effectiveness of the risk management, control and governance processes to support the risk framework. During the year six audits were undertaken as set out below and Southern Investment Audit Partnership (SIAP) also provide an annual report on all audits undertaken to the [Regulation, Audit and Accounts Committee](#) every July.

The internal audit work is in addition to the external audit which is carried out by Ernst & Young LLP and takes place annually. The external audit focuses on the Pension Funds Financial Statements and ensuring that they are prepared in line with CIPFA's Code of Practice.

Title	Scope	Outcome / Opinion
National Fraud Initiative	The Cabinet Office's National Fraud Initiative runs every two years, the most recent one being October 2022. This project provides potential inappropriate payment because of a member being deceased. Of the 258 cases identified four cases required further investigation.	[TBC]
Pensions Payroll and Benefit Calculations 2022/23	To provide assurance that systems and controls ensure that lump sum and on-going payments are calculated correctly, are valid and paid to the correct recipients with all changes to on-going pensions being accurate and timely.	Substantial assurance
Member Deaths 2022/23	To provide assurance that systems and processes ensure that any payments related to deceased members are calculated correctly and paid promptly to the correct recipient, with the risk of overpayments minimised.	Substantial assurance
Pension Transfers 2022/23	To provide assurance that processes and controls to support the accuracy and timeliness of transfers in and out of the schemes managed by the administration team.	Substantial assurance
UPM – Cyber Security	To provide assurance over the Cyber Security arrangements for the Pension Administration (UPM) application.	Reasonable assurance
Treasury Management	To provide assurance that cash flow is adequately planned, with surplus monies invested in line with the Pension Fund's Treasury Management Strategy.	Substantial assurance

Appendices

Appendix 1A – Committee and Board Membership and Attendance

The Pensions Committee and Pension Advisory Board normally meet four times per year. During 2022/23 this was April, July, November 2022 and January 2023.











The Constitution sets out that members of the Pensions Committee are required to acquire and maintain an appropriate level of expertise, knowledge and skills as set out by CIPFA in order to remain members of the Committee. A [Training Strategy](#) (PDF) has been established to support the Pension Committee and Pension Advisory Board members with the necessary skills and knowledge to act effectively in line with their responsibilities.

To support this the Committee and Board have:









- Continued access to the LGPS online Learning Academy (LOLA) which covers all aspects of LGPS. One of the modules is regularly updated with current issues.
- Internal training sessions .
- External training sessions.
- Access to the Pensions Regulator online training.

The following pages summarise the number of meetings attended and the sessions or modules completed by members of the Pensions Committee and Pension Advisory Board.

Pension Committee

Committee Member		Meetings Attended	ACCESS Joint C'ttee	LOLA training	Internal Training	External Training
Jeremy Hunt – Chairman <i>County Councillor Member since 2016</i>		2/4	2/3	1/6	4	2
Stuart Condie <i>County Councillor Member since 2021</i>		4/4		6/6	6	7
Joy Dennis <i>County Councillor Member since 2017</i>		2/4		0/6	6	1
Roger Elkins <i>County Councillor Member since 2018</i>		3/4	1/3	1/6	4	2
Nigel Jupp <i>County Councillor Member since 2017</i>		4/4		0/6	5	1
Mike Kipling <i>Scheduled Bodies Representative Member since 2021</i>		4/4		6/6	6	4
Tim Stretton <i>Member Representative Member since July 2022</i>		3/3		6/6	2	1
John Turley <i>County Councillor Member since 2021</i>		3/4		6/6	3	3
Deborah Urquhart <i>County Councillor Member since 2013</i>		4/4		6/6	4	2
Peter Wilding <i>District Representative Member since April 2022</i>		4/4		0/6	6	4

Pension Advisory Board

Board Member		Meetings Attended	LOLA training	Internal Training	External Training	tPR Toolkit
Peter Scales - Chairman <i>Independent Member since 2015</i>		4/4	6/6	4	0	Complete
Becky Caney <i>Member Representative Member since 2018</i>		4/4	6/6	4	1	Complete
Richard Cohen <i>Employer Representative Member since 2015</i>		4/4	6/6	4	0	Complete
Chris Curry <i>Member Representative Member from September 2022 to February 2023</i>		1/2	0/6	2	0	x
Miranda Kadwell <i>Employer Representative Member since 2018</i>		3/4	6/6	3	3	Complete
Kim Martin <i>Employer Representative Member since 2016</i>		4/4	6/6	4	4	Complete
Christopher Scanes <i>Member Representative Member from 2015 to July 2022</i>		0/1	6/6	2	0	Complete
Tim Stretton <i>Member Representative Member from 2017 to July 2022</i>		1/1	6/6	2	0	Complete
Richard Walton <i>Member Representative Member since September 2022</i>		3/3	6/6	1	0	Complete

Appendix 1B – Officers and Advisers

Officers of the Fund

Scheme Manager (and s151 officer) – Taryn Eves

Scheme Manager - Tony Kershaw

Pension Administration

Responsibility for administration of the Scheme was transferred to Hampshire County Council with effect from 4 March 2019.

Investment Managers

The Pension Fund invests money not required immediately to pay benefits into a portfolio of equities, bonds, property, private equity, private debt and infrastructure via external managers.

Cash is also managed by WSCC's Treasury Management Team in accordance with the [Treasury Management Strategy](#)(PDF).



LGPS Asset Pool

As part of the summer Budget in 2015, the Chancellor announced that administering authorities were required to pool LGPS investments, to deliver significantly reduced costs while maintaining overall investment performance. In response WSCC joined with ten other authorities to create the ACCESS LGPS Asset Pool.

Link have been appointed as Operator to the ACCESS ACS Pool which provides the sub-funds available for authorities to invest.

Fund Actuary

Member contribution rates are fixed by Central Government. However the Actuary is required to set employer contribution rates to ensure benefits under the Scheme are properly funded. The County Council has appointed Hyman Robertson as Fund Actuary.



Independent Adviser

Caroline Burton has been appointed to support the Pensions Committee through reviewing investment activity, giving advice on general investment matters, assisting in the selection of new managers and offering a practical approach to address and control risk. Caroline was an Executive Director-Investments at Guardian Royal Exchange plc for a number of years and is currently a non-executive director at an investment related company.



Internal Auditor

Southern Internal Audit Partnership (SIAP) provides our internal audit service to assist WSCC in ensuring it has appropriate risk management processes, control systems, accounting records and governance arrangements in place.



External Auditor

Ernst & Young have been appointed as external auditors for WSCC to give a view of the financial transactions of the Pension Fund and the amounts and presentation of the fund's assets and liabilities.



Custodian

A global custodian arranges for the safekeeping of the Fund's assets (excluding property, private equity, pooled investments and some cash), settlement of transactions effected by fund managers, timely collection of income and other administrative actions. Northern Trust were appointed by the County Council to provide global custody services and performance measurement service since July 2019.



Legal Adviser

West Sussex County Councils legal services team provide advice for advice covering conveyancing, investment and employer issues.



AVC Provider

All LGPS Funds have an Additional Voluntary Contribution (AVC) arrangement in which employees can invest money deducted directly from pay. This is arranged through an AVC provider, often an insurance company or building society. These schemes provide members with a flexible and tax-efficient way of topping up their retirement benefits. The current provider is Legal and General. Some members retain AVC investments with Standard Life.



Appendix 2A – Statement of Accounts

The draft accounts were published by 31 May 2023, in line with the Statutory deadline.

The draft accounts are subject to external audit and will be available on the Pension Fund website following final approval by the Regulation Audit and Accounts Committee on 01 December 2023.

Appendix 2B – Further Financial Information

NOTE: Figures subject to audit and consideration by the Regulation and Audit Committee on 01 December 2023

Ongoing Investment Management Costs

The table below shows the analysis of the investment management costs by type and between assets invested via the Link / ACCESS Asset Pool and those held outside the pooling arrangement for 2022/23. Assets are held outside the pooling arrangement where ACCESS does not have an investment vehicle available for the Fund to implement its investment strategy or it does not represent value for money to transfer the assets.

Category	Asset Pool			Non-Asset Pool			Fund Total
	Direct £'000s	Indirect £'000s	Total £'000s	Direct £'000s	Indirect £'000s	Total £'000s	
Costs							£'000s
Investment Management Fee	10,534	-	10,534	6,266	3	6,268	16,802
Performance Fees	-	-	-	883	-	883	883
Transaction costs	105	-	105	327	-	327	432
Custody	-	-	-	21	-	21	21
Total	10,638	0	10,638	7,497	3	7,500	18,139

NOTE:

1. There is a difference on the totals due to roundings.

A Code of Transparency covering investment management fees and costs was developed and approved by the national Scheme Advisory Board (SAB) and launched in May 2017. Fund managers to the LGPS are being encouraged to sign up to this Code. Each of the West Sussex Pension Fund managers are signatories to the Code. Further information about the Code can be found on the SAB's website.

Recovery of Overpayments

Overpayments mainly occur when pension payments have continued after a pensioner has died but could also relate to divorce cases or children's' pension payments. The invoices raised to cover this are analysed below:

Description	2021/22 £'000	2022/23 £'000
Brought Forward	74	79
Overpayment	30	53
Recovered	-21	-40
Adjustments	-4	-5
Written Off	0	-25
Carry Forward	79	62

Administration and Management Costs

Each Administering Authority is required to provide the Department for Levelling Up, Housing and Communities (DLUHC) with information about its administration and fund management for inclusion in the National Accounts (the SF3 Return) and this information can be used as a benchmark.

This SF3 benchmark comparator is available for the prior year. Therefore the table below compares the Pension Fund's costs per member for 2021/22 against other Local Authorities SF3 Return alongside comparative information for 2020/21 WSPF only for 2021/22. Information for 2022/23 will not be available until Autumn 2023.

Type of cost	2020/21 SF3 £	2020/21 WSPF £	2021/22 SF3 £	2021/22 WSPF £
Administrative, oversight, governance and investment management	274.34	471.97 ³	320.20	151.22 ⁴
Administrative, oversight and governance costs only (excluding investment management)	35.90	26.90	37.89	26.86

³ This figure includes a performance fee which crystallised in 2020/21 following the end of a contract. This payment has since been reduced but the figures have not been adjusted.

⁴ The Investment management fees includes the credit for the reduction of performance fees agreed, as stated in point 3.

Member Contribution Rates

The rates for member contributions are set nationally and is based on pay. The contribution table for 2022/23 and 2023/24 for the Main Scheme is below. The LGPS offers a member the flexibility to pay half their normal contribution rate and build up half their normal pension.

The contribution rates and/or pay bands are reviewed periodically and may change in the future. This is to maintain an average contribution from employees of 6.5% nationally and to ensure the long term costs of the LGPS are managed.

Pay Bands 2022/23 Actual pay for employment	Contribution Rate	Pay Bands 2023/24 Actual pay for employment
Up to £15,000	5.5%	Up to £16,500
£15,001 to £23,600	5.8%	£16,501 to £25,900
£23,601 to £38,300	6.5%	£25,901 to £42,100
£38,301 to £48,500	6.8%	£42,101 to £53,300
£48,501 to £67,900	8.5%	£53,301 to £74,700
£67,901 to £96,200	9.9%	£74,701 to £105,900
£96,201 to £113,400	10.5%	£105,901 to £124,800
£113,401 to £170,100	11.4%	£124,801 to £187,200
More than £165,001	12.5%	£187,201 or more

Appendix 3 – Contributions by Employer

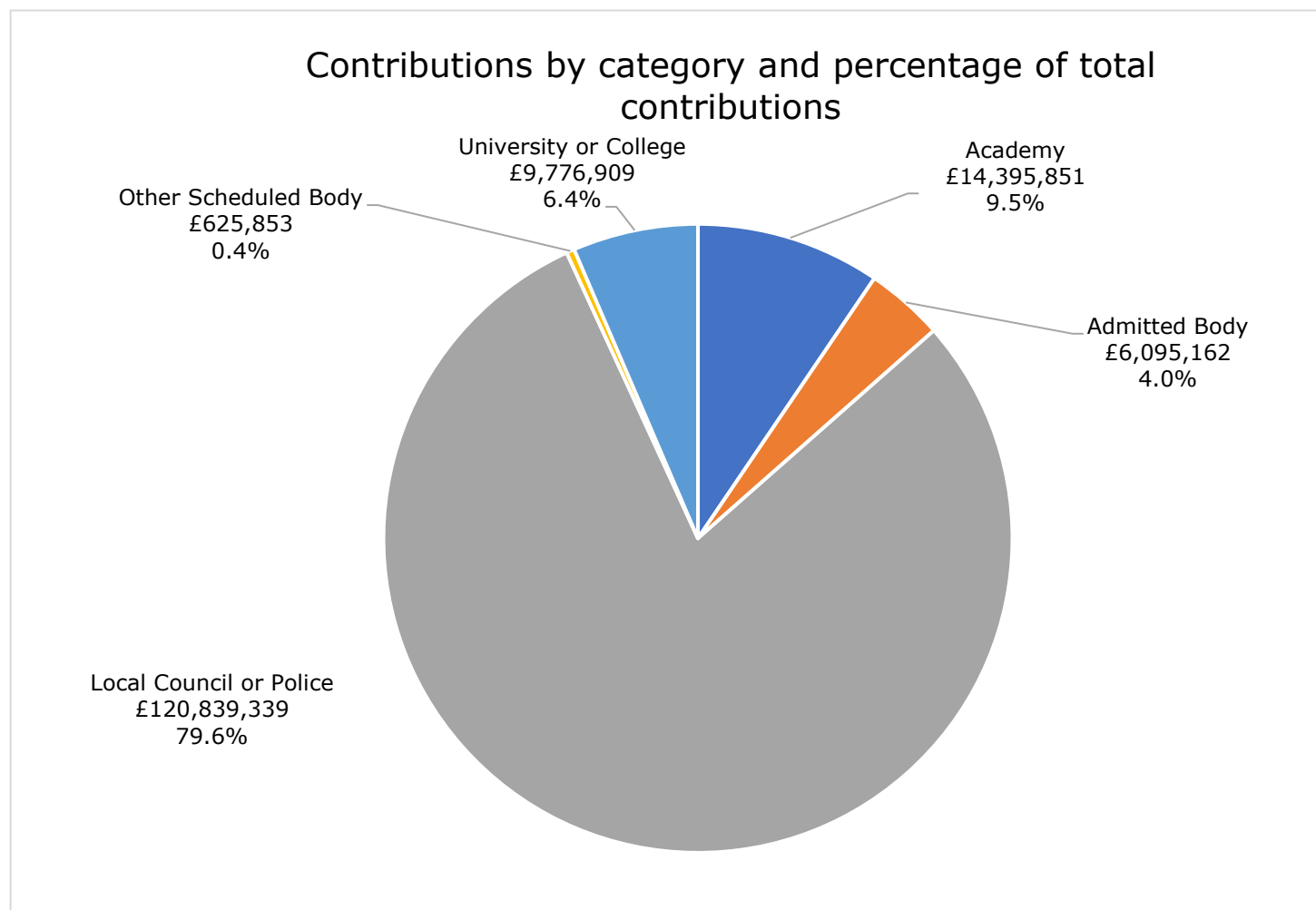
Contribution Receipts

The table below shows some key statistics for contribution receipts for 2022/23. Contributions, which are collected and paid over by employers, must be received by the Fund by the 22nd of the month following the deduction from pay.

Description	2021/22	2022/23
Number of employers paying contributions	212	227
Contributions received – Employer (£000)	111,547	116,645
Contributions received – Employee (£000)	32,142	35,088
Number of Contribution Payments Received	2,476	2,573
Payments received on time	99.2%	94.4%
Interest Charged (£000)	0	8

The number of employers paying contributions in the table above includes a number that either joined or ceased in year. The total number of employers paying contributions at the end of the year is 216.

Contribution receipts are analysed below by employer:



Of the Fund's total 216 active employers, the Fund received contributions from 15 employers in excess of £1m during the year – this equates to 85.9% of the total contributions received (84.9% in 2021/22).

The employers paying in excess of £1m per annum in contributions are listed below.

Employer	Employer and Employee Contributions £'000	% Of Total Contributions to the Pension Fund
West Sussex County Council	68,273	45.0
Chief Constable Sussex Police	21,478	14.2
Chichester College	5,560	3.7
Adur/Worthing Joint Committee	5,140	3.4
Crawley Borough Council	4,706	3.1
Arun District Council	4,067	2.7
Chichester District Council	4,052	2.7
Mid-Sussex District Council	3,389	2.2
Horsham District Council	3,389	2.2
University of Chichester	2,854	1.9
Worthing Borough Council	1,712	1.1
Saxon Weald Homes	1,525	1.0
Shoreham Port Authority	1,430	0.9
Adur District Council	1,387	0.9
South Downs National Park Authority	1,379	0.9
All other active employers	21,391	14.1
Total	151,733	100.0

The total employer contribution receipts are shown below split by Scheduled Bodies (including the County Council, local district and borough councils, academies, the Police and Crime Commissioner and Office of the Chief Constable) and Admitted Bodies (including private sector bodies where a local authority has outsourced a service, or a community interest company that has been created):

Scheduled Body	Employee Contributions	Employer Contributions	Total
Adur District Council	100,692	1,286,235	1,386,927
Adur/Worthing Joint Committee	1,424,910	3,715,555	5,140,465
Albourne C of E Primary School	10,559	40,497	51,056
Angmering Parish Council	8,010	25,217	33,227
Ansty and Staplefield Parish Council	1,049	3,710	4,760
Ardingly Parish Council	1,703	6,078	7,781
Arun District Council	763,405	3,303,696	4,067,101
Ashington Parish Council	1,227	4,345	5,572
Ashurst Wood Parish Council	1,854	6,597	8,452
Balcombe Parish Council	1,022	3,561	4,583
Baldwins Hill Primary School	10,557	41,180	51,737
Barnham and Eastergate Parish Council	3,617	11,242	14,859
Barnham Primary Academy	22,555	86,293	108,849
Bersted Parish Council	4,509	14,224	18,733
Billingshurst Parish Council	12,247	39,138	51,385
Bishop Luffa School	77,330	266,552	343,882
Blackthorns Community Primary Academy	12,186	51,655	63,841
Blackwell Primary School	16,660	63,315	79,975
Bognor Regis Town Council	23,815	76,675	100,489
Bohunt School Horsham	27,099	102,792	129,891
Bohunt School Worthing	40,835	144,784	185,619
Bolney Parish Council	632	2,321	2,952
BOSCO Catholic Education Trust	17,029	47,876	64,905
Broadbridge Heath Parish Council	3,137	9,824	12,962
Broadfield Primary Academy	38,111	142,532	180,643
Burgess Hill Town Council	34,247	103,974	138,221
Chichester City Council	14,252	68,748	83,001
Chichester College	1,321,067	4,239,426	5,560,493
Chichester District Council	1,071,007	2,980,500	4,051,507
Chichester Free School	53,602	195,499	249,101
Chichester Harbour Conservancy	60,771	178,208	238,978
Chichester High School	60,665	224,703	285,368

Scheduled Body	Employee Contributions	Employer Contributions	Total
Chief Constable - Sussex Police Authority	99,922	250,182	350,105
Clapham & Patching C of E Primary School	4,480	17,562	22,042
Colgate Parish Council	553	2,031	2,584
Crawley Borough Council	1,225,369	3,480,838	4,706,207
Cuckfield Parish Council	6,606	21,464	28,071
Desmond Anderson Primary Academy	35,242	146,007	181,249
Donnington Parish Council	462	1,698	2,160
Downsbrook Primary School	12,529	51,886	64,415
Downview Primary School	31,756	116,496	148,252
Durrington High School	93,030	336,799	429,829
Earnley Parish Council	487	1,652	2,139
Easebourne Parish Council	675	2,479	3,154
East Grinstead Town Council	36,578	119,006	155,584
East Preston Junior School	12,982	53,403	66,385
East Preston Parish Council	4,742	15,291	20,033
East Wittering & Bracklesham Parish Council	3,852	12,074	15,925
Eastbrook Primary Academy	26,466	103,307	129,773
Edward Bryant School	35,866	148,168	184,034
Felpham Parish Council 2021	3,710	12,355	16,065
Fernhurst Primary School	8,657	35,611	44,268
Ferring Parish Council	1,756	5,458	7,215
Fishbourne Parish Council	841	3,034	3,875
Fittleworth Parish Council	603	2,215	2,818
Forge Wood Primary School	20,216	78,741	98,956
Gossops Green Community Primary	32,765	126,740	159,505
Greater Brighton Metropolitan College	166,926	747,985	914,911
Greenway Academy	19,754	74,752	94,506
Halsford Park Primary School	30,376	108,821	139,197
Harlands Primary School	18,901	73,491	92,392
Hassocks Parish Council	7,265	22,586	29,852
Haywards Heath Town Council	16,247	52,341	68,588
Hazelwick Academy	99,277	348,871	448,148
Henfield Parish Council	3,450	11,734	15,184
Holmbush Primary Academy	15,220	62,831	78,051
Hilltop Primary School	34,679	133,191	167,870

Scheduled Body	Employee Contributions	Employer Contributions	Total
Horsham District Council	935,823	2,452,743	3,388,566
Hunston Parish Council	944	3,286	4,230
Hurstpierpoint & Sayers Common Parish Council	7,915	25,378	33,293
Kilnwood Vale school	17,812	66,853	84,665
Kingsham Primary School	22,230	92,726	114,955
Lancing Parish Council	10,290	31,336	41,626
Lindfield Parish Council	3,740	12,368	16,108
Lindfield Primary Academy	26,672	113,122	139,794
Lindfield Rural Parish Council	1,294	4,508	5,803
Littlegreen Academy	21,572	87,414	108,986
Littlehampton Academy	107,896	386,543	494,440
Littlehampton Harbour Board	15,351	40,175	55,525
Littlehampton Town Council	32,264	102,553	134,818
Medmerry Primary School	10,808	45,260	56,068
Midhurst Rother College	63,930	218,929	282,859
Midhurst Town Council	4,977	16,749	21,726
Mid Sussex District Council	675,577	2,713,813	3,389,390
Milton Mount Primary School	26,565	102,896	129,461
New Horizons Academy Trust	1,144	4,297	5,441
North Horsham Parish Council	15,343	45,209	60,552
North Mundham Parish Council	706	2,394	3,100
Northlands Wood Primary Academy	24,589	95,594	120,183
Orchards Junior School	24,392	92,354	116,746
Ormiston Six Villages Academy	45,264	169,859	215,123
Our Lady Queen of Heaven Catholic Primary School	11,953	45,880	57,833
Pagham Parish Council	1,012	3,523	4,535
Plaistow & Ifold Parish Council	2,303	7,156	9,458
Portfield Primary Academy	22,561	84,694	107,256
Pound Hill Infant Academy	18,135	75,659	93,795
Pulborough Parish Council	5,163	17,568	22,731
Pyecombe Parish Council	238	875	1,113
River Beach Primary School	44,297	183,931	228,228
Rose Green Primary School	18,794	76,709	95,502
Rudgwick Parish Council	2,594	9,229	11,823
Rumboldswyke C of E Infant School	8,370	31,602	39,972
Rustington Community Primary School	29,285	119,986	149,271

Scheduled Body	Employee Contributions	Employer Contributions	Total
Rustington Parish Council	9,238	28,033	37,270
Schoolworks MAT	34,687	85,074	119,761
Seal Primary Academy	15,198	61,728	76,926
Seaside Primary School	28,953	111,921	140,873
Selsey Town Council	12,817	43,114	55,931
Seymour Primary School	29,303	107,066	136,369
Shermanbury Parish Council	524	1,923	2,446
Shipley Parish Council	681	2,501	3,182
Shoreham Academy	115,582	378,510	494,092
Singleton & Charlton Parish Council	574	2,110	2,684
Sir Robert Woodard Academy	78,920	276,586	355,505
Slaugham Parish Council	2,523	7,842	10,365
Slinfold Parish Council	463	1,542	2,005
Sompting Parish Council	0	1,291	1,291
South Downs National Parks Authority	403,233	975,974	1,379,208
Southbourne Parish Council	5,316	17,337	22,653
Southgate Primary	16,246	61,112	77,358
Southwater Junior Academy	27,557	96,082	123,640
Southwater Parish Council	6,882	22,197	29,079
Southway Primary School	36,196	133,395	169,592
Southwater Infants Academy	20,443	79,682	100,125
St Joseph's Catholic Primary School	24,657	98,042	122,699
St Joseph's Infant School	11,973	60,587	72,560
St Joseph's Junior School	10,215	39,869	50,084
St Lawrence C of E Primary School	30,839	126,386	157,225
St Mary's Catholic Primary School	18,733	74,594	93,327
St Nicolas and St Mary C of E Primary	27,793	106,972	134,764
St Paul's Catholic College	71,266	261,178	332,444
St Peter's Catholic Primary School	7,300	27,823	35,123
St Philip Howard Catholic High School	56,973	220,632	277,605
St Wilfrid's C of E Primary	15,278	57,909	73,187
St. Wilfrid's Catholic Primary School	4,017	15,318	19,335
Steyning Grammar School	135,245	495,742	630,987
Steyning Parish Council	5,921	21,685	27,606
Storrington & Sullington Parish Council	4,724	15,286	20,010
Sussex Police & Crime Commissioner	5,174,064	16,303,845	21,477,909
Tangmere Parish Council	1,359	4,892	6,251

Scheduled Body	Employee Contributions	Employer Contributions	Total
Tangmere Primary Academy	12,888	47,868	60,756
The Academy Selsey	24,577	95,059	119,636
The Bewbush Academy	40,724	152,467	193,191
The Burgess Hill Academy	36,539	148,404	184,943
The College of Richard Collyer	100,889	346,820	447,709
The Gatwick School	46,848	162,179	209,027
The Globe Primary Academy	27,968	104,539	132,507
The Laurels Primary School	10,214	35,398	45,612
The March C of E Primary School	10,697	43,109	53,807
The Mill Primary Academy	24,471	91,240	115,710
The Oaks Primary School	24,893	98,499	123,392
The Regis Academy	154,457	537,400	691,857
Thomas Bennett Community College	71,033	244,115	315,148
Turners Hill Parish Council	2,349	7,610	9,959
Twineham Parish Council	267	981	1,248
University of Chichester	736,940	2,116,855	2,853,795
Upper Beeding Parish Council	2,970	9,520	12,489
Warden Park Academy	90,563	324,973	415,536
Warden Park Primary Academy	31,151	121,210	152,361
Warnham Parish Council	1,006	3,236	4,242
Waterfield Primary School Academy	20,706	76,756	97,462
West Chiltington Parish Council	1,391	4,844	6,235
West Grinstead Parish Council	2,038	6,332	8,370
West Hoathly Parish Council	1,261	4,633	5,894
West Itchenor Parish Council	559	2,054	2,614
West Sussex County Council	15,966,460	52,306,048	68,272,508
Westbourne Parish Council	1,364	4,752	6,116
White Meadow School	41,007	158,596	199,602
Whytemead Primary School	11,500	47,166	58,666
Woodard Academies Trust	51,146	112,798	163,944
Worthing Borough Council	24,853	1,687,133	1,711,986
Worthing High School	70,248	210,737	280,985
Total	33,704,076	111,590,335	145,294,411

Admitted Body	Employee Contributions	Employer Contributions	Total
Anti Graffiti System	2,230	7,343	9,573
Aspire Sussex Ltd	16,262	76,294	92,556
Balfour Beatty 2020	21,684	72,272	93,956
CAPITA (SSO)	63,070	251,116	314,186
Care Quality Commission	3,078	0	3,078
Carers Support 2017	1,995	7,137	9,132
Caterlink - Bourne Community College	840	3,636	4,477
Caterlink - Shoreham Academy	732	7,767	3,499
Change Grow Live	4,930	21,753	26,683
Churchill - Billingshurst Primary School	724	2,842	3,566
Churchill - Bishop Tufnell	1,406	7,234	8,640
Churchill - Felpham Community College	2,195	8,666	10,861
Churchill - Fordwater Primary School	1,189	4,668	5,856
Churchill - Lancastrian Infant School	343	1,764	2,107
Churchill - Meads Primary School	561	2,202	2,763
Churchill - St Wilfrid	277	1,013	1,290
Churchill - Steyning Grammar School	2,644	13,603	16,247
Churchill - The Forest	763	3,927	4,690
Churchill - West Sussex CC	167	857	1,024
Churchill - Yapton Primary School	564	2,214	2,777
Churchill - Bersted Green Primary School	44	227	271
Energy Kidz Ltd -Gatwick Free School	1,022	8,394	9,417
Essex Cares Ltd 2017	19,510	86,779	106,289
Fire Service Charity	1,853	6,529	8,383
Freedom Leisure - Arun DC	23,555	183,439	206,995
Grace Eyre Northern	4,292	16,689	20,981
Grace Eyre Western	3,691	19,721	23,411
Homes & Communities Agency	43,097	206,335	249,432
Innovate Services Ltd - St Paul's	324	1,392	1,716
Martlet Homes Ltd	100,577	324,516	425,094
Mears (2020)	6,449	20,934	27,383
Mediasort Ltd	1,186	5,686	6,873
Muntham House School	93,794	293,082	386,875
NSL LTD 2018	3,831	18,210	22,041
Place for People Leisure Mid Sussex	34,459	260,670	295,129

Admitted Body	Employee Contributions	Employer Contributions	Total
PPP Taking Care	15,963	47,061	63,024
Ridge Crest - Littlehampton Academy	1,315	7,792	9,107
Ridge Crest - St Francis of Assisi	705	2,769	3,474
Ridge Crest - Manor Field Primary School	557	2,196	2,753
Royal Society for the Protection of Birds	1,985	8,184	10,169
Saxon Weald Homes	314,302	1,210,951	1,525,253
Schoolplus Ltd	600	3,860	4,460
Shaw Healthcare Ltd	14,964	58,714	73,678
Shoreham Port Authority	369,867	1,060,572	1,430,439
SLM Community Leisure Charitable Trust	31,276	123,853	155,129
SLM Fitness and Health Ltd	7,217	32,645	39,862
SLM Food & Beverage Ltd	1,916	7,961	9,877
South Downs Leisure	61,511	247,504	309,015
The Music Trust	11,596	27,024	38,620
Wates	6,334	20,560	26,893
Worthing Theatres & Museums	50,409	156,847	207,255
XMA	32,375	104,811	137,187
Refund of contributions	-2,466	-11,622	-14,088
Total	1,383,759	5,055,595	6,439,355

Appendix 4 – Investment Performance

The table below shows the long-term performance of the Pension Fund and its underlying investments. All figures are to 31 March 2023.

	12 months	3 years pa	10 years pa	15 years pa
Fund	-2.83 %	7.03 %	7.90 %	7.87 %
Benchmark	-4.64 %	7.34 %	7.59 %	7.36 %
<u>Difference</u>	1.81 %	-0.31 %	0.31 %	0.51 %
Link Baillie Gifford ⁵ Bond and Equity Fund	-8.71 %	3.88 %	8.36 %	8.80 %
Link Benchmark	-5.82 %	6.51 %	7.62 %	7.49 %
<u>Difference</u>	-2.89 %	-2.63 %	0.74 %	1.31 %
Link Macquarie Equity Fund	12.85 %	n/a	n/a	n/a
Link Benchmark	-0.99 %	n/a	n/a	n/a
<u>Difference</u>	13.84 %	n/a	n/a	n/a
Link Fidelity Bond Fund	-9.55 %	n/a	n/a	n/a
Link Benchmark	-10.27 %	n/a	n/a	n/a
<u>Difference</u>	0.72 %	n/a	n/a	n/a
Property Abrdn	-13.25 %	2.01 %	n/a	n/a
Property Benchmark	-12.95 %	2.09 %	n/a	n/a
<u>Difference</u>	-0.30 %	-0.07 %	n/a	n/a
Private Equity (Combined)	16.69 %	22.63 %	16.20 %	21.60 %
Private Equity Benchmark	-0.69 %	16.88 %	11.25 %	10.32 %
<u>Difference</u>	17.38 %	5.75 %	4.95 %	11.28 %
Private Debt (Combined)	22.62 %	n/a	n/a	n/a
Private Debt Benchmark	6.00 %	n/a	n/a	n/a
<u>Difference</u>	16.62 %	n/a	n/a	n/a
Infrastructure JP Morgan	5.08 %	n/a	n/a	n/a
Infrastructure Benchmark	8.00 %	n/a	n/a	n/a
<u>Difference</u>	-2.92 %	n/a	n/a	n/a

⁵ Performance reflects Baillie Gifford performance since 2002 (directly held and within the ACCESS Pool).

Appendix 5 – Audit Assurance

External Audit Certificate to follow

Appendix 6 – Pension Fund Documents (PDF)

[Administration Strategy](#) - a statement outlining the policies and performance standards aimed at providing high quality pensions and administration service. The Strategy is effective from 4 March 2019.

[Actuarial Valuation](#) - produced by the Fund Actuary and sets out employer contribution rates for a 3 years period and calculates the funding position.

[Administering Authority Discretions](#) - sets out how the Pension Fund applies provisions of the Scheme that are discretionary. Employers will maintain their own Discretions policy which relate to decisions they can make under the Scheme. Please note The Local Government Pension Scheme (LGPS) is a statutory scheme. The rules and regulations governing the scheme are laid down under Act of Parliament.

[Breaches Policy](#) - specifies the Fund's procedures for the identification and reporting of breaches of statutory requirements to the Pensions Regulator.

[Business Plan](#) - this annual plan considers performance against the Fund's objectives during the year and sets out the future priorities.

[Communications Policy Statement](#) - states how the Fund will communicate with members, representatives of members, prospective members and employing authorities.

[Funding Strategy Statement](#) identifies how employers' pension liabilities are best met going forward (whilst maintaining as near as possible constant employer contribution rates) and sets out how the Fund will take a prudent long term view of funding those liabilities.

[Governance Policy and Governance Compliance Statement](#) - two Statements which detail the Fund's governance and stewardship arrangements and report the extent of compliance against a set of best practice governance principles.

[Internal Dispute Resolution Procedure \(IDRP\)](#) - provides members with a formal complaint procedure if they are not satisfied with any decision affecting their pension benefits held within the scheme.

[Investment Strategy Statement](#) - outlines how investment decisions are made, the types of investment held, risk and corporate governance.

[Training Strategy](#) - establishes the skills and knowledge required for members of both the Pension Committee and Pension Advisory Board to perform their roles.

[West Sussex County Council Code of Conduct](#) - details the responsibilities of members and staff, which should be complied with by Pension Committee members, Pension Advisory Board members and Officers.

Appendix 7 – Contact and Services

Key services provided to pensioners, members and employing bodies:

- Paying out Benefits to Pensioners and beneficiaries
- Paying Death grants to beneficiaries
- Collecting employer and employee contributions from employers
- Maintain members accurate accounts
- Providing Information when requested to Members
- Providing Annual Benefit Statements
- Investing assets of the Pension Fund

Self-service portal

This is a secure portal for members. To sign in or register for the online Pension services please visit the [website](#).

Members will be able to look at their Annual Benefit statement and also notify the Fund of change in circumstances such as address. Any notifications online can be dealt with by the Administration team in a rapid and efficient manner.

Key information sources for members

Details of information that is relevant to West Sussex County Council Pension Fund members is held on the administrators [website](#).

Contacting us

Email: pensions@hants.gov.uk

Phone: 01962 845588

Or by writing to:

Hampshire Pensions Services
The Castle
Winchester
Hampshire
SO23 8UB

Ensuring accuracy and confidentiality

The West Sussex Pension Fund website includes the Fund [Privacy Notice](#) and the [compliments and complaints procedure](#).

LGPS Member and Employer site

The [Local Government Pension Scheme](#) has a national website for members of the LGPS in England and Wales. It provides information on how to join the LGPS and gives details about the scheme.

The Local Government Association also hosts a website for [LGPS employers](#) and pension funds in England and Wales. It provides information on the Scheme Regulations and other guides and resources on LGPS administration.

Money and Pensions Service & The Pensions Ombudsman

The Money and Pensions Services is an arm's length body sponsored by the Department for Work and Pensions (DWP). They can help with all kinds of pension questions.

Website address: <https://moneyandpensionsservice.org.uk/>

Phone: 0800 138 7777

Address: Money and Pensions Service
120 Holborn
London
EC1N 2TD

The Pensions Ombudsman is an independent organisation set up by law to investigate complaints about Pension Administration.

Website address: <https://www.pensions-ombudsman.org.uk/>

Email: enquiries@pensions-ombudsman.org.uk

Phone: 0800 917 4487

Address: 10 South Colonnade
Canary Wharf
E14 4PU

West Sussex Pension Fund

Draft Statement of Accounts

2022/23



Declaration

Under Regulation 9 of the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts set out in the following pages presents a true and fair view of the West Sussex Pension Fund as at 31 March 2023.

Taryn Eves

Director of Finance and Support Services,
West Sussex County Council

Note: The West Sussex Pension Fund is a defined benefit scheme and the following accounts do not take account of liabilities to pay pensions and other benefits after 31 March 2023 year end. Further information relating to these liabilities and other benefits is contained in the [Valuation Report](#).

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The Local Government Pension Scheme Pension Fund Account

Fund Account	Note	2021/22 £000	2022/23 £000
Dealings with members, employers and others directly involved in the scheme			
Contributions received	7	143,689	151,734
Transfers in from other Pension Funds	8	9,064	12,315
Amount received		152,753	164,049
Benefits Paid	9	(120,440)	(129,432)
Payments to and on account of leavers	10	(7,383)	(10,041)
Amount paid		(127,823)	(139,473)
Net additions/(withdrawals) from dealings with members		24,930	24,576
Management expenses	11	(12,801)	(20,699)
Net additions/(withdrawals) including Fund management expenses		12,128	3,877
Returns on investments			
Investment income	12	59,737	122,868
Taxes on income	13A	(1,654)	-
Other income		102	11
Profit and (losses) on disposal of investments and changes in the market value of investments	14A	(59,402)	(284,158)
Net return on investments		(1,217)	(161,279)
Net increase in net assets available for benefits during the year		10,911	(157,402)
Add opening net assets of the scheme		5,483,193	5,494,106
Closing net assets of the scheme		5,494,106	5,336,704

Net Asset Statement

Assets and Liabilities	Note	At 31 March 2022 £000	At 31 March 2023 £000
Investment assets	14	5,480,461	5,324,528
Investment liabilities	14	(328)	(342)
Net investment assets / (liabilities)		5,480,133	5,324,186
Current assets	21	19,021	19,489
Current liabilities	22	(5,047)	(6,971)
Net assets of the scheme available to fund benefits at the end of the reporting period		5,494,107	5,336,704

Note: The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after 31 March 2023. The actuarial present value of promised retirement benefits is disclosed at Note 20.

Notes

Note 1: Description of the Fund

The West Sussex Pension Fund ('the Fund') is part of the Local Government Pension Scheme (LGPS) and is administered by West Sussex County Council.

General

The LGPS is a national defined benefit funded pension scheme governed by the Public Service Pensions Act 2013 and is administered by West Sussex County Council in accordance with the following secondary legislation:

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

The Fund provides pensions and other benefits for pensionable employees of West Sussex County Council, the District and Borough Councils in West Sussex and a range of other bodies described below.

Scheduled Bodies, Resolution Bodies and Academies	Regulations allow employees of certain specified bodies to join the Scheme including the County Council, District and Borough Councils, Sussex Police & Crime Commissioner, non-uniformed personnel employed by the Chief Constable employees within Town and Parish Councils as well as non-teaching staff employed by Colleges and Academies.
Admitted Bodies	Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

Police officers, teachers and fire-fighters have their own unfunded statutory arrangements.

Membership

The membership details by employer group and member category are set out below:

Membership Type	31 March 2022	31 March 2023
Number of Employers with Active Members	205	216
Active members		
West Sussex County Council	12,945	12,566
Other employers	13,880	13,363
Total	26,825	25,929
Pensioner members		
West Sussex County Council	11,639	12,189
Other employers	11,363	11,010
Total	23,002	23,199
Deferred pensioner members		
West Sussex County Council	19,689	20,713
Other employers	15,065	16,116
Total	34,754	36,829
Total number of members in scheme	84,581	85,957

Funding

Benefits are funded by contributions and investment earnings. Normal contributions are made by:

- Active members in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2023.
- Employers in accordance with the minimum rate calculated by the Fund Actuary at the triennial valuation exercise, or on joining the Scheme between valuations. The minimum employer contribution rates range from 0.0% to 46.3% of pensionable pay for the financial year ending 31 March 2023.

Benefits

The Local Government Pension Scheme (LGPS) changed to a Career Average Revaluation Earnings (CARE) scheme on 1 April 2014. From 1 April 2014 the benefits built up in the LGPS are worked out under the rules of the career average scheme at an accrual rate of 1/49th, updated annually in line with the Consumer Prices Index (CPI). Members in the Scheme before 1 April 2014 will also have benefits based on final pensionable pay and length of pensionable service (the final salary scheme).

A range of other benefits are also provided including early retirement, ill health and death benefits.

Note 2: Basis of Preparation

The accounts have been prepared in accordance with the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 22/23, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK Public Sector and Guidance on Investment Valuations issued by the Pensions Research Accountants Group (PRAG). The accounts summarise the transactions and net assets of the Fund and have been prepared on a going concern basis.

The below are considered relevant in arriving at this assessment:

- The Fund remains a statutory open scheme with a strong covenant from the participating employers and is therefore able to take a long-term outlook when considering the general investment and funding implications of external events.
- The Fund remains a long-term investor and has reduced its allocation to equities with a preference to bond and income focussed assets to reduce the volatility of its investment assets. The Fund will continue to monitor all risks on an ongoing basis and take appropriate actions where necessary.
- The Fund was 125% funded as at the last triennial valuation as at 31 March 2022. It is estimated that the Fund remains fully funded.
- The Fund takes a prudent approach when setting employer contributions and its contribution strategy is considered against detailed scenario testing by the Fund Actuary. It is not expected that any contribution rates will be reviewed or revised prior to the outcome of the next triennial valuation (31 March 2025).
- Management is not aware of any other significant planned changes to its main receipts and payments up to March 2024.

A cashflow forecast has also been produced to consider all significant receipts and payments up to March 2025. The Fund has based this assessment on:

- Contributions based on actual March 2023 pensionable pay data and known employer contribution rates to 31 March 2025.
- 2022/23 outturn values for property rental income, pension benefits, death benefits and lump sum payments.

Appropriate stress testing has been applied to the above projections as follows:

- Pensionable pay reduces by 10% annually
- Pension benefits increase by 10% annually; and
- Death benefits and lump sum payments each increase by 10% annually.

After the application of these stress tests the forecasting shows that the Fund would still have sufficient annual cash flows to cover benefit payments without needing to sell investment assets. In the unlikely event that the stress tests applied are not sufficiently pessimistic the Fund holds in excess of £4.2 billion of assets in liquid form which could be realised within 3 months in a managed way to cover all benefits paid for a period of greater than 12 months from the reporting date should the need arise.

Note 3: Summary of Significant Accounting Policies

Fund Account – Revenue Recognition

Contribution Income

Normal contributions, both from members and employers, are accounted for on an accruals basis. Member contributions are accrued at the percentage rate in accordance with the LGPS Regulations 2013. Employer contributions are accrued at the minimum percentage rate set by the Fund Actuary in the payroll period to which they relate.

Employers' augmentation contributions and pension strain contributions are accounted for in line with the payment schedule. Any amount due in year but unpaid would be classed as a current financial asset.

Transfers In

Transfers in from other pension funds are accounted for when received, i.e., when the member liability is accepted.

Transfers in from members wishing to use the proceeds of their additional voluntary contribution fund to purchase additional benefits are accounted for on a receipts basis and are included as part of the transfers in from other pension funds.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement. No bulk transfers in have taken place in 2022/23 or the prior year.

Investment Income

- i. Interest income is recognised as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination or the Bank of England prevailing rate.
- ii. Stock lending income is recognised as it accrues.
- iii. Dividend income is recorded on the date that the shares are quoted as ex-dividend. Any amount not received at the end of the reporting period is disclosed in the Net Asset Statement as an Investment Asset.
- iv. Pooled equity and bond fund income and tax reclaims are accrued in the Net Asset Value per Unit. The income attributed to those units are distributed at least annually and recognised as income on the distribution date. All income is automatically reinvested to purchase units in the relevant pooled vehicle.
- v. Private equity, private debt and infrastructure income is recognised on the date paid and reported within the income received.
- vi. Property rental income is accounted for on an accruals basis.
- vii. Dividends, interest and purchases and sales of investments in foreign currency have been recorded at the spot exchange rate and translated into sterling at the rate ruling at the date of the transaction.

Profit & Loss on Disposal

Changes in the value of investments are recognised as income or expense and comprise of all realised and unrealised profit or loss during the year.

Fund Account - Expenditure Recognition

Benefits Paid

Benefits paid include lump sums and all amounts known to be due at the end of the financial year. Any amounts approved and due are disclosed in the Net Asset Statement as a Current Liability.

Payments To and On Account of Leavers

Transfers out are accounted for when paid i.e., when the member liability has been discharged.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement. No bulk transfers out have taken place in 2022/23 or the prior year.

Taxes on Income

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold.

Income from overseas investments suffer withholding tax in the country of origin unless exemption is permitted.

Irrecoverable tax is accounted for as an expense as it arises. Where tax is recoverable this is reflected on an accruals basis.

Management Expenses

Management expenses are accounted for in accordance with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016) as set out below:

- i. Administrative expenses are accounted for on an accruals basis representing the annual charge relating to the pensions and payroll administration and relevant staff costs. Associated management, accommodation and other overheads are also apportioned to this activity.
- ii. Oversight and governance expenses are accounted for on an accruals basis representing the Fund's external advisors, external audit, Fund Actuary fees and relevant staff costs. Associated management, accommodation and other overheads are also apportioned to this activity.
- iii. Investment management expenses (including transaction costs) are accounted for on an accruals basis. Fees from external managers and the Fund's custodian are agreed on appointment or commitment and are mainly based on the market value of the investments under management. Investment management expenses include the County Council's in-house treasury management team.

Net Asset Statement

Investment Assets

Investment assets are shown at market value at the reporting date and are recognised in the Net Asset Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of assets are recognised. The values of investments have been determined at fair value in accordance with the requirements of the Code and IFRS13. 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). Further detail is set out within Note 16.

Pooled Equity and Bond Investments

Pooled investment vehicles are valued at latest mid-market price available on the reporting date. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income, which is reinvested in the pooled investment vehicle, net of applicable withholding tax.

Direct Property Holdings

Freehold and leasehold properties have been valued at the reporting date by independent external valuers, on the basis of fair value. Further detail is set out within Note 16.

Foreign Currency Transactions and Balances

End of year spot market exchange rates are used to value cash balances in foreign currency, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits. 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 change in value.

Financial Liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the Net Asset Statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in fair value of the liabilities are recognised by the Fund.

Contingent Assets and Contingent Liabilities

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.

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.

Contingent assets and liabilities are not recognised in the Net Asset Statement but are disclosed by way of narrative in the notes. Further detail is set out within Notes 25 and 26.

Additional Voluntary Contributions

Additional voluntary contributions are invested separately in funds and therefore disclosed as a note and not included in the fund accounts. Further detail is set out within Note 23.

Note 4: Critical Judgements in Applying Accounting Policies

Pension Fund liability

The net Pension Fund liability is recalculated every three years by the Fund Actuary, with annual estimates in the intervening years. The methodology used is in line with accepted guidelines. The purpose of the triennial valuation is to assess the financial position of the Fund and to determine each participating employer's contribution rates, certified for a three-year period. The aim being to ensure that each employer's share of the Fund's assets and future expected investment returns and to ensure as far as possible that contributions will be sufficient to meet future benefit payments from the Fund.

Direct property holdings

The Fund's property portfolio comprises directly owned properties which are leased commercially to various tenants with rental periods between one and 28 years. The Fund has determined that these contracts all constitute operating lease arrangements under the classifications permitted by IAS 17 and the Code, therefore the properties are retained on the Net Asset Statement at fair value.

Note 5: Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The table below describes items for which there is a significant risk of material adjustment the following year.

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	<p>Estimation of the net liability to pay pensions depends on a number of assumptions relating to the discount rate used, salary and pension increases, retirement age, mortality rates and investment returns.</p> <p>The Fund Actuary has been appointed to provide advice about the assumptions applied.</p>	<p>Actual experience relative to the assumptions over time. For example:</p> <p>A 0.1% decrease in discount rate at year ended 31 March 2023 would result in an approximate 2% increase to employers' liabilities (£73m).</p> <p>A one-year increase in member life expectancy at year ended 31 March 2023 would result in an approximate increase in employers' liabilities of 4% (£159m).</p> <p>A 0.1% increase in the salary increase rate at year ended 31 March 2023 would result in an approximate increase in employers' liabilities of less than 1% (£6m).</p> <p>A 0.1% increase in the pension increase rate at year ended 31 March 2023 would result in an approximate 2% increase in employers' liabilities (£68m).</p> <p>However, the Statements do not take account of liabilities to pay pensions and other benefits after 31 March 2023.</p>

Item	Uncertainties	Effect if actual results differ from assumptions
Private Equity	<p>Private equity investments are valued at fair value in accordance with industry guidelines, based on the fund manager valuations as at the end of the reporting period.</p> <p>These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. This takes into account observable and non-observable pricing inputs including public market developments (industry sector and peers), private market transactions, company specific considerations, public indices and cashflows.</p>	<p>The total private equity investment in the financial statements is £141.9m (2.7% of net assets). There is a risk that this investment may be under or overstated in the accounts.</p>
Private Debt	<p>Private debt investments are valued at fair value in accordance with industry guidelines, based on the fund manager valuations as at the end of the reporting period.</p> <p>These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.</p>	<p>The total private debt investment in the financial statements is £196.7m (3.7% of net assets). There is a risk that this investment could be under or overstated in the accounts.</p>
Infrastructure	<p>Infrastructure investments are valued using best practices prevailing within the investment management industry to determine each underlying investment's fair market value. These valuations are validated by third party independent appraisal firms.</p>	<p>The total infrastructure investment in the financial statements is £259.3m (4.9% of net assets). There is a risk that this investment could be under or overstated in the accounts.</p>
Direct Property Holdings	<p>Independent valuation for freehold and leasehold investment property has been provided in accordance with Royal Institution of Chartered Surveyors Red Book.</p> <p>This takes into account observable and unobservable pricing inputs including existing lease terms, independent market research, the nature of tenancies and tenant covenant strength, void levels and estimated rental growth.</p>	<p>Changes in rental growth, void levels and general changes in property market prices could affect the valuation. The total property investment in the financial statements is £490.5m (9.2% of net assets). There is a risk that this investment may be under or overstated in the accounts.</p>

Note 6: Events After the Balance Sheet Date

There have been no material events occurring after the balance sheet date.

Note 7: Contributions Received

By Category	2021/22 £000	2022/23 £000
Employers	111,547	116,646
Members	32,142	35,088
Total	143,689	151,734

By Authority	2021/22 £000	2022/23 £000
West Sussex County Council	63,076	68,273
Scheduled bodies	73,310	77,025
Admitted bodies	7,303	6,436
Total	143,689	151,734

Note 8: Transfers In From Other Pension Funds

By Category	2021/22 £000	2022/23 £000
Individual transfers	9,064	12,315
Bulk transfers	-	-
Total	9,064	12,315

Note 9: Benefits Paid

By Category	2021/22 £000	2022/23 £000
Pensions	104,111	108,909
Lump sum retirement benefit	13,944	16,856
Lump sum death benefit	2,385	3,667
Total	120,440	129,432

By Authority	2021/22 £000	2022/23 £000
West Sussex County Council	54,834	58,762
Scheduled bodies	56,226	60,922
Admitted bodies	9,380	9,748
Total	120,440	129,432

Note 10: Payments To and On Account of Leavers

Payment Type	2021/22 £000	2022/23 £000
Refunds of contributions	375	466
Individual transfers	7,008	9,575
Bulk transfers	-	-
Total	7,383	10,041

Note 11: Management Expenses

Expense Type	2021/22 £000	2022/23 £000
Administrative	1,248	1,350
Oversight and governance	1,026	1,211
Investment management	22,667	18,138
* Investment management 21/22 reduction	(12,139)	-
Total	12,801	20,699

* Note: Performance fees formed part of the Pension Fund's commercial arrangements with Baillie Gifford which crystallised at the point of termination in December 2020. During 2021/22 it was agreed with Baillie Gifford to reduce the fees reported in 2020/21 under "investment management" from £24.3m to £12.1m. Therefore, the investment management fees reported above in 2021/22 were offset by a reduction of £12.1m.

Note 11a: Investment Management Expenses

Expense Type 2022/23	Management fees £000	Performance related fees £000	Transaction costs £000	Total £000
Bonds	-	-	-	-
Equities	-	-	-	-
Pooled equity & bond funds	10,534	-	95	10,629
Private equity	2,040	(1,250)	144	934
Private debt	1,296	1,347	193	2,836
Infrastructure	1,488	786	-	2,274
Property	1,441	-	-	1,441
Cash & FX contracts	3	-	-	3
Sub total	16,802	883	432	18,117
Custody fees				21
Total				18,138

Expense Type 2021/22	Management fees £000	Performance related fees £000	Transaction costs £000	Total £000
Bonds	86	-	219	304
Equities	0	-	586	586
Pooled equity & bond funds	10,845	-	517	11,362
Private equity	2,742	2,364	793	5,899
Private debt	690	966	789	2,445
Infrastructure	368	17	327	713
Property	1,258	-	-	1,258
Cash & FX contracts	57	-	-	57
Sub total	16,046	3,348	3,231	22,625
Custody fees				42
Total				22,667

Note 12: Investment Income

Type of Income	2021/22 £000	2022/23 £000
Dividends from equities	6,288	84
Interest on bonds	1,340	-
Pooled equity fund income	8,658	32,460
Pooled bond fund income	19,611	45,269
Private equity income	865	599
Private debt income	1,035	6,285
Infrastructure income	-	14,169
Property income	21,725	22,944
Interest on cash deposits and cash balances	120	1,058
Stock lending income	95	-
Total	59,737	122,868

Note: Following transition to pooled arrangements the Fund no longer invests directly in equities and bonds.

Note 12a: Property Income

Type of Income	2021/22 £000	2022/23 £000
Rental income	22,953	24,070
Direct operating expenses	(1,227)	(1,126)
Total	21,725	22,944

No contingent rents have been recognised as income during the period.

Note 13: Other Fund Account Disclosures

Type of Expense	2021/22 £000	2022/23 £000
Pension Advisory Board	25	25
ACCESS pool	79	102
Total	104	127

ACCESS is a collaboration of eleven Central, Eastern and Southern Shires, who are working together to collectively invest assets to reduce investment costs whilst maintaining investment performance. The costs incurred for 2022/23 reflect the Fund's contribution towards the pool's activities outside of investment management costs. These costs are included within oversight and governance costs in Note 11.

Note 13a: Taxes on Income

The Pension Fund no longer directly suffers withholding tax on income received on overseas investments. However, reclaims of £1.964m have been accrued at 31 March 2023 (£2.157m at 31 March 2022) and shown in Note 14 as investment income due.

Note 13b: External Audit Costs

Type of Expense	2021/22 £000	2022/23 £000
Payable in respect of external audit	33	45
Grant & distribution received	(15)	(13)
Total	19	32

The external audit fees payable in 2021/22 and 2022/23 have been offset by a grant received by Department for Levelling Up, Housing and Communities in response to the Redmond Review and to provide funding to local bodies to meet increased audit costs. This has been reflected in the table above. These costs are included within oversight and governance costs in Note 11.

Note 14: Investments

Investments	Market Value 2021/22 £000	Market Value 2022/23 £000
Investment Assets		
Equities	2,478,398	2,701,753
Bonds	1,876,526	1,508,459
Private equity	126,519	141,907
Private debt	142,952	196,653
Infrastructure	249,408	259,276
Property	594,300	490,475
Investment Assets	5,468,104	5,298,523
Cash deposits	10,200	24,041
Investment income due	2,157	1,964
Amounts receivable for sales	-	-
Other Investment Assets	12,357	26,005
Total Investment Assets	5,480,461	5,324,528
Investment Liabilities		
Amounts payable for purchases	-	-
Property income received in advance	(328)	(342)
Total Investment Liabilities	(328)	(342)
Net Investment Assets	5,480,133	5,324,186

Note 14a: Reconciliation of Movements in Investments**2022/2023**

Investment Assets	Market Value at 1 April 2022	Purchases during the year	Sales during the year	Change in market value during the year	Market Value at 31 March 2023
	£000	£000	£000	£000	£000
Pooled Investments					
Equities	2,478,398	179,460	-	43,895	2,701,753
Bonds	1,876,526	45,492	(147,000)	(266,559)	1,508,459
Private equity	126,519	32,003	(12,998)	(3,617)	141,907
Private debt	142,952	57,714	(17,704)	13,691	196,653
Infrastructure	249,408	14,829	(25,951)	20,990	259,276
Direct Investments					
Property	594,300	69	(10,263)	(93,631)	490,475
Sub Total	5,468,104	329,567	(213,916)	(285,231)	5,298,523
Other Investment Balances					
Cash deposits	10,200			1,073	24,041
Amount receivable for sales	-				-
Investment income due	2,157				1,964
Amount payable for purchases	-				-
Property income received in advance	(328)				(342)
Total Assets	5,480,132			(284,158)	5,324,186

2021/2022

Investment Assets	Market Value at 1 April 2021	Purchases during the year	Sales during the year	Change in market value during the year	Market Value at 31 March 2022
	£000	£000	£000	£000	£000
Pooled Investments					
Equities	1,722,277	1,146,212	(1,382,025)	991,934	2,478,398
Bonds	1,849,464	61,881	(162,523)	127,704	1,876,526
Private equity	85,376	45,709	(36,739)	32,174	126,519
Private debt	60,842	74,454	(3,609)	11,266	142,952
Infrastructure	-	250,000	(4,179)	3,587	249,408
Direct Investments					
Bonds	74,597	849,371	(687,470)	(236,498)	-
Equities	1,174,095	1,202,580	(1,303,818)	(1,072,856)	-
Property	380,490	136,510	(1,686)	78,986	594,300
Sub Total	5,347,141	3,766,715	(3,582,049)	(63,703)	5,468,104
Other Investment Balances					
Cash deposits	43,745			4,301	10,200
Amount receivable for sales	1,375				-
Investment income due	6,056				2,157
Amount payable for purchases	(1,171)				-
Property income received in advance	(108)				(328)
Total Assets	5,397,039			(59,402)	5,480,132

Note 14b: Investments Analysed by Fund Manager

Fund Manager	31 March 2022 £000	% of Fund Value	31 March 2023 £000	% of Fund Value
Investments Managed in the ACCESS Asset Pool				
Link Fund (LF) Solutions (Equities and Bonds)	4,354,924	79.5	4,210,212	79.1
Investments Managed outside ACCESS Asset Pool				
Pantheon Ventures (Private Equity)	37,359	0.7	31,263	0.6
Partners Group (Private Equity)	89,160	1.6	110,644	2.1
Abrdn (Property)	594,300	10.8	490,475	9.2
Goldman Sachs (Private Debt)	99,564	1.8	107,696	2.0
ICG (Private Debt)	43,389	0.8	88,957	1.7
JP Morgan (Infrastructure)	249,408	4.6	259,276	4.9
Other investment balances	12,028	0.2	25,663	0.4
Total	5,480,132	100.0	5,324,186	100.0

Other investment balances includes cash deposits, investment income due and property income received in advance.

Single Investments Exceeding 5% of Net Investment Assets

Fund Information	31 March 2022 £000	% of Fund Value	31 March 2023 £000	% of Fund Value
Investments Managed in the ACCESS Pool				
LF ACCESS Global Alpha Paris-Aligned Equity Fund	1,361,086	24.9	1,440,864	27.1
LF ACCESS Global Equity Fund	1,117,312	20.4	1,260,889	23.7
LF ACCESS Sterling Aggregate Bond Fund	1,074,914	19.7	782,965	14.7
LF ACCESS Sterling Investment Grade Credit Fund	801,612	14.7	725,494	13.6
Total	4,354,924	79.7	4,210,212	79.1

Note 14c: Stock Lending

The Fund has previously participated in a stock lending programme which is no longer in place. As at 31 March 2023, there is an unlisted equity that has been loaned which is currently held by the fund at nil value.

The total value of collateral held as at 31 March 2023 was £0.06m.

Note 14d Direct Property Holdings

The Fund's investment property portfolio comprises a number of directly owned properties which are leased commercially to various tenants. Property transactions during the year are summarised below.

Property Transactions	31 March 2022 £000	31 March 2023 £000
Opening balance	380,490	594,300
Additions:		
Purchase of existing property	135,317	-
New construction	-	-
Subsequent expenditure	1,193	69
Disposals	(1,686)	(10,263)
Net increase/(decrease) in market value	78,986	(93,631)
Closing Balance	594,300	490,475

The future minimum lease payments receivable by the Fund under existing contracts are as follows:

Time Period	31 March 2022 £000	31 March 2023 £000
Within one year	24,655	22,449
Between one and five years	84,537	74,076
Later than five years	123,251	108,293
Total Future Lease Payments Due Under Existing Contracts	232,443	204,818

Note 15: Analysis of Derivatives

The Fund does not invest directly in derivatives.

Note 16: Fair Value – Basis of Valuation

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.

Market Quoted Equity Investments (Level 1)

The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

Quoted Bonds (Level 1)

Bonds are recorded at net market value based on their current yield.

Pooled Investment Vehicles (Level 1)

Pooled investment vehicles are valued at latest mid market price available on the reporting date. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income, which is reinvested in the fund, net of applicable withholding tax.

Direct Property Holdings (Level 2)

Freehold and leasehold properties are included on the basis of fair value. A full independent valuation of the Fund's direct property portfolio was carried out by Savills (UK) Ltd, Chartered Surveyors, in accordance with the RICS Valuation – Global Standards (incorporating the IVSC International Valuation Standards) effective from 31 January 2022 together with the UK National Supplement effective 14 January 2019, together the "Red Book". The properties have been valued at the reporting date on the basis of fair value as required by the International Financial Reporting Standards (IFRS). The definition of fair value is set out in IFRS 13 and is adopted by the International Accounting Standards Board as follows: "The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date". The RICS Red Book considers that fair value is consistent with the concept of market value, the definition of which is set out in Valuation Practice Statement (VPS) 4 1.2 of the Red Book as follows: "The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

The observable inputs include the existing lease terms and rentals; the nature of the tenancies; assumed vacancy levels and estimated rental growth.

Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices (see Note 5).

Private equity (Level 3)

Private equity investments are recorded as detailed below. Because of the uncertainty associated with the valuation of such investments and the absence of a liquid market, the fair value of these assets may differ from their reported values.

- The valuation of Partners Group portfolio is taken from the unaudited 31 March 2023 fund-of-fund reports.
 1. Partners Group performs independent valuations of its underlying investments through a fair market valuation process, which is in accordance with International Financial Reporting Standards (IFRS) and United States Generally Accepted Accounting Principles (US GAAP). This process was implemented in 2003 and has been refined based on feedback received from PricewaterhouseCoopers (PwC), the auditor of most of the firm's programmes and mandates. On an annual basis, the monitoring and valuation process based on fair valuation principles (sample selection, valuation methodologies, etc.) is discussed and approved by the auditors of the programs managed by Partners Group.
 2. Partners Group complies with the defined process and applies it as the basis for the year end valuation and subsequent quarterly Net Asset Value determinations of the programs they manage. Partners Group gather the valuation-relevant information by systematically screening a broad set of sources for valuation-relevant information about portfolio companies which are held directly or indirectly by Partners Group's programs and mandates. This includes information supplied by the firm's due diligence and monitoring professionals, underlying fund managers and information published in industry journals and/or other publications.
 3. The fund monitors audited year end to unaudited quarterly valuations to check the consistency of the unaudited and audited information. To date, the audited accounts for Partners Group have been given an unqualified opinion.
- The valuation of Pantheon's portfolio is taken from the unaudited 31 March 2023 fund-of-fund reports.
 1. Pantheon's quarterly valuation is produced in accordance with US GAAP and United Kingdom Generally Accepted Accounting Principles (UK GAAP). Fund investments are carried at "fair value". Pantheon ensures that the valuation methodologies employed by underlying fund managers fulfil the measurement criteria of the International Private Equity and Venture Capital Valuation Guidelines (IPEV).
 2. The Fund monitors audited year end to unaudited quarterly valuations to check the consistency of the unaudited and audited information. To date, the audited accounts for Pantheon Ventures have been given an unqualified opinion.

Private Debt (Level 3)

- The valuation for private debt investments with Goldman Sachs is taken from the unaudited 31 March 2023 fund manager reports.
 1. Goldman Sachs quarterly valuation is calculated in accordance with the fair value assessment described in Accounting Standards Codification 820 (Fair Value Measurements and Disclosures) and in accordance with US GAAP.
 2. The Fund monitors audited year end to unaudited quarterly valuations to check the consistency of the unaudited and audited information. To date, the audited accounts for Goldman Sachs have been given an unqualified opinion.
- The valuation for private debt investments with ICG is taken from the unaudited 31 March 2023 fund manager reports.
 1. The Financial Assets are designated as Financial Assets at Amortised Cost and are held at principal plus accrued interest which is deemed to represent fair value in accordance with IFRS.
 2. The Fund monitors audited year end to unaudited quarterly valuations to check the consistency of the unaudited and audited information. To date, the audited accounts for ICG have been given an unqualified opinion.

Infrastructure (Level 3)

- The valuation of Infrastructure assets is taken from the unaudited 31 March 2023 fund manager report.
 1. The assets are valued using best practices prevailing within the investment management industry to determine each underlying investment's fair market value. This is done with consideration of relevant US GAAP valuation guidelines, particularly Accounting Standards Codification (ASC) 820. Valuations are externally appraised in accordance with the Uniform Standards of Professional Appraisal Practices ("USPAP") and International Valuation Standard ("IVS").
 2. The Fund will monitor the audited year end to the unaudited quarterly valuations to check the consistency of the unaudited information. To date, the audited accounts for JP Morgan have been given an unqualified opinion.

Sensitivity of assets valued at Level 3

The Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2023.

Assets	Assessed valuation range (+/-)	Value at 31 March 2023 £000	Value on increase £000	Value on decrease £000
Private equity	15%	141,907	163,193	120,621
Private debt	15%	196,653	226,151	167,155
Infrastructure	10%	259,276	285,204	233,349
Total		597,836	674,548	521,125

Note 16a: Fair Value Hierarchy

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

Level 1

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

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

Level 2

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

Level 3

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

Such instruments would include unquoted equity investments which are valued using various valuation techniques that require professional judgement in determining appropriate assumptions.

The valuation of private equity, private debt and infrastructure portfolios have been prepared in accordance with industry guidelines.

The table on the following page provides an analysis of the financial assets and liabilities of the Fund grouped by and based on the level at which the fair value is observable.

Values at 31 March 2023

Financial Assets	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				
Pooled equity funds	2,701,753			2,701,753
Pooled bond funds	1,508,459			1,508,459
Private equity			141,907	141,907
Private debt			196,653	196,653
Infrastructure			259,276	259,276
Cash deposits	24,041			24,041
Investment income due	1,964			1,964
Amounts receivable for sales				-
Net Investment Assets	4,236,217	-	597,836	4,834,053
Non-Financial Assets at Fair Value Through Profit and Loss				
Property		490,475		490,475
Financial Liabilities at Fair Value Through Profit and Loss				
Property income received in advance	(342)			(342)
Payable for investment purchases				-
Total	4,235,875	490,475	597,836	5,324,186

Values at 31 March 2022

Financial Assets	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£000	£000	£000	£000
Financial Assets at Fair Value Through Profit and Loss				
Bonds				-
Equities				-
Pooled equity funds	2,478,397			2,478,397
Pooled bond funds	1,876,526			1,876,526
Private equity			126,519	126,519
Private debt			142,952	142,952
Infrastructure			249,408	249,408
Cash deposits	10,200			10,200
Investment income due	2,157			2,157
Amounts receivable for sales				-
Net Investment Assets	4,367,280	-	518,880	4,886,160
Non-Financial Assets at Fair Value Through Profit and Loss				
Property		594,300		594,300
Financial Liabilities at Fair Value Through Profit and Loss				
Property income received in advance	(328)			(328)
Payable for investment purchases				-
Total	4,356,953	594,300	518,880	5,470,132

Note 16b: Transfer Between Levels 1 And 2

There have been no reclassifications between level 1 and 2 during the financial year.

Note 16c: Reconciliation of Fair Value Measurements Within Level 3

Assets	Private Equity	Private Debt	Infrastructure	Total
	£000	£000	£000	£000
Market Value 31 March 2022	126,519	142,952	249,408	518,879
Transfers into / (out of) Level 3	-	-	-	-
Net purchases / (sales) during the year	19,005	40,010	(11,122)	47,893
Unrealised gains / (losses)	(11,669)	(2,120)	20,990	7,201
Realised gains / (losses)	8,052	15,811	-	23,863
Market Value 31 March 2023	141,907	196,653	259,276	597,836

Note 17: Financial Instruments

Note 17a: Classification of Financial Instruments

The following tables analyse the carrying amounts of financial assets and liabilities by category and net asset statement headings. No financial assets were reclassified during the accounting period.

31 March 2023

Classification	Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000
Financial Assets			
Pooled equity funds	2,701,753		
Pooled bond funds	1,508,459		
Private equity	141,907		
Private debt	196,653		
Infrastructure	259,276		
Cash		31,631	
Investment balances		1,964	
Debtors		11,899	
Sub Total	4,808,048	45,494	-
Financial Liabilities			
Investment balances			(342)
Other current liabilities			(6,971)
Total	4,808,048	45,494	(7,313)

31 March 2022

Classification	Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000
Financial assets			
Pooled Equity Funds	2,478,397		
Pooled Bond Funds	1,876,526		
Private equity	126,519		
Private debt	142,952		
Infrastructure	249,408		
Cash		16,588	
Investment balances		2,157	
Debtors		12,632	
Sub Total	4,873,804	31,377	
Financial liabilities			
Investment balances			(329)
Other current liabilities			(5,047)
Total	4,873,804	31,377	(5,375)

Note 17b: Net Gains and Losses on Financial Instruments

Classification	31 March 2022 £000	31 March 2023 £000
Financial Assets		
Fair value through profit and loss	(63,703)	(285,231)
Amortised cost - unrealised gains	4,301	1,073
Financial Liabilities		
Fair value through profit and loss	-	-
Total	(59,402)	(284,158)

The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

Note 18: Nature and Extent of Risks Arising From Financial Instruments and Other Assets

Risk and risk management

The primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e., promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through diversification of assets and fund managers, to reduce exposure to market risk (price risk, currency risk and interest rate risk). In addition, the Fund manages its liquidity risk to ensure there are sufficient resources to meet the forecast cash requirement. The Pensions Committee reviews the Fund's funding strategy, in consultation with the Fund Actuary and investment adviser, based on the Fund's funding position and performance objective and taking into consideration factors including interest rates, inflation, liquidity and collateral. Prudent assumptions are used both in the strategy modelling work and when setting employer contribution rates. Performance is monitored by the Pensions Committee.

The Fund's Investment Strategy Statement (ISS) identifies the risks managed by its investment managers, sets appropriate risk limits and monitors adherence to those limits. The ISS is reviewed regularly to reflect changes in approaches to the Fund's activities.

Responsibility for the Fund's risk management strategy rests with the Pensions Committee. The Committee receives regular reports from each of the managers on the nature of the investments made on the Fund's behalf and the associated risks. Divergence from benchmark asset allocations and the composition of each portfolio is monitored by the Committee. Consideration of the Fund's investment strategy is on-going.

a) Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Fund's income or the value of its assets.

The object of market risk management is to identify, manage and control market risk exposures within acceptable parameters while optimising returns.

Market risk is inherent in the investments that the Fund makes, particularly through its equity holdings, and is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. A customised benchmark has been adopted which includes exposures to individual investments, and risk associated with the strategy and investment return are regularly monitored and reviewed by the Pensions Committee.

Each manager must adhere to investment guidelines that specify the managers' investment powers and restrictions.

Other price risks

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 arising from interest rate risk or foreign exchange risk) whether those changes are caused by factors specific to the

individual instruments or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share price risk and derivative price risk during periods of transition. This arises from investments held by the Fund for which the future price is uncertain. All investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's investment managers mitigate price risk through diversification and the selection of securities. Exposure is monitored to ensure it is within limits specified in the Fund's investment strategy.

Other price risks – sensitivity analysis

The Fund has determined that the following movements in market price risk are reasonably possible for the 2023/24 reporting period. This data has been provided by the Fund's actuary, Hymans Robertson, and is based on historical data.

Had the market price of the Fund investments increased/decreased as per the table below, the change in the net assets available to pay benefits in the market price would have been as follows. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same. (The prior year comparator is also shown).

2022/2023

Asset type	Value at 31 March 2023 £000	Potential market movements (+/-)	Value on increase £000	Value on decrease £000
Pooled equity & bond funds	4,210,212	14.2%	4,808,062	3,612,362
Cash	24,041	0.3%	24,113	23,969
Property	490,475	15.5%	566,499	414,451
Private equity	141,907	31.2%	186,182	97,632
Private debt	196,653	9.6%	215,532	177,774
Infrastructure	259,276	9.9%	284,945	233,608
Total	5,322,564		6,085,333	4,559,796

2021/2022

Asset type	Value at 31 March 2022 £000	Potential market movements (+/-)	Value on increase £000	Value on decrease £000
Pooled equity & bond funds	4,354,924	14.5%	4,986,388	3,723,460
Cash	10,200	0.3%	10,230	10,169
Property	594,300	15.0%	683,445	505,155
Private equity	126,519	31.2%	165,993	87,045
Private debt	142,952	9.0%	155,818	130,087

Infrastructure	249,408	9.4%	272,853	225,964
Total	5,478,304		6,274,727	4,681,880

Interest rate risk - sensitivity analysis

Interest rate risk is monitored by the investment managers and the County Council's treasury management team.

The Fund recognises that interest rates vary and can affect both income 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 and is equivalent to 1%.

The Fund's direct exposure to interest rate movements as at 31 March 2023 and 31 March 2022 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

The analysis in the table below 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.

Assets exposed to interest rate risk**2022/2023**

Asset type	Value at 31 March 2023	Change in year in net assets available to pay benefits +100 BPS	Change in year in net assets available to pay benefits -100 BPS
	£000	£000	£000
Cash and cash equivalents	24,041	240	(240)
Cash balances	7,590	76	(76)
Total	31,631	316	(316)

2021/2022

Asset type	Value at 31 March 2022	Change in year in net assets available to pay benefits +100 BPS	Change in year in net assets available to pay benefits -100 BPS
	£000	£000	£000
Cash and cash equivalents	10,200	102	(102)
Cash balances	6,388	64	(64)
Total	16,588	166	(166)

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than sterling. The Fund holds monetary and non-monetary assets issued in currencies other than sterling.

Fund managers monitor the currency risk and this is considered by the Pensions Committee when making strategic asset allocation decisions.

Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the Hymans Robertson, the Fund considers the likely volatility associated with foreign exchange rate movements to be 10%.

The analysis assumes that all other variables, in particular interest rates, remain constant. If sterling strengthens/weakens against other currencies in which the Fund holds investments, it would increase/decrease the net assets available to pay benefits as follows:

Assets exposed to currency risk**2022/2023**

Asset type	Value at 31 March 2023 £000	Change %	Value on increase £000	Value on decrease £000
Overseas private equity	141,907	10.0	156,097	127,716
Overseas private debt	196,653	10.0	216,318	176,988
Overseas infrastructure	259,276	10.0	285,204	233,349
Total	597,836		657,619	538,053

2021/2022

Asset type	Value at 31 March 2022 £000	Change %	Value on increase £000	Value on decrease £000
Overseas private equity	126,519	10.0	139,171	113,867
Overseas private debt	142,952	10.0	157,248	128,657
Overseas infrastructure	249,408	10.0	274,349	224,468
Total	518,879		570,768	466,992

b) Credit risk

Credit risk is the risk that the counterparty to a transaction or financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. Credit risk is related to the potential return of any investment, the most obvious being that the yields on bonds are strongly correlated to the perceived credit risk. Therefore, the risk of loss is implicit in the carrying value of the Fund's financial assets and liabilities.

The Fund is exposed to credit risk. However, this risk is minimised by selecting high quality counterparties, brokers and financial institutions.

Deposits are made only with banks and financial institutions that are rated independently and meet the Fund's credit criteria. The Fund has also set out in its Treasury Management Policy the limits of exposure to any one financial institution.

The Fund has not had any experience of default or uncollectable deposits. As at 31 March 2023, the Fund held £1.04m cash with the custodian (31 March 2022: £0.2m) and cash internally managed by WSCC was £30.59m (31 March 2022: £16.4m). This was held by institutions with the following credit ratings:

Rating	Nominal amount 31 March 2022 £000	Nominal amount 31 March 2023 £000
AAA rated counterparties	10,000	23,000
A-1+ rated counterparties	200	1,041
A+ rated counterparties	6,388	7,590
TOTAL	16,588	31,631

The Fund's total exposure to credit risk cannot be assessed generally as the risks of default will be specific to each financial institution. At 31 March 2023, there was no evidence that such risks were likely to materialise.

c) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations when they fall due, without incurring unacceptable losses or risking damage to the Fund's reputation. Cash is required to pay benefits, fund acquisitions and settle various other commitments. The Fund maintains a working cash balance held in instant access money market and bank accounts. A cash flow forecast is maintained to ensure sufficient funds are available. The Fund manages liquidity risk by:

- giving careful consideration to the anticipated income and expenditure required for the administration of the Fund and the payment of benefits and by maintaining in-house managed cash balances sufficient to meet day-to-day cash flows.
- keeping a significant proportion of the Fund's assets in highly liquid investments such as actively traded equities, bonds and unit trusts.

The Fund is currently cash flow positive.

The Fund's strategic allocation to property, private debt, infrastructure and private equity, which are relatively illiquid, is limited to 25% of the total portfolio. As the Fund

does not currently need to sell assets in order to pay benefits, it is considered appropriate to hold such investments to increase diversification, minimise risk and improve long-term investment performance.

Under the regulations, the Fund is authorised to borrow in its own right to fund cash flow deficits on a short-term basis.

d) Refinancing risk

The key refinancing risk is that the Fund is bound to replenish its investments at a time of unfavourable interest rates. The Fund does not hold any financial instruments that have a refinancing risk as part of its treasury management or investment strategies.

Note 19: Funding Arrangements - Actuarial Statement

Description of funding policy

In line with the Local Government Pension Scheme Regulations 2013, the Fund's Actuary undertakes a funding valuation every three years for the purposes of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022 and the next valuation will take place as at 31 March 2025.

The key funding principles are as follows:

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

The Funding Strategy Statement (FSS) sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

Funding position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £5,501 million, were sufficient to meet 125% of the liabilities (i.e., the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £1,099 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure in accordance with the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal actuarial assumptions and method used to value the liabilities

Method

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

Assumptions

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

The key financial assumptions adopted for the 2022 valuation were as follows:

Assumption	31 March 2022
Discount rate	3.5% p.a.
Salary increase assumption	4.3% p.a.
Benefit increase assumption	2.7% p.a.

Demographic assumptions

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, an allowance for smoothing of recent mortality experience and a long-term rate of 1.75% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

Pensioner Type	Males	Females
Current Pensioners	22.3 years	24.7 years
Future Pensioners	23.2 years	26.5 years

Copies of the 2022 valuation report and FSS are available on the Funds website or on request from West Sussex County Council.

Experience over the period since 31 March 2022

Markets were disrupted by the ongoing war in Ukraine, a short-term change in UK fiscal policy and global inflationary pressures. As a result, asset returns have lagged expectation while members received a higher than anticipated benefit increase of 10.1% in April 2023. However, these impacts were more than offset by a material increase in expected future returns due to rising interest rates which has the effect of decreasing the value placed on the Fund's liabilities.

The next actuarial valuation will be carried out as at 31 March 2025. The FSS will also be reviewed at that time.

Note 20: Actuarial Present Value of Promised Retirement Benefits

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund's liabilities on an IAS 19 basis, using the same base data as the funding valuation. This valuation is not carried out on the same basis as that used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (Note 19). The actuary has also valued ill health and death benefits in line with IAS 19.

Liability	31 March 2022 £m	31 March 2023 £m
Active members	(2,567)	(1,409)
Deferred pensioners	(1,385)	(950)
Pensioners	(1,671)	(1,604)
Present Value of Promised Retirement Benefits	(5,623)	(3,963)
Fair value of scheme assets (bid value)	5,494	5,337
Net Liability	(129)	1,374

As noted above, the liabilities above are calculated on an IAS 19 basis and will therefore differ from the results of the 2022 triennial funding valuation (Note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, the aggregate liability appears to be a reasonable estimate of the actuarial present value of benefit promises.

No allowance has been made for unfunded benefits.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

It should be noted the above figures are appropriate for the administering authority only for preparation of the accounts of the Pension Fund. They should not be used for any other purpose (i.e., comparing against liability measures on a funding basis or a cessation basis).

IAS19 assumptions used

The assumptions used are those adopted for the administering authority's IAS 19 report and are different as at 31 March 2023 and 31 March 2022.

The Fund Actuary estimates that the impact of the change in financial assumptions to 31 March 2023 is to decrease the actuarial present value by £2,267m. The Fund actuary estimates the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £230m.

Assumption	31 March 2022 % per annum	31 March 2023 % per annum
Inflation / pensions increase rate	3.20	2.95
Salary increase rate	3.70	4.45
Discount rate	2.70	4.75

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, an allowance for smoothing of recent mortality experience and a long-term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Type of Pensioner	Males	Females
Current Pensioners	21.8 years	24.3 years
Future Pensioners*	22.2 years	25.8 years

* Future pensioners are assumed to be currently aged 45 at the latest formal valuation

Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Commutation assumption

An allowance is included for the assumption that 50% of future retirements elect to exchange pension for additional tax-free cash up to HMRC limits.

Note 21: Current Assets

Classification	31 March 2022 £000	31 March 2023 £000
Debtors		
Contributions due - members	3,032	2,993
Contributions due - employers	5,013	5,026
Prepayments	1,032	1,141
Other debtors	3,260	2,324
Taxation	294	415
Sub Total	12,632	11,899
Cash balances	6,388	7,590
Total	19,021	19,489

Analysis of Debtors

Classification	31 March 2022 £000	31 March 2023 £000
Central government bodies	2,111	3,522
Other local authorities	3,844	3,827
Educational establishments	2,282	2,217
Other entities and individuals	4,395	2,333
Total	12,632	11,899

Note 22: Current Liabilities

Classification	31 March 2022 £000	31 March 2023 £000
Benefits payable	1,149	1,423
Other current liabilities	3,898	5,548
Total	5,047	6,971

Analysis of Creditors

Classification	31 March 2022 £000	31 March 2022 £000
Central government bodies	2,846	5,161
Other local authorities	786	775
Educational establishments	57	7
Other entities and individuals	1,357	1,028
Total	5,047	6,971

Note 23: Additional Voluntary Contributions

Some members of the Scheme have made additional voluntary contributions (AVC) to increase the value of their pensions. Legal & General are the appointed AVC provider for members in the West Sussex Local Government Pension Scheme. Some residual funds remain with the previous AVC provider (Standard Life)

AVC contributions of £2.5m were paid directly to Legal & General during the year (2021/22: £1.9m). AVCs are separately invested and are therefore not included in the Pension Fund accounts in accordance with regulations 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) regulations 2016.

AVC Provider	Market Value 31 March 2022 £000	Market Value 31 March 2023 £000
Standard Life	66	47
Legal & General	4,863	6,447
Total	4,929	6,494

Note 24: Related Party Transactions

West Sussex County Council

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

During the reporting period, the Council incurred costs of £0.7m (2021/22: £0.7m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund and contributed £68.3m to the Fund in 2022/23 (2021/22: £63.1m). All monies owing to and due from the Fund have been accounted for in the year.

Part of the Pension Fund cash holdings are invested in the money market by the Treasury Management operations at West Sussex County Council, in line with the Fund's Treasury Management Policy. During the year to 31 March 2023, the Fund had a daily average investment balance of £37.9m held in Sterling (31 March 2022: £45.0m) earning interest of £0.70m (2021/22: £0.02m) in these funds at a rate of return of 1.9% (2021/22: 0.04%). Additionally, the Fund has earned interest of £0.03m on investments held in foreign currency (2021/22: £0.00m).

Governance

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

Note 24a: Key Management Personnel

The Director of Finance and Support Services and S151 officer has responsibility for the proper financial administration of the Fund under the Local Government Act 1972. This Officer is employed by the Administering Authority but spent a proportion of time on the financial management of the Fund. The total Pension Fund expense relating to apportioned remuneration for Key Management Personnel is £19.4k in 2022/23 (2021/22: £19.7k).

Note 25: Contingent Liabilities and Contractual Commitments

A contingent liability arises where an event has taken place that gives the Fund a possible obligation, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund. Contingent liabilities also arise in circumstances where a provision would otherwise be made but the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Net Asset Statement but are disclosed in a note to the accounts.

Estimates provided to members indicate that at year-end there are potential liabilities of £0.052m in respect of members who have enquired about transferring benefits out of the scheme and on whom the Fund is awaiting a final decision.

There are further outstanding commitments in investment assets as at 31 March 2023 as follows:

- Private Equity of £97.5m (31 March 2022 £127.6m)
- Private Debt of £58.4m (31 March 2022 £116.7m)

These commitments relate to outstanding call payments due on unquoted investments. The amounts 'called' by these funds are irregular in both size and timing over the period of investment.

Note 26: Contingent Assets

There were no contingent assets at the period end.