



Jersey Teachers' Superannuation Fund **Annual Report 2022**

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Introduction

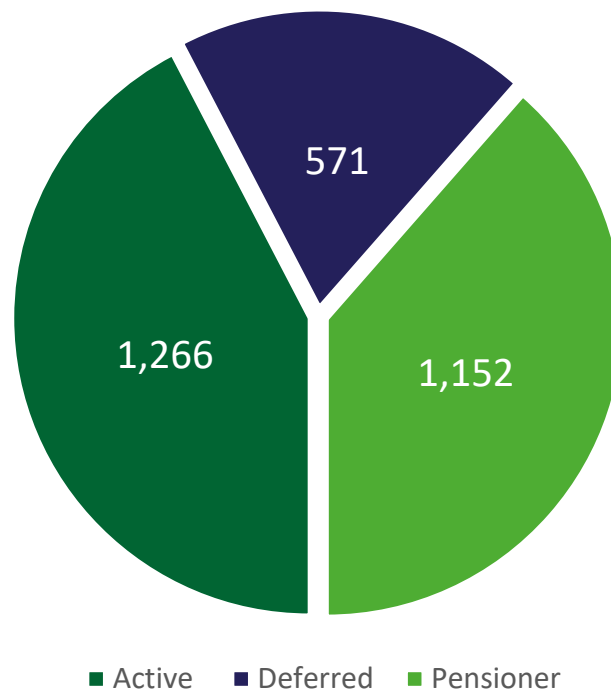
Welcome to the Annual Report and Financial Statements for the Jersey Teachers' Superannuation Fund ("JTSF" or "Fund"). The JTSF Fund is a defined benefit pension scheme that provides benefits to teachers employed in Jersey schools.

The JTSF is a mature scheme and there have been few changes to membership, which grew slightly to 2,989 by 31 December 2022, with net assets of £737.3 million (2021: 2,949 members and net assets of £652.8 million). The increase in net assets between year ends, despite a negative return from investments of 5.3%, arose mostly from the repayment of the Pension Increase Debt (PID)*.

*Repayment of the Pension Increase Debt (PID)

The net assets of the Fund were substantially increased in May 2022 by a one-off receipt (with a balancing payment in July; together totalling £135.2 million) from scheme employers. This sum reflected liabilities that were transferred to the Fund in 2007 as part of a wider set of reforms which, prior to the lump sum payment, was being met through ongoing repayments of 5.6% of salaries. Historically, this value was referred to as the PID.

Total Membership



The Chairman's Report

Overview

This has been another very active year for the Fund's management, providing a host of further investment and operational challenges. I'm confident that as you read through the Accountability Report and Performance Report sections below, you will share my view that the Fund has successfully steered a steady and progressive course. As a result, and in view of the initiatives the Board of Management has planned for the year ahead, the Fund remains well placed for the future.

Significant events in the year included:

- Receipt and reinvestment of the Pension Increase Debt (PID) proceeds of £135.2 million.
- Completion of the 2021 Actuarial Valuation, which confirmed the Fund is in a sound financial position.
- Significant and sudden increases in inflation (eight increases in 2022) and interest rates (the Jersey All Items Retail Prices index increased 12.7% over 2022) drove negative portfolio returns (of 5.3%).
- Conclusion of the Muse independent review of the scheme administration.

Investment performance – page 18

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

Whilst performance in the year was negative, reflecting the broad experience of the investment markets that the Fund operates in, diversification within the portfolio successfully shielded the Fund's accumulated gains from the worst of market volatility. The receipt of the PID proceeds, combined with low historic price levels, have provided an opportunity to strengthen the Fund's positioning for the long term.

Operational (administrative) performance – page 21

The priorities continue to be ensuring that the Fund's assets are secure, recordkeeping is accurate and that the Fund complies with its legal requirements. The Fund must also ensure that pension benefits are paid accurately and on time.

The service levels provided to members continued to improve and several initiatives have been undertaken to improve aspects of the Fund's overall administration. These include, amongst other things, work on complaints processes given the potential for the Financial Services Ombudsman to become involved as an independent stage, risk assessment processes, board effectiveness reviews and the continued development of the online member pensions portal.

Summary

The above provides a snapshot of what is described in more detail below. It is evident many challenges and activities will continue into 2023, however the Board and its expert service providers have demonstrated through 2022 that they are ready and capable to tackle them head on and continue the Fund's record of success.

Accountability Report

Corporate Governance

Structure and responsibilities

The overall governance structure of the Fund is determined by legislation – the Law establishing the Scheme is the Teachers' Superannuation (Jersey) Law 1979, as amended. The Scheme is designed so that operations, governance and oversight are controlled independently by a Management Board (the Board), within powers delegated by Law.

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

Scheme (Principal) Employer
Government of Jersey (includes all non-fee paying and fee-paying schools)
Accepted Schools – admitted by consent of the Minister for Treasury and Resources
Beaulieu Convent School Limited
De la Salle College
FCJ Primary School
St George's Preparatory School
St Michael's Preparatory School

The role of the Chief Minister and the Minister for Treasury and Resources

The Chief Minister appoints Management Board members, as proposed by the Minister for Treasury and Resources together with the Minister for Education, for an initial term of up to three years which may be extended. The balance of the Management Board's membership between Employer and Member representation is specified in the Regulations.

The Chief Minister also appoints a Chairman on the Minister of Treasury and Resource's recommendation, the recommendation has to be overseen by at least three of the member representatives and at least three of the employer representatives. The Chairman's post is remunerated from the Fund and is held for as long as there is majority support amongst the Member and Employer representatives.

Membership of the Management Board

The Management Board is established under Article 2(2)(ha) of the Teachers' Superannuation (Jersey) Law 1979, and governed by Regulations made under it in 2007.

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

Chairman		
Gordon Pollock (reappointed in June 2019 for a second term to 30 June 2024)		
Representing (with Number of Posts)	Representing (with Number of Posts)	Members
Scheme Employers (6)	Recommended by the Minister for Treasury and Resources (2)	Gerald White Jason Turner (Retired Dec 2022)
	Recommended by the Minister for Education (2)	Michael De La Haye OBE John Everett
	Per the choice of the Chief Minister (2)	John Leonard (Retired Dec 2022) John Mills CBE (Retired Dec 2022) <i>*Prof. Ed Sallis OBE (Appointed Feb 2023)</i> <i>*David Postlethwaite (Appointed Feb 2023)</i>
Scheme Members (6)	Selected by associations (determined by the Minister of Education to be representing the interests of teachers) in a manner agreed with the Chief Minister (6)	Tim Balston Mark Bardsley Chris Beirne Gary Burton Adrian Desmond Terry Shaw
Secretary		
Janine Ward (for JWC Consulting)		

**At 31 December 2022, the Board had three Employer vacancies.*

Sub Committees of the Management Board

The Management Board met four times in the year. The Board operates several smaller subcommittees who report summary findings to it. This ensures that appropriate resource is applied to key areas. The membership of these subcommittees during the year is shown below:

Committee member	Sub Committee			
	Attendance at TAP ¹	Ill Health and Death Benefits	Publications	Risk & Audit ²
Gordon Pollock	•			
John Mills CBE				
Timothy Balston				
Mark Bardsley				
Christopher Beirne		Chairman		
Gary Burton	•			•
Adrian Desmond			•	
John Everett				•
John Leonard				
Michael de la Haye				Chairman
Terry Shaw		•	•	
Jason Turner			Chairman	
Gerald White	•	•		
Number of meetings in 2022	8	Meets as required	Meets as required	5

¹ The Treasury Advisory Panel (TAP) is the advisory panel that oversees the Common Investment Fund (CIF), the pooling arrangement through which JTSF invests its funds into underlying asset classes alongside other participating Government of Jersey Funds.

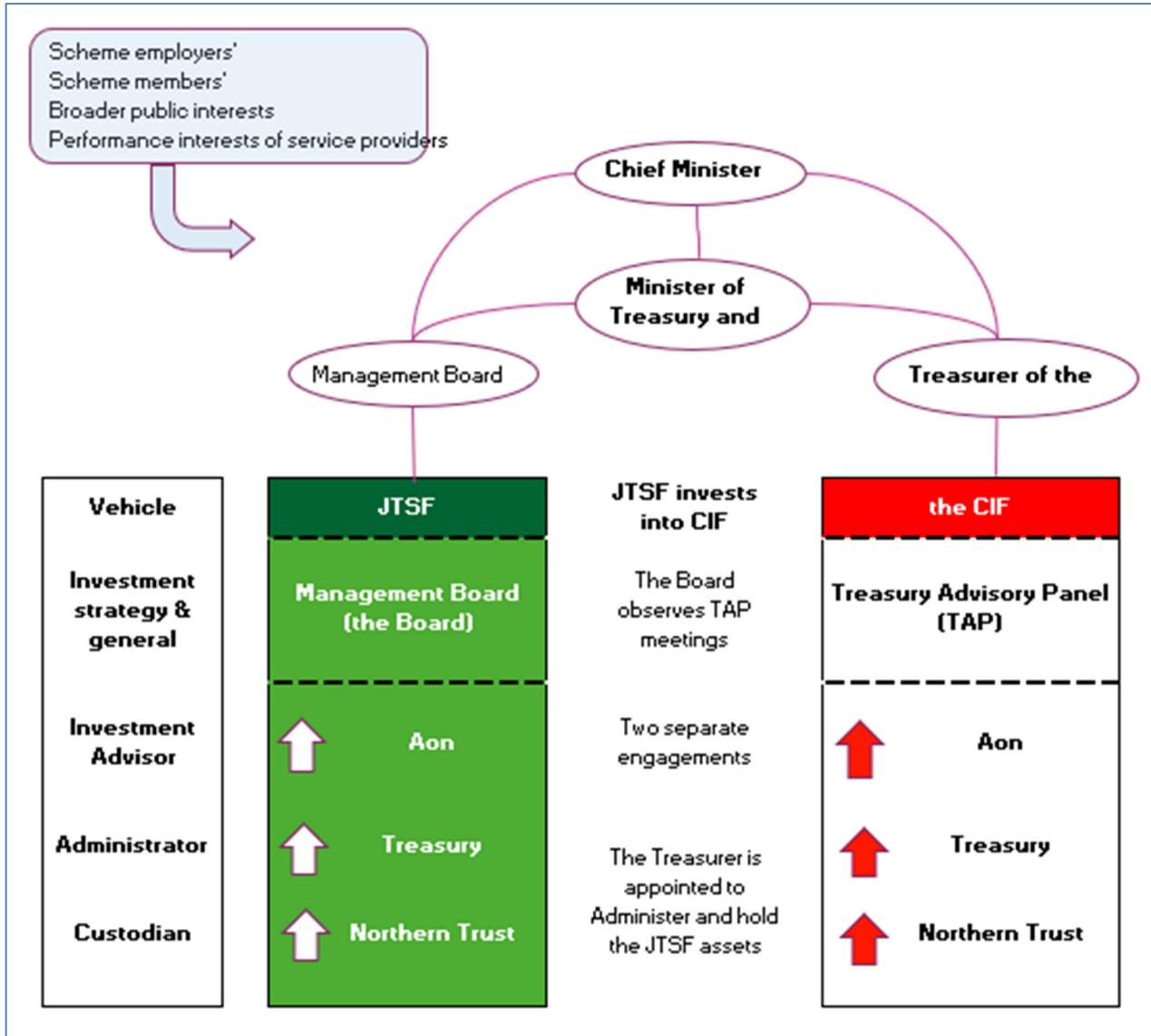
² The Risk and Audit Subcommittee operates jointly with that of the Public Employees Pension Fund (PEPF) under the Chairmanship of Michael De La Haye OBE. The PEPF is a separate pension scheme that operates for the benefit of other employees of the Government of Jersey and other associated Admitted Employers.

The activities of the Management Board

The Board has a central role in the appointment, management and oversight of key service providers to the Fund within a tripartite relationship with the Treasurer of the States (the Treasurer) and the Minister for Treasury and Resources (the Minister).

[A summary of the key service provider roles and appointments is provided in Appendix B](#)

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



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

Appointments

At the appointment of a service provider, the Board scrutinises the Administrator’s due diligence activities prior to endorsing recommendations. This involves interviewing the Administrator and making sure that appropriate specialist advice regarding any technical or legal matters has been received. All relationships are supported by legal agreements defining service relationships. For significant appointments, the Board is directly involved in the tender exercise and will also interview the prospective service provider itself before it reaches any conclusions.

Investment Managers are appointed to the Common Investment Fund by the Treasurer of the States on advice of the Treasury Advisory Panel in consultation with the States Investment Advisor, Aon. The Board sets the

investment strategy and selects exposure to pooled asset classes via its Statement of Investment Principles, though the operation of these pooled asset classes takes place through the Common Investment Fund. Managers are appointed to the Common Investment Fund to operate mandates compliant with the description of pooled asset classes as laid out in the States of Jersey Investment Strategy, which is approved by the Minister for Treasury and Resources. The Board has the right to attend meetings of the Treasury Advisory Panel where these manager selections take place.

Performance

Thereafter, the Board monitors performance 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 presentations and reports from the Administrator, Investment Advisor and the Actuary.

The 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 Administrator the key objectives and measures are agreed and published in the Pensions Administration Strategy.

In addition to the reports above, representatives of the Board attend the CIF's Treasury Advisory Panel meetings to observe how the Administrator implements its own review and quality controls. These include the Administrator reviewing the internal control reports of key service providers and to report by exception any significant lapses of protective security or loss of sensitive data. The Board receives assurance over the Administrator itself through an external audit process. No significant lapses of protective security have been identified.

Quality of data

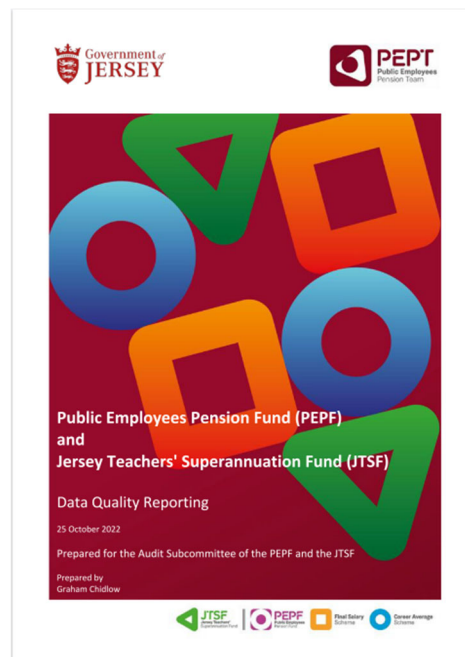
The Board employs several measures to safeguard the quality of data it receives from providers, starting at the appointment:

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

The Board compares information from these sources and at times interviews service providers directly as well. The appointments framework involves the separation of roles between the Custodian, Investment Advisor and Administrator. This also ensures a high degree of independence between data sources and the Board.

In relation to performance of day-to-day operations and outputs to members, such as those around provision of benefit statements and payments to/ from members, the Fund is reliant on the quality of data control at the level of the Administrator's PEPT team. The Board monitors the PEPT's data quality, with a comprehensive formal analysis of performance against benchmarks presented by PEPT to the Audit Subcommittee each year.

Figure: The Annual Data Quality Report for 2022, presented to the Audit Subcommittee by the PEPT



Furthermore, the Board supports PEPT's ongoing development of electronic systems in the provision of administration services, in reflection of additional efficiency and control this brings. For instance, PEPT employ electronic interfaces with payroll systems and provide a members' Pension Portal whereby members can directly update their details and receive statements of position. In concert with separate manual checks, reconciliations and call backs, these approaches ensure member data is kept accurate and up to date.

The Management Board also encourages PEPT's ongoing adoption of the UK Pensions Regulator's best practice guidance in its record keeping practices. This goes beyond the minimum required of Jersey schemes. In 2022 the Board also engaged an independent review of working practices (the Muse review).

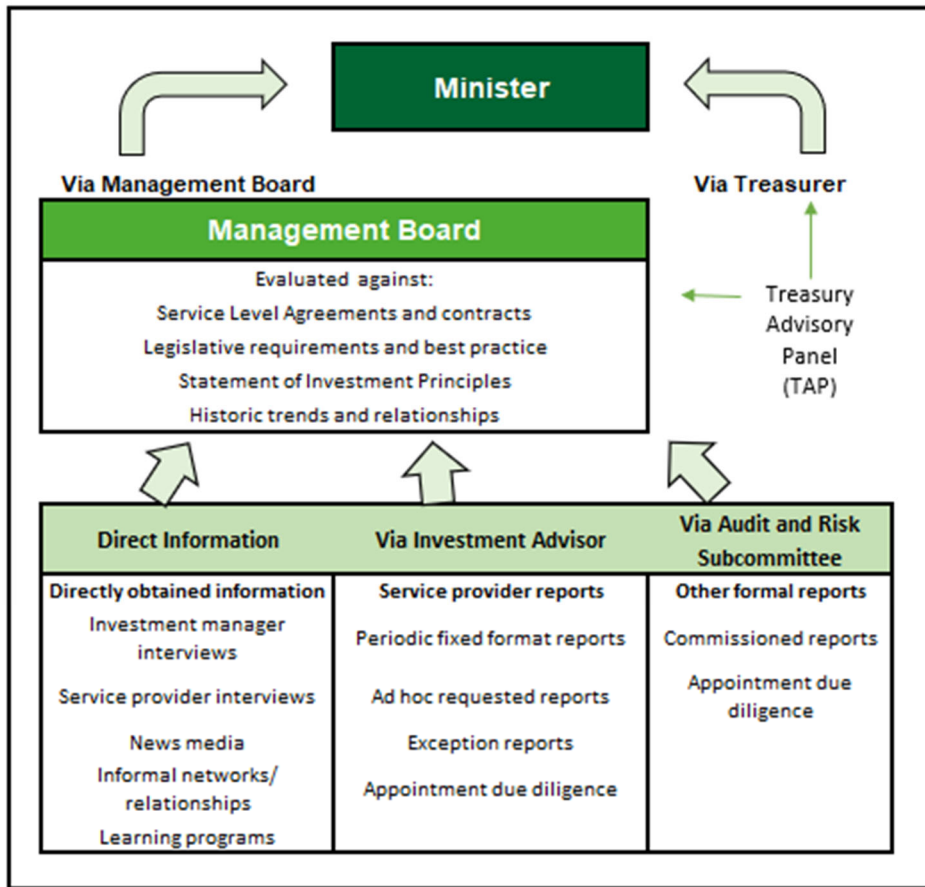
Complaints

The Administrator has an internal complaints procedure whereby members can raise and escalate complaints about any aspect of a decision taken by the Administrator's PEPT team that could affect their benefits. To provide objectivity, the Board has a role in the final two stages of this complaints process and makes the final decision. In view of the complex governance structure, the Board recognises that a complainant may not perceive them to be fully independent of the Administrator and therefore the Board is actively supportive of work to adjust the process so that the Channel Islands Financial Ombudsman has authority to act as the final decision maker.

Assessing the Board's performance

The Fund governance structure ensures that the Minister and the Treasurer have a ready oversight of the overall performance of the Fund's investments and its operations.

Fig: Information flows



Aside from the insights provided directly by the Administrator to the Treasurer on an ongoing basis as part of Government of Jersey's own internal controls, the Minister also has direct sight/ approval requirements in relation to:

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

The Board initiated a program of self-assessment in 2022 whereby 11 current and recently departing Board members completed a Board Effectiveness questionnaire for review by an independent department of Aon Consulting. The assessment covered a broad range of areas including sufficiency of resource; diversity of skills, experience and representation; sufficiency of training and effectiveness of discussion processes. The review, completed early 2023, provided positive results overall with many areas scoring well. It was recognised that business is complex and related to that the report suggested the Board considers its induction processes and training, and to consider if there are simpler ways to collate information from service providers. The Management Board will reflect on these preliminary results and the program of self-review will continue and be further refined over 2023.

Interests and Remuneration

The Board members' interests are declared at appointment and a Register of Interests is maintained by the Secretary. The Register is formally reviewed each quarter and where a potential conflict of interest exists the Board member in question is recused from discussions or votes as appropriate.

In relation to disclosing direct personal interests in the Scheme, Board members are required to disclose immediate familial scheme memberships (parents, partners and financial dependents) and positions of influence at service providers as a minimum.

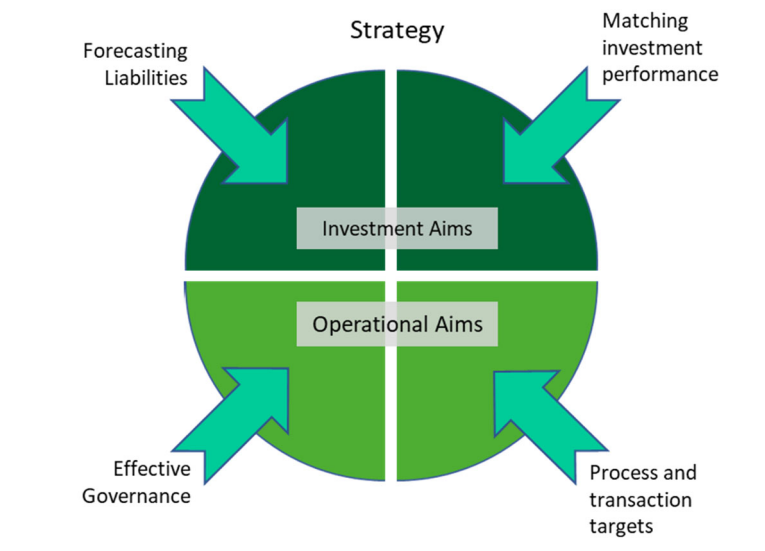
Any related party transactions arising in the year are disclosed in the Financial Statements. These include amounts paid to the Chairman and Secretary for services.

Performance Report

Strategy for the year

The Fund has **investment** and **operational** aims.

Investment aims relate to ensuring that the Fund generates sufficient returns to meet its contractual pension commitments over a range of timeframes. Operational aims relate to effective governance (particularly involving the oversight of expert service providers and ensuring compliance with legislation) and achieving standards around interactions with members and fund transactions.



Investment aims

The investment aim of the Fund is to provide returns sufficient to meet the Fund's contractual pension commitments to its members over a range of timeframes, as they fall due.

The Board pursues their investment aims through the Fund's participation in the Government run Common Investment Fund (CIF). Investing through the CIF enables the Fund to construct an efficient portfolio (achieving

scale by investing alongside other investors) whilst retaining an ability to manage a tailored exposure to investment risk and return.

The investment strategy for the Fund's CIF holding is designed by the Management Board (in consultation with its Investment Advisor and as approved by the Minister of Treasury and Resources) and is operated by the Treasurer as the Administrator of the CIF.

The Board publishes details of its investment strategy in its Statement of Investment Principles (SIP) and the allocation decisions are then incorporated into the broader CIF "States of Jersey Investment Strategies" document (the SIS), separately published by the Government of Jersey, which also includes CIF determined investment policies shared by Participants on matters such as Responsible Investment.

The design of the portfolio is intended to reflect the profile of the Fund's liabilities. These liabilities are formally re-estimated every three years by the Scheme Actuary based on the long-term assumptions agreed for the valuation.

The advice of the expert Investment Advisor and the Scheme Actuary retained by the Board is essential to its formulation of an appropriate investment strategy.

Several performance measures are used to track progress on an ongoing basis but key amongst these is comparison of the Fund's long term performance against the Target Return (a long-term rate of return based on the same long-term assumptions agreed for the valuation).

The Performance Analysis section provides more information on performance for the year but, in summary, despite negative returns in the current year arising out of challenging market conditions, the Fund remains in surplus and the existing investment strategy remains appropriate.

Operational aims

The Governance requirements of the Fund are varied. The most important needs are to make sure that the Fund's assets are secure, recordkeeping is accurate and that the Fund complies with its legal requirements. The Fund must also ensure that pension benefits are paid accurately and on time.

These aims are achieved largely by the appointment of expert service providers supervised by the Management Board within the structure detailed in the Accountability Report. The main risks to delivery come from a breakdown in service provider performance or failure to meet legislative requirements, either due to changes not being correctly identified and met, or through failure to comply with existing statute.

The Board evaluates the Fund's risk environment and management processes on an ongoing basis, identifying specific areas for attention and instructs appropriate remedial actions. Whilst near term actions such as changes to the portfolio can be achieved relatively promptly, others may require involved further technical analysis to achieve. Each year the Board prepares an Action Plan to list and prioritise such objectives and progress is tracked through the year thereafter.

The priorities that the Board identified for 2022/3 are summarised below together with their status at December 2022:

Item	Explanation	Outcome	
Production of December 2021 Actuarial Valuation	The Board's actions are completed	✓	Complete
Consideration of the Pension Increase Debt (PID) repayment	Repayment and reinvestment completed	✓	Complete
Implementing findings of PEPT service review	Work initiated, carried forward	✓	In progress
Develop role of the Audit Committee* including complaints processes	Work initiated, carried forward	✓	In progress
Updating Risk assessment	Audit Committee* terms of reference expanded to include Risk and risk assessment updated, including methodology	✓	Design work significantly complete and in place. Refinements only to carry forward
Develop Responsible Investment policies	TAP have produced preliminary information and draft approach agreed	✓	Design work on monitoring significantly complete and in place. Reflect and tailor in 2023
New External Auditor	Clean audit completed for 2021 year end	✓	Complete
Review transfer and communications processes of Administrator	Work initiated, carried forward	✓	In progress – complex work that will continue across periods
Enhance accountability definitions for JTTSF and MB	Work deferred	✓	In progress – complex work that will continue across periods

*Audit Committee (now the Audit and Risk Subcommittee)

The Board's Action Plan recognises that all planned activities will not be completed in any one year and that some flexibility is needed. In particular, the repayment of the PID in 2022 was a significant project that was not initially anticipated to complete during the year. Focus on this activity inevitably resulted in some other activities being delayed. Progress across the objectives was significant in the context of elevated general activity levels.

The priorities identified at December for the following period are:

Item	Comment
Implementing findings of PEPT service review (also known as the Muse review)	To be implemented by the Administrator over three years under oversight of the Board
Contribute to the Pension Regulation consultation including complaint review processes	Ongoing – expect opportunity to respond in 2023
Progression of the JTTSF sustainability review	Further report in 2023 but overall completion not expected in year

Undertake, and implement the findings of Board Effectiveness review	Implement the findings of the self assessment review which commenced in 2022
Develop the accountability framework for PEPT and Board, develop a new Pensions Administration Strategy	Likely post 2023
Monitor TAP development of the Responsible Investment strategy	To be led by the CIF through the year with Board oversight and input to follow
Evaluate the Actuarial and Investment Advisor providers and introduce annual service level declaration	A workplan to be created by the Risk and Audit Subcommittee and initial work in 2023
Evolve reporting to Comptroller & Auditor General's Good Reporting guidelines	Significant work to be performed in 2023 but task is ongoing
Review how Management Board oversees delegated investment activities	Planned for early 2023

How risks were managed in the year

How risks are managed

The Management Board maintains a Risk Register that summarises how it perceives the risks to the Fund and how these risks are controlled at a Fund level. This risk management assessment sits over and above the Fund's service providers' own risk management structures.

The Risk Register lists Core Risks. These are significant individual risks that the Board consider could significantly impact an important aspect of the Fund's investment or operational aims. Mitigating controls are mapped to these risks and the result is scored in terms of likelihood of event occurrence and significance of effect. By this method, the Board is able to prioritise areas of focus and track changes over time.

Whilst Core Risks are largely static in nature, the risk scoring (and the controls used to manage the risk) may need amendment when circumstances change, leading to a Specific Risk. This is particularly the case where a sudden, temporary, significant event (such as the Russian invasion of Ukraine) can impact multiple Core Risks. Where a Specific Risk event is deemed to elevate a Core Risk, MB can use their existing framework to quickly determine whether the mitigating controls sufficiently alleviate the risk or whether further action is necessary.

The information that the Board uses to assess the risk environment is wider than just the reports of service advisors. It includes information obtained directly and from external sources (such as the media or training).

In the example below, the Board has identified a Specific Risk that could impact several Core Risks. This prompted a re-evaluation of the three Core Risks and their controls.

Specific Risk event	Risk Elements (description)	Related Core Risk
Russia's War on Ukraine	Risk of cyber/ physical attacks on the Fund's Custodian or investments affecting records or ability to transact	Service provider risks (Operational/ Custodian)
	Economic disorder from indirect effects on inflation and interest rates	Investment strategy risks - Long term
	Risk of asset freezes or unforeseen and immediate market event impacts suitability of investment strategy, including meeting immediate liabilities	Investment strategy risks - Near term

Present assessments and responses

Multiple significant risks have been identified in recent years, from pandemic to the war in Ukraine. The Board responded by increasing the resource it allocates to risk management. In 2022, the terms of reference for the Audit Committee were expanded to include Risk responsibilities and the Audit and Risk Subcommittee then performed a fresh risk assessment of the Fund.

During 2022, the operational controls in place were considered sufficient to manage the events without further adjustment.

The operational arrangements in place in the year

The Fund operates a structure whereby services are performed by expert service providers under the supervision of the Board.

(The governance roles are more fully explained in the Accountability Report – Corporate Governance, with service provider roles summarised in Appendix B)

As the operation of a pension fund requires significant technical expertise and resource, it is typical for pension funds to adopt similar delegations of key roles since it ensures an appropriate segregation of duties and an alignment of expertise with work. The alternative of directly employing sufficient expertise and infrastructure would be prohibitively expensive and reduce segregation controls.

The Board monitors service provider performance on an ongoing basis using information from a variety of sources, including directly and indirectly obtained information. The information is a mixture of quantitative (numerical, statistics, results) and qualitative (trend analysis, opinion) types.

The operational costs and value for money of the service provider appointments is controlled by contractual review at time of appointment followed by periodic value for money reviews, service reviews and tenders.

Thereafter, the Administrator verifies that fixed and variable elements of service delivery have been performed under the terms of the contract prior to releasing payments from the Fund to service providers.

The service provider appointment/ reviews are summarised below:

Service provider	Appointment Lead	Last Review	Next Review
Scheme Actuary	Management Board	2016 (competitive tender)	2023
Legal advisor		2019 (competitive tender)	2024
Investment Advisor		2015 (full review)	2023
Investment Manager	The Treasurer under the Board's delegation	Standing delegation since 2010	
Custodian		2020 (review) ¹	2023
Auditor	Comptroller & Auditor General	2021 (competitive tender)	2024
	¹ Treasury (as Administrator) completed their review of Northern Trust as Custodian in 2020, and in consultation with the Board extended their contract to align with other services to Treasury, to achieve scale benefits. The next review will follow changes to the Administrator's software and processes expected in 2023		

Services engaged in the course of the year are tracked against an approved operational budget. An annual zero-based budget for direct operational costs is presented by the Administrator to the Board for approval each year and performance is tracked against it. In the current year, spend was within budget for the year.

The fees deducted by the underlying investment managers within the CIF can be a significant driver of overall performance against peers and this is managed in several ways. At appointment of the underlying funds, the Investment Advisor considers fee structures and seeks discounts for scale where possible. Thereafter, the Investment Advisor compares net as well as gross performance and fund expense ratios as part of its due diligence activities. The Board has been advised by the Investment Advisor and Administrator that the Fund's arrangements remain comparable to those of similar funds.

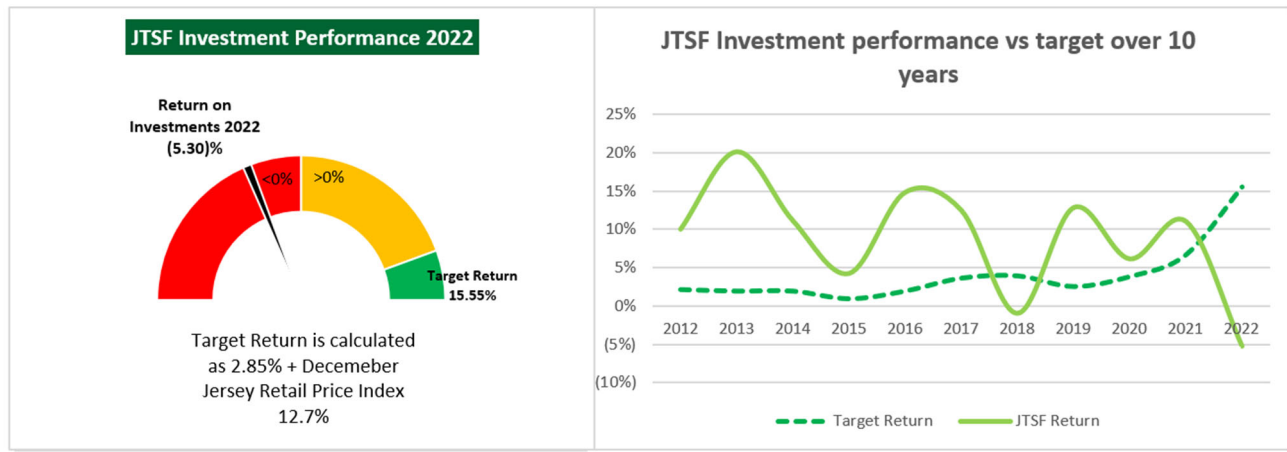
Performance analysis for the year

Investment performance


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

Over 2022, the Fund navigated a year of difficult Growth and Fixed Income markets with some success. Although the overall return was negative in total and suffers by comparison to the Jersey RPI (inflation) linked target, which rose from 11.2% to 15.6% in the year, diversification within the portfolio shielded the Fund’s accumulated gains from the worst of the markets’ volatility and the Fund remains in overall surplus. This means that the Fund remains in a sound financial position. Indeed, the Scheme Actuary has advised that changes in market conditions and views on future investment returns since the effective date of the 2021 valuation are likely to have strengthened the Fund’s position.

The Management Board has relied on the Treasury Advisory Panel to scrutinise the Fund’s investments to ensure they are confident about the assumptions underlying the portfolio, and it remains positive that diversification design and chosen investment managers are appropriate, concluding no change to investment strategy is needed.



The Board has carefully considered the year’s investment performance and concluded:

	<p>No short-term strategic adjustments to the portfolio are necessary at this time.</p> <p>The portfolio design is successfully mitigating the volatility of the higher risk investments and it remains expected to deliver sufficient performance over the medium to long term</p>
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In reaching this conclusion, the Board has reasoned that:

- Net assets grew in the year. However, this was due to the receipt of PID contributions; the underlying performance was both negative and under the Target Return. Despite 2022 performance, thanks to past performance the Scheme remains in overall surplus and on track to meet its long term performance objectives – see Results of the Actuarial Valuation section below
- Near term performance is not necessarily a reliable indicator of long term performance. For instance, the Target Return figure is temporarily raised due to the sharp rise in Jersey inflation. Current rates of inflation are not viewed as likely to endure over the long term

- The investment markets have been very volatile and difficult to predict in 2022. As a long term investor with low liquidity pressures, the Fund has been able to avoid selling holdings at inopportune moments and has instead been able to add new long term investments at historically attractive prices
- The receipt and investment of Pension Increase Debt contributions from Scheme Employers in the year (£135.2 million) gives certainty and control over these funds, eliminating the risk that this funding would not be received
- It is noted that several “active” investment managers in the portfolio have lower returns than their market benchmarks for the period. A large part of the reason for this is that the brief of these managers is to take concentrated positions in investments they consider undervalued or to sell investments they consider overvalued. The Board retains confidence that over a long-term time horizon, holding these positions will realise value for the Fund.

This summary reflects views formed after detailed discussions with the Actuary and Investment Advisor as well as with investment managers over the course of the year.

More detail on the portfolio composition and performance for the year is provided in the separately published Statement of Investment Principles (SIP) and in Appendix C.

Responsible Investment (RI)

The Management Board is satisfied with the approach to Responsible Investment applied within the CIF, as outlined in the published States of Jersey Investment Strategy.

The Board attends the CIF’s investment management meetings so has direct line of sight to CIF review and decision making processes at that point. The Board also receives summary RI reporting from its own Investment Advisor.

Since the CIF is a pooled investment scheme that offers benefits of scale by investing alongside other participants, the Management Board recognises that for practical reasons it is difficult to operate a wholly independent RI policy. The Fund has control over which of the CIF’s underlying asset classes it wishes to participate in and can recommend new investment managers for inclusion. However, the main influence that the Management Board can exert is in the formation of a commonly agreed RI policy with the Government of Jersey, as the CIF’s investment manager.






The Board recognises that there is a potential for the Fund and other Participants to have diverging views on RI over time and keeps this consideration in mind when evaluating the CIF RI policy. It also considers that Members’ expectations around reporting performance and policy are increasing each year. These are areas of focus for development in the year ahead.



The Investment Manager’s approach to Responsible Investment is understood and appropriate, however the Committee has identified it needs to improve the communication of its own specific policy aims and performance to Members

Results of the Actuarial Valuation

The Actuary has concluded a triennial revaluation of the JTFSF's liabilities. This involved an extensive re-evaluation of all key assumptions using data available for the position at 31 December 2021, such as demographic data and review of the portfolio performance. The Actuary's Valuation Report conclusions are summarised below:

	The JTFSF is in a sound overall financial position, with a surplus of assets over long term liabilities. (This surplus is presently sufficient to offset a smaller deficit on future service contributions for current members).
	Further to the Actuary's Valuation Report recommendations, it is not necessary to amend the contributions* or benefits at this time to meet existing liabilities *On repayment of the Employer's PID liability, the element of employer contributions related to debt repayment ceased.
	However, the contributions being paid are less than the cost of benefits for new entrants. Over the long term, without further action, the effect of this would be to erode the Fund surplus.
	There is no need at the present time to adjust the investment strategy.
	The PID repayments following the 31 December 2021 Valuation Report date were discussed with the Actuary. The Actuary had previously anticipated these values, so the repayments did not directly impact the Valuation (other than to bring certainty about resolution).
	The volatility of investment markets (and the Fund's own performance) in the period following the Valuation Report date of 31 December 2021 was discussed with the Actuary. The Actuary confirmed that presently these do not materially affect the long term performance assumptions of the Valuation Report and indeed higher interest rates have some mitigating effects through reducing liability values. In conclusion, post report performance is expected to have improved the position presented in the 31 December 2021 Valuation Report, however this will need ongoing close monitoring.

Pension Increases

It is the aim of the JTFSF to increase pensions in payment and deferred pensions with the previous year's December Jersey RPI, provided that the Fund's financial position remains satisfactory. The Fund has been able to continue paying increases in line with Jersey RPI, with the pension in deferment and retirement increasing by 12.7% on 1 January 2023.

Pension increases for the last 5 years:

Year of effect (Effective 1 st January)	Increase (Jersey RPI % of preceding 31 December)
2019	3.9
2020	2.5
2021	0.9
2022	3.8
2023	12.7

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

Operational (administrative) performance

The Public Employees Pension Team (PEPT) administers benefits for the scheme on behalf of the Treasurer of the States and in line with the scheme legislation. In the performance of its duties, which it performs alongside similar duties to the Public Employee Pension Fund (PEPF), the PEPT adheres to the standards agreed with the Management Board of the JTFSF.

In its review of the PEPT's 2022 performance across the JTFSF and PEPF schemes, the Board noted:

- PEPT's service standards have returned to pre-pandemic levels
- The team has embedded new more flexible working practices that provide greater operational resilience whilst improving staff well being
- Productivity has increased over the year. During 2022 the pensions team completed over 10,000 workflows; each workflow results in a member being paid a benefit, receiving a quote or cleansing of their data
- Service provision exceeds Service Level Agreement (SLA) standards. Over 2022, the pensions team completed 93% of all workflows within five working days compared to the SLA requirements of 90%.

Member communication including complaints across JTFSF and PEPF

Over the year, the pensions team received around 20,000 emails, 4,000 telephone calls and received over 30,000 documents across the schemes it administers. The team also had over 100 face to face meetings held at the Tuesday surgery.

The JTFSF currently has a four stage complaints procedure, the first two stages are reviewed and responded to in house by the pensions team and management, the final two stages are reviewed and responded to by the Secretary to the Management Board and then the full Management Board itself.

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

During the year the pensions team received no complaints from members of the JTFSF.

Current year developments

The PEPT team has continued to develop functionality of the online member Pensions Portal. The Portal is popular with members, with nearly 31% of JTFSF members registered to date.

During 2022, PEPT improved the Pension Portal's interface with Compendia (the pension administration system). Now, when deferred increases and pension increases are applied in the system, letters to members are automatically generated with copies posted to the members Pension Portal. Work also continues in relation to an upgrade that will resolve known ongoing issues and allow members to enter survivor benefit nominations.

Independent reviews

The Administrator undergoes an internal audit each year. The purpose of this review is to provide assurance that adequate procedures and controls are in place within the Public Employees' Pension Team (PEPT) regarding the administration of pensions. The review completed in early 2022 concluded that the control environment was 'Good'.

In 2022, the Board, in conjunction with the Committee of Management of the PEPF pension scheme, completed an independent review of the PEPT's pension administration. This was undertaken by a specialist UK pension administration consultancy, Muse. The review highlighted that the pension administration team are diligent, capable, knowledgeable and genuinely care about giving the best to the members of the scheme. The scheme administration was compared against industry leading practice. The recommendations of the report are being actioned and progress reported to the Management Board. The report recommended the agreement of a shared vision between the Committee and the Administrator and this was subsequently agreed as follows:-

'To provide an efficient and accurate pension administration service to members of the Jersey public service pension schemes, enabling members to understand their benefits and make informed decisions, so that they can look forward to their retirement.'

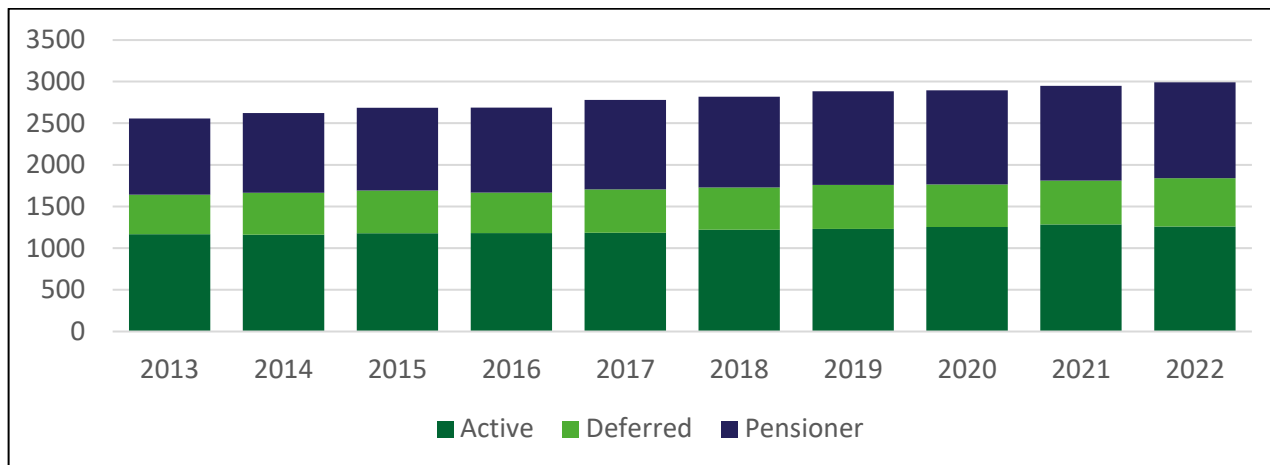
The report highlighted that system, data and process efficiencies could be achieved by upgrading the pension administration system to the latest version. The Board has agreed a budget so that work can commence on a system upgrade in 2023.

Membership changes

The total membership of the Fund had a slight increase during the year to 2,989 (2021: 2,949).

	2022	2021	Change
Active	1,265	1,284	(1%)
Deferred	571	526	9%
Pensioner	1,152	1,139	1%
	2,988	2,949	1%

This is a continuation of the membership patterns over the last 10 years, with the pensioner membership gradually increasing over time.



Summary

The tri-annual Actuarial Review, as at 31 December 2021 completed by the Scheme Actuary for the Management Board and separately approved by the Chief Minister, confirmed that the Fund is in a sound financial position.

More broadly:

✓	The Fund is in surplus, meaning that assets including the forecast investment returns are expected to be sufficient to meet the liabilities of the Fund in respect of current members.
✗	However, the contributions being paid are less than the cost of benefits for new entrants. Over the long term, without further action, the effect of this would be to erode the Fund surplus.
✓	The demographics of the Schemes, together with the nature of investments that the Fund holds, place a low stress on liquidity. This means that the Fund has not needed to liquidate assets at distressed prices (as many UK defined benefit schemes impacted by the “LDI event” were). Indeed, the Fund has added investments at historically favourable values.
✓	The Government of Jersey has settled its historic funding obligations (the Pension Increase Debt). This removes uncertainty as to how and when these legacy commitments would be settled.
✓	The operational costs for the year were within the budget set for the year
✓	The current year investment performance of (5.3%) was negative in absolute terms and below the Target Return over the period.
✓	However, the indications are that this was due to abnormal market conditions and that the Fund’s asset values can reasonably be expected to recover over the medium term. It does not have a significant impact on the overall health of the Fund’s financial position.

Furthermore, the diversification within the portfolio successfully shielded the Fund from the full range of falls in Growth Assets, showing that the investment strategy is working.
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To help ensure that the service providers continue to provide good value for money, the Board plans to complete a periodic review of service provider terms for the Actuary, Investment Advisor and Custodian roles in 2023.


Final Statement from the Chairman

As described in the Accountability Report and Performance Report above, the Fund has successfully navigated another year of varied and complex challenges. In the year, the 2021 Actuarial Valuation Report confirmed the Fund is financially strong and the independent Muse review of the Fund's administration concluded positively. The repayment of the PID was a particularly significant event, removing a risk that the Fund had previously carried.

In conclusion, I am confident that the Fund is well placed as it enters what is likely to be another very active year. Whilst the markets have started 2023 very positively, the Management Board will continue to pay particularly close attention to monitoring performance relationships within the portfolio. The Board will also ensure that various initiatives of 2022 relating to operations and governance structure continue to progress. In addition, there will also be work developing the Fund's Responsible Investment and general reporting practices.

I would like to thank my fellow Board members, who give their time voluntarily, for their commitment through a further year of elevated activity, and in anticipation of the work that lies ahead. The events and initiatives have required extra meetings and the expansion of subcommittee remits to ensure all items are given due attention.

I would also like to thank the Fund's Secretary, its service providers and Treasury officers who have given, and continue to give, the support and commitment needed to enable the Fund to respond to arising events with agility and competence.



Gordon Pollock BSc, FFA
Chairman of the Management Board
18 May 2023

Statement of Treasurer's Responsibilities

Treasurer's responsibilities in respect of the financial statements

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

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

FRS 102 and generally accepted accounting practice require that those financial statements should:

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

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

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

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 2022

Dealing with Members		Notes	2022 (£'000)	2021 (£'000)
Payments in	Employer contributions		144,412	10,925
	Employee contributions		3,886	3,720
	Total contributions	4	148,298	14,645
	Transfers in		218	303
Total payments in			148,516	14,948
Payments out	Benefits paid or payable	5	(24,748)	(23,701)
	Payments to and on account of leavers	6	(513)	(1,389)
	Administrative expenses	7	(726)	(579)
Total payments out			(25,987)	(25,669)
Net additions/ (withdrawals) from dealings with members			122,529	(10,721)
Net returns on investments				
* Gains on CIF investments			(29,078)	74,186
* Expenses included in the calculation of the CIF NAV		9	(8,887)	(7,413)
Change in market value: investments inside the CIF		10	(37,965)	66,773
Change in market value: investments outside the CIF		10	122	2
Investment management expenses		8	(169)	(131)
Net return on investments			(38,012)	66,644
Net increase in the Fund's assets during the year			84,517	55,923
Opening net assets			652,793	596,870
Closing net assets			737,310	652,793

*Additional disclosure provided in the Appendix to the Financial Statements shows the underlying costs and market movements within the CIF holding.

The notes on pages 28 to 38 form part of these Financial Statements

Statement of Net Assets Available for Benefits as at 31 December 2022

	Notes	2022 (£'000)	2021 (£'000)
Investment assets			
Units in the CIF	10, 11	733,762	648,727
AVC Investments	10	914	928
Total net investments		734,676	649,655
Current assets	15	2,814	3,294
Current liabilities	16	(180)	(156)
Total net assets available for benefits		737,310	652,793

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

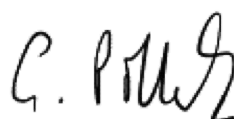
The Scheme Actuary performs a formal revaluation of the scheme's liabilities every three years. The most recent Valuation Report was completed for the 31 December 2021 position and concluded that the JTSF Scheme is in a sound financial position, although contributions being paid are less than the cost of benefits for new entrants which means that over the long-term, without further action, the effect of this would be to erode the Fund surplus. More detail on the present Actuarial position of the Fund is available in the Performance Analysis on page 20 of the Chairman's report and these Financial Statements should be read in conjunction with that section.

In accordance with Article 22 of the Teachers' Superannuation (Administration) (Jersey) Order 2007 the Financial Statements have been prepared by the Treasurer of the States and have been audited.

The notes on pages 28 to 38 form part of these Financial Statements. These Financial Statements on pages 26 to 38 were received and approved on behalf of the Management Board on 18 May 2023.



Richard Bell
Treasurer of the States
18 May 2023



Gordon Pollock BSc FFA
Chairman of the Management Board
18 May 2023

Notes to the Financial Statements for the year ended 31 December 2022

1. Constitution

The Jersey Teachers' Superannuation Fund (the "Fund") is an independent retirement fund, governed by Orders made under the Teachers' Superannuation (Jersey) Law, 1979, as amended.

The postal and electronic address of the Scheme can be found on page 59 of this annual report.

2. Basis of Preparation

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

3. Accounting policies

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

a) Contributions

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

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

b) Transfers

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

c) Benefits and payments to and on account of leavers

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

Notes to the Financial Statements (Continued)

d) Management, performance fees and other expenses

All fees and expenses are accounted for on an accruals basis. All expenses borne by the CIF are included in the change in net asset value of the units; a breakdown of these expenses is included in note 9 for information.

e) Other expenses

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

f) Valuation of investments

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

g) Critical accounting judgements and estimation uncertainty

In respect of asset valuations, the Management Board make estimates and assumptions concerning the future. The Management Board believes the only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are related to the valuation of scheme investments and those classified in Level 3 of the fair-value hierarchy. Explanation of the key assumptions underpinning the valuation of investments are included within (f) above and within notes 10 and 11.

h) Taxation

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

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

i) Currency

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

Notes to the Financial Statements (Continued)

4. Contributions

	2022 (£'000)	2022 (£'000)	2021 (£'000)	2021 (£'000)
Employers				
Normal	9,205		10,925	
One off Pension Increase Debt settlement*	135,207		-	
		144,412		10,925
Employees				
Normal	3,807		3,626	
Additional voluntary contributions	79		94	
		3,886		3,720
Total Contributions		148,298		14,645

*The one off settlement of £135.2 million relates to the "full and final" settlement of the Pension Increase Debt, as explained further in Note 19. This comprised £134.5 million received in May with a balancing payment of £0.7 million in July). Until this settlement, the Employer's regular contributions included 5.6% towards repayment of the Pension Increase Debt.

5. Benefits paid or payable

	2022 (£'000)	2021 (£'000)
Pensions	23,025	22,003
Death benefits	183	52
Commutations and lump sum retirement benefits	1,540	1,646
Total Benefits	24,748	23,701

6. Payments to and on account of leavers

	2022 (£'000)	2021 (£'000)
Refund of contributions	38	56
Transfers out	475	1,333
Total Payments to and on account of leavers	513	1,389

Notes to the Financial Statements (Continued)

7. Administrative Expense

	2022 (£'000)	2021 (£'000)
Salaries and office costs	255	239
Actuarial fees	209	141
Audit fees	41	31
Legal fees	71	57
Chairman and secretary fees	67	62
Pension system development costs	55	49
Other expenses	28	-
Total Administrative Expenses	726	579

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

8. Investment Management Expenses

	2022 (£'000)	2021 (£'000)
Custodian expenses	52	48
Investment advisory expenses	117	83
Total Investment Management Expenses	169	131

Note 8 discloses the Investment Adviser and Custodian service provider expenses charged directly to the Fund whereas note 9 discloses indirect investment expenses incurred within the CIF and apportioned amongst investors in proportion to their unit holding.

Directly charged investment advisory expenses included in the table above include expenses such as the attendance of meetings of the Management Board by the Investment Adviser and advice regarding the Strategy of the Fund.

Investment advisory fees are also incurred indirectly through the CIF but relate mostly to manager monitoring costs. The value included in note 9 is the proportion of these fees attributed to JTJSF.

9. Common Investment Fund (CIF) Expenses

	2022 (£'000)	2021 (£'000)
Custodian expenses	78	77
Investment advisory expenses	178	110
Investment management expenses	8,609	7,188
Legal expenses	16	-
Other investment expenses	6	38
Total CIF Expenses	8,887	7,413

Notes to the Financial Statements (Continued)

Investment management expenses include performance elements and so reflect the increased portfolio value in 2022. Refer to note 3d for explanation of CIF expenses.

10. Reconciliation of Net Investments

	Note	Value at 1.1.2022 (£'000)	Purchases at cost (£'000)	Sales proceeds (£'000)	Change in Market Value (£'000)	Value at 31.12.22 (£'000)
CIF Units	11	648,727	364,450	(241,450)	(37,965)	733,762
Additional Voluntary Contributions ¹		928	5	(141)	122	914
Total Investments Units		649,655	364,455	(241,591)	(37,843)	734,676

¹During the year, four members (2021: four) contributed £4,400 (2021: £4,960) into an Additional Voluntary Contribution scheme managed by the Prudential Assurance Company Limited. The Prudential AVC is a Group AVC policy setup in 1991 to provide an additional pension for Jersey Teachers. The assets are held in With-Profit Funds and are invested by the Prudential on behalf of those members.

11. Units in the Common Investment Fund

	2022 (£'000)	2022 % of CIF pool	2021 (£'000)	2021 % of CIF pool
Global Active Equities	260,307	14.7	305,074	13.6
Absolute Return Bonds	39,458	11.6	44,319	11.5
Hedge Funds	151,599	23.4	99,715	16.8
Property	87,259	100.0	100,669	100.0
Opportunities Pool I	49,474	25.0	50,160	25.0
Opportunities Pool II	35,708	11.0	18,331	11.0
Opportunities Pool III	28,493	45.0	-	-
Alternative Risk Premia	81,253	34.6	29,557	17.7
Long-term Cash Pool	211	0.3	902	1.2
Total CIF	733,762		648,727	

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

12. 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 Fund can access at the measurement date.

Notes to the Financial Statements (Continued)

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.

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

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

Investment assets	Level			2022 Total (£'000)
	1 (£'000)	2 (£'000)	3 (£'000)	
Pooled Investment Vehicles	188,307	205,638	339,817	733,762
Additional Voluntary Contributions	-	-	914	914
Total investments	188,307	205,638	340,731	734,676

Analysis for the prior year end is as follows:

Investment assets	Level			2021 Total (£'000)
	1 (£'000)	2 (£'000)	3 (£'000)	
Pooled Investment Vehicles	213,538	151,923	283,266	648,727
Additional Voluntary Contributions	-	-	928	928
Total investments	213,538	151,923	284,194	649,655

13. Investment risks

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

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

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

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

Notes to the Financial Statements (Continued)

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

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

The Fund's direct exposure to the risk is that associated to the holdings of CIF units. This risk is not deemed material. More material to the portfolio is the indirect risk associated with the underlying segregated and pooled investment vehicles accessed through the holding of CIF units.

The following table summarises the extent to which the various asset classes held by the CIF per the Fund's investment strategy are affected by financial risks:

Asset Category	Credit Risk	Market Risk			2022 (£m)	2021 (£m)
		Currency	Int Rate	Other Price		
Pooled Investment Vehicles						
Equities		✓		✓	260.3	305.1
Property	✓			✓	87.2	100.6
Bonds	✓	✓	✓		39.5	44.3
Alternatives	✓	✓	✓	✓	346.5	197.8
Cash	✓	✓	✓		0.2	0.9
Total holding within the CIF					733.7	648.7

Credit risk

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

A summary of the pooled investment vehicles to which the Fund is exposed is detailed in the table below:

Pooled investment vehicles	2022 (£m)	2021 (£m)
Closed ended investment companies	10.9	11.1
Open ended investment companies	295.2	220.3
Shares in limited partnerships	152.5	96.9
Open ended unit trust	86.8	99.7
Within CIF pooled investment vehicles (PIVs)	545.4	428.0
Within segregated assets within the CIF	188.3	220.7
Total holding within the CIF	733.7	648.7

Notes to the Financial Statements (Continued)

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

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

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

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

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

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

Bond and cash assets	2022 (£m)	2021 (£m)
Northern Trust (cash)	0.2	0.9
Absolute return bond pool (bonds)	39.5	44.3
Total bond and cash assets	39.7	45.2

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

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

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

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

Currency risk

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

Notes to the Financial Statements (Continued)

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

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

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

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

Interest rate risk

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

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

Other price risk

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

At 31 December 2022, the Fund's CIF investment held 49% of the total investment portfolio in return seeking assets (2021: 58%). The exposure to other price movements is managed by constructing a diverse portfolio of investments across various markets, held with various high-quality investment managers who are monitored by the Investment Adviser, Treasury Advisory Panel and Treasury representatives on an ongoing basis.

Notes to the Financial Statements (Continued)

14. Concentration of investments

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

	2022 (£'000)	2022	2021 (£'000)	2021
Active Global Equity Pool	260,307	36%	305,074	47%
Hedge Funds Pool	151,599	21%	99,715	15%
UK Property Pool	87,259	12%	100,669	16%
Alternative Risk Premia	81,253	11%	29,476	5%
Opportunities Pool I	49,474	7%	50,160	8%
Absolute Return Bond Pool	39,458	5%	44,319	7%

15. Current Assets

	2022 (£'000)	2021 (£'000)
Contributions – Employers	116	414
Contributions - Members	86	138
Cash balances	2,249	2,739
Other debtors	363	3
	2,814	3,294

16. Current Liabilities

	2022 (£'000)	2021 (£'000)
Other creditors	180	157
Advances to/ (from) Government of Jersey	-	(1)
	180	156

17. Contingencies and Commitments

In the opinion of the Treasurer of the States, the Fund has no contingent liabilities as at 31 December 2022 (2021: nil).

As at 31 December 2022, the Fund had commitments of approximately £176.1m (2021: £98.9m) to the Opportunities Pool of the Common Investment Fund, of which £66.3m (2021: £35.4m) remained undrawn as at the year end.

18. Related party transactions

Related party transactions and balances comprise the following categories:

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

The Chairman and Secretary to the Management Board receive remuneration as detailed in note 7 and the Chairman is a member of the TAP for which he receives remuneration. As at the year end, within the

Notes to the Financial Statements (Continued)

Management Board there were three active (2021: three) and three pensioner members (2021: three). There were no other related party transactions identified during the year.

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

The Treasury & Exchequer Department of the Government of Jersey provides creditor payment, payroll, cash management and financial ledger services for the Fund. At the year-end, a sum of £362,890 was owed from the Government of Jersey (2021: £956) in respect of transactions with the Treasury & Exchequer Department. During the year an amount of £247,475 (2021: £200,457) was paid to the Government of Jersey in respect of the services provided.

19. Pension Increase Debt repayment

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

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

Opinion

We have audited the financial statements of the Jersey Teachers' Superannuation Fund (the 'fund') for the year ended 31 December 2022 which comprise the Fund Account, the Net Assets Statement 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 2022, 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 Teachers' Superannuation (Administration) (Jersey) Order 2007.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

We have nothing to report in this regard.

Responsibilities of the Treasurer

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- enquiry of the Management Board to identify any instances of non-compliance with applicable laws and regulations
- review of minutes of Management Board meetings
- obtaining independent confirmation of, and testing of a risk-based sample of investment balances at the year end
- testing of a risk-based sample of journal entries to supporting documentation
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing
- challenging assumptions and judgements made by the Treasurer in the significant accounting estimates, in particular in relation to the valuation of level 3 investments.

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 Management Board, as a body, in accordance with the Teacher's Superannuation (Administration) (Jersey) Order 2007 and for no other purpose. Our audit work has been undertaken so that we might state to the Management Board those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Management Board as a body, for our audit work, for this report, or for the opinions we have formed.

CLA Evelyn Partners Limited

CLA Evelyn Partners Limited

Statutory Auditor
Chartered Accountants
Bristol

18 May 2023

Statement of the Scheme Actuary

ACTUARIAL STATEMENT

Name of Fund: Jersey Teachers' Superannuation Fund

Effective Date of Valuation: 31 December 2021

1. Security of prospective rights

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

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

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

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

2. Security of accrued rights on discontinuance

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

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

3. Further information

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

Jonathan F. Teasdale

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

1 March 2023

APPENDIX to Statement of the Scheme Actuary

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, but excluding AVCs, which had a value of £651.9M at 31 December 2021.
- b) the pension increase debt of £133.3M at 31 December 2021.
- c) future contributions payable by members and employers at the various rates that were specified in the Orders effective at the valuation date, less 5.6% of salaries allocated to meet the pension increase debt.

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

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

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

3. Methods and assumptions

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

Appendix A - Details of the Common Investment Fund (unaudited)

The CIF does not prepare standalone Financial Statements, though detailed disclosures regarding risk and exposures are included in the Government of Jersey 2021 Financial Accounts. These accounts should be read in conjunction with those accounts; however, Summary information has been included in this appendix and the proportion of the assets and income due to JTSF have been calculated to aid the understanding of the users of the accounts.

Explanation of the CIF

The Government of Jersey – Common Investment Fund was established in 2010 by proposition P.35/2010, lodged by the Minister for Treasury and Resources. The purpose of the proposition was to amend several existing regulations to enable the pooling of Government Fund assets for Investment Purposes and was approved by the States of Jersey on 12 May 2010.

The purpose of the CIF is to create an administrative arrangement which is open only to Government Funds (including Separately Constituted Funds, Special Funds and Trust and Bequest Funds) to provide them with the opportunity to pool their resources and benefit from greater investment opportunities and economies of scale. The CIF pools together the assets from a number of Funds and collectively invests the underlying assets, enabling them to invest in accordance with their own agreed asset allocations, as published in their strategies. The economies of scale that are gained increases the potential return of the investments held and enables a wider diversity of asset classes.

The CIF became operational on 1 July 2010 and as at 31 December 2022 contained 13 investment pools holding a range of asset classes (including equity, bonds, gilts, cash, hedge funds and property).

Statement of Comprehensive Net Income for the year ended 31 December 2022

	2022 CIF Total (£'000)	2022 CIF - JTSF (£'000)	2021 CIF Total (£'000)	2021 CIF - JTSF (£'000)
Investment income	39,824	8,026	27,530	5,831
Change in fair value of financial assets held at fair value through Profit and Loss	(270,901)	(36,985)	414,784	68,452
Total income	(231,077)	(28,959)	442,314	74,283
Supplies and services	(47,140)	(8,881)	(43,308)	(7,375)
Other operating expenditure	(36)	(6)	(296)	(38)
Foreign exchange loss	(752)	(119)	(730)	(97)
Total expenditure	(47,928)	(9,006)	(44,334)	(7,510)
Net income	(279,005)	(37,965)	397,980	66,773

Statement of Financial Position as at 31 December 2022

	2022 CIF Total (£'000)	2022 CIF - JTSF (£'000)	2021 CIF Total (£'000)	2021 CIF - JTSF (£'000)
Non-current assets				
Equities	1,134,890	166,675	1,536,926	208,630
Pooled Investment Vehicles	2,500,960	545,455	2,415,003	428,094
Other assets	94,706	-	103,618	-
Total non-current assets	3,730,556	712,130	4,055,547	636,724
Investments held at fair value through Profit and Loss	97,402	197	93,385	849
Derivative financial instruments expiring within one year	13,402	2,054	240	62
Trade and other receivables	5,668	705	18,647	2,425
Cash and cash equivalents	139,678	18,963	53,152	9,418
Total current assets	256,150	21,919	165,424	12,754
Trade and other payables	(2,148)	(287)	(2,178)	(751)
Total current liabilities	(2,148)	(287)	(2,178)	(751)
Net assets	3,984,558	733,762	4,218,793	648,727

Changes in Market Value of Investments by Pool in 2022

	Total CIF Investments held at Fair Value through Profit or Loss					JTSF
	Market Value 1 Jan 2022 (£'000)	Purchases (£'000)	Sales (£'000)	Unrealised Gains (Losses) (£'000)	Market Value 31 Dec 2022 (£'000)	Market Value 31 Dec 2022 (£'000)
Global Equities <i>(Incorporating Emerging Market Equities)</i>	2,206,043	226,783	(451,529)	(267,610)	1,713,687	260,307
Opportunities (Pools I, II & III)	351,572	210,424	(48,994)	22,846	535,848	113,675
Property (Pools I & II)	216,369	-	-	(29,853)	186,516	87,259
Hedge Funds	591,681	122,850	(107,117)	(31)	607,383	151,599
Alternative Risk Premia	166,550	46,537	-	21,977	235,064	81,253
Absolute Return Bonds	385,044	11,358	(32,800)	(25,232)	338,370	39,458
Long-term Cash	68,655	1,320,622	(1,319,147)	(1)	70,129	211
Pools JTSF did not participate in	163,018	26,642	(35,191)	(13,509)	140,960	-
CIF Total	4,148,932	1,965,216	(1,994,778)	(291,413)	3,827,957	733,762

Note: The JTSF unit investment in the CIF includes the value of various pooled fund investments, as summarised above. These investment pools are held at fair value with movements through profit and loss. The total CIF value attributable to JTSF also includes debtors, creditors and broker cash. At the year end these were valued at £21.6 million, resulting in a total combined value of assets held within the CIF attributable to JTSF of £733.8 million.

Appendix B – Summary of key service providers (unaudited)

Specialist Service Provider	Who	Who appoints under the Regulations	Summary of services
Actuary	AON Solutions UK Limited	Management Board, following approval by the Minister (Contracted by the Management Board)	Independently estimates Scheme liabilities and forecasts likely investment return outcomes, proposing suitable “Target Returns” for the Schemes’ investments The Actuary writes a formal Valuation Report every three years which informs decisions around contribution/ benefit rates and investment strategy decisions
Bank	HSBC Plc	Treasurer	HSBC holds operational cash balances held outside of the Custodian and is also the bank of the Government of Jersey, the Principal Employer
Investment Manager	Government of Jersey’s Common Investment Fund (CIF)	Management Board, following approval by the Minister (Contracted by the Management Board)	The Treasurer acts as Investment Manager and Administrator to the CIF. The CIF is an investment vehicle that pools the funds of various Participants (such as the JTTSF) and invests in a scaled way across various underlying external investment funds.
Custodian	Government of Jersey’s Common Investment Fund (CIF) – ultimately Northern Trust		Northern Trust (NT) are Custodian to the CIF and in this role for the Administrator maintains the ownership records of JTTSF as a Participant. NT retains investment ownership records for investments in PEPF’s own name; bookkeeps transactions; collates performance information; supports various investment operations

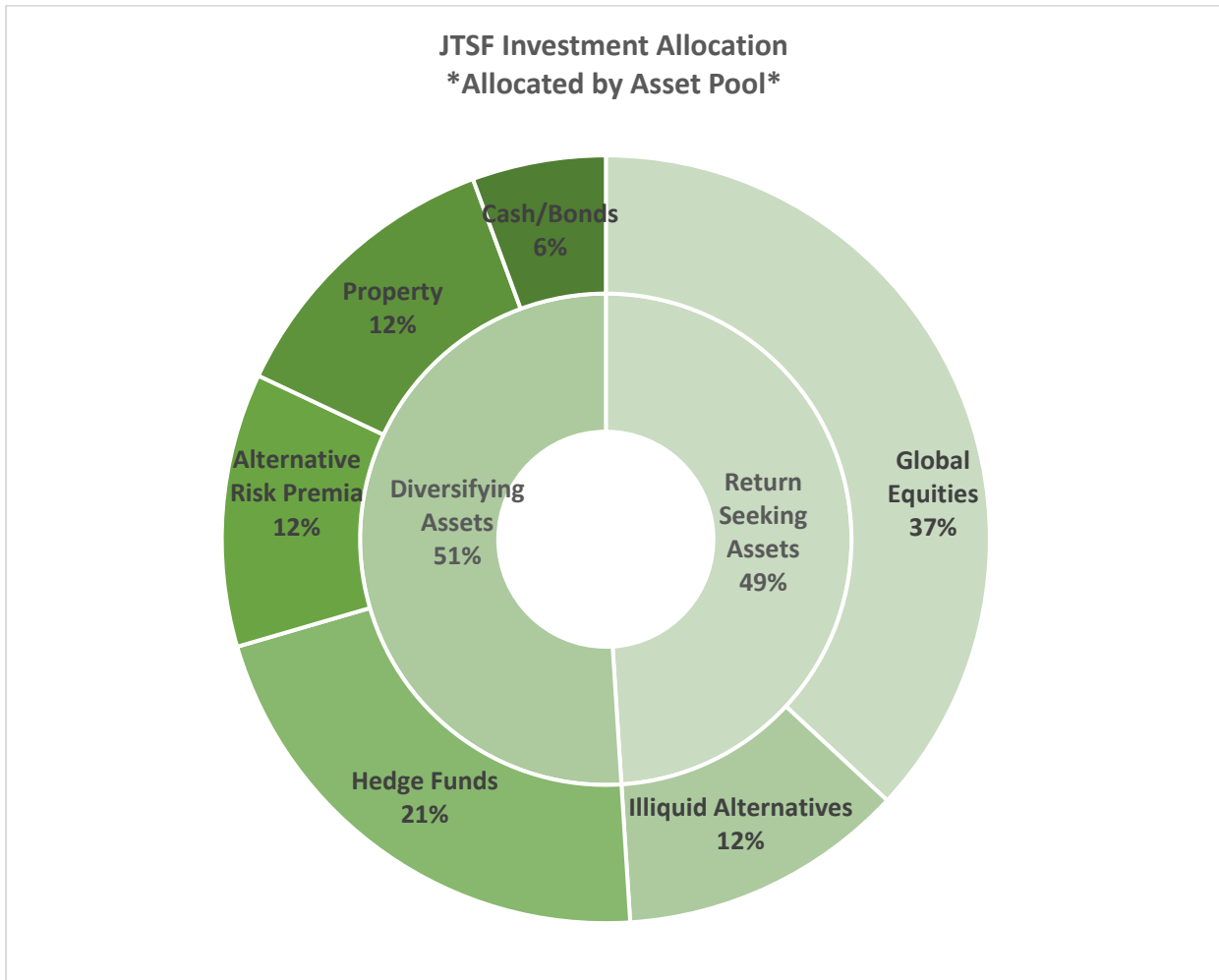
Specialist Service Provider	Who	Who appoints under the Regulations	Summary of services
Independent panel overseeing the CIF	The Treasury Advisory Panel (TAP)	Appointed by the Minister.	Terms of reference for the TAP are available online at the GoJ website.
Investment Advisors	AON	COM, following approval by the Minister (Contracted by COM)	Makes strategic investment recommendations (portfolio design; adding/removing fund managers); provides performance information; performs due diligence on investment managers and assists with best practice reviews; provides oversight and challenge to aspects of Custodian performance; assists Treasury to plan operational activities
Lead Legal Advisor	Carey Olsen (additional advisors on an ad hoc basis)	Management Board (Contracted by the Management Board)	Supports the Board with arising legal matters and compliance with legislation
Administrator - Investments	Government of Jersey - Treasury and Investment Management team (T&IM).	The Treasurer is the Administrator (Performed by the Government of Jersey T&IM team)	<p>The Treasurer acts as Administrator to both the CIF and the Fund.</p> <p>Implements investment decisions; performs day-to-day coordination of tax filing and investment administration; reconciles service provider records and prepares the Fund's financial records; coordinates the audit engagement; coordinates/ performs compliance activities; provides oversight of service provider performance and implements the Board's Fund level control framework</p> <p>The Investment Advisor works closely with the Administrator to forecast and plan for cash flows needs arising from member transactions.</p>

Specialist Service Provider	Who	Who appoints under the Regulations	Summary of services
			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
Administrator – Financial Statements		The Treasurer and Management Board	The Treasurer must keep Fund records and prepare Financial Statements The Comptroller and Auditor General must appoint auditors The Board must publish the audited Financial Statements
Administrator – Membership	Government of Jersey – Public Employees Pensions Team (PEPT)	The Treasurer is the Administrator, performed by the Government of Jersey PEPT. (The Administrator and agree a Pension Administration Strategy each year detailing services)	Coordinates the processing of pension contributions and payments; maintains Scheme and membership records; implements the Board’s communication strategies; assists with the Board’s appointment processes
External Auditor	CLA Evelyn Partners Limited <i>(Nexia Smith Williamson rebranded as CLA Evelyn Partners Limited in 2022)</i>	Comptroller and Auditor General	Provides an annual Audit Opinion engagement on the Fund’s financial statements

Appendix C – Underlying investments (unaudited)

Further information on the JTFSF’s portfolio selections within its CIF investment. Detailed information on policies, strategic allocation decisions and portfolio composition is available in the separately published JTFSF Statement of Investment Principles (SIP).

Underlying portfolio composition (within the CIF) as at 31 December 2022



Performance analysis

Summary

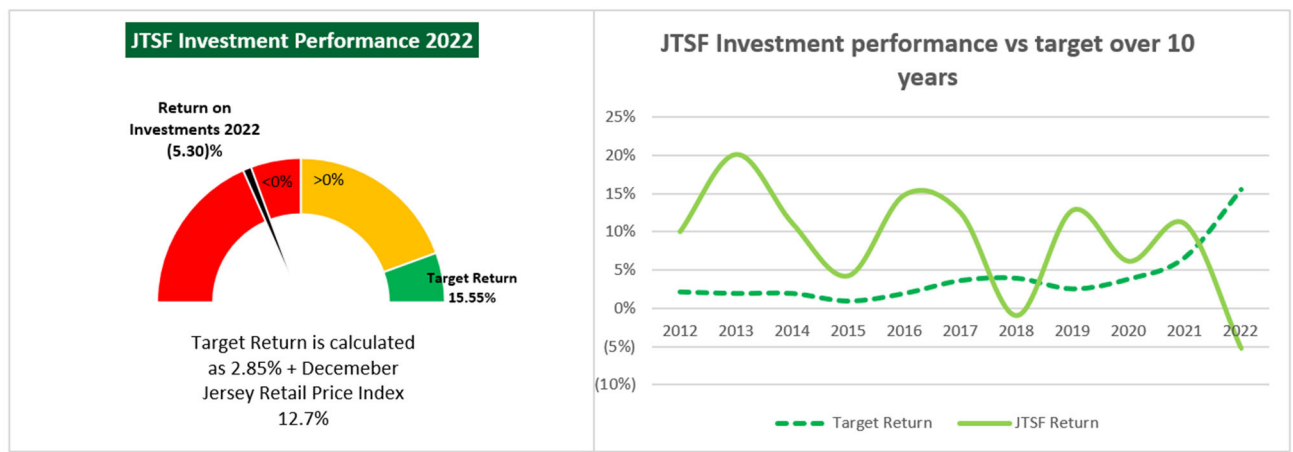
The investment aim of the Fund is to provide returns sufficient to meet pension commitments to members over a range of timeframes.

Over current year, the Fund navigated a difficult period for Growth and Fixed Income markets with some success; the diversification within the portfolio mitigating the worst of the market's volatility. The Fund remains in overall surplus and is well positioned to meet its long-term liabilities.

The Management Board have scrutinised the Fund's holdings within the CIF to ensure they are confident about the assumptions underlying the portfolio and they remain positive that diversification design and chosen investment managers are appropriate, concluding no change to investment strategy is needed.

Overview

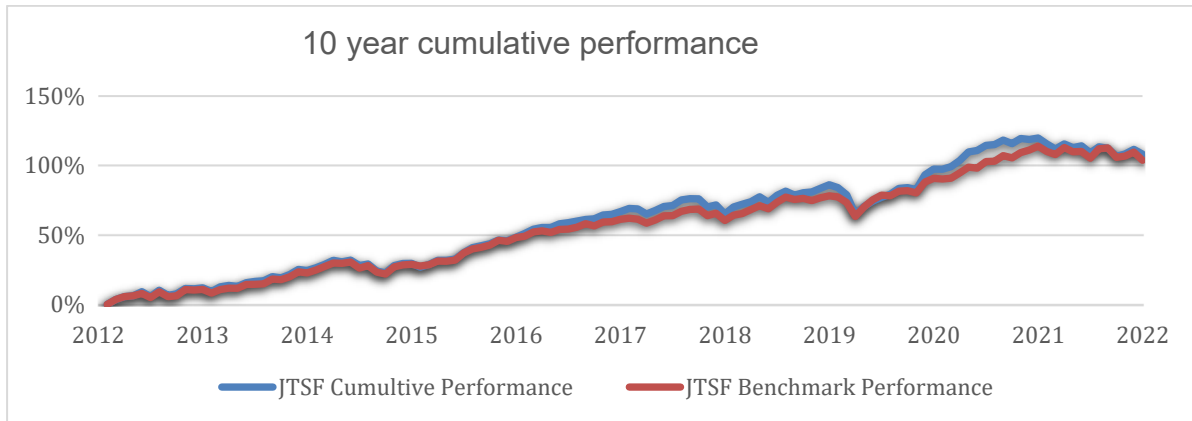
The following charts illustrate short term and longer terms performance of the portfolio.



The net assets of JTSF increased over 2022 due to the receipt of £135.2 million of PID proceeds. However, the underlying 2022 performance of its investment in the Common Investment Fund (CIF) was a negative return of 5.3% whilst the Target Return benchmark spiked over the same period, due to its linkage to Jersey RPI. This year of negative near term performance contrasts with the longer-term performance of the portfolio, where returns have generally both been both positive and in excess of the Target Return.

The Fund is able to look through periods of short term volatility in performance, in both absolute performance terms and in terms relative to Target. The paramount concern is that the Fund has a long term performance sufficient for it to meet its liabilities. The long term performance of the Fund's CIF investment remains good. Even after the negative performance in the current year, the Funds' ten year annualised return is 8.4% (0.4% in excess of the market benchmark and 2.7% in excess of the target). Of the last ten years, only two years have seen returns dip below the Target Return.

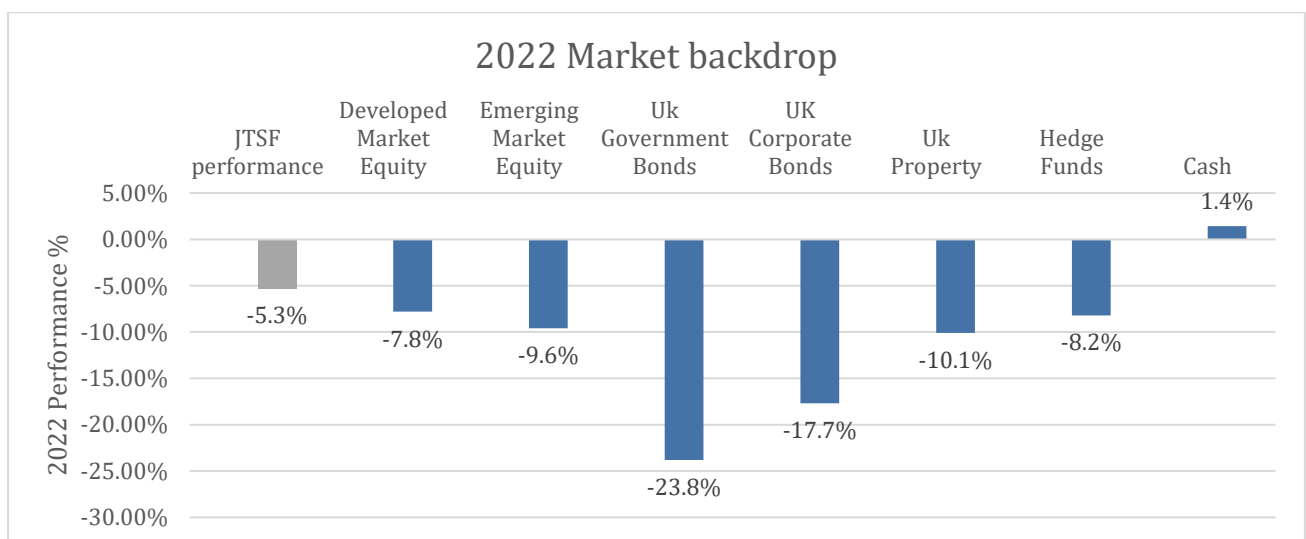
One of the greatest strengths of the JTSF investment portfolio within the CIF is the ability to take a long-term view and hold assets through periods of volatility to secure improved returns. The following diagram illustrates the power of simple compounded returns over an extended period.



Characteristics of the year

The market environment prevalent in 2022 was challenging for the JTSF’s underlying portfolio within the CIF, with a number of shocks impacting a broad range of investment classes. The Russian invasion of Ukraine at the beginning of the year resulted in a sharp sell-off of Equities, as geopolitical risk took centre stage and unsettled markets. Concerns about energy supplies and ongoing supply chain issues, exacerbated by Chinese measures to contain Covid, contributed to significant and persistent inflation, necessitating aggressive central bank interest rate hikes.

Fixed income and equity markets globally were both negatively affected, suffering significant falls. The losses were unusual in how widely spread they were across different, normally less correlated, markets. This is illustrated in the chart on the following page, comparing JTSF portfolio performance to key market indices over 2022.



In order to manage the volatility that shocks bring to markets, the investment portfolio of the JTTSF's CIF holding is purposely diversified. Most notably, attention is given to incorporating a range of asset classes, sectors, and geographies to spread risk and provide a smoother overall return.

JTTSF's efforts to diversify sources of return have provided some protection. In particular, allocations to market neutral asset classes, including Hedge Fund and Alternative Risk Premia strategies were successful in preserving value in the rising rate environment of 2022.

The Management Board tracks and evaluate the performance of asset sectors and individual managers on an ongoing basis. However, whilst volatile markets can provide trading opportunities, it can be difficult to make conclusions on manager performance over periods as short as a single year by comparison to benchmarks alone. This is because it takes time for a position to be built and then for the fundamental value to be realised. Consequently, the use of benchmarks to assess manager performance can more illuminating over longer time periods than short.

The Management Board and TAP's approach to evaluating performance includes close attention to whether their managers are employing the strategies for which they were appointed. In the face of adverse short term performance it is particularly important for the portfolio that each manager pursues their style with appropriate discipline and rigour - rather than allowing their investment style to drift (with risk to the portfolio diversification).

A further breakdown of how individual asset classes has performed, including these diversifying classes, is examined in following section, 'Performance by asset class investment within the CIF'.

Overall, the Board remains satisfied for the time being with both the strategic spread of investments between asset classes and with the managers selected to deliver within those allocations.

A separate but significant input to the process of evaluating the ongoing suitability of the investment strategy was to consider the 2021 Actuarial Valuation work. Importantly, this work did not identify a need to amend the overall risk/ return parameters for the Funds' investments.

Reflecting the analysis above, during 2022 the PID proceeds were invested in such a way that new managers were added without fundamentally changing the portfolio long term strategic positioning.

The Board noted that although post year end volatility remains high, January 2023 saw the portfolio deliver returns of 3.15%, recovering over 50% of the total losses experienced over 2022.

Performance by asset class investment within the CIF



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

<p>Global Equities (37% of JTSP's CIF investment)</p>	<p>Over 2022, the largest detractor of performance (in absolute terms or when comparing the portfolio's return to benchmark) was JTSP's Equities allocation. This comes from the rate of return in the market generally and the fact this is the largest component of the JTSP's CIF portfolio, valued at £260.3m at year end.</p> <p>JTSP's equity exposure is achieved through the CIF's Active Global Equities pool. Despite the pool's diversification between managers with different styles, the pool's exposure to 'growth' managers was a significant detractor of performance in 2022. The pools 'value' style managers fared better but were unable to offset the strong sell off in Growth stocks. The pool in total delivered a return of - 12.2%, compared to its benchmark of - 7.6%.</p> <p>A key reason the pool performance varied from benchmark is that it employs a several "active" style managers. (Active managers are expected to concentrated positions away from the benchmark in order to generate outperformance over the long run). This means that over short periods the pool's performance will naturally diverge from its benchmark. Over the long-term, the pool has delivered considerable value with annualised performance since inception of +11.6%, which is 0.8% in excess of market benchmark, even after the current year's negative return.</p>
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<p>Illiquid Alternatives (12% of JTFSF's CIF investment)</p>	<p>Illiquid Alternatives contains asset classes, such as the three Opportunities Pools which are valued in combination at £114 million, that do not have a readily comparable market benchmark against which they can be tracked. These illiquid asset classes include direct lending, infrastructure and insurance linked strategies and operate in small and often esoteric markets with less regularly reported publicly available data. Accordingly, they are benchmarked against a UK RPI based target.</p> <p>Against a widespread market sell off, these assets have performed well protecting value and generating a return of +8.1%. However, their inflation linked benchmark has spiked to 13.4%. While over the long-term returns in these strategies would be expected to rise in line with sustained inflation, they will be expected to lag in the case of inflationary shocks in the immediate short term.</p>
<p>Property (12% of JTFSF's CIF investment)</p>	<p>Property, valued at £55.3 million at year end generated a -10.1% loss roughly in line with the benchmark loss of -10.0%.</p> <p>2022 was a tale of two halves for the property sector. The MSCI UK Monthly Property index hit an all time high index level in June 2022. This was followed by a fall of 14.5% in the fourth quarter; a larger decline than the Global Financial Crisis. The fall was driven by the sudden sharp rise in interest rates and borrowing costs and the background of a weaker macroeconomic environment. Over the pool's life, it has generated considerable value for the portfolio, returning 4.6% annually since inception.</p>
<p>Hedge Funds (21% of JTFSF's CIF investment)</p>	<p>The Hedge Fund assets, valued at £151.6 million, generated a marginally positive return of 0.4% overall, undershooting its benchmark by around 1%.</p> <p>Although the pool protected value in a falling market, the return was disappointing in comparison to its three-year return of +6.2%, or its more modest 5-year performance of +4.5%. Changes to the structure of the pool, which follows a fund of fund approach, were undertaken during the year. This involved replacing a number of managers, with the intention of improving the pool's characteristics and long term performance.</p>
<p>Cash/ Bonds (6% of JTFSF's CIF investment)</p>	<p>Fixed income assets fall in value when interest rates rise. Given the almost uniform action of central banks globally in raising interest rates over the course of 2022, the underlying funds have had limited opportunity to access assets with positive returns, creating a divergence from the interest rate derived benchmark.</p> <p>While a negative return of -6.9% is disappointing in absolute terms, the pool's diversification (over 99% of Cash/ Bonds are Absolute Return Bond holdings, valued at £39 million) successfully limited losses considering various Fixed Income market sectors experienced double digit losses.</p>

	The Management Board notes that the environment for fixed income investment notably improved over the course of 2022 as yield spreads widened. The Board will reassess the allocation to this class of asset in 2023.
Alternative Risk Premia (12% of JTFSF's CIF investment)	The Alternative Risk Premia (ARP) class, valued at £81.3 million, was specifically added as a diversifier to the JTFSF's Equities holdings. ARP demonstrated its lack of correlation to Equities in 2022 through outstanding performance, generating returns of +12% compared with the same SONIA benchmark as Equities.

Conclusion

Whilst performance over 2022 was challenging, the Management Board do not see this as a trend and longer-term performance remains ahead of benchmark since inception. The Board/TAP will continue to monitor the portfolio's long-term strategic aims and the individual managers within the CIF selections closely. Periods of underperformance are expected where active investment is undertaken and strategies may underperform across multiple time periods, however through a systematic strategic approach to allocation, the Board/TAP has a high degree of confidence that JTFSF's investment portfolio is well placed to meet its long-term investment objectives.

Glossary

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

Accepted Schools: Schools whose staff can become members of the Fund by virtue of an agreement made between the Fund and the relevant school.

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

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

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

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

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

CARE: Career Averaged Revalued Earnings

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

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

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

Fixed Interest Securities: Investments, mainly government but also company stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date, but which can be traded on a recognised stock exchange before the repayment date.

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

JTSF: Jersey Teachers' Superannuation Fund.

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

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

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

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

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

TAP: Treasury Advisory Panel

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

Contacts and Further Information

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

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

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