

West Sussex Pension Fund

Statement of Accounts

2021/22



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 2022.

Katharine Eberhart

Director of Finance and Support Services, West Sussex County Council

Note: The West Sussex Pension Fund is a defined benefit scheme and the following accounts do not take account of liabilities to pay pensions and other benefits after 31 March 2022 year end. Further information relating to these liabilities and other benefits is contained in the [Valuation Report](#).

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The Local Government Pension Scheme Pension Fund Account

Fund Account	Note	2020/21 £000	2021/22 £000
Dealings with members, employers and others directly involved in the scheme			
Contributions received	7	143,089	143,689
Transfers in from other Pension Funds	8	8,861	9,064
Amount received		151,950	152,753
Benefits Paid	9	(118,365)	(120,440)
Payments to and on account of leavers	10	(10,123)	(7,383)
Amount paid		(128,488)	(127,823)
Net additions/(withdrawals) from dealings with members		23,462	24,930
Management Expenses	11	(38,138)	(12,801)
Net additions/(withdrawals) including Fund management expenses		(14,676)	12,128
Returns on investments			
Investment income	12	49,835	59,737
Taxes on income	13A	(700)	(1,654)
Other income		0	102
Profit and (losses) on disposal of investments and changes in the market value of investments	14A	1,147,315	(59,402)
Net return on investments		1,196,450	(1,217)
Net increase in net assets available for benefits during the year		1,181,774	10,911
Add opening net assets of the scheme		4,301,419	5,483,193
Closing net assets of the scheme		5,483,193	5,494,106

Net Asset Statement

Note: The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after 31 March 2022. The actuarial present value of promised retirement benefits is disclosed at Note 20.

Assets and Liabilities	Note	At 31 March 2021 £000	At 31 March 2022 £000
Investment assets	14	5,398,318	5,470,460
Investment liabilities	14	(1,279)	(328)
Net investment assets / (liabilities)		5,397,039	5,470,132
Current assets	21	113,895	29,021
Current liabilities	22	(27,741)	(5,047)
Net assets of the scheme available to fund benefits at the end of the reporting period		5,483,193	5,494,106

Notes

Note 1: Description of the Fund

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

General

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

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

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

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

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

Membership

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

Membership Type	31 March 2021	31 March 2022
Number of Employers with Active Members	207	205
Active members		
West Sussex County Council	12,801	12,945
Other employers	13,773	13,880
Total	26,574	26,825
Pensioner members		
West Sussex County Council	11,255	11,639
Other employers	11,019	11,363
Total	22,274	23,002
Deferred pensioner members		
West Sussex County Council	18,291	19,689
Other employers	13,667	15,065
Total	31,958	34,754
Total number of members in scheme	80,806	84,581

Funding

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

- Active members in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2022.
- Employers in accordance with the rate calculated by the Fund Actuary at the triennial valuation exercise, or on joining the Scheme between valuations. The employer contribution rates range from 0.0% to 46.3% of pensionable pay for the financial year ending 31 March 2022.

Benefits

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

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

Note 2: Basis of Preparation

The accounts have been prepared in accordance with the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK Public Sector and Guidance on Investment Valuations issued by the Pensions Research Accountants Group (PRAG). The accounts summarise the transactions and net assets of the Fund and have been prepared on a going concern basis.

The below are considered relevant in arriving at this assessment:

- The Fund remains a statutory open scheme with a strong covenant from the participating employers and is therefore able to take a long-term outlook when considering the general investment and funding implications of external events.
- The Fund remains a long-term investor and has reduced its allocation to equities with a preference to bond assets to reduce the volatility of its investment assets. The Fund will continue to monitor all risks on an ongoing basis and take appropriate actions where necessary.
- The Fund was 112% funded as at the last triennial valuation as at 31 March 2019. This is estimated to have increased and therefore the Fund remains fully funded.
- The Fund takes a prudent approach when setting employer contributions and its contribution strategy is considered against detailed scenario testing by the Fund Actuary. It is not expected that any contribution rates will be reviewed or revised prior to the outcome of the next triennial valuation (31 March 2023).

A cashflow forecast has also been produced to consider all significant receipts and payments up to March 2024. The Fund has based this assessment on:

- Contributions based on actual March 2022 payroll data and known contribution rates for 2022/23.
- 2021/22 outturn values for property rental income, pension benefits, death benefits and lump sum payments.

Management is not aware of any significant planned changes to its main receipts and payments up to March 2024 and therefore considers the above assumptions to be reasonable. Appropriate stress testing has been applied to the above projections as follows:

- Contributions reduce by 10% annually
- Pension benefits increase by 10% annually; and
- Death benefits and lump sum payments each increase by 5% annually.

After the application of these stress tests the forecasting shows that the Fund would still have positive annual cash flows. In the unlikely event that the stress tests applied are not sufficiently pessimistic £35.9m of investment income was earned in 2021/22 which was re-invested rather than used to pay benefits. In addition, the Fund holds in excess of £4.3 billion of assets in liquid form which could be realised within 3 months in a managed way if the need arose. Therefore, the Fund's liquid assets could be used to cover all benefits paid for a period of greater than 12 months from the reporting date should the need arise.

Note 3: Summary of Significant Accounting Policies

Fund Account – Revenue Recognition

Contribution Income

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

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

Transfers in

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

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

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement. No bulk transfers have taken place in 2021/22 or the prior year.

Investment Income

- i. Interest income is recognised as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.
- ii. Stock lending income is recognised as it accrues.
- iii. Dividend income is recorded on the date that the shares are quoted as ex-dividend. Any amount not received at the end of the reporting period is disclosed in the Net Asset Statement as a Current Asset.
- iv. Private equity, private debt and infrastructure income is recognised on the date paid and reported within the income received.
- v. Property rental income is accounted for on an accruals basis.
- vi. Dividends, interest and purchases and sales of investments in foreign currency have been recorded at the spot exchange rate and translated into sterling at the rate ruling at the date of the transaction.

Profit & Loss on Disposal

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

Fund Account Expenditure Recognition

Benefits paid

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

Payments to and on account of leavers

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

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement. No bulk transfers have taken place in 2021/22 or the prior year.

Taxes on income

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

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

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

Management Expenses

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

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

Net Asset Statement

Investment assets

Investment assets are shown at market value at the reporting date and are recognised in the Net Asset Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of assets are recognised. The values of investments have been determined at fair value in accordance with the requirements of the Code and IFRS13. For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016). See Note 16.

Freehold and leasehold properties

Freehold and leasehold properties have been valued at the reporting date by independent external valuers, on the basis of fair value. See Note 16.

Foreign currency transactions and balances

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

Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of change in value.

Financial Liabilities

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

Contingent assets and contingent liabilities

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

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

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

Additional Voluntary Contributions

These are invested separately and therefore disclosed as a note and not included in the fund accounts. See Note 23.

Note 4: Critical Judgements in Applying Accounting Policies

Pension Fund liability

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

Directly held property

The Fund's property portfolio comprises directly owned properties which are leased commercially to various tenants with rental periods between one and 35 years. The Fund has determined that these contracts all constitute operating lease arrangements under the classifications permitted by IAS 17 and the Code, therefore the properties are retained on the Net Asset Statement at fair value.

Note 5: Assumptions Made About The Future And Other Major Sources Of Estimation Uncertainty

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

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	<p>Estimation of the net liability to pay pensions depends on a number of assumptions relating to the discount rate used, salary and pension increases, retirement age, mortality rates and investment returns.</p> <p>The Fund actuary has been appointed to provide advice about the assumptions applied.</p>	<p>Actual experience relative to the assumptions over time. For example:</p> <p>A 0.1% decrease in discount rate at year ended 31 March 2022 would result in an approximate 2% increase to employers' liabilities (£116m).</p> <p>A one-year increase in member life expectancy at year ended 31 March 2022 would result in an approximate increase in employers' liabilities of 4% (£225m).</p> <p>A 0.1% increase in the salary increase rate at year ended 31 March 2022 would result in an approximate increase in employers' liabilities of less than 1% (£9m).</p> <p>A 0.1% increase in the pension increase rate at year ended 31 March 2022 would result in an approximate 2% increase in employers' liabilities (£106m).</p> <p>However, the Statements do not take account of liabilities to pay pensions and other benefits after 31 March 2022.</p>

Item	Uncertainties	Effect if actual results differ from assumptions
Private equity	<p>Private equity investments are valued at fair value in accordance with industry guidelines, based on the fund manager valuations as at the end of the reporting period.</p> <p>These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. This takes into account observable and non-observable pricing inputs including public market developments (industry sector and peers), private market transactions, company specific considerations, public indices and cashflows.</p>	<p>The total private equity investment in the financial statements is £126.5m (2.3% of net assets). There is a risk that this investment may be under or overstated in the accounts.</p>
Private Debt	<p>Private debt investments are valued at fair value in accordance with industry guidelines, based on the fund manager valuations as at the end of the reporting period.</p> <p>These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.</p>	<p>The total private debt investment in the financial statements is £142.9m (2.6% of net assets). There is a risk that this investment could be under or overstated in the accounts.</p>
Infrastructure	<p>Infrastructure investments are valued using best practices prevailing within the investment management industry to determine each underlying investment's fair market value. These valuations are validated by third party independent appraisal firms.</p>	<p>The total infrastructure investment in the financial statements is £249.4m (4.6% of net assets). There is a risk that this investment could be under or overstated in the accounts.</p>
Freehold and leasehold property	<p>Independent valuation for freehold and leasehold investment property has been provided in accordance with Royal Institution of Chartered Surveyors Red Book.</p> <p>This takes into account observable and unobservable pricing inputs including existing lease terms, independent market research, the nature of tenancies and tenant covenant strength, void levels and estimated rental growth.</p>	<p>Changes in rental growth, void levels and general changes in property market prices could affect the valuation. The total property investment in the financial statements is £594.3m (10.9% of net assets). There is a risk that this investment may be under or overstated in the accounts.</p>

Note 6: Events After the Balance Sheet Date

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

Note 7: Contributions Received

By Category	2020/21 £000	2021/22 £000
Employers	111,955	111,547
Members	31,134	32,142
Total	143,089	143,689

By Authority	2020/21 £000	2021/22 £000
West Sussex County Council	61,934	63,076
Scheduled bodies	73,379	73,310
Admitted bodies	7,776	7,303
Total	143,089	143,689

Note 8: Transfers In From Other Pension Funds

By Category	2020/21 £000	2021/22 £000
Individual transfers	8,861	9,064
Bulk transfers	-	-
Total	8,861	9,064

Note 9: Benefits Paid

By Category	2020/21 £000	2021/22 £000
Pensions	101,312	104,111
Lump sum retirement benefit	14,033	13,944
Lump sum death benefit	3,020	2,385
Total	118,365	120,440

By Authority	2020/21 £000	2021/22 £000
West Sussex County Council	53,105	54,834
Scheduled bodies	54,996	56,226
Admitted bodies	10,264	9,380
Total	118,365	120,440

Note 10: Payments To And On Account Of Leavers

Payment Type	2020/21 £000	2021/22 £000
Refunds of contributions	430	375
Individual transfers	9,693	7,008
Bulk transfers	-	-
Total	10,123	7,383

Note 11: Management Expenses

Expense Type	2020/21 £000	2021/22 £000
Administrative	1,069	1,248
Oversight and governance	1,105	1,026
Investment management	35,964	22,667
*Investment management 21/22 reduction	-	(12,139)
Total	38,138	12,801

* Note: Performance fees formed part of the Pension Fund's commercial arrangements with Baillie Gifford which crystallised at the point of termination in December 2020. During 2021/22 it was agreed with Baillie Gifford to reduce the fees reported under "investment management" (reported in 2020/21) from £24.3m to £12.1m. Therefore, the investment management fees reported above in 2021/22 have been offset by a reduction of £12.2m. There has been no prior year adjustment as the change is not considered material.

Note 11a: Investment Management Expenses**2021/22**

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

2020/21

Expense Type	Management fees £000	Performance related fees £000	Transaction costs £000	Total £000
Bonds	138	-	-	138
Equities	3,159	13,816	1,661	18,636
Pooled Investments	4,411	10,045	-	14,456
Private Equity	951	486	214	1,651
Property	905	-	-	905
Cash & FX contracts	41	-	-	41
Sub total	9,605	24,347	1,875	35,826
Custody Fees				138
Total				35,964

Note 12: Investment Income

Type of Income	2020/21 £000	2021/22 £000
Dividends from equities	30,411	6,288
Interest on bonds	1,721	1,340
Pooled fund income	-	28,269
Private equity income	1,138	865
Private debt income	-	1,035
Property income	16,199	21,725
Interest on cash deposits	68	120
Stock lending income	298	95
Total	49,835	59,737

Note: Following transition to pooled arrangements income previously received from direct equity & bond investments are now shown under pooled fund income.

Note 12a: Property Income

Type of Income	2020/21 £000	2021/22 £000
Rental income	17,600	22,953
Direct operating expenses	(1,401)	(1,227)
Total	16,199	21,725

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

Note 13: Other Fund Account Disclosures

Type of Expense	2020/21 £000	2021/22 £000
Pension Advisory Board	25	25
ACCESS pool	63	79
Total	88	104

ACCESS is a collaboration of eleven Central, Eastern and Southern Shires, who are working together to collectively invest assets to reduce investment costs whilst maintaining investment performance. The costs incurred for 2021/22 reflect the Fund's contribution towards the pool's activities. These costs are included within oversight and governance costs in Note 11.

Note 13a: Taxes On Income

Type of Expense	2020/21 £000	2021/22 £000
Tax paid on dividend payments & pooled fund investments	2,804	3,811
Tax recoverable	(2,104)	(2,157)
Total	700	1,654

Note 13b: External Audit Costs

Type of Expense	2020/21 £000	2021/22 £000
Payable in respect of external audit	18	33
Grant & Distribution received	-	(15)
Total	18	19

* The external audit fees of £33k are made up of the 21/22 base fee and the fee variation charged in relation to the the prior year which, have been offset by a £10.5k grant from the DLHC (Department Levelling Up, Housing & Communities) to support increased local audit fees. In addition we have also received a distribution of £4k form Public Sector Audit Appointments.

Note 14: Investments

Investments	Market Value 2020/21 £000	Market Value 2021/22 £000
Investment assets		
Equities	1,174,095	-
Bonds	74,597	-
Pooled investments		
Corporate Bond Fund	613,739	-
Currency Allocation Returns Strategy	38,040	-
Global Alpha Equity Fund	1,722,277	1,361,086
Global Equity Fund - Macquarie	-	1,117,311
Sterling Aggregate Bond Fund	1,197,686	1,074,914
Sterling Investment Grade Credit Fund	-	801,612
	3,571,741	4,354,924
Other Investments		
Private equity	85,376	126,519
Private debt	60,842	142,952
Infrastructure	-	249,408
Property	380,490	594,300
	526,708	1,113,180
Cash deposits	43,745	200
Investment income due	6,056	2,157
Amounts receivable for sales	1,375	-
	51,176	2,357
Total investment assets	5,398,318	5,470,460
Investment liabilities		
Amounts payable for purchases	(1,171)	-
Property income received in advance	(108)	(328)
Total investment liabilities	(1,279)	(328)
Net investment assets	5,397,039	5,470,132

Note 14a: Reconciliation Of Movements In Investments And Derivatives

2021/2022

Investment Assets	Market Value at 1 April 2021	Purchases during the year	Sales during the year	Change in market value during the year	Market Value at 31 March 2022
	£000	£000	£000	£000	£000
Investments					
Bonds	74,597	849,371	(687,470)	(236,498)	-
Equities	1,174,095	1,202,580	(1,303,818)	(1,072,856)	-
Pooled investments	3,571,741	1,208,093	(1,544,548)	1,119,638	4,354,924
Private equity	85,376	45,709	(36,739)	32,174	126,519
Private debt	60,842	74,454	(3,609)	11,266	142,952
Infrastructure	-	250,000	(4,179)	3,587	249,408
Property	380,490	136,510	(1,686)	78,986	594,300
Sub total	5,347,141	3,766,715	(3,582,049)	(63,703)	5,468,104
Derivatives	-				-
Sub total	5,347,141	3,766,715	(3,582,049)	(63,703)	5,468,104
Other investment balances					
Cash deposits	43,745			4,301	200
Amount receivable for sales	1,375				-
Investment income due	6,056				2,157
Amount payable for purchases	(1,171)				-
Property income received in advance	(108)				(328)
Total assets	5,397,039			(59,402)	5,470,132

2020/2021

Investment Assets	Market Value at 1 April 2020	Purchases during the year	Sales during the year	Change in market value during the year	Market Value at 31 March 2021
	£000	£000	£000	£000	£000
Investments					
Bonds	115,365	18,762	(54,647)	(4,883)	74,597
Equities	1,984,456	884,486	(1,029,190)	(665,657)	1,174,095
Pooled investments	1,584,546	195,478	(10,259)	1,801,976	3,571,741
Private equity	91,117	198	(32,776)	26,837	85,376
Private debt	-	66,982	(6,627)	487	60,842
Property	366,125	27,235	(1,577)	(11,293)	380,490
Sub total	4,141,609	1,193,141	(1,135,076)	1,147,467	5,347,141
Derivatives	-				-
Sub total	4,141,609	1,193,141	(1,135,076)	1,147,467	5,347,141
Other investment balances					
Cash deposits	43,551			(152)	43,745
Amount receivable for sales	3,378				1,375
Investment income due	7,446				6,056
Amount payable for purchases	(16,365)				(1,171)
Rental receipts in advance	(365)				(108)
Total assets	4,179,254			1,147,315	5,397,039

Note 14b: Investments Analysed by Fund Manager

Northern Trust manage the stock lending programme and the income held in this account is included in the other investment balance shown below. Property income receipts in advance is also included in other investments.

The values of each fund, shown as a percentage of the total Fund value, have been set out in the following table.

Fund Manager	31 March 2021 £000	% of Fund Value	31 March 2022 £000	% of Fund Value
Investments Managed by ACCESS Asset Pool				
Baillie Gifford Global Alpha Equity Fund	1,722,277	31.9	1,361,086	24.9
Macquarie Global Equity Fund	-	-	1,117,311	20.4
Baillie Gifford Sterling Aggregate Bond Fund	1,197,686	22.2	1,074,914	19.7
Fidelity Sterling Investment Grade Credit Fund	-	-	801,612	14.7
	2,919,963	54.1	4,354,924	79.6
Investments Managed outside ACCESS Asset Pool				
UBS Global Asset Management	1,942,566	36.0	-	-
Baillie Gifford & Co	5,950	0.1	-	-
Pantheon Ventures (Private Equity)	50,992	0.9	37,359	0.7
Partners Group (Private Equity)	34,384	0.6	89,160	1.6
Abrdn (Property)	380,490	7.0	594,300	10.9
Goldman Sachs (Private Debt)	37,916	0.7	99,564	1.8
ICG (Private Debt)	22,926	0.4	43,389	0.8
JP Morgan (Infrastructure)	-	-	249,408	4.6
Other investments	1,852	-	2,028	-
	2,477,076	45.9	1,115,209	20.4
Total	5,397,039	100.0	5,470,132	100.0

Share of market value held by fund managers

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

Fund Information	31 March 2021 £000	% of Fund Value	31 March 2022 £000	% of Fund Value
Investments in the ACCESS pool				
Baillie Gifford Global Alpha Equity Fund	1,722,277	31.4	1,361,086	24.8
Macquarie Global Equity Fund	-	-	1,117,311	20.3
Baillie Gifford Sterling Aggregate Bond Fund	1,197,686	21.8	1,074,914	19.6
Fidelity Sterling Investment Grade Credit Fund	-	-	801,612	14.6
Investments held directly by the Fund				
UBS Currency Allocation Return Fund	38,040	0.7	-	-
UBS UK Corporate Bond UK Plus Fund	613,739	11.2	-	-
Total	3,571,741	65.1	4,354,924	79.3

Note 14c: Stock Lending

The Fund's Investment Strategy Statement (ISS) sets out the parameters for the Fund's stock-lending programme. The Fund has previously participated in a stock lending programme with UBS which is no longer in place following the transition to ACCESS. As at 31 March 2022, there is an unlisted equity that has been loaned which is currently held by the fund at nil value. The total value of equities on loan at 31 March 2021 was £87.2m.

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 £0.06m reflecting the value of the asset on loan. The total value of collateral held as at 31 March 2021 was £91.6m.

There are no liabilities associated with the loaned assets.

Note 14d Direct Property Holdings

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

Property Transactions	31 March 2021 £000	31 March 2022 £000
Opening balance	366,125	380,490
Additions:		
Purchase of existing property	25,389	135,317
New construction	-	-
Subsequent expenditure	1,846	1,193
Disposals	(1,577)	(1,686)
Net increase/(decrease) in market value	(11,293)	78,986
Closing balance	380,490	594,300

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

Time Period	31 March 2021 £000	31 March 2022 £000
Within one year	17,951	24,655
Between one and five years	61,563	84,537
Later than five years	100,151	123,251
Total future lease payments due under existing contracts	179,665	232,443

Note 15: Analysis of Derivatives

The Fund does not invest directly in derivatives.

Note 16: Fair Value – Basis of Valuation

Accounting policies describe how different asset classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

Market Quoted Investments (Level 1)

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

Quoted Bonds (Level 1)

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

Pooled investment vehicles (Level 1)

Pooled investment vehicles are valued at 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.

Freehold and leasehold properties (Level 2)

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

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

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

Private equity (Level 3)

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

- The valuation of Partners Group portfolio is taken from the unaudited 31 March 2022 fund-of-fund reports.
 1. Partners Group performs independent valuations of its underlying investments through a fair market valuation process, which is in accordance with International Financial Reporting Standards (IFRS) and United States Generally Accepted Accounting Principles (US GAAP). This process was implemented in 2003 and has been refined based on feedback received from PricewaterhouseCoopers (PwC), the auditor of most of the firm's programmes and mandates. On an annual basis, the monitoring and valuation process based on fair valuation principles (sample selection, valuation methodologies, etc.) is discussed and approved by the auditors of the programs managed by Partners Group.
 2. Partners Group complies with the defined process and applies it as the basis for the year end valuation and subsequent quarterly Net Asset Value determinations of the programs they manage. Partners Group gather the valuation-relevant information by systematically screening a broad set of sources for valuation-relevant information about portfolio companies which are held directly or indirectly by Partners Group's programs and mandates. This includes information supplied by the firm's due diligence and monitoring professionals, underlying fund managers and information published in industry journals and/or other publications.
 3. The fund monitors audited year end to unaudited quarterly valuations to check the consistency of the unaudited and audited information; to date, the audited accounts for Partners Group have been given an unqualified opinion.
- The valuation of Pantheon's portfolio is taken from the unaudited 31 March 2022 fund-of-fund reports.
 1. 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).
 2. The Fund monitors audited year end to unaudited quarterly valuations to check the consistency of the unaudited and audited information. To date, the audited accounts for Pantheon Ventures have been given an unqualified opinion.

Private Debt (Level 3)

- The valuation for private debt investments with Goldman Sachs is taken from the unaudited 31 March 2022 fund manager reports.
 1. Goldman Sachs quarterly valuation is calculated in accordance with the fair value assessment described in Accounting Standards Codification 820 (Fair Value Measurements and Disclosures) and in accordance with GAAP.
 2. The Fund monitors audited year end to unaudited quarterly valuations to check the consistency of the unaudited and audited information. To date, the audited accounts for Goldman Sachs have been given an unqualified opinion.
- The valuation for private debt investments with ICG is taken from the unaudited 31 March 2022 fund manager reports.
 1. The Financial Assets are designated as Financial Assets at Amortised Cost and are held at principal plus accrued interest which is deemed to represent fair value in accordance with IFRS.
 2. The Fund monitors audited year end to unaudited quarterly valuations to check the consistency of the unaudited and audited information. To date, the audited accounts for ICG have been given an unqualified opinion.

Infrastructure (Level 3)

- The valuation of Infrastructure assets is taken from the unaudited 31 March 2022 fund manager report.
 1. The assets are valued using best practices prevailing within the investment management industry to determine each underlying investment's fair market value. This is done with consideration of relevant US GAAP valuation guidelines, particularly Accounting Standards Codification (ASC) 820. Valuations are externally appraised in accordance with the Uniform Standards of Professional Appraisal Practices ("USPAP") and International Valuation Standard ("IVS").
 2. The Fund will monitor the audited year end to the unaudited quarterly valuations to check the consistency of the unaudited information. To date, the audited accounts for JP Morgan have been given an unqualified opinion.

Sensitivity of assets valued at Level 3

The Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2022.

Assets	Assessed valuation range (+/-)	Value at 31 March 2022 £000	Value on increase £000	Value on decrease £000
Private equity	15%	126,519	145,497	107,541
Private debt	15%	142,952	164,395	121,509
Infrastructure	10%	249,408	274,349	224,468
Total		518,880	584,242	453,519

Note 16a: Fair Value Hierarchy

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

Level 1

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

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

Level 2

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

Level 3

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

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

The valuation of private equity portfolios have been prepared in accordance with industry guidelines.

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

Values at 31 March 2022

Financial assets	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss				
Bonds	-			-
Equities	-			-
Pooled investments	4,354,924			4,354,924
Private equity			126,519	126,519
Private Debt			142,952	142,952
Infrastructure			249,408	249,408
Cash deposits	200			200
Investment income due	2,157			2,157
Amounts receivable for sales	-			-
Net investment assets	4,357,281	-	518,880	4,876,160
Non-financial assets at fair value through profit and loss				
Property		594,300		594,300
Financial liabilities at fair value through profit and loss				
Property rental receipts in advance	(328)			(328)
Payable for investment purchases	-			-
Total	4,356,953	594,300	518,880	5,470,132

Values at 31 March 2021

Financial assets	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss				
Bonds	74,597			74,597
Equities	1,174,058		37	1,174,095
Pooled investments	3,571,741			3,571,741
Private equity			85,376	85,376
Private Debt			60,842	60,842
Cash deposits	43,745			43,745
Investment income due	6,056			6,056
Amounts receivable for sales	1,375			1,375
Net investment assets	4,871,573	-	146,255	5,017,827
Non-financial assets at fair value through profit and loss				
Property		380,490		380,490
Financial liabilities at fair value through profit and loss				
Property rental receipts in advance	(108)			(108)
Payable for investment purchases	(1,171)			(1,171)
Total	4,870,295	380,490	146,255	5,397,039

A delisted equity asset has been classified as level 3 in the above table.

Note 16b: Transfer Between Levels 1 And 2

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

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

Assets	Private Equity £000	Private Debt £000	Infrastructure £000	Total £000
Market Value 31 March 2021	85,376	60,842	-	146,218
Transfers into / (out of) Level 3	-	-	-	-
Net purchases / (sales) during the year	8,970	70,844	245,821	325,635
Unrealised gains / (losses)	12,264	9,117	7,380	28,760
Realised gains / (losses)	19,911	2,149	(3,793)	18,267
Market Value 31 March 2022	126,519	142,952	249,408	518,880

Note 17: Financial Instruments

Note 17a: Classification of Financial Instruments

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

31 March 2022

Classification	Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000
Financial assets			
Bonds	-	-	-
Equities	-	-	-
Pooled Investments	4,354,924	-	-
Private Equity	126,519	-	-
Private Debt	142,952	-	-
Infrastructure	249,408	-	-
Cash	-	16,588	-
Investment balances	-	2,157	-
Debtors	-	12,632	-
Sub Total	4,873,804	31,377	-
Financial liabilities			
Investment balances	-	-	(329)
Other current liabilities	-	-	(5,047)
Total	4,873,804	31,377	(5,375)

31 March 2021

Classification	Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000
Bonds	74,597		
Equities	1,174,095		
Bond and currency funds	3,571,741		
Private Equity	85,376		
Private Debt	60,842		
Cash		146,042	
Investment balances		7,431	
Debtors		11,598	
Sub Total	4,966,651	165,071	
Investment balances			(1,279)
Other current liabilities			(27,741)
Total	4,966,651	165,071	(29,020)

Note 17b: Net Gains And Losses On Financial Instruments

Classification	31 March 2021	31 March 2022
	£000	£000
Financial assets		
Fair value through profit and loss	1,159,609	(63,703)
Amortised cost - unrealised gains	(152)	4,301
Financial liabilities		
Fair value through profit and loss	-	-
Total	1,159,457	(59,402)

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

Note 18: Nature And Extent Of Risks Arising From Financial Instruments And Other Assets

Risk and risk management

The primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through diversification 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 Fund Actuary and investment adviser, based on the Fund's funding position and performance objective and taking into consideration factors including interest rates, inflation, liquidity and collateral. Prudent assumptions are used both in the strategy modelling work and when setting employer contribution rates. Performance is monitored by the Pensions Committee.

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

Responsibility for the Fund's risk management strategy rests with the Pensions Committee. The Committee receives regular reports from each of the managers on the nature of the investments made on the Fund's behalf and the associated risks. Divergence from benchmark asset allocations and the composition of each portfolio is monitored by the 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 must adhere to investment guidelines that specify the managers' investment powers and restrictions.

Other price risks

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

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

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

Other price risks – sensitivity analysis

The Fund has determined that the following movements in market price risk are reasonably possible for the 2020/21 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).

2021/2022

Asset type	Value at 31 March 2022 £000	Potential Market Movements (+/-)	Value on Increase £000	Value on Decrease £000
UK equities	-	19.9%	-	-
Overseas equities	-	20.1%	-	-
Bonds	-	7.2%	-	-
Pooled Investments	4,354,924	14.5%	4,986,388	3,723,460
Cash	200	0.3%	200	199
Property	594,300	15.0%	683,445	505,155
Private equity	126,519	31.2%	165,993	87,045
Private debt	142,952	9.0%	155,818	130,087
Infrastructure	249,408	9.4%	272,853	225,964
Total	5,468,303		6,264,696	4,671,909

2020/2021

Asset type	Value at 31 March 2021 £000	Potential Market Movements (+/-)	Value on Increase £000	Value on Decrease £000
UK equities	384,336	16.7%	448,521	320,152
Overseas equities	789,758	17.4%	927,176	652,340
Bonds	74,597	7.0%	79,819	69,375
Bond Funds *	3,571,741	12.2%	4,007,494	3,135,989
Currency fund *	43,745	0.3%	43,876	43,614
Cash	380,490	14.2%	434,520	326,460
Property	85,376	28.4%	109,623	61,129
Private equity	60,842	4.6%	63,641	58,043
Total	5,390,885		6,114,670	4,667,102

* Following transition into the ACCESS pool the bond funds and currency funds are amalgamated within the pooled investment category.

Interest rate risk - sensitivity analysis

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

The Fund recognises that interest rates vary and can affect both income and the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The Fund's direct exposure to interest rate movements as at 31 March 2022 and 31 March 2021 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

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**2021/2022**

Asset type	Value at 31 March 2022 £000	Change in year in net assets available to pay benefits +100 BPS £000	Change in year in net assets available to pay benefits -100 BPS £000
Cash and cash equivalents	200	2	(2)
Cash balances	16,388	164	(164)
Bonds	-	-	-
Total	16,588	166	(166)

2020/2021

Asset type	Value at 31 March 2021 £000	Change in year in net assets available to pay benefits +100 BPS £000	Change in year in net assets available to pay benefits -100 BPS £000
Cash and cash equivalents	43,745	437	(437)
Cash balances	102,297	1,023	(1,023)
Bonds	74,597	746	(746)
Total	220,639	2,206	(2,206)

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**2021/2022**

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

2020/2021

Asset type	Value at 31 March 2021 £000	Change %	Value on Increase £000	Value on Decrease £000
Overseas equities	2,370,824	10.0	2,607,907	2,133,742
Overseas bonds	512,782	10.0	564,060	461,504
Overseas private equity	85,376	10.0	93,913	76,838
Overseas private debt	60,842	10.0	66,926	54,758
Total	3,029,824		3,332,806	2,726,842

b) Credit Risk

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

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

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

The Fund has not had any experience of default or uncollectable deposits. As at 31 March 2022, the Fund held £0.2m cash with the custodian (31 March 2021: £43.7m) and cash internally managed by WSCC was £16.4m (31 March 2021: £102.3m). This was held by institutions with the following credit ratings:

Rating	Nominal amount 31 March 2021 £000	Nominal amount 31 March 2022 £000
AAA rated counterparties	80,000	10,000
A-1+ rated counterparties	43,745	200
A+ rated counterparties	22,297	6,388
TOTAL	146,042	16,588

Note: 2020/21 credit ratings above have been reported in more detail in line with 2021/22 analysis.

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 2022, 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 25% 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, Northern Trust, 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 Northern Trust'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 2019 and the next valuation will take place as at 31 March 2022.

The key funding principles are as follows:

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

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

Funding position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund's assets, which at 31 March 2019 were valued at £4,374 million, were sufficient to meet 112% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2019 valuation was £455 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2020 to 31 March 2022 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 2019 valuation were as follows:

Assumption	31 March 2019 %
Discount rate	3.1
Salary increase assumption	2.8
Benefit increase assumption	2.3

Demographic Assumptions

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long-term rate of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

Pensioner Type	Males	Females
Current Pensioners	22.2 years	24.2 years
Future Pensioners	23.3 years	25.9 years

Copies of the 2019 valuation report and FSS are available on the Funds website or on request from West Sussex County Council.

The next actuarial valuation will be carried out as at 31 March 2022. The FSS will also be reviewed at that time.

Note 20: Actuarial Present Value Of Promised Retirement Benefits

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

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

Liability	31 March 2021	31 March 2022
	£m	£m
Active members	(2,519)	(2,567)
Deferred pensioners	(1,498)	(1,385)
Pensioners	(1,799)	(1,671)
Present value of promised retirement benefits	(5,816)	(5,623)
Fair value of scheme assets (bid value)	5,484	5,494
Net liability	(332)	(129)

As noted above, the liabilities above are calculated on an IAS 19 basis and will therefore differ from the results of the 2019 triennial funding valuation (Note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

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

No allowance has been made for unfunded benefits.

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

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

IAS19 Assumptions Used

The assumptions used are those adopted for the administering authority's IAS 19 report and are different as at 31 March 2022 and 31 March 2021.

The Fund actuary estimates that the impact of the change in financial assumptions to 31 March 2022 is to decrease the actuarial present value by £457m. The Fund actuary estimates the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £34m.

Assumption	31 March 2021 % per annum	31 March 2022 % per annum
Inflation / pensions increase rate	2.9	3.2
Salary increase rate	3.4	3.7
Discount rate	2.0	2.7

Longevity Assumptions

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

Type of Pensioner	Males	Females
Current Pensioners	21.9 years	24.2 years
Future Pensioners*	22.8 years	25.9 years

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

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

Commutation Assumption

An allowance is included for 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

Classification	31 March 2021 £000	31 March 2022 £000
Debtors		
Contributions due - members	2,716	3,032
Contributions due - employers	5,347	5,013
Prepayments	772	1,032
Other debtors	2,664	3,260
Taxation	99	294
Sub total	11,598	12,632
Cash balances	102,297	16,388
Total	113,895	29,021

Analysis of Debtors

Classification	31 March 2021 £000	31 March 2022 £000
Central government bodies	2,046	2,111
Other local authorities	3,978	3,844
Educational establishments	2,302	2,282
Other entities and individuals	3,272	4,395
Total	11,598	12,632

Note 22: Current Liabilities

Classification	31 March 2021	31 March 2022
	£000	£000
Contributions	-	-
Benefits payable	1,084	1,149
Other current liabilities	26,657	3,898
Total	27,741	5,047

Analysis of Creditors

Classification	31 March 2021	31 March 2022
	£000	£000
Central government bodies	2,345	2,846
Other local authorities	102	786
Educational establishments	-	57
Other entities and individuals	25,294	1,357
Total	27,741	5,047

Note 23: Additional Voluntary Contributions

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

AVC Contributions of £1.9m were paid directly Legal and General and Standard Life during the year (2020/21: £1m). AVCs are separately invested and are therefore not included in the Pension Fund accounts in accordance with regulations 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) regulations 2016.

AVC Provider	Market Value 31 March 2021 £000	Market Value 31 March 2022 £000
Standard Life	359	66
Legal and General	3,199	4,863
Total	3,558	4,929

Note 24: Related Party Transactions

West Sussex County Council

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

During the reporting period, the Council incurred costs of £0.7m (2020/21: £0.7m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund and contributed £63.1m to the Fund in 2021/22 (2020/21: £61.9m). 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 2022, the Fund had a daily average investment balance of £45.0m held in Sterling (31 March 2021: £154.2m) earning interest of £0.02m (2020/21: £0.05m) in these funds at a rate of return of 0.04% (2020/21: 0.04%).

Governance

One member of the Pensions Committee is in receipt of pension benefits from the West Sussex Pension Fund.

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

Note 24a: Key Management Personnel

The Director of Finance and Support Services and S151 officer has responsibility for the proper financial administration of the Fund under the Local Government Act 1972. This Officer is employed by the Administering Authority but spent a proportion of time on the financial management of the Fund. The total Pension Fund expense relating to apportioned remuneration for Key Management Personnel is £19.7k in 2021/22 (2020/21: £19.0k).

Note 25: Contingent Liabilities and Contractual Commitments

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

Estimates provided to members indicate that at year-end there are potential liabilities of £0.098m in respect of members who have enquired about transferring benefits out of the scheme and on whom the Fund is awaiting a final decision.

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

- Private Equity of £127.6m (31 March 2021 £22.9m).
- Private Debt of £116.7m (31 March 2021 £195m)

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

The Fund has also made a commitment to an infrastructure fund as part of its investment strategy review and as at 31 March 2022 the full commitment of £250m was made.

Note 26: Contingent Assets

There were no contingent assets at the period end.