



Jersey Teachers' Superannuation Fund
Annual Report 2020

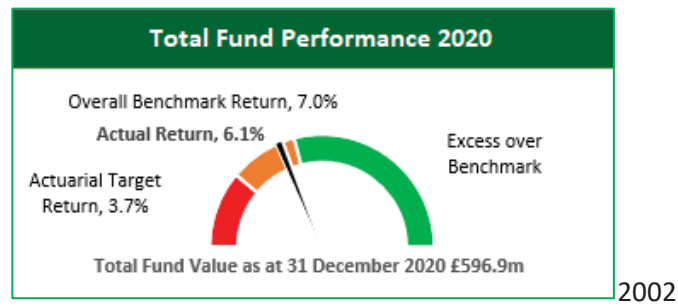
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Introduction

Welcome to the Annual Report and Financial Statements for the Jersey Teachers' Superannuation Fund ("JTSF" or "Fund"). The JTSF is a fund serving to provide pension benefits to teachers in Jersey.

Overview



During the year, the Fund increased in value by £24.0 million to £596.9 million (2019: £572.9 million). This increase comprised net investment returns of £33.4 million, less benefits paid net of contributions and expenses of £9.4m.

2020 saw significant disruption to the world economy caused by the Covid-19 pandemic, which caused both considerable market volatility and administrative challenges driven by the regional lockdowns and social distancing requirements implemented globally.

The long-term impact of the Covid-19 pandemic remains undetermined and the consequences on businesses and the wider socioeconomic landscape has yet to be fully understood. Short-term returns have however been good, although future returns are subject to increased uncertainty and likely to be subject to ongoing volatility.

The majority of the Fund's assets continue to be managed within the operational control of the Government of Jersey's Common Investment Fund (CIF). This enables the Fund to achieve a broad diversification in terms of investment managers and asset classes. The Management Board maintains decision-making responsibility for the strategic asset allocation of the Fund, determining the proportion of Fund assets invested in equities, bonds, property and other assets. This is the most important investment decision that the Management Board makes because it has the biggest impact on the Fund's long-term returns.

During 2020, the Management Board modified the Investment Strategy of the Fund to further diversify planned sources of return for the portfolio, with the addition of the alternative risk premia asset class. This asset class is expected to reduce correlation of overall returns with the equity market, improving the ability of the Fund to generate returns across a range of possible market environments.

Operational day to day control of the Fund's investments, including the selection of investment managers, is delegated to the Treasury Advisory Panel (TAP) and the Treasury & Exchequer Department. Two members of the Management Board attend meetings of TAP as observers and contribute their views to TAP discussions on behalf of JTSF. Gordon Pollock, the Chairman of the Management Board, is also a voting

independent member of TAP. During the disruption caused by the Covid-19 pandemic, an increased number of TAP meetings were held to increase the level of monitoring applied to the portfolio and ensure any required action could be taken on a timely basis.

The strong current position outlined in the most recent actuarial valuation has provided the Management Board with the latitude to position the Fund for the long-term best interest of members. This flexibility increases the chance of the Fund meeting its long-term objectives in the face of significant global uncertainty. The long-term investment horizon employed by the Management Board allows them to hold positions to recovery, should they suffer short-term dips in valuation.

The Management Board's policy is that a formal actuarial valuation should be completed by the Fund Actuary at least every three years. The previous actuarial valuation was completed for 31 December 2016 and ordinarily the next one would have been completed for 31 December 2019. However, to align the Scheme with the Public Employees' Pension Fund (enabling cost efficiencies between the two Schemes), an earlier valuation was carried out, for the year ended 31 December 2018. This was published in early 2020.

The Fund Actuary determined that as of 31 December 2018 the Fund had a funding level (the relationship between estimated future pension payments and the funds held to pay for those pensions) of 107.8% and a surplus of £45.8 million. This means that the Fund can continue increasing current pensions in line with the Full Annual Increase (a term that links pension levels to movements in the Jersey Retail price Index). However, although the current position is strong, the report also stated that over the longer-term contributions into the Fund and investment growth are projected to be insufficient to meet future benefits. This means that a funding shortfall will need to be addressed in the future and is a significant challenge and area of focus for the Management Board.

Although 2020 represents a positive year for the Fund, the investment returns mask significant in-year volatility. At the end of the first quarter the MSCI World (an index reflecting the world equity market) had fallen by over 30%, before sharply recovering. Equities are a significant driver of returns for the portfolio but by design the Fund follows a diversified strategy with a wide range of assets intended to provide protection in times of market stress. During the years market turbulence, it was gratifying to see this strategy operate as intended and protect the assets from the worst of the falls.

It is important to note that in generating returns the Fund cannot be fully insulated from short-term losses which are expected to be incurred from time to time. The Management Board will continue to monitor the long-term strategic aims of the Fund and the Treasury Advisory Panel will monitor individual managers closely in view of the on-going nature of the Covid-19 pandemic. Reassuringly, our experience of 2020 has proven the portfolio to be resilient and well positioned to weather the likely difficult conditions the Fund expects to face in the short-term future and the world economy recovers.

The Covid-19 pandemic resulted in a Stay at Home instructions being introduced at periods during the year. The Public Employees Pension Team (PEPT) worked from home during these periods. Whilst this impacted on routine data maintenance and overall administrative performance against targets the team successfully paid all existing and new benefits during the period.

These and other developments are covered in more detail on the following pages. We hope you find the report interesting and informative. As always, we welcome your feedback on the report and indeed on any aspect of the Fund's activities.

Members, Advisors and Managers

Chairman	
Gordon Pollock	
Employer Representatives	Member Representatives
John Leonard John Mills CBE Jason Turner Gerald White John Everett Terry Le Sueur OBE	Chris Beirne Gary Burton Tim Balston Mark Bardsley Terry Shaw Adrian Desmond

Advisors to the Management Board

Actuary	AON	Independent Auditors	PricewaterhouseCoopers LLP
Custodian	Northern Trust	Investment Consultants	AON
Bankers	HSBC Plc	Legal Advisors	Carey Olsen
Secretary	Mrs J Ward		

Fund Administrator - The Treasurer of the States

Investment Managers – The JTSF's investments are primarily held within in the Government of Jersey's Collective Investment Fund (CIF) vehicle and are managed by Investments Advisors who are appointed to the CIF by the Treasury Advisory Panel (TAP). The Investment Advisors relevant to the JTSF are listed in the table below (with appointment dates for newly appointed managers).

Managers in the Opportunities pool hold capital commitments which are drawn over time and then returned over a set lifespan. It is necessary to periodically add additional commitments to either existing or new managers to retain the Fund at its target exposure over time. New managers added to this pool are highlighted with a *, while existing managers to whom additional capital has been committed are highlighted with **.

Alliance Bernstein were added in April 2020 to benefit from dislocations in the market as a result of the Covid-19 pandemic and resulting action of the Federal Reserve. The rapid recovery meant this strategy could not be fully implemented, with the manager able to draw a limited proportion of committed capital, consequently the strategy was closed, and the Manager returned capital in December.

MAN Group and Systematica Investments manage the Alternative Risk Premia Pool and were appointed to the CIF in 2019, JTSF added investments to this pool in 2020.

	Appointed		Appointed
Antin Infrastructure		HBK Capital Management*	August 2020
Adelphi Capital		IPM Informed Portfolio Management	(removed October 2020)
Anchorage Capital Group		Kennedy Lewis*	September 2020
AQR Capital Management		Lansdowne Partners (UK) LLP	
Ares Management LLP**		Leadenhall Insurance	
Arrowgrass Capital Partners		Longview Partners	
Alliance Bernstein* (Fund closed and returned capital December 2020)	April 2020	MAN Group	
Baillie Gifford & Co		Marshall Wace Asset Management	
Basalt Infrastructure Partners **		Maverick Capital	
Blackrock Investment Management Limited		M&G Investments	
Brevan Howard Asset Management		Sculptor	
Broad Street Real Estate Credit Partners		One William Street Capital Management	
Caxton Associates		Pictet Asset Management Ltd	
Capital Fund Management		PIMCO	
Christofferson, Robb & Company		PGIM*	Oct 2020
Chorus Capital*	September 2020	Ravenscroft	
Davidson Kempner Capital Management		Schroder Asset Management*	June 2020
Dodge & Cox		Systematica Investments	
Fort Investment Management*	September 2020	Threadneedle Asset Management Limited	
Goldman Sachs Asset Management		Unigestion SA	
Green Oak Real Estate LP**		Walter Scott & Partners Limited	

Harris Associates		Winton Capital	(removed February 2020)
Insight Investment Limited			

Participating Employers

In addition to Government schools, a number of accepted schools participate in the Fund.

Scheme Employer
Government of Jersey (includes all non-fee paying and fee-paying schools)
Admitted Bodies
Beaulieu Convent School Limited
De la Salle College
FCJ Primary School
St George's Preparatory School
St Michael's Preparatory School

Governance Arrangements

Summary of Governance Arrangements

The Fund is governed by Orders made under the Teachers' Superannuation (Jersey) Law 1979, as amended ("the Law"). Under those Orders the Management Board has a wide range of responsibilities which include establishing the investment strategy of the Fund, appointing and instructing the Fund's actuary, and ensuring benefits are paid to members in accordance with the Orders. To facilitate this, the Management Board has set up a number of subcommittees with specific responsibilities.

The Management Board is established under Article 2(2)(ha) of the Law and governed by Regulations made under it in 2007. Management Board members are appointed by the Chief Minister. The Management board will consist of six employer representatives, six member representatives and a Chairman. Of the employer representatives, two shall be persons recommended by the Minister for Treasury and Resources, two shall be persons recommended by the Minister for Education, and two shall be any persons that the Chief Minister thinks fit. The six member representatives shall be selected in the manner that the Chief Minister shall agree with associations that appear to the Minister for Education to represent the interests of teachers. Members are appointed for 3 years and shall be eligible for re-appointment. The Chairman of the Management Board shall be appointed by the Chief Minister on the recommendation of the Minister for Treasury and Resources. Mr. Pollock was reappointed as Chairman in June 2019 for a second term, to 30 June 2024.

The table below sets out the subcommittees and their membership during the year end. Each subcommittee is assisted by the Secretary, officers from the Government of Jersey and advisors as appropriate.

Committee member	Sub Committee			
	Attendance at TAP	Ill Health and Death Benefits	Publications	Audit
Mr G Pollock (Chairman) ¹	•			
Mr M Bardsley				
Mr C Beirne		•		
Mr G Burton ¹	•			•
Mr A Desmond			•	
Mr T Balston				
Mr JL Everett				•
Mr T Le Sueur OBE				Chairman
Mr J Leonard				
Mr J Mills CBE				
Mr T Shaw		•	•	
Mr J Turner			Chairman	
Mr G White ¹	•	•		
Number of meetings in 2020	6	meets as required	meets as required	3

¹ These members represent the Management Board at meetings of TAP.

Management Board Report

Review of the Year

Actuarial Valuation

The Management Board has adopted a policy for a formal actuarial valuation to be completed by the Fund Actuary at least every three years. Following the 2016 actuarial valuation a new valuation was due to take place at 31 December 2019. However, to align the Scheme with the Public Employees' Pension Fund and to take advantage of cost efficiencies between the two Schemes, a valuation was carried out for the year ended 31 December 2018 and completed and presented to the States in early 2020.

An actuarial valuation shows the relationship between estimated future pension payments and the funds held to pay for those pensions. The actuary uses a range of assumptions including the average life expectancy of the Fund's members, investment returns, inflation and interest rates in order to assess the financial position of the Fund.

The valuation was completed on the basis that agreement will be obtained with the Government for the repayment of the Pension Increase Debt. This debt was established in 2007 at a time when changes to the Fund meant that the responsibility for paying pension increases transferred from the Government's revenue budget to the Fund and relates to a transfer shortfall in respect of certain pension pay increases. The liability has been shown on the Government's balance sheet since 2007 and the Government has been making repayments towards this debt via the employer contribution rate. Of the employer contribution rate of 16.4% of pensionable pay, 5.6% is paid towards the Pension Increase Debt.

Taking into account the Government of Jersey's expected future payments to cover the Pension Increase Debt, there was a surplus of £45.8 million in the Fund on 31 December 2018, equivalent to a funding level of 107.8%. At the last actuarial valuation in 2016, the Fund had a surplus of £35.1 million and a funding level of 106.3%.

The demographic assumptions adopted were determined by the Fund Actuary following analysis of the experience of the Fund and taking account of other relevant data. The financial assumptions were derived from market yields at the valuation date to ensure compatibility with the market value of assets. The following table includes the key financial assumptions used in the valuation.

	Financial assumptions applied within 2018 valuation %
Discount rate (investment return)	5.75
Jersey inflation	2.95
Rate of salary increase	3.95
Management expense	1.2
Mortality assumption	SAPS S3 "All lives" tables with 95% scaling factor and allowance for future improvements in mortality, with a long-term rate of improvement of 1.5% p.a.

After 5.6% of the employer contribution rate is used towards repaying the Pension Increase Debt, the employer is paying 10.8% of pensionable pay towards the funding of Scheme benefits. The Fund Actuary identified this as insufficient to fund the benefits being promised, and that there was a shortfall of contribution rate equivalent to 3.9% of pensionable salaries. This represents a significant challenge to the Fund, and it will need to be addressed to preserve the long-term viability of the Scheme. As a consequence, whilst the Fund had a surplus at 31 December 2018 this is expected to be eliminated over time.

The Actuary was kept apprised of the potential impact of the Covid-19 pandemic on the Fund throughout the course of 2020, as developments could have potentially affected membership and investment assumptions. The next actuarial valuation is due to be undertaken as at 31 December 2021. The Scheme

Actuary will review and update the terms for benefit options, including transfer factors, as soon as practicable following the signing of the valuation, which must be done by the end of March 2023.

Transfers into the JTSF from the UK Public Sector pension schemes

Changes to calculations based on Career Average Revalued Earnings (CARE arrangements) in the UK Teachers' Pension Scheme and other UK public sector pension schemes do not apply to the JTSF. Although the JTSF is in the Public Sector Transfer Club (PSTC), it is only permitted to accept club funding of final salary benefits and as such, teachers who have accumulated CARE benefits are not able to transfer the CARE element of their pension into the JTSF under Club rules. Transfers of any CARE element from the UK Teachers' scheme (or other Public Sector pension schemes) can still be accepted based upon actuarial analysis of the value of the benefits accrued.

Administration

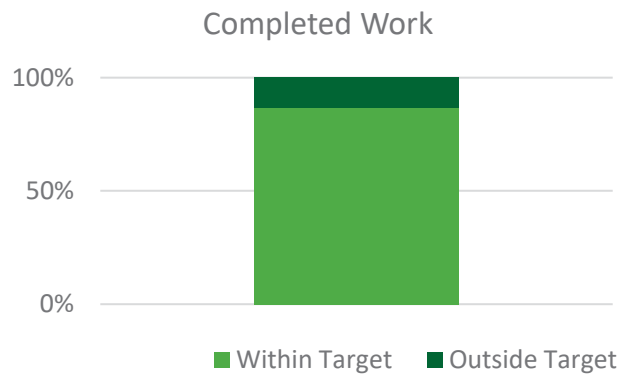
The Public Employees' Pension Team (PEPT) administers benefits for around 2,900 members of the JTSF on behalf of the Treasurer of the States (the Administrator of the Fund).

The Covid-19 pandemic of 2020 was an exceptional global event. The PEPT were required to work from home for three months of the year, causing some disruption and strain to normal administrative processes.

The team responded by adapting processes to ensure that key service requirements were met, for instance by prioritising the timely and accurate payment of benefits over routine data maintenance. This did affect some of the team's performance statistics however: during 2020 the PEPT processed 87% of tasks within five working days, which was lower than the 90% of all work within five working days target set out in the Pension Administration Strategy.

The team also lost the facility to take direct calls from Members. However, it continued to provide a high level of service by providing written communication. The team started to move back into the office in the third quarter of the year, re-enabling members to call about their pension queries.

In the final quarter of the year the team began to bring their performance close to the required standard by completing 89% of all work within the 5 working day requirement. The PEPT reports its performance to the Management Board on a quarterly basis.



Members of the JTSF are increasingly aware of the value of their pension benefits and the PEPT continuously work to ensure that communications meet members’ requirements. Increased use of modern communication channels is being made to provide information in a manner requested by Fund members. Delivering communications digitally is also much more cost effective for the Fund.

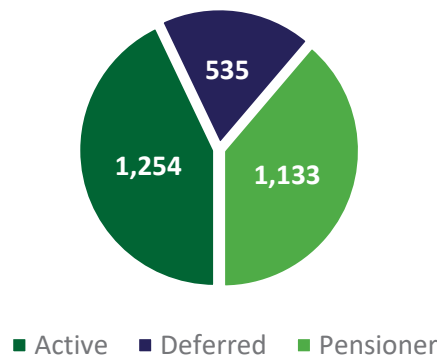
The PEPT use the Government of Jersey Tell Us Once service to receive notifications of Fund member deaths and for members to inform us about any changes to their personal details. This enables the PEPT to maintain accurate records in line with other departments in the Government of Jersey and also to deal sensitively with the death of a member and to put in place any survivor benefits that are due. Using the Tell Us Once service has helped the PEPT to meet its duty of confirming to the Committee of Management that Fund benefits are being correctly paid to eligible members.

The PEPT also has a number of online forms for members, ranging from nomination for survivor benefits, to start, stop or change payment of Additional Voluntary Contributions, notification of leaver and retirement benefits etc. These have proved beneficial in the administration of pension benefits for members.

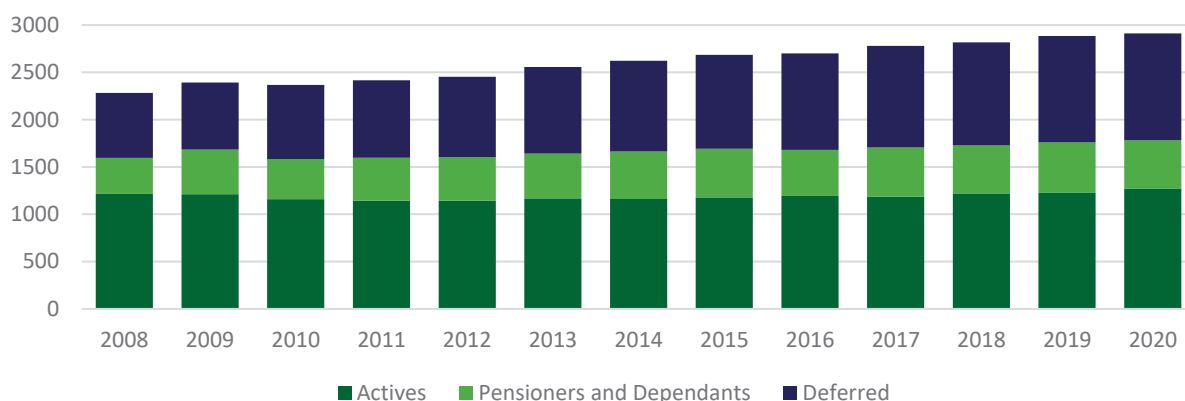
Membership

As at 31 December 2020, the total Scheme membership numbered 2,922, comprising 1,254 active members, 535 deferred beneficiaries and 1,133 pensioners and dependants.

Total Membership



Fund Membership over the last 10 years



Pension Increases

JTSF pensions and deferred pensions are increased in line with Jersey RPI, provided that the Fund's financial position (as advised by the Fund Actuary) can support such increases.

Pension increases in the past five years have been:

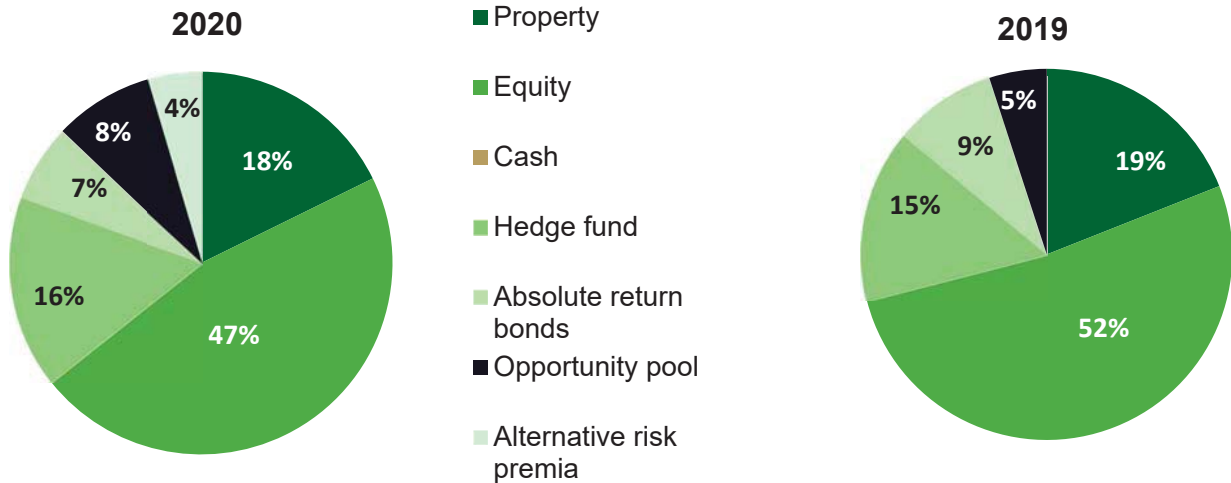
1st January	Jersey RPI % (as at 31 Dec of the preceding year) & JTSF Pension Increase %
2017	1.9
2018	3.6
2019	3.9
2020	2.5
2021	0.9

Investments

Assets Under Management

As at 31 December 2020 the Fund's assets under management comprised £594.5m of units in the CIF (2019: £571.5 million) and a further £1.0 million (2019: £0.9 million) of additional voluntary contributions invested outside the CIF.

The assets within the CIF are diversified across different investment managers, investment styles and asset classes. At the year end the CIF allocation was invested in the asset categories illustrated in the charts below.



Investment Performance

The JTSF investments, principally under management in the CIF, increased in value by £23.0 million over the course of the year. The return of 6.1% was above the actuarial target return of Jersey RPI + 2.85%, though underperformed the market benchmark by 0.9%. Over three years and five years, the return (of 5.8% and 8.8% respectively) has exceeded the actuarial target return (of 5.1% and 5.2% respectively) and benchmark return targets (5.7% and 8.2% respectively).

The Management Board works with its Investment Advisor, Aon, to set the strategic asset allocation for the Fund. Operational control and day to day management of the assets passed to the Fund Administrator and the TAP in 2013 with the Fund's assets moving into the CIF. Oversight of this arrangement is carried out by members of the Management Board attending TAP meetings throughout the year. Investment managers periodically present to the TAP meeting, where performance, developments and holdings are reviewed.

The performance of markets and asset classes across the world was dominated throughout 2020 by the consequences of the Covid-19 pandemic. Impacts have been experienced both directly, such as challenges to supply chains and liquidity assumptions, and indirectly, through governmental response programmes (stimulus programmes, quantitative easing and borrowing). This has brought extreme levels of volatility and speculation to markets at different points in the year.









The portfolio design and choice of managers is intended to ensure there is a variety of return drivers. Individual managers are expected to perform well in differing market conditions and at different points in the economic cycle, thereby enabling the Fund to maximise its return objectives over a full market cycle. During the year's market turbulence it was gratifying to see this strategy operate as intended and protect the assets from the worst of the falls.

Although overall performance for 2020 has been good, the year has seen significant divergence between strategies with outperformance concentrated in "growth" equity strategies (most notably the Baillie Gifford fund) and hedge fund strategies (specifically the global macro sub class). By contrast, relative underperformance has been concentrated in "value" equity strategies (most notably the Lansdowne fund) and the alternative risk premia class.

Notwithstanding the good absolute performance in the equity portfolio, given the divergent performance of individual funds the Treasury Advisory Panel has closely scrutinised all constituent strategies. The Panel remains of the opinion that diversification across both value and growth 'factors' (amongst others) ensures the portfolio is not overly reliant on a single world view to generate long-term returns. Underperformance of specific managers can be expected over short time periods and may persist for a number of years, however in combination, the Panel believe that this balanced portfolio approach offers the greatest chance of meeting the Funds return objectives especially through times of increased uncertainty.

The hedge fund pool performed well, particularly the global macro and equity long/short portfolios. The global macro managers were able to benefit on the large swings in market sentiment driven by macroeconomic trends and position themselves appropriately to profit during the initial market falls, but also to rapidly redeploy to capitalise on the subsequent market recovery. Equity long/short were also able to benefit from the disruption, adding significant value by early identification of those corporates most able to operate effectively in the new prevalent environment.

The alternative risk premia class underperformed expectation over the course of 2020 delivering a negative return. Although underperformance is disappointing, both the Treasury Advisory Panel and Management Board expect the class to perform strongly over the medium term and given its diversifying characteristics, remains an integral part to the Funds strategy for meeting its funding objectives. The asset class is being closely monitored; though after a single year insufficient time has passed to adequately assess the strategy.

Pool Class		Value of Fund (£m)*	2020 performance (CIF assets only)			Indicator
			Performance %	Benchmark %	Over / (under) %	
Equity	Global Active Equities	247.1	12.7	13.1	(0.4)	
	Emerging Market Equities	26.9	5.2	13.4	(8.2)	
Alternatives	Hedge Funds	37.4	11.3	0.7	10.6	
	Opportunities	60.5	1.5	1.2	0.3	
	Alternative Risk Premia	25.5	(11.0)	0.5	(11.5)	
Bonds	Absolute Return Bonds	92.8	3.5	0.6	2.9	
Cash	Long-term Cash Pool	0.1	0.4	0.4	0.0	
Property	Property	104.1	(1.9)	(1.1)	(0.8)	
*May not sum (rounding)		594.4 ¹	6.1	7.0	(0.9)	

Although valuations in the property class have not seen dramatic movements, property has been significantly affected by the Covid-19 pandemic. Key risks relate to cash flows from deferred or defaulted

rents, low transaction volumes and related to that difficulty performing valuations. Difficulties regarding accurate property valuation were identified by the Manager in the second quarter and trading was suspended to protect existing investors. Subsequently sufficient normality and transaction volume has returned to the market to allow accurate RICS (Royal Institution of Chartered Surveyors) compliant valuations to resume and the funds reopened for trading.

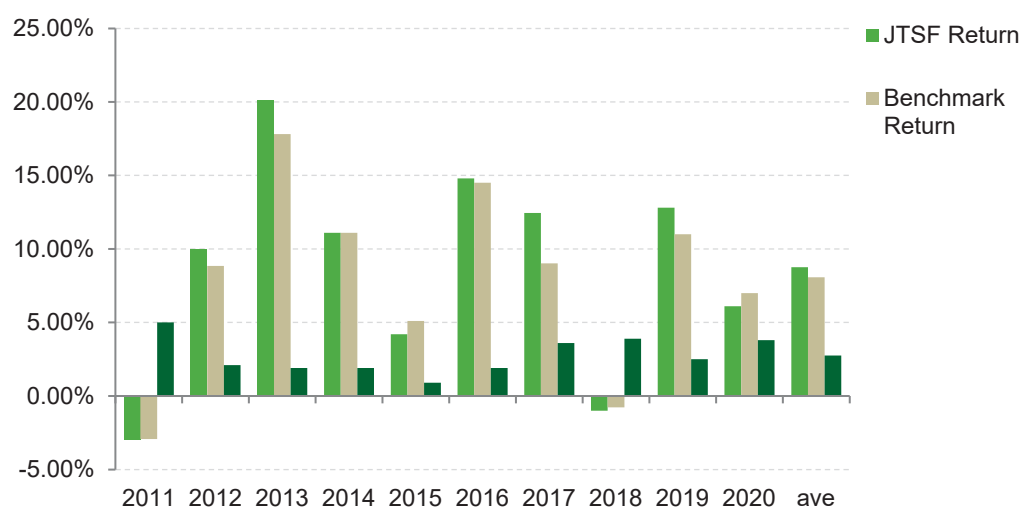
The Fund's exposure to property is through Threadneedle and Blackrock, who hold a portfolio of UK commercial property over a range of sectors and regions. The Fund has previously moved from automatically reinvesting dividends to receiving dividends in cash; this was intended to reduce the value of the Property allocation gradually over time. In December, the Management Board took a strategic decision to further reduce holdings by making a part disposal to fund an investment in Alternatives.

Performance of the Opportunities Pool remained muted during the year, most of the Funds are still in the drawdown stage of their respective investment periods and are yet to recognise significant returns which are expected to be generated in the later distribution stages of the investment. Nonetheless, managers appear to have weathered the difficult conditions well, with limited mark downs recognised to date, though the full impact on valuations will become clearer only once the long-term economic impact of the Covid-19 pandemic becomes apparent.

The Fund's assets are invested to generate returns to pay the Scheme's benefits over the long-term. Performance is expected to be volatile when measured over short-term time periods such as a single year so is best assessed over a longer timescale, mirroring the Fund's long-term investment strategy. Over both five and ten years the Fund has outperformed its required market benchmark returns.

JTFSF is a mature pension fund, meaning that the Fund is required to support a significant outgoing cash flow to pensioners who have built up a sizeable liability in the Fund. Pension contributions and investment income alone are currently not sufficient to cover the benefits and expenses, which will reduce the balance of the Fund over time. The Fund's cash flow is monitored, enabling assets to be sold efficiently during the year to ensure the Fund's cash requirements are met.

The graph below shows the overall fund investment returns compared with the benchmark for the ten years to 2020. Over that whole period, the Fund's investments achieved a return of 8.8% per annum against a benchmark of 8.0% per annum. Jersey RPI over the same period was 2.8% per annum meaning that the Fund's investments have achieved a real rate of return above Jersey RPI of 6% per annum.



Investment Strategy

The Management Board develops the long-term investment strategy with the advice of its investment consultants, AON. The table below sets out the current investment strategy in terms of long-run asset allocation. The Fund is underweight in alternatives due to the time it takes to build positions in this class of assets. The Statement of Investment Principles sets out in more detail the governing decisions about investments for the Fund. It can be found on the Fund website at www.gov.je/yourpension.

Asset Class	JTSF %	Range %	Actual % (as at 31/12/2020)
Return seeking assets	60.0		
Equities	45.0	40 – 50	46.1
Illiquid Alternatives	15.0	0 – 20	10.2
Diversifying assets	40.0		
Hedge Funds	15.0	10 – 20	15.6
Alternative Risk Premia	10.0	0 – 15	4.3
Property	10.0	0 – 20	17.5
Bonds & cash	5.0	0 – 10	6.3

During the year, the Management Board reviewed its strategic asset allocation and as a result the following changes were implemented.

- Early in the year the Management Board modified the Statement of Investment Principles to reduce the allocation to equities by 5% and to transfer assets to Alternative Risk Premia. This allocation was to increase the level of diversification across sources of return. The transfer was completed in two tranches on 1 February and 1 March 2020.

- A further 5% allocation to Alternative Risk Premia confirmed in December is to be funded by a 5% reduction in the strategic allocation to Bonds/Cash, though the funding is likely to be sourced from the liquidation of the property overweight. Following underperformance of the Alternative Risk Premia class further allocation will be delayed until the Management Board become comfortable that the asset class is performing in line with expectations.
- The Fund pursues its strategic allocation to the 'Illiquid Alternatives' asset class through the Opportunities Pool of the CIF. This asset class contains several underlying funds to which the Scheme has financial commitments of capital. These commitments are drawn over time as the underlying vehicles identify appropriate investment opportunities and so are expected to move towards their strategic allocation target over time. In December this allocation was increased by 5%, and the allocation to UK property reduced by 5%. To rebalance the UK property pool, assets are in the process of being liquidated.

Ethical, Social and Governance aspects of investing

JTSF investments are managed through the CIF in line with the Responsible Investment Policy outlined in the States of Jersey Investment Strategy, published online.

The policy reflects the view that long-term stewards of capital have a duty to invest responsibly and the consideration and integration of all financially material considerations, including environmental, social and corporate governance ('ESG') issues are paramount to this objective. The most effective way in which to carry out this duty is to fully integrate ESG considerations into the investment process and to engage with underlying portfolio companies. As part of the operational management of the portfolio, delegated to the Treasury Advisory Panel, ESG ratings information provided by the investment adviser is used, where relevant and available, to monitor the level of the investment managers' integration of ESG on a quarterly basis. How the CIF's managers integrate ESG into their investment decision-making process is also monitored when presenting at annual manager review days.

Furthermore the CIF's investment managers are expected to use their influence as major institutional investors to carry out the rights and duties of JTSF as a shareholder including voting, and where relevant and appropriate, engaging with underlying investee companies. The need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which the investments reside ultimately serves to protect the financial interests of the JTSF investment portfolio.

Conclusion

2020 has been a testing year for the Fund, both from the perspective of the portfolio and the administration of the pension scheme, but one that has illustrated the value of the work undertaken to diversify and prepare for unanticipated bumps in the road.

Another year of positive real returns helps put the Fund in a strong position to weather the lingering effect of the Covid-19 pandemic. However, a number of challenges lie ahead. Key amongst these, as highlighted in the prior year, is the identification in the Actuarial Valuation that the levels of contribution into the Fund at present are insufficient to meet the promised benefits in the future: the funding shortfall will need to be addressed to preserve the Scheme's long-term viability.

As ever, the Fund's financial position is being kept under careful review by the Management Board. It will continue to work closely with the Public Employees' Pension Team to ensure that the Fund's robust governance arrangements remain appropriate and capable of meeting any economic or organisational challenges created by Covid-19.

The Fund relies greatly on the hard work of officers, consultants, actuaries, advisors and investment managers to maintain the high standards that are expected. I would like to thank all those involved in the Fund for the support that they have provided over the last year in difficult and unanticipated circumstances.



Gordon Pollock BSc FFA

Chairman of the Management Board

19 May 2021

Statement of Treasurer's Responsibilities

The Treasurer's responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), are the responsibility of the Treasurer of the States (the "Treasurer"). Article 22 of the Teachers' Superannuation (Administration) (Jersey) Order 2007 require, and the Treasurer is responsible for ensuring, that those financial statements:

- 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 is also responsible for making available certain other information about the Fund in the form of an annual report.

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 States of Jersey are responsible for the maintenance and integrity of the States 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 2020

Dealing with Members		Notes	2020 (£'000)	2019 (£'000)
Payments in	Employer contributions		10,584	9,984
	Employee contributions		3,559	3,393
	Total Contributions	4	14,143	13,377
	Transfers in		173	428
Total Payments In			14,316	13,805
Payments out	Benefits paid or payable	5	23,217	22,380
	Payments to and on account of leavers	6	47	528
	Administrative expenses	7	496	695
Total Payments Out			23,760	23,603
Net withdrawals from dealings with members			(9,444)	(9,798)
Net returns on investments				
Investment management expenses		8	(110)	(138)
<i>* CIF expenses included in the calculation of the NAV</i>		9	<i>(7,137)</i>	<i>(5,280)</i>
<i>* Change in Market Value of Investments held by CIF</i>			<i>40,628</i>	<i>70,748</i>
Change in Market Value of CIF Investments		10	33,491	65,468
Change in Market Value of Investments outside CIF		10	42	1
Net return on investments			33,423	65,331
Net increase in the Fund's assets during the year			23,979	55,533
Opening net assets			572,891	517,358
Closing net assets			596,870	572,891

*Additional disclosure provided to assist the users of the Financial Statements in their understanding of underlying costs and market movements.

The notes on pages 22 to 33 form part of these Financial Statements

Statement of Net Assets Available for Benefits as at 31 December 2020

Investment assets	Notes	2020 (£'000)	2019 (£'000)
Units in the Common Investment Fund	11	594,454	571,463
AVC Investments	19	1,026	979
Total net investments		595,480	572,442
Current assets	15	1,593	1,547
Current liabilities	16	(203)	(1,098)
Total net assets available for benefits		596,870	572,891

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 actuarial position of the Fund, which takes into account such obligations, is dealt with in the report on Actuarial Valuation on page 8 of this Annual 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 22 to 33 form part of these Financial Statements. These Financial Statements on pages 20 to 21 were received and approved on behalf of the Management Board on 19 May 2021.



Richard Bell
 Treasurer of the States
 19 May 2021



Gordon Pollock BSc FFA
 Chairman of the Management Board
 19 May 2021

Notes to the Financial Statements for the year ended 31 December 2020

1. Constitution

The Jersey Teachers Superannuation Fund (the “Fund”) is an independent retirement fund, governed by Orders made under the Teacher’s Superannuation (Jersey) Law, 1979, as amended.

The postal and electronic address of the Scheme can be found on page 42 of this annual report.

2. Basis of Preparation

The individual Financial Statements of 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) Investment income

Bank interest is accounted for on an accrual basis. Dividend income from equities is recognised when the securities are quoted ex-dividend. Income from managed property funds is accounted for on an accruals basis when the dividend is declared.

b) Benefits and payments to and on account of leavers

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

c) 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.

d) Transfers

Transfer values represent the capital sums either receivable from other pension arrangements when members join the Fund or payable to other pension arrangements for members who have left the Fund. They are accounted for on an accrual basis from the date the receiving plan accepts the liability. In the case of an individual transfer, this is normally when the payment of the transfer value is made.

e) 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.

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 appendix to these Financial Statements. AVC investment vehicles are included at market value as at the year end, and as certified by the providers.

g) 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.

h) Currency

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

i) Other expenses

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

j) Critical accounting judgements and estimation uncertainty

In respect of asset valuations, the Management Board make estimates and assumptions concerning the future. The Management Board believe the only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are related to the valuation of scheme investments and, in particular, 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 12 and 13.

4. Contributions

	2020 (£'000)	2020 (£'000)	2019 (£'000)	2019 (£'000)
Government Employees				
Employers				
Normal	8,791		8,338	
		8,791		8,338
Employees				
Normal	2,935		2,777	
Additional voluntary contributions	14		54	
		2,949		2,831
Accepted Schools				
Employers				
Normal	1,793		1,646	
Employees				
Normal	582		562	
Additional voluntary contributions	28		-	
		2,403		2,208
Total Contributions		14,143		13,377

The employer's contribution rate includes 5.6% towards repayment of the Pension Increase Debt.

5. Benefits paid or payable

	2020 (£'000)	2019 (£'000)
Pensions	21,603	20,917
Death Benefits	49	-
Commutations and lump sum retirement benefits	1,565	1,463
Total Benefits	23,217	22,380

6. Payments to and on account of leavers

	2020 (£'000)	2019 (£'000)
Refund of contributions	19	8
Transfers out	28	520
Total Payments to and on account of leavers	47	528

7. Administrative Expense

	2020 (£'000)	2019 (£'000)
Salaries and office costs	161	277
Actuarial fees	93	189
Audit fees	32	28
Legal fees	50	37
Chairman and secretary fees	64	61
Pension system development costs	94	95
Other expenses	2	8
Total Administrative Expenses	496	695

Salaries and office costs are recharged based on activity and comprise expenses relating to the underlying administration of the PEPF. Pension System costs relates to upgrades and milestone payments. Actuarial fees include the triennial Actuarial Valuation, which was last completed in 2019 in respect of 2018.

8. Investment Management Expenses

	2020 (£'000)	2019 (£'000)
Custodian expenses	41	41
Investment management expenses	69	97
Total Investment Management Expenses	110	138

Note 8 discloses investment expenses incurred directly by JTSF, note 9 discloses indirect investment expenses incurred within the CIF and apportioned amongst investors in proportion to their unitholding.

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 Advisor and advice with regard to 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 JTSF.

9. Common Investment Fund (CIF) Expenses

	2020 (£'000)	2019 (£'000)
Custodian expenses	71	76
Investment advisory expenses	125	86
Investment management expenses	6,920	5,064
Other investment expenses	21	54
Total CIF Expenses	7,137	5,280

Investment management expenses include performance elements and so reflect the increased portfolio value in 2020. Refer to note 3e for explanation of CIF expenses.

10. Reconciliation of Net Investments

	Note	Value at 1.1.20 (£'000)	Purchases at cost (£'000)	Sales proceeds (£'000)	Change in Market Value (£'000)	Value at 31.12.20 (£'000)
CIF Units	11	571,463	55,750	(66,250)	33,491	594,454
Additional Voluntary Contributions	19	979	5	-	42	1,026
Total Investments Units		572,442	55,755	(66,250)	33,533	595,480

11. Units in the Common Investment Fund

	2020 (£'000)	2020 % of CIF pool	2019 (£'000)	2019 % of CIF pool
Emerging Market Equities	26,862	12.1	25,526	12.1
Global Active Equities	247,100	12.6	269,396	14.5
Absolute Return Bonds	37,415	10.4	53,506	11.8
Hedge Funds	92,848	16.8	83,455	16.8
Property	104,130	100.0	106,571	100.0
Opportunities Pool I	44,787	25.0	31,934	25.0
Opportunities Pool II	15,734	25.0	-	-
Alternative Risk Premia	25,499	17.7	-	-
Long-term Cash Pool	79	0.2	1,075	0.5
Total CIF	594,454		571,463	

The above figures show the asset split of the pooled funds held within the CIF and is for information purposes only.

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.

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).

Pooled investment vehicles in Level 3 include two property funds (Blackrock UK Property Fund and Threadneedle Property Unit Trust). In the course of the year, the independent valuers of the funds' property investments, following the Royal Institute of Chartered Surveyors (RICS) guidance, concluded that due to an unprecedented set of circumstances (Covid-19) they must declare a fundamental uncertainty on any valuations calculated. This meant that there was a material risk that investors might buy and sell at a price which did not reflect fair valuations. Consequently, trading was temporarily suspended. By October 2020 and through to present, valuations and trading have resumed on a normal basis for both funds.

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

Investment assets	Level			2020 Total (£'000)
	1 (£'000)	2 (£'000)	3 (£'000)	
Pooled Investment Vehicles	207,023	145,353	242,078	594,454
Additional Voluntary Contributions	-	-	1,026	1,026
Total investments	207,023	145,353	243,104	595,480

Analysis for the prior year end is as follows:

Investment assets	Level			2019 Total (£'000)
	1 (£'000)	2 (£'000)	3 (£'000)	
Pooled Investment Vehicles	211,500	139,627	220,336	571,463
Additional Voluntary Contributions	-	-	979	979
Total investments	211,500	139,627	221,315	572,442

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.
- **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. The Management Board has set the investment strategy for the Fund after taking appropriate advice from its professional advisors. This strategy includes ranges for the proportion of assets to be included in each asset class. The day to day management of the asset within each portfolio of the Fund, including the full discretion for stock selection, is the responsibility of the investment managers.

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

The following table summarises the extent to which the various classes of investments (excluding Additional Voluntary Contributions) are affected by financial risks:

Asset Category	Market Risk				2020 Value (£m)	2019 Value (£m)
	Credit	Currency	Int Rate	Other		
Pooled Funds						
Equities	✓	✓		✓	274.0	294.9
Property	✓			✓	104.1	106.6
Bonds	✓	✓	✓		37.4	53.5
Alternatives	✓		✓	✓	178.8	115.4
Cash	✓		✓		0.1	1.0

Investment Strategy

The main priority of the Management Board when considering the investment policy for the Fund is to ensure that the benefits payable to members are met as they fall due whilst maintaining required liquidity. The table on page 16 details the current investment strategy of the Fund.

The core "return seeking assets" used by the Fund continue to be Equities. The Management Board believes that they represent the cheapest, easiest, and most transparent way to achieve a high level of investment return over the long-term. The Board recognises however that the performance of equities can be volatile over time.

To help diversify the Fund's growth assets, during the year the Board continued to invest away from Equities into "growth-like" Alternatives. These still target a reasonably high investment return but provide a different source of return, less correlated than Equities, which should help to reduce the risk of being over-exposed to any one market, asset class or manager, and to enable a smoother return over time. Diversifying Assets are defined by the Board as those assets that are aiming to achieve a much more stable return (when compared to return seeking assets), typically with a strong focus on the provision of income and/or capital preservation. The Board has made an allocation to UK Commercial Property, Absolute Return Bonds, Alternative Risk Premia and Hedge Funds. These aim to provide a lower-risk, relatively uncorrelated, return when compared to Equities.

Credit risk

The Fund's investments are exposed to Credit Risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Fund invests through the Common Investment Fund, which both holds assets directly ('segregated assets') and invests in pooled investment vehicles. The holdings of these pooled investment vehicles expose the Fund to credit risk directly through the holding of the pooled investment vehicles and indirectly through the underlying investments held by these pooled investment vehicles.

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

All the segregated assets of the CIF are held by their 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.

The selection of high-quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

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

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

Pooled investment vehicles	2020 Value (£m)	2019 Value (£m)
Closed ended investment companies	10.5	10.7
Open ended investment companies	197.1	186.7
Shares in limited partnerships	76.5	56.1
Open ended unit trust	101.1	106.4
Total exposure to pooled investment vehicles (PIVs) within the CIF	385.2	359.9
Segregated assets within the CIF	209.2	211.6
Total holding within the CIF	594.4	571.5

The main concentration to credit risk to which the Fund is exposed arises from investment in debt securities. The Fund is also exposed to a credit risk through 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.

	2020 (£m)	2019 (£m)
HSBC (cash)	0.8	0.8
Northern Trust (cash)	0.1	1.0
Absolute return bond pool (bonds)	37.4	53.5

Credit risk is managed through diversification and selection of securities. The selection of securities is delegated to investment managers who in turn must comply with risk management conditions within their individual mandates. The arrangements per asset class 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

The 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 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.

Although units in the PIVs are denominated in sterling, they provide indirect exposure to exchange risk. The Absolute Return Bond pool invests through sterling denominated collective investment vehicles 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.

Interest rate risk

The Fund 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.

Other price risk

Other Price Risk arises principally in relation to the Fund's return seeking portfolios which include equities and hedge funds held either as segregated investments or through underlying investments in pooled investment vehicles.

The Fund has set a target asset allocation of 60% of investments being held in growth investments. The Fund manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets, held with various high-quality investment managers who are monitored by the Investment Advisor and Treasury representatives on an ongoing basis.

At the year end, the return seeking portfolios represented 56.3% of the total investment portfolio (2019: 57.2%).

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due i.e. that cash is not available when required. The Fund therefore takes steps to ensure that there are adequate cash resources to meet its commitments. This is monitored on an ongoing basis to ensure cash is available to meet the pensioner payroll costs, expenses and to meet investment commitments.

The Fund has immediate access to cash through HSBC, although these amounts are kept to a minimum to reduce credit risk. At the year end the Fund held £847,163 (2019 £788,201) in this account.

14. Concentration of investments

The Fund invests in a range of pooled funds that, at an underlying level, contain a wide range of diversified investment holdings. For example, the largest holding, Active Global Equity, contains over 500 underlying stocks controlled by a number of investment managers. Pools that account for more than 5% of the net assets of the Fund were:

	2020 £'000	2020 %	2019 £'000	2019 %
Active Global Equity	247,100	41%	269,396	47%
UK Property	104,130	17%	106,571	19%
Hedge Funds	92,848	16%	83,455	15%
Opportunities Pool I	44,787	8%	31,934	6%
Absolute Return Bond	37,415	6%	53,506	9%

15. Current Assets

	2020 (£'000)	2019 (£'000)
Contributions – Employers	564	556
Contributions - Members	180	200
Cash balances	847	788
Other debtors	2	3
	1,593	1,547

16. Current Liabilities

	2020 (£'000)	2019 (£'000)
Benefits payable	19	-
Other creditors	176	247
Advances from Government of Jersey	8	851
	203	1,098

17. Contingencies and Commitments

In the opinion of the Treasurer of the States, the Fund has no contingent liabilities as at 31 December 2020 (2019: nil).

As at 31 December 2020, the Fund had commitments of approximately £94m (2019: £45m) to the Opportunities Pool of the Common Investment Fund, of which £47.1m (2019: £13.1) 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. Within the Management Board there are three active (2019: three) and three pensioner members (2019: 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 £8,266 was owed to the Government of Jersey (2019: £851,128) in respect of transactions with the Treasury & Exchequer Department. During the year an amount of £264,860 (2019: £367,559) was paid to the Government of Jersey in respect of the services provided.

19. AVC investments

During the year, six members (2019: ten) contributed £5,951 (2019: £7,588) 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 the member. At 31 December 2020, the total value of this policy was £1,026,463 (2019: £979,022).

20. Covid-19

Since March 2020, Covid-19 has had a profound effect on domestic and global economies, with disruption and volatility in the financial markets.

The Management Board, in conjunction with their advisers, monitor the situation closely and review any actions that are deemed to be necessary. This includes monitoring the employer covenant, the operational impact on the Fund and the Fund's investment portfolio.

The extent of the impact on the Fund's investment portfolio, including financial performance, will depend on future developments in financial markets and the overall economy, all of which are uncertain and cannot be predicted.

Independent auditors' report to the Management Board of the Jersey Teachers' Superannuation Fund

Report on the audit of the financial statements

Opinion

In our opinion, Jersey Teachers' Superannuation Fund's financial statements:

- show a true and fair view of the financial transactions of the Fund during the year ended 31 December 2020, and of the amount and disposition at that date of its assets and liabilities, other than 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 (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been properly prepared in accordance with the Teachers' Superannuation (Administration) (Jersey) Order 2007.

We have audited the financial statements, included in the Annual Report, which comprise: the Statement of Net Assets Available for Benefits as at 31 December 2020; the Fund Account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Fund's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all the information in the Annual Report other than the financial statements and our auditors' report thereon. The Treasurer is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Management Board and the Treasurer for the financial statements

As explained more fully in the Statement of Treasurer's Responsibilities, the Treasurer is responsible for ensuring that the financial statements are prepared in accordance with the applicable framework and for being satisfied that they show a true and fair view. The Treasurer is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of 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.

Auditors' 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 auditors' 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 its environment, 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 regulations on the financial statements. We evaluated incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of override of controls, by the Treasurer and those responsible for, or involved in, the preparation of the underlying accounting records and financial statements, and determined that the principal risks were related to posting inappropriate journals to conceal misappropriation of assets and inappropriate adjustments of asset valuations.

Audit procedures performed included:

- Testing of journals where we identified particular risk criteria.
- Obtaining independent confirmations of material investment valuations and cash balances at the year end.
- Reviewing estimates and judgements made in the preparation of the financial statements.
- Reviewing meeting minutes, contracts and agreements, and holding discussions with the Management Board to identify significant or unusual transactions and known or suspected instances of fraud or non-compliance with laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for and only for the Management Board as a body in accordance with the Teachers' Superannuation (Administration) (Jersey) Order 2007 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
Manchester

20 May 2021

Statement of independent fund Actuary

Name of Fund: Jersey Teachers' Superannuation Fund

Effective Date of Valuation: 31 December 2018

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 2019 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 2018, and does not take account of more recent developments. Our report on the valuation of the Fund as at 31 December 2018 was signed on 17 December 2019.

The valuation report disclosed a surplus of £45.8M at the effective date of the valuation, equivalent to a funding ratio (assets divided by the present value of the liabilities) of 107.8%. 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 2018 of £120.1M.

The pension increase debt relates to the shortfall that arose in the Fund as a result of a decision by the Government of Jersey effective in 2007 to pay pension increases (both those already awarded, and those due in future) from the Fund. The detail of the mechanism for repayment of this debt is yet to be agreed between the Fund's Management Board and the Government of Jersey. For the purposes of the valuation it was assumed that 5.6% of salaries, out of the overall contributions payable under the Orders governing the Fund, is allocated to meet the pension increase debt.

Based on the above allocation to meet the pension increase debt, the valuation disclosed a shortfall of 3.9% of salaries in the overall contributions payable under the Orders governing the Fund compared to the contributions that would be required to meet benefits for future joiners.

The Fund's Management Board is continuing discussions with the Government of Jersey on the appropriate mechanism for repayment of the pension increase debt.

A further valuation will be carried out as at 31 December 2021.

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.

The above opinion assumes that, should there ever arise any question of the Fund's discontinuance, the pension increase debt would be paid off in full by the Government of Jersey at that point or over an appropriate period of time.

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

12 February 2020

Appendix to Statement of independent fund Actuary

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

The resources of the Fund at 31 December 2018 that we have taken into account for the purposes of this statement consisted of:

- a) the existing assets, including net current assets and liabilities, which had a value of £517.4M at 31 December 2018;
- b) the pension increase debt of £120.1M at 31 December 2018;
- c) future contributions payable by members and employers at the various rates specified in the Orders, 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 2018.

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: An independent 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.

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

CARE: Career Averaged Revalued Earnings

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

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

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.

JTSF: Jersey Teachers' Superannuation Fund.

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

PECRS: Public Employees Contributory Retirement Scheme.

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 is

to be repaid by the Government of Jersey to the Fund over a period to be agreed. Repayment of the Pension Increase Debt was noted as under consideration in the 2021-2024 Government Plan.

PEPF: is the pension fund, as defined under Article 5 of the Public Employees (Pension) (Jersey) Law 2014, for the Final Salary Scheme and the Career Average Scheme for all public employees other than teachers.

PEPS: Public Employees' Pension Scheme

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.

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

Alternatively, you may wish to email us: pept@gov.je

Jersey Teachers' Superannuation Fund

Public Employees' Pension Team

19-21 Broad Street St Helier

Jersey

Channel Islands

JE2 3RR

Website www.gov.je/yourpension

Details of the Common Investment Fund

The Statement of Recommended Practice, 'Financial Reports of Pension Schemes' (June 2018) requires that an extract of the CIF Financial Statements is included in the Annual Report for Funds that invest in Common Investment Funds. The CIF does not prepare standalone Financial Statements, though detailed disclosures regarding risk and exposures are included in the States of Jersey 2020 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 Government 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 2020 contained 15 investment pools holding a range of asset classes (including equity, bonds, gilts, cash, hedge funds and property).

Statement of Comprehensive Net Expenditure for the year ended 31 December 2020

	2019 CIF Total (£,000)	2020 CIF Total (£,000)	2019 CIF - JTSF (£,000)	2020 CIF - JTSF (£,000)
Investment Income	(41,011)	(33,188)	(7,402)	(6,716)
Change in Fair Value of Financial Assets held at Fair Value through Profit and Loss	(460,099)	(290,276)	(63,277)	(34,069)
Total Revenue	(501,110)	(323,464)	(70,679)	(40,785)
Supplies and Services	30,445	40,266	5,226	7,116
Other Operating Expenditure	2,822	1,146	26	12
Foreign Exchange Loss/(Gain)	(508)	1,127	(41)	166
Total Expenditure	32,759	42,539	5,211	7,294
Net Revenue Income / (Expenditure)	(468,351)	(280,925)	(65,468)	(33,491)

Statement of Financial Position as at 31 December 2020

	2019 CIF Total (£,000)	2020 CIF Total (£,000)	2020 CIF Non JTSF (£,000)	2019 CIF - JTSF (£,000)	2020 CIF - JTSF (£,000)
Non-current Assets					
Equities	1,336,088	1,466,058	1,280,674	193,061	185,384
Pooled Investment Vehicles	2,087,000	2,131,465	1,746,233	359,960	385,232
Other Assets	100,537	1,802	1,798	-	4
Total non-current Assets	3,523,625	3,599,325	3,028,705	553,021	570,620
Current Assets					
Investments held at Fair Value through Profit and Loss	291,489	170,168	170,093	1,070	75
Derivative Financial Instruments expiring within one year	17,655	17,013	14,816	2,542	2,197
Trade and Other Receivables	4,903	3,176	2,918	510	258
Cash and cash Equivalents	100,934	107,803	85,847	14,681	21,956
Total Current Assets	414,981	298,160	273,674	18,803	24,486
Current Liabilities					
Trade and Other Payables	(2,047)	(2,013)	(1,361)	(361)	(652)
Total Current Liabilities	(2,047)	(2,013)	(1,361)	(361)	(652)
Assets Less Liabilities	3,936,559	3,895,472	3,301,018	571,463	594,454

Changes in Market Value of Investments by Pool

	Total CIF Investments held at Fair Value through Profit or Loss					JTSF	
	Market Value 1 Jan 2020 (£,000)	Purchases (£,000)	Sales (£,000)	Unrealised Gains (Losses) (£,000)	Market Value 31 Dec 2020 (£,000)	Market Value 31 Dec 2020 (£,000)	
Index Linked Bonds Pool	2,082	239	(201)	204	2,324	-	
Short-term Government Bonds Pool	174,873	62,560	(107,566)	(1,831)	128,036	-	
Long-term Cash and Cash Equivalents Pool	211,385	1,260,082	(1,430,022)	165	41,610	79	
Pooled Property I Pool	106,439	976	(106)	(6,187)	101,122	101,122	
Pooled Emerging Market Equity Pool	210,154	632	-	10,511	221,297	26,851	
Absolute Return Bond Pool	453,648	104	(106,835)	13,185	360,102	37,395	
UK Corporate Bond Pool	18,708	-	(7,752)	836	11,792	-	
Pooled Property II Pool	108,830	958	(70)	(5,993)	103,725	-	
Pooled Special Equity Pool	20,349	4,000	(4,900)	2,437	21,886	-	
Absolute Return Pool	487,554	73,394	(63,189)	55,259	553,018	92,836	
Active Global Equity	1,755,553	433,622	(472,432)	171,723	1,888,466	238,798	
Infrastructure Investments	3,685	2,445	(6,396)	266	-	-	
Opportunities Pool	127,483	40,936	(11,796)	(251)	156,372	39,093	
Alternative Risk Premia	134,370	28,109	-	(18,839)	143,640	25,495	
Opportunities Pool II	-	43,996	(7,480)	(412)	36,104	9,026	
CIF Total	3,815,113	1,952,053	(2,218,745)	221,073	3,769,494	570,695	

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 £23.7m, resulting in a total combined value of assets held within the CIF attributable to JTSF of £594.4m.