

West Sussex
Pension Fund
**Annual
Report**



Annual Report 2017/18

This is the Annual Report for the West Sussex Pension Fund.

The report sets out the [benefit arrangements of the Fund](#), the details of the [governance structure](#) in which it operates and the Fund's [investment](#) and [administrative performance](#).

The report sets out in some detail the mandates which the [equity and bond, property and private equity managers](#) have been awarded and their short and long term performance. It also considers how the Fund responds to its [corporate governance](#) responsibilities.

The Government is encouraging LGPS Funds to work together to put forward plans to “pool investments to significantly reduce costs while maintaining investment performance”. In response eleven like- minded LGPS Funds are working together under the name of [ACCESS](#) (A collaboration of Central, Eastern and Southern Shires.)

Every three years the Fund is required to undertake a [full actuarial valuation of its assets and liabilities](#). The most recent valuation was undertaken at 31 March 2016 and the outcome has been set out in this annual report.

The Fund is required to maintain certain [policy documents](#), which are published in full on the Fund's website.

Finally the report includes details of the work undertaken by the Fund's [internal auditors](#) on the management, governance and administration arrangements which are in place.

Key Facts

Some **key statistics** have been set out below:

Members and Employers

There are **193 active employers** in the Pension Fund and **73,038 members** (contributors, pensioners and deferred).

Funding level

The Pension Fund was **95% funded** at the most recent formal valuation (March 2016). It is estimated that at 31 March 2018 the funding level exceeds 105%.

Administrative performance

Administration performance against Key Performance Indicators (KPI's) during the year has been set out below.

	Target	2016/17 Actual	2017/18 Actual
Payment of pension benefits within 10 working days of receipt of all required information.	97.00%	94.10%	91.62%
Provision of pension estimates to members of the scheme and to employers within 10 working days of request, and the provision of information on deferred benefits to people who are leaving the pension scheme within 20 working days from receipt of all required information.	97.50%	75.40%	73.51%
Calculation of Deferred Benefits within 20 working days of the request being submitted	97.50%	38.50%	52.88%

Investment Performance

The Pension Fund invests in equities, bond, property and private equity as shown below.








	2016/17 £m	2017/18 £m
Equities	2,177	1,977
Bonds	998	1,514
Property (direct)	286	344
Alternatives	158	121
Cash or equiv.	139	102
Total	3,758	4,058

During the year the **Fund's assets returned 7.1% compared to its benchmark target of 3.1%**. The longer term performance figures are shown below:

	12 months	3 years pa	10 years pa	Since inception (1992) pa
Fund	7.1%	10.6%	9.55%	9.6%
Benchmark	3.1%	8.8%	8.32%	8.9%
<i>Difference</i>	4.0%	1.8%	1.22%	0.7%

The Pensions Panel has instructed the fund managers to be active stakeholders. In addition to engaging with companies, **the fund managers voted at 100% of domestic and 94% of overseas meetings** during the year.

The latest policy documents can be downloaded and can be made available on request.

Link	Policy Document	Description
	Breaches Policy	This Policy sets out 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 out the future priorities.
	Communications Strategy Statement	This Statement sets out how the Fund will communicate with members, representatives of members, prospective members and employing authorities.
	Administration Authority Discretions	<p>This Policy sets out how the Pension Fund applies provisions of the Scheme that are discretionary. Employers will maintain their own Discretions policy which relates to decisions which they can make under the Scheme.</p> <p>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.</p>
	Funding Strategy Statement	This Strategy 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	These two Statements detail the Fund's governance and stewardship arrangements and report the extent of compliance against a set of best practice governance principles.
	Investment Strategy Statement	This Strategy outlines how investment decisions are made, the types of investment held, fees paid, risk and corporate governance

Benefit Structure, Membership and Contributions

The Scheme and Benefit Structure

1. The Local Government Pension Scheme is a defined benefit scheme. This means that the pension received by members is based on salary and service rather than the performance of the investment markets.
2. A new Scheme was introduced with effect from 1 April 2014, which changed the basis of a member's pension from being based on final salary to being based on average salary. However some benefits accrued under the old Scheme were retained for those in the Scheme at the time of the change.
3. The main benefits associated with the 2014 Scheme are shown below:

	LGPS 2014
Basis of Pension	Career Average Revalued Earnings (CARE) With annual salary Revalued by the Consumer Price Index (CPI) More information on how a CARE Scheme works can be found on the LGPS website.
Accrual Rate	1/49 th In other words, you receive just over 2% of your annual salary for each year you contribute
Pensionable Pay	Pay including non-contractual overtime and additional hours
Contribution Flexibility	Yes, members can pay 50% contributions for 50% of the pension benefits
Retirement Age	Equal to the individual member's State Pension Age
Lump sum	Trade £1 of pension for £12 lump sum
Death in Service Lump Sum	3 x Pensionable Pay
Death in Service Survivors Benefit	1/160th accrual based on Tier 1 ill health pension enhancement
Ill Health Provision	Tier 1 - Immediate payment with service enhanced to Normal Pension Age Tier 2 - Immediate payment with 25% service enhancement to Normal Pension Age Tier 3 - Temporary payment of pension for up to 3 years
Indexation of Pension in Payment	Consumer Prices Index (CPI) ¹
Vesting Period	2 years

4. When the Government introduced the 2014 Scheme it included a mechanism to allow changes change to the cost of the Scheme beyond certain limits (still to be agreed) to be shared between members and employers, subject to negotiations between unions, employers and government.

Contributions

5. Member contribution rates and bandings are based on a members pay. The rates for the year beginning 1 April 2017 and 1 April 2018 are shown below. Members have the option to pay 50% of their contributions and will receive 50% of the benefit.²

¹ Under treasury orders. Therefore the indexation may be amended.

² Please see <http://www.lgpsmember.org/toj/thinking-joining-how.php> for more information

Contributions Table for 2017/18		Contributions Table for 2018/19
Actual pay for employment	Main	Actual pay for employment
Up to £13,700	5.5%	Up to £14,100
£13,701 - £21,400	5.8%	£14,101 - £22,000
£21,401 - £34,700	6.5%	£22,001 - £35,700
£34,701 - £43,900	6.8%	£35,701 - £45,200
£43,901 - £61,300	8.5%	£45,201 - £63,100
£61,301 - £86,800	9.9%	£63,101 - £89,400
£86,801 - £102,200	10.5%	£89,401 - £105,200
£102,201 - £153,300	11.4%	£105,201 - £157,800
More than £153,300	12.5%	More than £157,801

6. Employers pay into the Scheme based on contribution rates set by the Fund Actuary, which is covered later in this report.

Fund Membership

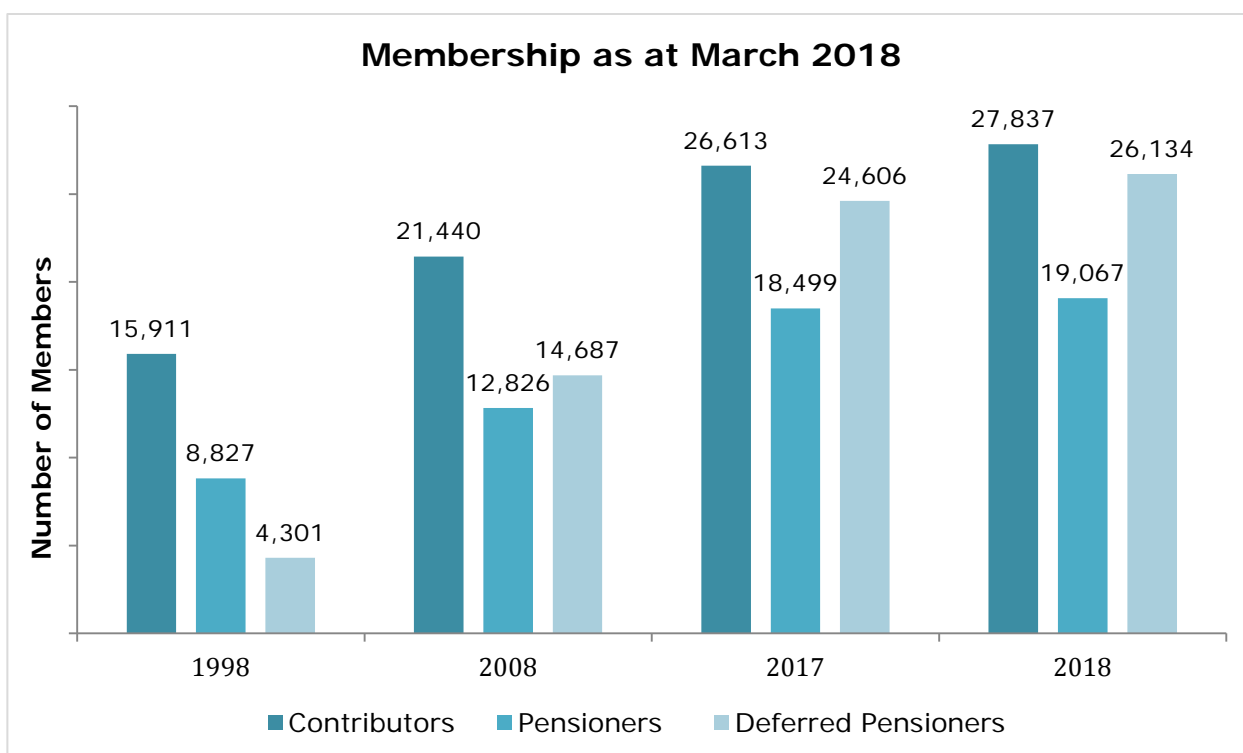
7. Membership of the LGPS is automatic to all County Council employees and employees of certain specified employers (such as colleges, academies, and those who are providing a service transferred from a local authority). The table below sets out the number of employers in the Fund as at 31 March 2018. During the year, 23 new employers joined the Fund, and 12 became ceased employers. Further details of the participating employers can be found in Appendix 2 of this report.

	Active	Ceased
	This is an employer who is actively contributing to the Pension Fund and has members who are participating in the Scheme	This is an employer who is no longer contributing to the Pension Fund but who has members who are still receiving benefits from the Scheme
Scheduled		
Who is this? This includes the town, parish, district, borough and county councils, as well as academies, the Police and Crime Commissioner and Office of the Chief Constable.		
Who can join? Except in the case of town and parish council employees working for all other Scheduled employers, membership is automatic to all employees who have contracts of employment for more than three months. Employees can, of course, opt not to join the Scheme. Town and Parish Councils have to pass a resolution to specify who should be admitted.	146	48
Admitted		
Who is this? This includes employers who have contracts for services with a Scheduled employer (above) or who have joined the Scheme due to a community of interest with a Scheduled employer such as quasi-governmental organisations.		
Who can join? Traditionally admission to the Scheme is limited to those employees who originally transferred from the local authority. However some admission arrangements are 'open' so new members are able to join the Scheme.	47	23

8. Membership of the Scheme is split between active members (contributors), deferred members (former employees who have a deferred pension right to be paid at a point in the future) and those receiving pension benefits (pensioners). The chart below shows the

number of members per group at 31 March 2018 along with the change in membership over the past 20 years.

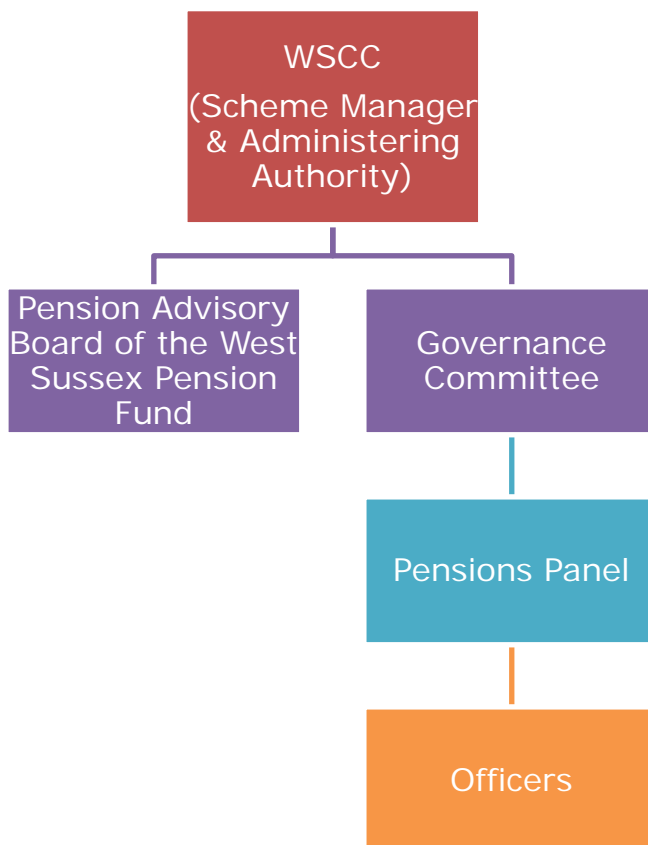
- Total membership has increased by 152% over the last 20 years and 50% over the decade.
- Although active membership has increased by 75% over the last 20 years, the mix between contributors and pensioners (deferred and active) has flipped from being 55:45 in favour of contributors in 1998, to being dominated by pensioners in 2018 (38:62). This is important because the Fund needs continued cashflows from contributing members to allow it to invest over the long term and pay benefits from income received, rather than by selling its investment assets.
- The significant increase in deferred pensioners (508% between 1998 and 2018) is the result of a change in Regulations which gave leavers a deferred benefit entitlement once they had been in the LGPS for more than three months and no refunds are payable beyond this point (this is known as the vesting period). The vesting period was changed back to two years from 1st April 2014 for new entrants.



Management and Financial Performance Scheme Management & Advisors

Governance structure

9. The diagram below illustrates the governance arrangements for the Fund:



10. Further details are set out on the following pages and can be found in the Fund's [Governance Policy Statement and Governance Compliance Statement](#).

Scheme Manager

11. The Scheme Manager is defined in Section 4 of the Public Service Pensions Act 2013 as the individual scheme administering authorities in England and Wales with responsibility for managing and administering the Scheme.
12. For the purpose of West Sussex Local Government Pension Scheme the Scheme Manager is West Sussex County Council. Its functions are discharged in accordance with the County Council's [Scheme of Delegation](#) by Governance Committee and the Director of Finance, Performance and Procurement and the Director of Law and Assurance.

Pensions Panel

13. The Pensions Panel was established in 1974 to oversee the Pension Fund's investment programme on behalf of the administering authority and other employing authorities that pay contributions to the Fund and is responsible to Governance Committee for

- | | |
|----------|--|
| 1 | Appointment of professional and specialist investment advisers and managers on a consultancy basis. |
| 2 | Consideration of the recommendations of the advisers and managers including the Fund's investment strategy. |
| 3 | Determination of and overseeing the County Council's investment policy. |
| 4 | Consideration of and response to key scheme governance, funding and administration issues, including responses to statutory consultations. |
| 5 | Overseeing the management of the Pension Fund investments. |
| 6 | Monitoring the Fund's performance. |
| 7 | Ensuring that arrangements are in place for consultation and communication with stakeholders as necessary. |
| 8 | Establishing member groups to review aspects of investment strategy or to undertake work on key themes and to report back to the Panel. |

14. The Panel is supported by an Investment Adviser, the Fund Actuary and the Director of Finance, Performance and Procurement and her staff in the execution of its responsibilities.

Membership

15. The Pensions Panel comprises seven County Councillors, one representative from the district councils, one representative from the other major employers (currently vacant) and a representative for members. All members have voting rights.
16. County Council elections were held in May 2017, and as a result there were a large number of changes to members³. The Panel members are as follows.

³ Gordon McAra, Peter Metcalfe, Nigel Peters and Bernard Smith were Panel members up to May 2017 but no meetings were held between April and May 2018.



Jeremy Hunt
Chairman
County Councillor



David Bradford
County Councillor
From May 2017



Joy Dennis
County Councillor
From May 2017



Brian Donnelly
District Councillor



Roger Elkins
County Councillor
From February 2018



Jamie Fitzjohn
County Councillor
From May 2017
To February 2018



Nigel Jupp
County Councillor
From June 2017



Judith Taylor
Member Rep



Deborah Urquhart
County Councillor



James Walsh
County Councillor

Meetings and Attendance

17. The Panel meet formally at least four times per year. An attendance register has been set out below:

	Jun-17	Jul - 17	Nov - 17	Feb - 18	TOTAL
Jeremy Hunt		✓	✓	✓	3/4
David Bradford	✓	✓	✓	✓	4/4
Joy Dennis	✓	✓	✓	✓	4/4
Brian Donnelly	✓	✓	✓	✓	4/4
Roger Elkins*	N/A	N/A	N/A	By invitation	
Jamie Fitzjohn		✓		N/A	1/3
Nigel Jupp	N/A	✓	✓	✓	3/3
Judith Taylor	✓	✓	✓	✓	3/4
Deborah Urquhart		✓	✓	✓	3/4
James Walsh	✓		✓	✓	3/4

*Roger Elkins was appointed to the Pension Panel at Full Council on 16th February 2018

In addition to the formal Pensions Panel meetings the Panel have met informally in September 2017 to discuss the investment strategy of the Fund.

Training

18. Members of the Pensions Panel are required to acquire and maintain an appropriate level of expertise, knowledge and skills to fulfil their role. A training log has been copied below* :

	Induction Training	LAPF Strategic Investment Forum	Fundamentals Training 1, 2 & 3			CIPFA Annual Pensions Conference	Baillie Gifford Investor Forum	Aberdeen Standard Investment Seminar	LAPF Strategic Investment Forum
	June 2017	July 2017	Oct 2017	Nov 2017	Dec 2017	Nov 2017	Nov 2017	Jan 2018	Feb 2018
Jeremy Hunt				✓					✓
David Bradford	✓✓	✓					✓		
Joy Dennis	✓✓		✓	✓	✓				✓
Brian Donnelly								✓	✓
Jamie Fitzjohn	✓								
Nigel Jupp	✓		✓	✓	✓	✓			✓
Judith Taylor									✓
Debroah Urquhart						✓			
James Walsh	✓	✓							

*No training was available after Roger Elkins was appointed

19. In previous years:

- Dr Walsh attended the Fundamentals training in 2012.
- Mrs Urquhart attended day 2 of Fundamentals training in November 2013
- Mr Donnelly attended days 2 and 3 of Fundamentals training in 2015

Declaration of Interest

20. Members of the Pensions Panel are in a similar position to trustees in the private sector in owing a duty of care to their beneficiaries and through the requirement to act in the beneficiaries best interests at all times, particularly in terms of their investment decisions. They are not there to represent their own local, political or private interest. The fiduciary duty to employers, taxpayers and scheme beneficiaries must always be put before the interests of individuals, individual groups or sectors represented on the committee, including West Sussex County Council.

21. At each meeting of the Pensions Panel, Members and officers are invited to make any declaration of personal or prejudicial interests that they may have in relation to items on the agenda and are reminded to make a declarations at any stage during the meeting if it becomes apparent that this may be required when a particular item or issue is considered. The County Council's Register of Interest is published on its [website](#).

Pension Advisory Board

22. The Pension Advisory Board was established on 1 April 2015 under the provisions of the LGPS Regulations 2013. The Board is responsible for:

- 1** Assisting the Scheme Manager, in matters of governance and administration,
- 2** Securing compliance with regulations, guidance and other legislation; with requirements imposed by the Pensions Regulator;
- 3** Securing effective and efficient governance and administration.

23. The business for each meeting has been planned by reference to the Business Plan agreed each March and is based on the responsibilities of the Board and guidance issued about key issues to cover. All items have been completed during the year and there have been no disputes in the decisions reached. Key items covered include:

- administration performance
- late payment of contributions
- the Pension Fund's websites and newsletters
- policy statements
- compliance with changes to way which financial institutions are treated by the market (MiFIDII)
- data protection
- investment cost transparency
- pooling arrangements
- the knowledge and skills requirements of the Board.

24. 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 Ministry of Housing, Communities and Local Government (MHCLG) and CIPFA. The requirements imposed by the Pensions Regulator are being met and the Board is monitoring the effectiveness and efficiency of the governance and administrative arrangements.

Membership

25. The Board is required to have a minimum of four members with equal representation of employers and scheme members. The Board members were as follows.



Peter Scales
Chairman
Independent

Richard Cohen
Employer Representative



Kim Martin
Employer Representative



Christopher Scanes
Member Representative



Tim Stretton
Member Representative

Meetings and Attendance

26. The Board met twice during the year. The meeting in April reflects the postponed March date, which was rearranged due to severe weather conditions. The attendance was as follows:

Board member	Jul-17	Nov-17	Apr-18	Total
Peter Scales	✓	✓	✓	2/2
Richard Cohen	✓	✓	✓	2/2
Kim Martin		✓		1/2
Andy Elder	✓	N/A	N/A	1/1
Christopher Scanes	✓	✓	✓	2/2
Tim Stretton	N/A	✓	✓	1/1

Training

27. Training sessions are held as part of each board meeting and additional induction training given to the new members. A copy of the training log is shown below:

	<i>Pension Panel Induction Session</i>	<i>LGA LGPS Trustees Conference</i>	<i>LGPS Pooling Update</i>	<i>Pension and Lifetime Savings Conference</i>	<i>CIPFA Local Board Seminar</i>
	21/06/17	29/06/17 & 30/06/17	05/07/17	19/09/17	26/02/18
Peter Scales			✓	✓	✓
Kim Martin	✓				
Richard Cohen	✓		✓	✓	
Andy Elder ⁴			✓		N/A
Christopher Scanes		✓	✓		
Tim Stretton ⁶	N/A	N/A	N/A	N/A	✓

28. Each member is required to complete the Pensions Regulator on-line modular training toolkit. Progress on training is monitored & discussed at each meeting, and reviewed annually at the year-end using the Pensions Regulator's analysis tool. Below is a copy of the sessions passed by each member:

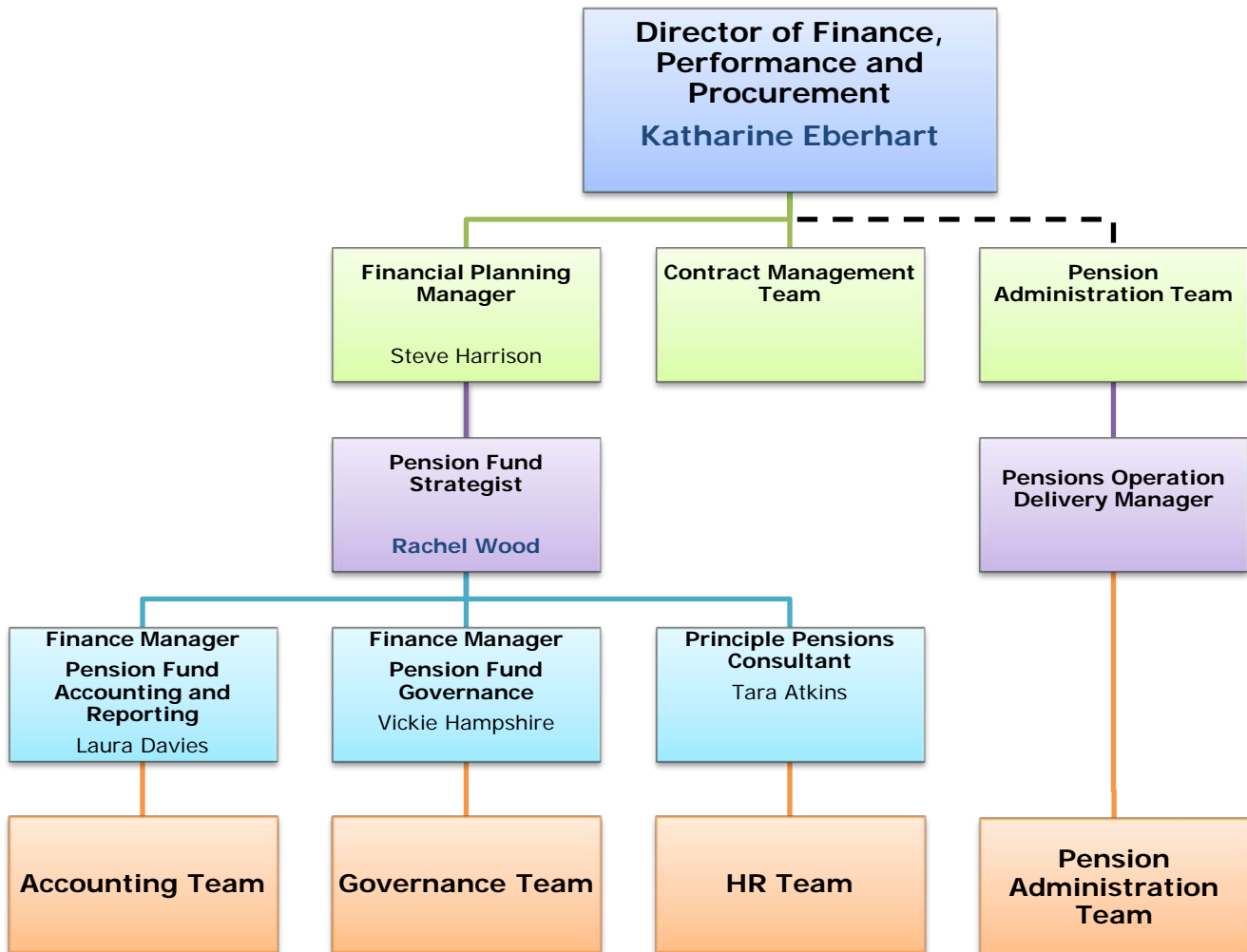
⁴ Andy Elder resigned in September 2017 and was replaced by Tim Stretton in November 2017

	Conflicts of Interest	Managing risk and internal controls	Maintaining accurate member data	Maintaining member contributions	Providing information to members and others	Resolving internal disputes	Reporting breaches of the law
Peter Scales	Passed	Passed	Passed	Passed	Passed	Passed	Passed
Kim Martin							
Richard Cohen	Passed	Passed	Passed	Passed	Passed	Passed	Passed
Christopher Scanes	Passed	Passed	Passed				
Tim Stretton							

29. Further details about the Pension Advisory Board can be found [here](#)

Officers responsible for the Fund

30. The structure charts showing those officers supporting the Pensions Panel and Pension Advisory Board has been set out below:



Scheme Administrators



31. The Pension Fund benefits administration and payroll was outsourced by West Sussex County Council to Capita in October 2012.
32. Further details of the administration service are provided later in this report.

Investment Managers used by the Fund

33. The Pension Fund invests money not required immediately to pay benefits into a portfolio of equities, bonds, property and private equity. The Pensions Panel have appointed five external fund managers to manage assets on its behalf.

Equities and Bonds



Malcolm Gordon



Lynn Dewar and Susan Swindells

Alternatives



Property –
Matthew Cunliffe and Dominic Russell



Private Equity –
Rob Barr



Partners Group
Passion for Private Markets

Private Equity -
Courtney Bensen and Sarah Brewer

The Fund Actuary

34. Employee contributions are fixed by Central Government. However the Actuary is required to set employer contribution rates to ensure benefits under the Scheme are properly funded. Although the Actuary is required to carry out a full valuation every three years, they are also required to calculate contributions rates for new employers, if membership figures change and if an employer leaves the Scheme. The County Council has appointed Hyman Robertson as Fund Actuary.



Steven Law

Independent Adviser

35. An Independent Adviser (Caroline Burton) has been appointed to support the Pensions Panel through reviewing investment activity, giving advice on general investment matters, assisting in the selection of new managers and carrying out independent assessments of compliance against other benchmarks that the Fund's performance is measured against, and offer a practical approach to address and control risk.

External Auditor

36. Ernst & Young have been appointed as external auditors for West Sussex County Council and the West Sussex Pension Fund

Bankers, custodian and performance consultant

Global Custodian

37. 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. BNP Paribas were appointed by the County Council to provide global custody services, stock lending facilities and performance measurement service from May 2017.



BNP PARIBAS

38. Amaces, an independent custodian monitoring firm, review the service provided by the Fund's custodian. The table below shows the performance against of the Fund's custodians against key indicators for the years ending 31 March 2014 to 31 March 2018. Northern Trust was the Fund's custodians until April 2017. The benchmark figures shown represent the average experience of other Pension Funds using a range of different custodians.

Indicator	Year ending 31 March					
	2014	2015	2016	2017	2018	
	Fund	Fund	Fund	Fund	Fund	B'mark ¹
Value of late settlement as % of monthly trades	6.60%	3.68%	34.07% ⁵	1.79%	14.03%	4.77%
Value of outstanding settlement as % of average monthly trades	0.52%	0.06%	0.31%	0.00%	0.00%	0.41%
Value of late income as % of monthly income	0.25%	0.42%	0.46%	0.08%	15.55%	7.01%
Value of outstanding income as % of average monthly income	0.04%	0.18%	0.00%	0.00%	2.85%	1.78%
Value of tax outstanding as % of average monthly tax	3,093%	2,478%	3,317%	3,005%	2700%	2809%
Number of tax reclaims outstanding as % of average monthly tax	4,770%	3,643%	3,831%	2,063%	2,476%	3,009%
FX cost in basis points ⁶	8	7	15	8	0	17
Credit interest rate % for GDP	0.25%	0.27%	0.33%	0.21%	0.13%	0.11%
Credit interest rate % for EUR	0.00%	-0.05%	-0.26%	-0.61%	-0.39%	-0.48%
Credit interest rate % for USD	0.01%	0.01%	0.04%	0.54%	0.73%	0.59%
Securities lending Utilization			9.71%	9.77%	2.6%	8.26%
Net Securities Lending return in Basis Point			74.96	29.23	2.01	26.78

39. The number of tax reclaims as a percentage of total average monthly tax reflects the restrictions with regard to when tax claims can be filed and the time period that it takes to file and receive tax refunds.
40. The report only measures the cost of small value FX deals as these often fall to automated instructions rather than being placed by the investment managers.

Internally Managed Cash

41. The Pension Fund also holds cash internally as working balances and operates its own treasury management policy, which is implemented by the County Council's Treasury Management Team.
42. Working balances comprise funds required to pay pensions, to fund private equity and property investments and to pay day-to-day expenses. Surplus balances will be sent to the external fund managers for investment in accordance with the Treasury Management Strategy, which can be found on the [website](#).
43. A charge is incurred by the Fund for the treasury management service supplied by West Sussex County Council.

Legal Adviser

44. The Pension Fund uses the Orbis Legal Services Partnership (West Sussex County Council's legal services team working in partnership with Brighton and Hove City Council, East Sussex County Council and Surrey County Council) for advice covering conveyancing, investment and employer issues.
45. A charge is incurred by the Fund for the legal advice supplied by West Sussex County Council.
46. Advice is also provided by third parties as required.

⁴ The figures for late settlement in 2016 have been impacted by three delayed settlements resulting from an accounting (rather than settlement) error.

⁵ Basis points are used to measure movement of less than 1%. One hundred basis points equal 1%, or put another way, one basis point equals one hundredth of a percent.

AVC Provider

47. All local government Pension 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 Pension Fund's current provider is Standard Life, although some members retain paid up plans with Equitable Life, the previous provider.



Standard Life

www.standardlifepensions.com/lgps

48. The 1995 Pensions Act imposes a duty of care on the Fund in relation to the establishment and monitoring of AVC arrangements. The services and general conduct and financial viability of the provider are kept under review. The last review was carried out in April 2018 by an independent consultant; this was an assessment of the current provider. The consultant found that overall the AVC arrangement with Standard Life is suitable.

Subscriber

49. The Pension Fund was a member of the following groups in 2017/18;
- CIPFA Pensions Network
 - Pensions & Lifetime Savings Association
 - Pensions Research Accountants Group (PRAG)

ACCESS Pool

50. The Government is encouraging LGPS Funds to work together to put forward plans to "pool investments to significantly reduce costs, while maintaining investment performance." In response eleven like-minded LGPS Funds (including West Sussex County Council) are working together under the name of ACCESS (A Collaboration of Central, Eastern and Southern Shires). Individually the participating funds have a strong performance history and potential for substantial benefits for a group of successful like-minded authorities collaborating and sharing their collective expertise. Collectively the ACCESS Pool has significant scale with assets of £43bn, managed on behalf of c3,000 employers and c900,000 members. It is the Government's expectation that the asset pools are formed in order for assets to begin being transferred from individual LGPS Funds from 1 April 2018.
51. The ACCESS Pool submitted their Spring Progress report to the Ministry of Housing, Communities and Local Government (MHCLG) on 4 May 2018. A copy of this report is accessible on the ACCESS [website](#). It sets out the progress made by the ACCESS authorities to meet the Government's investment reform agenda.
- The July 2016 submission to MHCLG indicated that ACCESS authorities could benefit from eventual projected savings of £30m annually (excluding any assumptions on asset growth). These estimates of savings remain consistent with current evidence.
 - ACCESS authorities have appointed UBS to manage its passive mandates (approx. £11b). The indicative saving of £5.2m per annum exceeds the estimated saving projection of £4m per annum stated in our July 2016 submission.

- The ACCESS authorities have appointed Link Fund Solutions (Link) as the pool's Financial Conduct Authority (FCA) authorised Operator. The appointment means a significant shift in governance arrangements with the Operator responsible for selecting and contracting with managers on behalf of the authorities participating in the pool.
- With the procurement phase completed, the implementation phase of the project is in train and progressing well. Link is preparing documentation for the FCA authorisation of an umbrella Authorised Contractual Scheme (ACS) and first sub-fund for submission in May 2018.
- A key element of governance arrangements focuses on the robust management of the Operator contract and the Operator to ensure it is held to account by the administering authorities participating in ACCESS via the Joint Committee. ACCESS is also setting up the ACCESS Support Unit (ASU) which will manage the Operator contract against specified KPIs and provide technical and secretariat support services to the Joint Committee (JC) and Officer Working Group (OWG). Interim arrangements are already in place.
- The Pooling arrangements have been set up to ensure each administering local authority may exercise proper democratic accountability and continue to meet fiduciary responsibilities.
- The potential for greater savings in the longer term remains, as the ACCESS pool applies its leverage as one of the largest asset pools in the UK and collaborates with other pools to achieve further benefits of scale in investment management including new ways of investing in illiquid assets, in particular infrastructure.
- In addition to the savings in investment management fees due to the reduction in manager numbers and an increase in mandate size, there are other tangible benefits from pooling including a governance dividend (potential for reduced risk due to manager diversification achieved at pool level) and tax savings for funds moving from pooled funds to segregated mandates in the pool's tax transparent ACS. For some asset classes such as global equities tax savings alone are material relative to additional costs of implementing pooling.

Management and Financial Performance

Risk Management



Key risks and what actions are taken to mitigate

52. 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. The key risks and actions taken to mitigate these have been set out below:

Risk	Mitigation
Insufficient funds to meet pension obligations resulting in higher employer contribution rates or the Fund changing to a higher risk investment strategy.	<ul style="list-style-type: none"> Prudent assumptions based on real returns on assets and bespoke mortality assumptions used when setting employer contribution rates. Monitor and review the investment performance and strategic asset allocation in light of changing assets and liabilities.
Fund Managers adopt inappropriate strategic asset allocation or has inadequate processes in place to comply with contractual requirements	<ul style="list-style-type: none"> The Fund's customised benchmark was determined by setting a strategic asset allocation appropriate for the Fund's liabilities, based on an asset/liability study carried out by the actuary and in line with the Pensions Panel's objectives and beliefs. Appropriate advice is sought when determining the strategic asset allocation, with awareness of risk, return and liquidity requirements. Control ranges are set within mandates to provide limited discretion around the strategic asset allocation. Agreements with fund managers are clear in respect of contractual requirements and investment managers performance is monitored quarterly with managers are held to account at Panel meetings.
Failure to comply with Government expectations on asset pooling or pooling arrangements do not meet the needs of the Pension Fund.	<ul style="list-style-type: none"> Continued involvement in the work of the ACCESS pool at officer and at Fund Chairman level. Clear investment strategy requirements for pool to deliver.
Employer contribution rates fluctuate between actuarial valuations due to membership experience	<ul style="list-style-type: none"> Certain employers are pooled to help manage fluctuations in contribution rates and a policy of stabilisation is applied for large, secure employers. Employers are required to pay the strain cost associated with certain employer decisions, such as early retirements.
Employer no longer in the fund but liabilities remain to be covered e.g. if employer goes bust, or employer unable to meet liabilities.	<ul style="list-style-type: none"> Certain employers are required to have a bond or guarantee in place. Membership numbers are monitored regularly.
Declining membership numbers from some employers	<ul style="list-style-type: none"> Membership numbers are monitored regularly. Employers with low membership numbers are actively managed via a cessation flightpath.
Opt outs may increase as a result of the changes to the Scheme.	<ul style="list-style-type: none"> Opt outs levels are monitored.
Pension Fund accounts not accurately maintained	<ul style="list-style-type: none"> Regular reconciliation work between accounting and administration systems. Appropriate knowledge, understanding and training of officers.
Failure to comply with changes to LGPS Regulations and/or Inland Revenue Rules	<ul style="list-style-type: none"> All consultation papers issued by the relevant Government departments are responded to where appropriate. Appropriate advice sought from experts and advisers.
The quality of the information provided to members in terms of accuracy, timeliness and clarity may fall short of expectations and requirements (including Disclosure Regulations) and impacts on achieving good member outcomes.	<ul style="list-style-type: none"> Data quality work undertaken and training/guidance is provided to employers. The Fund's Communication Strategy seeks to ensure membership well informed of benefits. Appropriate advice sought from experts and advisers.
Inaccurate and/or incomplete data retained by the Pension Fund.	<ul style="list-style-type: none"> New employers participating in the scheme are provided with clear guidance. Where employers fail to supply the correct data or do not follow the correct process, this is escalated.
Knowledge and understanding of the Board and Panel members may not comply with the requirement to have the appropriate knowledge and understanding.	<ul style="list-style-type: none"> Develop a training strategy. Monitor training register.
Board and Panel members may have a conflict of interest.	<ul style="list-style-type: none"> Declarations of interest are required at the start of and during each meeting as appropriate. A clear conflict of interest and disclosure policy is maintained in line with WSCC overriding policies.
Compliance with Data Protection to ensure no breaches	<ul style="list-style-type: none"> Data is managed securely. All staff, including temporary or contract staff, complete information management training.

Internal Audit

53. The County Council's internal audit team has undertaken two audits for the Pension Fund as part of their 2017/18 audit plan. This is in addition to the external audit which takes place annually. A summary of the areas covered and the internal auditors comments are set out below:

Title	Comments
 Pension Fund – Pension Administration May 2017	<p>This audit gave an opinion on the extent to which assurance can be placed upon the expected controls and that key control objectives have been met. The following areas were tested:</p> <ul style="list-style-type: none"> • New Employees • New Pensioners • Transfer of funds in to the Pension scheme • Transfer of funds out of the Pension scheme • A review of financial reconciliations of pension payments • A review of the National Fraud Initiative (NFI) exercise <p>The auditors concluded that Limited Assurance can be placed on the overall effectiveness of the overall control environment and recommended that the current NFI Abatement matching policy should be reviewed as a priority and appropriate action taken.</p> <p>Further details about the Government's National Fraud Initiative are below.</p>
 Pension Fund – Externally Managed Investments November 2017	<p>This audit gave an opinion on the extent to which assurance can be placed upon ISAE 3402 internal control evaluation reports produced by the external fund managers and third party providers.</p> <p>The auditors concluded that Substantial Assurance can be placed on the effectiveness of the overall control environment but that the exceptions identified within the ISAE 3402 internal control reports should be reviewed by the Pensions Technical Team to ensure that they will not affect the Authority's investments.</p>

National Fraud initiative

54. The biennial Cabinet Office's National Fraud Initiative provides information on potential in appropriate payment as a result of a member being deceased or having returned to employment whilst receiving a pension (abatement). The results from February 2017 are summarised below. Payment is immediately stopped for those identified, pending further investigation.

	No. Cases
<u>Potentially deceased pensioners</u>	
Recover required	8
No recovery required	59
Under investigation	8
	75
<u>Potential abatement cases</u>	
Recover required	2
No recovery required	
Under investigation	25
	143
<u>Potential injury cases</u>	
Recover required	
No recovery required	1
Under investigation	
	1

55. The Pension Fund undertakes quarterly mortality screening which compares payroll data to multiple databases to identify potential inappropriate payment. The analysis for the year classified 69 records with a highly/fairly certain graded status requiring further investigation and potential action. Most of the identified cases have been closed and the remaining are open pending further information from third parties i.e. solicitors.

Financial Performance

Forecast of income and expenditure

56. The table below compares actual income and expenditure during the year to the assumptions made by the Actuary during his most recent valuation.⁷ Estimates by their nature contain a degree of uncertainty. Restructuring activity by employers, changes to the working patterns of members, members taking the option to transfer to the 50:50 Scheme and changes to Regulations can all have an impact.

	2016/17	2017/18		2018/19
	Actual	Estimate	Actual	Estimate
	£m	£m	£m	£m
Contributions received	121.5*	125.0	124.3**	127.9
Pensions paid	101.2	103.3	107.2	109.5
Net Transfers in /(out)	(2.7)	(14.6)	29.4	8.6
Income	55.1	49.8	51.6	53.1
Administration and Management Costs	14.7	11.5	17.3	13.9
Staff	0.4	-	0.5	-
Overheads	1.6	-	1.1	-
Investments	12.8	-	15.7	-
Other	0.1	-	0.0	-

* This figure includes £0.3m refunds in contributions paid back to members in 2016/17

** This figure includes £0.4m refunds in contributions paid back to members in 2017/18

57. Further analysis can be found in the Financial Statements and a list of contributing employers and the amount of contributions received from each during the year (split by employers and employees) is shown in Appendix 2. There were 2,257 contribution payments made during the year of which 3.1% were made late. The Pension Fund charges interest on persistent late payment which has only occurred with one employer this year.

Overpayments

58. The table below shows the overpayments made for each of the previous five financial years, the amounts recovered, the amounts written off and the amount outstanding at year end. Overpayments mainly relate to reclaiming pension payments which continued after the pensioner had died.⁸

	2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000
Brought Forward	63	68	74	75	84
Overpayment	41	45	51	57	72
Recovered	37	36	50	48	72
Credit	0	2	0	0	7
Written Off	0	2	0	0	2
Carry Forward	68	74	75	84	75

⁷ Pensions based on 2016 Actuarial Valuation pensions paid figure (£101.2m) increased by 2.1% per annum. Contributions based on 2016 Actuarial Valuation pensionable pay figure (£379.9m) increased by 2.9% per annum and the employer certified rates as set out for the relevant year in the Actuary's Rates and Adjustment Certificate. Transfers based on average from previous three years. Income based on average from previous three years. Expenses for 18/19 based on average from previous three years.

⁸ A new report has been used to calculate the overpayments and as a consequence the figures have been restated for all the 5 years.

Administration and Management Costs

59. The table below compares the Pension Fund's costs for 2016/17 against other Local Authorities as shown in the government's Local Government Pension Scheme Funds Account Return (SF3 Return) and the comparative information for 2017/18. The SF3 benchmark is calculated by the Ministry of Housing, Communities and Local Government (MHCLG) to show comparative administration and fund management information and to be included in the National Accounts. It is available a year in arrears.⁹ It should be noted that WSCC unit costs have mainly increased due to the increase in assets under management meaning higher fees were chargeable and performance related fees of £5.360m being payable in 2017/18 (£2.888m in 2016/17).

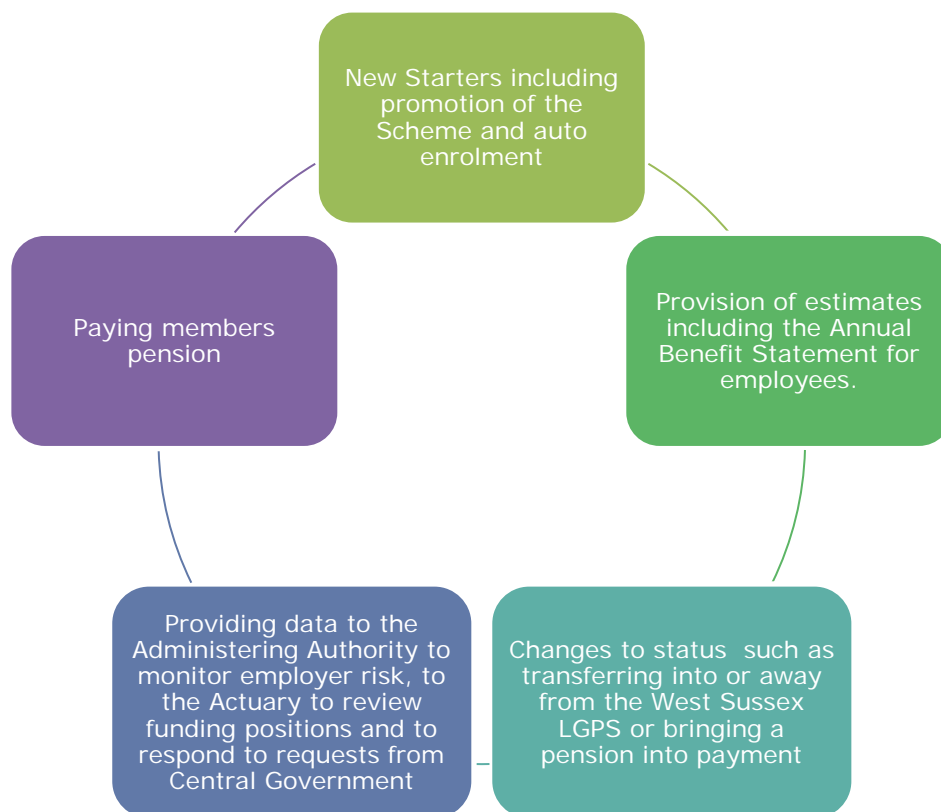
	2016/17		2017/18
	Total SF3	WSCC	WSCC
	£	£	£
Unit Costs with management costs	155.06	211.29	231.78
Unit Costs without management costs	30.24	27.68	22.29

⁹ The 2016/17 information can be found on the [Gov.uk website](https://www.gov.uk).

Administration

Administration Performance

60. The Pension Administration broadly covers the following events:



61. The Pension Fund monitors performance under the contract against a number of Key Performance Indicators (KPI's) and works to rectify poor performance and identify service improvements. The annual figures for the Fund's performance against KPI's are shown below.

	Target	2016/17 Actual	2017/18 Actual
Payment of pension benefits within 10 working days of receipt of all required information.	97.0%	94.1%	91.6%
Provision of pensions estimates to members of the scheme and to employers within 10 working days of request, and the provision of information on deferred benefits to people who are leaving the pension scheme within 20 working days (2014/15 = 10 working days) from receipt of all required information.	97.5%	75.4%	73.5%
Deferred Benefits calculation of benefits within 20 working days of the request being submitted	97.5%	38.5%	52.9%

62. The KPI's cover 23% of the cases received by the Pension Fund. The top ten most requested administration cases during the year have been listed below alongside a measure of timeliness. The target for all case types is ten working days from receipt of all required paperwork, with the exception of Deferred Benefits which has a 20 working day target.¹⁰

¹⁰ An average based on total FTE and total number of cases processed is approx. 2,622 cases per administrator.

	Description	No. Requests	Met Target
1	Maintenance requests from members / employers Updates to pension records including change of address/hours/details, nomination form and new starter creation which should be input onto the admin system	8,372	91.8%
2	Deferred processing Change to membership status from active to deferred for members with more than three months membership following notification of leaving.	6,321	52.6%
3	Retirement (all types) Retirement estimates and actual retirements (early, normal, late)	2,701	84.8%
4	Transfers Actuals for members who want to transfer in/out service to or from the West Sussex LGPS.	2,512	56.8%
5	Refunds Repayments of contributions for members with less than 3 months membership.	1,922	45.7%
6	Death cases (all variants) Relating to death grants and spouse/child pensions set-ups	1,633	96.9%
7	General member enquiries Via the website, phone, email and post	1,611	81.1%
8	Guaranteed Minimum Pension & Abatement Adjustments were made to member records relating to Guaranteed Minimum Pension for Deferred and Pensioner members.	1,113	54.5%
9	Divorce Estimates/actuals and pension sharing orders were provided during the year.	217	37.8%
10	AVC's Starter information, processing application forms and notification to relevant employer and AVC provider.	130	38.5%

63. The Pension Fund makes information about the Scheme available through its public website and via a secure member site which allows all members to access details of their pension benefits (via a retirement illustrator and a benefits summary) and update certain information. There were 16,599 registered users on the secure member site at 31 March 2018, which represents 25% of total members. The site had 18,013 logins during the year.

Satisfaction Levels

64. The Fund undertook customer satisfaction surveys across each of its membership groups. The response rate and satisfaction levels are shown below:

Survey type	Satisfied or more than satisfied with the service	Response Rate
Active	45%	19%
Deferred	50%	16%
Pensioner	70%	32%

65. The Fund has also completed a survey of employers. The response rate for employers was 16%

	Very Dissatisfied	Dissatisfied	Satisfied	Very Satisfied	Extremely Satisfied	N/A
Staff politeness	0.0%	0.0%	37.3%	44.0%	13.6%	5.1%
Staff knowledge	0.0%	13.8%	31.0%	44.8%	5.2%	5.2%
Time taken to deal with case	15.8 %	19.3%	31.6%	28.0%	1.8%	3.5%

In response to the above the Fund has:

- Provided a procedure manual to employers with detailed process notes
- Streamlined processes to ensure queries can be dealt with efficiently

Compliments and Complaints

66. The Pension Fund has a Compliments and Complaints process, which is set available from its [website](#). During the year, 108 formal complaints were received. These mainly related to delays in responding to queries. Four formal compliments were received.

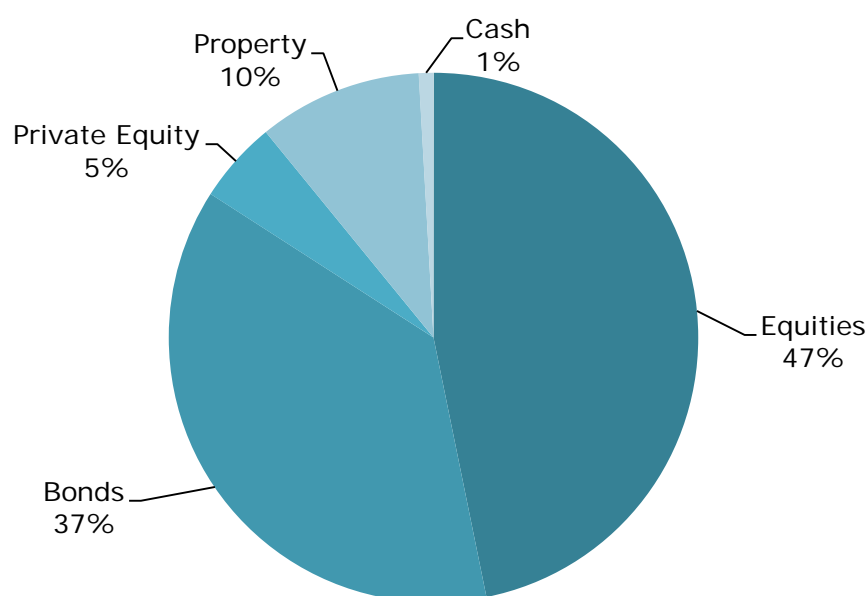
Data Quality

67. Good quality member data is essential to the successful working of the Fund including the following key aspects:
- Keeping track of each employer's share of assets
 - Collecting contributions
 - Investing those contributions
 - Paying benefits to members as and when they fall due
68. The Pension Fund is working with its actuary and employers to ensure that it maintains good quality data including through the development of a common data rectification project.

Investment Policy & Performance Assets at Year End

Investment Assets

69. The Fund's primary investment objective is to ensure that over the long term it will have sufficient assets to meet all pension liabilities as they fall due.
70. In order to meet this overriding objective the Panel maintains an investment policy so as to:
- Maximise the returns from investments whilst keeping risk within acceptable levels and ensuring liquidity requirements are at all times met;
 - Contribute towards achieving and maintaining a future funding level of 100%;
 - Enable employer contribution rates to be kept as stable as possible.
71. The Panel have translated their objectives into a suitable customised benchmark which is based on advice from the Fund Actuary and Investment Adviser. This is illustrated in the chart below. An investment strategy of lowest risk, but not necessarily the most cost effective in the long term, would be 100% investment in index linked government bonds. Although the Fund reduced its holding in equity assets during the year as a result of its strong funding position and as part of its de-risking strategy, the Fund's benchmark currently includes a significant holding in 'growth' assets, specifically equities, reflecting the relatively immature liabilities of the Fund and the secure nature of most employer covenants which allow the Fund to benefit from higher returns than from government bonds in the long term. By increasing its allocation to bonds, which are more protective, however, the Pension Fund will reduce volatility within the investment portfolio, reduce the chances of poorer funding outcomes over the medium/long term and therefore provide some stability to employer contribution rates.



72. Further details can be found in the Fund's [Investment Strategy Statement \(ISS\)](#).

73. The Fund has appointed Baillie Gifford and UBS to manage its equity and bond portfolio (a balanced mandate), Aberdeen Asset Management to manage its direct property portfolio and Pantheon and Partners Group to manage private equity portfolios on its behalf. The table below shows the Pension Fund's assets as at 31 March 2017 and 31 March 2018.

	31 March 2017				31 March 2018			
	UK	Non-UK	Global	Total	UK	Non-UK	Global	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Equities	355.3	1,821.5	-	2,176.8	381.9	1,594.7	-	1,976.6
Bonds	413.1	-	585.3	998.4	623.3	-	890.9	1,514.2
Property (direct)	285.8	-	-	285.8	344.6	-	-	344.6
Alternatives *	-	-	157.9	157.9	-	-	121.1	121.1
Cash or equiv. **	104.6	34.6	-	139.2	65.9	35.8	-	101.7
Total	1,158.8	1,856.1	743.2	3,758.1	1,415.7	1,630.5	1,009.8	4,058.2

The above figures do not include investment income, property rent receipts and contributions due to the Fund, amounts receivable from sales or payable for purchases, debtors or tax. These net investment assets amount to £2.3m for 2017/18 (£7.7m for 2016/17).

Within the balanced portfolios, £1,392bn is held in the managers' internal pooled funds (£891m by Baillie Gifford and £501m by UBS) which have been included against the appropriate asset class. Pooled funds aggregate investors' money and invest in a portfolio of assets such as equities and bonds.

* Alternatives within the above table relates to private equity funds.

** Cash includes the UBS Currency Absolute Return Strategy (CARS) investment.

74. During the year the Fund made the following investments/(disinvestments). The net sale of equities and net purchase in respect of bonds reflects, in part, the Pension Fund's de-risking programme.

	UK	Non-UK	Global	Total
	£m	£m	£m	£m
Equities	(68.3)	(304.8)	-	(373.1)
Bonds	205.2	294.0	-	499.2
Property (direct)	38.6	-	-	38.6
Alternatives	-	-	(48.0)	(48.0)
Cash or equiv.	-	(4.0)	-	(4.0)
Total	175.5	(14.8)	(48.0)	112.7

Note: Alternatives within the above table relates to private equity funds. The sales for private equity include return of capital, income and realised gain.

75. It is considered good practice that the Panel should have a full understanding of the transaction related costs they incur and since 2003 the Fund has commissioned a trading cost analysis which shows commissions, fees and market impact costs incurred by the Fund over the year against an institutional average.¹¹ The overall trading cost (commission, fees and market impact) was 15.68 basis points (BP) or £1.03m (2016/17: 14.68 BP / £2.4m). This is 15.7 BP lower than the institutional average, representing a 'saving' of approximately £2.1m (2016/17: 13.55 BP / £2.2m).¹² This has been analysed in the table below. Variances are affected by volatility and liquidity in the various markets traded in, and so costs vary year on year. However in sterling terms, the Fund has made a cost 'saving' of £16.5m against the institutional average over the fifteen years that the Elkins/McSherry report has been produced in full through efficient trading.

¹¹ The Elkins/McSherry Universe is a compilation of actual trade data from hundreds of institutions. They provide trading efficiency analyses that determine the relative cost to trade on various stock exchanges globally and the effectiveness of trades and brokers. This trading data is used to create an institutional average universe of commissions, fees and market impact costs. During the year to 31 March 2017, Elkins McSherry monitored £1.34bn in global equities transactions across 2097 trades (2016/17: £1.62bn / 2176 trades).

¹² Basis points are used to measure movements of less than 1%. One hundred basis points equal 1%, put another way, one basis point equals one-hundredth of 1%. The value of a basis point changes each year. For the period under review, one basis point of transaction cost equals £134,100 (approx.)

	Fund	Fund	Universe
	£	BP	BP
Commission Paid by managers to brokers at the time of the stock trade. Managers are required to report commissions between trade execution and research, rather than reporting a single commission charge.	552,156	4.1	14.5
Fees Mandatory costs such as stamp duty and local taxes.	405,042	3.0	3.3
Market Impact The difference between the trade execution price and the Volume Weighted Average Price (VWAP) of the stock on trade date.	77,793	0.6	5.6
Trading Cost Commission plus market impact and fees.	1,034,991	7.7	23.4
2016/17	2,380,483	14.7	28.3
2015/16	1,658,689	18.4	30.9
2014/15	931,226	9.7	32.1
2013/14	1,514,702	11.7	31.9

Annual Performance

Investment Performance

76. The Fund's Actuary assumes that the Fund will return 1.6% above gilts each year. During the year to 31 March 2018, the Fund achieved a return of 7.1%. The market returned 3.1%. Therefore the Fund outperformed by 4.0% relative to its benchmark, and outperformed significantly in respect of the actuarial assumptions.¹³ The performance by manager below.

	UBS	Baillie Gifford	Private Equity	Property	Total Fund
Portfolio	3.8%	9.2%	5.6%	11.6%	7.1%
Benchmark	2.1%	2.3%	2.6%	10.7%	3.1%
<i>Difference</i>	<i>1.7%</i>	<i>6.9%</i>	<i>3.1%</i>	<i>0.9%</i>	<i>4.0%</i>

77. Actual and relative performance is driven by:

- **Asset Allocation:** this can be driven by explicit decisions by the fund managers as to whether to hold equities or bonds within the Fund's two large balanced mandates or unintentional asset allocation due to the long term nature of the investment portfolios and illiquidity of an asset class such as the relative holdings in property and private equity portfolios versus the strategic benchmark.
- **Stock Selection:** for example the shares in a particular sector or market the fund managers hold or sell in comparison to others which can be driven by a managers philosophy, style or research,¹⁴ or which property is held by the Fund.

78. The chart below illustrates the fund's asset allocation by comparing actual holdings to the benchmark position.

- Despite making net sales during the year, the fund managers have taken a tactical position to hold more equities than the benchmark, and fewer bonds. This helped overall performance as, although more muted than in recent years, global equity markets still generating modest positive returns, whilst government bond returns were broadly flat over the year and investment grade corporate bonds were generally negative.
- The underweight to property relative to the fund's strategy reflects the illiquidity of the asset classes and opportunities within the market to add to the portfolio. However as the property market outperformed relative to equities and bonds this meant that the Fund's performance was dampened as a result.

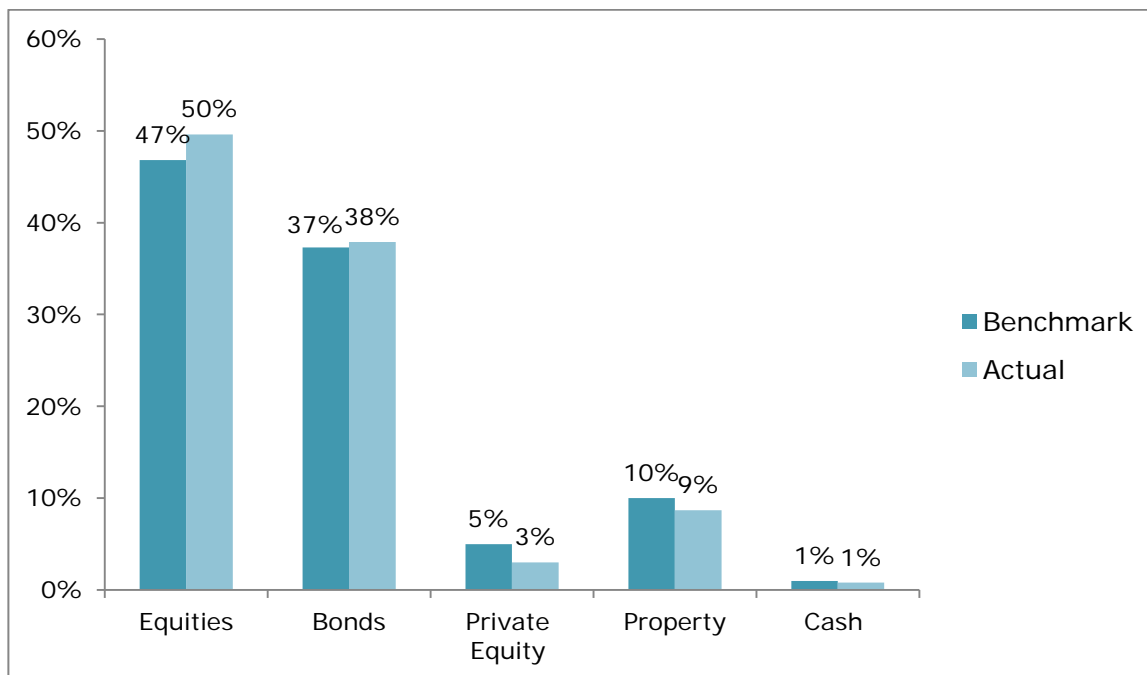
¹³ Of the two balanced managers Baillie Gifford are mandated to outperform their composite benchmark by 1.7% per annum and UBS by 2.0% per annum,

The property manager is mandated to outperform the Investment Property Databank by 1% per annum

The two private equity managers are mandated to outperform the FTSE World Index by 5% per annum.

¹⁴ The two main investment managers have complementary styles which should reduce volatility for the pension fund. Baillie Gifford is classified as a 'growth' manager (which means they buy stocks that typically sell at relatively high price-to-earnings ratios due to high earnings growth, with the expectation of continued high or higher earnings growth) whilst UBS have a value bias (select stocks that they believe to have potential not reflected in the current share price and have a relatively low price-to-earnings ratio). The investment 'style' is the philosophy behind the way in which a manager manages the fund and picks long term stocks.

- The Fund's underweight position in respect of private equity reflects the decision made the Pensions Panel to not make any further commitments to the asset class.



79. In respect of stock selection, the Pension Fund is a long term investor and believes in active management – with each of its managers being high conviction stock pickers. Both investment managers, for example, held Amazon during the year which continued to provide significant out performance relative to the market average through its accelerating revenue growth and growing market share.

Investment Policy & Performance

Long Term Performance

Long Term Fund Performance

80. The table below shows the Fund's longer term performance. Performance has been reported net of fees since April 2005. This shows that the Fund has outperformed relative to the markets over the long term which helps maintain its funding level.

	12 months	3 years pa	10 years pa	20 years pa	Since Appointment
Fund	7.1%	10.6%	9.6%	7.5%	
Benchmark	3.1%	8.8%	8.3%	6.8%	
<i>Difference</i>	4.0%	1.8%	1.2%	0.7%	
<i>By fund manager</i>					
<i>UBS</i>	3.78%	10.61%	9.55%		9.37%
<i>UBS Benchmark</i>	2.12%	8.80%	8.32%		8.80%
<i>Difference</i>	1.66%	1.81%	1.22%		0.57%
<i>Baillie Gifford</i>	9.18%	12.26%	11.28%		11.86%
<i>Baillie Gifford Benchmark</i>	2.28%	9.08%	8.56%		9.96%
<i>Difference</i>	6.90%	3.18%	2.72%		1.90%
<i>Aberdeen Standard</i>	11.62%	9.22%			
<i>Aberdeen Standard Benchmark</i>	10.69%	-0.36%			
<i>Difference</i>	0.93%	9.58%			
<i>Private Equity</i>		13.53%	10.94%		
<i>Private Equity Benchmark</i>		10.87%	10.10%		
<i>Difference</i>		2.66%	0.84%		

Since appointment for UBS is 1992, for Baillie Gifford 2003, Aberdeen Asset Management 2014

Private equity returns tend to be negative in the early years of an investment due to a number of factors including management fees and investment costs such as write-downs of underperforming investments. Over time however, active management and strong investment selection may result in positive performance. This is commonly known as the J-curve. For this reason too much emphasis should not be placed on short term performance of private equity - the investment horizon is much longer than quoted equities and therefore it makes more sense to analyse over at least a five to seven year period.

Investment Risk

81. The absolute return achieved on investments is a key objective for the Fund but this must be within acceptable risk level. Risk-adjusted measures (such as relative risk and information ratios) are therefore useful metrics of achieved performance and as covered above the Fund must consider the risk in each of the portfolios and at total Fund level as part of setting its asset allocation.
82. The relative risk, relative return and information ratio for each of the Fund's largest (balanced) portfolios is set out in the following table for the three years ending 31 March 2018. It is not appropriate to show relative risk or information ratios for the alternative asset classes (private equity and property) as these are relatively illiquid and not valued on a monthly basis. Also, total Fund risk is dominated by the two balanced mandates. At Fund level, the IR achieved over a period gives an indication of how the Fund has implemented its actively managed assets to deliver outperformance of its strategic benchmark through showing that it converted each unit of risk taken into 0.73 units of excess return. Market

convention is to consider an IR above 0.50 as “good,” above 0.75 as “very good,” and above 1.0 as “exceptional”.

	UBS	Baillie Gifford	Total Fund ¹⁵
Relative Risk: 'Relative Risk' is 'tracking error' or the volatility in the Fund's returns versus its benchmark over several consecutive time periods. The measure most commonly used to represent volatility is the standard deviation of monthly returns. (3 Years Annualised)	2.42	3.81	2.49
Relative Return: The return achieved by the Fund relative to the benchmark return. (3 Years Annualised)	0.32	3.19	1.81
Information Ratio (IR): Funds expect that benchmark relative risk will be rewarded with benchmark relative excess return. The 'Information Ratio' brings together the benchmark relative risk and return results and measures a fund's success in converting active investment risk into excess return. The observed risk and return are a function of a number of underlying factors including the investment strategy, flexibility around the strategy, choice of manager, their degree of discretion and, by no means least, the condition of the investment markets. Given the number of variables the IR (3 Yrs Annualised) needs careful interpretation.	0.13	0.84	0.73

¹⁵ It should be noted that returns are additive i.e. the two returns can be added and averaged. Volatility is not additive because of correlation. A correlation of 1 would mean that Baillie Gifford and UBS outperformed and underperformed in tandem. Risk would add under these circumstances.

Investment Policy & Performance

Stock Lending, Responsible Investment and Compliance

Stock Lending

83. The Pensions Panel agreed during the 2014/15 financial year, to implement a stock lending programme. Stock lending is a market practice where securities are temporarily transferred by one party (in this case the Pension Fund) to another (the borrower).¹⁶ During the period of the loan the Pension Fund retains rights to corporate actions that would have arisen had the stock not been lent, and the borrower is obliged to pay the Pension Fund all cash benefits, such as dividends, arising during the period of the loan and is obliged to return the securities to the lender either on demand or at the end of the agreed term. The Pension Fund does not retain voting rights when lending a stock and it must recall the shares in good time to vote
84. The table below analyses the Fund's stock lending programme. The utilisation of stocks available and the income generated on behalf of the Fund has fallen in comparison to previous years. This is in part due to the market appetite for particularly stocks availability in the market and the maturity of the programme. The stock lending programme has therefore been impacted through the transfer from the Fund's previous custodian to BNP and it is anticipated that the income forecasts will improve for the new financial year.

	2016/17	2017/18
Stock available to market at year end <i>The Pension Fund will lend its equity and bond holdings but will place restrictions on lending in certain market conditions and to ensure it can vote.</i>	£0 ¹⁷	£1,640m
Stock on loan <i>The amount on loan will vary dependent on market requirements. The value of stock on loan is limited to a maximum of 25% of the total assets.</i>	Average during the year was £200m with no stock on loan at 31 March 2017 in preparation for transition to the new custodian.	Average during the year was £57m with £144m at 31 March 2018, 8.8% of stock available to market at year end.
Income <i>When an individual loan is set up, a rate of commission is agreed between the lender and the borrower, to run for the full length of the loan, and this rate can vary according to the length of the loan, the scarcity of the stock and fees.</i>	£0.7m (£0.9m after fees of £0.2m)	£0.136m (£0.034m after fees).

85. For the period of the loan the Pension Fund retains collateral against the borrower defaulting. The Pension Fund will accept the following non cash collateral:

	Collateral	
	£m	%
Obligations issued or guaranteed by the United States and United Kingdom	9.4	5.9
Obligations issued by other OECD member states or their local government agencies, instrumentalities or authorities provided they have a long term rating of AA- or higher	0.8	0.5
Obligations issued by supranational entities provided they have a long term rating of AA- or higher	-	-
Corporate debt securities including commercial paper and convertible securities issued by US and non US corporations provided they have a short term rating in the highest rating category	0.3	0.2
Equity from major indices	148.8	93.3
Total	159.3	

¹⁶ Borrowers for the Pension Fund are limited to UK authorised persons and EEA regulated entities.

¹⁷ in preparation for transition to the new custodian

Responsible Investment Policy

86. Corporate Governance considers issues relating to the way in which a company ensures that it is attaching maximum importance to the interest of its shareholders and how shareholders can influence management.
87. The Pensions Panel is mindful of its legal duty to obtain the best possible financial return on Pension Fund investments, within an appropriate risk profile. However, good practice in terms of social, environmental and ethical issues is likely to have a favourable effect on companies' financial performance.

Engagement

88. The Pensions Panel has directed the fund managers, acting in the best financial interests of the scheme, to consider, amongst other factors, the effects of social, environmental and ethical issues on the performance of a company when selecting an asset to purchase, retain or sell. In the execution of this, the Pensions Panel has adopted the fund managers' standard socially responsible investment policies. These policies are discussed with managers from time to time. UBS and Baillie Gifford report quarterly to the Pensions Panel on corporate governance to ensure that this aspect of engagement is integrated with the managers' investment process.
89. The Fund's Investment Managers have adopted the Institutional Shareholder Committee's (ISC's) Code of Responsibilities of Institutional Investors, which aims to enhance the quality of the dialogue of institutional investors with companies to help improve long-term returns to shareholders, reduce the risk of catastrophic outcomes due to bad strategic decisions, and help with the efficient exercise of governance responsibilities, and have signed up to the United Nations Environment Programme Finance Initiatives (UNEP FI) Principles of Responsible Investment (UNPRI). Details of the Investment Managers governance principles can be linked to from the Fund's website.

Voting rights

90. The Pensions Panel wishes to remain an active shareholder and exercise its voting rights to promote and support good corporate governance principles. In practice, managers have delegated authority to exercise the Fund's voting rights according to agreed guidelines. Fund managers report quarterly to the Pensions Panel on voting activity.
91. During the year, the Fund managers on behalf of the Fund had votes placed at 100% of domestic meetings at which they were entitled to vote and 94 % of foreign meetings. The Funds record over the recent five years is shown below:

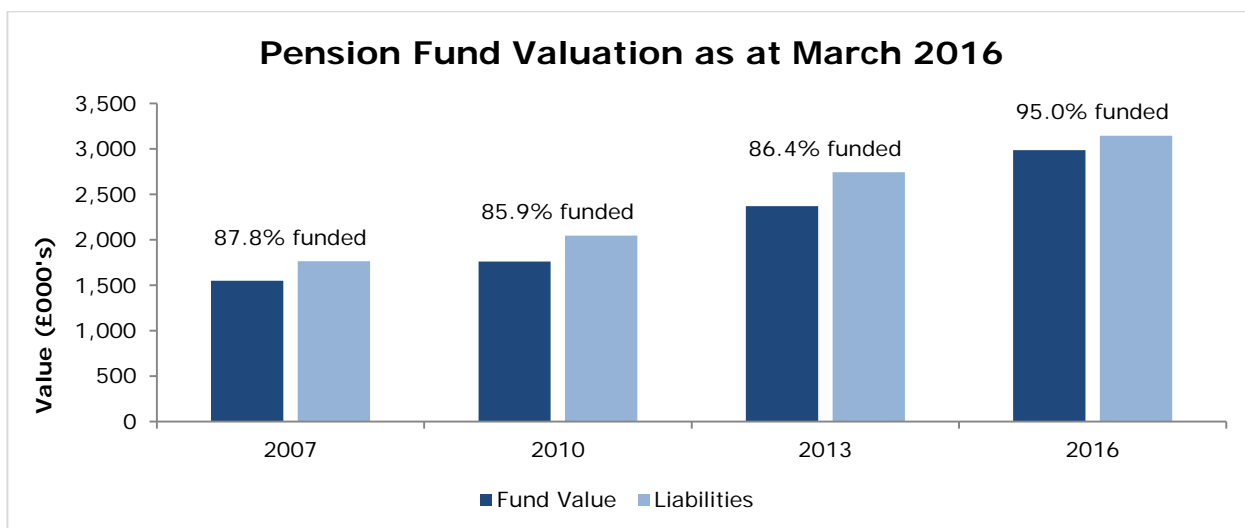
	2014	2015	2016	2017	2018
Number of domestic meetings voted at as % of total meetings	100%	99%	100%	100%	100%
Number of foreign meetings voted at as % of total meetings	92%	92%	94%	95%	94%

92. Where the Fund did not vote, this was due to:
- Local documentation requirements
 - The stock was being sold

Actuarial Report on Fund

Fund valuation

93. A valuation of the Fund is carried out by the Fund's actuary every three years to test future funding or current solvency of the value of the Pension Fund's assets against its liabilities and to set the employer contribution rates for the next three year period to ensure that sums are put aside on a regular and managed basis to meet liabilities in the future. Interim valuations are undertaken from time to time to take account of significant factors affecting assumptions made at the time of the last triennial valuation.
94. The Fund completed a formal valuation exercise based on figures as at 31 March 2016, which set the employer contribution rates from 1 April 2017 to 31 March 2020. The results are illustrated below, with the 2007, 2010 and 2013 results noted as a comparator.



95. Further information is included in the Fund's Funding Strategy Statement and its Actuarial Valuation report.

Appendix 1 – West Sussex Pension Fund Statement of Accounts 2017/18

West Sussex Pension Fund

Statement of Accounts 2017/18

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 2018.

Katharine Eberhart
Director of Finance, Performance and Procurement

Notes: 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 2018 year end. Further information relating to these liabilities and other benefits is contained in the Valuation Report. The full valuation report can be found on the West Sussex County Council website www.westsussex.gov.uk/pensions

The Local Government Pension Fund Scheme Pension Fund Account

2016/2017		Notes	2017/2018
£000			£000
	Dealings with members, employers and others directly involved in the scheme		
121,758	Contributions received	7	124,719
3,349	Transfers in from other Pension Funds	8	36,921
125,107			161,640
(101,219)	Benefits paid	9	(107,235)
(6,342)	Payments to and on account of leavers	10	(8,288)
(107,561)			(115,523)
17,546	Net additions/(withdrawals) from dealings with members		46,117
(14,731)	Management Expenses	11	(17,334)
2,815	Net additions/(withdrawals) including Fund management expenses		28,783
	Returns on investments		
55,538	Investment income	12	51,571
(834)	Taxes on income	13A	(1,158)
425	Other income		169
754,544	Profit and (losses) on disposal of investments and changes in the market value of investments	14A	226,622
809,673	Net return on investments		277,204
812,488	Net increase in net assets available for benefits during the year		305,987
2,985,801	Add opening net assets of the scheme		3,798,289
3,798,289	Closing net assets of the scheme		4,104,276

Net Asset Statement

At 31 March 2017 £000		Notes	At 31 March 2018 £000
3,766,546	Total investment assets	14	4,066,693
(792)	Investment liabilities	14	(6,154)
3,765,754	Net investment assets / (liabilities)		4,060,539
38,259	Current assets	21	51,379
(5,724)	Current liabilities	22	(7,642)
3,798,289	Net assets of the scheme available to fund benefits at the end of the reporting period		4,104,276

Note: the Fund's financial statements do not take account of liabilities to pay pensions and other benefits after 31 March 2018. The actuarial present value of promised retirement benefits is disclosed at Note 20.

Notes to the Accounts

NOTE 1: DESCRIPTION OF THE FUND

The Local Government Pension Scheme (LGPS) is a national defined benefit funded scheme, managed locally by administering authorities.

At 31 March 2018 the West Sussex Pension Fund had a diversified portfolio totalling £4,104m invested in equities and bonds, property, cash and private equity. This figure includes current assets and liabilities.

The following description of the Fund is a summary only. For more detail, reference should be made to the West Sussex Pension Fund Annual Report 2017/18 and the underlying statutory powers underpinning the Scheme, namely the Public Service Pensions Act 2013 and The Local Government Pension Scheme (LGPS) regulations.

a. General

The Scheme is governed by the Public Service Pensions Act 2013 and is administered 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 pension scheme is administered by West Sussex County Council to provide 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 scheduled and admitted bodies.

The Fund is overseen by the Pensions Panel which is a committee of West Sussex County Council and comprises seven County Councillors, a district and borough representative, a scheduled body representative (currently vacant) and an employee representative. A Pension Advisory Board has also been established to assist the County Council to ensure the scheme complies with legislative requirements and any requirements of the Pensions Regulator.

b. Membership

Membership of the LGPS is open to all local government employees who have contracts of employment for more than three months and employees of certain specified employers (such as Colleges, Academies, and those who are providing a service transferred from a local authority) can also join the Scheme. Organisations participating in the Fund include:

- 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, non-uniformed personnel employed by the Police and Crime Commissioner for Sussex or the Office of the Chief Constable, employees within Town and Parish Councils as well as non-teaching staff employed by Colleges and Academies).

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- **Admitted Bodies:** Other organisations that participate in the scheme under an admission agreement between the administering authority, related employer and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

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

There are 193 active employer organisations within the West Sussex Pension Fund including the County Council itself, as detailed below:

	31 March 2017	31 March 2018
Number of employers with active members	183	193
Number of active members in Scheme		
County Council	14,354	14,755
Other employers	12,259	13,082
Total	26,613	27,837
Number of pensioners		
County Council	9,789	10,111
Other employers	8,710	8,956
Total	18,499	19,067
Number of deferred pensioners		
County Council	14,805	15,734
Other employers	9,801	10,400
Total	24,606	26,134

The number of deferred pensioners excludes 1,720 frozen refunds (2016/17: 1,735) and 27 leavers for whom no formal paperwork has been received (2016/17: 28).

c. Funding

Benefits are funded by contributions and investment earnings. 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 2018.
- Employers in accordance with the rate calculated by the Fund actuary at the triennial valuation exercise, or on admission between valuations. The employer contribution rates range from 0% to 42.7% of pensionable pay for the financial year ending 31 March 2018.

A secondary contribution rate (previously known as deficit amount or past service adjustment) may also be charged. This rate is either paid as a monetary value or as an additional percentage of pensionable pay.

d. Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below.

	Service pre 1 April 2008	Service 31 March 2008-1 April 2014
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary
Lump sum	Automatic lump sum of 3 x salary	No automatic lump sum

From 1 April 2014, the scheme became a Career Average Revalued Earnings scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Prices Index (CPI).

There are a number of ancillary benefits provided under the Scheme including early retirement, ill-health retirement and death benefits. More details can be found on the Fund's website.

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 2017/18, which is based upon International Financial Reporting Standards (IFRS), as amended for 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. They do not take account of future liabilities to pay pensions and other benefits after 31 March 2018 reporting period. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) basis, is disclosed at Note 20.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – Revenue recognition

a. 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 percentage rate set by the Fund actuary in the payroll period to which they relate.

Employer secondary contributions are accounted for on an accruals basis.

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

b. Transfers to and from other Schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the reporting period and are calculated in accordance with the LGPS regulations.

Individual transfers in/out are accounted for when received/paid which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase Scheme benefits are accounted for on a receipts basis and are included in transfers in.

Bulk (group) transfers, where relevant are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c. Investment income

i. Interest income

Interest income is recognised by the Fund as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

Stock lending income is recognised by the Fund as it accrues.

ii. Dividend income

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.

iii. Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received at the end of the reporting period is disclosed in the Net Asset Statement as an investment asset.

iv. Property-related income

Property income consists primarily of rental income and is accounted for on an accruals basis.

v. Movement in the net market value of investments

Changes to the net market value of investments (including investment properties) are recognised as income or expense and comprise all realised and unrealised profit/loss during the year.

Fund Account - Expense items

d. Benefits payable

Pensions and lump sum benefits payable include all amounts known to be due at the end of the reporting period. Any amounts due but unpaid are disclosed in the Net Asset Statement as current liabilities.

e. Taxation

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

f. Management expenses

The Code does not require any breakdown of Pension Fund administration expenses. However in the interests of greater transparency, the Fund discloses its Pension Fund management expenses in accordance with CIPFA's *Accounting for Local Government Pension Scheme Management Expenses (2016)* as set out below:

Administrative expenses

All administrative expenses are accounted for on an accruals basis representing the annual charge relating to the Capita Pensions Administration, staff costs for officers related to interaction with employers and associated management, accommodation and other overheads relating to those officers.

Oversight and governance costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are recharged. Associated management, accommodation and other overheads are apportioned to this activity. The Fund's external advisors, audit and actuary fees are also included in oversight and governance costs.

Investment management expenses

All management expenses are accounted for on an accruals basis. Fees of the external managers and custodian are agreed in the respective mandates governing their appointment and are mainly based on the market value of the investments under management and therefore increase or reduce as the value of these investments change.

Transaction costs are accounted for on an accruals basis.

The Fund has negotiated that an element of Baillie Gifford's fee is performance related. Baillie Gifford's performance related fees were £5.4m in 2017/18 (2016/17 - £2.9m).

The cost of the County Council's in-house treasury management team is charged to the Fund based on a proportion of time spent by officers on treasury management. This is included in investment management costs.

Net Asset Statement

g. Financial assets

Investments are shown at market value at the reporting date. A financial asset is 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 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in *Practical Guidance on Investment Disclosures* (PRAG/Investment Association, 2016)

h. Freehold and leasehold properties

Properties have been valued at the reporting date by independent external valuers, on the basis of fair value as required by the International Financial Reporting Standards (IFRS). See Note 16.

i. Foreign currency transactions

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.

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.

j. Derivatives

The Fund does not invest directly in derivatives. However, the Fund may use derivatives to assist with the efficient transition of portfolio assets during a portfolio restructure or fund manager change.

k. 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.

The day-to-day activity of the fund managers includes forward dated trades which means that assets and liabilities can be generated with a settlement date falling outside the accounting period. This is reflected in the accrued values for investments shown in the statements.

l. 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.

m. Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the Fund actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under the Code the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Asset Statement (Note 20).

n. Additional voluntary contributions

Some members of the Scheme have made additional voluntary contributions (AVC) to boost the value of their pensions. These have been invested separately with Standard Life and Equitable Life and are not included in the Pension Fund accounts but are disclosed as a note (Note 23).

o. Contingent assets and contingent liabilities

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

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

Contingent assets and liabilities are not recognised in the Net Asset Statement but are disclosed by way of narrative in the notes (Note 25 & Note 26).

NOTE 4: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Pension Fund liability

The net Pension Fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 19.

These actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

NOTE 5: ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

Item	Uncertainties	Effect if actual results differ from assumptions
<p>Actuarial present value of promised retirement benefits</p>	<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 0.5% decrease in discount rate at year ended 31 March 2018 would result in an approximate 10% increase to employer liability (£448m).</p> <p>A one year increase in member life expectancy at year ended 31 March 2018 would result in an approximate increase in employer liability of between 3 and 5%.</p> <p>A 0.5% increase in the salary increase rate at year ended 31 March 2018 would result in an approximate increase in employer liability of 1% (£65m).</p> <p>A 0.5% increase in the pension increase rate at year ended 31 March 2018 would result in an approximate 8% increase in employer liability (£357m).</p>
<p>Sensitivity analysis</p>	<p>The sensitivity analysis is based on historical data.</p>	<p>Actual experience relative to assumptions will result in a greater or lesser impact on the financial assets of the Fund.</p>
<p>Private equity</p>	<p>Private equity investments are valued at fair value in accordance with industry guidelines, based on the fund manager report as at the end of the reporting period or the latest fund manager report adjusted for net cash flows.</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 equity investment in the financial statements is £121.1m. There is a risk that this investment may be under or overstated in the accounts.</p>

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<p>Freehold and leasehold property</p>	<p>Independent valuation for freehold and leasehold investment property has been provided at 31 March 2018 by Savills (UK) Ltd 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>Investment properties have been valued on the basis of fair value. "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".</p> <p>Changes in rental growth, void levels and general changes in property market prices could affect the valuation. There is a risk that this investment may be under or overstated in the accounts.</p>
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NOTE 6: EVENTS AFTER THE BALANCE SHEET DATE

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

NOTE 7: CONTRIBUTIONS RECEIVED

By Category		2016/17	2017/18
		£000	£000
	Employers	96,259	98,279
	Members	<u>25,499</u>	<u>26,440</u>
		<u>121,758</u>	<u>124,719</u>

By Authority		2016/17	2017/18
		£000	£000
	Scheduled bodies	99,541	102,307
	Resolution bodies	4,978	5,416
	Admitted bodies	9,469	7,955
	Academies	<u>7,770</u>	<u>9,041</u>
		<u>121,758</u>	<u>124,719</u>

NOTE 8: TRANSFERS IN FROM OTHER PENSION FUNDS

By Category		2016/17	2017/18
		£000	£000
	Individual transfers	3,349	8,454
	Bulk transfers	<u>-</u>	<u>28,467</u>
		<u>3,349</u>	<u>36,921</u>

The bulk transfer above relates entirely to City College Brighton and Hove (CCBH) who transferred from East Sussex County Council on 1 April 2017. CCBH merged with Northbrook College, an existing Fund employer, to form Greater Brighton Metropolitan College.

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NOTE 9: BENEFITS PAID

By Category		2016/17	2017/18
		£000	£000
	Pensions	84,269	88,389
	Commutation and lump sum retirement benefit	13,724	16,032
	Lump sum death benefit	3,226	2,814
		<u>101,219</u>	<u>107,235</u>
By Authority		2016/17	2017/18
		£000	£000
	Scheduled bodies	91,523	95,901
	Resolution bodies	1,046	1,656
	Admitted bodies	7,834	8,479
	Academies	816	1,199
		<u>101,219</u>	<u>107,235</u>

NOTE 10: PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2016/17		2017/18
£000		£000
257	Refunds of contributions	407
136	Bulk transfers	325
5,949	Individual transfers	7,556
<u>6,342</u>		<u>8,288</u>

At the year-end there are further potential liabilities of £2.1m relating to possible transfers out of the pension scheme where the Fund is awaiting final decisions (Note 25).

NOTE 11: MANAGEMENT EXPENSES

2016/17		2017/18
£000		£000
870	Administrative costs	668
1,060	Oversight and governance costs	999
12,801	Investment management expenses	15,667
<u>14,731</u>		<u>17,334</u>

NOTE 11a: INVESTMENT MANAGEMENT EXPENSES

2016/17		2017/18
£000		£000
7,904	Management fees	9,120
2,888	Performance related fees	5,360
204	Custody fees	140
1,803	Transaction costs	1,045
2	In-house treasury management expenses	2
<u>12,801</u>		<u>15,667</u>

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NOTE 12: INVESTMENT INCOME

2016/17		2017/18
£000		£000
39,320	Income from equities	34,613
1,671	Income from bonds	3,461
1,675	Private equity income	1,320
11,778	Property income (Note 12a)	11,698
272	Interest on cash deposits	279
<u>822</u>	Income from stock lending	<u>200</u>
<u>55,538</u>		<u>51,571</u>

NOTE 12a: PROPERTY INCOME

2016/17		2017/18
£000		£000
12,736	Rental income	13,193
<u>(958)</u>	Direct operating expenses	<u>(1,495)</u>
<u>11,778</u>		<u>11,698</u>

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

NOTE 13: OTHER FUND ACCOUNT DISCLOSURES

2016/17		2017/18
£000		£000
41	Pension Advisory Board	23
<u>86</u>	ACCESS pool	<u>102</u>
<u>127</u>		<u>125</u>

ACCESS is a collaboration of 11 Central, Eastern and Southern Shires, who are working together to collectively invest assets to significantly reduce investment costs whilst maintaining investment performance. The costs incurred for 2017/18 reflect the Fund's contribution towards the pool's establishment. These costs are included within oversight and governance costs in Note 11.

NOTE 13a: TAXES ON INCOME

2016/17		2017/18
£000		£000
1,527	Tax paid on dividend payments	1,717
<u>(693)</u>	Tax recoverable	<u>(559)</u>
<u>834</u>		<u>1,158</u>

NOTE 13b: EXTERNAL AUDIT COSTS

2016/17		2017/18
£000		£000
<u>26</u>	Payable in respect of external audit	<u>26</u>
<u>26</u>		<u>26</u>

These costs are included within oversight and governance costs in Note 11.

NOTE 14: INVESTMENTS

Market value 2016/17 £000		Market value 2017/18 £000
	Investment assets	
2,176,840	Equities	1,976,634
113,765	Bonds	155,462
917,746	Pooled investments	1,391,573
157,870	Private equity	121,051
285,820	Property (see note 14e)	344,585
105,999	Cash deposits	68,936
7,070	Investment income due	4,930
1,436	Amounts receivable for sales	3,522
<u>3,766,546</u>	Total investment assets	<u>4,066,693</u>
	Investment liabilities	
(786)	Amounts payable for purchases	(6,149)
(6)	Rental receipts in advance	(5)
<u>(792)</u>	Total investment liabilities	<u>(6,154)</u>
<u>3,765,754</u>	Net investment assets	<u>4,060,539</u>

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NOTE 14a: RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

	Current Year				
	Market Value at 1 April 2017	Purchases during the year	Sales during the year	Change in market value during the year	Market Value at 31 March 2018
	£000	£000	£000	£000	£000
Bonds	113,765	61,039	(17,860)	(1,482)	155,462
Equities	2,176,840	549,372	(922,499)	172,921	1,976,634
Pooled investments	917,746	456,000	(4,000)	21,827	1,391,573
Private equity	157,870	4,148	(52,114)	11,147	121,051
Property	285,820	38,674	(100)	20,191	344,585
	<u>3,652,041</u>	<u>1,109,233</u>	<u>(996,573)</u>	<u>224,604</u>	<u>3,989,305</u>
Derivatives	-	235,290	(234,790)	(500)	-
Sub total	<u>3,652,041</u>	<u>1,344,523</u>	<u>(1,231,363)</u>	<u>224,104</u>	<u>3,989,305</u>
Other investment balances					
Cash deposits	105,999			2,518	68,936
Amount receivable for sales	1,436				3,522
Investment income due	7,070				4,930
Amount payable for purchases	(786)				(6,149)
Rental receipts in advance	(6)				(5)
Total assets	<u>3,765,754</u>			<u>226,622</u>	<u>4,060,539</u>

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	Previous Year				
	Market Value at 1 April 2016	Purchases during the year	Sales during the year	Change in market value during the year	Market Value at 31 March 2017
	£000	£000	£000	£000	£000
Bonds	48,612	80,544	(19,950)	4,559	113,765
Equities	1,989,772	693,395	(1,150,851)	644,524	2,176,840
Pooled investments	447,328	418,170	(7,489)	59,737	917,746
Pooled property investments	271	-	(305)	34	-
Private equity	150,318	6,637	(37,890)	38,805	157,870
Property	268,575	10,627	-	6,618	285,820
	<u>2,904,876</u>	<u>1,209,373</u>	<u>(1,216,485)</u>	<u>754,277</u>	<u>3,652,041</u>
Derivatives	(2)	261	(1,731)	1,472	-
Sub total	<u>2,904,874</u>	<u>1,209,634</u>	<u>(1,218,216)</u>	<u>755,749</u>	<u>3,652,041</u>
Other investment balances					
Cash deposits	81,660			(1,205)	105,999
Amount receivable for sales	2,341				1,436
Investment income due	8,418				7,070
Amount payable for purchases	(28,746)				(786)
Rental receipts in advance	(74)				(6)
Total assets	<u>2,968,473</u>			<u>754,544</u>	<u>3,765,754</u>

NOTE 14b: ANALYSIS OF INVESTMENTS

31 March 2017		31 March 2018
£000		£000
	Bonds	
	UK	
113,765	Public sector quoted	155,462
<u>113,765</u>		<u>155,462</u>
	Equities	
	UK	
355,328	Quoted	381,898
	Overseas	
1,821,512	Quoted	1,594,736
<u>2,176,840</u>		<u>1,976,634</u>
	Pooled funds	
	UK	
441,066	Corporate bonds	190,957
258,518	Government bonds	438,497
-	Fixed interest	348,490
	Overseas	
33,174	Currency	32,789
-	Corporate bonds	5,277
173,758	Fixed interest	355,617
11,230	Cash	19,946
<u>917,746</u>		<u>1,391,573</u>
157,870	Private equity	121,051
285,820	Property	344,585
-	Derivatives	-
<u>443,690</u>		<u>465,636</u>
105,999	Cash deposits	68,936
7,070	Investment income due	4,930
1,436	Amounts receivable for sales	3,522
<u>114,505</u>		<u>77,388</u>
<u>3,766,546</u>	Total investment assets	<u>4,066,693</u>
	Investment liabilities	
(786)	Amounts payable for purchases	(6,149)
(6)	Rental receipts in advance	(5)
<u>(792)</u>	Total investment liabilities	<u>(6,154)</u>
<u>3,765,754</u>	Net investment assets	<u>4,060,539</u>

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NOTE 14c: INVESTMENTS ANALYSED BY FUND MANAGER

31 March 2017			31 March 2018	
%	£000		£000	%
Share of market value held by fund managers				
37.2	1,359,589	UBS Global Asset Management	1,486,250	37.3
50.7	1,848,763	Baillie Gifford & Co	2,037,419	51.1
2.5	91,301	Pantheon Ventures	67,469	1.7
1.8	66,568	Partners Group	53,582	1.3
7.8	285,820	Aberdeen Asset Management	344,585	8.6
100.0	3,652,041		3,989,305	100.0

		Analysis of investment assets - UBS		
22.0	298,854	UK equities	294,017	19.8
45.1	614,495	Overseas equities	536,121	36.0
8.4	113,765	Bonds	155,462	10.5
24.5	332,475	Bond and currency funds	500,650	33.7
100.0	1,359,589		1,486,250	100.0

		Analysis of investment assets - Baillie Gifford & Co		
3.1	56,473	UK equities	87,881	4.3
65.2	1,207,019	Overseas equities	1,058,615	52.0
31.7	585,271	Bond fund	890,923	43.7
100.0	1,848,763		2,037,419	100.0

Pantheon Ventures, Partners Group and Aberdeen Asset Management require no analysis of investments as each manager invests in only one asset class. Pantheon Ventures and Partners Group are invested solely in private equity. Aberdeen Asset Management invest solely in direct property on behalf of the Fund. No individual investment exceeded 5% of the total value of the Fund's net assets. The Fund does hold investments in bond and currency funds, each of these funds though is made up of multiple underlying assets. The values of each fund, shown as a percentage of the total Fund value, have been set out in the following table.

31 March 2017			31 March 2018	
%	£000		£000	%
Baillie Gifford managed funds				
15.4	585,271	Sterling Aggregate Bond Fund	890,923	21.7
UBS managed funds				
0.9	33,174	Currency Allocation Return Fund	32,789	0.8
7.9	299,301	UK Corporate Bond UK Plus Fund	467,861	11.4
24.2	917,746		1,391,573	33.9

NOTE 14d: STOCK LENDING

The Fund's Investment Strategy Statement (ISS) sets out the parameters for the Fund's stock-lending programme. As at 31 March 2018, the value of quoted equities on loan was £144m.

Counter-party risk is managed through holding collateral at the Fund's custodian bank. At year end the Fund held collateral (via the custodian) at fair value of £159.4m.

Stock-lending commissions are remitted to the Fund via its custodian. During the period the stock is on loan, the voting rights of the loaned stock pass to the borrower.

There are no liabilities associated with the loaned assets.

NOTE 14e: DIRECT PROPERTY HOLDINGS

The Fund's investment property portfolio comprises a number of directly owned properties which are leased commercially to various tenants. Details of these directly owned properties are as follows.

31 March 2017		31 March 2018
£000		£000
268,575	Opening balance	285,820
	Additions	
-	Purchase of existing property	29,063
10,037	New construction	6,757
590	Subsequent expenditure	2,854
-	Disposals	(100)
6,618	Net increase in market value	20,191
<u>285,820</u>	Closing balance	<u>344,585</u>

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

31 March 2017		31 March 2018
£000		£000
12,317	Within one year	13,999
45,618	Between one and five years	52,042
82,937	Later than five years	100,959
<u>140,872</u>	Total future lease payments due under existing contracts	<u>167,000</u>

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.

i. Market quoted 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.

ii. Quoted bonds (Level 1)

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

iii. Pooled investment vehicles (Level 2)

Pooled investment vehicles are valued at closing bid price at the closing 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.

iv. Freehold and leasehold properties (Level 3)

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 – Professional Standards (January 2014) Global and UK Edition, issued by the Royal Institution of Chartered Surveyors. 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.

v. Unquoted 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 values of these assets may differ from their authorised values.

- The valuation of Partners Group portfolio is taken from the unaudited 31 December 2017 fund-of-fund reports and adjusted for net cash flows.

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.

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.

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 December 2017 fund-of-fund reports and adjusted for net cash flows.

Pantheon's quarterly valuation is produced in accordance with US GAAP and 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).

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.

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 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 both private equity 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.

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	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
Values at 31 March 2018	Level 1 £000	Level 2 £000	Level 3 £000	£000
Financial assets				
Financial assets at fair value through profit and loss	2,132,096	1,391,573	121,051	3,644,720
Non-financial assets at fair value through profit and loss			344,585	344,585
Net investment assets	2,132,096	1,391,573	465,636	3,989,305

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
Values at 31 March 2017	Level 1 £000	Level 2 £000	Level 3 £000	£000
Financial assets				
Financial assets at fair value through profit and loss	2,290,605	917,746	157,870	3,366,221
Non-financial assets at fair value through profit and loss			285,820	285,820
Net investment assets	2,290,605	917,746	443,690	3,652,041

NOTE 16B: TRANSFER BETWEEN LEVELS 1 AND 2

There were no transfers between levels 1 and 2 during the year.

NOTE 16C: RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

	Market Value 1 April 2017	Transfers into / (out of) Level 3	Net purchases / (sales) during the year	Unrealised gains / (losses)	Realised gains / (losses)	Market Value 31 March 2018
	£000	£000	£000	£000	£000	£000
Private equity	157,870	-	(47,966)	(13,138)	24,285	121,051
Property	285,820	-	38,574	20,091	100	344,585
	443,690	-	(9,392)	6,953	24,385	465,636

NOTE 17: FINANCIAL INSTRUMENTS

NOTE 17a: CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table analyses 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 2017			31 March 2018	
Fair value through profit and loss	Loans and receivables		Fair value through profit and loss	Loans and receivables
£000	£000		£000	£000
		Financial assets		
113,765	-	Bonds	155,462	-
2,176,840	-	Equities	1,976,634	-
917,746	-	Bond and currency funds	1,391,573	-
157,870	-	Private equity	121,051	-
-	129,325	Cash	-	104,268
-	8,505	Investment balances	-	8,452
-	14,933	Debtors	-	16,047
3,366,221	152,763		3,644,720	128,767
		Financial liabilities		
-	(792)	Investment balances	-	(6,154)
-	(5,724)	Other current liabilities	-	(7,642)
-	-	Derivatives	-	-
-	(6,516)		-	(13,796)
3,366,221	146,247	Total	3,644,720	114,971
3,512,468		Grand total	3,759,691	

NOTE 17b: NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

31 March 2017		31 March 2018
£000		£000
	Financial assets	
747,659	Fair value through profit and loss	204,412
(1,205)	Loans and receivables	2,518
-	Financial liabilities	
-	Fair value through profit and loss	-
746,454	Total	206,930

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 asset diversification by 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 Panel reviews the Fund's funding strategy, in consultation with the 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 Panel.

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 Panel. The Panel 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 Panel. 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, foreign exchange rates and equity prices 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 maximum exposures to individual investments, and risk associated with the strategy and investment return are regularly monitored and reviewed by the Pensions Panel.

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

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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 2017/18 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).

	Current year				
	Value at 31 March 2018 £000	Change %	Value on Increase £000	Value on Decrease £000	
	Asset type				
	UK equities	381,898	16.80%	446,056	317,739
Overseas equities	1,594,736	17.90%	1,880,194	1,309,278	
Bonds	155,462	8.50%	168,676	142,248	
Bond funds	1,358,784	8.73%	1,477,406	1,240,162	
Cash	68,936	0.50%	69,281	68,591	
Property	344,585	14.30%	393,861	295,309	
Private equity	121,051	28.30%	155,308	86,793	
Currency fund	32,789	10.00%	36,067	29,510	
Total	4,058,241		4,626,849	3,489,630	

	Previous year				
	Value at 31 March 2017 £000	Change %	Value on Increase £000	Value on Decrease £000	
	Asset type				
	UK equities	355,328	15.80%	411,470	299,186
Overseas equities	1,821,512	18.40%	2,156,670	1,486,353	
Bonds	113,765	8.70%	123,663	103,868	
Bond funds	884,572	8.70%	961,530	807,614	
Cash	105,999	0.00%	105,999	105,999	
Property	285,820	14.20%	326,406	245,234	
Private equity	157,870	28.50%	202,863	112,877	
Currency fund	33,174	10.00%	36,491	29,856	
Total	3,758,040		4,325,092	3,190,987	

Interest rate risk

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

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

The Fund's direct exposure to interest rate movements as at 31 March 2018 and 31 March 2017 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate risk - sensitivity analysis

The Fund recognises that interest rates 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.

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	Current year		
	Value at 31 March 2018	Change in year in net assets available to pay benefits	
	£000	+100 BPS £000	-100 BPS £000
Asset type			
Cash and cash equivalents	68,936	689	(689)
Cash balances	35,332	353	(353)
Bonds	155,462	1,555	(1,555)
Total	259,730	2,597	(2,597)

Assets exposed to interest rate risk	Previous year		
	Value at 31 March 2017	Change in year in net assets available to pay benefits	
	£000	+100 BPS £000	-100 BPS £000
Asset type			
Cash and cash equivalents	105,999	1,060	(1,060)
Cash balances	23,326	233	(233)
Bonds	113,765	1,138	(1,138)
Total	243,090	2,431	(2,431)

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 Panel 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	Current year			
	Value at 31 March 2018	Change	Value on Increase	Value on Decrease
	£000	%	£000	£000
Currency				
Overseas equities	1,594,736	10.00	1,754,210	1,435,263
Overseas bonds	360,893	10.00	396,983	324,804
Overseas private equity	121,051	10.00	133,156	108,946
Total	2,076,680		2,284,348	1,869,013

Assets exposed to currency risk	Previous year			
	Value at 31 March 2017	Change	Value on Increase	Value on Decrease
	£000	%	£000	£000
Currency				
Overseas equities	2,434,144	10.00	2,677,558	2,190,730
Overseas bonds	92,479	10.00	101,727	83,231
Overseas private equity	157,870	10.00	173,657	142,083
Total	2,684,493		2,952,942	2,416,044

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. The fund managers held £68.9m in cash (31 March 2017: £106.0m) and cash internally managed by WSCC at 31 March 2018 was £35.3m (31 March 2017: £23.3m). This was held by institutions with the following credit ratings :

	Nominal amount	Nominal amount
	31 March 2017	31 March 2018
	£000	£000
AAA rated counterparties	129,325	15,000
AA- rated counterparties	-	-
A rated counterparties		89,268
TOTAL	129,325	104,268

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 2018, 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 and private equity, which are relatively illiquid, is limited to 15% of the total portfolio. As the Fund is not mature, i.e. it does not 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 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.

e. Counterparty risk

The Fund's global custodian, BNP Paribas has responsibility for safeguarding the assets of the Fund. Its duties include maintaining a repository of underlying information on the Fund's assets and arranging settlement of transactions, income collection and cash management. The Fund monitors BNP Paribas's performance and is in regular contact with the custodian. Monthly reconciliations are performed between the custodian's and the investment managers' records.

The Fund has appointed a number of segregated and pooled fund managers to manage portions of the Fund. An Investment Management Agreement is in place for each relationship. All appointments meet the requirements set out in the LGPS (Management and Investment of Funds) Regulations 2016. Reports on manager performance are monitored by the Pensions Panel on a quarterly basis. The Fund makes use of a third party performance measurement service. In addition to presenting to the Pensions Panel, managers also meet with Fund officers and advisers regularly to review activity and results.

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 2016 and the next valuation will take place as at 31 March 2019.

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.

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Funding position as at the last formal funding valuation

At the 2016 actuarial valuation, the Fund was assessed as 95% funded (86.4% at the March 2013 valuation). This corresponded to a deficit of £158m (2013 valuation: £371m) at that time.

Individual employers' contributions for the period 1 April 2017 to 31 March 2020 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 2016 valuation were as follows:

	31 March 2016 %
Discount rate	3.8
Salary increase assumption	2.9
Benefit increase assumption (CPI)	2.1

Demographic assumptions

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's bespoke longevity analysis (VitaCurves) with improvements in line with the CMI 2013 model, assuming the current rate of improvements have not peaked and will converge to long term rate of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	23.6 years	25.0 years
Future Pensioners	26.0 years	27.8 years

Copies of the 2016 valuation report and FSS are available on the Funds website or on request from West Sussex County Council.

Experience over the period since April 2017

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities. However, this has been outweighed by higher than expected asset returns, particularly during 2016/17. The overall impact has been an estimated improvement in the funding level.

The next actuarial valuation will be carried out as at 31 March 2019. The Funding Strategy Statement 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 used valued ill health and death benefits in line with IAS 19.

31 March 2017		31 March 2018
£m		£m
(1,812)	Active members	(1,973)
(909)	Deferred pensioners	(902)
<u>(1,591)</u>	Pensioners	<u>(1,530)</u>
<u>(4,312)</u>	Present value of promised retirement benefits	<u>(4,405)</u>
3,798	Fair value of scheme assets (bid value)	4,104
<u>(514)</u>	Net liability	<u>(301)</u>

As noted above, the liabilities above are calculated on an IAS 19 basis and will therefore differ from the results of the 2016 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).

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IAS 19 Assumptions used

The assumptions used are those adopted for the administering authority's IAS 19 report and are different as at 31 March 2018 and 31 March 2017.

The Fund actuary estimates that the impact of the change in financial assumptions to 31 March 2018 is to decrease the actuarial present value by £86m. There is no impact from any change in demographic and longevity assumptions because they are identical to the previous period.

	31 March 2017	31 March 2018
	% p.a.	% p.a.
Inflation / pensions increase rate	2.4	2.4
Salary increase rate	3.1	3.1
Discount rate	2.6	2.7

Longevity assumption

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model assuming long term improvements of 1.5% p.a., with allowance for short term rates of improvement and declining mortality for the over 90s.

Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	23.6 years	25.0 years
Future pensioners *	26.0 years	27.8 years

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

Please note that the longevity assumptions have not changed since the previous IAS26 disclosure for the Fund.

Commutation assumption

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

NOTE 21: CURRENT ASSETS

31 March 2017		31 March 2018
£000		£000
	Debtors:	
2,238	Contributions due - members	2,220
6,789	Contributions due - employers	7,794
592	Prepayments	1
2,790	Other debtors	1,460
<u>2,524</u>	Taxation	<u>4,572</u>
14,933		16,047
<u>23,326</u>	Cash balances	<u>35,332</u>
<u>38,259</u>		<u>51,379</u>

Analysis of debtors

31 March 2017		31 March 2018
£000		£000
4,132	Central government bodies	5,982
7,487	Other local authorities	6,663
1,746	Educational establishments	1,792
<u>1,568</u>	Other entities and individuals	<u>1,609</u>
<u>14,933</u>		<u>16,046</u>

NOTE 22: CURRENT LIABILITIES

31 March 2017		31 March 2018
£000		£000
863	Contributions	3
97	Benefits payable	327
<u>4,764</u>	Other current liabilities	<u>7,312</u>
<u>5,724</u>		<u>7,642</u>

Analysis of creditors

31 March 2017		31 March 2018
£000		£000
1,096	Central government bodies	1,124
639	Other local authorities	131
103	Educational establishments	228
<u>3,886</u>	Other entities and individuals	<u>6,159</u>
<u>5,724</u>		<u>7,642</u>

NOTE 23: ADDITIONAL VOLUNTARY CONTRIBUTIONS

Market Value		Market Value
31 March 2017		31 March 2018
£000		£000
2,041	Standard Life	2,102
479	Equitable Life	435
<u>2,520</u>		<u>2,537</u>

AVC Contributions of £305,339 were paid directly to Standard Life during the year (2016/17: £189,267). The Equitable Life contributions ceased in 2001. AVCs are separately invested and are therefore not included in the Pension Fund accounts in accordance with regulations 4(2)(b) of the LGPS Management and Investment of Funds regulations 2009 (as amended).

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 £1.1m (2016/17: £0.9m) 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 £54.9m to the Fund in 2017/18 (2016/17: £56.1m - £44.9m contributions as a % of payroll, £11.2m as a lump sum). 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 2018, the Fund had a daily average investment balance of £38.1m (31 March 2017: £35.9m) earning interest of £0.163m (2016/17: £0.123m) in these funds at a rate of return of 0.33% (2016/17: 0.34%).

Governance

No members of the Pensions Panel are in receipt of pension benefits from the West Sussex Pension Fund.

Each member of the Pensions Panel is required to declare their interests at each meeting.

NOTE 24a: KEY MANAGEMENT PERSONNEL

The Director of Finance, Performance and Procurement 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. These costs comprise an element of the recharge from the Fund to the County Council in 2017/18 of £1.1m. The total Pension Fund contribution relating to Key Management Personnel is set out below:

31 March 2017	31 March 2018
£000	£000
16 Total apportioned remuneration	16

NOTE 25: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding commitments in private equity at 31 March 2018 totalled £30.3m (31 March 2017 : £36.4m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity part of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over the period of investment.

Estimates provided to members indicate that at year-end there are potential liabilities of £2.1m in respect of members who have enquired about transferring benefits out of the scheme and on whom the Fund is awaiting a final decision.

NOTE 26: CONTINGENT ASSETS

There were no contingent assets at the period end.

Appendix 2 – Contributing employers during the year

Employer	Employer Contributions	Employee Contributions	Total
	£'000	£'000	£'000
Adur District Council	1,331.99	91.60	1,423.59
Adur/Worthing Joint Committee	3,229.40	1,067.00	4,296.40
Angmering Parish Council	27.79	8.03	35.82
Ansty and Staplefield Parish Council	3.85	1.03	4.88
Ardingly Parish Council	0.84	0.21	1.06
Arun District Council	3,356.37	699.78	4,056.15
Ashington Parish Council	3.33	0.84	4.17
Ashurstwood Village Council	5.74	1.51	7.25
Aspire Sussex Ltd	150.36	36.59	186.95
Balcombe Parish Council	2.64	0.67	3.31
Baldwins Hill Primary School	40.19	9.45	49.64
Balfour Beatty	134.54	33.80	168.34
Barnham Primary School	65.92	16.15	82.07
Bersted Parish Council	8.87	2.52	11.39
Bewbush Academy	140.81	35.67	176.48
Billingshurst Parish Council	38.89	10.92	49.81
Bishop Luffa School	200.63	53.18	253.81
Blackthorns Primary School	42.24	9.27	51.51
Bognor Regis Town Council	42.85	14.17	57.03
Bohunt Worthing Academy	48.92	13.80	62.71
Bolney Parish Council	1.07	0.27	1.34
Broadbridge Heath Parish Council	0.50	0.13	0.63
Broadfield Primary Academy	127.57	30.76	158.33
Burgess Hill Academy	170.92	39.98	210.90
Burgess Hill Town Council	95.39	33.61	129.00
Capita (SSO)	934.25	259.52	1,193.76
Capita IT	453.87	148.78	602.65
Carers Support	11.24	3.26	14.50
Caterlink (Shoreham Academy)	27.74	6.38	34.11
Caterlink (Chichester High School)	18.64	4.20	22.84
Census - Horsham District Council	26.63	9.96	36.59
Census - Mid Sussex	156.71	53.54	210.25
Census Revenues and Benefits	128.89	43.72	172.61
Central CofE Junior School	40.45	12.05	52.50
Central Sussex College	317.44	100.53	417.96
Change, Grow, Live	19.47	4.39	23.87
Chichester City Council	44.29	14.89	59.17
Chichester College (new)	1,608.94	549.22	2,158.16

Employer	Employer Contributions	Employee Contributions	Total
	£'000	£'000	£'000
Chichester College	493.54	181.06	674.60
Chichester District Council	2,490.14	826.64	3,316.78
Chichester Free School	111.59	33.63	145.23
Chichester Harbour Conservancy	142.13	42.86	184.99
Chichester High School	191.14	50.27	241.41
Churchill Balcombe	0.47	0.10	0.57
Churchill Bersted Gr	3.50	0.78	4.27
Churchill Coastal Enterprises	0.82	0.21	1.03
Churchill St Wilfrids	0.06	0.02	0.08
Colgate Parish Council	1.33	0.34	1.67
Collyers College	282.39	82.41	364.80
Care Quality Commission	0.00	2.91	2.91
Crawley Borough Council	3,065.67	1,005.48	4,071.16
Crawley College	1.16	0.36	1.52
Cuckfield Parish Council	14.05	3.93	17.98
Desmond Anderson Primary	152.16	35.88	188.03
Donnington Parish Council	1.25	0.32	1.57
Downview Primary School	75.12	18.67	93.80
Durrington High School	286.65	69.60	356.25
Earnley Parish Council	1.47	0.37	1.84
Easebourne Parish Council	2.17	0.55	2.72
East Grinstead Town Council	90.39	28.12	118.51
East Preston Junior School	42.52	10.69	53.21
East Preston Parish Council	8.90	2.54	11.43
East Wittering & Bracklesham Parish Council	6.29	1.82	8.11
Eastbrook Primary	90.09	22.13	112.21
Eastergate Parish Council	0.99	0.25	1.24
Edward Bryant Primary	98.16	24.20	122.35
Essex Cares Ltd	80.08	18.17	98.25
Essex Cares Ltd 2017	56.03	7.95	63.98
Felpham Parish Council	1.41	0.38	1.79
Fernhurst Primary School	38.06	8.78	46.84
Fire Service Charity	21.13	1.75	22.88
Fishbourne Parish Council	0.55	0.14	0.69
Fittleworth Parish Council	1.12	0.28	1.41
Forge Wood Academy	7.91	2.52	10.43
Freedom Leisure Arun Leisure	125.36	28.67	154.04
Freedom Leisure (Ex 6 Villages)	6.85	2.19	9.04
Gossops Green Primary School	87.74	25.37	113.11
Grace Eyre Northern	17.63	4.78	22.41
Grace Eyre Western	24.05	6.79	30.84

Employer	Employer Contributions	Employee Contributions	Total
	£'000	£'000	£'000
Greenway Academy	40.66	11.82	52.48
Groundworks South Trust	3.47	0.98	4.45
Greater Brighton Metropolitan College	1,883.93	479.81	2,363.74
Halsford Park Primary School	82.12	20.10	102.23
Harlands Primary	50.36	11.35	61.71
Hassocks Parish Council	21.38	6.18	27.56
Haywards Heath Town Council	43.96	12.62	56.58
Hazelwick Academy	262.73	74.99	337.73
HBG UK Ltd	3.35	3.82	7.17
Homes & Communities Agency	277.87	42.05	319.92
Hilltop Academy	103.68	28.02	131.71
Holmbush Primary School	53.31	12.22	65.53
Horsham District Council	2,220.05	756.09	2,976.14
Hunston Parish Council	2.84	0.72	3.55
Hurstpierpoint Parish Council	17.94	4.99	22.93
Impact Initiatives	1.73	0.46	2.19
Impulse Leisure	41.57	15.83	57.40
Family Mosaic Intouch	4.21	0.84	5.05
ISS Facilities Services	14.89	3.99	18.88
Kingsham Primary School	61.19	13.35	74.55
Lancing Parish Council	27.21	8.55	35.76
Lindfield Parish Council	8.42	2.44	10.86
Lindfield Primary School	79.27	17.97	97.24
Lindfield Rural Parish Council	4.99	1.26	6.25
Littlehampton Academy	288.65	87.97	376.62
Littlehampton Harbour Board	25.34	9.32	34.66
Littlehampton Town Council	83.36	25.10	108.46
Martlet Homes	499.29	163.13	662.41
Mears Ltd	25.69	7.36	33.05
Medisort	7.40	2.18	9.58
Medmerry Academy	45.93	10.74	56.67
Midhurst Town Council	8.85	2.33	11.18
Midhurst Academy	154.07	44.20	198.26
Mid-Sussex District Council	2,351.38	462.96	2,814.35
Mitie Ltd	50.90	14.62	65.52
Monitor Cleaning	0.10	0.02	0.12
Muntham House School	239.85	75.67	315.52
South Downs National Parks Authority	786.93	283.54	1,070.47
New Horizons MAT	5.27	1.24	6.51
North Horsham Parish Council	42.49	13.10	55.59
North Mundham Parish Council	2.16	0.55	2.71

Employer	Employer Contributions	Employee Contributions	Total
	£'000	£'000	£'000
Northlands Wood Primary Academy	56.00	13.86	69.86
NSL Services Group	0.00	3.25	3.25
Office of the Chief Constable	11,793.76	3,530.43	15,324.19
Orchard Community Middle School	80.35	21.09	101.44
Ormiston Six Village Academy	95.47	27.91	123.38
Pagham Parish Council	2.56	0.65	3.21
Petworth Parish Council	2.97	0.89	3.85
Places For People	212.63	57.81	270.44
Plaiestow & Ifold Parish Council	1.69	0.43	2.12
Police & Crime Commissioner	194.65	73.10	267.75
Portfield Academy	73.79	17.34	91.13
Pound Hill Infant School	65.90	15.28	81.18
Pulborough Parish Council	15.58	4.25	19.83
Pyecombe Parish Council	0.80	0.20	1.00
River Beach Primary	172.15	42.66	214.80
Rose Green Junior School	58.81	14.51	73.32
Royal Town Planning Institute	162.47	19.32	181.79
Royal Society for the Protection of Birds	6.95	1.81	8.76
Rudgwick Parish Council	3.69	0.99	4.67
Rustington Academy	74.22	17.91	92.13
Rustington Parish Council	43.40	14.33	57.73
Saxon Weald Homes	1,028.91	349.29	1,378.20
Schoolworks MAT	83.86	32.18	116.03
Seal Academy	72.85	16.66	89.51
Seaside Primary School	94.93	21.97	116.90
Selsey Academy	73.28	17.33	90.62
Selsey Town Council	36.35	10.23	46.58
Seymour Academy	78.75	19.82	98.57
Shaw Homes	172.33	39.66	211.99
Shermanbury Parish Council	1.62	0.41	2.03
Shingley Parish Council	2.31	0.59	2.90
Shoreham Academy	259.16	73.32	332.48
Shoreham Port Authority	632.96	148.07	781.03
Singleton & Charlton Parish Council	0.83	0.21	1.04
Sir Robert Woodard Academy	201.64	63.60	265.23
Slaugham Parish Council	4.31	1.15	5.46
Slinfold Parish Council	3.33	1.00	4.33
SLM Community	170.78	40.83	211.61
SLM Food & Beverage	18.78	4.44	23.22
SLM Health & Fitness	55.82	12.82	68.63
South Downs Leisure	501.47	113.42	614.89

Employer	Employer Contributions	Employee Contributions	Total
	£'000	£'000	£'000
Southgate Primary School	68.35	15.76	84.11
Southwater Infants	54.86	14.00	68.86
Southwater Juniors	64.79	20.13	84.92
Southwater Parish Council	57.54	16.80	74.34
Southway Academy	120.53	31.68	152.21
St Lawrence Primary	78.98	20.34	99.32
St Mary's CP School	61.94	14.38	76.32
St Philip Howard	163.18	40.08	203.26
Steyning Parish Council	12.56	3.47	16.03
Storrington & Sullington Parish Council	14.78	4.43	19.21
Tangmere Primary	42.12	9.78	51.90
Tascor Services Ltd	0.00	1.89	1.89
The Gatwick School	70.66	19.95	90.62
The Globe	115.69	26.55	142.24
The Laurels Primary	56.00	12.59	68.59
The Mill Primary School	58.05	16.20	74.25
The Music Trust	44.74	16.83	61.57
The Oaks Academy	97.26	21.31	118.56
The Regis Academy	381.66	109.13	490.78
Thomas Bennett College	190.19	50.32	240.51
Turners Hill Parish Council	6.35	1.66	8.01
Twineham Parish Council	0.71	0.18	0.89
University College Chichester	1,974.40	678.69	2,653.09
Upper Beeding Parish Council	6.16	1.82	7.97
Viridor Waste Management	0.00	1.80	1.80
Warden Park Academy	298.70	80.28	378.98
Warden Park Primary Academy	78.85	19.55	98.40
West Chiltington - Churchill	1.25	0.33	1.58
West Chiltington Parish Council	4.93	1.48	6.40
West Grinstead Parish Council	4.24	1.13	5.38
West Hoathly Parish Council	3.75	0.95	4.70
West Itchenor Parish Council	1.73	0.44	2.17
West Sussex Age Concern	8.29	1.78	10.06
West Sussex County Council	43,523.81	11,348.77	54,872.58
Westbourne Parish Council	2.69	0.51	3.20
White Meadows	132.72	36.37	169.10
Worthing 6th Form College	380.82	92.25	473.07
Worthing Borough Council	2,205.44	102.91	2,308.34
Worthing High School	167.13	48.27	215.40
TOTAL	98,278.97	26,439.58	124,718.55

