Government of JERSEY

Jersey Teachers’ Superannuation Fund

Annual Report 2023

Contents

The Chairman's Report

Executive Summary

Welcome to the Annual Report and Financial Statements for the Jersey Teachers Superannuation Fund (the **JTSF** or the **Fund**). The Fund is a pension fund comprising the assets of the JTSF. The JTSF provides pension benefits to teachers employed by the States Employment Board and teachers employed by the Fund's Accepted Schools.

The Fund has generated another year of positive performance, sufficient to maintain the strong funding position. The investment aims of the Fund have been achieved in a significantly changed economic environment to recent years, characterised by high near-term inflation and higher short and long-term interest rates, relative to recent years.

Over the same period, the Fund has also achieved its operational objectives, ensuring that financial and information interactions with members are completed to the high standards that are set by the Management Board (the **Board**). This has occurred in a period of pressure where changes in the external environment, such as the development of new legislation and the integration of new software by the Public Employees Pensions Team (as administrator of the JTSF, referred to as the **PEPT**) has created higher resource demands.

The Fund remains on course to complete its strategic projects, designed to lay the foundations for its continued future investment and operational success. However, there have been some delays against milestones in a few instances, and it has been necessary to prioritise between projects.

The year also marks a series of changes in personnel amongst the Board, with recent and upcoming retirements from service. I wish to mark on record my appreciation to the outgoing Board members and welcome those who have joined or are about to join the Board in their place.

We have included a Glossary at the end of this report containing explanations of certain key terms used throughout. Please note that some of the terminology used in this report is, (inevitably) complex but is necessary to ensure that we meet the standard expected of this report.

Performance

Strategy

Purpose and activities of the Fund

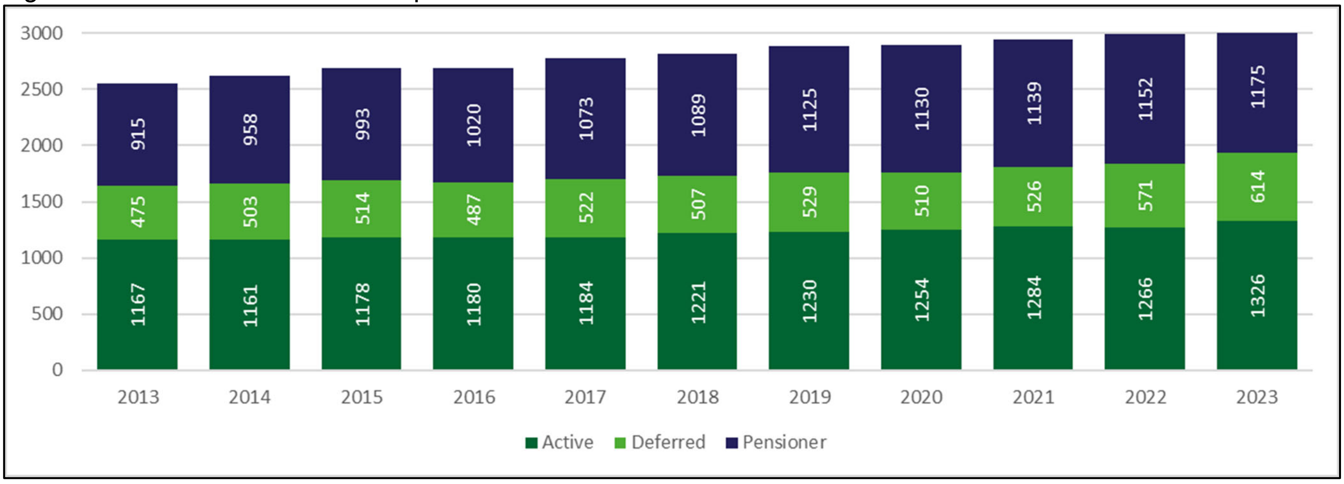
The JTSF is a funded pension scheme which provides pension benefits to teachers employed by the States Employment Board and teachers employed by the Fund's Accepted Schools.

Business model and environment

As explained in more detail in the Accountability section of this report, the JTSF is established by legislation, which also determines specific requirements about the JTSF's management structure and operational rules. The legislation defines key governance roles for the Minister for Treasury and Resources (the **Minister for T&R**), the Treasurer of the States (the **Treasurer**), the Board and certain key service providers.

The JTSF is a mature final salary pension scheme. There have been few changes to membership, which grew slightly to 3,115 by 31 December 2023, with net assets of £787.7 million (2022: 2,989 members and net assets of £737.3 million).

Figure: Breakdown of membership



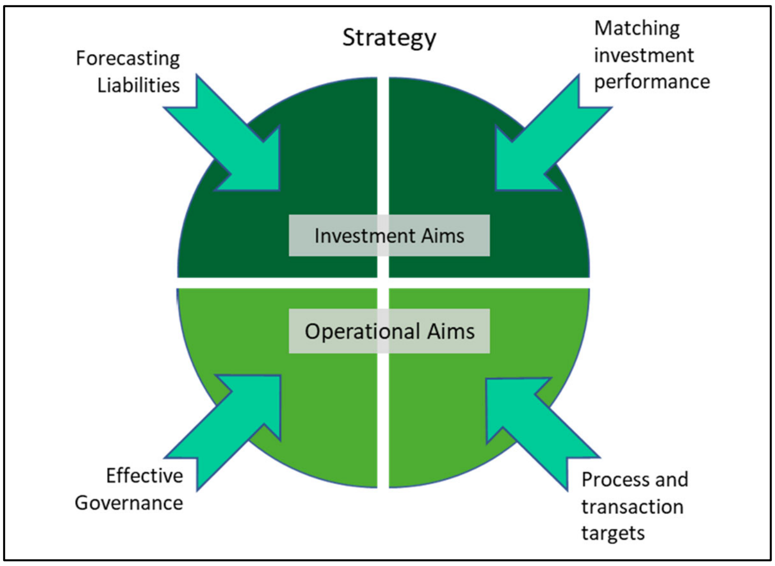
Organisational structure and priorities

In summary, the legislation established the Board to oversee day-to-day activities performed by a range of expert key service providers (Actuary, PEPT, Investment Advisor, Investment Administrator, Custodian and Legal Advisor. Details of the advisors are set out in Appendix B to this report. The Board has decision making powers, although certain key decisions (such as appointment of investment managers) are delegated and/ or also require the approval of the Minister for T&R and/ or the Treasurer.

The Board's core priorities are to ensure that the JTSF's legal and contractual obligations are met, with business conducted in a responsible and cost-effective manner that is consistent with the reputation of the participant employers and members.

Strategic objectives

The Fund has ongoing investment and operational strategic objectives.



In order to meet the **strategic investment aim** of providing returns sufficient to meet pension commitments to members over a range of timeframes, the Board focuses on:

- Maintaining accurate forecasts of liabilities to members, and thereby accurate return and liquidity targets for the Fund's investments
- Constructing an investment portfolio whose performance characteristics (as a whole) continue to meet these forecast liabilities.

The operational challenges of the Fund are varied but in summary relate to discharging responsibilities in a timely and efficient manner. For instance, the processing and storage of information, complying with legislative requirements or making payments accurately and on time. The Board's **strategic operational aim** therefore is to reduce the risk of failures, arising out of foreseen and unforeseen events, to tolerable levels.

At any point in time, the Board also carries a programme of projects that are tailored to helping the Fund to continue to meet its investment and operational aims. These are developed in consideration of the 'core risks' to delivery of investment and operational aims. The 2023/4 and 2024/5 priorities, progress and timelines are listed below.

Progress against objectives, summarised from the Performance Analysis section of this report:

✓	**Strategic investment aims** The funding position of the Fund has increased, and all contractual payments met. Attention is being paid to the underlying assumptions around interest rates and inflation, as these could have significant impact on actuarial modelling and therefore the required target return.
✓	**Strategic operational aims** The performance targets have been met throughout the year.
✓	**Strategic projects (see table below)** Several projects have been completed and others are in progress. Some projects have been prioritised over others due to resource constraints in the face of high activity levels.

As ever, new challenges arise over time. To ensure that the Fund continues to meet them successfully the Board has an extensive programme of **strategic projects** which it tackles by prioritisation. The following table shows the projects, progress, plans to implement and how they relate to the accomplishment of strategic aims.

Brought-forward Items	Explanation	Linked Strategic Aims	Outcome	
Implement the recommendations of MUSE's report on the PEPT's processes.	The updated contract and service level agreement with Equiniti has been signed after some delay due to resource constraints. The majority of this project will commence when the IT upgrade (to Equiniti's updated pension administration software, known as 'Compendia Touch') is implemented during 2024.	Operational	✓	In progress, expected to continue into 2024/5.

Further development of the 'board effectiveness' review.	Findings from 2022 were tackled by training in 2023. The effectiveness of training will be evaluated in 2024. It is expected progress will be sufficient to move to routine business from mid-2024.	Operational	✓	In progress. The Publications Subcomittee to consider output of 2023 learning sessions in early 2024.
To embed the revised risk management procedures established in 2022.	The Audit & Risk Subcommittee (**the A&R Subcommittee**), its Terms of Reference and the revised risk management approach is now established.	Operational	✓	Complete, now routine business.
Expansion of Channel Islands Financial Ombudsman's (**the CIFO**) remit.	The Government and the Board have provided engagement through 2023 into the consultation to expand the CIFO's remit, and the Board now awaits outcomes from external legislative processes. Presently monitoring.	Operational	✓	JTSF actions are complete for the time being.
Develop the accountability framework for PEPT and the Board, develop a new Pensions Administration Strategy.	Good progress was made in the early part of the year but has slowed since. PEPT recruitment required to provide the required resource for completion of the task in 2024.	Operational	✓	In progress, expected to complete in 2024.
Develop 'Responsible Investment' policies.	Treasury Advisory Panel (**the TAP**) undertook a deep dive session, the output of which will form the basis of a learning session in 2024.	Investment	✓	Learning session 2024.
Consideration of and formalisation of relationships with Accepted Schools.	Discussions held and no further work required.	Operational	✓	Complete, now routine business.
Evaluate the Actuarial and Investment Advisor providers and introduce annual service level declaration.	All service providers have completed service declarations. This item will move to an annual process and routine business.	Investment & Operational	✓	Complete, now routine business.
Evolve reporting to Comptroller & Auditor General's (**C&AG's**) 'Good Reporting' guidelines.	The newly formatted Annual Report was signed in May 2023. C&AG feedback was positive. Format will continue to evolve but key recommendations achieved.	Operational	✓	Complete, now routine business.
Review the Board's delegation arrangements between the Board and TAP/ Common Investment Fund (**the CIF**).	Paper concluded, complete.	Investment & Operational	✓	Complete, now routine business.

In addition to completion of the brought forward items, the Board has identified the following further projects for 2024/5:

Item	Comment	Linked Strategic Aims
Recruitment to the Board.	The Board's Chairman retires at the end of June 2024. The recruitment process to appoint a new Chairman began in late 2023 and will be completed in early 2024. The Chairman, alongside other new members, will also require induction.	Investment & Operational.
CIFO becoming the independent final stage to the Complaints Procedure.	It is anticipated that the CIFO legislation, JTSF legislation and PEPF legislation will be amended in 2024, with impact on the processes of the Fund. Outputs will require consideration and response in 2024.	Operational.

Risks

The Risk Management Process

The Board and the Committee of Management (an equivalent committee that manages the other public service pension fund of the Government of Jersey, the Public Employees Pension Fund (**PEPF**)) share a joint Audit and Risk Subcommittee (the **A&R Subcommittee**) which maintains a joint Risk Register for the management of both Funds.

The A&R Subcommittee maps the Funds' risks and controls and develops a combined risk score. The information used by the A&R Subcommittee is broader than just the reports of service advisors. It includes information obtained directly (such as site visits to investment managers) and from external sources (such as the media or training).

The Risk Register is the main tool used to summarise how risks to the strategic aims of the funds are perceived and how these risks are controlled at a Fund level. Each risk in the Risk Register represents an assimilation of themed underlying risks and is re-scored at least quarterly, with a deeper review of the Register as a whole bi-annually. The risk management assessment sits over and above the Fund's service providers' own underlying risk management structures, ensuring a holistic view.

Present assessments and responses

Whilst 'core risks' tend not to change, the risk scoring (and the controls used to manage the risk) may need amendment when circumstances change temporarily, referred to as a 'specific risk'. For example, War and Geopolitical Instability (a 'specific risk') can impact multiple 'core risks'.

Such events may be internal or external in origin. The Board can use its framework to quickly determine whether mitigating controls sufficiently alleviate an arising 'specific risk' or whether further action is urgent.

At 31 December 2023, the A&R Subcommittee were tracking four such 'specific risks' that it considered could potentially significantly impact the risk scoring of six 'core risks'.

Linkage between risks and strategic objectives

The combined risk assessment is a helpful input when the Board determines its strategic project prioritisation, since it illustrates the linkage between a Core Risk, related controls and the risk's effects on strategic aims. In turn, a post-project evaluation of project outcomes feeds-back into the next cycle of combined risk assessment.

Quantified risk summary as at 31 December 2023:

The table below shows how combined scores are calculated and the distribution of combined risk scores at the year end. Various projects listed in the Strategy section are expected to help keep these risks under control. For example, the two of 'core risks' scored moderate in the table (relating to the risks associated with a complex accountability structure and the fact that future investment return is uncertain) will benefit from planned projects to develop the PEPT accountability framework and 'Responsible Investment' policy.

Scoring (Likelihood x Impact)	Outcomes	Combined Score
LIKELIHOOD: Probability 5 Very Likely – Event/ effect is expected to occur in 3 years with little uncertainty remaining 4 Likely – More than 50% likely to occur, particularly in near term 3 Possible- An even chance 2 Unlikely – Less than 50% likely to occur, particularly in near term 1 Very Unlikely – Event/ effect is not expected to occur in 3 years with little uncertainty remaining	8	Lower (score <7)
IMPACT: Probability 5 Very Likely – Event/ effect is expected to occur in 3 years with little uncertainty remaining 4 Likely – More than 50% likely to occur, particularly in near term 3 Possible- An even chance 2 Unlikely – Less than 50% likely to occur, particularly in near term 1 Very Unlikely – Event/ effect is not expected to occur in 3 years with little uncertainty remaining	3	Moderate
	0	Higher (score >15)

Developments in risk management

The Board's approach to risk management has evolved significantly in recent years and 2023 marked the bedding down of the joint A&R Subcommittee established in 2022. The Board feels that the A&R Subcommittee's combined risk assessment approach, involving the quantification of risk and linkage to the 'core risks' that impact strategic aims, is a particularly helpful way of presenting the potential consequences of arising events.

Whilst some 'Significant Risks' have been added over the year (such as rotation of board positions) and others have been removed (pandemic, including post-pandemic effect on the economy), the Board considers that the combined risk score overall is stable.

No significant changes to the risk management structure are envisaged in 2024.

Operations

The JTSF delivery model

The overall governance structure of the Fund is determined by legislation (the Teachers' Superannuation (Jersey) Law 1979, as amended, (**the 1979 Law**)).

The operational structure involves various key service providers (see Value for money – the service providers table below). These service providers report directly to the Board (or, in the case of investment managers, firstly to the TAP, which the Board's representatives attend).

Value for money – the structure

The Fund invests alongside other Government of Jersey participants in the CIF, which is supervised by the TAP under the operation of the Treasurer. This is a cost-effective arrangement since all participants benefit from economies of scale, bringing cost benefits and access to a wider range of investment managers than might otherwise be the case.

The split of other core functions between external service providers is common to many pension funds as it provides for a series of checks and balances and ensures that professional skills are matched to function. The structure is cost-efficient for JTSF since neither the PEPT nor the Investment Administrator applies a profit margin and Custodian services are provided at scale (alongside those provided to other CIF participants).

Value for money – the service providers

The operational costs and service conditions of the Board's service provider appointments are controlled by a combination of tenders and review. The main cost-comparison occurs at the time of appointment and is periodically reviewed thereafter.

In the case of investments, the TAP interviews managers and the Investment Advisor in order to provide the Treasurer and the participants (including the JTSF) with assurance that the services provided are being delivered as envisaged. The Board monitors this directly through TAP and by reports from its separately retained Investment Advisor.

<table>
<tr><th>Service provider</th><th>Appointed by</th><th>Appointment/ last tender</th><th>Next Formal review and lead</th></tr>
<tr><td>Actuary</td><td rowspan="4">The Board, with Minister for T&R approval</td><td>2016
(competitive tender)</td><td>Annually, the Board</td></tr>
<tr><td>Investment Advisor</td><td>2015 (full review)</td><td>Annually, the Board</td></tr>
<tr><td>Investment Manager (the CIF)</td><td>Not tendered but individual managers are under continuous oversight</td><td>Ongoing, the Board</td></tr>
<tr><td>Custodian (part of CIF arrangements)</td><td>2020 (review)[1]</td><td>2024, Investment Administrator</td></tr>
<tr><td>Legal Advisor</td><td>The Board</td><td>2019
(competitive tender)</td><td>Annually, the Board</td></tr>
<tr><td>Auditor</td><td>C&AG</td><td>2021
(competitive tender)</td><td>2024, the C&AG</td></tr>
<tr><td>PEPT</td><td>Treasury (PEPT team) is the JTSF administrator</td><td rowspan="2">Inception</td><td rowspan="2">Ongoing and annually, the Board</td></tr>
<tr><td>Investment Administrator</td><td>Treasury (Investment Management team) is the JTSF Investment Administrator</td></tr>
<tr><td colspan="4">[1] Treasury completed their review of Northern Trust as Custodian for the CIF in 2020, and in consultation with the Board extended their contract to 2022, which was further deferred until completion of the software upgrade. It is planned to complete the next desktop review of fees in 2024 alongside the PEPF to gain administrative efficiencies and to maximise the ability to negotiate lower fees</td></tr>
</table>

Following appointment, the Board's value-for-money day-to-day focus is to verify the service providers' performance on an ongoing-basis. This reflects the fact that there are practical barriers to changing providers for cost reduction alone (for example, few competitors with sufficient scale, and high integration of systems) and there is a high reliance on the specialist skills and advice the service providers bring.

These reviews use directly and indirectly obtained information and incorporate a mixture of quantitative (numerical, statistics, results) and qualitative (trend analysis, opinion) information types. In 2023, the Board also introduced an annual service provider questionnaire that drew out significant information about the depth and quality of the providers' resources and the providers' own views about how they provide value. This will be employed each year with further work depending on findings.

Value for money – the investment portfolio

The Board determines an over-arching investment strategy for the TAP to implement through the CIF. The TAP and the Treasurer's Investment Advisor then advise the Treasurer on the implementation of investment allocation in order to achieve the JTSF's strategic investment aims. Considerations include management of price volatility, diversification of return drivers and liquidity-profile matching. In other words, value-for-money is about more than just cost minimisation.

The portfolio includes some actively managed funds that typically charge higher fees than passively managed funds (such as index tracker funds). It also includes some funds which attract variable performance fees rather than just fixed fees. The portfolio also includes some funds which buy-and-hold and others that trade frequently or potentially hold investments in other funds (hence there is a wide range of underlying transaction and brokerage costs).

The Treasurer has a number of ways to consider whether CIF investments are offering value for money:

- At appointment, the Treasurer's Investment Advisor will typically recommend more than one best pick option for each asset allocation and for assurance that cost has been considered. The Treasurer's Investment Advisor brings extensive knowledge and experience to the appointment process.
- TAP scrutinises the Investment Advisor's recommendations and provide their views to the Treasurer.
- Wherever possible, tax efficient investment classes/ vehicles are chosen.
- The CIF achieves scale discounts on manager fees by optimising the size of its holdings. This often results in lower fee tiers or fee rebates being negotiated.
- Treasury assists with fee challenge, bringing its experience of similar holdings with the PEPF and asking for scale discounts in cases of common holdings.
- Following an appointment, the net-of-cost return fund return is considered against outperformance benchmarks established at inception and funds that are underperforming are considered for termination.

The Board exercises its right to attend TAP meetings, where it observes and provides challenge sufficient to ensure that the Board is satisfied value-for-money is being achieved. It also retains a separate Investment Advisor engagement to secure direct advice on the underlying portfolio and performance, rather than relying wholly on reports via the Treasurer.

Wider objectives

Cost control is a core objective of operations, but the Fund is run with due consideration to the reputation not just of the employers and members but also of the Island itself. Hence, the Fund only selects appropriately regulated, professional service providers of good standing.

Furthermore, the Board recognises that the public generally (and hence employers and members) can hold strong views about the kinds of investment that are suitable from an Environmental, Social and Governance (**ESG**) perspective. It is possible that the pursuit of ESG aims could conflict with members' financial interest at a JTSF level, and/ or with other participants' objectives within the CIF. To clarify its position and define expectations for the underlying investment selections within the CIF, the Board has defined its 'Responsible Investment' policy in the published JTSF Statement of Investment Principles (the **SIP**). As an investor in CIF, these policies are applied through the CIF. The Treasurer similarly publishes the CIF's overarching 'Responsible Investment' policies in the CIF SIP. Both documents are available on the Government of Jersey website.

The Fund does not have a policy of restricting investments to local managers, which might be perceived as an added benefit to Jersey by some stakeholders, however it would consider local managers if they were recommended as best pick option by the Fund's investment advisor.

How contracts are awarded

Contracts for operational services are periodically tendered on an open basis. Although the appointments are largely Board-driven, the PEPT and/or the Investment Administrator will provide advice to the Board about best practice based on the detailed requirements of the Government of Jersey Public Finances Manual. (Appointments to the Board itself also require the Minister for T&R's approval).

Unfortunately, it may not be possible to establish a deep field of competitors for some service provider roles. In such cases, periodic desktop reviews, interviews and benchmarking analysis are used to validate costs.

The TAP plays a key role in the appointment of new investment managers. Where TAP (with its Investment Advisor's help) identifies a need to add an investment manager (for example to fulfil a participant's investment needs, or to replace an investment manager whose appointment has been terminated), it develops a shortlist of best pick options. These are provided by its Investment Advisor who has reviewed options from a wide range of funds which its research team monitors on an ongoing basis. The TAP will interview and assess the characteristics of these managers, leading to a recommendation to the Treasurer/Minister to appoint a specific investment manager to the role (subject to conclusion of appropriate operational/legal due diligence). Representatives from the JTSF are offered the opportunity to, and do, attend the TAP assessments of these investment manager appointment/ removals. During these evaluations, non-financial information such as the suitability of operational jurisdictions and sustainability scoring is considered.

Capital investment and value for money

By nature of the operational structure, where independent legal entities perform services under contract, there is not usually any direct spend on developing assets by the Fund.

An exception is that the Fund is presently contributing to the development of specialist pension administration software procured by and, for use by, the PEPT in service to the Fund. The Board controls such spend by pre-agreement of budget, progress against which is reviewed periodically and ultimately the success of the project will be identified from service outcomes against key performance indicators.

Performance analysis

Summary statement

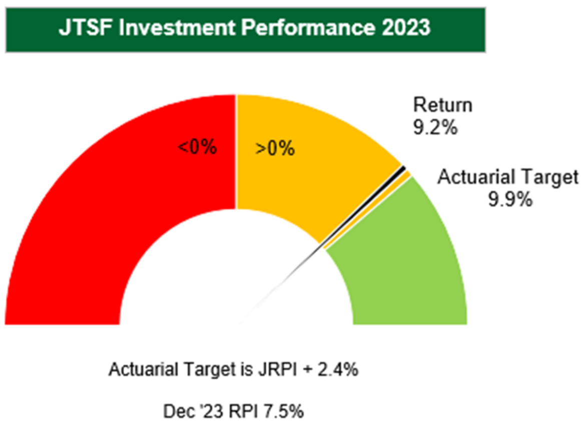
The Fund successfully achieved its strategic aims over the course of 2023. All legal and contractual obligations were met, with business conducted in a responsible and cost-effective manner consistent with the reputation of the participant employers and members. The Fund's investments have performed in line with expectations and current forecasts indicate that the long-term financial surplus position of the Fund has strengthened further over the year. Although not all strategic projects were completed, significant progress was made across the board and operational risks have been kept under control.

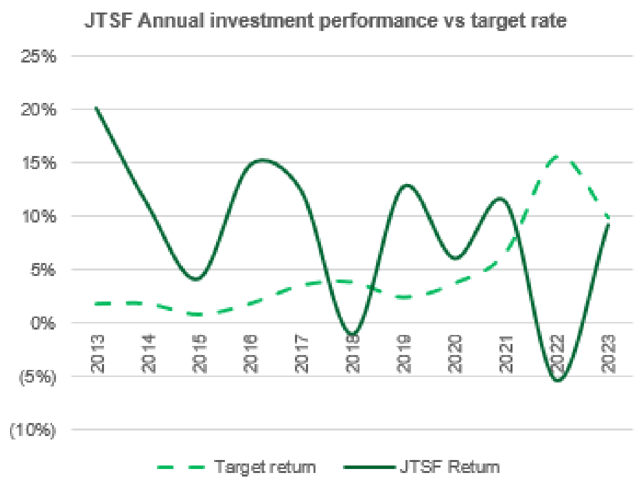
Investment performance

✓	**Strategic investment aims have been met in the year** The portfolio design is successfully responding to changes in the economic environment, and it remains expected to deliver sufficient performance over the medium to long term.

Overall, the financial position of the Fund has strengthened with a strong return of 9.2% for the year.

Over 2023, the JTSF was able to meet all financial obligations as they arose. The performance was particularly encouraging on two fronts: it arrested a one-off negative return of (5.3)% in 2022 and it demonstrated that the portfolio is also able to deliver returns in a higher interest rate environment to that of recent years.





Whilst the 2023 return was marginally below the Actuarial Target rate, it represented a significant improvement in this measure compared to 2022. (The Target rate* represents the long-term growth rate that the Actuary assumes in the Actuarial Valuation). The Board is constantly evaluating whether performance against Target in a given year indicates a natural, temporary, fluctuation or indicates that more fundamental portfolio adjustments are necessary. Presently, the conclusion is the former.

*The Target rate is an annual rate of return comparator that is intended to reflect the required annual investment growth rate to meet long term liabilities to members (expressed by the Actuary as Jersey Retail Price Index (**JRPI**) plus a margin). For the period to 2036, the 2021 Actuarial Valuation assumed JRPI would be 2.4% however, in the current year, the JRPI has run higher (7.5% at December 2023). This means that the target return measure is temporarily higher than the fundamental underlying assumptions that it represents. The Actuary monitors this divergence and its effects – and presently reports that overall, the surplus position has strengthened despite this divergence.

✓	**The Fund is positioned to continue to meet strategic aims in future years** The portfolio design is successfully responding to changes in the economic environment, and it remains expected to deliver sufficient performance over the medium to long term.

In the Board's evaluation, the portfolio diversification within the CIF is indeed working as expected and it is reasonable to assume investment aims will continue to be met over the long term, though noting that portfolio selection is dynamic in nature.

The evaluation reflects that the Fund's long-term performance remains above both the Target rate and other benchmarks used at an asset class and individual investment level.

The Board's assessment is also made with reference to performance of individual funds and asset classes against their manager and strategic asset allocation level benchmarks, in conjunction with more detailed operational due diligence processes, manager interviews and Investment Advisor commentary – see Appendix C for more detail.

Pension Increases

✓	**The Fund has been able to continue increase pensions in line with inflation.** The Fund's financial position is strong enough to support increases in pension payments/ benefits in line with December JRPI.

The Fund's strength means that it has been able to continue paying increases in line with JRPI, with the pension in deferment and retirement increasing by 7.5% on 1 January 2024*. However, the Board notes that presently the affordability of future service accruals is dependent on the investment surplus generated by service contributions.

Pension increases for the last 5 years:

Year of effect (Effective 1st January)	Increase (JRPI % of preceding 31 December)
2020	2.5
2021	0.9
2022	3.8
2023	12.7
2024	7.5

**Pension increases are subject to the financial position of the JTSF remaining satisfactory and are thus not guaranteed.*

Operational (administrative) performance

✓	**The Fund has run smoothly and within budget.** The PEPT team have outperformed their service targets and continued to make progress in their work developing the Pension Portal and associated infrastructure despite a higher-than-expected volume of work in the year, associated with responding to legislative developments and the integration of new accounting software. The operational costs of the Fund remained in budget.

In its daily dealings with members, the PEPT has achieved all its Key Performance Indicator targets in the year, as set out in the Pension Administration Strategy agreement (a formal agreement between the Treasurer and the Board).

Volumes

Over the year, across the JTSF and PEPF, the PEPT received over 25,000 emails, 4,200 telephone calls and received over 20,000 documents which were uploaded to member records. The team also had over 100 face-to-face meetings held at the Tuesday surgery.

Complaints

The JTSF has a four stage complaints procedure, the first two stages are reviewed and responded to in house by the PEPT and PEPT's senior management, the final two stages are reviewed and responded to by a working group (made up of Board members) and then the Board itself.

A complaint can be made by any member who is not satisfied with any decision of the PEPT which would affect them, or is likely to affect them, in relation to their benefits.

During the year, the PEPT received no complaints from JTSF members.

All legislative and contractual obligations have been met and there are no other matters of concern to report.

Other aspects of performance

✓	**The Board has continued to progress Accountability initiatives.** The Board has demonstrated a commitment to engaging and refining good practice principles in a number of areas, though not all aspirations have been met in the period due to the volume of work

The Board is committed to maintaining the high standards of accountability expected of it by the JTSF's various stakeholders. In this regard, the Board reports:

- Positive feedback from the C&AG on the Board's commitment to 'Good Reporting' standards.
- Meaningful engagement in public Pension Regulation consultations, including the development of complaint processes.
- The consolidation of new risk management processes under a joint A&R Subcommittee.
- Actions undertaken to implement the initial findings of the new 'board effectiveness' programme.

The resource commitment required to achieve the above has meant that some initiatives have not progressed as far as the Board's ambitions would ideally like:

- It was envisaged that the development of a new Pension Administration Strategy (a framework for interactions between the Board and PEPT) would be completed in 2023.
- Delays implementing the software upgrade to Equiniti's updated pension administration software, known as 'Compendia Touch' has had knock-on impacts on the speed with which management can respond to the MUSE report recommendations on PEPT processes.

The Board, including the two remunerated roles of Chairman and Secretary, represents the Fund's only directly engaged individuals, however the Fund is supported by a sizeable number of staff employed by its service providers. The Board is satisfied that the standards of environmental protection, social responsibility, respect for human rights, anti-corruption, anti-bribery matters and diversity at its service providers have remained suitable throughout the year based on its interactions through the year and professional status of its service providers.

Sustainability

✓	**The Fund's sustainability reporting is at an early stage of development.** As a participant in the CIF, the Fund adopts the 'Responsible Investment' policy of TAP, as published online by the Government of Jersey, within their Investment Strategy Document. The Board has embarked on a strategic project to consider the independent 'Responsible Investment' needs of the Fund, to refine the Board's approach further.

The Fund's approach to sustainability is determined by the policies of the Government of Jersey, as published in its Investment Strategy Document and as applied to the CIF (through which the JTSF invests). These policies are considered carefully by TAP, in meetings attended by the Board's representatives.

The TAP is required to report to the Minister for T&R annually on its implementation of the sustainability policy. This report is prepared in consultation with the Board's representatives at TAP and is available to the Board.

The Board is continuing to develop the Fund's 'Responsible Investment' approach, recognising that this is an area of substantial stakeholder interest and evolving reporting requirements, including those of the Task Force on Climate Related Financial Disclosures.

Conclusion

The Fund has performed strongly against its core strategic investment and operational aims. The surplus position of the Fund has strengthened over the period and PEPT KPI targets were improved. This was achieved in a period of significant pressure on resource.

Investments

The Fund returned close to its Jersey RPI-linked return Target over the year (9.2% compared to 9.9%). Significantly, this means that the Fund is continuing to achieve, in terms of the longer period, the long-term growth assumptions underpinning the Actuarial Valuation. This is despite significant changes in market conditions compared to recent years. The Fund's performance indicates that the diverse range of return drivers in the portfolio are working as designed and the Fund can be expected to continue to deliver the necessary performance in the future.

Operations

The administrative side of operations has performed well due to the commitment of the Board and its service providers and the Fund's existing infrastructure during a very busy period. However, it is recognised that to continue to do so the Fund must continue to make progress on its strategic projects such as the development of software systems. This is particularly important as emerging legislation and reporting requirements add significant demands on resource.

Other aspects, including sustainability

Sustainability reporting (and sustainability management) are areas where a number of significant practical operational and fiduciary challenges converge with a rapidly growing public appetite for information. The Board intends to consider the benefit of establishing sustainability policies that are independent from those applied within the CIF, and continue to feed into TAP work in developing improved reporting in these areas, but equally it recognises that best practices are rapidly evolving and the realistic aim is to make steady but ongoing progress during 2024.

Financial performance

The Board develops an operational budget prior to the commencement of each financial year that reflects the envisaged activities of the service providers (excluding investment managers) over the year ahead. Fixed rate retainers are agreed in advance (or rates and activity-based fees in other cases). Thereafter, invoices are monitored carefully prior to payment. Operations were completed under budget at a total cost of £1.0 million representing 0.1% of assets under management.

The investment manager costs are evaluated on the basis of net return but also in terms of wider service performance, as described more fully in a section above, Operations Value for money – the investment portfolio (page 10).

The Fund's overall surplus positions are described in more detail in the Report of the Independent Actuary in the Financial Statements.

External Factors

There are a number of ways that external factors influence the Fund's ability to meet its strategic aims. In addition to immediate demographic or economic factors and reliance on external parties for operations, there is also a natural balance of interests between stakeholders (employers, members, the general public) which can change over time through legislation or contractual adjustments, for instance in the field of sustainability.

Indeed, over 2023, some of the larger influences on both performance and management time have been to monitor the effects of changes in interest rates and inflation (on investment performance and actuarial projections) plus the time spent inputting to Government-led consultations affecting the Fund and the pension sector generally.

Sustainability is an area of increasing focus, from both internal and external perspectives. Some impacts are immediate and others longer term, and they span areas of focus such as performance, fiduciary responsibilities and reputational management. The Board is considering how best to capture and communicate related information, in part to reduce the risk of expectation gaps.

The Board considers external factors on an on-going basis in its risk assessment process, identifying necessary mitigations and tracking areas of emerging risk.

Accountability Report

Statement of Responsibilities

Overall JTSF governance structure and responsibilities

The overall JTSF governance structure is determined by legislation – the law establishing the Fund is the 1979 Law, as amended. This law is supplemented by Orders which set out the Fund's administrative and benefit provisions.

The Fund is governed by the Board, which has oversight of the operation of the administration and investment management of the Fund.

The Fund operates for the benefit of employees of the following employers:

(Principal) Employer
Government of Jersey (includes all non-fee paying and fee-paying schools)
Accepted Schools – admitted by consent of the Minister for T&R
Beaulieu Convent School Limited
De la Salle College
FCJ Primary School
St George’s Preparatory School
St Michael’s Preparatory School

The role of the Chief Minister and the Minister for T&R

The Chief Minister appoints the Board’s members, as proposed by the Minister for T&R, together with the Minister for Education, for an initial term of up to three years which may be extended. The balance of the Board’s membership between Employer and Member representation is specified in the JTSF legislation.

The Chief Minister also appoints a Chairman on the recommendation of the Minister for T&R, the recommendation has to be approved by at least three of the member representatives and at least three of the employer representatives. The Chairman’s post is remunerated from the Fund and is held for as long as there is majority support amongst the Member and Employer representatives.

Membership of the Board

The Board is established under Article 2(2) (ha) of the 1979 Law and governed by Orders made under it in 2007.

The composition of the Board through the year is as detailed in the table below.

Chairman				
Gordon Pollock (reappointed in June 2019 for a second term to 30 June 2024)				
Representing (with Number of Posts)	**Representing (with Number of Posts)**	**Members**	**First appointed**	**Term ends/ended**
JTSF Employers (6)	Recommended by the Minister for T&R (2)	Gerald White Vacancy	Feb 2016 -	Dec 2024 -
	Recommended by the Minister for Education (2)	John Everett Michael de la Haye OBE	May 2018 Jan 2022	Dec 2024 Dec 2024
	Per the choice of the Chief Minister (2)	David Postlethwaite Prof. Ed Sallis OBE	Jan 2023 Jan 2023	Dec 2025 Dec 2025
JTSF Members* (6)	Selected by associations (determined by the Minister of Education to be representing the interests of teachers) in a manner agreed with the Chief Minister (6)	Tim Balston *Mark Bardsley* John Baudains *Chris Beirne* *Gary Burton* *Adrian Desmond* *Terry Shaw*	Jan 2019 Jan 2014 Jul 2023 Mar 2007 Mar 2007 Jan 2014 Mar 2007	Dec 2024 *Dec 2023* Jul 2026 *Mar 2023* *Dec 2023* *Dec 2023* *Dec 2023*
Secretary				
Janine Ward (for JWC Limited)				

**At 31 December 2023, the Board had four Employee vacancies. On 1 Jan 2024, Russell Price, Lynne Magowan, Mike Nield and Mick Jones were appointed as Employee representatives with terms to Dec 2026.*

Member representative vacancies can only be filled by a person nominated by a representative association of members of the JTSF.

Preparation of the Chairman's Report

This Chairman's Report is prepared by the Chairman, who confirms that the information herein is consistent with the Financial Statements produced by the Treasurer (see Statement of Treasurer's Responsibilities below) and that all information available to the Board has been made available to the entity's auditors.

Governance

How the Board operated in the year

The Board has a central role in the appointment, management, and oversight of key service providers to the Fund within a tripartite relationship with the Treasurer and the Minister for T&R.

The Board met six times in the year and in addition operated two learning sessions, an asset allocation debate and several subcommittee meetings. This approach ensured that appropriate resource was applied to key areas.

The membership of these subcommittees in the year is shown below:

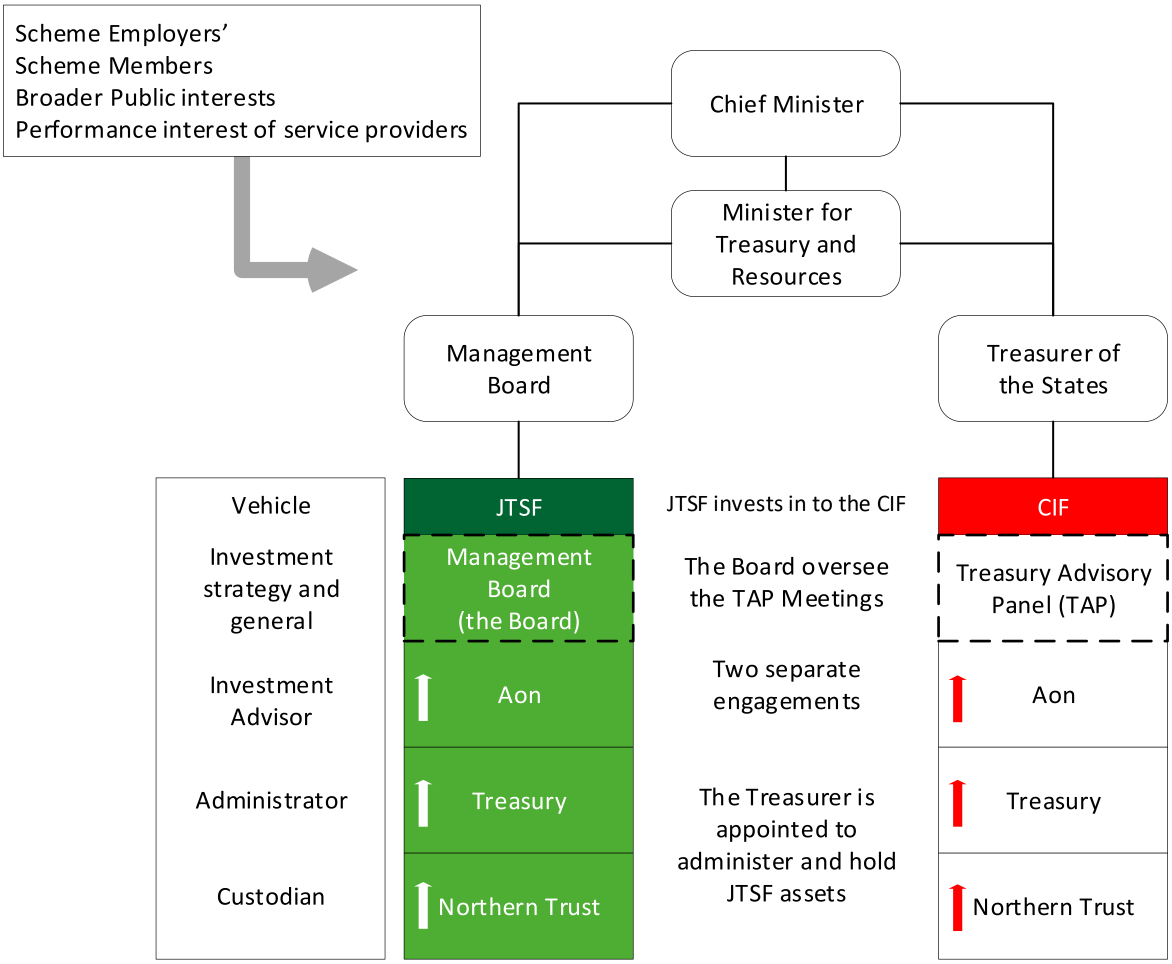
	Sub Committee			
Committee member	Attendance at TAP[1]	Ill Health and Death Benefits	Communications	Audit & Risk[2]
Gordon Pollock	●			
Timothy Balston				
Mark Bardsley[3]				
John Baudains[3]			●	
Christopher Beirne[3])		Chairman		
Gary Burton[3]	●		Chairman	●
Adrian Desmond[3]			●	
John Everett				●
Michael De La Haye, OBE				Chairman
David Postlethwaite				
Ed Sallis, OBE				●
Terry Shaw[3]		●	●	
Gerald White	●	●		
Number of meetings in 2023	8	Meets as required	Meets as required	5

[1] *The TAP is the advisory panel that oversees the CIF, the pooling arrangement through which JTSF invests its funds into underlying asset classes alongside other participating Government of Jersey Funds.*

[2] *The A&R Subcommittee operates jointly with that of the PEPF under the Chairmanship of Michael De La Haye OBE. The PEPF is a separate pension scheme that operates for the benefit of other employees of the Government of Jersey and other associated Admitted Employers.*

[3] *The individual's subcommittee membership over the year commenced/ ended on dates of their appointment/ retirement as a Management Board member, per the previous table.*

A summary of the key service provider roles and appointments is provided in Appendix B



The activities of the Board

The accountability structure of the Fund is complex with key parties performing more than one role. This complexity brings with it a risk that various stakeholder groups may have (or be perceived to have) naturally conflicting perspectives or interests on certain matters (for example, when determining contribution rates, dealing with Fund surpluses and deficits or 'Responsible Investment' aims).

For this reason, the Board ensures that it engages its Investment Advisor, Legal Advisor and Actuary separately to the Fund's employers. These parties provide independent advice which feeds into the Board's work.

Investment manager appointments

The Board representatives attending TAP meetings contribute as non-voting members and they scrutinise the TAP's actions. The Board receives reports from both members attending TAP and commentary from their own Investment Advisor with regard to portfolio activity.

In assessing existing managers and new appointments, factors considered include fit with the portfolio, investment styles, benchmarking, level of risk, and fees. All new appointments are interviewed by TAP, operational due diligence is also reviewed by Treasury before formal appointment by the Treasurer, as delegate for the Minister for T&R.

Other service provider appointments

Other service providers are subject to due diligence prior to the Board endorsing recommendations for appointment/ making appointments. Where appropriate, specialist advice regarding any technical or legal matters is sought. All relationships are supported by legal agreements defining service relationships.

The key service provider appointments and the roles they perform are summarised in Appendix B.

Performance monitoring

Thereafter, the Board monitors performance of investment managers and service providers by review of information from a variety of sources on an ongoing basis. A formal review of operational and investment performance is performed at least quarterly and involves updates from various subcommittees as well as direct presentations from the PEPT, Investment Advisor, and the Actuary.

The quarterly formal presentations use a structured format that ensures information is presented consistently (facilitating comparisons). Meetings are scheduled so that the information remains relevant and timely with sufficient time for full consideration. The Secretary captures the discussion in formal minutes and ensures that queries are followed up appropriately. The presentations themselves include a range of qualitative and quantitative information types and include comparisons to agreed performance indicators and benchmarks. These formats are agreed with the service providers in advance; in the case of the PEPT the key objectives and measures are agreed in the Pensions Administration Strategy.

In addition to the above, the Board takes specific actions to gain comfort over the internal control environments of its service providers. It instructs the PEPT and the Investment Administrator to obtain and review the internal control reports of key service providers and to report by exception any significant lapses of protective security or loss of sensitive data. It receives assurance over the PEPT and the Investment Administrator itself through an external audit process and independent reviews such as those conducted by MUSE in 2022. No significant lapses of protective security were identified.

Quality of data

The Board employs several measures to safeguard the quality of data it receives from providers, starting at the appointment:

- The Board's service providers are either regulated directly or are prominent members of, and subject to the rules of, relevant professional associations.
- The PEPT and/or the Investment Administrator subsequently obtain and review the service providers' internal control reports, reporting to the Board any material findings by exception.
- This is overlaid by ongoing investment due diligence work that is performed by TAP, together with Investment Advisor reporting to the Board.

The PEPT and/ or the Investment Administrator perform various underlying reconciliations of data and reviews of service. The PEPT and/or the and the Investment Administrator examine internal control reports and audited statements and regularly interview investment managers (any exceptions are relayed to the Board as part of the review process), thereby providing the Board with a further assurance on the quality of data.

The PEPT's role involves processing member-side data and transactions, produce an annual data quality report for the A&R Subcommittee, providing assurance over the quality of the data held and used by the PEPT.

The PEPT closely aligns their data quality against the UK Pensions Regulator's guidance on record-keeping and whilst Jersey public service pension schemes are not required to adhere to this guidance, our schemes are committed to adopting best practice. The UK Pension Regulator's published guidance on record keeping provides a useful mechanism for the PEPT to benchmark data quality against best practice standards.

Complaints

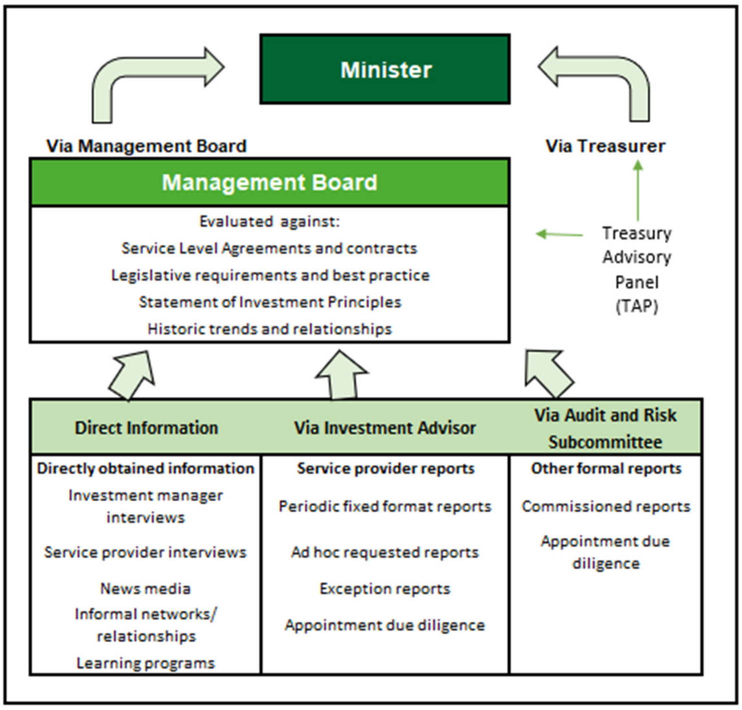
The PEPT has an internal complaints procedure whereby members can raise and escalate complaints about any aspect of a decision taken by the PEPT that could affect their benefits. To provide objectivity, the Board has a role in the final two stages of this complaints process and makes the final decision.

However, it is acknowledged that the Board may not appear distant from the work of the PEPT in the perception of a complainant and therefore the Board is actively supportive of work to adjust the process, so that the CIFO has authority to act as the final decision maker.

Assessing the Board's performance

The Fund governance structure ensures that the Minister for T&R and the Treasurer have a ready oversight of the overall performance of the Fund's investments and its operations.

Fig: Information flows



Aside from the insights provided directly by the PEPT to the Treasurer on an ongoing basis as part of Government of Jersey's own internal controls, the Minister for T&R also has direct sight/ approval requirements in relation to:

- The Actuarial Valuations
- The investment strategy and performance
- Appointments of key service providers and funds
- Audited Financial Statements
- Internal and external audit engagements
- Complaint processes

The 'board effectiveness' review

The Board initiated a program of self-assessment in 2022 whereby 11 current and recently departing Board members completed a 'board effectiveness' questionnaire for review by an independent department of Aon Consulting. The assessment covered a broad range of areas including sufficiency of resource; diversity of skills, experience and representation; sufficiency of training and effectiveness of discussion processes.

The review, completed early 2023, provided positive results overall with many areas scoring well. Several actions were taken in 2023 to respond to the assessment's findings:

- Establishment of a Communications committee to develop JTSF communications.
- Further Learning Sessions on priority topics.
- Development of delegation powers and use/ resourcing of sub-committees.
- Re-consideration of information requested from the Investment Advisor each quarter.
- Introduction of service provider assessment questionnaires.
- Refinement of meeting practices for efficiency.

In 2024 the Board will review the effectiveness of these initiatives.

Interests and Remuneration

Staff remuneration

The Board is comprised of volunteer members, with only the Secretary and the Chairman receiving remuneration from the Fund, as disclosed in the Related Parties note to the Financial Statements. All other parties providing services to the Fund are the employees of service providers and therefore no salary analysis is provided.

Interests

The Board members' interests are declared at appointment and a Register of Interests is maintained by the Secretary. The Register is formally reviewed at each Board meeting and where a potential material actual or potentially perceived conflict of interest exists the individual in question is asked to leave the meeting, discussions or voting, as appropriate.

There were no occasions where a member recused themselves in the year.

The size of the Fund's membership within the island of Jersey is such that many items of business will directly or indirectly impact a relative or neighbour in some small way. This makes it difficult to maintain a list suitable for all potential situations. The key safeguards include the construction of the Board (with member and employee representatives, quorum, etc.) and the role of the involvement of the Jersey Appointments Commission in the appointments process.

The most material standing members' interests at 31 December 2023 comprised:

Name	Interest
G Pollock	PEPF Chairman Independent member of the TAP
M de la Haye OBE	Lay member of the employment and discrimination tribunal Trustee of the Les Vaux Housing Trust Member, Government of Jersey's Strategic Housing Partnership

	Jersey Evening Post - Obituary and feature writer (remunerated) Member of the PEPF Committee of Management
J Everett	Chief Risk Officer, Altum Group Member of the PEPF Committee of Management Chair of the Jersey Electoral Authority Commissioner for Tax Appeals
D Postlethwaite	Associate Director, ESG Advisory, KPMG in the Crown Dependencies (which may from time to time provide professional services to the Government of Jersey or its associated bodies in accordance with relevant independence standards, noting that KPMG is not appointed as independent auditors to either the JTSF or PEPF).
E Sallis OBE	External member of the Treasury and Exchequer Income Forecasting Group Member of the PEPF Committee of Management

Final Statement from the Chairman

As is evident from my report, 2023 has been another year of stretching, varied and complex challenge. Yet despite this, it has also been another year where the Fund's investment and operational aims were achieved. This is in no small part due to the commitment of the Secretary and the volunteer Board members, who have accepted extra meetings and responsibilities to ensure that all items are given due attention.

The Board is in turn grateful to the support of the Fund's service providers, including the Treasury PEPT and Investment Administrator teams, whose professional advice continues to be complemented by a commitment to high levels of service.

Gordon Pollock BSc, FFA
Chairman of the Management Board
22 May 2024

Statement of the Treasurer's Responsibilities

Treasurer's responsibilities in respect of the Financial Statements

The Financial Statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice (**UK GAAP**), including the Financial Reporting Standard applicable in the UK and Republic of Ireland (**FRS 102**), are the responsibility of the Treasurer. The Teachers' Superannuation (Administration) (Jersey) Order 2007 (**the 2007 Order**) requires that the Treasurer:

- prepare annual accounts of the Fund; and
- keep or cause to be kept the records necessary for the proper working of the Fund.

FRS 102 and generally accepted accounting practice require that those Financial Statements should:

- show a true and fair view of the financial transactions of the Fund during the Fund year and of the amount and disposition at the end of the Fund year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year; and
- contain the information specified in the 2007 Order, including making a statement whether the Financial Statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging these responsibilities, the Treasurer is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for ensuring that the Financial Statements are prepared on a going concern basis unless it is inappropriate to presume that the Fund will continue as a going concern.

The Treasurer has a general responsibility for ensuring that accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

In presenting the Financial Statements, the Treasurer confirms that there is no relevant audit information of which the entity's auditors are unaware and that annual report and accounts document as a whole (including the Chairman's Report) is fair, balanced and understandable.

The Government of Jersey's responsibilities in respect of the Financial Statements

The Government of Jersey is responsible for the maintenance and integrity of the Government of Jersey website. Jersey legislation governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Fund Account for the year ended 31 December 2023

Dealing with Members		Notes	2023 (£'000)	2022 (£'000)
Payments in	Employer contributions		8,470	144,412
	Employee contributions		4,266	3,886
	Total contributions	4	**12,736**	**148,298**
	Transfers in		73	218
	Total payments in		**12,809**	**148,516**
Payments out	Benefits paid or payable	5	(28,461)	(24,748)
	Payments to and on account of leavers	6	(12)	(513)
	Administrative expenses	7	(711)	(726)
	Total payments out		**(29,184)**	**(25,987)**
	Net additions/ (withdrawals) from dealings with members		**(16,375)**	**122,529**
Net returns on investments				
Change in market value: investments inside the CIF		9	66,837	(37,965)
Change in market value: investments outside the CIF		9	6	122
Investment management expenses		8	(84)	(169)
	Net return on investments		**66,759**	**(38,012)**
Net increase in the Fund's assets during the year			50,384	84,517
Opening net assets			737,310	652,793
	Closing net assets		**787,694**	**737,310**

The notes on pages 28 to 37 form part of these Financial Statements

Statement of Net Assets Available for Benefits as at 31 December 2023

Investment assets	Notes	2023 (£'000)	2022 (£'000)
Units in the CIF	9, 10	780,599	733,762
Additional Voluntary Contribution (**AVCs**) Investments	9	866	914
Total net investments		**781,465**	**734,676**
Current assets	14	8,882	2,814
Current liabilities	15	(2,653)	(180)
Total net assets available for benefits		**787,694**	**737,310**

The Financial Statements summarise the transactions of the Fund and present the net assets at the disposal of the Board. They do not take into account obligations to pay pensions and benefits which fall due after the end of the Fund year.

The Actuary performs a formal revaluation of the Fund's liabilities every three years. The most recent Valuation Report was completed for the 31 December 2021 position and concluded that the JTSF Fund is in a sound financial position, although contributions being paid are less than the cost of benefits for new entrants which means that over the long-term, without further action, the effect of this would be to erode the Fund surplus. This is being monitored by the Board.

More detail on the present Actuarial position of the Fund is available in the Performance Analysis on page 13 of the Chairman's report and the Actuarial Statement on page 41. These Financial Statements should be read in conjunction with these sections.

In accordance with Article 22 of the 2007 Order the Financial Statements have been prepared by the Treasurer and have been audited.

The notes on pages 28 to 37 form part of these Financial Statements. These Financial Statements on pages 26 to 37 were received and approved on behalf of the Board on 22 May 2024.

Richard Bell
Treasurer of the States
22 May 2024

Gordon Pollock BSc FFA
Chairman of the Management Board
22 May 2024

Notes to the Financial Statements for the year ended 31 December 2023

1. Constitution

The JTSF is a funded pension scheme, governed by Orders made under the 1979 Law. The postal and electronic address of the Fund can be found on page 55 of this annual report.

2. Basis of Preparation

The Financial Statements of the JTSF have been prepared in accordance with Financial Reporting Standards 102 – the Financial Reporting Standard applicable in the UK and Republic of Ireland and guidance set out in the Statement of Recommended Practice Financial Reports of Pension Schemes (revised 2018) (**the SORP**).

3. Accounting policies

The principal accounting policies applied in the preparation of the Financial Statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

a) Contributions

Employer and employee contributions are recorded at the date that the contributions are deducted from payroll; these are based on a percentage of the pensionable salary and any pensionable allowances paid to the member.

The Fund has **AVC** arrangements whereby individuals can purchase the equivalent of additional years and days of pensionable service. These are recorded when they are deducted from payroll.

b) Transfers

Transfers are one-way payments out of one pension plan and into another. Transfers out of the JTSF are accounted for on an accrual basis on the date the PEPT transfers out the money to the other pension plan. In the case of individual transfers in, this is normally when the payment of the transfer value is received.

c) Benefits and payments to and on account of leavers

Benefits are recognised as they become due and payable. Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised.

d) Management, performance fees and other expenses

All fees and expenses are accounted for on an accruals basis. All expenses borne by the CIF are included in the change in net asset value of the units; a breakdown of these expenses is included in note 8 for information.

e) Other expenses

All fees and expenses are accounted for on an accruals basis.

f) Valuation of investments

The value of the CIF's units is calculated based on the bid price of the investments in the pool and incorporates any costs associated with running or managing the pool. As required by the SORP, details of the CIF's portfolio and income is provided. This is included in the unaudited appendix to these Financial Statements. AVC investment vehicles are included at market value as at the year end, as certified by the providers.

g) Critical accounting judgements and estimation uncertainty

In respect of asset valuations, the Board makes estimates and assumptions concerning the future. The Board believes the only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are related to the valuation of investments and those classified in Level 3 of the fair-value hierarchy. Explanation of the key assumptions underpinning the valuation of investments are included within (f) above and within notes 11 and 12.

h) Taxation

The Fund is exempt from Jersey Income Tax by virtue of Article 131 of the Income Tax (Jersey) Law 1961 (as amended). Thus, it is exempt from Income Tax in respect of income derived from the investments and deposits of the Fund, ordinary annual contributions made by the Fund members and employers and gains made from investments held.

All pension payments out of fund the are taxable other than the payment of a death in service lump sum and the lump sum payable on retirement.

i) Currency

The Fund's functional currency and presentational currency is British pounds sterling.

4. Contributions

	2023 (£'000)	2023 (£'000)	2022 (£'000)	2022 (£'000)
Employers				
Normal	8,470		9,205	
One off Pension Increase Debt settlement[1]	-		135,207	
		8,470		**144,412**
Employees				
Normal	4,230		3,807	
AVCs	36		79	
		4,266		**3,886**
Total Contributions		**12,736**		**148,298**

[1]The one-off settlement of £135.2 million in 2022 related to the full and final settlement of the Pension Increase Debt, as explained further in Note 18. Until this settlement, the Employer's regular contributions included 5.6% towards repayment of the Pension Increase Debt.

5. Benefits paid or payable

	2023 (£'000)	2022 (£'000)
Pensions	26,068	23,025
Death benefits	41	183
Commutations and lump sum retirement benefits	2,352	1,540
Total Benefits	**28,461**	**24,748**

6. Payments to and on account of leavers

	2023 (£'000)	2022 (£'000)
Refund of contributions	12	38
Transfers out	-	475
Total Payments to and on account of leavers	**12**	**513**

7. Administrative Expense

	2023 (£'000)	2022 (£'000)
Salaries and office costs	304	255
Actuarial fees	111	209
Audit fees	47	41
Legal fees	111	71
Chairman and secretary fees	68	67
Pension system development costs	65	55
Other expenses	5	28
Total Administrative Expenses	**711**	**726**

Salaries and office costs are recharged based on activity and comprise expenses relating to the underlying administration and headcount. Pension System costs relates to upgrades and milestone payments.

8. Investment Management Expenses

	2023 (£'000)	2022 (£'000)
Custodian expenses	4	52
Investment advisory expenses	80	117
Total Investment Management Expenses	**84**	**169**

Note 8 discloses the Investment Adviser and Custodian service provider expenses charged directly to the Fund. Directly charged investment advisory expenses included in the table above include expenses such as the attendance of meetings of the Board by the Investment Adviser and advice regarding the Strategy of the Fund.

Investment advisory fees are also incurred indirectly through the CIF but relate mostly to manager monitoring costs.

9. Reconciliation of Net Investments

	Note	Value at 1.1.2023 (£'000)	Purchases at cost (£'000)	Sales proceeds (£'000)	Change in Market Value (£'000)	Value at 31.12.23 (£'000)
CIF Units	11	733,762	190,421	(210,421)	66,837	780,599
AVCs[1]		914	3	(57)	6	866
Total Investments Units		**734,676**	**190,424**	**(210,478)**	**66,843**	**781,465**

[1] *During the year, three members (2022: four) contributed £3,499 (2022: £4,400) into an AVC scheme managed by the Prudential Assurance Company Limited. The Prudential AVC is a Group AVC policy setup in 1991 to provide an additional pension for Jersey Teachers. The assets are held in With-Profit Funds and are invested by the Prudential on behalf of those members.*

10. Units in the CIF

	2023 (£'000)	2023 % of CIF pool	2022 (£'000)	2022 % of CIF pool
Global Active Equities	291,186	14.7	260,307	14.7
Absolute Return Bonds[1]	16	12.0	39,458	11.6
Hedge Funds	152,978	22.4	151,599	23.4
Property	67,641	100.0	87,259	100.0
Opportunities Pool I	39,658	25.0	49,474	25.0
Opportunities Pool II	36,645	11.0	35,708	11.0
Opportunities Pool III	72,045	45.0	28,493	45.0
Alternative Risk Premia	76,734	33.5	81,253	34.6
Return Seeking Credit	41,696	12.2	-	-
Long-term Cash Pool	2,000	2.1	211	0.3
Total CIF	**780,599**		**733,762**	

The above figures show the asset split of the pooled funds held within the CIF.

[1] *The Absolute Return Bond pool assets at 31 December 2023 are residual holdings pending completion of the CIF's strategic rebalancing into Return Seeking Credit.*

11. Fair Value of Investments

The fair value of investments has been determined using the following hierarchy:

<u>Level 1</u> – Unadjusted quoted prices in active markets for identical securities that the Fund can access at the measurement date.

<u>Level 2</u> – Inputs (other than quoted prices) that are observable for the instrument, either directly or indirectly.

<u>Level 3</u> – Significant unobservable inputs i.e. for which market data is unavailable.

Pooled Investment Vehicles (**PIVs**) that are traded regularly are generally included in Level 2. Where the absence of regular trading or the unsuitability of recent transaction prices as a proxy for fair values applies, valuation techniques are adopted and the vehicles are included in Level 3, as appropriate.

The value of other PIVs which are unquoted or not actively traded on a quoted market is estimated. Where the value of the PIVs is primarily driven by fair value of its underlying assets, the net asset value advised by the fund manager is normally considered a suitable approximation to fair value (unless there are restrictions or other factors which prevent realisation at that value, in which case adjustments are made).

The CIF's underlying investment assets have been included at fair value within these levels as follows:

	Level			
Investment assets	1 (£'000)	2 (£'000)	3 (£'000)	2023 Total (£'000)
PIVs	216,935	208,380	355,284	780,599
AVCs	-	-	866	866
Total investments	**216,935**	**208,380**	**356,150**	**781,465**

Analysis for the prior year end is as follows:

	Level			
Investment assets	1 (£'000)	2 (£'000)	3 (£'000)	2022 Total (£'000)
PIVs	188,307	205,638	339,817	733,762
AVCs	-	-	914	914
Total investments	**188,307**	**205,638**	**340,731**	**734,676**

12. Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks to which the Fund is exposed to at the end of the reporting period. These risks are set out by FRS 102 as follows:

Credit risk: is the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss.

Market risk: this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk, each of which is further detailed as follows:

- **Currency risk:** this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

- **Interest rate risk:** this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

- **Other price risk:** this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Board is responsible for determining the Fund's investment strategy. This strategy is implemented via its holding of units in asset classes of the Government of Jersey CIF. The CIF is a sovereign pooling arrangement, allowing participating entities to cost effectively access a wider range of asset classes than would be possible on a stand-alone basis. CIF units reflects a share of the value of underlying holdings of segregated and PIVs.

The Fund's direct exposure to the risk is that associated to the holdings of CIF units. This risk is not deemed material. More material to the portfolio is the indirect risk associated with the underlying segregated and PIVs accessed through the holding of CIF units.
The following table summarises the extent to which the various asset classes held by the CIF per the Fund's investment strategy are affected by financial risks:

Asset Category	Credit Risk	Market Risk			2023 (£m)	2022 (£m)
		Currency	Int Rate	Other Price		
PIVs						
Equities		✓		✓	291.2	260.3
Property	✓			✓	67.6	87.2
Return Seeking Credit	✓	✓	✓		41.7	-
Alternatives	✓	✓	✓	✓	378.1	346.5
Cash	✓	✓	✓		2.0	0.2
				Total holding within the CIF	**780.6**	**733.7**

Credit risk

The Fund's CIF unit holding does not represent a significant credit risk itself. However, the CIF's own holdings do provide exposure – primarily through holdings in PIVs which in turn have exposure from their own underlying investments.

A summary of the PIVs to which the Fund is exposed is detailed in the table below:

PIVs	2023 (£m)	2022 (£m)
Closed ended investment companies	7.2	10.9
Open ended investment companies	282.1	295.2
Shares in limited partnerships	207.1	152.5
Open ended unit trust	67.3	86.8
Within CIF PIVs	**563.7**	**545.4**
Within segregated assets within the CIF	**216.9**	**188.3**
Total holding within the CIF	**780.6**	**733.7**

Credit risk arising from the CIF's PIVs is mitigated by requiring the underlying assets of the pooled arrangements to be ring fenced from the pooled manager, by the regulatory environment in which the managers operate, and by diversification of investments amongst a number of pooled arrangements.

The Investment Administrator reviews due diligence checks, carried out on the Board's behalf, on appointment of new pooled (and segregated) investment managers. Ongoing monitoring of any changes to the operating environment of the pooled manager is carried out with assistance from the Investment Adviser.

All the segregated assets of the CIF are held by the CIF's Custodian, Northern Trust. Bankruptcy or insolvency of the Custodian may delay the Fund's ability to exercise any rights with respect to securities held by the Custodian; however, as they are held in named accounts the assets will not be included on the balance sheet of the Custodian.

In all its activities, the CIF's selection of high-quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

The Fund is also exposed to credit risk through its holdings of cash and cash equivalents, amounts due from brokers and other receivable balances.

As at year end the Fund had the following bond and cash assets.

Bond and cash assets	2023 (£m)	2022 (£m)
Long-term cash pool	2.0	0.2
Return Seeking Credit pool	41.7	-
Absolute Return Bond pool	0.2	39.5
Total bond and cash assets		**39.7**

To manage the related credit risks, the Board pursues diversification and manages the selection of securities by delegating to investment managers who in turn must comply with risk management conditions within their individual mandates. These arrangements include:

Cash: The CIF long-term cash pool is managed by the same manager as the deposit accounts of the Government of Jersey; credit risk is monitored over the entire cash holdings of the Government.

Absolute Return Bond and Return Seeking Credit: The Absolute Return Bond pool and the Return Seeking Credit pool both invest in a broad range of fixed income instruments, primarily corporate bonds. No assets are held directly as investments are through PIVs. Credit risk within the PIVs is managed through the diversification and selection of securities. The PIVs may also use derivative instruments such as futures, options and swap agreements for hedging purposes, subject to restrictions. Risk management within the PIVs is carried out in line with each vehicle's individual mandate and investment restrictions

The absolute return bond pool was closed in the fourth quarter of 2023 and replaced with the return seeking credit pool. The remnant holdings of £0.2m in that pool were liquidated and applied to other pools shortly after the year end. The purpose of the restructure was to increase the flexibility of the pool and to take advantage of the higher rate environment.

The investment restrictions and risk disclosures of these vehicles are publicly available at the respective fund managers' websites and within the vehicles' prospectuses and their annual Financial Statements.

Currency risk

There is no direct currency risk from the unit holding in the CIF which are Sterling denominated, however there is exposure from the CIF's underlying investments.

Equity pools may invest in equities denominated in currencies other than British pounds sterling. As a result, changes in the rates of exchange between currencies may cause the value of the pools to vary in line with the value of the investments held within them. This risk is managed through the asset selection of the underlying investments and through permitting investment managers to utilise forward foreign exchange contracts for hedging purposes. Hedging is permitted into sterling, and cross hedging (hedging into a currency other than sterling) is not permitted unless the cross hedge is part of a set of deals which are designed to achieve a hedged position back into sterling in aggregate. The maximum permitted amount of hedging is 100% of the value of the securities in the relevant currency.

The Absolute Return Bond pool invests through sterling denominated PIVs which offer no direct exposure to foreign exchange risk. However, the underlying manager is free to invest in global fixed income instruments denominated in multiple currencies and thereby indirectly exposes the CIF to foreign exchange risk.

The managers of the Absolute Return Bond pool are responsible for managing this risk for their own funds. They do so both through diversification and selection of securities and by employment of other techniques and instruments as described in their individual investment mandates.

Further details of the underlying currency exposures within the CIF may be found within the Financial Accounts of the States of Jersey.

Interest rate risk

There is no direct interest rate risk arising from the Fund's investment outside the CIF, as no assets hold a fixed interest rate. However, the investment in the CIF is subject to indirect interest rate risk through a number of PIVs that hold investments in bonds and cash. These holdings are monitored in the context of the overall investment strategy. Investment managers will also manage interest rate risk in line with policies and procedures put in place in the Investment Manager Agreements.

Further details of the underlying interest rate exposures within the CIF may be found within the Financial Accounts of the States of Jersey.

Other price risk

The Fund's investment in the CIF is not a traded investment and therefore the Fund's exposure arises principally from the CIF's underlying investments, chiefly its return seeking assets which include equities and illiquid alternatives held either as segregated investments or through underlying investments in PIVs.

The exposure to other price movements is managed by constructing a diverse portfolio of investments across various markets, held with various high-quality investment managers who are monitored by the Investment Adviser, TAP and Treasury representatives on an ongoing basis.

13. Concentration of investments

JTSF invests in a range of asset classes via the CIF. The CIF investment pools that account for more than 5% of the net assets of Fund's unitholding in the CIF are detailed in the table below:

	2023 (£'000)	2023	2022 (£'000)	2022
Active Global Equity Pool	291,186	37%	260,307	36%
Hedge Funds Pool	152,978	20%	151,599	21%
Alternative Risk Premia	76,734	10%	81,253	11%
UK Property Pool	72,045	9%	87,259	12%
Opportunities Pool III	67,900	9%	28,785	4%
Return Seeking Credit	41,696	5%	-	-
Opportunities Pool I	39,658	5%	49,474	7%

14. Current Assets

	2023 (£'000)	2022 (£'000)
Contributions – Employers	193	116
Contributions - Members	107	86
Cash balances	8,576	2,249
Other debtors	6	363
	8,882	**2,814**

15. Current Liabilities

	2023 (£'000)	2022 (£'000)
Other creditors	101	180
Advances from Government of Jersey	2,552	-
	2,653	**180**

16. Contingencies and Commitments

In the opinion of the Treasurer, the Fund has no contingent liabilities as at 31 December 2023 (2022: nil).

As at 31 December 2023, the Fund had commitments of approximately £246.3 million (2022: £176.1 million) to the Opportunities Pools of the CIF, of which £100.4 million (2022: £66.3 million) remained undrawn as at the year end.

17. Related party transactions

Related party transactions and balances comprise the following categories:

- key management personnel of the entity or its parent (in the aggregate).

The Chairman and Secretary to the Board receive remuneration as detailed in note 7 and the Chairman is a member of the TAP for which he receives remuneration. During the year, within the Board, there were three active (2022: three) and five pensioner members (2022: three). There were no other related party transactions identified during the year.

- entities that provide key management personnel services to the entity;

The Treasury & Exchequer Department of the Government of Jersey provides creditor payment, payroll, cash management and financial ledger services for the Fund. At the year-end, a sum of £2.5 million was owed to the Government of Jersey (2022: £0.4 million was owed to the Fund) in respect of transactions with the Treasury & Exchequer Department. During the year an amount of £0.3 million (2022: £0.2 million) was paid to the Government of Jersey in respect of the services provided.

18. Pension Increase Debt repayment

In 2007, the Government of Jersey took a decision that certain pension pay increases (both those already awarded and future increases) would be settled from the Fund. This obligation was known thereafter as the Pension Increase Debt. Between May and July 2022, the Fund received a one-off settlement totaling £135.2 million as a full and final amount to fund these obligations. The value corresponded to a valuation of the obligation at that date by the Actuary.

Independent Auditor's Report to the Management Board of the Jersey Teachers' Superannuation Fund

Opinion

We have audited the financial statements of the Fund for the year ended 31 December 2023 which comprise the Fund Account, the Statement of Net Assets and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the fund during the year ended 31 December 2023, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the 2007 Order.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (**ISAs (UK)**) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Treasurer's use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the fund's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

Our responsibilities and the responsibilities of the Treasurer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Treasurer is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Treasurer

As explained more fully in the Statement of Treasurer's Responsibilities set out on page 25, the Treasurer is responsible for the preparation of Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Treasurer determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Treasurer is responsible for assessing the fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Treasurer either intends to wind up the fund or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

Irregularities, including fraud, are instances of non-compliance with legislation. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the fund and industry, we identified that the principal risks of non-compliance with legislation related to the administration of the fund in accordance with the 2007 Order and we considered the extent to which non-compliance might have a material effect on the Financial Statements. We also considered the direct impact of these laws and regulation on the Financial Statements. We evaluated the Treasurer's opportunity for fraudulent manipulation of the Financial Statements (including the risk of override of controls) and determined that the principal risks were related to misappropriation of assets, particularly cash and investments and posting inappropriate journal entries.

Audit procedures performed included:

- Enquiring of the Board and inspection of the risk register as to the Fund's high-level policies and procedures to prevent and detect fraud
- Enquiring of the Board as to their knowledge of any actual, suspected or alleged frauds
- Review of minutes of Board meetings

As required by Auditing Standards, we perform procedures to address the risk of management override of controls. In particular, the risk that the Board and their delegates may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements.

The procedures we carried out to gain evidence in the above areas included:

- obtaining independent confirmation of, and testing of a risk-based sample of investment balances at the year end
- testing of a risk-based sample of journal entries to supporting documentation
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing
- challenging assumptions and judgements made by the Treasurer in the significant accounting estimates, in particular in relation to the valuation of level 3 investments.

All engagement team members are considered to have sufficient knowledge and experience of funds of a similar size and complexity, appropriate to their role within the team. The engagement team are part of our specialist pensions audit department or are trained by them, thus ensuring they have sufficient knowledge and understanding of the sector, the underlying applicable legislation and related guidance.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Board, as a body, in accordance with the Administration Regulations and for no other purpose. Our audit work has been undertaken so that we might state to the Board those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board as a body, for our audit work, for this report, or for the opinions we have formed.

CLA Evelyn Partners Limited

CLA Evelyn Partners Limited
Statutory Auditor
Chartered Accountants
Bristol

Date: 23 May 2024

Statement of the Actuary

Name of Fund: Jersey Teachers' Superannuation Fund

Effective Date of Valuation: 31 December 2021

1. Security of prospective rights

It is our opinion that, on a going concern basis, the resources of the Fund are expected in the normal course of events to meet in full the liabilities for current members of the Fund as they fall due, assuming all future increases to pensions and deferred pensions effective on or after 1 January 2022 will be in line with the annual increase in the All Items Retail Prices Index for Jersey (Jersey RPI).

This opinion is based on the financial position of the Fund at the effective date, 31 December 2021, and does not take account of more recent developments. Our report on the valuation of the Fund as at 31 December 2021 was signed on 28 February 2023.

The valuation report disclosed a surplus of £50.3M at the effective date of the valuation, equivalent to a funding ratio (assets divided by the present value of the liabilities) of 106.8%. This relates to past service and future service benefits for current members and takes account of the 'pension increase debt' as an asset of the Fund in line with its calculated value at 31 December 2021 of £133.3M. In practice, the pension increase debt was repaid in full through two lump sum payments on 31 May 2022 and 29 July 2022.

The next valuation is due to be carried out as at 31 December 2024.

2. Security of accrued rights on discontinuance

It is our opinion that, on a discontinuance basis, the Fund's assets at the effective date were sufficient to cover 101% of its accrued liabilities as at that date, based on pension increases equal to the minimum increases specified in the Orders governing the Fund i.e. nil increases. This assumes that the Fund discontinued on the valuation date, even though the Orders currently governing the Fund do not envisage the Fund's discontinuance (i.e. the future accrual of benefits and payment of contributions into the Fund being discontinued).

By accrued liabilities we mean benefits arising in respect of pensioners, deferred pensioners and active members for service prior to the effective date, on the basis that all active members are treated as if they had terminated pensionable service on the effective date with entitlement to deferred pensions.

3. Further information

Further information underlying this statement is set out in the Appendix to this statement.

Jonathan F. Teasdale

Jonathan Teasdale
Fellow of the Institute and Faculty of Actuaries
Aon Solutions UK Limited

11 March 2024

APPENDIX

1. Notes on our opinion on the security of prospective rights

The resources of the Fund at 31 December 2021 that we have taken into account for the purposes of this statement consisted of:

a) the existing assets, including net current assets and liabilities, which had a value of £651.9M at 31 December 2021.

b) the pension increase debt of £133.3M at 31 December 2021.

c) future contributions payable by members and employers at the various rates that were specified in the Orders effective at the valuation date, less 5.6% of salaries allocated to meet the pension increase debt.

2. Notes on our opinion on the security of accrued rights on discontinuance

In calculating the value of the Fund's accrued liabilities assuming the Fund was discontinued, we have estimated the terms that might be offered by insurance companies for determining the cost of immediate and deferred annuities to secure the liabilities, plus a provision to cover expenses. In practice an alternative to purchasing annuities to secure the liabilities would be to continue running the Fund as a closed fund.

The Orders governing the Fund provide for annual increases in line with the Jersey RPI at present, although lower increases may be paid where an actuarial review has disclosed that the financial condition of the Fund is no longer satisfactory. We have assumed that in a discontinuance situation the pension increases provided would be equal to the minimum increases specified in the Orders i.e. nil increases.

3. Methods and assumptions

The actuarial methods and assumptions underlying the opinions in this Statement are as set out in our full report on the valuation of the Fund as at 31 December 2021.

Appendix A - Explanation of the Common Investment Fund (CIF)

The CIF was established in 2010 by proposition P.35/2010, lodged by the Minister for T&R. The proposition amended existing legislation to enable the pooling of Government Fund assets (including Separately Constituted Funds, Special Funds and Trust and Bequest Funds) for investment. It was approved by the States of Jersey on 12 May 2010.

The purpose of the CIF is to create an administrative arrangement that enables participating funds (Participants) to pool their resources in order to benefit from greater investment opportunities and economies of scale.

Each Participant contributing funds to the CIF receives units of ownership in the CIF's investment pools in exchange. The value of these units is determined by the investment performance of underlying assets that the CIF itself invests in.

Participants are able to create a tailored exposure to the underlying investments of the CIF, suitable to their unique strategic investment requirements. The CIF aggregates the participants' instructions then collectively invests into the underlying assets, attributing returns according to the performance and weighting of each Participant's selections.

The JTSF and CIF investment strategies are expressed in the SIPs published on the Government of Jersey website.

The CIF does not prepare standalone Financial Statements, but detailed disclosures (including performance, risk and exposures) are included in the Government of Jersey 2023 Financial Accounts. These accounts should be read in conjunction with those accounts.

Appendix B – Summary of key service providers (unaudited)

Specialist Service Provider	Who	Who appoints under the JTSF legislation	Summary of services
Actuary	AON Solutions UK Limited	Board, following approval by the Minister for T&R (Contracted by the Board)	Independently estimates the Fund's liabilities and forecasts likely investment return outcomes, proposing suitable target returns for the Funds' investments. The Actuary writes a formal Valuation Report every three years which informs decisions around contribution/ benefit rates and investment strategy decisions.
Bank	HSBC Plc	The Treasurer	HSBC holds operational cash balances held outside of the Custodian and is also the bank of the Government of Jersey, the Principal Employer.
Investment Manager	Government of Jersey's CIF	Board, following approval by the Minister for T&R (Contracted by the Board)	The Treasurer acts as Investment Manager and Investment Administrator to the CIF. The CIF is an investment vehicle that pools the funds of various Participants (such as the JTSF) and invests in a scaled way across various underlying external investment funds.
Custodian	Government of Jersey's CIF– ultimately Northern Trust		Northern Trust are Custodian to the CIF maintains the ownership records of JTSF as a Participant. Northern Trust retains investment ownership records for investments in PEPF's own name; bookkeeps transactions; collates performance information; supports various investment operations.
Independent panel overseeing the CIF	TAP	Appointed by the Minister for T&R.	Terms of reference for the TAP are available online at the Government of Jersey website.

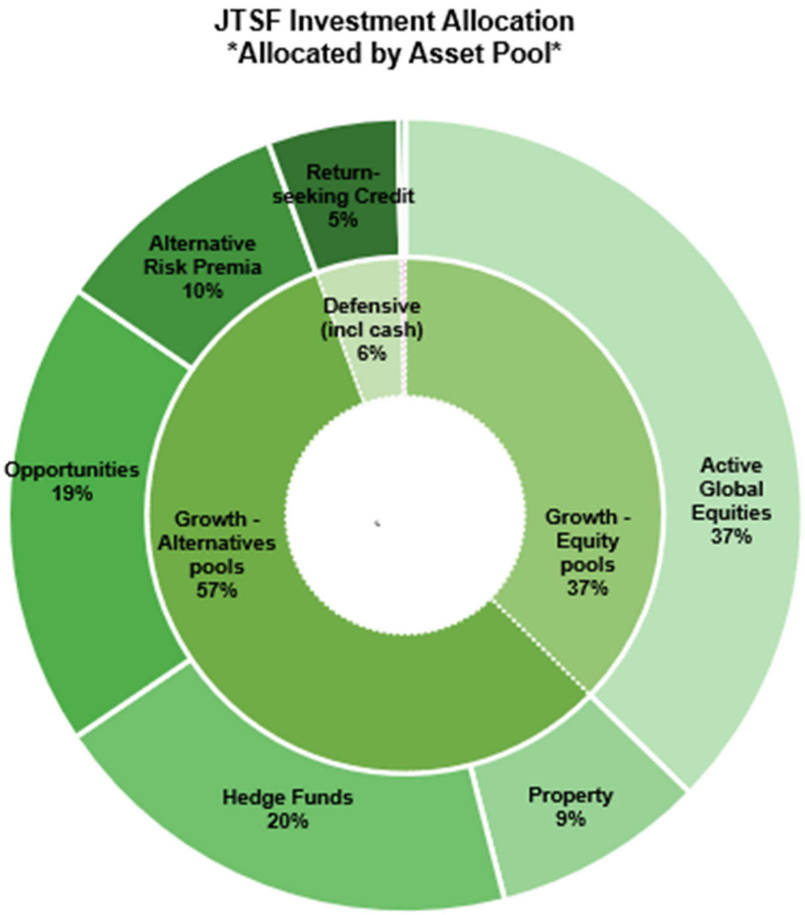
Specialist Service Provider	Who	Who appoints under the JTSF legislation	Summary of services
Investment Advisors	AON	Board, following approval by the Minister for T&R (Contracted by the Board)	Makes strategic investment recommendations (portfolio design; adding/ removing fund managers); provides performance information; performs due diligence on investment managers and assists with best practice reviews; provides oversight and challenge to aspects of Custodian performance; assists Treasury to plan operational activities. The Investment Advisor works closely with the Investment Administrator to forecast and plan for cash flows needs arising from member transactions. The Investment Advisor closely monitors the performance of investment managers to ensure that they execute the agreed investment strategies with appropriate regard to risk, and to then evaluate the success of those strategies against performance benchmarks.
Lead Legal Advisor	Carey Olsen (additional advisors on an ad hoc basis)	Board (Contracted by the Board)	Supports the Board with arising legal matters and compliance with legislation.
Investment Administrator	Government of Jersey – Investment Administration (and Financial Statement preparation) is performed by the Treasury and	The Treasurer appoints the Administrator	The Treasurer acts as Investment Administrator to both the CIF and the Fund. Implements investment decisions; performs day-to-day coordination of tax filing and investment administration; reconciles service provider records and prepares the Fund's financial records; coordinates the audit engagement; coordinates/ performs compliance activities;

Specialist Service Provider	Who	Who appoints under the JTSF legislation	Summary of services
	Investment Management Team (**T&IM**).		provides oversight of service provider performance and implements the Board's Fund level control framework.
		The Treasurer and Board	The Treasurer must keep Fund records and prepare Financial Statements. The Comptroller and Auditor General must appoint auditors. The Board must publish the audited Financial Statements.
Membership Administrator	Government of Jersey – Membership Administration is performed by the Treasury PEPT team.	The Treasurer appoints the Administrator	Coordinates the processing of pension contributions and payments; maintains JTSF membership records; implements the Board's communication strategies; assists with the Board's appointment processes.
External Auditor	CLA Evelyn Partners Limited *(Nexia Smith Williamson rebranded as CLA Evelyn Partners Limited in 2022)*	Comptroller and Auditor General	Provides an annual Audit Opinion engagement on the Fund's Financial Statements.

Appendix C – Underlying investments (unaudited)

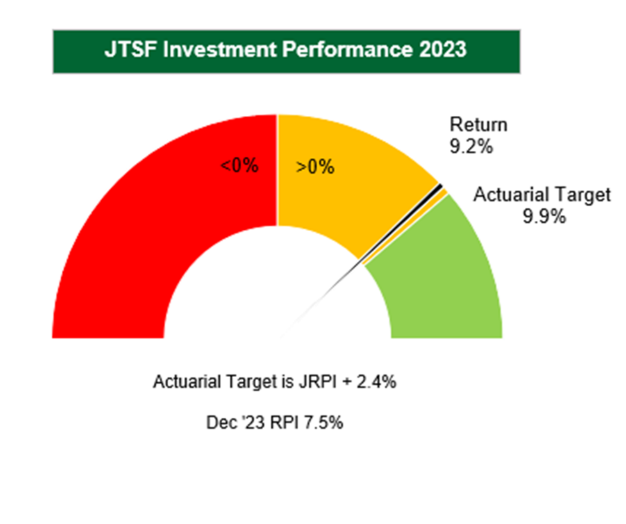
Further information on the JTSF's portfolio selections within its CIF investment. Detailed information on policies, strategic allocation decisions and portfolio composition is available in the separately published JTSF SIP.

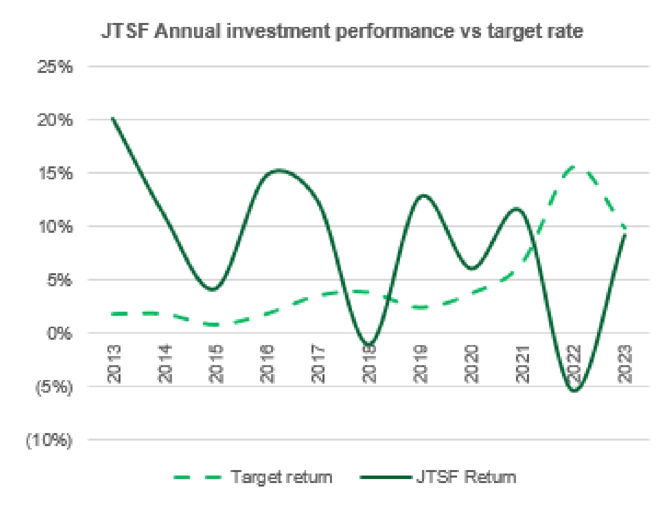
Underlying portfolio composition (within the CIF) as at 31 December 2023



Performance analysis

Overview





Over 2023, the JTSF was able to meet all financial obligations as they arose, and the assets invested in the CIF increased in value by 9.2% to £781 million.

The performance is particularly encouraging on two fronts: it arrests a one-off negative return of (5.3)% in 2022 and it demonstrated that the portfolio is able to also deliver returns in a higher interest rate environment to that of recent years.

However, the interest rate spike has meant that the target rate benchmark (based on JRPI) has jumped. This means that for a second year the Fund's return lags this comparator. The Board believes this is a technical distortion: performance remains sufficient to meet the long-term growth of liabilities that the near-term target rate is intended to represent and therefore it is appropriate to monitor rather than react currently.

Evaluation and context

The summary investment aim of the Fund is to provide returns sufficient to meet pension commitments to members over a range of timeframes.

To achieve this aim, the Fund employs a bespoke diversified investment portfolio through the CIF that is designed to produce a calibrated mixture of return drivers, liquidity profiles, etc. The priority performance focus for management is to ascertain whether each component of the portfolio is operating in the way that it is expected to in a given scenario, whether viewed at an asset sector or individual manager level.

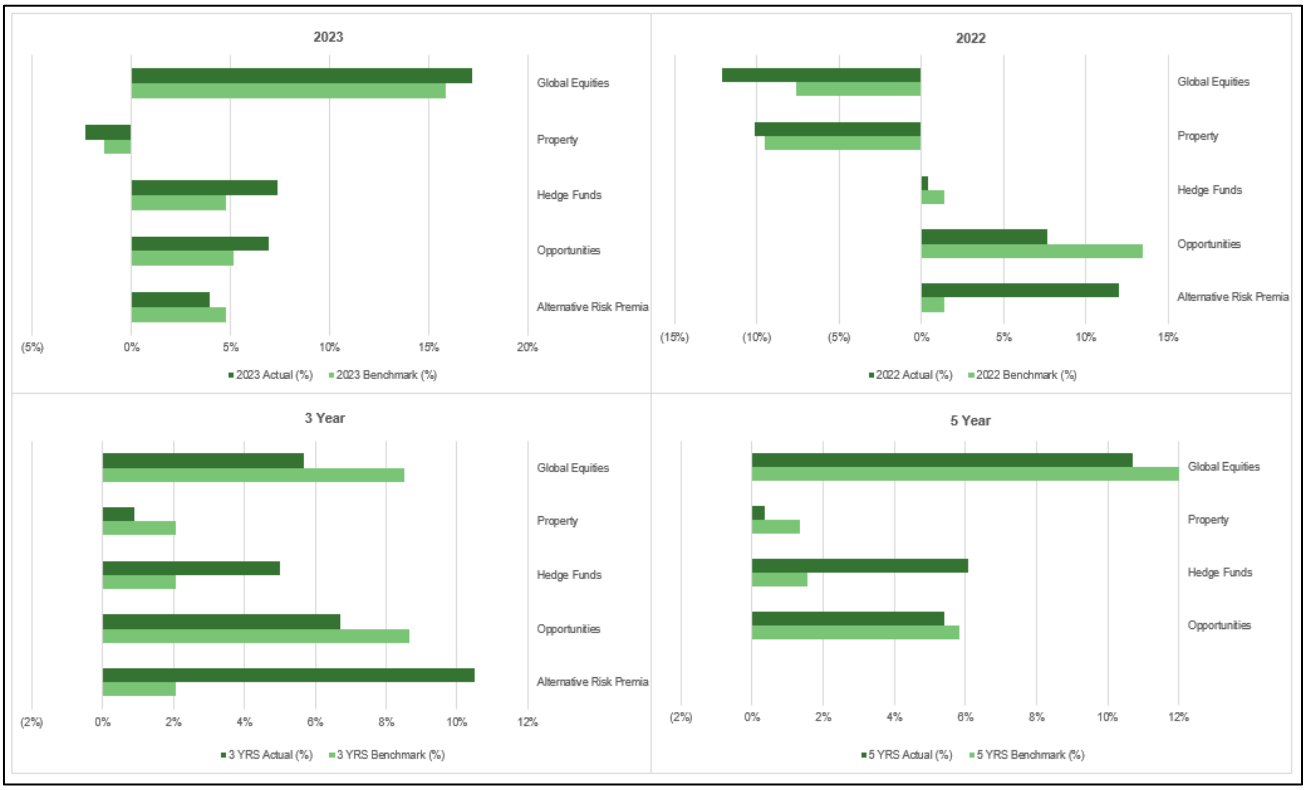
A key tool used by management is use of benchmarks* (external ones such as SONIA or a relevant index, and internal ones like a managers' own declared performance targets). A manager or asset sector's performance is ordinarily expected to match or beat the relevant benchmark. This information helps management identify areas of focus so that, ultimately and where necessary, the balance of the asset allocations in the portfolio, or mixture of managers appointed to the Fund, can be appropriately adjusted.

Over 2023, the portfolio generally outperformed its benchmarks, with exceptions being Alternative Risk Premia and Property whose reasons are understood. This means that the portfolio is operating as designed and is on track to achieve the long-term performance that the Actuary modelled as necessary - notwithstanding that the year's overall return is below the Target rate over 12 months**.

*Details of the Asset Class and Manager benchmarks can be found in the SIP published on the Government of Jersey website

**The target rate is a rate of return that the Actuary assumes will be required to meet the expected long-term growth of the JTSF liabilities. It is expressed as JRPI +2.4%. In recent years, near-term JRPI has increased significantly but the Actuary's assumption of long-term average JRPI has not (in other words the relatively high present time JRPI is considered a temporary, natural fluctuation around a long-term average that is lower). This means that the target return measure is temporarily higher than the fundamental underlying assumptions that it represents.

Performance by asset class investment within the CIF



In 2023, a strategic allocation to Return-Seeking Credit was introduced replacing a 5% weighting to Absolute Return Bonds that were 1.6% under benchmark as at 30 September 2023, however there is less than 12 months historic data therefore has been excluded from the above charts. Strategic allocation to Long-term Cash and Cash Equivalents are also excluded, being considered an insignificant holding (<1%).

The charts above shows how return was generated over various time periods. In 2023, the Growth Assets (Equities and Alternatives) generated 59% of returns with Growth Fixed Income generating a further 20% of returns.

The following table serves to support the analysis summarised in the graphs/tables above. Details of Manager benchmarks can be found in the SIP.

Active Global Equities (37% of JTSF's CIF investment)	The CIF's equity managers returned 17.2% over the year. Longer-term performance remained strong, with the Equity Pool having returned 10.7% per annum since inception, marginally ahead of the MSCI benchmark. The CIF's portfolio is diversified by exposure to managers with investment different styles. This ensures that returns are generated in a broad range of market conditions. The "growth" equity portion of the portfolio drove the majority of the year's excess returns over benchmarks. This was the sector with the greatest return for both the Fund and the markets generally, characterised by the remarkable performance of a very small number of technology companies. Baillie Gifford was the biggest contributor to returns (30.3% return vs. 15.9% benchmark return), reflecting its heavily stylised growth tilt.
Property (9% of JTSF's CIF investment)	Global real estate markets continued to be affected by rising interest rates and borrowing costs. In particular,, there was significant uncertainty about the economic effects of interest rates as they began to be seen as being higher and longer lasting than the markets had previously estimated. As a result, real estate valuations declined further over the year (although the magnitude of declines varied by sector and country and are not as large as those witnessed over the second half of 2022). Against this backdrop, the Pool underperformed the market benchmark by 1.0%, returning (2.4)% over the year. While these events certainly cast a shadow on the sector's valuations, there is optimism that a bottom has been reached and the investment is expected to generate a strong yield going forward.
Hedge Funds (20% of JTSF's CIF investment)	The Absolute Return funds performed very strongly, with a return of 7.3% exceeding benchmark by 4.8%. Overall performance was in line with target, although performance varied by strategy. Long/short equity managers provided the strongest returns over the year, despite having relatively low market exposure, while Discretionary Global Macro managers struggled, mainly due to extreme volatility in interest rates. The Multi Strategy managers performed well, although the source of gains differed as discretionary managers profited from more buoyant equity markets, and the Systematic managers generated profits in relative-value trades. The Event Driven managers posted solid returns, although there was some volatility in the first quarter of 2023 due to the demise of Credit Suisse and the subsequent novel treatment of the capital structure by the authorities.
Opportunities (19% of JTSF's CIF investment)	After an extremely volatile 2022, which saw most traditional asset classes suffer, the allocation to diversifiers such as Opportunities, Hedge Funds and ARP again demonstrated its value delivering strong absolute returns.

	Over 2023, the Opportunities Pool posted an absolute return of 6.9% against a UK inflation-linked benchmark of 5.2%. Despite the high benchmark return, the linkage of holdings' underlying contracts with inflation has enabled a significant capture of upside in these otherwise difficult trading conditions.
Alternative Risk Premia (10% of JTSF's CIF investment)	The ARP Pool was marginally behind its benchmark (3.9% vs. 4.8% benchmark) over 2023. The Fund's sources of return varied over the year, but generally the equity market-neutral allocations generated the bulk of the returns. The deviation from the benchmark over 12 months is expected from time-to-time for investments of this nature.
Return Seeking Credit (5% of JTSF's CIF investment)	During the year, the CIF's allocation to Fixed Income was restructured to form the Return Seeking Credit pool. Previously, the credit allocation (namely the Absolute Return Bond pool) was used to protect the portfolio from rising rates and generate returns in a low-rate environment. The Return Seeking Credit approach now allows more flexibility, enabling the JTSF to vary the underlying styles more according to market conditions. This will enable the Fund to benefit from the higher rate environment. The Return Seeking Credit Pool did outperform its benchmark by 2.6% over its first quarter, generating a return of 3.9% vs a 1.3%.

Glossary

Active management: A strategy where the manager makes specific investments with the goal of outperforming an investment benchmark index.

Accepted Schools: Schools who have been accepted as participating employers of the Fund and whose staff can become members of the Fund by virtue of an agreement made between the Fund and the relevant school.

Actuary: A consultant who advises the Fund and every three years formally reviews the assets and liabilities of the Fund and produces a report on the Fund's financial position.

Alternative Risk Premia: A liquid investment class, employing strategies designed to extract various risk premia across a wide range of asset classes including, but not limited to, equities, currencies and commodities. These strategies are expected to perform well in a variety of market environments and have low correlation to traditional sources of returns.

Alternatives: A financial asset whose characteristics differentiate it from conventional asset types such as stocks, bonds, or cash. By nature, Alternatives are often illiquid, complex, or otherwise comparatively difficult to value or trade.

A&R Subcommittee: Audit and Risk Subcommittee**.**

AVCs: Additional Voluntary Contribution.

Benchmark: A yardstick against which the investment performance of a fund manager can be compared, usually the index relating to the particular assets held.

Board: Management Board of the Jersey Teachers Superannuation Fund.
C&AG: Comptroller & Auditor General's.

CIF: Common Investment Fund.

CIFO: Channel Islands Financial Ombudsman.

Corporate/ Government Bonds: Investment in certificates of debt issued by a company/ government. These certificates represent loans which are repayable at a future date with interest.

Common Investment Fund: The investment vehicle administered by the Government of Jersey that the Fund invests in.

Custodian: The service provider which keeps safe custody of JTSF assets on the Treasury/ the Board's behalf. The JTSF Custodian is Northern Trust.

Deferred Pension: The inflation linked retirement benefits payable from normal retirement age to a member of the Fund who has ceased to contribute as a result of leaving employment.

Equiniti: the service provider responsible for providing the pension administration system (Compendia) which the PEPT use to administer all benefits within the PEPF and JTSF.

Equities: Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at Shareholders' meetings, which can be traded on a recognised stock exchange before the repayment date. The Fund may also hold a limited amount of unlisted equity where dealers directly facilitate the 'over the counter' buying and selling of equity outside of recognised stock exchanges.

ESG: Environmental, Social and Governance.

FRS 102: Financial Reporting Standard applicable in the UK and Republic of Ireland.

Fund: Jersey Teachers' Superannuation Fund.

Hedge Funds: A type of alternative investment that employs a variety of strategies designed to generate a return which is typically less correlated with conventional markets. The CIF hedge fund pool specifically is designed following a fund of funds approach, to provide a target return of SONIA + 4-6% target while providing protection in downturns and exhibiting low correlation with equity class assets.

ISAs (UK): International Standards on Auditing (UK).

JRPI: Jersey Retail Price Index.

JTSF: Jersey Teachers' Superannuation Fund.

Market Value: The price at which an investment can be bought or sold at a given date.

Minister for T&R: Minister for Treasury and Resources.

MUSE: Muse Advisory is an independent pensions governance consultancy in the UK who were commissioned to work with the Board to help it review certain administration and operational functions.

Pension Administration Strategy: The written statement which contains the policies and procedures governing the administration of the JTSF and the obligations of JTSF Employers/Accepted Schools.

Pension Increase Debt: The debt created by changes to the Fund implemented in 2007 which moved responsibility for the payment of pension increases from the Government of Jersey to the Fund. This debt was repaid by the Government of Jersey in full during 2022.

PEPF: Public Employees Pension Fund.

PEPT: The Public Employees' Pension Team, a section of the Government of Jersey Treasury & Exchequer Department who perform the day-to-day administration of the Fund.

Property: Investments related to acquisition, development or management of property and related activities. These are typically long term, illiquid investments.

PIVs: Pooled Investment Vehicles.

Return: The total gain from holding an investment over a given period, including income and increase (decrease) in market value.

Risk Register: The register used by the Board to effectively identify, prioritise, manage and monitor risks associated with the Fund.

SIP: The Statement of Investment Principles, which is a statement setting out the policies and principles governing the Board's decisions in relation to the investment of the assets of the Fund.

SORP: The Statement of Recommended Practice Financial Reports of Pension Schemes (revised 2018).

TAP: Treasury Advisory Panel.

The 1979 Law: The Teachers' Superannuation (Jersey) Law 1979, as amended.

The 2007 Order: The Teachers' Superannuation (Administration) (Jersey) Order 2007.

Transfer Value: These are sums which represent the capital value of past pension rights which a member may transfer on changing pension funds.

Treasurer: Treasurer of the States.

T&IM: Treasury and Investment Management Team.

Contacts and Further Information

If you know someone who would like this document in another format, please let us know. All published documents are available from the Public Employees' Pension Team.

Call us on (01534) 440227. Available Monday to Friday from 9am to 5pm

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