



**Public Employees Pension Fund  
Annual Report 2023**

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# Chairman's Report

## Executive Summary

**Welcome to the Annual Report and Financial Statements for the Public Employees Pension Fund (the PEPF or the Fund).**

The Fund has generated another year of positive performance, sufficient to maintain the strong funding positions of the two schemes (the Public Employees Contributory Retirement Scheme (the **Final Salary Scheme**) and Public Employees Pension Scheme (the **Career Average Scheme**) (together, the **Schemes**)). 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 near 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 set by the Committee of Management (the **COM**). 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 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 COM, with recent and upcoming retirements from service. I wish to mark on record my appreciation to the outgoing COM members and welcome those who have joined or are about to join the COM 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**

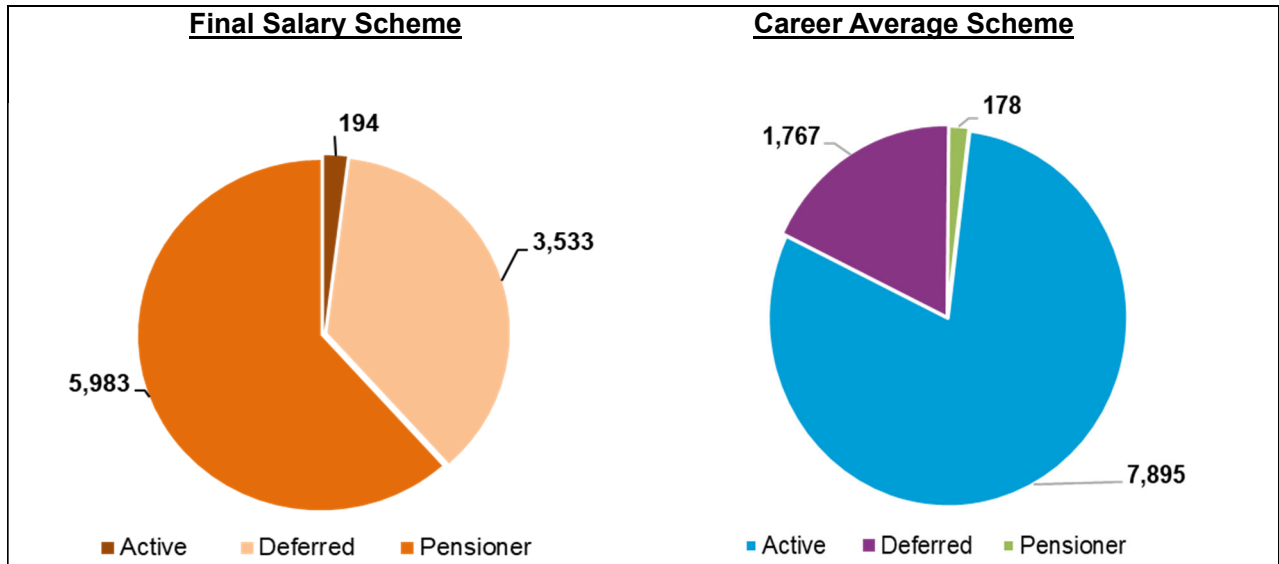
The PEPF is a funded pension scheme comprising the assets of the Schemes. The PEPF provides pension benefits to those working in public service (employed by the States Employment Board) and employees of several Admitted Employers (excluding teachers) in Jersey.

#### **Business model and environment**

As explained in more detail in the Accountability section of this report, the Schemes are established by legislation, which also furnishes the Schemes with specific requirements about the 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 COM and certain key service providers.

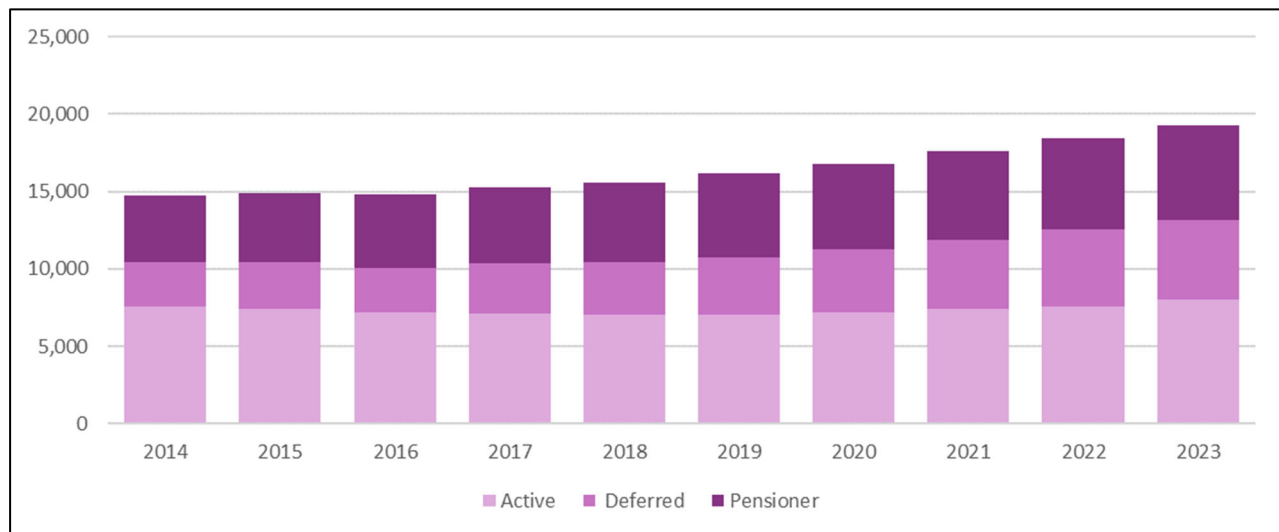
The Final Salary Scheme is a final salary defined benefit pension scheme that closed to new members on 31 December 2015 and the Career Average Scheme opened to membership on 1 January 2016. Following its closure, 4,400 active members of the Final Salary Scheme transferred to the newly formed Career Average Scheme (which is a career average defined benefit scheme) on 1 January 2019 for their future accrual.



At 31 December 2023, the Fund had a combined membership of 19,550 (2022: 18,482) and net assets stood at £3.0 billion (2022: £2.8 billion).

For the first time, the membership of the Career Average Scheme (9,840) exceeds the membership of the Final Salary Scheme (9,710) at the year end.

Figure: Breakdown of membership



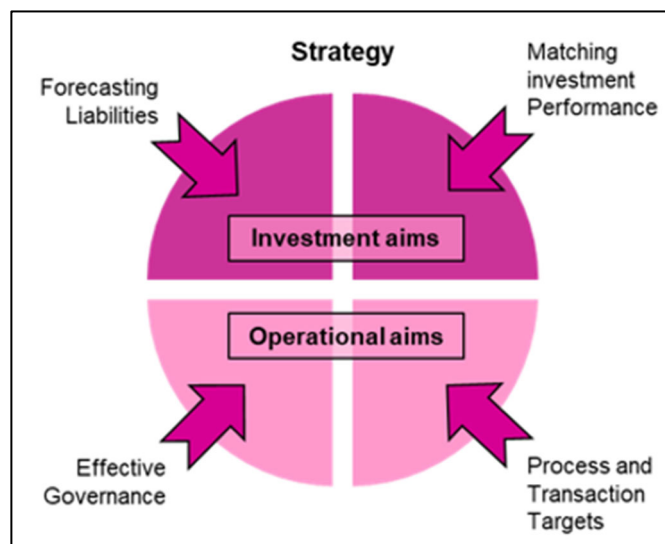
## Organisational structure and priorities

In summary, the legislation established a COM to oversee day-to-day activities performed by a range of expert key service providers and advisors (Actuary, Treasury's administration teams (the Membership Administration (PEPT) and the Investment Administration (T&IM) teams), Investment Advisor, Custodian, Legal Advisors and Investment Managers). COM has decision making powers, although certain key decisions (such as appointment of investment managers) also require the approval of the Minister for T&R and/ or the Treasurer. Details of the advisors are set out in Appendix B to this report.

The COM's core priorities are to ensure that the PEPF'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, COM 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. COM'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, COM 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:

	<p><b>Strategic investment aims</b></p> <p>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 in particular, as these could have significant impact on actuarial modelling and therefore the required target return.</p>
	<p><b>Strategic operational aims</b></p> <p>The performance targets have been met throughout the year.</p>
	<p><b>Strategic projects (see table below)</b></p> <p>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.</p>

As ever, new challenges arise over time. To ensure that the Fund continues to meet them successfully COM 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
To embed the revised risk management procedures established in 2022	The Audit & Risk Subcommittee ( <b>the A&amp;R Subcommittee</b> ), 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 ( <b>the CIFO</b> ) remit	The Government and COM have provided engagement through 2023 into the consultation to expand the CIFO's remit, and COM now awaits outcomes from external legislative processes. Presently monitoring.	Operational		PEPF actions are complete for the time being
Develop the accountability framework for PEPT and the COM, develop a new	Good progress was made in the early part of the year but has slowed since. PEPT recruitment is required to provide the required resource for completion of the task in 2024.	Operational		In progress, expected to complete in 2024

Pensions Administration Strategy				
Further develop the 'Responsible Investment' Framework	A 'Responsible Investment' Statement was agreed and published in 2023.  Further refinement and learning sessions expected in 2024 before this moves to routine business.	Investment	✓	In progress
Consider the relationship and documentation in place with the Admitted Employers	The COM's recommendations are complete and with the Employer.	Operational	✓	In progress, with Employer
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

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

Item	Explanation	Linked Strategic Aims
Recruitment to COM	The COM Chairman retires at the end of June 2024. A new Chairman will need to be recruited and, alongside two new COM Employee Representatives, will also require induction.	Investment & Operational
CIFO becoming the independent final stage to the Complaints Procedure	It is anticipated that the CIFO legislation and the PEPF legislation will be amended in 2024, with impact on the processes of the Fund. Outputs will require consideration and response in 2024.	Operational
Developing proposals for the potential split in investment strategy for the Final Salary Scheme and the Career Average Scheme	As the Schemes mature, consideration will be given to splitting the investment strategies of the Final Salary Scheme and the Career Average Scheme. This preparatory work will be undertaken by the Investment Subcommittee, Aon and Mercer in 2024.	Investment
Revisit Mercer's contractual and fee arrangements	During 2023 Mercer proposed a restructure of the services it currently provides to the COM and the fees it charges for its services. Due consideration of the proposals will extend into 2024.	Investment
Survivor pensions	Conclusion of work reviewing the terms of survivor pensions	Operational

# Risks

## **The Risk Management Process**

The COM and the Management Board (an equivalent committee that manages the other public service pension scheme of the Government of Jersey, the Jersey Teachers Superannuation Fund (the **JTSF**)) share a joint A&R Subcommittee, which maintains a joint Risk Register for the management of the PEPF and the JTSF.

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 providers. 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 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 Risk Register as a whole bi-annually. The risk management assessment sits over and above the PEPF'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. COM 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**

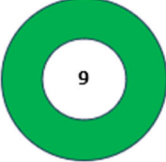
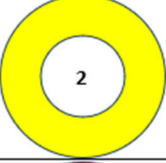
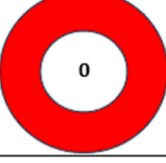
The combined risk assessment is a helpful input when COM determines its strategic project prioritisation, since it illustrates the linkage between a 'core risk', controls and the risk's effects on strategic aims. In turn, a post-project evaluation of project outcomes feeds-back into the next cycle of 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 '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 the projects to develop the PEPT accountability framework to evolve the 'Responsible Investment' policy.



Summary of risk scoring at 31 December 2023

Scoring (Likelihood x Impact)	No. of Core Risks	Combined Score
<p><b>LIKELIHOOD: Probability</b></p> <p>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</p>		Lower (score <7)
<p><b>IMPACT: Probability</b></p> <p>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</p>		Moderate
		Higher (score >15)

**Developments in risk management**

The COM’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 COM 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), COM considers that the combined risk score overall is stable.

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

**Operations**

**The PEPF delivery model**

The Fund’s operational and accountability structure is largely determined by legislation (the Public Employees’ (Pensions) (Jersey) Law 2014 (the **2014 Law**) and the Public Employees (Retirement) (Jersey) Law 1967 (the **1967 Law**), together with its subordinate Regulations)).

The operational structure involves various key service providers (see Value for money- the service providers table below). These service providers report to and operate under the supervision of the COM.

**Value for money – the structure**

The split of functions between 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 the PEPF since neither the PEPT nor the Investment Administrator applies a profit margin and Custodian services are provided at scale (alongside those provided under separate agreement to the Government of Jersey Common Investment Fund (**CIF**)).

## **Value for money – the service providers**

The operational costs and service conditions of the COM'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.

*A summary of key service providers and appointment/ review details is provided in Appendix B.*

Following appointment, the COM'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 COM also introduced an annual service provider questionnaire that drew out significant information about the depth and quality of the providers' resources and their 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 investment portfolio is designed around a number of performance characteristics in order to achieve the Fund'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 COM has a number of ways it considers whether its investments are offering value for money:

- At appointment, the Investment Advisor is asked to recommend more than one best pick option for each asset allocation and for assurance that cost has been considered. The Investment Advisor brings extensive knowledge and experience to the appointment process.
- Furthermore, the standing contract with the Investment Advisor includes an out-performance fee that compares net return (after fee deductions) to relevant benchmarks.
- Wherever possible, tax efficient investment classes/ vehicles are chosen.
- The COM 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 the COM with fee challenge, bringing its experience of similar holdings with the CIF and asking for scale discounts in cases of common holdings.
- Following an appointment, the net-of-cost return fund returns are considered against outperformance benchmarks established at inception and funds that are underperforming are considered for termination.

## **Wider objectives**

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

Furthermore, the COM 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. Potentially, these views could conflict with members' financial priorities. The balance that the COM strives to achieve in this area is defined and published on the Government of Jersey website as the 'Responsible Investment' policy (see also the Sustainability section of this report).

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 COM-driven, the Administrator will provide advice to the COM about best practice based on the detailed requirements of the Government of Jersey Public Finances Manual. (Appointments to COM 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 COM's Investment Subcommittee plays a key role in the appointment of new investment managers. It receives a shortlist of best picks from the Investment Advisor (who has in turn reviewed options from a wide range of funds monitored on an ongoing basis by its research team). The Investment Subcommittee makes a recommendation to the COM, who then makes an appointment subject to the approval of the Minister for T&R. In the course of these evaluations, non-financial information such as the suitability of operational jurisdictions and sustainability scoring is also 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 PEPF.

An exception is that the PEPF is presently contributing to the development of specialist pension administration software procured by and, for use by, the PEPT in relation to the Schemes. The COM 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**

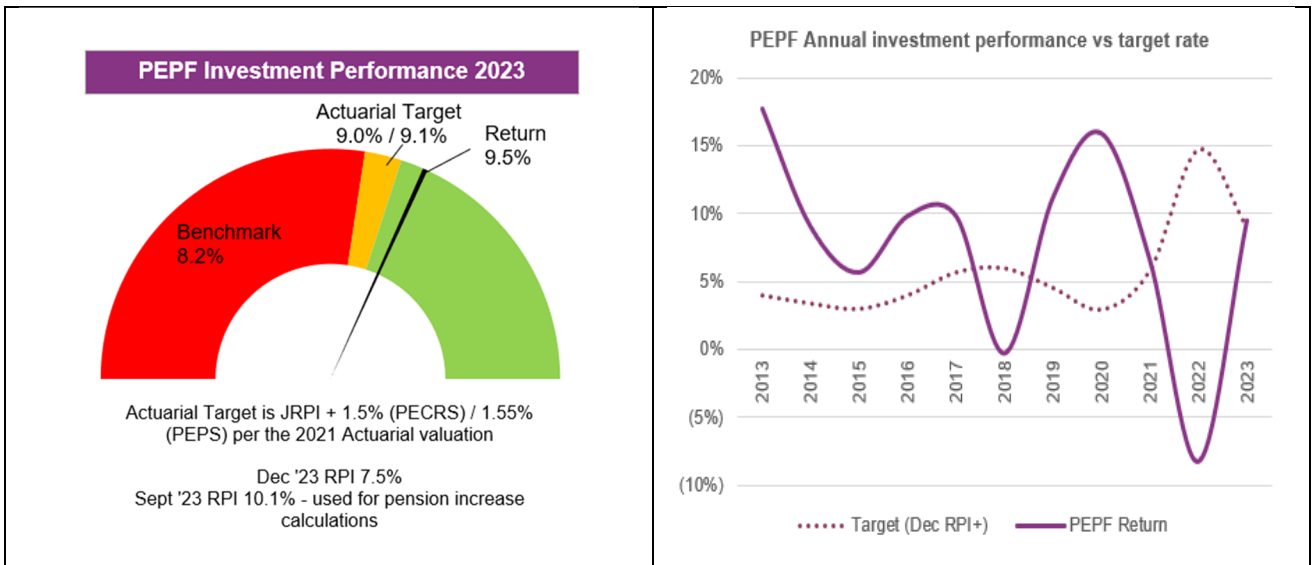
The PEPF successfully achieved its strategic aims over the course of 2023. All legal and contractual obligations were met, with business conducted in a responsible and cost-effective manner consistent with the reputation of the participant employers and members. The PEPF's investments have performed in line with expectations and current forecasts indicate that the long-term financial surplus position of the PEPF

has been maintained 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**

	<p><b>Strategic investment aims have been met in the year</b></p> <p>The portfolio design is successfully responding to changes in the economic environment, and continues to deliver sufficient performance over the medium to long term</p>
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Over 2023, the PEPF was able to meet all financial obligations as they arose, and the investments of the PEPF increased in value by 9.5% to £3.0bn. The performance is particularly encouraging on two fronts: it arrests a one-off negative return of (8.3%) in 2022 relating to sudden inflation and it demonstrates that the portfolio is also able to deliver returns in a higher interest rate environment to that of recent years.




Despite an interest rate spike, the PEPF’s return was exceeding the target rate (based on Jersey RPI (JRPI) + 1.5% (the Final Salary Scheme) or JRPI + 1.55% (the Career Average Scheme)) at the year end, a benchmark that represents the expected long-term growth rate of scheme liabilities, per the 2021 Actuarial Valuation.

	<p><b>The PEPF is positioned to continue to meet strategic aims in future years</b></p> <p>The portfolio design is successfully responding to changes in the economic environment, and it remains broadly aligned to deliver the required performance over the medium to long term</p>
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In the COM’s evaluation, the portfolio diversification is indeed working as expected and it is reasonable to assume investment aims will continue to be met, though noting that portfolio selection is dynamic in nature. The COM’s assessment is 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.

*A more detailed commentary is provided in Appendix C.*

## Pension Increases

	<p><b>The PEPF has been able to continue increase pensions in line with inflation</b></p> <p>The PEPF's financial position is strong enough to support increases in pension payments/ benefits in line with September JRPI</p>
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The PEPF's strength means that it has been able to continue to paying increases in line with JRPI, with the pension in deferment and retirement increasing by 10.1% on 1 January 2024\*.

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

Pension increases for the last 5 years:

Year of effect (Effective 1 <sup>st</sup> January)	Increase (JRPI % of preceding 30 September)
2020	2.7
2021	0.9
2022	2.9
2023	10.4
2024	10.1

## Operational (administrative) performance

	<p><b>The PEPF has run smoothly and within budget</b></p> <p>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.</p> <p>The operational costs of the PEPF remained in budget.</p>
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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 COM).

### 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 PEPF 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 COM members) and then the COM itself. The complaints process will be reviewed during 2024 in conjunction with prospective law changes in respect of the Channel Islands


Financial Ombudsman. 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 six new complaints (per the table below). One of the six complaints was upheld. All six complaints were resolved at stage 1. One Level 4 complaint from 2022 was upheld and settled in 2023. There are no other complaints outstanding from prior years.

Year	Upheld	Stage of Complaint				Not upheld	Stage of Complaint			
		1	2	3	4		1	2	3	4
2020	1	1				6	6			
2021	0					1	1			
2022	0					4	3			1
2023	1	1				5	5			

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

**Other aspects of performance**

	<p><b>The COM has continued to progress 'accountability' initiatives</b></p> <p>The COM 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</p>
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The COM is committed to maintaining the high standards of accountability expected of it by the PEPF's various stakeholders. In this regard, COM reports:

- Positive feedback from the C&AG on the COM's commitment to Good Reporting standards.
- Meaningful engagement in public Pension Regulation consultations, including the development of complaint processes.
- The introduction of new Annual Service Level questionnaires to provide an extra layer of due diligence on service provider value for money.
- 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 COM's ambitions would ideally like:

- It was envisaged that the development of a new Pension Administration Strategy (a framework for interactions between COM 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 COM, including the two remunerated roles of Chairman and Secretary, represent the PEPF's only directly engaged individuals, however the PEPF is supported by a sizeable number of staff employed by its service providers. The COM 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 can reasonably be assumed to have remained suitable throughout the year based on its interactions through the year, status of its service providers and from responses to survey results.

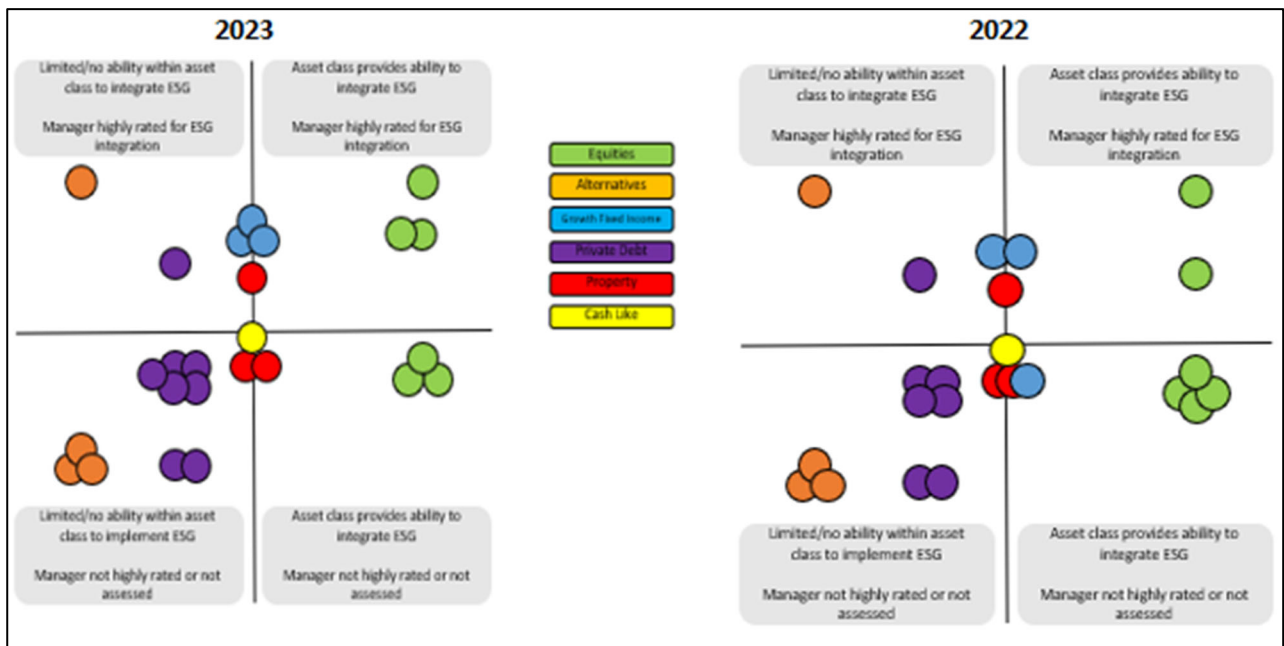
**Sustainability**

✓	<p><b>The PEPF’s sustainability reporting is at an early stage of development.</b></p> <p>The COM has developed a 'Responsible Investment' policy and are integrating it into ongoing reporting and decision making. However, it is recognised that this area requires further work and is marked as an in progress strategic project.</p>
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In terms of day-to-day administration activities, the PEPF’s impact on sustainability is largely determined by the policies of the Government of Jersey. These policies are summarised in the Annual Financial Statements published on the Government of Jersey website.

With regard to influencing the impact of the PEPF’s investments (and underlying investments), the COM has developed a formal 'Responsible Investment' policy – also published on the Government of Jersey website - which expresses the COM’s principles, approach and commitment.

At 31 December, the Investment Advisor’s ESG scoring for PEPF investments was as follows:



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

**Performance analysis conclusion**

**The PEPF has performed strongly against its core strategic investment and operational aims. The surplus position of the PEPF has been maintained over the period and performance against PEPT key performance indicator targets have improved. This was achieved in a period of significant pressure on resource.**

### *Investments*

The Fund has slightly exceeded its Jersey RPI-linked return Target over the year. More significantly, this means that the Fund is continuing to match, over the longer period, the long-term growth assumptions underpinning the Actuarial Valuation. This is despite significant changes in market conditions in comparison 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 COM and its service providers and the PEPF's existing infrastructure during a very busy period. However, it is recognised that to continue to do so the PEPF 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 COM has declared a strategic focus to refine existing policies and develop reporting further in these areas but equally it recognises that best practices are rapidly evolving, and the realistic aim is to make steady but ongoing progress over 2024.

## Financial performance

The COM 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 £2.8 million (compared to a budget of £3.3 million) representing 0.9% of assets under management.

The investment manager costs are evaluated on the basis of net return, as described more fully in the 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 Schemes' ability to meet their 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 Schemes 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 COM is considering how best to capture and communicate related information, in part to reduce the risk of expectation gaps.

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

## Accountability

### Statement of Responsibilities

#### Overall PEPF governance structure and responsibilities

The overall governance structure of the PEPF is determined by the 2014 Law, the 1967 Law and its subordinate Regulations.

The PEPF are governed by the COM which is an independent committee of members who have oversight of the operation of the administration and investment management of the PEPF.

The PEPF operates for the benefit of certain employees of the following employers:

(Principal) Employer	
Government of Jersey	
Admitted Employers – admitted by consent of the Minister for T&R	
Andium Homes Limited	JT (Jersey) Limited
Beaulieu Convent School Limited	Les Amis Limited
Brig-y-Don Children’s Home	Office of the Information Commissioner
Comité des Connétables	Parish of Grouville
Family Nursing & Home Care (Jersey) (Incorporated FNHC)	Parish of St. Brelade (Including Maison St. Brelade)
Jersey Advisory and Conciliation Service (JACS)	Parish of St. Clement
Jersey Competition Regulatory Authority (JCRA)	Parish of St. Helier
Jersey Employment Trust (JET) (including Workforce Solutions Limited)	Parish of St. Lawrence
Jersey Financial Services Commission (JFSC)	Parish of St. Martin
Jersey Gambling Commission	Parish of St. Ouen
Jersey Heritage Trust	Parish of St. Saviour
Jersey Overseas Aid Commission (JOAC)	Ports of Jersey Limited
Jersey Post Limited	

## The roles of the Chief Minister and the Minister for T&R

The Chief Minister (the Minister) appoints members to the COM on the recommendation of the Minister for T&R, in a process overseen by the Jersey Appointments Commission, for an initial term of up to five years which may be extended for a second term of up to five years. The balance of COM's membership between Employer and Member representation is specified in the Law.

The Minister also appoints a chairman for five-year terms on the recommendation of the Minister for T&R (with the agreement of the majority of the COM's Employer and Member representatives). The process for appointing a new Chairman is governed by the Jersey Appointments Commission who take an active role throughout the recruitment process. The Chairman post is remunerated from the assets of the PEPF under a contract with the Minister.

## Membership of the COM

The COM was originally established under the 1967 Law. In 2014, the governance of the COM moved to the 2014 Law and its subordinate Regulations.

The composition of COM through the year is shown 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
Employers (6)	Principal Employer (5)	Dr Jimmy Cooke John Everett Charlotte Guillaume Gailina Liew Mark Bradbury	Jan 2022 Jul 2018 Nov 2020 Nov 2020 Feb 2023	Dec 2026 Jul 2028 Nov 2025 Nov 2025 Feb 2028
	Admitted Employer (1)	Prof. Ed Sallis OBE	Dec 2016	Dec 2025
Members (6)	Members (4)	Leah Buttle <i>Mark Richardson</i> <i>Peter Robinson</i> Brian Cain	Apr 2022 Jan 2019 Feb 2023 Aug 2023	Apr 2027 <i>Retired Dec 2023*</i> <i>Retired Apr 2023*</i> Aug 2028
	Pensioners (2)	Michael De La Haye OBE Chris Bambury	Jan 2019 Jan 2019	Dec 2028 Dec 2026
Secretary				
Janine Ward (for JWC Limited)				

\*At 31 December 2023, the COM had two Member Representative vacancies. On 1 January 2024, Jenny Larsson and Carrie Sandeman were appointed as Member Representatives on terms to December 2028.

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

### Preparation of the Chairman’s Report

This Chairman’s Report 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 COM has been made available to the entity’s auditors.

## Governance

### How the COM operated in the year

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

The COM 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:*

Committee Member	Investments	Ill Health and Death Benefit	Communications	Audit & Risk <sup>2</sup>
Gordon Pollock	Chairman			
Michael De La Haye OBE				Chairman
Ed Sallis OBE	•			•
Chris Bambury ( <sup>1</sup> from Mar 2023)	• <sup>1</sup>		Chairman	
John Everett				•
Charlotte Guillaume		Chairman	•	
Gailina Liew	•			•
Leah Buttle		•		
Mark Richardson	•			
Number of meetings in 2023	15	4	1	4

<sup>2</sup> The A&R Subcommittee operates jointly with that of the JTSF, under the Chairmanship of Michael De La Haye, OBE.

### The activities of the COM

#### *Investment manager appointments*

*(One new investment manager was appointed and one removed).*

The COM’s due diligence involves consideration of the suitability of the Investment Advisor’s recommendations. Factors considered include fit with the portfolio, investment styles, benchmarking, level of risk, and fees. Operational due diligence is also undertaken. Appointments follow the processes detailed in the Statement of Investment Principles (the **SIP**), published on the Government website.

### *Other service provider appointments*

Other service providers are subject to due diligence prior to the COM endorsing recommendations for appointment/ making appointments. Where appropriate, specialist advice regarding any technical or legal matters will be 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 COM 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, the 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.

Thirteen investment managers were interviewed directly by the Investment Subcommittee in 2023.

In addition to the above, the COM 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 COM employs several measures to safeguard the quality of data it receives from providers, starting at the appointment:

- The COM'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 obtains and reviews the service providers' internal control reports, reporting to the COM any material findings by exception.
- This is overlaid by ongoing investment due diligence work that is performed by the Investment Advisor (with reporting to the COM).

The PEPT and the Investment Administrator performs various underlying reconciliations of data and reviews of service. For example, the Investment Administrator examines the investment managers' internal control reports and audited statements, and regularly interviews investment managers (any exceptions are relayed to COM as part of the review process), thereby providing COM with 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**

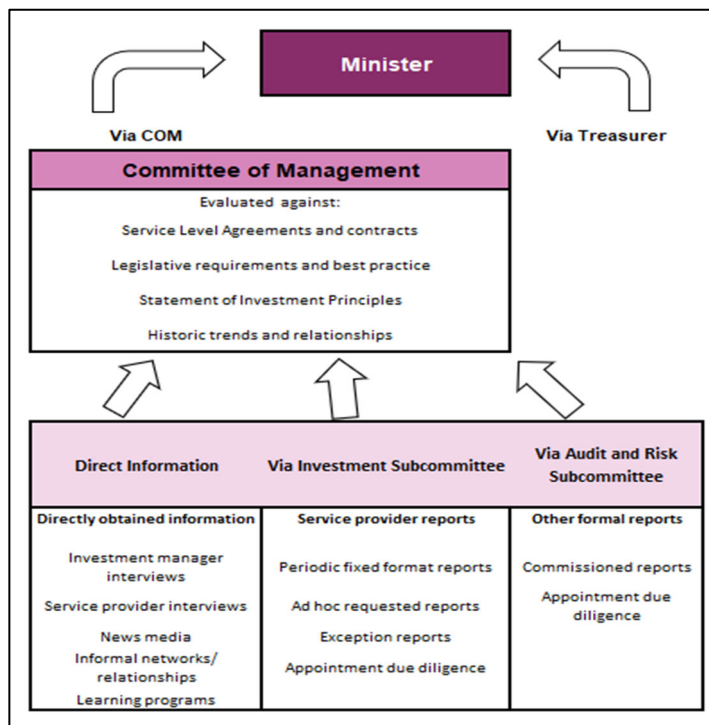
The PEPT has an internal complaints procedure whereby members can raise and escalate complaints about any aspect of a decision taken by the PEPT team that could affect their benefits. To provide objectivity, the COM has a role in the final two stages of this complaints process and makes the final decision.

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

**Assessing the COM’s performance**

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

Figure: information flows



In addition to the information the Minister for T&R receives via the Treasurer and COM, the Minister for T&R 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

- Operational budget approvals

### **The 'board effectiveness' review**

The COM initiated a program of self-assessment in 2022 whereby 12 current and recently departing COM 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 PEPF 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 COM is comprised of volunteer members, with only the Secretary and the Chairman receiving remuneration from the PEPF, as disclosed in the Related Parties note to the Financial Statements. All other parties providing services to the PEPF are the employees of service providers and therefore no salary analysis is provided.

### **Interests**

The COM members' interests are declared at appointment and a Register of Interests is maintained by the Secretary. The Register is formally reviewed at each COM 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.

This occurred at one meeting in the year when a member recused themselves from discussions about the CIFO.

The size of the PEPF'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 COM (with member and employee representatives, quorum and so forth) and the role of the involvement of the Jersey Appointments Commission in the appointments process.

*The significant standing COM Members' interests at 31 December 2023 are summarised in Appendix D.*

# Final Statement from the Chairman

As my time as Chairman comes to an end in June 2024, I reflect on what has been a 10-year period of significant change and give my thanks to an incredible group of volunteers who have assisted me throughout that time on COM and its sub-committees. It is amazing to see the dedication that all committee members bring to their role in overseeing the Fund, a role that could not be performed without the support from all our professional advisors, the Public Employees Pension Team (PEPT), or the officials at Treasury & Exchequer.

It seems a long time ago that, in November 2015, the States Assembly agreed changes to the Public Employees Contributory Retirement Scheme (PECRS) which introduced the Career Average Revalued Earnings (CARE) Scheme (known as the Public Employees Pension Scheme (PEPS)). With effect from 1st January 2016, new employees were admitted into the CARE Scheme and most existing employees also transferred into PEPS on 1st January 2019. The introduction of the CARE scheme has been managed seamlessly by the PEPT and I remain grateful to all members of the Board, and particularly the Employee representatives, who worked on the negotiations at that time and who ensured, with the help of the Scheme Actuary (Aon), and Lawyer (Carey Olsen) that the new Legislation would work in practice.

The total membership continues to grow from 14,896 at the end of 2015 to 19,550. This includes all active, deferred and pensioner members.

The Investment Subcommittee, of which I am a member, works diligently to ensure appropriate oversight of the investment managers employed by the Fund and I am additionally grateful to all members of this Subcommittee for the time and effort they put into their role. This team, on behalf of the COM, also worked significantly when the net assets of the Fund were substantially increased in May 2022 by a one-off receipt of £337.5m in respect of the pre-87 pensions increase debt. The repayment of the pre 87 debt was a significant milestone for the Fund.

With able assistance from our Investment Advisor (Mercer) and the Treasury team the Fund has grown from £1.8bn (end 2015) to £3bn at the end of December 2023 and close to £3.2bn in May 2024.

My final thanks are to Janine Ward the Secretary to the COM. She works tirelessly to ensure the continued good governance of the COM and all its various sub-committees. This was particularly the case over the challenging COVID period.

I have thoroughly enjoyed my time as chair of the COM. This is substantially due to the group of people I have had the pleasure to work with which has made my time as Chairman a very rewarding and worthwhile experience. I look forward to hearing of the continued success of the Fund in the future.



**Gordon Pollock BSc, FFA**  
**Chairman of the Committee of Management**  
**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, including the Financial Reporting Standard applicable in the UK and FRS 102, are the responsibility of the Treasurer. The Public Employees (Pension Scheme) (Administration) (Jersey) Regulations 2015 (**the Administration Regulations 2015**) requires that the Treasurer:

- prepares the PEPF Financial Statements (which must contain the balance sheet and profit and loss account with supporting notes and disclosures prepared in accordance with generally accepted accounting practice); and
- keep all the records necessary for the proper working of the PEPF and the respective schemes.

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 PEPF 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 Administration Regulations 2015, 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 PEPF 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 PEPF 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

		Notes	2023 (£'000)	2022 (£'000)
<b>Dealings with members</b>				
<b>Payments In</b>	Employer contributions		64,843	398,239
	Employee contributions		31,974	27,937
	<b>Total Contributions</b>	4	<b>96,817</b>	<b>426,176</b>
	Transfers in		1,579	1,415
	Other income	5	26	1,026
<b>Total Payments In</b>			<b>98,422</b>	<b>428,617</b>
<b>Payments out</b>	Benefits paid or payable	6	(105,318)	(94,576)
	Payments to and on account of leavers	7	(6,985)	(13,576)
	Administrative expenses	8	(2,197)	(3,029)
<b>Total Payments Out</b>			<b>(114,500)</b>	<b>(111,181)</b>
<b>Net (withdrawals)/ additions from dealings with members</b>			<b>(16,078)</b>	<b>317,436</b>
<b>Net returns on investments</b>				
	Change in market value of investments	9	203,717	(242,570)
	Investment income	10	63,959	37,484
	Investment management expenses	11	(3,661)	(22,575)
<b>Net returns on investments</b>			<b>264,015</b>	<b>(227,661)</b>
Net increase in the Fund's assets during the year			247,937	89,775
Opening net assets			<b>2,801,231</b>	<b>2,711,456</b>
<b>Closing net assets</b>			<b>3,049,168</b>	<b>2,801,231</b>

The notes on pages 27 to 38 form part of these Financial Statements.

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

	Notes	2023 (£'000)	2022 (£'000)
<b>Investment assets</b>			
Equities	9	654,726	533,228
Pooled Investment Vehicles (PIVs)	9, 14	2,354,302	2,219,800
		<b>3,009,028</b>	<b>2,753,028</b>
Broker cash	9	29,991	36,942
Other investment balances	9	1,635	1,547
<b>Total net investments</b>		<b>3,040,654</b>	<b>2,791,517</b>
Current assets	16	9,638	11,652
Current liabilities	17	(1,124)	(1,938)
<b>Closing net assets</b>		<b>3,049,168</b>	<b>2,801,231</b>

The Financial Statements summarise the transactions of the PEPF and deal with the net assets available for benefits at the disposal of the COM. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year.

The Actuary performs a formal valuation of the Final Salary Scheme and Career Average Scheme liabilities every three years. The most recent Valuation Report was completed for the 31 December 2021 position and concluded that both the Schemes are in a sound financial position. The Actuary's Statement is included on page 42 and more detail on the present actuarial position of the Fund is available in the Performance Analysis section starting on page 11, in the Chairman's report. These Financial Statements should be read in conjunction with these sections.

In accordance with Regulation 21 of the Administration Regulations 2015, the Financial Statements have been prepared by the Treasurer of the States and have been audited.

The notes on pages 27 to 38 form part of these Financial Statements.



Richard Bell  
Treasurer of the States

22 May 2024



Gordon Pollock BSc, FFA  
Chairman of the Committee of  
Management

22 May 2024

The Financial Statements on pages 25 to 38 were received and approved on behalf of the COM on 22 May 2024.

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

## 1. Constitution

The Final Salary Scheme and the Career Average Scheme are retirement schemes governed under the 1967 Law and the 2014 Law. Under the 2014 Law, the Fund operates as two respective Schemes. The postal and electronic address of the Schemes can be found on page 62 of this annual report.

## 2. Basis of Preparation

The Financial Statements of the PEPF 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 June 2018) (the **SORP**). The PEPF has holdings in some investments that exceed 50% of the investment's total values. However, consolidated financial statements are not prepared, as permitted by the SORP.

## 3. Accounting Policies

The principal accounting policies applied in the preparation of these 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 when the employee contributions are deducted from payroll. Both are based on a percentage of salary for the period to which they relate. Additional contributions (e.g., payments to augment accrued pension by the purchase of additional years in the Final Salary Scheme or by the purchase of accrued pension in the Career Average Scheme either by the employer or, through the Additional Voluntary Contribution facility, by the employee) are recorded when they are deducted from payroll.

Employers' contributions for the Pre-1987 Debt (Salary Linked Bond) are accounted for in accordance with the agreement on which they are based.

### b) Transfers out

Transfer payments are accounted for on an accrual basis on the date the treasurer of the receiving plan accepts the liability. In respect of the case of individual transfers, this is normally when the payment of the transfer value is made.

### 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 accrual basis on the latter of the date of retirement and the date the option is exercised.

### d) Investment income

Bank interest is accounted for on an accrual basis. Dividend income from equities is recognised when the securities are quoted ex-dividend. Income from PIVs is accounted for on an accruals basis when the dividend or other income distribution is declared.

**e) Other expenses**

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

**f) Valuation of investments**

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of PIVs which are accumulation funds, where income is reinvested within the fund without issue of further units, change in market value also includes such income.

Market values of listed investments held at the year-end are taken at bid prices or last trade prices depending on the convention of the stock exchange on which these are quoted. Foreign currency prices are expressed in sterling at the closing exchange rates on the last business day of the PEPF's financial year.

The valuation of the investment units held in the PIVs is based on the closing bid prices of the units as confirmed by valuations received from the investment manager. These valuations are based on the bid prices of the underlying investments held by the custodian of the pooled fund.

The ground lease PIVs are valued, as advised by the investment manager, at the proportion due to the PEPF of the open market value of the assets in the PEPF valued in accordance with the Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors. Valuations are derived from current market rents and investment property yields for comparable real estate, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Capital calls are recognised from the date the PEPF is notified of the event. Transaction costs, being incremental costs that are directly attributable to the acquisition or disposal of an investment, are added to purchase costs and netted against sale proceeds as appropriate.

**g) Critical accounting judgements and estimation uncertainty**

In respect of asset valuations, the COM make estimates and assumptions concerning the future. The COM believe 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 scheme investments, particularly those classified as 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 13 and 15.

**h) Taxation**

The Final Salary Scheme and the Career Average Scheme are exempt from Jersey income tax by virtue of Article 131 of the Income Tax (Jersey) Law 1961 in respect of income derived from the investments and deposits of the Schemes, ordinary annual contributions made by the PEPF members and gains made from investments held.

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

**i) Currency**

The PEPF's functional currency and presentational currency is British pounds sterling. Assets and liabilities denominated in foreign currencies are expressed in sterling at the rates of exchange at the year end.

Foreign currency transactions are translated into sterling at the spot exchange rate at the date of the transaction.

#### 4. Contributions

	2023 (£'000)	2023 (£'000)	2022 (£'000)	2022 (£'000)
<b>Employers</b>				
Normal	64,187		55,892	
Past service debt	656		638	
		<b>64,843</b>		<b>56,530</b>
<b>Additional</b>				
Augmentation	-		273	
Past service debt*	-		341,436	
		-		<b>341,709</b>
<b>Members</b>				
Normal	31,897		27,525	
Additional voluntary contributions	77		412	
		<b>31,974</b>		<b>27,937</b>
		<b>96,817</b>		<b>426,176</b>
<b>Total contributions</b>				

\*In 2022, Additional Past service debt contributions included £337.5 million paid by the Principal Employer in "full and final" settlement of its Pre-1987 Debt. The Pre-1987 Debt is disclosed in more detail in Note 21.

#### 5. Other income

	2023 (£'000)	2022 (£'000)
<b>Claims on death benefit insurance</b>	<b>26</b>	<b>1,026</b>

Until 27 September 2022, the PEPF held an insurance policy with Aviva which provided death in service cover.

#### 6. Benefits paid or payable

	2023 (£'000)	2022 (£'000)
Pensions	93,061	83,353
Commutations and lump sum retirement benefits	10,315	10,214
Lump sum death benefits	1,942	1,009
<b>Total benefits</b>	<b>105,318</b>	<b>94,576</b>

## 7. Payments to and on account of leavers

	2023 (£'000)	2022 (£'000)
Refund of contributions	671	529
Transfers out	6,314	13,047
<b>Total payments to and on account of leavers</b>	<b>6,985</b>	<b>13,576</b>

## 8. Administrative expenses

	2023 (£'000)	2022 (£'000)
Salaries, office and miscellaneous costs	1,020	939
Actuarial fees (including triennial valuation work)	359	565
Audit fees	83	70
Legal fees	336	237
Chairman and secretary fees	136	117
Premium on death insurance policies	-	894
Pension system development	263	207
<b>Total administrative expenses</b>	<b>2,197</b>	<b>3,029</b>

## 9. Reconciliation of Net Investments

	Value at 1.1.23 (£'000)	Purchases at cost (£'000)	Sales proceeds (£'000)	Change in Market Value (£'000)	Value at 31.12.23 (£'000)
Equities	533,228	137,941	(114,401)	97,958	654,726
PIVs (analysis note 15)	2,219,800	430,431	(401,688)	105,759	2,354,302
<b>Total</b>	<b>2,753,028</b>	<b>568,372</b>	<b>(516,089)</b>	<b>203,717</b>	<b>3,009,028</b>
Broker cash	<b>36,942</b>				<b>29,991</b>
Pending Trades	1,299				1,299
Accrued Interest	248				336
<b>Other investment balances</b>	<b>1,547</b>				<b>1,635</b>
<b>Total net investments</b>	<b>2,791,517</b>				<b>3,040,654</b>

## 10. Investment Income

	2023 (£'000)	2022 (£'000)
Dividends from equities	4,929	4,092
Income from PIVs	41,160	26,502
Income from managed property funds	11,031	7,198
Income on cash deposits	3,090	309
Other income	324	-
	<b>60,534</b>	<b>38,101</b>
Realised gain/ (loss) on foreign exchange	3,965	(296)
Less irrecoverable withholding tax	(540)	(321)
<b>Total investment income</b>	<b>63,959</b>	<b>37,484</b>

## 11. Investment Management Expenses

	2023 (£'000)	2022 (£'000)
Investment management expenses	3,201	21,747
Custodian expenses	121	127
Investment advisory expenses	339	701
<b>Total Investment management expenses</b>	<b>3,661</b>	<b>22,575</b>

In 2023, investment management expenses reflect only those fees paid (and rebates received) directly, and not those incurred indirectly through PIVs (amounting to a further £20.3 million). In 2022, the equivalent direct net investment management expenses were £3.6m with £18.1m of indirect fees.

The appointed investment managers are entitled to fees based upon a percentage of the net assets under management. The percentage varies from 0.05% to 2% based on the complexity of the asset class under management. In addition, some hedge fund and private debt managers are paid performance fees if they out-perform their benchmark. This occurred in both years and is included in the values above. The Investment Adviser receives a flat fee for services rendered and in 2022 (but not 2023) received a performance fee based on the performance of the individual investment managers.

## 12. Investment Transaction Costs

Transaction costs are included in the cost of purchases and deducted from sales proceeds in the reconciliation in Note 9. Costs relating to direct holdings are analysed as follows:

	2023 Total (£'000)	2022 Total (£'000)
Fees	120	166
Commissions	72	84
<b>Total</b>	<b>192</b>	<b>250</b>

In addition to the direct transaction costs disclosed above, indirect costs are incurred through the bid/offer spread on some PIVs and charges made within those vehicles. It has not been possible to quantify such indirect transaction costs.

### 13. Fair Value of Investments

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

- Level 1 – Unadjusted quoted prices in active markets for identical securities that the entity can access at the measurement date.
- Level 2 – Inputs (other than quoted prices) that are observable for the instrument, either directly or indirectly.
- Level 3 – Significant unobservable inputs i.e., for which market data is unavailable.

PIVs which 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 pooled investment vehicle 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 PEPF's investment assets have been included at fair value within these levels as follows:

	Level			2023 Total (£'000)
	1 (£'000)	2 (£'000)	3 (£'000)	
Segregated holdings (Equities)	644,375	10,351		654,726
PIVs		980,968	1,373,334	2,354,302
Broker cash	29,991			29,991
Pending trades	1,299			1,299
Accrued interest	336			336
<b>Total investments</b>	<b>676,001</b>	<b>991,319</b>	<b>1,373,334</b>	<b>3,040,654</b>



Analysis for the prior year end is as follows:

	Level			2022 Total (£'000)
	1 (£'000)	2 (£'000)	3 (£'000)	
Segregated holdings (Equities)	514,932	18,296	-	533,228
PIVs	-	1,001,428	1,218,372	2,219,800
Broker cash	36,942	-	-	36,942
Pending trades	1,299	-	-	1,299
Accrued interest	248	-	-	248
<b>Total investments</b>	<b>553,421</b>	<b>1,019,724</b>	<b>1,218,372</b>	<b>2,791,517</b>

#### 14. Investments

At 31 December 2023, the PEPF held 80% of the units in the PGIM Real Estate UK Residential Ground Lease Fund II Unit Trust, of which a breakdown of net assets at this date was:

	2023 (£'000)	2022 (£'000)
<b>Non-current assets:</b>		
Investment property	174,000	209,905
<b>Net current assets:</b>		
Debtors	294	242
Cash and cash equivalents	6,881	6,893
Creditors: amounts falling due within one year	(944)	(977)
<b>Net assets</b>	<b>180,231</b>	<b>216,063</b>

#### 15. Investment Risks

FRS 102 requires the disclosure of information in relation to certain investment risks to which the PEPF 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 PEPF 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 asset 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 asset 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 asset 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 COM is responsible for determining the PEPF's investment strategy. The COM has set the investment strategy for the PEPF after taking appropriate advice from its professional advisers. This strategy includes ranges for the proportion of assets to be included in each asset class. The day-to-day management of the asset within each portfolio of the PEPF, including the full discretion for stock selection, is the responsibility of the investment manager.

The PEPF has exposure to the above risks because of the investments it makes to implement its investment strategy. The COM primarily manages these risks through the adoption of a long-term investment strategy that is diversified both by asset class and manager. The risks are monitored on an ongoing basis by the Investment sub-committee by regular reviews of the investment portfolios.

The following table summarises the extent to which the various classes of investments are affected by financial risks:

Asset Category	Credit Risk	Market Risks			2023 Value (£m)	2022 Value (£m)
		Currency	Interest rate	Other price		
<b>Segregated</b>						
Equities		✓		✓	654.7	533.2
<b>PIVs</b>						
Equities		✓		✓	537.0	509.6
Property	✓			✓	422.5	377.3
Bonds	✓	✓	✓		480.7	519.4
Private Debt	✓	✓	✓		467.8	351.6
Alternatives*	✓	✓	✓	✓	400.9	432.0
Asset Backed Securities	✓	✓	✓		45.4	29.9
Broker Cash	✓	✓	✓		29.9	38.5

### **Investment Strategy**

The main priority of the COM when considering the investment policy for the PEPF is the aim to ensure that the benefits payable to members are met as they fall due whilst maintaining required liquidity.

The core "growth" asset used by the PEPF is equities as the COM believes that it represents the most cost effective, easiest, and most transparent way to achieve a higher level of investment return over the long-term. The Committee recognises however that the performance of equities can be volatile over time.

The COM has invested in other "growth-like" alternatives (away from equities) that still target a reasonably high investment return, to diversify the PEPF's growth assets. These provide a different source of return less correlated to equities, which should help to reduce the risk of being over-exposed to any one market, asset class or manager, and enabling a smoother return over time.

Yield-focused assets are defined by the COM as those assets providing a contribution towards meeting the target investment return and the overall diversification of the portfolio whilst generating income for

the Schemes. These investments are also expected to exhibit a lower level of risk than growth investments.

Currently the yield-focused investments consist of Property, Growth Fixed Income (which invests in Multi-Asset Credit and Emerging Market Debt) and Private Debt. As with the growth asset allocation, the COM keeps under review whether to diversify into other yield-focused asset classes in order to spread risk in this sphere too.

### **Credit Risk**

The PEPF holds cash directly and invests in PIVs which in turn invest in a range of asset classes (see table above). The PEPF is therefore directly exposed to credit risk arising from these PIVs and is indirectly exposed to credit risks arising on the underlying investments held by these PIVs.

The market value of investments generally reflects an assessment of credit risk in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the PEPF's financial assets and liabilities.

The 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.

Direct credit risk arising from PIVs is mitigated by the underlying assets of the pooled arrangements being ring fenced from the vehicle's manager, the regulatory environment in which the managers operate and diversification of investments amongst a number of pooled arrangements. The COM and the Investment Administrator review due diligence checks, carried out on their behalf, on appointment of new pooled investment managers. Ongoing monitoring of any changes to the operating environment of the pooled manager is carried out with assistance from the Investment Adviser.

Managers of the PIVs provide mitigation to the indirect credit risks of the underlying assets of their vehicles by thorough research of holdings and markets and comparison to predefined investment strategies. The magnitude of credit risk within each fund will vary over time, as the Manager changes the underlying investments in line with its views on markets, asset classes and specific securities. The Managers also reduce risk by employing appropriately regulated custodians to hold their vehicle's assets.

*A summary of the PIVs by type of arrangement is as follows:*

PIVs	2023 Value (£m)	2022 Value (£m)
Open-ended investment company	770.4	798.7
Shares in limited partnerships	904.0	884.4
Open-ended unit trust	422.4	377.3
Undertakings for Collective Investment in Transferable Securities	108.3	-
Unit-linked insurance contract	149.2	159.4
<b>Total pooled vehicle exposure:</b>	<b>2,354.3</b>	<b>2,219.8</b>

In addition, the notes below provide more detail on how this risk is managed and mitigated for the different classes.

- **Emerging Market Debt:** Credit risk arising on non-investment grade bonds held indirectly as part of the PEPF's emerging market debt mandate is mitigated through diversification of the underlying securities to minimise the impact of default by any one issuer.
- **Cash balances:** Credit risk arising on cash held within financial institutions is mitigated by ensuring those institutions are at least investment grade credit rated.

### **Currency Risk**

The PEPF is subject to direct currency risk because some of the PEPF's investments from its segregated investment mandates are denominated in a foreign currency. Indirect currency risk arises from the PEPF's investment in sterling priced PIVs which hold underlying investments that may include those denominated in foreign currency. The COM minimises the direct risk by selection of Sterling denominated PIVs where available and monitors the underlying currency exposure on a periodic basis where that information is available.

The net currency exposure at the current and previous year-end was:

	2023		2022	
	Direct Exposure (£m)	Indirect Exposure (£m)	Direct Exposure (£m)	Indirect Exposure (£m)
Euro	116.8	634.5	101.4	529.7
US Dollar	481.4	714.8	382.9	617.6
Japanese Yen	-	111.9	-	155.0
Other	28.3	83.2	39.1	184.0

### **Interest Rate Risk**

The PEPF is subject to indirect interest rate risk through the underlying exposures of some of its PIVs (as expressed in the table on page 34). 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. Cash held to fund ongoing benefits and expenditure is kept to a minimum by ongoing monitoring with the majority of cash held with the custodian in a global sweep account.

### **Other Price Risk**

Other price risk arises principally in relation to the PEPF's Growth seeking portfolio which includes Equities and Alternatives held either as segregated investments or through underlying investments in PIVs.

The PEPF manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets held with various high-quality investment managers who are monitored by the Investment Adviser and Investment sub-committee on an ongoing basis.

At the year end, the growth asset classes (as defined in the SIP) represented 53% of the total investment portfolio (2022: 57%).

## 16. Concentration of investments

The investments that account for more than 5% of the net assets of the PEPF were:

	2023 £'000	2023	2022 £'000	2022
CQS Credit Multi Asset Fund	278,320	9%	279,497	10%
Lansdowne Developed Markets Fund Limited (Long only fund)	207,395	7%	181,353	7%
PGIM UK Ground Lease Fund	184,243	6%	201,062	7%
PGIM	159,857	5%	90,245	3%
Legal & General FTSE RAFI AW3000 (Net WHT) Index Fund	149,154	5%	159,413	6%

## 17. Current Assets

	2023 (£'000)	2022 (£'000)
Contributions – Employers	485	447
Contributions – Members	219	200
Cash balances	8,893	10,249
Pensions paid in advance	-	640
Advances to Government of Jersey	32	116
Other	9	-
<b>Total current assets</b>	<b>9,638</b>	<b>11,652</b>

## 18. Current Liabilities

	2023 (£'000)	2022 (£'000)
Other creditors	1,124	1,938
<b>Total current liabilities</b>	<b>1,124</b>	<b>1,938</b>

## 19. Contingencies and Commitments

In the opinion of the COM, the PEPF had no contingent liabilities at 31 December 2023 (2022: nil).

At 31 December 2023, the PEPF had undrawn commitments to fund private debt vehicles Park Square and HayFin amounting to £144.5 million (2022: £256.8 million) and Global Infrastructure Partners and HIG Whitehorse, amounting to \$59.5 million (2022: \$119.2 million).

## 20. Related Party transactions

Related party transactions and balances comprise:

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

The Chairman and Secretary to the COM received remuneration (excluding reimbursed expenses) in the year of £54,200 and £76,622 respectively (2022: £54,200 and £59,692). During

the year, within the COM, there currently were four Active (2022: three) and two Pensioner members (2022: two). Benefits are paid or accrued in accordance with Jersey Law.

- Entities that provide key management personnel services to the PEPF.

The Treasury & Exchequer, a department of the Government of Jersey, provides creditor payment, payroll, cash management and financial ledger services for the Final Salary Scheme and Career Average Scheme. At the year-end a sum of £31,540 was owed to the Fund by the Government of Jersey in respect of transactions with the department (2022: £115,981). During the year an amount of £938,169 (2022: £851,992) was paid to the department in respect of the services provided.

## **21. Pre-1987 Debt**

The Pre-1987 Debt refers a payment arrangement agreed between the Government of Jersey and associated Admitted Employers and the COM for dealing with the shortfall transferred to the PEPF arising from the changes made to the Final Salary Scheme in 1987.

In 2018, Admitted Employers were offered an option to accelerate their pre-1987 debt repayments such that their final repayment date would be 29 September 2053. Admitted Employers who did not take up this option continued to repay their pre-1987 debt obligation over the period to 31 December 2083.

In 2022, the Government of Jersey, the Principal Employer, settled its obligations by payment in a full and final settlement. A small number of Admitted Employers chose not to settle their Pre-1987 Debts at that time.

# Independent Auditor's report to the Committee of Management of the Public Employees' Pension Fund

## Opinion

We have audited the Financial Statements of the PEPF 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 Administration Regulations.

## 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 the Treasurer's Responsibilities set out on page 24, 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 laws and regulations. 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 regulations made under the Administration Regulations 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 regulations 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 COM and inspection of the risk register as to the Fund's high-level policies and procedures to prevent and detect fraud
- Enquiring of the COM as to their knowledge of any actual, suspected or alleged frauds
- Review of minutes of COM meetings

As required by Auditing Standards, we perform procedures to address the risk of management override of controls. In particular, the risk that the COM 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](http://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 COM, 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 COM 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 COM 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 Scheme Actuary

**Name of Fund:** States of Jersey Public Employees Pension Fund

**Effective Date of Valuation:** 31 December 2021

## 1. Security of prospective rights

The assets of the Public Employees Pension Fund ("the Fund") are used to provide pensions and other benefits under both the Public Employees Contributory Retirement Scheme ("the Final Salary Scheme") and the Public Employees Pension Scheme ("the Career Average Scheme").

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 of the respective schemes 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 schemes at the date of signing the valuation at 31 December 2021. It takes account of developments between the effective date of the valuation and the date of signing, but 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.

As at the effective date of the valuation, the valuation report disclosed a surplus in the Final Salary Scheme of £183.8M, equivalent to a funding ratio (assets divided by the present value of the liabilities) of 106.9%, and a deficit in the Career Average Scheme of £6.1M, equivalent to a funding ratio of 97.5%. The funding positions of both schemes improved between the valuation date and the date of signing the valuation due to an increase in expected future investment returns relative to inflation, and in our valuation report we confirmed that the accrual of future benefits under the respective schemes was considered to be affordable within the contribution cost caps provided for in the Fund's legislation.

In accordance with the Funding Strategy Statement, the Committee of Management and the Chief Minister agreed that no adjustments to benefits or contributions were required following the valuation. 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 97% of its accrued liabilities as at that date, based on pension increases equal to the minimum increases specified in the Regulations governing the Fund. This assumes that the Fund discontinued on the valuation date, even though the Regulations 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 £2,711.4M at 31 December 2021.
- b) future contributions payable by members and employers at the various rates specified in the Regulations or, where applicable in the case of particular employers, the rates specified in the Actuary's latest contribution certificate.
- c) future pre-1987 debt repayments payable to the Final Salary Scheme by particular employers in accordance with the rates specified in the Actuary's latest contribution certificate (in practice, the Government repaid its share of the pre-1987 debt through a lump sum repayment on 31 May 2022).

### **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 Regulations 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 Regulations i.e. nil increases for the Final Salary Scheme and 50% of RPI for the Career Average Scheme.

### **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 – Split between Schemes (Unaudited)

### Final Salary Scheme / Career Average Scheme Split

Assets of the Fund are invested together; however, they are ring fenced between the separate Schemes. This note details the split between the Final Salary Scheme and Career Average Scheme.

### Fund Account for the year ended 31 December 2023:

Dealings with members	Career Average Scheme (£'000)	Final Salary Scheme (£'000)	Total (£'000)
Employer contributions	61,099	3,744*	64,843
Employee contributions	31,085	889	31,974
<b>Contributions</b>	<b>92,184</b>	<b>4,633</b>	<b>96,817</b>
Transfers in	1,523	56	1,579
Other income	96	(70)	26
<b>Total payments in</b>	<b>93,803</b>	<b>4,619</b>	<b>98,422</b>
Benefits	(3,069)	(102,249)	(105,318)
Payments to and on account of leavers	(3,058)	(3,927)	(6,985)
Administrative expenses	(912)	(1,285)	(2,197)
<b>Total payments out</b>	<b>(7,039)</b>	<b>(107,461)</b>	<b>(114,500)</b>
<b>Net additions / (withdrawals) from dealings with members</b>	<b>86,764</b>	<b>(102,842)</b>	<b>(16,078)</b>
Net returns on investments			
<b>Net returns on investments</b>	<b>31,515</b>	<b>232,500</b>	<b>264,015</b>
Net increase in the Fund's assets during the year	<b>118,279</b>	<b>129,658</b>	<b>247,937</b>
Opening net assets	<b>290,652</b>	<b>2,510,579</b>	<b>2,801,231</b>
<b>Closing net assets</b>	<b>408,931</b>	<b>2,640,237</b>	<b>3,049,168</b>

\*£337.5 million was paid in May 2022 as a one-off sum by the Principal Employer in "full and final" settlement of their Pre-1987 Debt related entirely to the Final Salary Scheme. The Pre-1987 Debt is disclosed in more detail in Note 21.

**Fund Account for the year ended 31 December 2022:**

Dealings with members	Career Average Scheme (£'000)	Final Salary Scheme (£'000)	Total (£'000)
Employer contributions	51,699	346,540	398,239
Employee contributions	26,800	1,137	27,937
<b>Total contributions</b>	<b>78,499</b>	<b>347,677</b>	<b>426,176</b>
Transfers in	1,032	383	1,415
Other income	1,026	-	1,026
<b>Total payments in</b>	<b>80,557</b>	<b>348,060</b>	<b>428,617</b>
Benefits	(1,641)	(92,935)	(94,576)
Payments to and on account of leavers	(4,994)	(8,582)	(13,576)
Administrative expenses	(1,696)	(1,333)	(3,029)
<b>Total payments out</b>	<b>(8,331)</b>	<b>(102,850)</b>	<b>(111,181)</b>
<b>Net additions / (withdrawals) from dealings with members</b>	<b>72,226</b>	<b>245,210</b>	<b>317,436</b>
Net returns on investments			
Net returns on investments	(19,984)	(207,677)	(227,661)
<b>Net returns on investments</b>	<b>(19,984)</b>	<b>(207,677)</b>	<b>(227,661)</b>
Net increase in the Fund's assets during the year	52,242	37,533	89,775
Opening net assets	238,410	2,473,046	2,711,456
<b>Closing net assets</b>	<b>290,652</b>	<b>2,510,579</b>	<b>2,801,231</b>

**Statement of Net Assets available for Benefits as at 31 December 2023:**

	Career Average Scheme (£'000)	Final Salary Scheme (£'000)	Total (£'000)
<b>Unitised Investment Balances</b>	408,686	2,631,962	3,040,648
<b>Other net assets</b>	6,085	2,435	8,520
<b>Total net assets available for benefits</b>	<b>414,771</b>	<b>2,634,397</b>	<b>3,049,168</b>

**Statement of Net Assets available for Benefits as at 31 December 2022:**

	Career Average Scheme (£'000)	Final Salary Scheme (£'000)	Total (£'000)
<b>Unitised Investment Balances</b>	291,691	2,499,826	2,791,517
<b>Other net assets</b>	(1,039)	10,753	9,714
<b>Total net assets available for benefits</b>	<b>290,652</b>	<b>2,510,579</b>	<b>2,801,231</b>

## Appendix B – Summary of key service providers (Unaudited)

A summary of the key service provider roles and appointments:

Specialist Service Provider	Who	Who appoints under the Regulations	Summary of services	Appointment/ last tender	Next formal review and lead
Actuary	Aon Solutions UK Limited	COM, following approval by the Minister  (Contracted by COM)	Independently estimates the PEPF's liabilities and forecasts likely investment return outcomes, proposing suitable "target returns" for the PEPF's investments.  The Actuary writes a formal Valuation Report every three years which informs decisions around contribution/ benefit rates and investment strategy decisions.	2016 (competitive tender)	Annually, COM
Custodian	Northern Trust	Minister for T&R, in consultation with the Treasurer and COM  (Contracted by Minister for T&R)	Retains investment ownership records for investments in PEPF's own name; bookkeeps transactions; collates performance information; supports various investment operations.	2020 (performance/fee review)	2024, Administrator
Investment Managers	Various	COM, with the approval of the Minister for T&E  (Contracted by COM)	Invest funds according to their individual mandates	Varies	Ongoing, COM
Investment Advisors	Mercer LLC	COM, with the approval of the	Makes strategic investment recommendations (portfolio design; adding/ removing fund managers);	2015 (full review)	Annually, COM



Specialist Service Provider	Who	Who appoints under the Regulations	Summary of services	Appointment/ last tender	Next formal review and lead
		Minister for T&R  (Contracted by COM)	provides performance information to COM; 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 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)	COM	Supports the COM with arising legal matters and compliance with legislation	2019 (appointed 1 January 2020 following competitive tender).	Annually, COM
-Investment Administrator	Government of Jersey -Treasury and Investment Management Team) (T&IM).	The Treasurer is the Administrator  (Performed by the Government of Jersey T&IM)	Implements COM investment decisions; performs day-to-day coordination of tax filing and investment administration; reconciles service provider records and prepares the PEPF's financial records; coordinates the audit engagement; coordinates/ performs compliance activities; provides oversight of service provider performance and implements the COM's control framework.	Inception	Annually, COM
Administrator – Financial Statements			The Treasurer must keep PEPF records and prepare Financial Statements		

Specialist Service Provider	Who	Who appoints under the Regulations	Summary of services	Appointment/ last tender	Next formal review and lead
			<p>The Comptroller and Auditor General must appoint auditors.</p> <p>The COM must publish the audited Financial Statements</p>		
Administrator – Membership	Government of Jersey PEPT	The PEPT is the Administrator	<p>Coordinates the processing of pension contributions and payments; maintains PEPF records and membership records; implements COM communication strategies; assists the Minister with the Board appointment processes.</p> <p>PEPT performs and presents quarterly reporting to COM showing service standards against prescribed targets.</p>		
External Auditor	CLA Evelyn Partners Limited	Comptroller and Auditor General	Provides an external audit of the PEPF's Financial Statements	2021 (competitive tender)	2024 C&AG

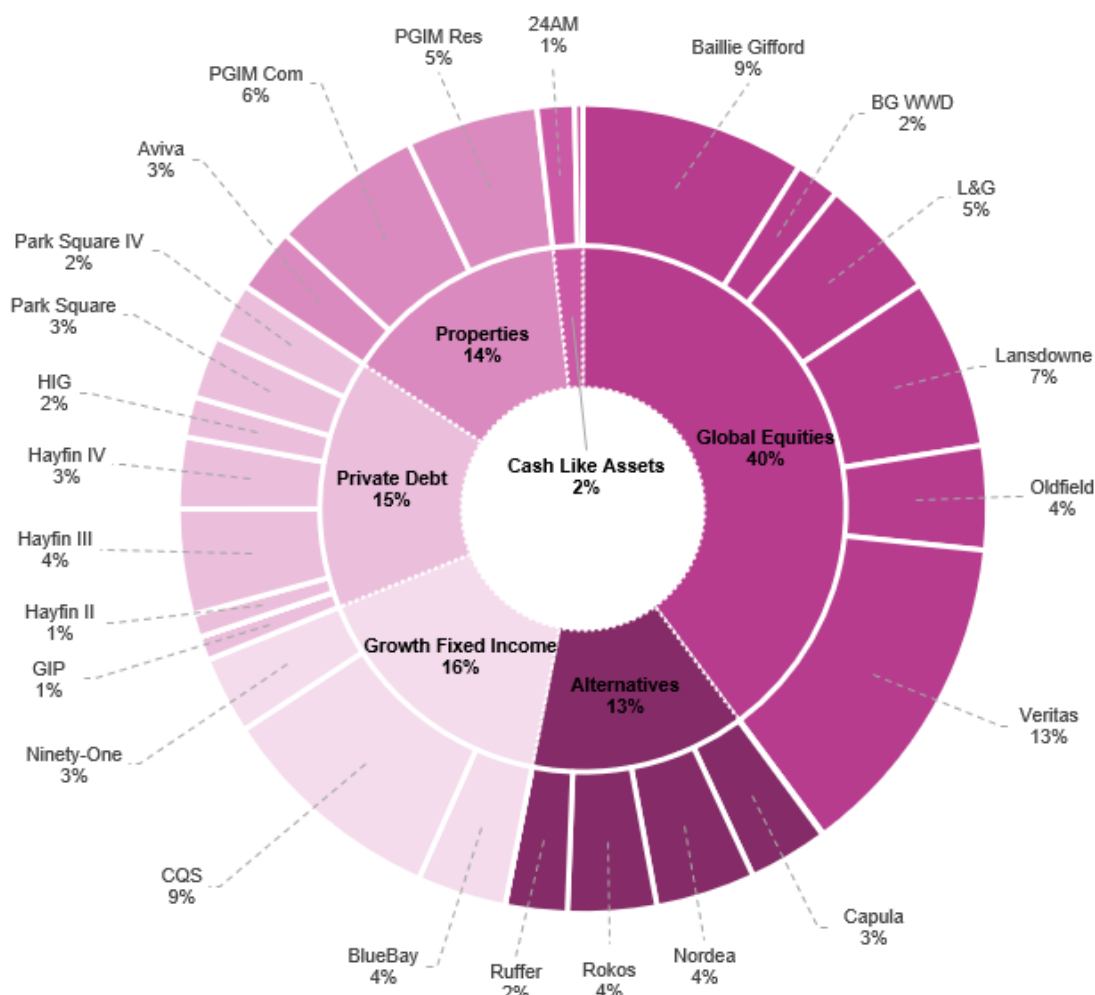
<sup>1</sup> Treasury completed their review of Northern Trust as Custodian in 2020, and in consultation with COM extended their contract to 2022, which was further deferred until completion of the ITS software upgrade. It is planned to complete the next desktop review of fees in 2024 alongside the CIF to gain administrative efficiencies and to maximise the ability to negotiate lower fees

# Appendix C – Additional information on the portfolio and performance (Unaudited)

## Portfolio composition at 31 December 2023

Detailed information on the composition of the portfolio is provided in the separately published SIP.

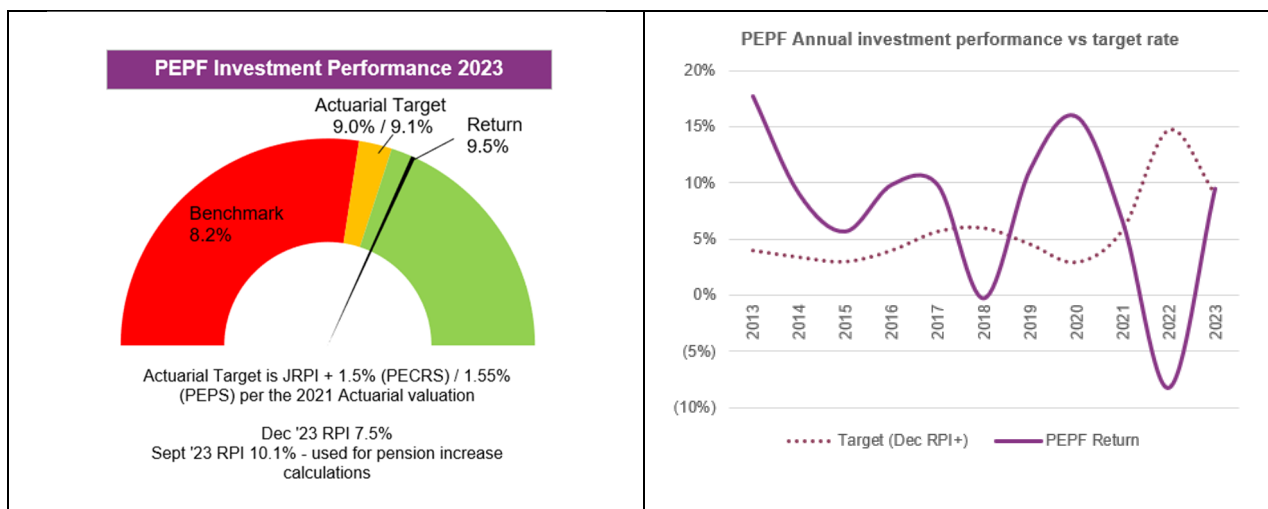
At the year-end, the portfolio comprised holdings as follows:



**Values contain roundings to nearest 1%**

## Performance analysis

### Overview



Over 2023, the PEPF was able to meet all financial obligations as they arose, and the assets of the PEPF increased in value by 9.5% to £3.0bn. This return is an overall out-performance of 1.3% over and above the strategic benchmarks used for performance monitoring.

The performance is particularly encouraging on two fronts: it arrests a one-off negative return of (8.3%) in 2022 and it demonstrates that the portfolio is able to also deliver returns in a higher interest rate environment to that of recent years.

As shown in the charts above, the PEPF has also met its Target rate\* over the year. (The Target rate is a proxy for the expected growth rate of the PEPF's liabilities over the long term, per the Actuary's calculations). Although comparison to Target rate can be misleading at a single point in time, outperformance over the longer historic record is a useful indicator that the portfolio's performance will continue to deliver the PEPF's investment aim.

Reflecting on 2023, the COM have observed that, although the portfolio has performed well to-date, the down-side risks in markets are elevated. Market sentiment appears polarised on a host of matters (including but not only: interest rate and inflation outlooks, the outlook for world trade, the likelihood of war and whether patterns in consumer behaviour have changed temporarily or structurally). Furthermore, the drivers of return appear to have become relatively concentrated, particularly in Equities markets. Hence, although the PEPF's investment managers have responded well over the year, the COM are considering adopting a slightly more defensive strategic allocation in 2024.

*\*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 JRPI plus 1.5%/ 1.55% (PECRS/PEPS)). For the period to 2031, the 2021 Actuarial Valuation assumed JRPI would be 2.85% 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 30 September RPI comparator is provided as a reference as that is the date for pension increase calculations.*

### Evaluation and context

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

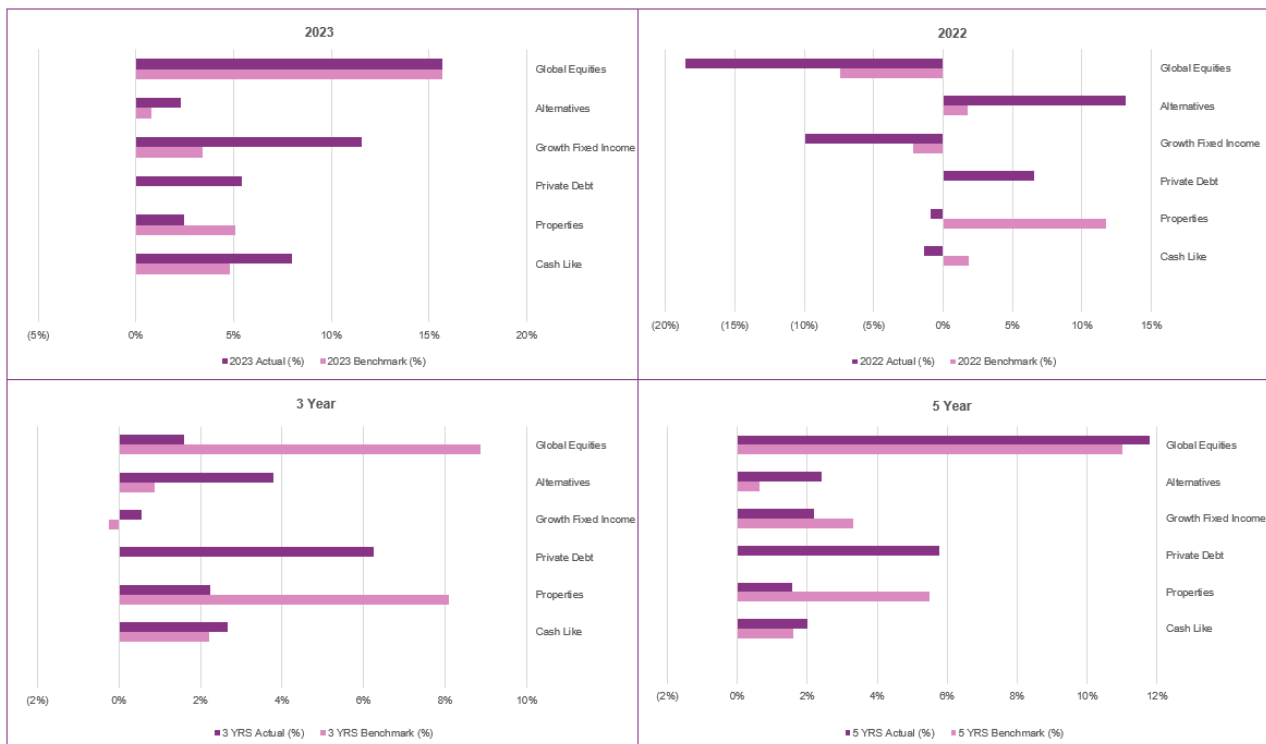
To achieve this aim, the PEPF employs a diversified investment portfolio that is designed to produce a calibrated mixture of return drivers, liquidity profiles and so forth. The priority performance focus for management is to ascertain whether each component of the portfolio is operating in the way that 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 strategic 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 PEPF, can be appropriately adjusted – such as the 2023 decision to end the Blackrock allocation and instead to gain exposure to emerging markets through BlueBay instead.

Over 2023, the portfolio as a whole outperformed its benchmark, with each asset class of the portfolio achieving similar performance to their benchmarks. 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

**Performance by asset class**



The table above shows how the positive return was generated. Once the relative sizes of holdings are considered, the Growth Assets (Equities and Alternatives) generated approximately two thirds of returns with Growth Fixed Income generating a further 19% of returns.

## Analysis of performance in 2023

<p>Global Equities (40% of portfolio)</p>	<p>PEPF has a range of Equity manager styles (active, index, defensive, speculative).</p> <p>All bar one investment contributed positive absolute performance, with large positions in Baillie Gifford Long Term Global Growth and Veritas resulting in over 65% of the PEPF's performance for the year.</p> <p>The Equities allocation's performance particularly benefited from exposure to investments in the US, technology, and in particular Artificial Intelligence technologies. As context, the seven largest US tech stocks were responsible for nearly two-thirds of the S&amp;P500's 26% total return.</p> <p>Baillie Gifford World-Wide Discovery performed negatively for most of the year before a significant recovery in December, ending with a near nil return over 2023. The nature of this fund is that the majority of return is generated after 5-10 years. This makes the trading price very sensitive to spikes in interest rates in the near term, which was the 2023 background. As a long-term investor, COM retains confidence to look through this volatility.</p> <p>Despite providing strong returns of 14% and 10% respectively over 2023, the COM are mindful that Lansdowne and Oldfield have lagged their benchmarks and are evaluating whether the managers are sufficiently protecting gains when markets move against them.</p> <p>Overall, the COM feels that the portfolio construction has worked as intended over 2023 and has delivered good results. The managers are fulfilling their mandates, though some strategic de-risking may be appropriate in 2024.</p>
<p>Alternatives (13% of portfolio)</p>	<p>The relatively high and volatile interest rate environment of 2023 was conducive to the trading styles of Rokos and Capula, who returned 8% and 11% each, contributing approximately 7% of the PEPF's performance.</p> <p>However, the returns of Nordea and Ruffer were negative, (4%) and (6%), limiting the Alternative allocation's contribution to overall performance to under 3%. After due consideration, the conclusion of the COM is that this is more reflective of the deliberate diversity of styles these funds represent, rather than manager-specific concerns.</p> <p>As with Equities, COM are pleased with 2023 performance but at year-end are reflecting on whether it is an appropriate time modify the balance of the portfolio's defensive strategies in 2024.</p>
<p>Growth Fixed Income (16% of portfolio)</p>	<p>Growth Fixed Income has performed well in 2023, delivering nearly 20% of the PEPF's return. The sector performance is largely as a result of the increase in credit spreads (the premium paid to lenders for risk of default) and because of a lack of lending capacity within the sector generally, allowing more attractive rates to be achieved.</p>

	<p>In this environment, the COM's focus has been on how well its managers are controlling their specific credit risks. The COM are satisfied its managers appear to be managing this well but are mindful that so far, the economy at large has been benign – a circumstance that could change quickly, for instance if high interest rates, Government policies or trade disruptions lead to a recession.</p>
<p>Private Debt (15% of portfolio)</p>	<p>The nature of private debt is that investments are made for fixed term, multi-year cycles, with return weighted to the end of those vintages, rather than providing an even annual return. As vintages are added, the overall blended return of the sector stabilises.</p> <p>Over 2023, new vintages of Park Square and Hayfin have been added to balance the maturity of earlier vintages. The GIP and HIG funds have also called up more capital as they move closer to mid-cycle. This has brought an increased USD exposure.</p> <p>Similar to Private Debt, the COM perceives the sector as having an opportunity to make strong returns in the current economic environment, but with a simultaneously increasing down-side risk from default. Therefore, the COM's attention is on the managers' credit control management with reflection on the overall impact on the portfolio's risk/ return balance.</p>
<p>Properties (14% of portfolio)</p>	<p>The overall return for the year was positive, 3%, but it reflected complex underlying dynamics.</p> <p>Overall, the rise in interest rates was a significant headwind to valuations, as this reduced the value of long-term cashflows in "today's money" and increased the likelihood of rental delays or defaults. At the same time, uncertainty about demographic trends made it more difficult to evaluate property assets as security for those cashflows and low trading volumes reduced the market's ability to rebalance property portfolios. In addition, environmental standards legislation impacting value-in-use of properties and mooted retrospective legislation affecting residential Ground Lease reforms also detracted from valuations.</p> <p>Despite this, the sector simultaneously offered a buying opportunity for those who could take an illiquid, long-term perspective. Many property sector investors are mature defined benefit pension schemes, and several of these – because they themselves are entering a period of maturity where they require increased liquidity and/ or lower asset value volatility- were seeking to rebalance into other asset classes. Therefore, property funds were trading at significant discounts to the value of future contractual cashflows on secondary markets.</p> <p>Thus, in March 2023, the COM took the opportunity of a dislocated market environment to add to the PEPF's long-term holdings in PGIM Residential. This achieved a significant discount of approximately 44% to the net asset value (based on contractual future cash flows) whilst helping to protect the existing holding by increasing control.</p>

	<p>The acquisition reflects that COM is confident to look through temporary volatility in the market for long term benefit. However, an area of concern that COM are closely monitoring is the progress of potential UK Ground Lease reforms that appear to pose a risk to long term value.</p>
<p>ABS Cash-Like Assets (2% of portfolio)</p>	<p>Asset Backed Securities are a form of cash. These investments are held for operational cash where liquidity is the main criteria rather than as a strategic long-term asset. The higher interest rates of 2023 increased the return from this relatively lower risk asset class.</p>



## Appendix D – COM member interests

The size of the Schemes' 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 below table summarises the interests considered to be the most significant on a standing basis as at 31 December 2023. However, the relevance of any interest to any item of business is a subjective judgement, reflecting the context of the moment. Ultimately, the COM expects its members to be transparent in these matters and to act in good faith.

Name	Interest	Any particular considerations
G Pollock	JTSF Chairman Independent member of the Treasury Advisory Panel	
C Bambury	Treasurer of the Jersey Civil Service Association Previous Administration Manager of the PEPT.	
M Bradbury	Independent Consultant States of Jersey Fire & Rescue Service (Contracted – ineligible pension)	
J Cooke	Head of Global Equity/Director of Investment, Ashburton Investments	
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, JTSF Management Board	
J Everett	Chief Risk Officer, Altum Group Member, JTSF Management Board Chair of the Jersey Electoral Authority Commissioner for Tax Appeals	
C Guillaume	Director Rossborough Financial	
G Liew	Senior Independent Director – Digital 9 Infrastructure PLC Independent non-executive director – Medicxi Ventures (Jersey) Limited Independent non-executive director - TVM life sciences fund Voting Member, Jersey Data Protection Authority	Spouse (Douglas Melville) is CEO & Channel Islands Financial Ombudsman

	<p>Senior Independent Director, Digital Jersey</p> <p>Commissioner for Tax Appeals</p> <p>Chair of the Statistics Users Group (SUG) – (independent oversight body)</p> <p>Board Director &amp; Trustee, JICAS (Jersey International Centre of Advanced Studies)</p> <p>Vice Chair &amp; Trustee, Arthouse Jersey</p> <p>Trustee, Shelter Trust</p> <p>Executive Director, Jersey Policy Forum</p>	
<p>MAQ Richardson</p>	<p>Private Secretary to the Minister for the Environment</p> <p>Employee Member, Employment Forum (unremunerated)</p>	
<p>E Sallis OBE</p>	<p>External member of the Treasury and Exchequer Income Forecasting Group</p> <p>Member, JTSF Management Board</p>	

# Glossary

**1967 Law:** The Public Employees (Retirement) (Jersey) Law 1967, together with its subordinate Regulations.

**2014 Law:** The Public Employees' (Pensions) (Jersey) Law 2014, together with its subordinate Regulations.

**Accrual (of pension benefit):** This is the process by which future benefits under the Schemes are built up and are typically expressed as a fraction of a year's pensionable earnings. The rate of accrual differs between the two Schemes.

**Actuary:** A consultant who advises the PEPF and at least every three years formally reviews the assets and liabilities of the Schemes and produces a report on the Schemes' financial position.

**Administration Regulations 2015:** the Public Employees (Pension Scheme) (Administration) (Jersey) Regulations 2015.

**Admitted Employers:** Employers who have been accepted as participating employers of the PEPF and whose staff can become members of PEPS by virtue of an agreement made between the Chief Minister, Committee of Management, and the relevant body. This includes employers who were accepted as participating employers of the Final Salary Scheme.

**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.

**AVC:** 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.

**Benefit options:** Members have a number of options to enhance (by payment of AVCs) or take their benefits (transfer out), the assumptions and results of the valuation will affect the terms of these options.

**C&AG:** The Comptroller & Auditor General.

**Career Average Revalued Earnings Scheme:** A pension scheme where benefits are built up for each working year and then "revalued" annually by an agreed index.

**Career Average Scheme:** The Public Employees' Pension Scheme (PEPS) is otherwise known as the Career Average Scheme. This is currently the smaller of the two Schemes within PEPF in terms of assets and liabilities, due to its recent inception providing only a short period to amass both assets and liabilities. The Scheme pays pension benefits, subject to conditions, based on Career Average Revalued Earnings. The Scheme is open to all new employees of the Government of Jersey and most

Admitted Employers, but also includes members who were moved from the Final Salary Scheme on 1 January 2019.

**CIF:** Common Investment Fund.

**CIFO:** Channel Islands Financial Ombudsman.

**COM :** The Committee of Management which manages the Fund under the powers vested in it by Regulations governing the respective Schemes, comprising a chairman, five Principal Employer representatives, one Admitted Employer representative, four member representatives and two pensioner representatives.

**Custodian:** The service provider which keeps safe custody of PEPF assets on Treasury/ the COM's behalf. The PEPF 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 because 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 shares can be traded on a recognised stock exchange. The PEPF may also hold a limited number of unlisted equities where dealers directly facilitate the 'over the counter' buying and selling of outside of recognised stock exchanges.

**ESG:** Environmental, Social and Governance.

**Final Salary Scheme:** The Public Employees' Contributory Retirement Scheme (or **PECRS**) is otherwise known as the Final Salary Scheme. This is the larger of the two schemes within PEPF in terms of assets and liabilities. Closed to new members, this is also the older of the two Schemes with new employees of the Government of Jersey instead joining the newer Career Average Scheme

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

**Fund:** The Public Employees Pension Fund, consisting of the Final Salary Scheme and the Career Average Scheme.

**Funding Level:** The relationship between the value of a scheme's assets and its actuarial liability. This is normally expressed as a percentage.

**Growth Fixed Income:** Fixed income assets are those which typically pay a regular coupon in addition to a capital sum returned either at maturity, at the end of a fixed period, or incrementally over the life of the investment. Growth fixed income relates to fixed income assets with a higher return target, normally equating to an equity like total return.

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

**Jersey Appointments Commission:** An independent body that oversees the recruitment of States of Jersey employees and appointments to States of Jersey supported or related bodies.

**JRPI:** The Jersey Retail Prices Index is a measure of the rate of inflation to which pension benefits are linked.

**JTSF:** Jersey Teachers Superannuation Fund.

**Managed and unitised funds:** A pooled fund in which investors can buy and sell units. The pooled fund then purchases investments, the returns on which are passed on to the unit holders. This enables a broader spread of investments than investors could achieve individually.

**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 COM to help them review certain administration and operational functions.

**Pension Administration Strategy:** The written statement which contains the policies and procedures governing the administration of the PEPF and the obligations of PEPF Employers/Admitted Employers.

**Pending trades:** Trades that have been instructed but not settled at year end.

**PEPF:** The pension Fund, as defined under Article 5 of the Public Employees' (Pension) (Jersey) Law 2014, consisting of the Final Salary Scheme and the Career Average Scheme.

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

**PIVs:** Pooled Investment Vehicles.

**Pre-1987 Debt (Salary Linked Bond):** A payment arrangement agreed between the Government of Jersey and the COM for dealing with the shortfall transferred to the Fund arising from the changes made to the Final Salary Scheme in 1987. The majority of the Pre-1987 Debt was repaid in May 2022 but the timing of the remaining amounts due from certain Admitted Employers is as yet undecided.

**Private Debt:** Investments characterised by the loan of money by fund vehicles, outside traded markets, typically to smaller corporate entities, and typically for fixed periods of time with security and interest rate conditions.

**Properties:** Investments related to acquisition, development or management of property and related activities. The Fund has Ground Lease investments, which are long term, illiquid investments whose investment objectives are focused on yield.

**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 COM to effectively identify, prioritise, manage and monitor risks associated with the PEPF.

**Schemes:** The Final Salary Scheme/PECRS and the Career Average Scheme/PEPS.

**Segregated assets:** Individual assets that are managed by an investment manager for the Fund and which the Fund's custodian holds on behalf of the Fund. (This is different to Pooled assets, where the Fund owns units in a fund that owns individual assets. In a pooled arrangement, only the units in a fund are held by the Fund's custodian).

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

**SORP:** Statement of Recommended Practice, 'Financial Reports of Pension Schemes (revised June 2018)', consisting of guidance on how to prepare the Financial Statements.

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

**Treasurer:** Treasurer of the States.

**T&IM:** Treasury and Investment Management Team.

**Unitised Investment Balances:** The Career Average Scheme and Final Salary Scheme pool funds for investment purposes. The aim is to provide greater investment opportunities, economies of scale and minimise fees and costs. To ensure appropriate ring-fencing of assets is maintained and to efficiently and transparently manage the portfolio, units in the combined investment portfolio are allocated between the two Schemes. Unitised Investment Balances represent the holding in the combined PEPF portfolio held by either respective Scheme.

## Contacts and Further Information

If you know someone who would like this document in another format, all published documents are available from the PEPT.

Come and see us in Customer and Local Services at La Motte Street on Tuesdays between 8:30am and 1pm (by appointment).

Alternatively, you may contact us via the PEPF's electronic or postal address detailed below:

**Email:**

pept@gov.je

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Public Employees Pension Fund  
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