



# West Sussex Pension Fund

## Statement of Accounts

2022/23



## Declaration

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

Taryn Eves

Director of Finance and Support Services,  
West Sussex County Council

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

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# The Local Government Pension Scheme Pension Fund Account

<b>Fund Account</b>	<b>Note</b>	<b>2021/22 £000</b>	<b>2022/23 £000</b>
<b>Dealings with members, employers and others directly involved in the scheme</b>			
Contributions received	<b>7</b>	143,689	151,734
Transfers in from other Pension Funds	<b>8</b>	9,064	12,315
<b>Amount received</b>		<b>152,753</b>	<b>164,049</b>
Benefits paid	<b>9</b>	(120,440)	(129,432)
Payments to and on account of leavers	<b>10</b>	(7,383)	(10,041)
<b>Amount paid</b>		<b>(127,823)</b>	<b>(139,473)</b>
<b>Net additions/(withdrawals) from dealings with members</b>		<b>24,930</b>	<b>24,576</b>
Management expenses	<b>11</b>	(12,801)	(20,699)
<b>Net additions/(withdrawals) including Fund management expenses</b>		<b>12,128</b>	<b>3,877</b>
<b>Returns on investments</b>			
Investment income	<b>12</b>	59,737	122,868
Taxes on income	<b>13A</b>	(1,654)	-
Other income		102	11
Profit and (losses) on disposal of investments and changes in the market value of investments	<b>14A</b>	(59,402)	(276,938)
<b>Net return on investments</b>		<b>(1,217)</b>	<b>(154,059)</b>
<b>Net increase in net assets available for benefits during the year</b>		<b>10,911</b>	<b>(150,182)</b>
<b>Add opening net assets of the scheme</b>		<b>5,483,193</b>	<b>5,494,106</b>
<b>Closing net assets of the scheme</b>		<b>5,494,106</b>	<b>5,343,924</b>

# Net Asset Statement

<b>Assets and Liabilities</b>	<b>Note</b>	<b>At 31 March 2022 £000</b>	<b>At 31 March 2023 £000</b>
Investment assets	<b>14</b>	5,470,460	5,331,748
Investment liabilities	<b>14</b>	(328)	(342)
<b>Net investment assets / (liabilities)</b>		<b>5,470,132</b>	<b>5,331,406</b>
Current assets	<b>21</b>	29,021	19,489
Current liabilities	<b>22</b>	(5,047)	(6,971)
<b>Net assets of the scheme available to fund benefits at the end of the reporting period</b>		<b>5,494,106</b>	<b>5,343,924</b>

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

# Notes

## Note 1: Description of the Fund

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

### General

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

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

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

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

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

Membership

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

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

Funding

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

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

Benefits

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

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

## Note 2: Basis of Preparation

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

The below are considered relevant in arriving at this assessment:

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

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

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

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

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

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



## Note 3: Summary of Significant Accounting Policies

### Fund Account – Revenue Recognition

#### Contribution Income

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

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

#### Transfers In

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

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

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

#### Investment Income

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

#### Profit & Loss on Disposal

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

## **Fund Account - Expenditure Recognition**

### Benefits Paid

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

### Payments To and On Account of Leavers

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

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

### Taxes on Income

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

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

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

### Management Expenses

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

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

## Net Asset Statement

### Investment Assets

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

### Pooled Equity and Bond Investments

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

### Direct Property Holdings

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

### Foreign Currency Transactions and Balances

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

### Cash and Cash Equivalents

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

### Financial Liabilities

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

### Contingent Assets and Contingent Liabilities

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

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

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

### Additional Voluntary Contributions

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

## **Note 4: Critical Judgements in Applying Accounting Policies**

### **Pension Fund liability**

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

### **Direct property holdings**

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

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

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Private Equity	<p>Private equity investments are valued at fair value in accordance with industry guidelines, based on the fund manager valuations as at the end of the reporting period.</p> <p>These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. This takes into account observable and non-observable pricing inputs including public market developments (industry sector and peers), private market transactions, company specific considerations, public indices and cashflows.</p>	<p>The total private equity investment in the financial statements is £146.7m (2.8% 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 £199.1m (3.7% of net assets). There is a risk that this investment could be under or overstated in the accounts.</p>
Infrastructure	<p>Infrastructure investments are valued using best practices prevailing within the investment management industry to determine each underlying investment's fair market value. These valuations are validated by third party independent appraisal firms.</p>	<p>The total infrastructure investment in the financial statements is £259.3m (4.9% of net assets). There is a risk that this investment could be under or overstated in the accounts.</p>
Direct Property Holdings	<p>Independent valuation for freehold and leasehold investment property has been provided in accordance with Royal Institution of Chartered Surveyors Red Book.</p> <p>This takes into account observable and unobservable pricing inputs including existing lease terms, independent market research, the nature of tenancies and tenant covenant strength, void levels and estimated rental growth.</p>	<p>Changes in rental growth, void levels and general changes in property market prices could affect the valuation. The total property investment in the financial statements is £490.5m (9.2% of net assets). There is a risk that this investment may be under or overstated in the accounts.</p>

## Note 6: Events After the Balance Sheet Date

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

## Note 7: Contributions Received

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

  

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

## Note 8: Transfers In From Other Pension Funds

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

**Note 9: Benefits Paid**

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

  

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

**Note 10: Payments To and On Account of Leavers**

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



## Note 11: Management Expenses

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

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

**Note 11a: Investment Management Expenses**

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

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

## Note 12: Investment Income

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

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

## Note 12a: Property Income

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

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

## Note 13: Other Fund Account Disclosures

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

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

### Note 13a: Taxes on Income

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

### Note 13b: External Audit Costs

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

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

**Note 14: Investments**

<b>Investments</b>	<b>Market Value 2021/22 £000</b>	<b>Market Value 2022/23 £000</b>
<b>Investment Assets</b>		
Equities	2,478,397	2,701,753
Bonds	1,876,526	1,508,459
Private equity	126,519	146,714
Private debt	142,952	199,066
Infrastructure	249,408	259,276
Property	594,300	490,475
<b>Investment Assets</b>	<b>5,468,103</b>	<b>5,305,743</b>
Cash deposits	200	24,041
Investment income due	2,157	1,964
Amounts receivable for sales	-	-
<b>Other Investment Assets</b>	<b>2,357</b>	<b>26,005</b>
<b>Total Investment Assets</b>	<b>5,470,460</b>	<b>5,331,748</b>
<b>Investment Liabilities</b>		
Amounts payable for purchases	-	-
Property income received in advance	(328)	(342)
<b>Total Investment Liabilities</b>	<b>(328)</b>	<b>(342)</b>
<b>Net Investment Assets</b>	<b>5,470,132</b>	<b>5,331,406</b>

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

<b>Investment Assets</b>	<b>Market Value at 1 April 2022</b>	<b>Purchases during the year</b>	<b>Sales during the year</b>	<b>Change in market value during the year</b>	<b>Market Value at 31 March 2023</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Pooled Investments</b>					
Equities	2,478,398	179,460	-	43,895	2,701,753
Bonds	1,876,526	45,492	(147,000)	(266,559)	1,508,459
Private equity	126,519	32,003	(12,998)	1,190	146,714
Private debt	142,952	57,714	(17,704)	16,104	199,066
Infrastructure	249,408	14,829	(25,951)	20,990	259,276
<b>Direct Investments</b>					
Property	594,300	69	(10,263)	(93,631)	490,475
<b>Sub Total</b>	<b>5,468,104</b>	<b>329,567</b>	<b>(213,916)</b>	<b>(278,011)</b>	<b>5,305,743</b>
<b>Other Investment Balances</b>					
Cash deposits	200			1,073	24,041
Amount receivable for sales	-				-
Investment income due	2,157				1,964
Amount payable for purchases	-				-
Property income received in advance	(328)				(342)
<b>Total Assets</b>	<b>5,470,132</b>			<b>(276,938)</b>	<b>5,331,406</b>

**2021/2022**

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

**Note 14b: Investments Analysed by Fund Manager**

<b>Fund Manager</b>	<b>31 March 2022 £000</b>	<b>% of Fund Value</b>	<b>31 March 2023 £000</b>	<b>% of Fund Value</b>
<b>Investments Managed in the ACCESS Asset Pool</b>				
Link Fund (LF) Solutions (Equities and Bonds)	4,354,924	79.6	4,210,212	79.0
<b>Investments Managed outside ACCESS Asset Pool</b>				
Pantheon Ventures (Private Equity)	37,359	0.7	31,263	0.6
Partners Group (Private Equity)	89,160	1.6	115,451	2.2
Abrdn (Property)	594,300	10.9	490,475	9.2
Goldman Sachs (Private Debt)	99,564	1.8	110,109	2.1
ICG (Private Debt)	43,389	0.8	88,956	1.7
JP Morgan (Infrastructure)	249,408	4.6	259,276	4.9
Other investment balances	2,028	0.0	25,663	0.4
<b>Total</b>	<b>5,470,132</b>	<b>100.0</b>	<b>5,331,406</b>	<b>100.0</b>

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



**Single Investments Exceeding 5% of Net Investment Assets**

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

## Note 14c: Stock Lending

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

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

## Note 14d Direct Property Holdings

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

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

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

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

## **Note 15: Analysis of Derivatives**

The Fund does not invest directly in derivatives.

## **Note 16: Fair Value – Basis of Valuation**

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

### **Market Quoted Equity Investments (Level 1)**

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

### **Quoted Bonds (Level 1)**

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

### **Pooled Investment Vehicles (Level 1)**

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

### **Direct Property Holdings (Level 2)**

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

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

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

### Private equity (Level 3)

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

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

### Private Debt (Level 3)

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

### Infrastructure (Level 3)

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

### Sensitivity of assets valued at Level 3

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

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

## **Note 16a: Fair Value Hierarchy**

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

### **Level 1**

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

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

### **Level 2**

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

### **Level 3**

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

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

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

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

**Values at 31 March 2023**

<b>Financial Assets</b>	<b>Quoted market price Level 1  £000</b>	<b>Using observable inputs Level 2  £000</b>	<b>With significant unobservable inputs Level 3 £000</b>	<b>Total  £000</b>
<b>Financial Assets at Fair Value Through Profit and Loss</b>				
Pooled equity funds	2,701,753			2,701,753
Pooled bond funds	1,508,459			1,508,459
Private equity			146,714	146,714
Private debt			199,066	199,066
Infrastructure			259,276	259,276
Cash deposits	24,041			24,041
Investment income due	1,964			1,964
Amounts receivable for sales				-
<b>Net Investment Assets</b>	<b>4,236,217</b>	<b>-</b>	<b>605,056</b>	<b>4,841,273</b>
<b>Non-Financial Assets at Fair Value Through Profit and Loss</b>				
Property		490,475		490,475
<b>Financial Liabilities at Fair Value Through Profit and Loss</b>				
Property income received in advance	(342)			(342)
Payable for investment purchases				-
<b>Total</b>	<b>4,235,875</b>	<b>490,475</b>	<b>605,056</b>	<b>5,331,406</b>

**Values at 31 March 2022**

<b>Financial Assets</b>	<b>Quoted market price Level 1  £000</b>	<b>Using observable inputs Level 2  £000</b>	<b>With significant unobservable inputs Level 3 £000</b>	<b>Total  £000</b>
<b>Financial Assets at Fair Value Through Profit and Loss</b>				
Bonds				-
Equities				-
Pooled equity funds	2,478,398			2,478,398
Pooled bond funds	1,876,526			1,876,526
Private equity			126,519	126,519
Private debt			142,952	142,952
Infrastructure			249,408	249,408
Cash deposits	200			200
Investment income due	2,157			2,157
Amounts receivable for sales				-
<b>Net Investment Assets</b>	<b>4,357,281</b>	<b>-</b>	<b>518,880</b>	<b>4,876,160</b>
<b>Non-Financial Assets at Fair Value Through Profit and Loss</b>				
Property		594,300		594,300
<b>Financial Liabilities at Fair Value Through Profit and Loss</b>				
Property income received in advance	(328)			(328)
Payable for investment purchases				-
<b>Total</b>	<b>4,356,953</b>	<b>594,300</b>	<b>518,880</b>	<b>5,470,132</b>



**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**

<b>Assets</b>	<b>Private Equity</b>	<b>Private Debt</b>	<b>Infrastructure</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Market Value 31 March 2022	126,519	142,952	249,408	518,879
Transfers into / (out of) Level 3	-	-	-	-
Net purchases / (sales) during the year	19,005	40,010	(11,122)	47,893
Unrealised gains / (losses)	(6,862)	292	20,990	14,421
Realised gains / (losses)	8,052	15,811	-	23,863
<b>Market Value 31 March 2023</b>	<b>146,714</b>	<b>199,066</b>	<b>259,276</b>	<b>605,056</b>

## Note 17: Financial Instruments

### Note 17a: Classification of Financial Instruments

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

#### 31 March 2023

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

#### 31 March 2022

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

**Note 17b: Net Gains and Losses on Financial Instruments**

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

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

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

### Risk and risk management

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

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

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

#### a) Market risk

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

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

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

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

#### Other price risks

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

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

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

#### Other price risks – sensitivity analysis

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

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

#### **2022/2023**

<b>Asset type</b>	<b>Value at 31 March 2023 £000</b>	<b>Potential market movements (+/-)</b>	<b>Value on increase £000</b>	<b>Value on decrease £000</b>
Pooled equity & bond funds	4,210,212	14.2%	4,808,062	3,612,362
Cash	24,041	0.3%	24,113	23,969
Property	490,475	15.5%	566,499	414,451
Private equity	146,714	31.2%	192,488	100,939
Private debt	199,066	9.6%	218,176	179,955
Infrastructure	259,276	9.9%	284,945	233,608
<b>Total</b>	<b>5,329,784</b>		<b>6,094,285</b>	<b>4,565,284</b>

#### **2021/2022**

<b>Asset type</b>	<b>Value at 31 March 2022 £000</b>	<b>Potential market movements (+/-)</b>	<b>Value on increase £000</b>	<b>Value on decrease £000</b>
Pooled equity & bond funds	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
<b>Total</b>	<b>5,468,304</b>		<b>6,264,697</b>	<b>4,671,910</b>

Interest rate risk - sensitivity analysis

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

The Fund recognises that interest rates vary and can affect both income and the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy and is equivalent to 1%.

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

The analysis in the table below assumes that all other variables, in particular exchange rates, remain constant and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates.

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

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

**2021/2022**

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

Currency risk

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

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

Currency risk – sensitivity analysis

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

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

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

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

**2021/2022**

<b>Asset type</b>	<b>Value at 31 March 2022 £000</b>	<b>Change %</b>	<b>Value on increase £000</b>	<b>Value on decrease £000</b>
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
<b>Total</b>	<b>518,879</b>		<b>570,768</b>	<b>466,992</b>

b) Credit risk

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

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

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

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

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

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

c) Liquidity risk

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

- o 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.
- o keeping a significant proportion of the Fund's assets in highly liquid investments such as actively traded equities, bonds and unit trusts.

The Fund is currently cash flow positive.

The Fund's strategic allocation to property, private debt, infrastructure and private equity, which are relatively illiquid, is limited to 25% of the total portfolio. As the Fund does not currently need to sell assets in order to pay benefits, it is considered



appropriate to hold such investments to increase diversification, minimise risk and improve long-term investment performance.

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

d) Refinancing risk

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

## Note 19: Funding Arrangements - Actuarial Statement

### Description of funding policy

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

The key funding principles are as follows:

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

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

### Funding position as at the last formal funding valuation

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

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

## Principal actuarial assumptions and method used to value the liabilities

### Method

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

### Assumptions

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

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

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

### Demographic assumptions

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

<b>Pensioner Type</b>	<b>Males</b>	<b>Females</b>
Current Pensioners	22.3 years	24.7 years
Future Pensioners	23.2 years	26.5 years

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

### Experience over the period since 31 March 2022

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

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

## Note 20: Actuarial Present Value of Promised Retirement Benefits

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

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

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

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

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

No allowance has been made for unfunded benefits.

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

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

### IAS19 assumptions used

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

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

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

#### Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of improvement of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

<b>Type of Pensioner</b>	<b>Males</b>	<b>Females</b>
Current Pensioners	21.8 years	24.3 years
Future Pensioners*	22.2 years	25.8 years

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

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

#### Commutation assumption

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

**Note 21: Current Assets**

<b>Classification</b>	<b>31 March 2022 £000</b>	<b>31 March 2023 £000</b>
Debtors		
Contributions due - members	3,032	2,993
Contributions due - employers	5,013	5,026
Prepayments	1,032	1,141
Other debtors	3,260	2,324
Taxation	294	415
<b>Sub Total</b>	<b>12,632</b>	<b>11,899</b>
Cash balances	16,388	7,590
<b>Total</b>	<b>29,021</b>	<b>19,489</b>

Analysis of Debtors

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

## Note 22: Current Liabilities

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

### Analysis of Creditors

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

## Note 23: Additional Voluntary Contributions

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

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

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



## Note 24: Related Party Transactions

### West Sussex County Council

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

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

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

### Governance

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

## Note 24a: Key Management Personnel

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

## **Note 25: Contingent Liabilities and Contractual Commitments**

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

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

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

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

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

## **Note 26: Contingent Assets**

There were no contingent assets at the period end.