Jersey Teachers' Superannuation Fund

Annual Report 2021

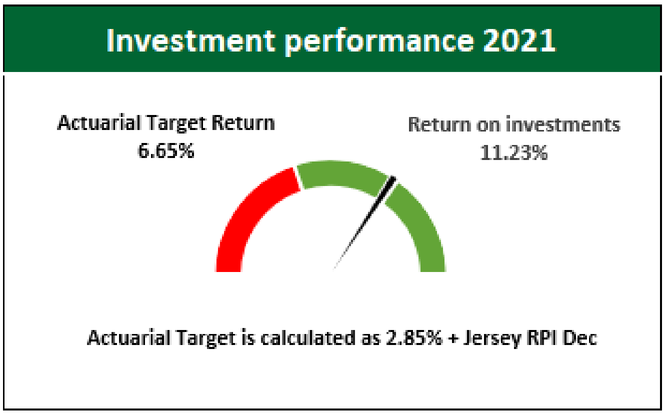
Contents

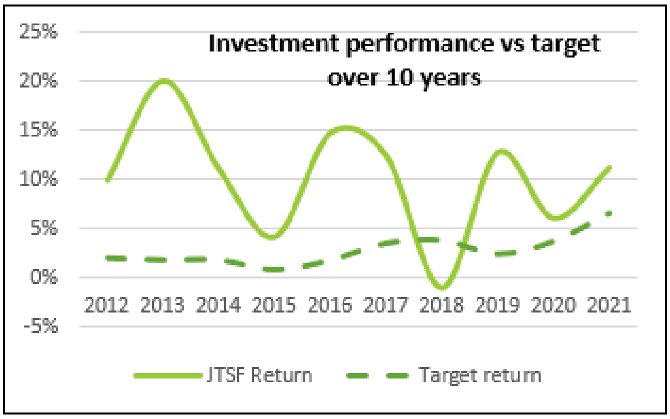
Introduction

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.

Overview

Performance





The Fund portfolio return exceeded the target return over the year. Importantly, this means that despite the natural fluctuations that occur from year to year, the Fund continued to achieve the long term performance levels needed to meet ongoing and future obligations to members, as estimated by the Fund's actuarial valuation.

The Management Board notes that the portfolio is likely to be adjusted in the year ahead should the Government of Jersey re-pay the Pension Increase Debt (as committed to in the 2022-2025 Government Plan) or to reflect outcomes arising from the upcoming actuarial valuation. Further details of the Pension Increase Debt can be found in the Statement of independent fund Actuary, and again in more summarised form in the Glossary.

Benefits and liabilities

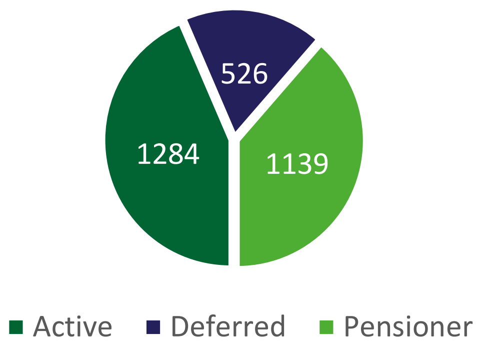
The Actuarial valuation is an evaluation of the Scheme's assets and liabilities, an output of which is the definition of a target rate of return against which performance is assessed. The current target rate of Jersey RPI +2.85% was calculated in 2019, in respect of 31 December 2018 valuation point, and this key metric will be re-appraised in 2022, with reference to a 31 December 2021 valuation point and taking into account recent years' pension increases, which for 2022 will be 3.8%.

The Scheme continues to face a future service funding deficit, as described in the Actuarial Valuation section. Over the long term this is expected to reduce the Scheme's past service surplus and impact on the long term sustainability of the Scheme. The Management Board welcomes the commitment made by the Chief Minister in the Government Plan 2022-25 to engage with relevant stakeholders regarding the future sustainability of the Fund.

Membership

The JTSF is a mature scheme and there have been few changes to membership, which grew slightly to 2,949 (2020: 2,922). It remains that 39% of the membership are pensioners.

Total Membership



This means that the fund experiences monthly net cash outflows as liabilities crystalise in the form of pension payments. Despite this cash outflow, the net assets of the Fund increased over the period by £55.9 million to £652.8 million (2020: £596.9 million), or by 9.4% (2020: 4.2%). The increase reflects the strong net investment returns of £66.6 million, before benefits paid net of contributions and expenses of £10.7 million.

Administration and operations

The events of the Covid-19 pandemic significantly disrupted working patterns. The Management Board make frequent enquiries as to the working arrangements of service providers and are satisfied that any respective adaptations to working practices adopted in view of the pandemic continue to be sufficiently robust.

Board and Governance

The Chairman of the Management Board is 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.

There have been no fundamental changes to the structure or governance of the fund, other than the appointment of Nexia Smith & Williamson Audit Limited as auditor in place of PricewaterhouseCoopers LLP, who decided not to re-tender for the audit contract. There was also one change within Board membership, as one member retired at the end of December.

More information on all of the above may be found below in the Management Board's Review of the Year.

Summary

The investment performance of the JTSF continues to exceed the target return, as it has done regularly in recent years. The Management Board believes that the portfolio is well diversified with a range of return drivers expected to deliver appropriate performance in a variety of economic environments. The day-to day funding deficit still poses a challenge to the long term viability of the Scheme and the Management Board welcomes the developments from the Employer on this issue.

Management Board, Advisers & Participating Employers

Members of the Management Board

Chairman	
Gordon Pollock	
Employer Representatives	Member Representatives
John Mills CBE Terry Le Sueur OBE (retired December 2021) Michael De La Haye OBE (appointed December 2021) John Everett John Leonard Jason Turner Gerald White	Tim Balston Mark Bardsley Chris Beirne Gary Burton Adrian Desmond Terry Shaw

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. Management Board members are appointed by the Chief Minister. The Management Board consists 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.

Advisers and service providers to the Management Board

Actuary	AON	Independent Auditors	Nexia Smith & Williamson Audit Limited
Custodian	Northern Trust	Investment Adviser	AON
Bankers	HSBC Plc	Legal Advisers	Carey Olsen
Secretary	Janine Ward		

PricewaterhouseCoopers LLP resigned as Fund auditor with effect from 20 May 2021. PricewaterhouseCoopers LLP confirmed there were no circumstances connected to their resignation which significantly affects the interest of members, prospective members, or beneficiaries of the Fund. Nexia Smith & Williamson Audit Limited were appointed as auditor to the Fund with effect from 30 September 2021.

Investment Oversight* – The Treasury Advisory Panel

Scheme Administrator – The Treasurer of the States

* The Management Board defines the investment strategy of the Jersey Teachers' Superannuation Fund, as set out in their Statement of Investment Principles. The investment strategy describes the long term strategic allocation of the JTSF which is enacted through the Common Investment Fund ('CIF'). The CIF is subject to the oversight of the Treasury Advisory Panel ('TAP') and the investment ranges define the level of flexibility that the TAP has to manage around the long term strategic allocation.

Participating Employers

The principal employer is the Government of Jersey. In addition to the Government schools a number of Accepted Schools also participate in the Fund.

Scheme Employer
Government of Jersey (includes all non-fee paying and fee-paying schools)
Accepted Schools
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 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 advisers as appropriate.

	Sub Committee			
Committee member	Attendance at TAP[1]	Ill Health and Death Benefits	Publications	Audit
Gordon Pollock	●			
John Mills CBE				
Terry Le Sueur OBE				Chairman
Timothy Balston				
Mark Bardsley				
Christopher Beirne		●		
Gary Burton	●			●
Adrian Desmond			●	
John Everett				●
John Leonard				
Terry Shaw		●	●	
Jason Turner			Chairman	
Gerald White	●	●		
Number of meetings in 2021	8	Meets as required	Meets as required	3

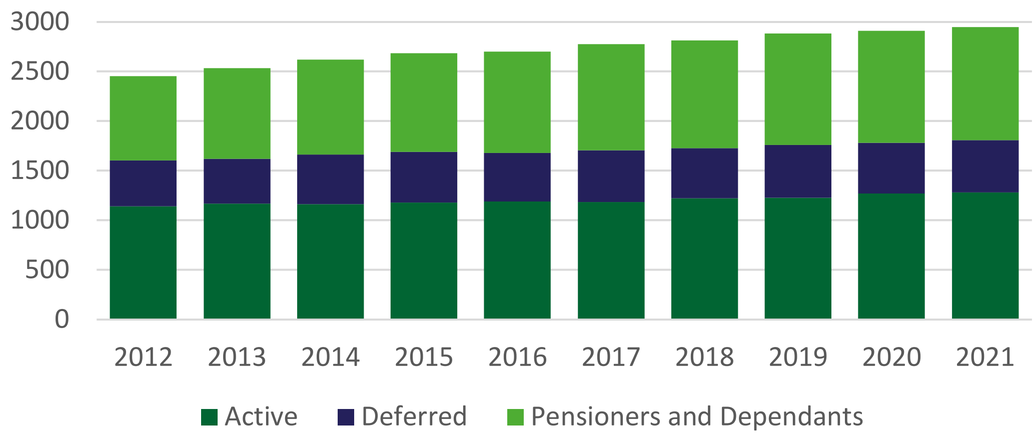
[1] These members represent the Management Board at meetings of the Treasury Advisory Panel (TAP).

Management Board Report - Review of the Year

Membership changes

The JTSF is a mature scheme and there have been few changes to membership. As at 31 December 2021, the total Scheme membership numbered 2,949, comprising 1,284 active members, 526 deferred beneficiaries and 1,139 pensioners and dependants.

Fund Membership over the last 10 years



Pension Increases

JTSF pensions and deferred pensions are increased each year in line with the previous December's 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.

Recent increases in pension benefits:

1st January	Jersey RPI & JTSF Pension Increase %
2018	3.6
2019	3.9
2020	2.5
2021	0.9
2022	3.8

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

Actuarial Valuation

The actuarial valuation shows the relationship between estimated future pension payments and the funds held to pay for those future 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 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.

The actuarial valuation is completed on the basis that the Government will repay the Pension Increase Debt. Of the employer contribution rate of 16.4%, 5.6% is paid towards the Pension Increase Debt. At the last actuarial valuation, as at 31 December 2018, the Actuary determined that the Scheme had a funding level of 107.8% and a surplus of £45.8 million. This meant the Fund could continue to increase pensions in line with the full increase in the Jersey Retail Price Index. However, the Fund Actuary also identified that the contributions into the scheme are insufficient to fund the benefits being promised, and that there is a shortfall of contribution rate equivalent to 3.9% of pensionable salaries.

At the 31 December 2018 valuation, the expected return from the Fund portfolio was defined as Jersey RPI (December) + 2.85%. At 31 December 2021 this equates to a target return of 6.65% (2020: 3.7%).

The Management Board policy is that a formal actuarial valuation will be completed by the Fund Actuary at least every three years. The present valuation was completed in respect of the 31 December 2018 valuation and work is currently being undertaken to prepare for a 31 December 2021 valuation in 2022.

Investment performance

Background

The JTSF's investments are in the Government of Jersey's Common Investment Fund ('CIF'), which in turn invests in a range of assets. Periodically, the Management Board (with advice from the Investment Adviser) concludes which of the CIF's investment pools they will participate in to secure their strategic objectives. These investment allocations are formally established in the JTSF's Statement of Investment Principles and reviewed at least annually. The performance of the underlying investments thereafter is a combination of the skill of the respective investment managers and the conditions of the markets over the period.

Market context

The investment allocations are diversified in order to secure return in varying market scenarios. The principal market events of 2021 continued to relate, directly and indirectly, to the Covid-19 pandemic. Markets across the world tried to anticipate the timing and extent of restrictions lifting, the degree to which patterns and dynamics of trade would revert and what these factors in turn may mean for size and timing of enormous government stimulus programmes.

This naturally led to volatility in prices as consensus shifted with news events. This broader uncertainty was compounded by rising geo-political tensions, particularly with respect to trade in and with China.

In 2021, a particular feature of this was the fluctuating market outlook for interest rates and inflation in developed markets (the US primarily, but also other nations). For much of 2020, the consensus view of the markets had been that there would not be any significant near term increases in interest rates in order to support economic recovery. However, over 2021, the probability that rate rises would occur in the near term rose, resulting in the re-pricing of risks and assets.

These changes were felt across all sectors but were most clearly reflected in the valuations of growth stock assets. In 2020, this sector made unusually large gains as markets focused on the exponential growth in revenues that disruptive technology stocks may enjoy in the future. By contrast, in 2021 the same fundamental valuations were being negatively impacted by anticipation of rate increases, which renders tomorrow's returns less valuable in real terms. Investors sought to take profit and rebalance, rendering some of the abnormally large 2020 gains particularly fragile.

Against this background, where changed macro economic assumptions led to repricing, the JTSF was able to rely on the CIF's breadth of return drivers within its portfolio to achieve its objective of secure returns sufficient to meet all liabilities as they fall due.

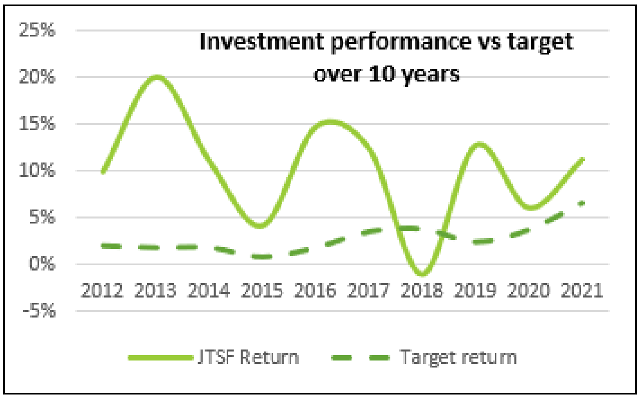
Investment results compared to objectives

The primary investment objective of the Management Board is that investment return should achieve the target return defined by the actuary in order that, over the long term, the Fund's assets are able to meet its liabilities.

The JTSF investments under management in the CIF increased in value by £66.7 million over the course of the year, successfully exceeding the actuarial target return of Jersey RPI + 2.85%.

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.

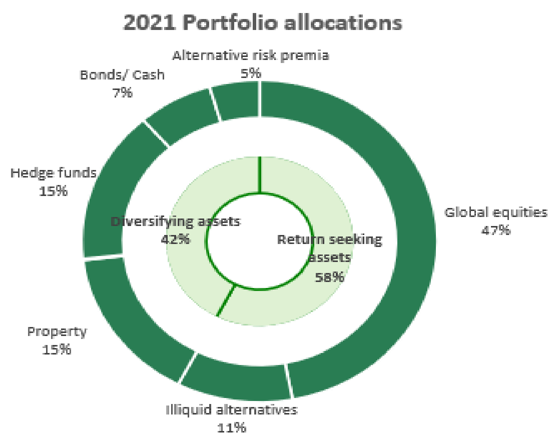
Investment performance over the longer term



In addition to overall performance, the funds are invested with the timing of cash flow needs in mind. JTSF is a mature pension fund meaning that the Fund is required to support a net cash outflow to pensioners. Over the course of the year, the investments have provided sufficient liquidity.

It is an objective of the Management Board to ensure that the JTSF's strategic allocations within the CIF's portfolio of available investments secure a diversity of income drivers, in order to manage investment risk. To this end, the Management Board monitors the CIF's adherence to the investment allocations throughout the year and evaluates whether the component asset classes (and funds within them) are delivering the profile of performance that was anticipated.

Underlying investment allocations within the CIF holding



Asset class	Value £ million	In range?
Global equities	305.07	
Illiquid alternatives	68.49	
Return seeking assets	**373.56**	
Property	100.67	
Hedge funds	99.72	
Bonds/ Cash	45.22	
Alternative risk premia	29.56	
Diversifying assets	**275.17**	
CIF investment	**648.73**	

Long term investment performance vs target rate (10 years)

The chart above demonstrate that allocations remained within their permitted strategic allocations and the nature of the allocations at year end. Further details on the investment process and the strategic allocations are available in the Statement of Investment Principles.

Performance at asset class levels

Returns by asset class over time	Absolute return		Performance against benchmark	
	2021	5 years	2021	5 years
Global equities	13.6%	12.2%	(4.7%)	0.2%
Illiquid alternatives	5.6%	--	(1.9%)	--
Property	17.0%	6.0%	(2.2%)	(1.1%)
Hedge funds	7.4%	5.1%	7.3%	4.5%
Bonds	(0.8%)	0.7%	(0.9%)	0.1%
Alternative risk premia	15.9%	--	15.8%	--

In 2021, the JTSF holdings posted strong returns in absolute terms but in many cases individual funds lagged peer fund benchmarks over the period. This is not considered a cause for concern because it occurred in the context of a volatile year for markets. The Management Board invests with a long term perspective, with a relatively cautious outlook in terms of each asset class given the nature of the Fund. The Board remains confident that the allocations will continue to contribute to the overall return of the Fund in the years to come, as results have shown them doing so successfully in recent years.

Notwithstanding the comments above, it may be expected that the strategic allocations will be further adjusted in 2022 should the pension increase debt be repaid and/or following the outcome of the triennial actuarial valuation, and new funds are likely to be introduced to the CIF portfolio as part of this exercise.

Overall, the Management Board is satisfied the Fund is well positioned to meet its investment return objectives; the CIF portfolio construction is appropriate, providing diversified risk and return drivers and with sufficient liquidity available to meet requirements.

Membership administration

The Public Employees Pension Team (PEPT) administers benefits for members of the JTSF on behalf of the Treasurer of the States.

Since the onset of the Covid-19 pandemic, the working patterns and processes of the team have been disrupted. Over the course of 2021, the team continued to adapt processes to ensure that key service requirements were met, for instance prioritising the timely and accurate payment of benefits over routine data maintenance.

The team's performance statistics improved during 2021 and the team was once again meeting and exceeding their targets. Over the year the PEPT processed 96% of tasks within five working days, which was higher than the 90% target set out in the Pension Administration Strategy.

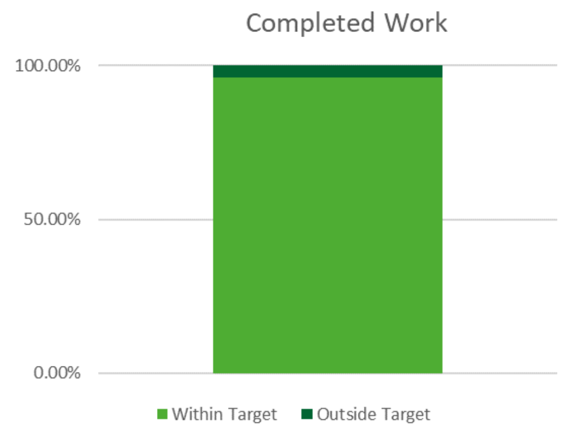
The PEPT reports its performance to the Management Board on a quarterly basis.

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 it 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 Management Board 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.

During 2021 the PEPT released a Pensions Portal, which allows members to view their pension benefits in real time anywhere in the world. The portal gives members greater access to information about the benefits they have in the pension scheme. Over 800 JTSF members have registered on to the portal.



Transfers into the JTSF from UK Public Sector pension schemes

The JTSF is in the Public Sector Transfer Club (PSTC). However, the JTSF is only permitted to accept club funding for final salary benefits and as such, teachers who have accumulated Career Average benefits in the UK Teachers' Pension Scheme are not able to transfer the CARE element of their pension into the JTSF under Club rules. Transfers of any Career Average Scheme benefits from the UK Teachers' Pension Scheme (or other public sector schemes) can still be accepted based on actuarial factors determined by the Actuary.

Developments during the year

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, monitored the situation closely throughout the year in this regard and continues to do so. This included monitoring the employer covenant; the operational impact on the Fund's service delivery and performance; and the effect of events on valuations of the Fund's investment portfolio and its liabilities to members.

The future 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.

Specific events relating to investment operations and strategy for the year:

- A number of transactions were undertaken in the course of the year to align the portfolio with revised Strategic Investment Portfolio allocations:
    - A partial disinvestment was completed from the UK property pool to bring the allocation back within the investment range.
    - Emerging Market Equity and Global Equity Pools were merged into a single allocation. (Since global equity managers have allocations to emerging market equities, this should facilitate easier management of the total exposure of the Fund).
    - Further capital was drawn by Opportunities funds under existing commitments (The nature of this type of fund is that capital is drawn and returned over a fixed lifecycle).
- In December 2021, the Management Board resolved to amend the strategic allocations of the Fund. This was approved by the Minister in the Statement of Investment Principles post year end. To minimise the cost of transactions, the Management Board deferred movement to the new strategy until the proceeds from the repayment of the Pension Increase Debt are received. (The repayment of the debt has been approved in the Government Plan 2022 to 2025 and is anticipated in 2022 but has not yet been confirmed by the Government of Jersey). The changes in the Statement of Investment Principles approved in 2022 are as follows:
    - Equities will be reduced (by 5% to 40%) in favour of Hedge funds (which are considered more stable asset classes) (by 5% to 20%) with the aim of reducing risk for the Fund over the long term
    - The Fund will increase its strategic allocation to the 'Illiquid Alternatives' asset class (to 20%), through the Opportunities Pool of the CIF whilst Property will reduce to 5%.

Events following year end

On 24 February 2022, Russian military forces started to invade Ukraine. The invasion was met with widespread condemnation with many jurisdictions, including Jersey, imposing severe economic sanctions on Russia and Belarus and freezing the assets of selected Russian citizens in their territory.

The Fund did not have a significant exposure to Russian assets, nor does it now. However, the invasion and associated global uncertainty does increase the risk of volatility in global economic markets generally, which could affect future investment valuations.

Responsible Investment

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 are 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

The year to 2021 has been a successful year with further positive real returns strengthening the Fund’s financial position. This has been achieved despite the challenges of the pandemic to the investment portfolio and administrative operations (challenges that are likely to continue into 2022 in view of the ongoing pandemic effects and, more recently, the Ukraine invasion).

It remains the case that Fund has a future service deficit which requires resolution. It is anticipated that the Pension Increase Debt will be repaid in 2022 although this will not resolve the shortfall in contributions required to fund future service.

An updated actuarial position will be available in 2022, on completion of the 31 December 2021 valuation. This will be significant for the next review of the Fund’s strategic investment allocations and the discussions with the Government of Jersey regarding the funding shortfall.

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 and all the professional advisers to ensure that the Fund’s robust governance arrangements remain appropriate and capable of meeting any economic or organisational challenges in the year ahead.

The Fund relies greatly on the hard work of officers, consultants, actuaries, advisers, investment managers and unpaid volunteers on the Management Board 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.

Gordon Pollock BSc FFA
Chairman of the Management Board
19 May 2022

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 2021

Dealing with Members		Notes	2021 (£'000)	2020 (£'000)
Payments in	Employer contributions		10,925	10,584
	Employee contributions		3,720	3,559
	Total contributions	4	**14,645**	**14,143**
	Transfers in		303	173
	Total payments in		**14,948**	**14,316**
Payments out	Benefits paid or payable	5	(23,701)	(23,217)
	Payments to and on account of leavers	6	(1,389)	(47)
	Administrative expenses	7	(579)	(496)
	Total payments out		**(25,669)**	**(23,760)**
	Net withdrawals from dealings with members		**(10,721)**	**(9,444)**
Net returns on investments				
** Gains on CIF investments*			*74,186*	*40,628*
** Expenses included in the calculation of the CIF NAV*		9	*(7,413)*	*(7,137)*
Change in market value: investments inside the CIF		10	66,773	33,491
Change in market value: investments outside the CIF		10	2	42
Investment management expenses		8	(131)	(110)
	Net return on investments		**66,644**	**33,423**
Net increase in the Fund's assets during the year			55,923	23,979
Opening net assets			596,870	572,891
		Closing net assets	**652,793**	**596,870**

**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 20 to 30 form part of these Financial Statements

Statement of Net Assets Available for Benefits as at 31 December 2021

Investment assets	Notes	2021 (£'000)	2020 (£'000)
Units in the CIF	11	648,727	594,454
AVC Investments	18	928	1,026
Total net investments		**649,655**	**595,480**
Current assets	15	3,294	1,593
Current liabilities	16	(156)	(203)
Total net assets available for benefits		**652,793**	**596,870**

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 9 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 20 to 30 form part of these Financial Statements. These Financial Statements on pages 18 to 30 were received and approved on behalf of the Management Board on 19 May 2022.

Richard Bell
Treasurer of the States
19 May 2022

Gordon Pollock BSc FFA
Chairman of the Management Board
19 May 2022

Notes to the Financial Statements for the year ended 31 December 2021

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 39 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

Transfer values are accounted for on an accruals 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.

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.

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 12 and 13.

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.

i) Currency

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

4. Contributions

	2021 (£'000)	2021 (£'000)	2020 (£'000)	2020 (£'000)
Employers				
Normal		**10,925**		**10,584**
Employees				
Normal	3,626		3,517	
Additional voluntary contributions	94		42	
		3,720		**3,559**
Total Contributions		**14,645**		**14,143**

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

5. Benefits paid or payable

	2021 (£'000)	2020 (£'000)
Pensions	22,003	21,603
Death benefits	52	49
Commutations and lump sum retirement benefits	1,646	1,565
Total Benefits	**23,701**	**23,217**

6. Payments to and on account of leavers

	2021 (£'000)	2020 (£'000)
Refund of contributions	56	19
Transfers out	1,333	28
Total Payments to and on account of leavers	**1,389**	**47**

7. Administrative Expense

	2021 (£'000)	2020 (£'000)
Salaries and office costs	239	161
Actuarial fees	141	93
Audit fees	31	32
Legal fees	57	50
Chairman and secretary fees	62	64
Pension system development costs	49	94
Other expenses	-	2
Total Administrative Expenses	**579**	**496**

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

	2021 (£'000)	2020 (£'000)
Custodian expenses	48	41
Investment advisory expenses	83	69
Total Investment Management Expenses	**131**	**110**

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 JTSF.

9. Common Investment Fund (CIF) Expenses

	2021 (£'000)	2020 (£'000)
Custodian expenses	77	71
Investment advisory expenses	110	125
Investment management expenses	7,188	6,920
Other investment expenses	38	21
Total CIF Expenses	**7,413**	**7,137**

Investment management expenses include performance elements and so reflect the increased portfolio value in 2021. Refer to note 3d for explanation of CIF expenses.

10. Reconciliation of Net Investments

	Note	Value at 1.1.2021 (£'000)	Purchases at cost (£'000)	Sales proceeds (£'000)	Change in Market Value (£'000)	Value at 31.12.21 (£'000)
CIF Units	11	594,454	46,473	(58,973)	66,773	648,727
Additional Voluntary Contributions[1]	19	1,026	5	(105)	2	928
Total Investments Units		**595,480**	**46,478**	**(59,078)**	**66,775**	**649,655**

[1] During the year, four members (2020: six) contributed £4,960 (2020: £5,951) 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

	2021 (£'000)	2021 % of CIF pool	2020 (£'000)	2020 % of CIF pool
Emerging Market Equities	-	-	26,862	12.1
Global Active Equities	305,074	13.6	247,100	12.6
Absolute Return Bonds	44,319	11.5	37,415	10.4
Hedge Funds	99,715	16.8	92,848	16.8
Property	100,669	100	104,130	100.0
Opportunities Pool I	50,160	25.0	44,787	25.0
Opportunities Pool II	18,331	11.0	15,734	25.0
Alternative Risk Premia	29,557	17.7	25,499	17.7
Long-term Cash Pool	902	1.2	79	0.2
Total CIF	**648,727**		**594,454**	

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.

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 1 (£'000)	Level 2 (£'000)	Level 3 (£'000)	2021 Total (£'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**

Analysis for the prior year end is as follows:

Investment assets	Level 1 (£'000)	Level 2 (£'000)	Level 3 (£'000)	2020 Total (£'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**

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. 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			2021 (£m)	2020 (£m)
		Currency	Int Rate	Other Price		
Pooled Investment Vehicles						
Equities		✓		✓	305.1	274.0
Property	✓			✓	100.6	104.1
Bonds	✓	✓	✓		44.3	37.4
Alternatives	✓	✓	✓	✓	197.8	178.8
Cash	✓	✓	✓		0.9	0.1
				Total holding within the CIF	**648.7**	**594.4**

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	2021 (£m)	2020 (£m)
Closed ended investment companies	11.1	10.5
Open ended investment companies	220.3	197.1
Shares in limited partnerships	96.9	76.5
Open ended unit trust	99.7	101.1
Within CIF pooled investment vehicles (PIVs)	**428.0**	**385.2**
Within segregated assets within the CIF	**220.7**	**209.2**
Total holding within the CIF	**648.7**	**594.4**

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	2021 (£m)	2020 (£m)
Northern Trust (cash)	0.9	0.1
Absolute return bond pool (bonds)	44.3	37.4
Total bond and cash assets	**45.2**	**37.5**

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:

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 2021, the Fund's CIF investment held 57.7% of the total investment portfolio in return seeking assets (2020: 56.3%). The exposure 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.

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:

	2021 (£'000)	2021 (%)	2020 (£'000)	2020 (%)
Active Global Equity Pool	305,074	47%	247,100	41%
UK Property Pool	100,669	16%	104,130	17%
Hedge Funds Pool	99,715	15%	92,848	16%
Opportunities Pool I	50,160	8%	44,787	8%
Absolute Return Bond Pool	44,319	7%	37,415	6%

15. Current Assets

	2021 (£'000)	2020 (£'000)
Contributions – Employers	414	564
Contributions - Members	138	180
Cash balances	2,739	847
Other debtors	3	2
	3,294	**1,593**

16. Current Liabilities

	2021 (£'000)	2020 (£'000)
Benefits payable	-	19
Other creditors	157	176
Advances to/ (from) Government of Jersey	(1)	8
	156	**203**

17. Contingencies and Commitments

In the opinion of the Treasurer of the States, the Fund has no contingent liabilities as at 31 December 2021 (2020: nil).

As at 31 December 2021, the Fund had commitments of approximately £98.9m (2020: £94.0m) to the Opportunities Pool of the Common Investment Fund, of which £35.4m (2020: £47.1m) 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 four active (2020: three) and five pensioner members (2020: 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 £956 was owed to the Government of Jersey (2020: £8,266) in respect of transactions with the Treasury & Exchequer Department. During the year an amount of £200,457 (2020: £264,860) was paid to the Government of Jersey in respect of the services provided.

19. Contingent asset

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 Government of Jersey has confirmed it plans to repay the whole debt to the Fund in full (as documented within the Government Plan 2022-25). Following a meeting held during early 2022 the Government has agreed in principle for the debt to be repaid to the Fund, although the timing and amount of the payment remains uncertain. The pension increase debt was calculated by the fund actuary to be £120.1m as at 31 December 2018.

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 2021 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 2021, 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 17, 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.

Nexia Smith & Williamson

Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants
Bristol

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19 May 2022
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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 finalised between the Fund's Management Board and the Government of Jersey albeit the Government has confirmed it plans to repay the whole debt in full (as documented within the Government Plan 2022-25). 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 regarding the repayment of the pension increase debt.

A further valuation is being 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

28 March 2022

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.

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. Full repayment of the Pension Increase Debt was approved in the 2022-2025 Government Plan.

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**

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 2021 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 2021

	2021 CIF Total (£'000)	2021 CIF - JTSF (£'000)	2020 CIF Total (£'000)	2020 CIF - JTSF (£'000)
Investment income	27,530	5,831	33,188	6,716
Change in fair value of financial assets held at fair value through Profit and Loss	414,784	68,452	290,276	34,069
Total income	**442,314**	**74,283**	**323,464**	**40,785**
Supplies and services	(43,308)	(7,375)	(40,266)	(7,116)
Other operating expenditure	(296)	(38)	(1,146)	(12)
Foreign exchange loss	(730)	(97)	(1,127)	(166)
Total expenditure	**(44,334)**	**(7,510)**	**(42,539)**	**(7,294)**
Net income	**397,980**	**66,773**	**280,925**	**33,491**

Statement of Financial Position as at 31 December 2021

	2021 CIF Total (£'000)	2021 CIF - JTSF (£'000)	2020 CIF Total (£'000)	2020 CIF - JTSF (£'000)
Non-current assets				
Equities	1,536,926	208,630	1,466,058	185,384
Pooled Investment Vehicles	2,415,003	428,094	2,131,465	385,232
Other assets	103,618	-	1,802	4
Total non-current assets	**4,055,547**	**636,724**	**3,599,325**	**570,620**
Current assets				
Investments held at fair value through Profit and Loss	93,385	849	170,168	75
Derivative financial instruments expiring within one year	240	62	17,013	2,197
Trade and other receivables	18,647	2,425	3,176	258
Cash and cash equivalents	53,152	9,418	107,803	21,956
Total current assets	**165,424**	**12,754**	**298,160**	**24,486**
Current liabilities				
Trade and other payables	(2,178)	(751)	(2,013)	(652)
Total current liabilities	**(2,178)**	**(751)**	**(2,013)**	**(652)**
Net assets	**4,218,793**	**648,727**	**3,895,472**	**594,454**

Changes in Market Value of Investments by Pool

	Total CIF Investments held at Fair Value through Profit or Loss					JTSF Market Value 31 Dec 2021 (£'000)
	Market Value 1 Jan 2021 (£'000)	Purchases (£'000)	Sales (£'000)	Unrealised Gains (Losses) (£'000)	Market Value 31 Dec 2021 (£'000)	
Global Equities *(Incorporating Emerging Market Equities)*	2,109,763	1,088,496	(1,277,798)	285,582	**2,206,043**	**305,074**
Opportunities (Pools I & II)	192,476	175,798	(25,893)	9,191	**351,572**	**68,491**
Property (Pools I & II)	204,847	7,968	(21,968)	25,522	**216,369**	**100,669**
Hedge Funds	553,018	11,410	(13,447)	40,700	**591,681**	**99,715**
Alternative Risk Premia	143,640	111	-	22,799	**166,550**	**29,557**
Absolute Return Bonds	360,102	117,824	(90,613)	(2,269)	**385,044**	**44,319**
Long-term Cash	41,610	739,359	(712,186)	(128)	**68,655**	**902**
Pools JTSF did not participate in	164,038	29,356	(28,879)	(1,497)	**163,018**	**-**
CIF Total	**3,769,494**	**2,170,322**	**(2,170,784)**	**379,900**	**4,148,932**	**648,727**

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 £12.0 million, resulting in a total combined value of assets held within the CIF attributable to JTSF of £648.7 million.