



Public Employees Pension Fund **Annual Report 2024**

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Chair’s Report

Executive Summary

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




The PEPF is a fund that pools the employee and employer contributions of the Public Employees Contributory Retirement Scheme (**PECRS**, or **the Final Salary Scheme**) and the Public Employees Pension Scheme (**PEPS**, or **the Career Average Scheme**) (together, **the Schemes**), and invests them to generate returns sufficient to meet the Schemes’ obligations to members.

Introduction

My name is Jonathan Gainsford and since 1 July 2024 I am the new Chair of the PEPF. I would like to begin by thanking the outgoing Chair, Gordon Pollock, and the members of the Committee of Management (**the CoM**) for their work contributing to the good position of the Fund and for their support and welcome as I have stepped into the role. With my actuarial background and over 35 years of experience advising trustees and sponsors on all aspects of UK pension provision, my goal is to help ensure the Fund's continued smooth operation for the benefit of the Schemes’ members.

Highlights

I am pleased to report 2024 has been a successful year for the Fund:

	<p>Strategic investment aims</p> <p>The investment strategies are operating as designed. All required benefit payments have been met in the year, and performance has helped support the payment of pension increases in 2025 in line with inflation (the Jersey Retail Price Index).</p> <p>The CoM is alive to changing investment risks and needs and is proactively managing the evolution of the investment strategy so that the good historic performance continues.</p>
	<p>Strategic operational aims</p> <p>The performance targets for service providers were exceeded throughout the year.</p>
	<p>Strategic projects</p> <p>Several strategic projects were completed and where not completed have started. Reasons for delays are understood, and they generally relate to external factors or reflect a deliberate prioritisation of resource.</p>

It is relevant to note that 31 December 2024 marks the next triennial Actuarial Valuation date. The Actuarial Valuation is a ground-up detailed recalculation of the long-term Scheme funding positions by an independent Actuary. The valuation takes place during 2025 and the results will be available to members in 2026. This report will drive the CoM's next round of medium to long-term strategic investment decisions.

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), excluding teachers, and employees of several Admitted Employers in Jersey.

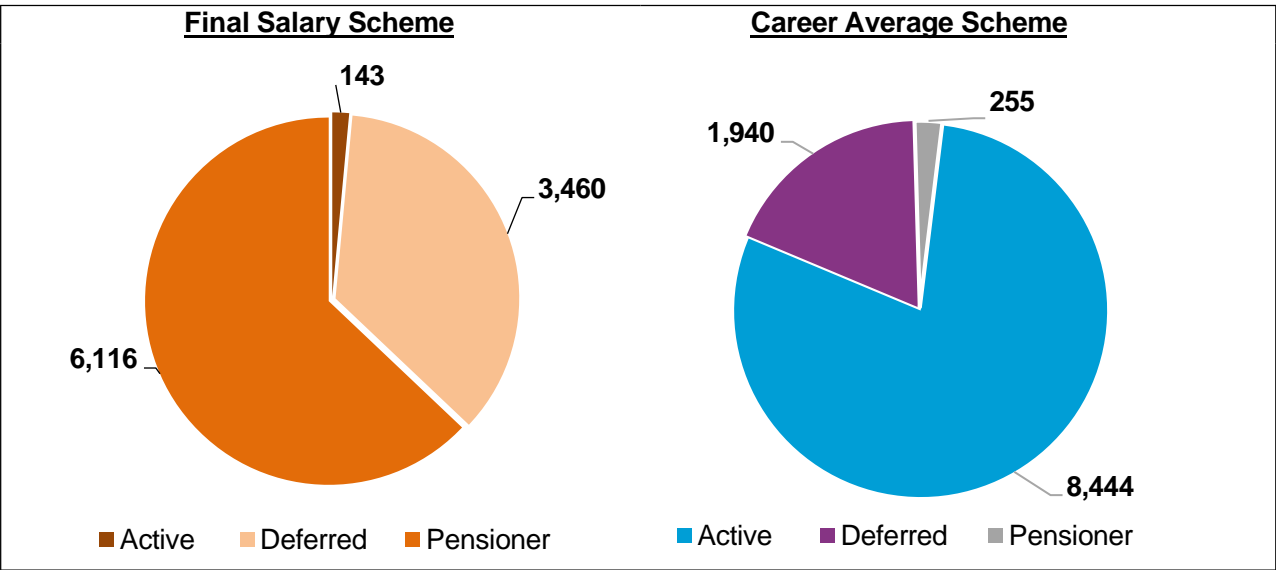
Business model and environment

As explained in more detail in the Accountability section of this report, the Fund and the Schemes are established by legislation, which also furnishes the Schemes with specific requirements about the management structure and operational rules.

The legislation defines a complex governance structure with key 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 (namely the Actuary, the Administrator, the Investment Advisor and the Custodian). Although legislation could be amended from time to time, this is a significant undertaking and therefore the governance structure can be described as static.

The Schemes

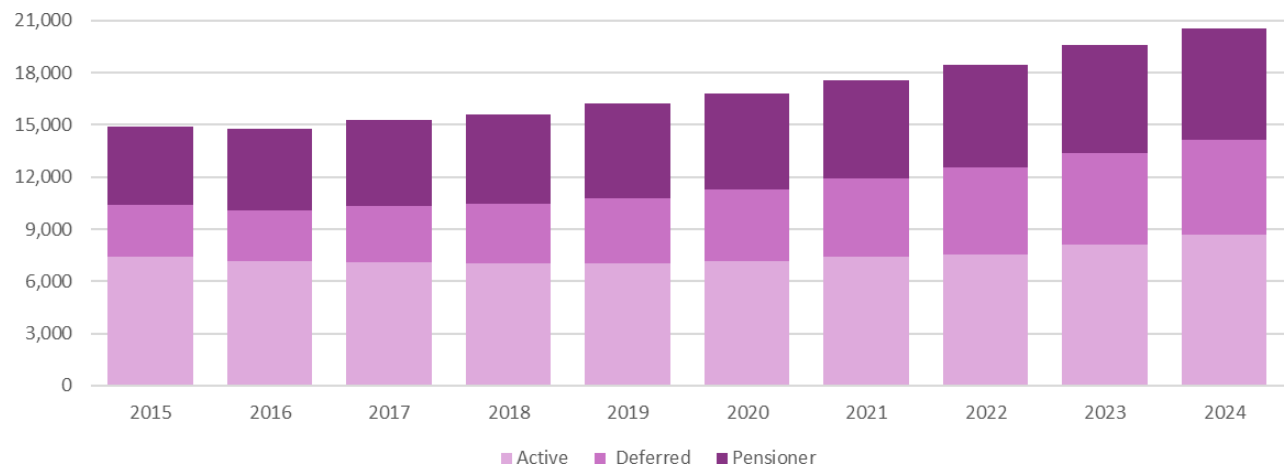
The Final Salary Scheme is a final salary defined benefit pension scheme that closed to new members on 31 December 2015 and the Career Average Scheme (a career average defined benefit scheme) opened to membership on 1 January 2016. Following the closure of the Final Salary Scheme, around 4,400 active members of that Scheme transferred to the newly formed Career Average Scheme on 1 January 2019 for their future accrual. There are only 2,950 transitional members remaining, a reduction of around 33%.



At 31 December 2024, the Fund had a combined membership of 20,358 (2023: 19,550) and net assets stood at £3.3 billion (2023: £3.0 billion).

The membership of the Career Average Scheme (10,639) exceeded the membership of the Final Salary Scheme (9,719) at the year end.

Figure: Breakdown of membership



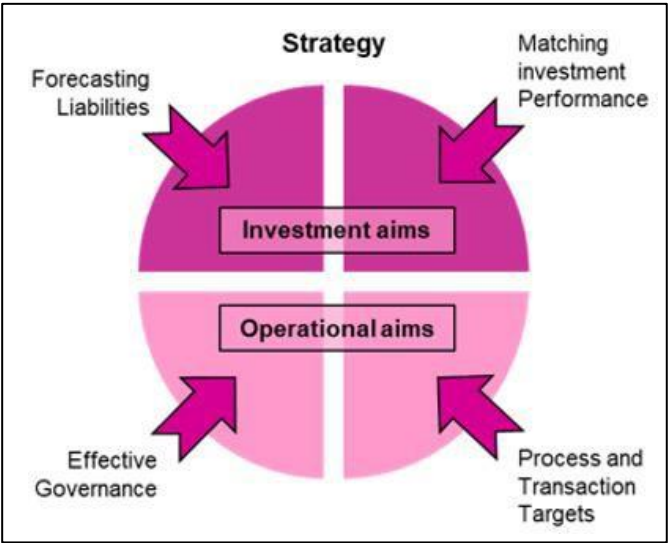
Organisational structure and priorities

In summary, the legislation established the CoM to oversee day-to-day activities performed by the range of service providers and advisors listed above (see also Appendix A to this report).

The CoM ensures 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. The 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.

Strategic objectives

At a strategic level, the CoM's work relates to achieving Investment and Operational aims:



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

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

The CoM's **strategic operational aim** is to discharge its responsibilities in a timely and efficient manner. For instance, overseeing secure and correct processing of information by the Administrator, or that payments are made accurately and that legislative requirements are met. Put another way, the CoM's aim 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 **strategic projects** are developed in consideration of the core risks to delivery of investment and operational aims.

Progress against objectives

Over 2024, the Fund met its strategic investment and operational aims and largely met its strategic project aims. An analysis of this performance is provided in the Performance Analysis section of this report, below.

Risks to achieving strategic aims

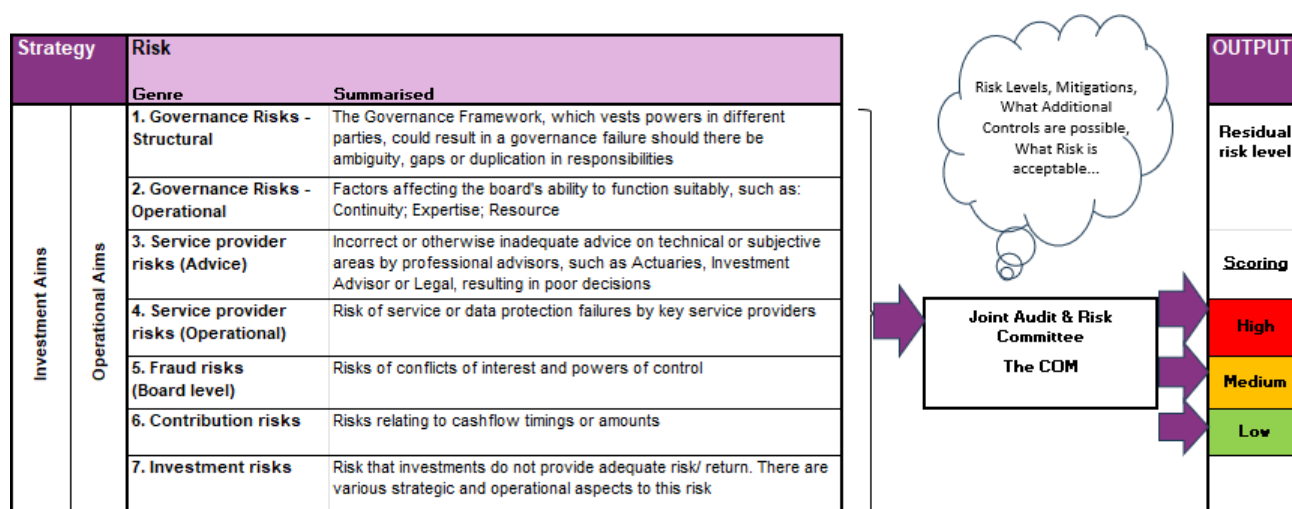
Any internal or external factor that has potential to limit the achievement of a strategic aim is considered a risk, whether that is in the near-term or over a longer-term perspective. Given the open-ended number of potential risks, it is necessary for the CoM to have a process of ranking likelihood and impact, and then to design mitigation measures where possible. This is the Risk Management Process.

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**)) manage risks through a joint Audit & Risk (A&R) Subcommittee. The primary tool of this Subcommittee is a joint Risk Register in which the various risks are consolidated and evaluated.

The Risk Register summarises how risks to the strategic aims of the funds are perceived and how these risks are controlled or tolerated at Fund level.

The fundamental point of focus for the CoM's risk management strategy is that the Fund's assets should be able to meet the Schemes' contractual liabilities as they fall due. It is in this light that the Risk Register should be considered.

Figure: The development of risk scoring

Each Core 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 annually. The risk management assessment sits over and above the PEPF's service providers' own underlying risk management structures, ensuring a holistic view.

The evaluation of risk is based on information obtained directly (such as site visits to investment managers) and from external sources (such as the media or training).

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, such as in the face of an event that is perceived to affect the scoring of a Core Risk (known as a Specific Risk). For example, War and Geopolitical Instability (a Specific Risk) can impact multiple Core Risks, such as Investment Risk.

Such events may be internal or external in origin. The 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 2024, the A&R Subcommittee were tracking four such Specific Risks that it considered could potentially significantly impact the risk scoring of the various Core Risks:

- War and Geographical Instability (impacting investment risks)
- Significant New Legislation (primarily the potential need to adjust governance structures to respond to Channel Island Financial Ombudsman (CIFO) and Data Protection developments)
- Administrator Resource Constraints (reflecting the present number and demands of active projects)
- UK Government Ground Lease Reform Legislation (impacting investment risks)

Quantified risk summary as at 31 December 2024:

The table below shows how combined risk assessment 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.

Summary of risk scoring at 31 December 2024

SCORING (Likelihood x Impact)	No. of Core Risks	Combined Score
LIKELIHOOD: Probability 5 Very Likely – Event/ effect is expected to occur in 3 years with little uncertainty remaining 4 Likely – More than 50% likely to occur, particularly in near term 3 Possible – An even chance 2 Unlikely – Less than 50% likely to occur, particularly in near term 1 Very Unlikely – Event/ effect is not expected to occur in 3 years with little uncertainty remaining		Higher (Score>15)
IMPACT: Probability 5 Major – Catastrophic impact on the portfolio in terms of NAV or performance Portfolio could potentially take decades to recover value, if ever 4 Serious – Serious impact on the portfolio in terms of NAV or performance Portfolio is likely to take multiple years to recover value 3 Significant – Significant impact on portfolio NAV or performance Noteworthy, though portfolio could recover value over the course of a year or two 2 Moderate – Moderately impact NAV or performance Portfolio might be expected to recover lost value over the course of a single year 1 Minor – Risk that has relatively low impact on NAV or performance Unlikely to significantly impact Fund returns even over a single year		Moderate
		Lower (Score<7)

The Higher Risk score in the table above reflects the influence of two Significant Risks (Geopolitical Uncertainty and more particularly UK Government Ground Lease Reform) on the Core Risk to valuation of Fund assets. The CoM considers that practical actions have been taken to reduce the impact of these two external factors and it is closely monitoring developments in these areas. The CoM also notes the reassurance provided by the Schemes' strong funding positions and the opportunity this brings to protectively derisk the PECSRS portfolio strategy.

Developments in risk management

No significant changes to the risk management structure are envisaged in 2025.

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 (*a listing is provided in Appendix A*). These service providers report to and/ or 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 Public Employees Pension Team (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.

Following the appointment of a service provider, the CoM's value-for-money (VFM) day-to-day focus is to verify the service providers' ongoing performance. 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.

The CoM's reviews use directly and indirectly obtained information and incorporate a mixture of quantitative (numerical, statistics, results) and qualitative (trend analysis, opinion) information types. Annually, the CoM employs an annual service provider questionnaire to draw out significant information about the depth and quality of the providers' resources and their own views about how they provide value.

In 2024, the CoM also engaged an external party (MUSE) to provide a benchmarking support report on Aon's services (the Fund's Actuary), and Mercer (the Fund's Investment Advisor). This report was commissioned since VFM can be difficult to quantify, given it is not purely related to cost, but also linked to the quality of the service received, its ability to be fit for purpose, and the sustainability of that service. The review focused on each of these in turn, with a particular focus on sustainability and future-proofing the Fund's advisory teams.

The review highlighted that:

- The Actuarial fees are in line with Industry standard.
- The investment consulting charge-out rates are a little higher than industry standard, however the team is particularly experienced. Given the nature and complexity of what is required, it is unlikely that the Fund would receive a significant reduction in fees if it looked elsewhere.
- Strong collaborative relationships exist between the CoM, and its advisory service providers Aon and Mercer.

In the opinion of MUSE, both advisory teams provided good VFM, and not purely from a cost perspective. Both firms had a very strong and experienced team working for CoM, and the current relationships between the advisory groups worked well. Both Mercer and Aon are expert in their respective fields and are in a position to offer additional services, technology and industry insights. A few areas for improvement were noted, but in the opinion of MUSE, re-tendering these services would not be of benefit to the Fund.

In the case of investments, the CoM's Investment Subcommittee (the **ISC**) interviews its managers with the assistance of the Investment Advisor to ensure that the services being provided are being delivered as envisaged.

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 overall return volatility, diversification of return drivers and liquidity. In other words, value-for-money is about more than just cost minimisation.

The portfolio is primarily invested in "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 includes funds which will be less active 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.
- Wherever possible, tax efficient investment classes/ vehicles are chosen.

- The CoM achieves scale discounts on manager fees by optimising the size of its holdings as well as through negotiation between the Investment Advisor and the managers. 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 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 wider Island stakeholders. 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 a 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 the 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 ISC 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 ISC makes a recommendation to the CoM, which 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 CoM is happy to report that the Fund is well positioned to provide returns sufficient to meet pension commitments to members now and into the future.

	Strategic investment aims Returns have been sufficient to meet all required benefit payments arising in the year and to support increases in pension payments/ benefits in line with September JRPI. The portfolio returns are in-line with the portfolio design expectations, making a positive contribution to the funding position of the Schemes.
	Strategic operational aims All legal and contractual obligations arising in the year were met, with business conducted in a responsible and cost-effective manner, consistent with the reputation of the participant employers and members.
	Strategic project aims Although not all strategic projects were completed, significant progress was made across the board and operational risks have been kept under control.

Strategic performance

Strategic investment aim: Affording pension Increases

	The PEPF's financial position is strong enough to support the 2025 increase in pension payments/ benefits in line with September JRPI
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The PEPF's strength means that it has been able to continue paying increases in line with JRPI, with the pension in deferment and retirement increasing by 3.0% on 1 January 2025*.

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

Recent pension increases:

Year of effect (Effective 1 st January)	Increase (JRPI % of preceding 30 September)
2021	0.9
2022	2.9
2023	10.4
2024	10.1
2025	3.0

Strategic investment aim: Investment performance

	The Fund has met its return objectives in the year
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The CoM evaluates the effectiveness of the Fund’s investment performance against its portfolio design in terms of:

- Its strategic portfolio choices (the choice and combination of asset classes, and within that the styles of managers chosen), and
- Its tactical portfolio choices (the selection of individual managers to represent those asset classes and styles).

The strategic portfolio choices are evaluated by comparisons of the portfolio’s return, the Actuarial Target (the return the Actuary assumes over the long-term to achieve the projected funding position) and Benchmark return (the return that the Investment Advisor anticipates the strategic selection of asset classes and styles will achieve).The CoM is satisfied that its strategic portfolio decisions continued to be successful over 2024 and, where returns briefly dipped below expectations for short periods of time in recent years, the reasons that were understood at the time appear to be borne out and temporary in nature.


The CoM’s investment decisions are evaluated for absolute performance but also for performance relative to individual fund benchmark targets and outperformance targets. This evaluation is complex: individual managers invest for a range of time horizons; they may not have perfectly comparable benchmarks; and a consideration of a manager’s performance must also reflect operational risk and liquidity considerations that are not accounted for purely in return assessments.

Most managers, (including the active-style managers who charge relatively higher fees but pursue a higher than benchmark return) provided satisfactory positive absolute and relative returns over the year. In the round, the CoM considers its investment decisions as successful.

For reasons explained above, evaluating investment performance is subjective and difficult. Also, the CoM recognises that either failing to take corrective action early or, conversely, over-reacting to short-term indicators is likely to be detrimental to long term performance. In consideration of all the points above, the CoM is satisfied that the Fund is continuing to meet its investment targets and is well positioned to continue to do so.

An expanded investment performance commentary is provided in Appendix B.

Strategic operational aim: Administrative performance

	<p>The PEPF has run smoothly and within budget</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 its Key Performance Indicator targets in the year, as set out in the Pension Administration Strategy. In 2024, the Committee of Management undertook an annual review of the Pension Administration Strategy and concluded it remains workable. The performance measures remain in place and were achieved by the Administrator and Employers.

Volumes

Over the year, across the JTSF and PEPF, the PEPT received over 22,000 emails, 6,500 telephone calls and received over 23,000 documents which were uploaded to member records. The team also had over 234 face-to-face meetings held at the Tuesday surgery.

Complaints


The PEPF has a four stage complaints procedure, the first stage is reviewed and responded to in house by the PEPT and the second stage by an independent senior manager, 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 in line with any planned future 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 seven new complaints (per the table below). Three of the seven complaints were upheld. One complaint went to Level 4 and was not upheld. 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			
2024	3	3				4	2	1		1

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

Strategic operational aim: Sustainability

	The PEPF’s sustainability reporting is at an early stage of development.
	The CoM is satisfied that the Fund is meeting its present responsible investment objectives.
	However, the CoM acknowledges that “best practice” is a rapidly evolving area with several alternative reporting frameworks developing. There is no mandatory requirement (presently) for the Fund to adopt one of these frameworks, but it is foreseeable that the Fund’s reporting could expand to some degree in the near future.
	To be able to do so, the Fund would need to have more data than it currently collects. As such, the CoM acknowledges that the Fund remains in a phase of gathering information about options, costs and benefits of expanding its range of sustainability data.

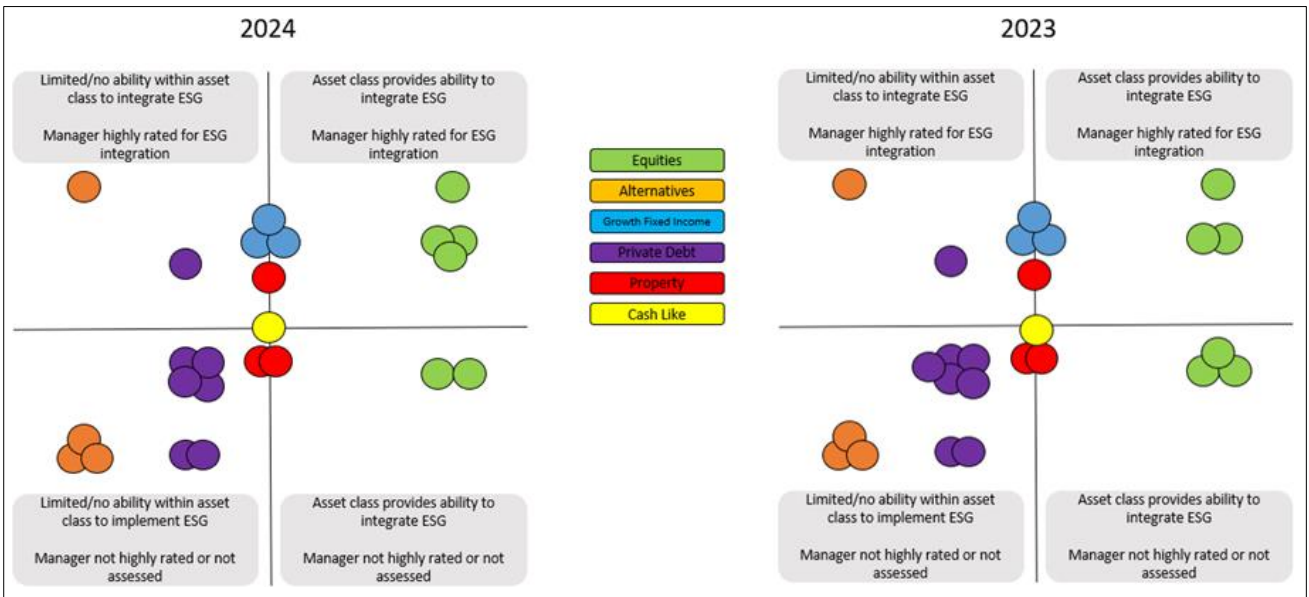
The CoM considers that the main impact of the Fund in aspects of “sustainability” is from its investments, which have impacts internationally in terms of environmental, social and economic outcomes. In this, the CoM’s biggest area of influence is in its initial choice of investment managers and its engagement with them thereafter.

The way that the CoM does this is through application of its Responsible Investment policy and its Measure, Monitor, Engage framework (published on the Government of Jersey website). This is where the CoM expresses its ambitions, principles and standards of practice.

The CoM recognises it faces certain significant practical limitations in its aspirations. For instance, due to concerns that climate reporting data available in the markets is not yet sufficiently comparable or reliable for all the asset classes used by the Fund, the CoM considers it is not yet practical to adopt a Net Zero carbon target. The CoM considers many of the areas outlined in the Taskforce on Climate Related Financial Disclosures (TCFD)’s reporting framework in the day-to-day operations of the Fund but has chosen not to fully adopt the climate-related disclosure requirements of the TCFD reporting framework.

The choices (of managers used in the portfolio), over which the CoM has a great range of options, can have an impact on the portfolio’s ESG characteristics. The CoM consider this when appointing managers for the Fund which align with the strategic allocation choices between asset classes and asset styles (over which the CoM has a narrower range of options if it is to meet the portfolio’s performance needs).

This latter point can be seen in the year-on-year manager-level ESG scoring, where the relative positions of managers reflects the asset classes and styles in which they invest:



In order to better facilitate its stewardship decisions and to enable clearer communications with members on matters of sustainability, the CoM is continuing to evolve its approach and to seek new ways to collect meaningful data.


For example, in 2025 the Investment Advisor will broaden its data collection and assessment of ESG integration by the Fund’s managers at both an organisation and underlying fund level. . Also, for the first time, a climate scenario analysis will be undertaken (which considers climate impacts on the assets and liabilities and how these link to risk).

In relation to its operations, the CoM primarily minimises its own direct “carbon footprint” through minimising air travel where it sees opportunity to do so. An example is its use of virtual conferencing to reduce travel and consolidating off-island trips where suitable. Local service providers are chosen where the opportunity arises. The remaining CoM footprint is considered immaterial.





The other day-to-day activities of the Fund are mostly discharged through a range of service providers, notably the Treasury Department, many of whom are appointed by the Treasurer or the Minister. As such,

readers may wish to refer to the extensive policies of the Government of Jersey, as published in its Financial Statements.

Strategic projects aim: Operational and governance initiatives

	<p>Significant progress has been made across a number of strategic projects</p> <p>Due to resource constraints, it has though been necessary to delay one large project (finalising the Pension Administration Strategy) and a further project (implementing the EQ Compendia upgrades) was delayed whilst contractual discussions were undertaken.</p> <p>Progress on the expansion of the Channel Islands Financial Ombudsman's (the CIFO) remit to become an independent stage in pension complaints, which the Board is very supportive of, has been delayed by the Government of Jersey due to other priorities.</p>
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As ever, new challenges arise over time. To ensure that the Fund continues to meet them successfully the CoM has an extensive programme of strategic projects which it tackles by prioritisation. The following table summarises the projects, their 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	It was envisaged that the implementation of EQ Compendia would occur in 2024. Following contract re-negotiation, the work has been delayed into 2025, but significant progress has been made in preparation work.	Operational	 In progress, expected to continue into 2025
Implementing findings from the Board Effectiveness Review	Further to the findings of the last Board Effectiveness Review, the Communication Subcommittee has formed a Communications Plan for 2025. Implementation of this and refinements from the observations of the new Chair are the focus of 2025, with the next Board Effectiveness Review planned for 2026.	Operational	 2024 tasks complete, 2025 continuation tasks part of routine business
Expansion of Channel Islands Financial Ombudsman's (the CIFO) remit]	The Government has put its work on the CIFO on hold. The CoM is awaiting draft amendments to the JTSF and PEPF legislation before it can contribute further to the CIFO discussions when they commence again. In the meantime, the CoM has reiterated to Government its support for a further independent review stage to be developed for complaints.	Operational	 In progress. 2024's delays were outside of the Board's control. The expected date of completion will be dependent on the Government's prioritisation of CIFO. .
Develop the accountability framework for PEPT and the CoM,	Following some delay in the early part of the year as resources were deployed to other priorities first, the Roles &	Operational	 Some 2024 goals achieved but some rolled into 2025 goals

develop a new Pensions Administration Strategy	Responsibilities Working Group met four times in the final quarter of 2024.			(see separate item in section below)
Further develop the 'Responsible Investment' Framework	<p>The CoM applied the “Measure, Monitor and Engage” approach throughout the year, alongside its Responsible Investment Strategy (as published on the Government website).</p> <p>Whilst this is a settled approach that will be pursued through 2025, the CoM recognises that ESG and Sustainability best practice is a rapidly evolving area with a range of approaches applied in industry. The CoM will use learning sessions to keep up to date with developments and actively refine its approach as appropriate.</p> <p>The CoM considers that the “S” (Social) and “G” (Governance) aspects are particularly challenging to capture and communicate and this will be a particular area of focus in 2025.</p>	Investment	✓	2024 progress goals achieved but work is expected to continue through 2025
Consider the relationship and documentation in place with the Admitted Employers	The CoM's recommendations are complete and with the Employer.	Operational	✓	With Employer
Recruitment to the CoM	A new Chair has been appointed to the CoM and appointments have been made to vacant positions. The integration has occurred smoothly with minimal disruption.	Investment & Operational	✓	Complete, now routine business
Developing proposals for the potential split in investment strategy for the Final Salary Scheme and the Career Average Scheme	The CoM has reflected its updated derisking strategy for the Final Salary Scheme in the Statement of Investment Principles, is appointing relevant managers and intends to complete rebalancing trades over 2025.	Investment & Operational	✓	Complete, now routine business
Revisit Mercer's contractual and fee arrangements	A proposed Mercer Service Level Agreement required significant input to reach an initial definition. Preliminary review work has identified material legal, operational and transactional implications which are being carefully considered as details become available. The final proposal will be considered against alternative options. This work will extend into 2025.	Investment & Operational	✓	In progress, with input needed from external service providers
Consideration of delegations from the CoM to the Investment Subcommittee	A review of options/ powers has been undertaken as part of a round of initiatives to ensure efficient use of CoM time whilst maintaining appropriate oversight and deployment of expertise	Operational	✓	Complete, now routine business

Survivor pensions	Work reviewing the terms of survivor pensions has concluded with the development of new workflows as a result.	Operational	✓	Complete
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In addition to completion of the brought forward items, the CoM has identified the following further projects for 2025/6:

Item	Explanation	Linked Strategic Aims
Triennial Actuarial Valuation	To receive the Actuary's draft report and address any implications. The CoM is planning a series of de-risking actions (a rebalancing) of the Final Salary Scheme's investment portfolio over 2025 in expectation that the Valuation will present the opportunity to de-risk. This plan (and the continued appropriateness of the Career Average Scheme's investment strategy) will be checked against the results of the Valuation before it is fully implemented.	Investment
Pension Administration Strategy	Building on work in 2024, actions to update the Governance Document, the Pension Administration Strategy, the Scheme Handbook and to better document/improve workflows around delegations and decision-making process flows.	Operational

Strategic aims: conclusion

The PEPF has performed strongly against its core strategic investment, operational and project aims. The investment performance has contributed positively to the funding position of the PEPF, key PEPT performance indicator targets have been exceeded, and significant progress has been made on the CoM's strategic projects.

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 £3.2 million (compared to a budget of £4.1 million) representing 0.1% of assets under management (2023: 0.1%).

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 9).

The Fund's funding position is described in more detail in the Report of the Independent Actuary in the Financial Statements.

External factors

There are a number of ways that external factors influence the Fund's ability to meet its strategic and financial aims.

To the degree that external factors are perceived to have potentially material impact on results, they are documented in the Risk Register and closely monitored. An example is the development of UK Ground

Lease legislation and its potential impact on the Fund's ground lease investments. (More information on the key investment risks is disclosed in the Notes to the Financial Statements).

In the current year, the most prominent external performance factor has been the effects of changes in interest rates and inflation (impacting investment performance, actuarial projections and costs of operations).

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 is 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 (who were unchanged from 2023):

(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 (trading as Brightly)	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 Chair 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 Chair is governed by the Jersey Appointments Commission who take an active role throughout the recruitment process. The Chair 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.

Chair				
Jonathan Gainsford (replaced Gordon Pollock 1 July 2024) (Appointed for a first term to 30 June 2029)				
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* Brian Cain* Jenny Larsson* Carrie Sandeman*	Apr 2022 Aug 2023 Jan 2024 Jan 2024	Apr 2027 Aug 2028 Dec 2028 Dec 2028
	Pensioners (2)	Michael De La Haye* OBE Chris Bambury*	Jan 2019 Jan 2019	Dec 2028 Dec 2026
Secretary				
Janine Ward (for JWC Limited)				

**These members of the Committee have personal membership of one or both scheme(s) (or a close relationship with a member of a Scheme). These connections have been disclosed to the Secretary and are available on request.*

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

Preparation of the Chair's Report

This Chair's Report 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 below¹:

Committee Member	Investments	III Health and Death Benefit	Communications ¹	Audit & Risk ¹
Gordon Pollock (<i>until 1 July 2024</i>)	•			
Jonathan Gainsford (<i>from 1 July 2024</i>)	•			
Chris Bambury	•		Chair	
Mark Bradbury	•			
Leah Buttle		•		
Brian Cain			•	
Michael De La Haye OBE	•			Chair
John Everett				•
Charlotte Guillaume		Chair	•	
Gailina Liew	•			•
Ed Sallis OBE	Chair	•		•
Number of meetings in 2024	12	Did not meet	2	4

¹The Communications and A&R Subcommittees operate jointly with that of the JTSF pension scheme. Michael De La Haye, OBE. chairs the A&R Subcommittee

In addition to the subcommittee meetings members were involved in ad hoc working groups which met six times.

The activities of the CoM

Investment manager appointments

(Two new investment manager appointments (three mandates) were approved 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 A.

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.

Nine investment managers were interviewed directly by the Investment Subcommittee in 2024.

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 ISC).

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 the ISC 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. The PEPT produce an annual data quality report for the A&R Subcommittee, providing assurance over the quality of the data it holds and uses.

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 PEPF has a complaints procedure whereby members can raise and escalate complaints about any aspect of administration. 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. The CoM is supportive of Government proposals to adjust the process, so that the CIFO has authority to act as the final decision maker and is actively requesting this change.

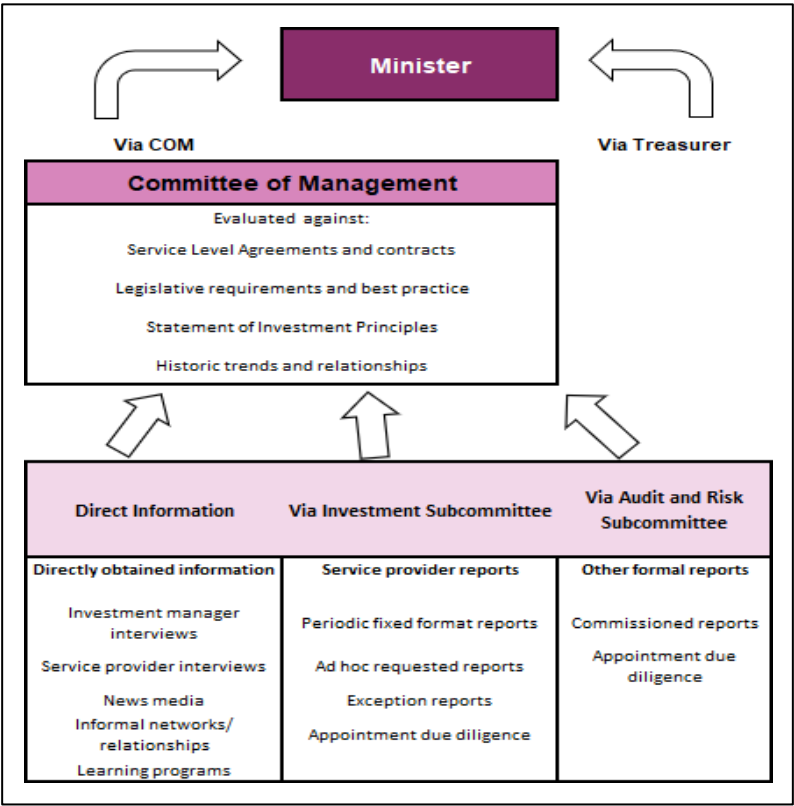
Information processing

The Administrator experienced no data breaches or subject access requests in the year.

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 completed a number of initiatives in 2024 stemming from a (positive) Board Effectiveness Review published in 2023 and will undertake a further Board Effectiveness Review in 2026. The focus for the year ahead is:

- Further Learning Sessions on priority topics
- Increased use of powers of delegation, to better prioritise resources
- Modification of meeting formats, for efficiency and to allow time for meeting de-briefings
- Increased focus on the use of succinct and standard reporting
- Increased focus on goal setting for service providers

Interests and Remuneration

Staff remuneration and service

Only the (current and former) Chair and the Secretary (via her company) are remunerated directly from the Fund, as disclosed in the Related Parties note to the Financial Statements. These individuals have attended all meetings in the year at which their attendance was expected.

The CoM is otherwise served by unpaid volunteers.

All other parties providing services to the PEPF are engaged or employed by service providers and therefore no salary analysis is provided.

Details of the appointment and oversight framework concerning these roles are determined by legislation, as previously described in this report.

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. (There was one occasion in the year where this occurred).

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 definitive list suitable for all potential situations. The key safeguards include the construction of the CoM (with member and employer 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 2024 are summarised in Appendix C.

Final Statement from the Chair

I would like to place on record my thanks to the members of the CoM, as well as the Secretary and all concerned in the operation of the PEPF, for the warm welcome and support that I have received since joining as Chair on 1 July. The members also benefit greatly from your voluntary service, and commitment and dedication to the Fund.

The PEPF is supported by various key service providers, including the Treasury PEPT and Investment Administrator teams, and I would like to take the opportunity to acknowledge the continued high levels of service that the CoM received over 2024.

The pending Actuarial Valuation will have a significant impact on most of the CoM's strategic choices over the next three years, and doubtless 2025 will hold unexpected challenges too. I am confident that the CoM, supported by its service providers, will continue to steer a steady and productive course, successfully meeting any and all challenges as they arise.



Jonathan Gainsford
Chair of the Committee of Management
21 May 2025

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 Chair'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 2024

		Notes	2024 (£'000)	2023 (£'000)
Dealings with members				
Payments In	Employer contributions		74,381	64,843
	Employee contributions		36,670	31,974
	Total Contributions	4	111,051	96,817
	Transfers in		3,853	1,579
	Other income	5	-	26
Total Payments In			114,904	98,422
Payments	Benefits paid or payable	6	(116,979)	(105,318)
	Payments to and on account of leavers	7	(5,744)	(6,985)
	Administrative expenses	8	(2,620)	(2,197)
Total Payments Out			(125,343)	(114,500)
Net withdrawals from dealings with members			(10,439)	(16,078)
Net returns on investments				
Change in market value of investments		9	226,660	203,717
Investment income		10	68,886	63,959
Investment management expenses		11	(3,218)	(3,661)
Net returns on investments			292,328	264,015
Net increase in the Fund's assets during the year			281,889	247,937
Opening net assets			3,049,168	2,801,231
Closing net assets			3,331,057	3,049,168

The notes on pages 28 to 40 form part of these Financial Statements.

Statement of Net Assets Available for Benefits at 31 December 2024

	Notes	2024 (£'000)	2023 (£'000)
Investment assets			
Equities	9	753,108	654,726
Pooled Investment Vehicles (PIVs)	9, 14	2,491,479	2,354,302
		3,244,587	3,009,028
Broker cash	9	75,923	29,991
Other investment balances	9	1,646	1,635
Total net investments		3,322,156	3,040,654
Current assets	17	10,034	9,638
Current liabilities	18	(1,133)	(1,124)
Closing net assets		3,331,057	3,049,168

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. These Financial Statements should be read in conjunction with those documents.

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 28 to 40 form part of these Financial Statements.



Richard Bell
Treasurer of the States
21 May 2025



Jonathan Gainsford
Chair of the Committee of Management
21 May 2025

The Financial Statements on pages 28 to 40 were received and approved on behalf of the CoM on 21 May 2025.

Notes to the Financial Statements for the year ended 31 December 2024

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 60 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 accrual 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 GBP. 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

	2024 (£'000)	2024 (£'000)	2023 (£'000)	2023 (£'000)
Employers				
Normal	73,702		64,187	
Past service debt	679		656	
		74,381		64,843
Members				
Normal	36,602		31,897	
Additional voluntary contributions	68		77	
		36,670		31,974
Total contributions		111,051		96,817

5. Other income

	2024 (£'000)	2023 (£'000)
Claims on death benefit insurance	-	26

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

6. Benefits paid or payable

	2024 (£'000)	2023 (£'000)
Pensions	103,969	93,061
Commutations and lump sum retirement benefits	12,142	10,315
Lump sum death benefits	868	1,942
Total benefits	116,979	105,318

7. Payments to and on account of leavers

	2024 (£'000)	2023 (£'000)
Refund of contributions	939	671
Transfers out	4,805	6,314
Total payments to and on account of leavers	5,744	6,985

8. Administrative expenses

	2024 (£'000)	2023 (£'000)
Salaries, office and miscellaneous costs	1,316	1,020
Actuarial fees (including triennial valuation work)	452	359
Audit fees	97	83
Legal fees	354	336
Chair and secretary fees	160	136
Pension system development	241	263
Total administrative expenses	2,620	2,197

9. Reconciliation of Net Investments

	Value at 1.1.24 (£'000)	Purchases at cost (£'000)	Sales proceeds (£'000)	Change in Market Value (£'000)	Value at 31.12.24 (£'000)
Equities	654,726	199,361	(231,001)	130,022	753,108
PIVs (analysis note 15)	2,354,302	396,994	(356,455)	96,638	2,491,479
Total	3,009,028	596,355	(587,456)	226,660	3,244,587
Broker cash	29,991				75,923
Pending Trades	1,299				1,299
Accrued Interest	336				347
Other investment balances	1,635				1,646
Total net investments	3,040,654				3,322,156

10. Investment Income

	2024 (£'000)	2023 (£'000)
Dividends from equities	5,850	4,929
Income from PIVs	47,127	41,160
Income from managed property funds	15,603	11,031
Income on cash deposits	1,293	3,090
Other income	15	324
	69,888	60,534
Realised gain/ (loss) on foreign exchange	(881)	3,965
Less irrecoverable withholding tax	(121)	(540)
Total investment income	68,886	63,959

11. Investment Management Expenses

	2024 (£'000)	2023 (£'000)
Investment management expenses	2,592	3,201
Custodian expenses	88	121
Investment advisory expenses	538	339
Total Investment management expenses	3,218	3,661

Investment management expenses reflect only those fees paid (and rebates received) directly, and not those incurred indirectly through PIVs.

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:

	2024 Total (£'000)	2023 Total (£'000)
Fees	138	120
Commissions	372	72
Total	510	192

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			2024 Total (£'000)
	1 (£'000)	2 (£'000)	3 (£'000)	
Segregated holdings (Equities)	737,044	16,064		753,108
PIVs		971,794	1,519,685	2,491,479
Broker cash	75,923	-	-	75,923
Pending trades	1,299	-	-	1,299
Accrued interest	347	-	-	347
Total investments	814,613	987,858	1,519,685	3,322,156

Analysis for the prior year end is as follows:

	Level			2023 Total (£'000)
	1 (£'000)	2 (£'000)	3 (£'000)	
Segregated holdings (Equities)	644,375	10,351	-	654,726
PIVs*	-	773,573	1,580,729	2,354,302
Broker cash	29,991	-	-	29,991
Pending trades	1,299	-	-	1,299
Accrued interest	336	-	-	336
Total investments	676,001	783,924	1,580,729	3,040,654

**Restated: The holding in Lansdowne (£207.4m) has been reclassified from Level 2 to Level 3 within PIVs to reflect that the redemption period for this holding exceeds 30 days.*

14. Investments

At 31 December 2024, 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:

	2024 (£'000)	2023 (£'000)
Non-current assets:		
Investment property	129,000	174,000
Net current assets:		
Debtors	3,143	294
Cash and cash equivalents	4,945	6,881
Creditors: amounts falling due within one year	(4,841)	(944)
Net assets	132,247	180,231

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 advisors. 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			2024 Value (£m)	2023 Value (£m)
		Currency	Interest rate	Other price		
Segregated						
Equities		✓		✓	753.1	654.7
PIVs						
Equities	✓	✓		✓	482.7	537.0
Property	✓			✓	361.0	422.5
Bonds	✓	✓	✓		526.8	480.7
Private Debt	✓	✓	✓		436.2	467.8
Alternatives	✓	✓	✓	✓	427.5	400.9
Asset Backed Securities	✓	✓	✓		257.2	45.4
					2,491.8	2,354.3
Broker Cash	✓	✓	✓		75.9	29.9

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 CoM 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 (which has the ability to invest in 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 Advisor.

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	2024 Value (£m)	2023 Value (£m)
Open-ended investment company	899.3	770.4
Shares in limited partnerships	863.0	904.0
Open-ended unit trust	361.0	422.4
Undertakings for Collective Investment in Transferable Securities	196.3	108.3
Unit-linked insurance contract	171.9	149.2
Total pooled vehicle exposure:	2,491.5	2,354.3

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

- **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:

	2024		2023	
	Direct Exposure (£m)	Indirect Exposure (£m)	Direct Exposure (£m)	Indirect Exposure (£m)
Euro	152.6	663.4	116.8	634.5
US Dollar	524.1	882.7	481.4	714.8
Japanese Yen	-	97.8	-	111.9
Other	109.5	41.6	28.3	83.2

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 Advisor and Investment sub-committee on an ongoing basis.

At the year end, the growth asset classes (as defined in the SIP) represented 52% of the total investment portfolio (2023: 53%).

16. Concentration of investments

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

	2024 £'000	2024	2023 £'000	2023
CQS Credit Multi Asset Fund	309,745	9%	278,320	9%
24AM Bond Fund L Accumulation	257,236	8%	45,394	2%
Lansdowne Developed Markets Fund Limited (Long only fund)	176,789	5%	207,395	7%
PGIM UK Ground Lease Fund	172,024	5%	184,243	6%
Legal & General FTSE RAFI AW3000 (Net WHT) Index Fund	171,890	5%	149,154	5%

17. Current Assets

	2024 (£'000)	2023 (£'000)
Contributions – Employers	434	485
Contributions – Members	218	219
Cash balances	9,301	8,893
Other	81	9
Advances to Government of Jersey	-	32
Total current assets	10,034	9,638

18. Current Liabilities

	2024 (£'000)	2023 (£'000)
Advances from Government of Jersey	282	-
Other creditors	851	1,124
Total current liabilities	1,133	1,124

19. Contingencies and Commitments

In the opinion of the CoM, the PEPF had no contingent liabilities at 31 December 2024 (2023: nil).

At 31 December 2024, the PEPF had undrawn commitments to fund private debt vehicles Park Square and HayFin amounting to £148.4 million (2023: £144.5 million) and Global Infrastructure Partners and HIG Whitehorse, amounting to \$45.6 million (2023: \$59.5 million).

20. Related Party transactions

Related party transactions and balances comprise:

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

The Chair and Secretary to the CoM received remuneration (excluding reimbursed expenses) in the year of £62,630 and £96,994 respectively (2023: £54,200 and £76,622). At 31 December, within the CoM, there were five Active (2023: four) and two Pensioner members in the PEPF (2023: 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 £281,535 was owed by the Fund to the Government of Jersey in respect of transactions with the department (2023: £31,540). During the year an amount of £1,133,418 (2023: £938,169) was paid to the department in respect of the services provided.

21. Analysis of Fund Account by Scheme

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 2024:

	Career Average Scheme (£'000)	Final Salary Scheme (£'000)	Total (£'000)
Dealings with members			
Employer contributions	70,868	3,513	74,381
Employee contributions	35,930	740	36,670
Transfers in	3,699	154	3,853
Total payments in	110,497	4,407	114,904
Benefits	(2,958)	(114,021)	(116,979)
Payments to and on account of leavers	(3,694)	(2,050)	(5,744)
Administrative expenses	(1,420)	(1,200)	(2,620)
Total payments out	(8,072)	(117,271)	(125,343)
Net additions / (withdrawals) from dealings with members	102,425	(112,864)	(10,439)
Net returns on Investments	43,984	248,344	292,328
Net increase in the Fund's assets during the year	146,409	135,480	281,889
Opening net assets	408,931	2,640,237	3,049,168
Closing net assets	555,340	2,775,717	3,331,057

Fund Account for the year ended 31 December 2023:

	Career Average Scheme (£'000)	Final Salary Scheme (£'000)	Total (£'000)
Dealings with members			
Employer contributions	61,099	3,744	64,843
Employee contributions	31,085	889	31,974
Transfers in	1,523	56	1,579
Other income	96	(70)	26
Total payments in	93,803	4,619	98,422
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)
Total payments out	(7,039)	(107,461)	(114,500)
Net additions / (withdrawals) from dealings with members	86,764	(102,842)	(16,078)
Net returns on investments	31,515	232,500	264,015
Net increase in the Fund's assets during the year	118,279	129,658	247,937
Opening net assets	290,652	2,510,579	2,801,231
Closing net assets	408,931	2,640,237	3,049,168

Independent Auditor's report

Opinion

We have audited the financial statements of the Public Employees Pension Fund (the 'fund') for the year ended 31 December 2024 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 2024, 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 25, the Treasurer is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal controls 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 have 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.

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the committee of management, and from inspection of board minutes and regulatory correspondence. We discussed the policies and procedures regarding compliance with laws and regulations with the committee of management and enquired of them to identify any instances of non-compliance.

We identified that the principal laws and regulations were the Administration Regulations as set out in Jersey Law.

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 principle risks were related to misappropriation of assets, particularly cash and investments and posting inappropriate journal entries.

Audit procedures performed included:

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

As required by Auditing Standards, we perform procedures to address the risk of management override of controls. In particular, the risk that the committee of management 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 their significant accounting estimates, in particular in relation to the valuation of level 3 investments.

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

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

Use of our report

This report is made solely to the committee of management, 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 committee of management 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 Committee of Management as a body, for our audit work, for this report, or for the opinions we have formed.

S&W Partners Audit Limited

S&W Partners Audit Limited

Statutory Auditor
Chartered Accountants
Bristol

Date: 22 May 2025

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, which is due to be carried out as at 31 December 2024, is currently in progress.

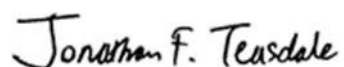
2. Security of accrued rights on discontinuance

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.

A handwritten signature in black ink that reads "Jonathan F. Teasdale". The signature is written in a cursive style with a large initial 'J'.

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

14 March 2025

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 – Summary of key service providers

A summary of the key service provider roles and appointments:

Specialist Service Provider	Who	Who appoints under the Regulations	Summary of services	Next review process
Actuary	Aon Solutions UK Limited	COM, following approval by the Minister (Contracted by CoM)	Independently estimates the PEPF's liabilities based on estimated demographic and investment return outcomes. The Actuary writes a formal Valuation Report every three years which informs decisions around contribution/ benefit rates and investment strategy decisions. The Actuary is also responsible for advising on the terms in place for member options such as the option to take a transfer value.	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.	Fee review in progress, Administrator
Investment Managers	Various	CoM, with the approval of the Minister for T&R (Contracted by CoM)	Invest funds according to their individual mandates	Ongoing, CoM
Investment Advisors	Mercer Limited	CoM, with the approval of the Minister for T&R	Makes strategic investment recommendations (portfolio design; adding/ removing fund managers); provides performance information to CoM; performs due diligence on investment managers and assists with best practice reviews; provides oversight and	Annually, CoM

		(Contracted by CoM)	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	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.	Annually, CoM
Administrator – Financial Statements			The Treasurer must keep PEPF records and prepare Financial Statements The Comptroller and Auditor General must appoint auditors. The CoM must publish the audited Financial Statements	
Administrator – Membership	Government of Jersey PEPT	The Treasurer, as Administrator, can appoint Treasury officers (the PEPT) to perform Administration functions	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.	

			PEPT performs and presents quarterly reporting to CoM showing service standards against prescribed targets.	
External Auditor	S&W Partners Audit Limited (previously CLA Evelyn Partners Limited)	Comptroller and Auditor General	Provides an external audit of the PEPF's Financial Statements	2027 C&AG

Appendix B – Additional information on the portfolio and performance

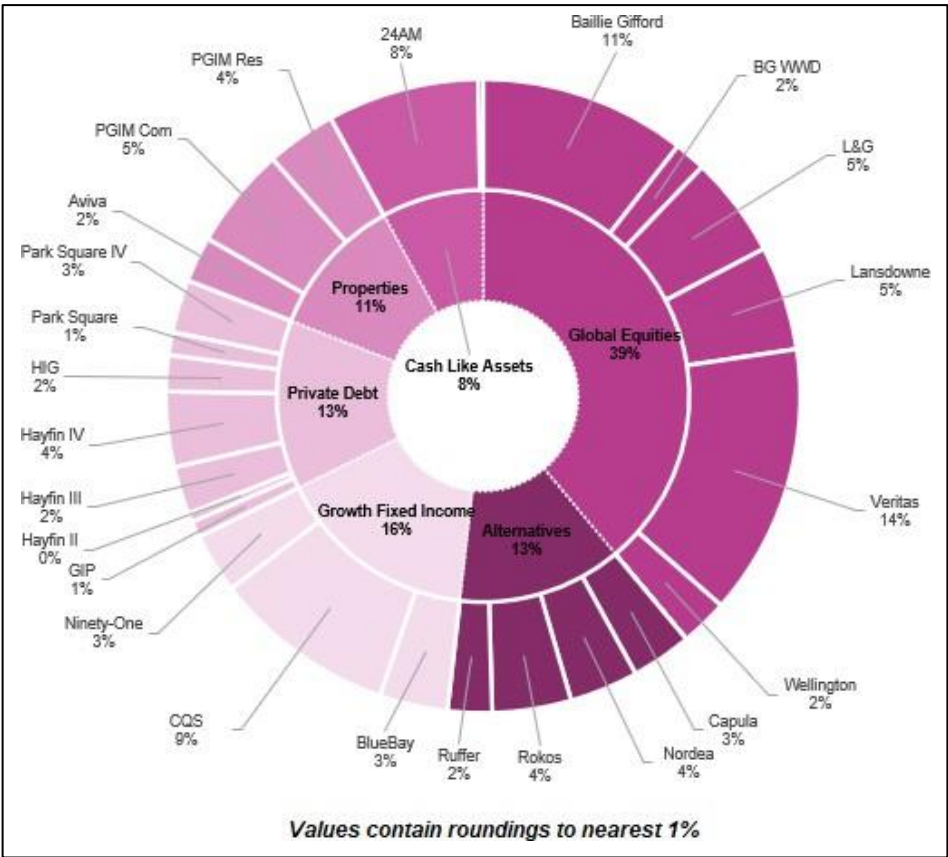
Executive summary

The CoM is satisfied that the portfolio is delivering the return it is expected to, given the macroeconomic environment, and that the implementation of its investment strategy through its choice of managers is providing an appropriate risk-adjusted and diversified return.

An area of relative concern within the portfolio remains the effects of legislative uncertainty on the value of the Fund’s PGIM property assets. As explained below, the CoM is tracking developments closely and is satisfied that the manager is actively engaged in efforts to increase liquidity and protect value.

Portfolio composition at 31 December 2024

Detailed information on the strategic portfolio design is provided in the separately published SIP. At the year-end, the portfolio comprised holdings as follows:



Commentary

Context

This commentary focuses on the investment performance of individual managers over the year, with comparison to their relative benchmarks. The CoM also monitors the appropriateness of its strategic

choices (asset classes and styles chosen) on an ongoing basis, but the nature of these decisions is very long term focused and is aligned to the Actuarial Valuation cycles, when the value of liabilities is formally reappraised.

For more information on the portfolio holdings, please refer to the Statement of Investment Principles (SIP) published on the Government website.

Events

The large-scale economic theme that dominated the investment environment over the year in the US and UK was the combination of moderating inflation and relatively high interest rates. Geopolitical risks, including ongoing tensions in Europe and the Middle East, continued to add volatility to valuations, particularly in relation to commodities and for companies with long, global supply chains. Markets reacted positively to the conclusion of US elections, though uncertainty around policy direction led to further volatility, in particular in relation to the extent and impact tariffs would have on global trade.

Despite higher bond yields and elevated borrowing costs, key markets, and the US in particular, showed remarkable resilience over the year with company earnings and credit performing better than many had feared. Equity markets saw high overall performance (with the MSCI All Country World Index (an index representing a broad basket of global stocks) appreciating in Sterling terms by around 20%).

However, this headline rate of performance disguised considerable variation in underlying performance between sectors. Some sectors such as technology delivered strong returns, whilst other sectors such as utilities and consumer staples lagged. Indeed, the seven largest stocks in the S&P 500, dubbed the 'Magnificent 7' (Apple, Nvidia, Microsoft, Amazon, Alphabet, Meta Platforms and Tesla) accounted for more than half of the index's total gains for the year.

Currency fluctuations also played a significant role in the performance of international investments over the year, with the US dollar strengthening relative to other major currencies (which was positive for overseas returns translated to sterling).

Key points

Observations

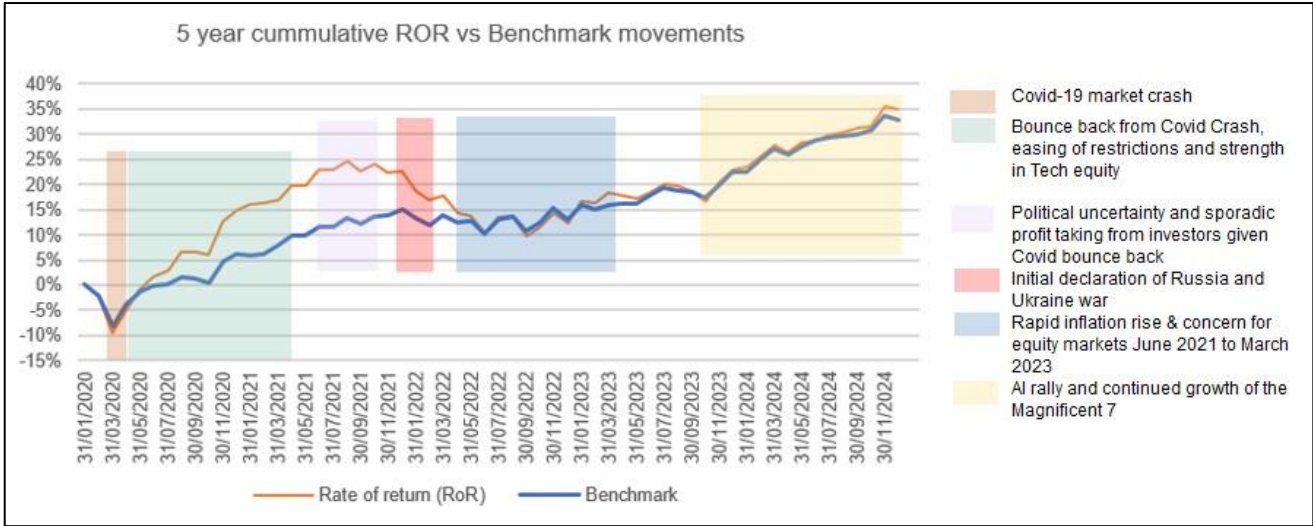
- 1) The overall return of 9.6% exceeded the portfolio's benchmark return comparator of 8.5% over the year.
- 2) Growth assets were the main drivers of the portfolio's overall return (typically around 80% of the total return though the year).
- 3) Based on average quarter end holdings, approximately 80% of overall return came from five funds, 47% from just two funds.
- 4) Four individual managers generated negative absolute returns – in terms of significance, the negative returns relate to the PGIM property funds that contained UK Ground Leases
- 5) Hence, Property was the main detractor. Based on average quarter end holdings, Property dragged the portfolio by about 1.1%.
- 6) All asset classes except Equity and Property exceeded their benchmark targets. Relating to Equities, this was largely due to the managers with lower relative exposures to AI and Technology compared to their benchmarks. Relating to Property, this was largely due to uncertainty about UK Ground Lease reforms

These observations are expanded in the following analysis section

Analysis

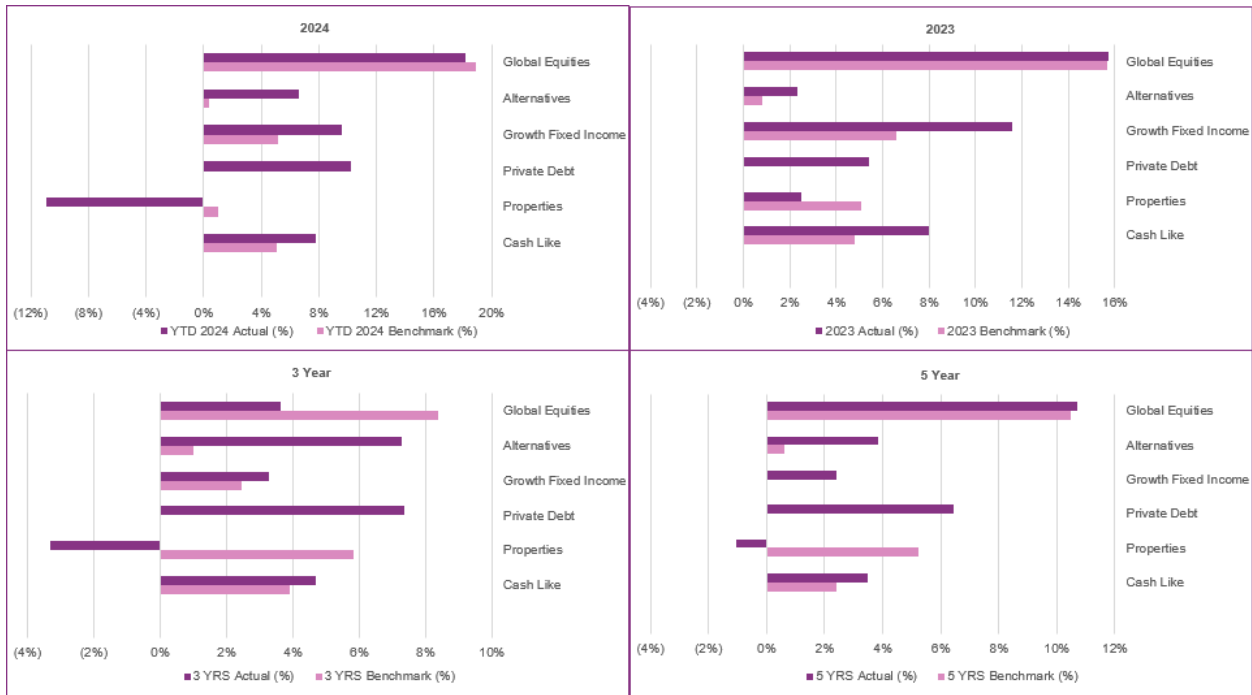
Actual returns compared to Benchmark

The following chart illustrates the overall return of the portfolio compared to the benchmark comparator for the chosen asset classes over recent periods. It shows that the Fund is providing a return profile that is above benchmark:



Contribution by asset class

The charts below show the return by strategic asset class, with comparison to the appropriate benchmark for each asset class over various time periods.



Commentary by asset class

Global Equities (39% of portfolio)	<p>The Fund's Equities, as a class, marginally lagged their benchmark returning approximately 19% overall. The CoM is comfortable that the managers are performing as expected.</p> <p>The dominant influence on Equities markets in the year was the performance of a handful of AI Technology stocks (particularly, those referred to as "the Magnificent 7"). The relative weighting of PEPF managers compared to their benchmarks in terms of these stocks accounts for most of the positive/ negative variance at manager level.</p> <p>This is illustrated by the two largest holdings, Baillie Gifford Long Term Global Growth and Veritas Global Discovery. Both funds posted strong returns (28% and 14% respectively), both of which are measured relative to the MSCI ACWI index. The Baillie Gifford fund had a relatively high technology weighting, exceeded this benchmark by 8%, whereas the Veritas fund, which invests in value stocks and had a lower technology weighting than its benchmark, underperformed the same index by 6%.</p>
Alternatives (13% of portfolio)	<p>The Fund's Alternatives, as a class, provided mixed returns over the year. The class is designed to diversify the Fund's return streams and this was borne out by results.</p> <p>The standout performer in this class was again Rokos (24% return), whose return was mostly derived from the volatility and dislocation in interest rate markets. Nordea (a Risk Premia style) and Ruffer (an Absolute Return style) posted negative returns (in total and relative terms) which has been investigated with the managers and the reasons are well understood given their specific approach over the year.</p>
Growth Fixed Income (16% of portfolio)	<p>All funds exceeded their SONIA benchmarks and provided positive absolute returns. Broadly speaking, this was in large part due to the sector experiencing lower default rates than markets expected, and hence good margins for credit risk, together with certain structural conditions that were supportive of higher yielding credit.</p>
Private Debt (13% of portfolio)	<p>The nature of Private Debt is that financial commitments are entered into for fixed multi-year periods during which there are phases of investment and return. Thus, return needs to be considered over a multi-year period too. However, the low default rates, prevailing market lending conditions, indicative return positions and the results of vintages coming to maturity indicate that these funds are well managed and will continue to contribute to the PEPF portfolio in absolute terms as well as continuing to provide regular cashflow.</p>
Properties (11% of portfolio)	<p>The Property class has been a significant detractor to performance over the year. This is mostly due to the PGIM funds, and in particular their exposure to UK Ground Lease assets (which remain subject to legislative uncertainty).</p> <p>The CoM has few options since the PGIM funds are illiquid and valuations are uncertain (redemptions are temporarily frozen in the open-ended fund). However, the CoM has engaged with PGIM who have a clear and constructive plan of action, the underlying assets continue to generate stable cash streams, and the impairments are unrealised. It is expected that the legislative position will become clearer in the next 12 months or so.</p>



Cash-Like Assets (8% of portfolio)	<p>At the year end, Cash-Like Assets (comprising Asset Backed Securities and Cash) reflected 8% of the portfolio value. Due to higher interest rates in 2024, and prompt reinvestment of surplus cash, returns on Cash-Like Assets achieved 8% over the year.</p> <p>The CoM's holding in Cash-Like Assets at year end is elevated pending implementation of wider investment decisions in 2025.</p>
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Appendix C – 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 2024. 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
J Gainsford	JTSF Chair	
G Pollock	JTSF Chair 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	
J Cooke	Deputy Chief Investment Officer for Asset Risk Consultants	
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 until 31 December 2024 Commissioner for Tax Appeals	
C Guillaume	Director Rossborough Financial	
G Liew	Independent non-executive director – Medicxi Ventures (Jersey) Limited Independent non-executive director - TVM life sciences fund Voting Member, Jersey Data Protection Authority Senior Independent Director, Digital Jersey Commissioner for Tax Appeals	Spouse (Douglas Melville) is CEO & Channel Islands Financial Ombudsman

	Chair of the Statistics Users Group (SUG) – (independent oversight body) Chair & Trustee, JICAS (Jersey International Centre of Advanced Studies) Vice Chair & Trustee, Arthouse Jersey Trustee, Shelter Trust Member, JTSF Management Board	
E Sallis OBE	External member of the Treasury and Exchequer Income Forecasting Group Member, JTSF Management Board	
C Sandeman	Zero hours Support Staff contract for Highlands College	

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.

Actuarial Target return: A metric devised by the Actuary that represents the investment return rate expected to be generated (in order for the assets of a Scheme to match the estimated value of Scheme liabilities, within a pre-determined level of probability (differing by Scheme)).

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 of typical investment return against which the investment performance of a fund manager or portfolio 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 Chair, 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 and the remaining amounts, for most of the Admitted Employers, is to be repaid by 2083. (Some Admitted Employers increased their payments in 2019 so that repayment date is brought forward to 2053).

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, please let us know. All published documents are available from the PEPT.

Come and see us in Employment, Social Security and Housing (formerly known as the Customer and Local Services Department) at Union Street, St. Helier on Tuesdays between 8:30am and 1pm (by appointment).

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

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