Public Employees’ Pension Fund

Annual Report 2020

Contents

Introduction

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

The PEPF is the pension fund consisting of the Final Salary Scheme (also called the Public Employees' Contributory Retirement Scheme (PECRS) and the Career Average Scheme (also called the Public Employees' Pension Scheme (PEPS)). These schemes provide pension benefits to public servants, excluding teachers, in Jersey.

Overview

Total Fund value as at 31 December 2020	Fund value increase in 2020	Investment Return in 2020	Benchmark Return in 2020
£2.559 billion	**£307 million**	**15.9%**	**6.1%**

During the course of 2020, the assets of the PEPF increased in value by £307.374 million to £2.559 billion. This increase comprised investment return of (£332.9 million) less benefits paid exceeding contributions, and expenses, of £25.5 million.

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.

Although the long-term impact of the Covid-19 pandemic remains uncertain and the significant impact the pandemic has had and continues to have on businesses and the wider socioeconomic landscape has yet to be fully understood, the Fund has performed well and remains well funded and positioned to meet its ongoing obligations.

Overall, the Fund's investments increased by 15.9% year to year, which was significantly in excess of both the Fund target return and market benchmark. 2020 represents a positive year for the Fund overall, but the investment returns mask significant in-year volatility. The MSCI World (an index reflecting the world equity market) had fallen by over 30% by the end of the first quarter before sharply recovering thereafter. Equity is a significant driver of returns for the portfolio but, by design, the Fund follows a diversified strategy with a wide range of assets that are intended to provide protection in times of market stress. 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.

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 Committee of Management will continue to monitor asset valuations 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 together with the Fund's long-term time horizon allows positions to be held through periods of disruption to extract the long-term gains pension payments are dependent upon.

Over five years, the Fund has produced an annualised return of 9.6% against a target return of 7.7% and, over ten years, an annualised return of 8.4% against a target return of 2.8%. The long-term position, therefore, remains healthy, and the Fund continues to be well positioned to meet its obligations to members.

A more detailed assessment of annual performance is included in the Investment Performance section of this annual report.

On 1 January 2019, over 4,400 members of the Final Salary Scheme transferred to the Career Average Scheme for their future accrual.

Scheme members who were within seven years of their normal retirement age on 31 December 2018 or on a 1/45th accrual rate had the option to remain in the Final Salary Scheme and 842 chose to do so. By the end of 2020 this number had fallen to 476.

The Covid-19 pandemic, resulted in 'Stay At Home' instructions being issued at periods during the year and 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 when required.

During 2020, Fund membership increased to over 16,800 members. Pensions of £87 million were paid to pensioners living in Jersey and around 30 other countries, principally the United Kingdom.

These topics are explained in more detail in this report.

Members, Managers and Advisers

Members of the Committee of Management

Chairman	
Gordon Pollock	
Employer Representatives	**Member Representatives**
John Everett Scot Laing Terry Le Sueur OBE (Resigned Dec 2020) John Mills CBE Ed Sallis OBE^ Steve Warner (Resigned Dec 2020) Charlotte Guillaume (Appointed Jan 2021) Gailina Liew (Appointed Jan 2021)	Chris Bambury* Michael De La Haye OBE* John Fosse Tommy Querns Mark Richardson Barbara Ward

^Admitted Body Representative *Pensioner Representative

The Committee is established under Article 4 of the Public Employees' (Pensions) (Jersey) Law 2014, and governed by Regulations made under it in 2015. Committee members are appointed by the Chief Minister on the recommendation of the Minister for Treasury and Resources for terms of up to five years, which may be extended for a second term of up to five years. The Chairman is appointed to the Committee by the Chief Minister for separate five-year terms on the recommendation of the Minister for Treasury and Resources and with the agreement of the majority of the Employer and Member representatives. Mr. Pollock was reappointed as Chairman in June 2019 for a second term, to 30 June 2024.

Advisers to the Committee of Management

Actuary	Aon Solutions UK Limited	Independent Auditors	PricewaterhouseCoopers LLP
Custodian	Northern Trust	Investment Adviser	Mercer LLC
Bankers	HSBC Plc	Legal Advisers	Carey Olsen

Secretary to the Committee of Management – Mrs J Ward

Fund Administrator - The Treasurer of the States

Investment Managers

Arrowgrass Capital Partners LLP	Lansdowne Partners Limited
Baillie Gifford & Co	Nordea Investment Management AB (appointed March 2021)
BlackRock Investment Management (UK) Limited	Overstone CCF Limited (appointed January 2021)
Capula Investment Management	Park Square Capital
CQS	PGIM Real Estate
Global Infrastructure Partners (appointed April 2020)	Rokos Capital Management LLP
Hayfin Capital Management	TwentyFour Asset Management (appointed February 2020)
HIG Whitehorse (appointed April 2020)	Veritas Asset Management (UK) Limited
Legal and General Investment Management	

Participating Employers

The principal employer is the Government of Jersey. All new permanent employees of the Government of Jersey are admitted into the Career Average Scheme. There are other organisations which participate in the Schemes with the consent of the Chief Minister; these are known as Admitted Bodies

Scheme Employer	
Government of Jersey	
Admitted Bodies	
Andium Homes Limited	JT (Jersey) Limited
Beaulieu Convent School Limited	Les Amis Limited
Brig-y-Don Children's Home	Office of the Information Commissioner
Comité des Connétables	Parish of Grouville
Family Nursing & Home Care (Jersey) (Incorporated FNHC)	Parish of St. Brelade (including Maison St. Brelade)
Jersey Advisory and Conciliation Service (JACS)	Parish of St. Clement
Jersey Competition Regulatory Authority (JCRA)	Parish of St. Helier
Jersey Employment Trust (JET) (including Workforce Solutions Limited)	Parish of St. Lawrence
Jersey Financial Services Commission (JFSC)	Parish of St. Martin
Jersey Gambling Commission	Parish of St. Ouen
Jersey Heritage Trust	Parish of St. Saviour
Jersey Overseas Aid Commission (JOAC)	Ports of Jersey Limited
Jersey Post Limited	

Governance Arrangements

Summary of Governance Arrangements

The Fund is governed and administered under the Public Employees' (Pension Scheme) (Administration) (Jersey) Regulations 2015. The Committee of Management manages the Fund. It sets the investment strategy, appoints and instructs the Actuary and investment and legal advisers, and works to ensure that benefits are paid to members in accordance with law. The Administrator is the Treasurer of the States. The Committee of Management appoints and terminates investment managers with the approval of the Minister for Treasury and Resources.

A number of sub-committees take the lead on particular aspects of work, reporting to the Committee of Management. The table below shows their membership at the year end. Each sub-committee is assisted by the Secretary, members of the Administrator team and Advisers as appropriate.

In recognition of the abnormal investment market conditions arising out of the Covid-19 pandemic, the investments committee increased the frequency of its meetings to fortnightly for the majority of the year (2019: six meetings).

Committee Member	Investments	Ill Health and Death Benefits	Communications	Audit
Mr G Pollock (Chairman)	●			
Mr C Bambury			Chairman	
Mr M De La Haye OBE				●
Mr J L Everett				●
Mr J R Fosse			●	
Mr S Laing	●			
Mr T A Le Sueur OBE				Chairman
Mr J Mills CBE	Chairman	●		
Mr T Querns		●		
Mr M A Q Richardson	●			
Dr E Sallis OBE	●			
Miss B Ward				●
Mr S Warner		Chairman	●	
Number of meetings in 2020	14	As required	As required	3

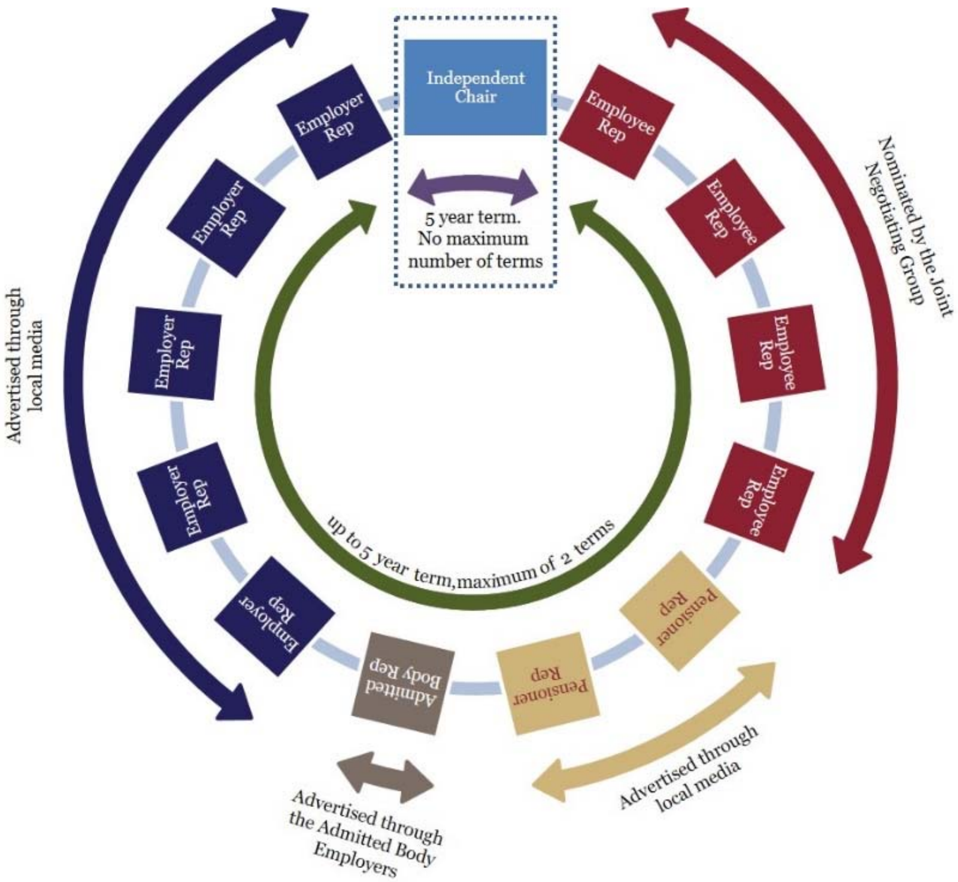
Review of the Year

Fund changes

2020 saw the continuation of the increase to the membership in the Career Average Scheme. By the year end, number of members who only had membership of the Career Average Scheme had increased by over 500 members to over 2,770. On the 31 December 2018 the Final Salary Scheme closed to new membership, on 1 January 2019 around 4,400 members of the Final Salary Scheme moved into the Career Average Scheme, this figure has now reduced to around 3,900.

Members who moved from the Final Salary Scheme to the Career Average Scheme have their accrued rights in the former protected (including the link to final salary at the end of their career, for any service up to the date of change). 1,065 Scheme members who were within seven years of their normal retirement age on 31 December 2018 or on a 1/45th accrual had the option to remain in the Final Salary Scheme; 842 elected to remain. At 31 December 2020 this cohort had reduced to 476.

The Committee of Management comprises an independent chairman, four employee representatives, two pensioner representatives, five employer representatives and one Admitted Body employer representative.



Actuarial Valuation

The most recent actuarial valuation at 31 December 2018 was completed for both the Final Salary Scheme and Career Average Scheme of the PEPF in December 2019 and was presented to the Government of Jersey in January 2020. An actuarial valuation was required on that date under the Public Employees' (Pension Scheme) (Funding and Valuation) (Jersey) Regulations 2015 (the legislation that closed the Final Salary Scheme to new membership and opened the successor Career Average Scheme). A valuation will normally be commissioned every subsequent three years and the next is planned for the end of 2021.

The valuation shows the relationship between the liabilities (being pensions and other benefits), and the assets held to meet those liabilities. The Actuary uses a range of assumptions in order to assess the financial position of each Scheme including the average life expectancy of Scheme members, investment returns, inflation and interest rates.

A Funding Strategy Statement sets out the basis for assumptions in actuarial valuations and also the framework for action to be taken at an actuarial valuation. The Funding Strategy Statement is reviewed, updated and agreed ahead of each actuarial valuation.

The 2018 actuarial valuation assumed that the Final Salary Scheme would gradually be de-risked over the period 2021 to 2041. This reflects the fact that although some existing Final Salary Scheme members will continue to pay into the Fund until the mid-2020s, the Scheme's members from then on will comprise solely those in receipt of, or due, a pension, thus crystallising liabilities. The following table includes the key financial assumptions used in the valuation.

	Final Salary Scheme %	Career Average Scheme %
Discount rate*	For the period to 31 December 2021: 5.0 % per annum. Then gradually declining over the following 20 years to 4.1% per annum	5.2% per annum
Jersey inflation	2.95	2.95
Rate of salary increase	3.95	3.95
Management expense	0.7	0.7
Mortality assumption	SAPS S3 "All lives" tables with 105% scaling factor and allowance for future improvements in mortality, with a long-term rate of improvement of 1.5% p.a.	

* The discount rate is the rate used to value the current cost of future pension obligations

The main conclusions from the actuarial valuation as at 31 December 2018 were that:

- In the Final Salary Scheme there was a past service deficit of £1.1 million, corresponding to a funding level of 99.95%.

- The valuation of the Final Salary Scheme was within the "funding corridor" of 95% to 105%.

- In the Career Average Scheme there was a small past service surplus of £3.26 million, corresponding to a funding level of 120.5%. This position reflected the fact that the Scheme was relatively new; the surplus is expected to reduce over time. In accordance with the transitional arrangements set out in the Funding and Valuation Regulations, the Career Average Scheme actuarial valuation at 31 December 2018 had no impact on the benefits payable.

In line with the Funding Strategy Statement, in early 2020 the Actuary updated the terms for benefit options including the terms relevant for transfers into, and transfers out of, the Fund.

The Actuary was kept appraised 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.

Pension increases

Final Salary Scheme and Career Average Scheme pensions in payment and deferred pensions are increased each year in line with the previous September'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.

Pension increases for the last 5 years have been:
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1st January	Jersey RPI % (as at 30 Sept of preceding year)	**Final Salary Scheme** Pension Increase %	**Career Average Scheme** Pension Increase %
2017	2.0	2.0	2.0
2018	3.1	3.1	3.1
2019	4.3	4.3	4.3
2020	2.7	2.7	2.7
2021	0.9	0.9	0.9

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

Administration

The Fund is administered by the Public Employees' Pension Team (PEPT) on behalf of the Treasurer of the States (the Administrator of the schemes). This service is provided to the Committee of Management within the service standards set out in a Pension Administration Strategy.

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 five working day requirement. The PEPT reports its performance to the Management Board on a quarterly basis.

2020 Service Standards

Fund members 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.

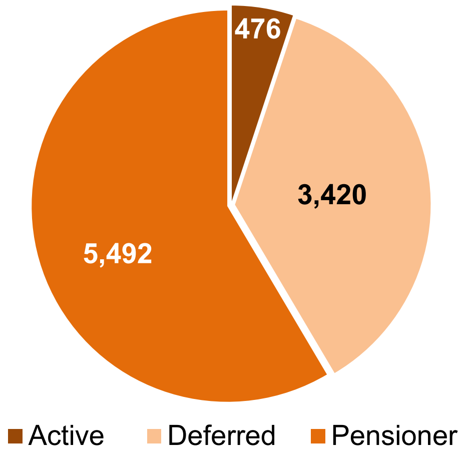
The PEPT use the Government of Jersey Tell Us Once service to receive notifications of Fund member deaths and for members to inform us about any changes to their personal details. This enables the team to maintain accurate records in line with other departments in the Government of Jersey and also to 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.

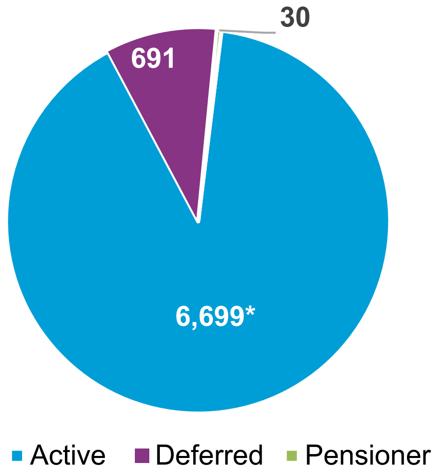
The Public Employees' (Pension Scheme) (Administration) (Jersey) Regulations 2015 introduced a requirement for a Pension Administration Strategy to be produced to outline the policies and procedures governing the administration of the Fund. In 2016, a Pension Administration Strategy was agreed following consultation with Admitted Employers. The Pension Administration Strategy outlines the target service standards for the Administrator and is reviewed annually.

Membership

At the beginning of 2019 most Active members of the Final Salary Scheme moved to the Career Average Scheme for future accrual. At the end of 2020, the Active membership of the Fund comprised of 6,699 Career Average Scheme members and 476 Final Salary Scheme members, 7,175 in all.

The total membership of the Fund increased during the year to 16,808 (2019: 16,211).





*3,929 members have retained a benefit in the Final Salary Scheme

Final Salary Scheme Total Membership	Career Average Scheme Total Membership
9,388	7,420

Total Membership
16,808

Total membership of the Final Salary Scheme and Career Average Scheme over the last 10 years

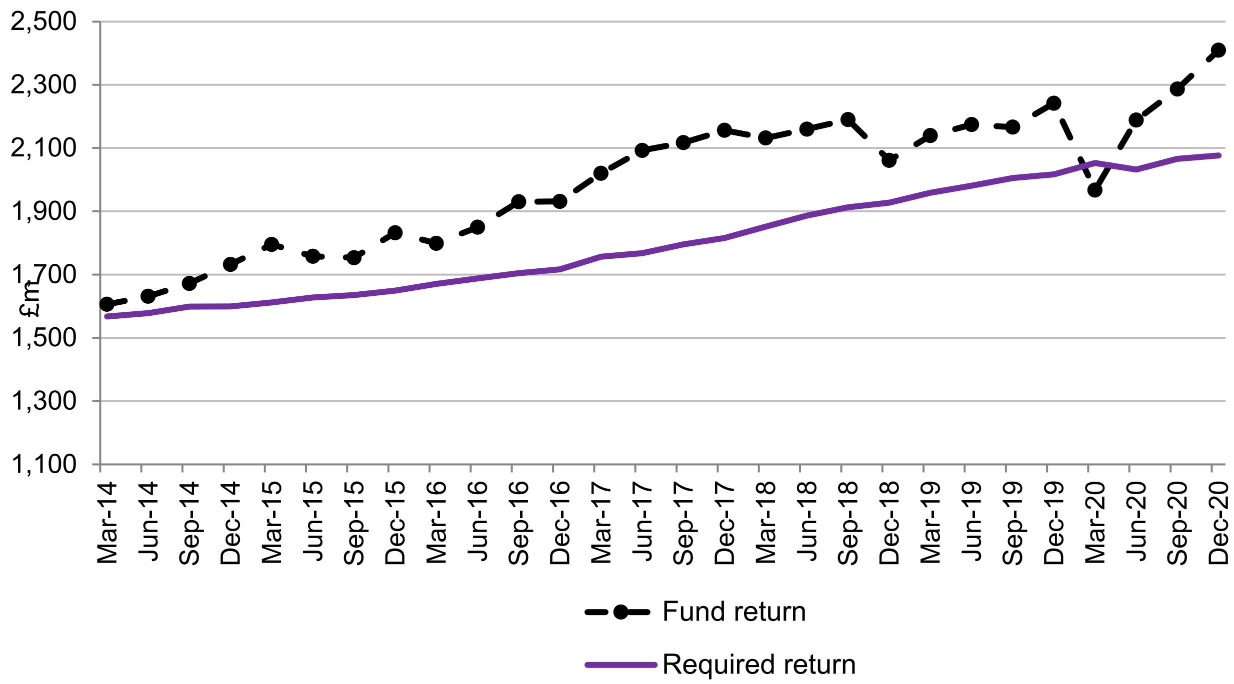
Investment Performance

The performance of markets and asset classes across the world was dominated throughout 2020 by the direct and indirect consequences of the Covid-19 pandemic. These have fallen directly, through 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.

Against this background, the Fund's assets increased in value by £307 million to £2.559 billion, delivering a 16% return compared with the fund level benchmark of 6%.

(The fund level benchmark is a weighted composite of the benchmarks for the asset classes within the Fund's strategic asset allocation. This benchmark provides a useful indication of how the Fund has performed compared with the market generally. See page 16 for further details).

The 2018 actuarial valuation set a long-term requirement for return on assets of Jersey RPI plus 2.05% per annum. Over the last ten years, the Fund's investment return has remained above this level, notwithstanding short-term fluctuations.



The Fund's investment objective is to secure sufficient returns to meet all liabilities as they fall due and this essential task continues to be approached through diversification of asset class; blending a suitable range of investment managers with a variety of investment strategies.

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 from one another and at different points in the economic cycle, thereby enabling the Fund to maximise its return objectives over a full market cycle.

At the end of 2020, the Fund's assets were split between 15 investment managers, with cash managed by Northern Trust, the Fund's custodian.

Individual manager performance is reviewed against specific manager benchmarks throughout the year to ensure that together the portfolio works as designed.

Outperformance (when compared to specific manager benchmarks) has been concentrated in “growth” equity strategies (both Baillie Gifford funds) and flexible actively managed mandates (notably Rokos, a Global Macro Manager who operate within the Alternatives asset class).

By contrast, underperformance (when compared to specific manager benchmarks) has been concentrated in “value” equity strategies (Veritas and Legal and General Investment Management). In addition, Lansdowne’s long/short fund was less effective in the market conditions than anticipated and has subsequently been removed from that mandate.

Notwithstanding the positive performance of the Fund’s allocations to Equity overall, the Committee of Management has scrutinised these underperforming constituent funds and their place in the portfolio.

Veritas and Legal and General are both equity managers with an orientation to a “value” style. This means a focus on companies where the intrinsic characteristics of a company (market position, cash flow and so forth) are considered to be undervalued by the markets. Whereas Veritas actively selects positions, Legal and General follows a passive indexation methodology.

The Committee of Management remains of the view that value managers benefit the portfolio as a balance to “growth” strategies (funds that seek companies with opportunities to undergo a future rapid increase in size and market share, usually due to some innovative differentiating factor such as a new technology). This diversification across ‘factors’ seeks to generate performance in all market conditions though underperformance of specific managers is expected over short time periods and may persist for a number of years. The balanced portfolio approach is designed to allow the Fund to meet its objectives over its extended time horizon.

The Committee of Management is satisfied that Veritas’s underperformance is temporary and that as well as being anticipated to provide a good return over the long-term its own portfolio provides a good diversification to those of the growth managers. The holding in Veritas has been supplemented by a new active manager with “value” characteristics, Lansdowne long only. A further value manager appointment will follow in the new year. These changes reflect a re-balancing that will include a reduction in the Legal and General position and bring more diversification to the value equity allocations.

The Lansdowne long/ short fund (Alternatives class) closed in September 2020 due to conditions becoming unfavourable for its hedging strategies. As part of a wider rebalancing of the portfolio, proceeds were invested into another Lansdowne fund, the Lansdowne DM long only fund (Equities class) on 1 October 2020. The rebalancing was completed in March 2021, with the appointment of a new Alternatives class fund, Nordea Alpha 15 Asset Management.

In general, as a market sector, 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 PGIM commercial and residential ground lease funds. The Committee of Management expect that capital values will be preserved in the long-term due to high levels of equity cover and that distributions will be delayed rather than lost. The Fund benefits from a long-term perspective and diversification of income streams and therefore no immediate further action has been taken. The property funds remain closely monitored.

The period in which the exit from Arrowgrass will be completed has been extended into 2021. The Committee of Management concluded that this would achieve a better outcome than forcing sale of illiquid investments during the height of the Covid-19 pandemic.

One of the most important metrics for the Fund is performance relative to the required return.
This is illustrated in the table below which shows the Fund's performance against both the fund level benchmark and the required return as determined by the Actuary. The Fund has met, and continues to meet, its requisite return over time.

Time period	Performance Actual %	Benchmark return %	Required return %
1 Year	15.9	6.1	3.0
3 Years	8.7	5.7	4.5
5 Years	9.2	7.8	4.7
10 years	8.2	7.3	4.5

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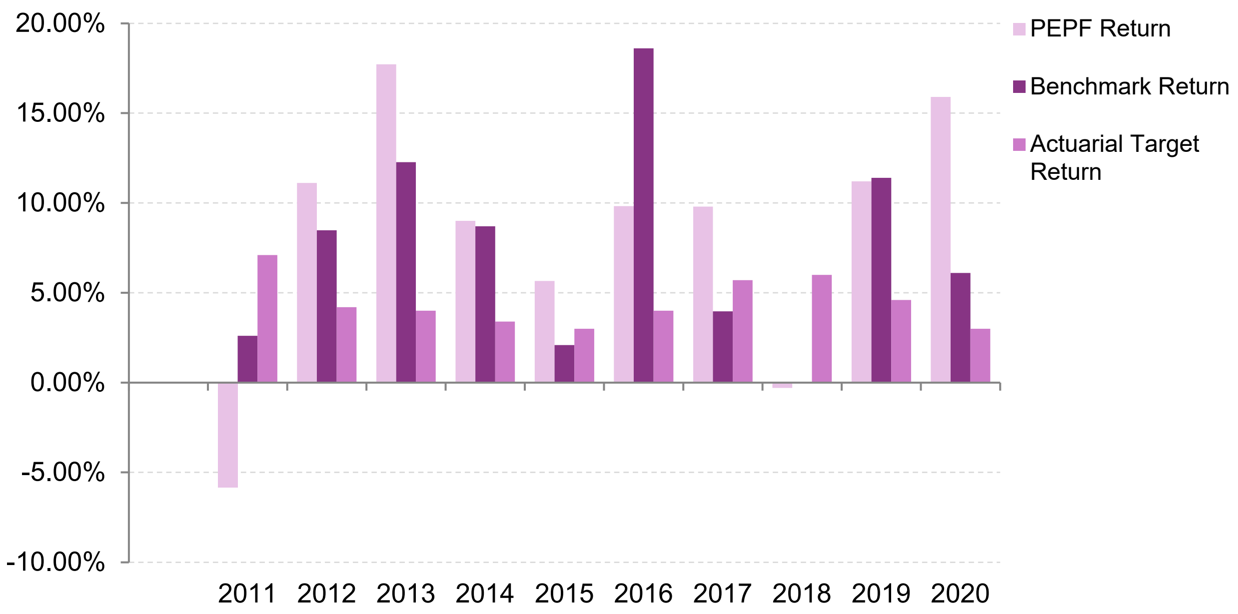
The performance of individual managers is monitored against appropriate benchmarks that are decided at the time of the appointment and in regard to the advice of the Investment Adviser. These are based on national and global market indices, or appropriate performance objectives. Absolute return investment managers are typically allocated a cash benchmark.

The following histogram shows overall Fund returns compared with the benchmark for the ten years to 2020.



The following table gives the value of the assets for which each fund manager was responsible, and the actual and benchmark performance achieved throughout the year.

		2020 performance		
Fund Manager	Value of Fund (£m)	Performance %	Benchmark Performance %	Over / (Under) performance %
Baillie Gifford & Co (large cap)[1]	369.0	87.3	82.4	4.9
Baillie Gifford WDF[2]	103.8	45.0	32.3	12.7
Legal and General Investment Management	317.4	(0.4)	(0.2)	(0.2)
Veritas Asset Management (UK) Ltd[1]	317.2	8.3	6.1	2.2
Lansdowne Partners Limited[2]	160.1	27.0	7.5	19.5
Arrowgrass Capital Partners LLP	20.0	11.1	-	11.1
Capula Investment Management	88.0	6.4	-	6.4
Rokos Capital Management LLP	110.2	39.8	-	39.8
CQS	240.4	1.9	(3.6)	5.5
BlackRock Investment Management (UK) Limited	146.7	1.1	1.6	(0.5)
Northern Trust	10.0	(0.1)	0.4	(0.5)
PGIM Real Estate (Commercial)	201.7	(0.8)	1.2	(2.0)
PGIM Real Estate (Residential)	91.7	0.9	1.2	(0.3)
HayFin Capital Management I	3.9	(6.9)	-	(6.9)
HayFin Capital Management II	112.6	3.07	-	3.07
HayFin Capital Management III	116.7	5.7	-	5.7
HIG Whitehorse[3]	-	-	-	-
Global Infrastructure Partners[3]	-	-	-	-
Park Square Capital	78.4	3.2	-	3.2
24 Asset Management[3]	66.9	0.1	-	0.1
	2,554.7	**15.9**	**6.1**	**9.8**

1 This includes broker cash under the control of these investment managers

2 Performance from when assets first invested in 2020

3 Capital committed but not yet drawn

Developments during the year

The Investment Sub-committee held video meetings with all the Fund's investment managers during the year as part of its continued work to keep all aspects of the Fund's investment portfolio under appropriate review. It is anticipated that as travel restrictions ease in 2021 in-person meetings and visits will increase.

The main events in terms of investment operations were:

- **Appointments and rebalancing within Equity**
  The Fund added Baillie Gifford's World Wide Discovery fund to its portfolio in the first part of the year in order to capture expected premiums associated with smaller capitalisation stocks. "Growth" as a sector was very successful in 2020 so some profits were taken in late 2020 in order to rebalance into "value" strategies, maintaining an appropriate level of diversification of performance drivers and ensuring against excess concentration of Manager risk. The diversification of the equity pool included the appointment of Lansdowne Partners' Long Only fund in October (a factor agnostic actively managed fund currently weighted to value stocks) and the rebalancing will be completed in the New Year with the appointment of an active value manager, funded in part from a reduction in the passively managed fundamental indexation vehicle managed by Legal and General.

- **Changes within Alternatives**
  The Lansdowne long/short fund closed in September 2020, acknowledging that market conditions were unsuitable for its hedging strategy and this was limiting performance, an analysis the Committee of Management shared. The Committee of Management invested the proceeds into the Lansdowne DM long only fund (Equities class) on 1 October 2020 and identified a replacement Alternatives class fund, Nordea Alpha 15 AM. The appointment of Nordea was completed in 2021.

  The closure of the Arrowgrass fund was initiated in 2019 and over 90% of the Fund's monies were returned by the end of the first quarter of 2020. Further distributions have been achieved, however rather than complete the liquidation in 2020 as originally envisaged, the Committee of Management agreed to continue the fund into 2021 to enhance the final disposal values of the remaining illiquid assets.

- **Continuation of investment into private debt**
  The Investment Sub-committee continues to recognise the benefits of investing in private debt. Funds of this nature have capital committed to them which is drawn over time and then returned in tranches at the end of the investment period, thus creating continuing liquidity. These Funds typically have a fixed lifespan and in order to maintain exposure further commitments are required over time.

  In 2020 the Fund added a commitment to Global Infrastructure Partners' Capital Solutions Fund II of $64m, this manager focusses on global infrastructure debt. A commitment of $96m was also made to HIG Whitehorse this manager focusses on senior US private debt.

- **Review of the Statement of Investment Principles**
  The Committee of Management believes that determining appropriate sector and fund allocations (to diversify return drivers) is central to achieving the Fund's performance goals. To this end the strategic allocations were updated in 2020 with the effect reducing the overall exposure to growth assets by 8% in favour of yield-focused investments, mainly by decreasing Alternatives in favour of Property and Fixed Income assets. At year-end 2020, the Fund is part way through a rebalancing exercise which will reduce its relatively high weighting in Equity (50%).

Post year end events

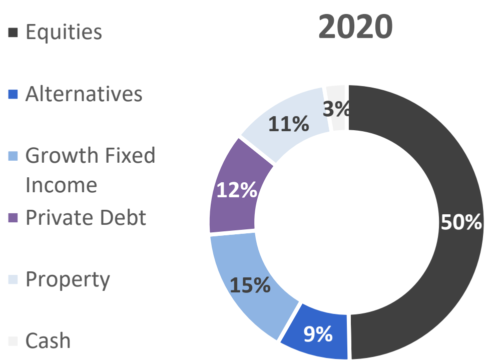
There are no post year events to highlight, other than to observe the long-term impact of the ongoing pandemic and the uncertainty regarding the UK's exit from the European Union. Both will continue to be felt in 2021 increasing the likelihood of short-term market volatility.

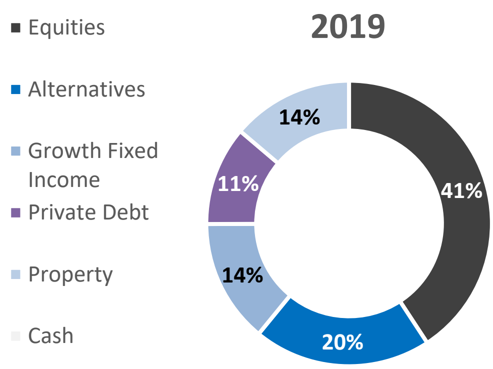
The Covid-19 pandemic, unprecedented in modern times, highlights the necessity for the portfolio to retain the flexibility to react to black swan exogenous events. Appropriate steps have been taken to safeguard the portfolio and the Committee of Management will continue to monitor the position closely.

Assets Under Management

The Fund's assets are diversified across different investment managers, investment styles and asset classes by the Investment Sub-committee. The paragraphs below summarise key points in relation to the Sub-committee's approach. Further detail is available in The Statement of Investment Principles (found on the Fund's website (www.gov.je/yourpension)).

In allocating assets to an individual manager, the need for diversification is balanced against the importance of allocating to each a sufficient amount of money to allow them to contribute meaningfully to overall performance. The Investment Sub-committee is also mindful of the weight of governance requirements from having too many managers. At the end of 2020, the number of investment managers of the Fund was fifteen (2019: twelve). The Investment Sub-committee, following the advice of the Investment Adviser, believes this achieves an appropriate balance between the requirements of diversification and oversight.





Investment Strategy

The 2018 actuarial valuation included a target investment return of Jersey RPI plus 2.05%. The investment strategy was developed to achieve at least this target return over the long-term. In targeting this return, the Investment Sub-committee considers the amount of risk that it is necessary to take and sets a strategy that it believes will best be able to ensure delivery of this long-term target.

Active portfolio management can add value and, where appropriate, "active" managers are appointed rather than managers who passively replicate an investment benchmark. The Committee of Management recognises the fact that active managers may underperform their respective benchmarks

from time to time but is firmly of the view, based on detailed performance evidence, of the benefits of active management in a well-diversified, large fund, such as the PEPF.
Day-to-day management of individual investments (including their selection, the ongoing monitoring and administration of them, and the exercise of their voting rights) is delegated to the appointed investment management firms. They are given discretion to buy and sell investments on behalf of the Schemes, subject to agreed limits and rules.

The Investment Sub-committee (supported by the Investment Adviser) continually monitors the performance of investment managers, using national or global benchmarks or other appropriate performance objectives. All investment managers are visited or invited to present to the Sub-committee, with a frequency sufficient to ensure complete coverage. This is a valuable way of ensuring full and rigorous cognisance of performance and to identify upcoming opportunities and possible problems.

The oversight of managers has continued unabated during 2020 although on site visits have temporarily been halted and replaced with online meetings, given the travel restrictions placed on the Investment Sub-committee. The Sub-committee were satisfied the temporary moratorium for on-site visits has not diminished their ability to monitor managers and the number of Sub- committee meetings was increased to reflect the higher level of oversight conducted during the pandemic.

During the year the investment strategy was modified to replace reference to bond like assets with yield focussed assets and to replace allocations to index linked gilts for which alternative asset classes were held. The modification served to more clearly define objectives of asset classes and asset classes held and did not constitute a significant modification to the long-term strategy.

The table below sets out the Fund’s investment strategy and the long-term strategic allocation in place at the year end.

Asset Class	Current Benchmark (PECRS Ex SLB & PEPS) %	Range %	Actual Assets %
Growth	**54.7%**		
Equity	40.7%	+/- 10%	50%
Alternatives	14.0%	+/- 6%	9%
Yield Focused	**45.3%**		
Growth Fixed Income	16.3%	+/- 4%	15%
Private Debt	14.5%	n/a	12%
Property	14.5%	n/a	12%
Cash	-	+/- 10%	3%

Note: The PECRS asset allocation is stated excluding the Salary Linked Bond. Further details about the salary linked bond can be found in the Statement of Investment Principles at www.gov.je/yourpension and in the glossary to this Report.

In order to achieve the target level of investment return, an appropriate level and balance of risk needs to be taken, which may expose the Fund to downside risk and the possibility that returns do not keep pace with those required to meet the Fund’s liabilities. Risk can materialise in a number of different ways, including equity risk, liability risk or operational risk. The Statement noted above explains this more fully. Risk, however, is managed primarily through diversification - by both asset class and manager. Operational risks are addressed through due diligence checks prior to investment and ongoing performance monitoring. No fund such as the PEPF is immune to the swings of fortune in global markets; the task is to be as well diversified as possible, so to better weather poor conditions when they occur.

Ethical, Social and Governance aspects of investing

The Investment Sub-committee entrusts to each of its investment managers the development and application of policies in relation to the UK Corporate Governance Code and the UK Stewardship Code and how they take into account aspects of good stewardship and environmental, social and governance ("ESG") issues in their investment decisions. The Sub-committee receives annual reports from each investment manager summarising their respective policies and how they have exercised voting rights attaching to the stocks held during the year.

Conclusion

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

The year also adds to the portfolio a further year of returns in excess of the target, putting the Fund in a strong position to weather the lingering effect of the Covid-19 pandemic. As ever, the Fund's financial position is being kept under careful review by the Committee of Management and they will continue to work closely with the Public Employees' Pension Team to ensure that the Fund's robust governance arrangements remain appropriate to meet any economic or organisational challenges Covid-19 throws forward.

The Fund relies greatly on the hard work of officers, consultants, actuaries, advisers and investment managers, as well as the members of the Committee of Management, who serve in an honorary capacity, and I would like to thank them all, on behalf of the whole membership, for their hard work and commitment.

G. Pollock

Gordon Pollock BSc, FFA
Chairman of the Committee of Management,
19 May 2021

Statement of the Treasurer’s Responsibilities

Treasurer’s responsibilities in respect of the financial statements.

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS 102”), are the responsibility of the Treasurer of the States (the “Treasurer”). Public Employees’ (Pension Scheme) (Administration) (Jersey) Regulations 2015 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 Public Employees’ (Pension Scheme) (Administration) (Jersey) Regulations 2015, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

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

	Dealings with members	Notes	2020 (£'000)	2019 (£'000)
Payments In	Employer contributions		58,451	52,791
	Employee contributions		23,248	19,286
	Total Contributions	4	**81,699**	**72,077**
	Transfers in		2,076	4,531
	Other income	5	653	331
	Total Payments In		**84,428**	**76,939**
Payments out	Benefits paid or payable	6	87,343	84,676
	Payments to and on account of leavers	7	20,127	26,192
	Administrative expenses	8	2,475	2,803
	Total Payments Out		**109,945**	**113,671**
	Net withdrawals from dealings with members		**(25,517)**	**(36,732)**
	Net returns on investments			
	Investment income	10	17,513	21,021
	Change in market value of investments	9	343,546	221,550
	Investment management expenses	11	(28,168)	(16,177)
	Net returns on investments		**332,891**	**226,394**
	Net increase in the Fund's assets during the year		307,374	189,662
	Opening net assets		**2,251,576**	**2,061,914**
	Closing net assets		**2,558,950**	**2,251,576**

The notes on pages 24 to 36 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)
Equities	9	675,983	567,461
Pooled Investment Vehicles	9	1,855,407	1,606,056
		2,531,390	**2,173,517**
Cash	9	22,166	64,498
Other investment balances	9	1,190	10,439
Total net investments		**2,554,746**	**2,248,454**
Current assets	16	6,333	5,439
Current liabilities	17	(2,129)	(2,317)
Total net assets available for benefits		**2,558,950**	**2,251,576**

The Financial Statements summarise the transactions of the Fund and deal with the net assets available for benefits at the disposal of the Committee of Management. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the report on actuarial valuation on pages 9 and 10 of this Annual Report, and these Financial Statements should be read in conjunction with that section.

In accordance with Regulation 21 of the Public Employees' (Pension Scheme) (Administration) (Jersey) Regulations 2015 the Financial Statements have been prepared by the Treasurer of the States and have been audited.

The notes on pages 24 to 36 form part of these Financial Statements.

Richard Bell
Director General & Treasurer of the States
19 May 2021

Gordon Pollock BSc, FFA
Chairman of the Committee of Management
19 May 2021

The Financial Statements on pages 22 to 23 were received and approved on behalf of the Committee of Management on 19 May 2021.

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

1. Constitution

The Final Salary Scheme and the Career Average Scheme are retirement Schemes governed under the Public Employees' (Retirement) (Jersey) Law 1967 and the Public Employees' (Pensions) (Jersey) Law 2014. Under the Public Employees' (Pensions) Jersey Law 2014 the Fund shall operate for the two respective Schemes.

The postal and electronic address of the Schemes can be found on page 49 of this annual report.

2. Basis of Preparation

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

3. Accounting Policies

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

a) Investment income

Bank interest is accounted for on an accruals basis. Dividend income from equity 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 accruals basis on the later of the date of retirement and the date the option is exercised.

c) Contributions

Employer and employee contributions are recorded when the employee contributions are deducted from payroll. Both are based on a percentage of salary for the period to which they relate. Additional contributions (e.g. payments to augment pensionable service by the purchase of additional years either by the employer or, through the additional voluntary contribution facility, by the employee) are recorded when they are deducted from payroll.
The Schemes have additional voluntary contributions arrangements whereby individuals can pay additional contributions which are invested in the Fund enabling members to gain additional years and days of pensionable service.

The employers' contributions for the Salary Linked Bond are accounted for in accordance with the agreement on which they are based.

d) Transfers

Transfer values represent the capital sums either receivable in respect of members from other pension plans of previous employers or payable to the pension plans of new employers for members who have left the Fund.

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

e) Other expenses

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

f) Valuation of investments

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

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

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

The ground lease investments are valued, as advised by the investment manager, at the proportion due to the Fund of the open market value of the assets in the Fund valued in accordance with the Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors. Capital calls are recognised from the date the Fund is notified of the event. Transaction costs, being incremental costs that are directly attributable to the acquisition or disposal of an investment, are added to purchase costs and netted against sale proceeds as appropriate.

g) Taxation

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

h) Currency

The Fund's functional currency and presentational currency is pounds sterling. Assets and liabilities denominated in foreign currencies are expressed in sterling at the rates of exchange at the year end. Foreign currency transactions are translated into sterling at the spot exchange rate at the date of the transaction.

i) Critical accounting judgements and estimation uncertainty

In respect of asset valuations, the Committee of Management make estimates and assumptions concerning the future. The Committee 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 13 and 14.

4. Contributions

States Employees	2020 (£'000)	2020 (£'000)	2019 (£'000)	2019 (£'000)
Employers				
Normal		**37,585**		**33,034**
Additional				
Past Service Debt	8,528		8,157	
Augmentation	254		245	
Voluntary Early Retirement	42		-	
		8,824		**8,402**
Members				
Normal	17,545		14,437	
Additional voluntary contributions	274		284	
		17,819		**14,721**
Admitted Bodies				
Employers				
Normal	11,468		10,178	
Past service debt	574		1,177	
		12,042		**11,355**
Members				
Normal	5,377		4,509	
Additional voluntary contributions	52		56	
		5,429		**4,565**
Total Contributions		**81,699**		**72,077**

Past service debt contributions are being paid by the principal employer until 2053 and some Admitted Bodies until 2083 in accordance with Schedule 5 of the Public Employees' (Pension Scheme) (Funding and Valuation) (Jersey) Regulations 2015.

5. Other income

	2020 (£'000)	2019 (£'000)
Claims on death benefit insurance	**653**	**331**

The Fund holds an insurance policy with Aviva which provides death in service cover.

6. Benefits paid or payable

	2020 (£'000)	2019 (£'000)
Pensions	77,514	74,281
Commutations and lump sum retirement benefits	9,487	10,064
Lump sum death benefits	342	331
Total Benefits	**87,343**	**84,676**

7. Payments to and on account of leavers

	2020 (£'000)	2019 (£'000)
Refund of contributions	149	860
Transfers out	19,978	25,332
Total payments to and on account of leavers	**20,127**	**26,192**

8. Administrative Expenses

	2020 (£'000)	2019 (£'000)
Salaries and office costs	775	857
Actuarial fees	165	560
Audit fees	75	65
Legal fees	192	100
Chairman and secretary fees	116	98
Premium on death insurance policies	770	862
Pension system development	353	235
Other expenses	29	26
Total Administrative Expenses	**2,475**	**2,803**

9. Reconciliation of Net Investments

	Value at 1.1.20 (£'000)	Purchases at cost (£'000)	Sales proceeds (£'000)	Change in Market Value (£'000)	Value at 31.12.20 (£'000)
Equity	**567,461**	209,570	(360,831)	259,783	**675,983**
Pooled Investment Vehicles	**1,606,056**	514,601	(349,013)	83,763	**1,855,407**
	2,173,517	**724,171**	**(709,844)**	**343,546**	**2,531,390**
Broker Cash	**64,498**				**22,166**
Total	**2,238,015**				**2,553,556**
Pending Trades	**33**				**1,034**
Accrued Income	**10,197**				**-**
Accrued Interest	**209**				**156**
Total other investment balances	**10,439**				**1,190**
Total net investments	**2,248,454**				**2,554,746**

The analysis of pooled investment vehicles by type is shown in note 14.

10. Investment Income

	2020 (£'000)	2019 (£'000)
Dividends from equity	13,151	14,734
Income from managed property funds	4,587	6,755
Income on cash deposits	127	243
Other income	1,591	128
	19,456	**21,860**
Realised loss on foreign exchange	(1,663)	(234)
Less irrecoverable withholding tax	(280)	(605)
Total investment income	**17,513**	**21,021**

Dividends from equity includes income distributions from Limited Partnership Funds

11. Investment Management Expenses

	2020 (£'000)	2019 (£'000)
Investment management expenses*	27,134	15,745
Custodian expenses	110	102
Investment advisory expenses	924	330
Other investment expenses	-	-
Total Investment Administrative Expenses	**28,168**	**16,177**

Included in investment management expenses are expenses incurred indirectly through pooled investment vehicles

The appointed investment managers are entitled to fees based upon a percentage of the net assets under management. The percentage varies from 0.05% to 2% based on the complexity of the asset class under management. In addition, hedge fund and private debt managers are paid performance fees if they out-perform their benchmark. The Investment Adviser receives a flat fee for services rendered and performance related fee based on the performance of the individual investment managers.

12. Investment Transaction Costs

Transaction costs are included in the cost of purchases and deducted from sales proceeds in the reconciliation in note 9. Direct cost relating wholly to equity is analysed as follows:

	2020 Total (£'000)	2019 Total (£'000)
Fees	113	68
Commissions	152	83
Total	**265**	**151**

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

13. Fair Value of Investments

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

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

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

The value of other 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 PGIM Real Estate property funds. 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 suspended temporarily. By November 2020 and through to present, valuations and trading resumed on a normal basis for both funds.

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

		Level			
		1 (£'000)	2 (£'000)	3 (£'000)	2020 Total (£'000)
Investments	Segregated holdings	641,113	34,870	-	675,983
Investments	Pooled investment vehicles	-	794,876	1,060,531	1,855,407
Investments	Broker Cash	22,166	-	-	22,166
	Pending Trades	1,034	-	-	1,034
	Accrued Interest	156	-	-	156
	Total investments	**664,469**	**829,746**	**1,060,531**	**2,554,746**

Analysis for the prior year end is as follows:

		Level			
		1 (£'000)	2 (£'000)	3 (£'000)	2019 Total (£'000)
Investments	Segregated holdings	548,159	19,302	-	567,461
Investments	Pooled investment vehicles	-	463,643	1,142,413	1,606,056
Investments	Broker Cash	64,498	-	-	64,498
	Pending Trades	33	-	-	33
	Accrued Income	10,197	-	-	10,197
	Accrued Interest	209	-	-	209
	Total investments	**623,096**	**482,945**	**1,142,413**	**2,248,454**

14. 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 asset will fluctuate because of changes in foreign exchange rates.

- **Interest rate risk**: This is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.

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

The Committee of Management is responsible for determining the Fund's investment strategy. The Committee of Management has set the investment strategy for the Fund after taking appropriate advice from its professional advisers. This strategy includes ranges for the proportion of assets to be included in each asset class. The day-to-day management of the asset within each portfolio of the Fund, including the full discretion for stock selection, is the responsibility of the investment manager.

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

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

	Market Risk				2020 Value (£m)	2019 Value (£m)
Asset Category	Credit	Currency	Int Rate	Other		
Segregated						
Equity		✓		✓	676.0	567.5
Pooled Investment Vehicles						
Equity		✓		✓	581.3	318.8
Property	✓		✓		293.5	300.0
Bonds	✓	✓	✓		387.0	304.7
Private Debt	✓	✓	✓		308.5	245.0
Alternatives	✓	✓		✓	218.2	437.6
Cash	✓		✓		66.9	64.5
Other investment balances	✓	✓	✓		23.3	10.4

Investment Strategy

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

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

The Committee has invested in other “growth-like” alternatives (away from equity) that still target a reasonably high investment return, to diversify the Fund’s growth assets. These provide a different source of return less correlated to equity, which should help to reduce the risk of being over-exposed to any one market, asset class or manager, and enabling a smoother return over time. Examples of this include hedge funds.

Yield Focussed assets are defined by the Committee of Management as those assets providing a contribution towards meeting the target investment return and the overall diversification of the portfolio whilst generating income for the Schemes. These investments are also expected to exhibit a lower level of risk than growth investments.

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

Credit Risk

The Fund holds cash directly and invests in pooled investment vehicles which in turn invest in emerging market sovereign government bonds, corporate bonds, private debt and property. The value at year-end amounted to £989.0 million (2019: £849.7 million). The Fund is therefore directly exposed to credit risk arising from these pooled investment vehicles and is indirectly exposed to credit risks arising on 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 Fund are held by the Fund’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. Cash not forming part of the investment assets is swept daily into the Northern Trust Sterling Fund account to minimise the amount that is included on the custodian’s balance sheet.

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 Committee of Management and 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 Adviser.

A summary of the pooled investment vehicles by type of arrangement is as follows:

Pooled investment vehicles	2020 Value (£m)	2019 Value (£m)
Open ended investment Company	557.7	304.7
Shares in limited partnerships	686.8	682.7
Open ended unit trust	293.5	299.9
Unit linked insurance contract	317.4	318.8
Total exposure:	**1,855.4**	**1,606.1**

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

- **Emerging Market Debt:** Credit risk arising on non-investment grade bonds held indirectly as part of the Fund's emerging market debt mandate is mitigated through diversification of the underlying securities to minimise the impact of default by any one issuer. This is the position at the current and previous year end.

- **Cash balances:** Credit risk arising on cash held within financial institutions is mitigated by ensuring those institutions are at least investment grade credit rated. This is the position at the current and previous year end.

Currency Risk

The Fund is subject to currency risk because some of the Fund's investments from its segregated investment mandates are denominated in a foreign currency. Indirect currency risk arises from the Fund's investment in sterling priced pooled investment vehicles which hold underlying investments denominated in foreign currency. The Committee of Management minimises the direct risk by investing in Sterling denominated share classes when appointing new investment managers.
The net currency exposure at the current and previous year-end was:

	2020		2019	
	Direct Exposure (£m)	Indirect Exposure (£m)	Direct Exposure (£m)	Indirect Exposure (£m)
Pound sterling	42.3	1,026.9	95.4	944.1
Euro	107.1	357.0	86.5	264.9
US Dollar	481.4	264.5	383.2	258.1
Japanese Yen	-	32.0	-	33.4
Other	65.3	178.2	67.2	113.3

Interest rate risk

The Fund is subject to indirect interest rate risk through a number of pooled investment vehicles that hold investments in bonds, cash, private debt and ground leases. These holdings are monitored in the context of the overall investment strategy. Investment managers will also manage interest rate risk in line with policies and procedures put in place in the investment manager agreements. Cash held to fund ongoing benefits and expenditure is kept to a minimum by ongoing monitoring with the majority of cash held with the custodian in a global sweep account.

Indirect interest rate risk	2020 (£m)	2019 (£m)
Private debt	308.5	245.0
Corporate bonds	240.4	159.8
Ground lease	293.5	300.0

Other Price Risk

Other price risk arises principally in relation to the Fund's return seeking portfolio which includes equity 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 54.7% 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 Adviser and Investment Sub-committee on an ongoing basis.

At the year end, the return seeking portfolio represented 57.5% of the total investment portfolio (2019: 48.2%).

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 also to meet investment commitments.

The Fund has immediate access to cash held at HSBC plc, as of the year end this balance was valued at £4.2 million (2019: £5.2 million). This operational balance is used to fund short-term obligations such as benefit payments and is kept to a minimum to reduce credit risk. The Fund also has the ability to access immediate cash held by Northern Trust which, as at 31 December 2020 was £22.1 million (2019: £64.5 million).

15. Concentration of investments

The Fund invests in a range of pooled funds which at an underlying level contain a wide range of diversified investment holdings, for example the largest holding managed by Legal and General contains almost 3,000 underlying stocks. The pooled investment funds that account for more than 5% of the net assets of the Fund were:

	2020 £'000	2020 %	2019 £'000	2019 %
Legal & General FTSE RAFI AW3000 (Net WHT) Ind	317,398	12%	318,780	14%
CQS Credit Multi Asset Fund	240,357	9%	159,819	7%
PGIM UK Ground Lease Fund	201,747	8%	206,848	9%
Lansdowne Developed Markets Fund Limited (long only fund)	160,086	6%	-	-
BlackRock EM	146,662	6%	144,863	6%
Hayfin DLF III	116,739	5%	51,261	2%
Hayfin DLF II	110,006	4%	131,060	6%
Lansdowne Developed Markets Fund Limited (long/short fund)	-	-	191,842	9%

16. Current Assets

	2020 (£'000)	2019 (£'000)
Contributions – Employers	436	151
Contributions – Members	184	50
Other debtors	1,486	-
Cash balances	4,203	5,237
Advances to Government of Jersey	24	1
	6,333	**5,439**

17. Current Liabilities

	2020 (£'000)	2019 (£'000)
Benefits payable	316	592
Other creditors	1,813	1,725
	2,129	**2,317**

18. Contingencies and Commitments

In the opinion of the Committee of Management, the Fund had no contingent liabilities at 31 December 2020 (2019: nil).

At 31 December 2020, the Fund had undrawn commitments to fund private debt vehicles: Park Square and HayFin amounting to £107.3 million (2019: £144.4 million) and $160.0m (2019: nil) amounting to Global Infrastructure Partners and HIG Whitehorse.

19. Related Party transactions

Related party transactions and balances comprise:

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

  The Chairman and Secretary to the Committee of Management receive remuneration as detailed in Note 8. Within the Committee of Management Board there are three Active (2018: three) and five Pensioner members (2019: five). There were no other related party transactions during the year

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

  The Treasury & Exchequer, a department of the Government of Jersey, provides creditor payment, payroll, cash management and financial ledger services for the Final Salary Scheme and Career Average Scheme. At the year-end a sum of £24,034 was owed to the Fund by the Government of Jersey in respect of transactions with the department (2019: £1,313,). During the year an amount of £760,677 (2019: £1,042,798) was paid to the department in respect of the services provided.

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 Committee of Management 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 Committee of Management of the Public Employees’ Pension Fund

Report on the audit of the financial statements

Opinion

In our opinion, Public Employees’ Pension 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 Public Employees’ (Pension Scheme) (Administration) (Jersey) Regulations 2015.

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 Committee of Management 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 regulations made under the Public Employees' (Pension Scheme) (Administration) (Jersey) Regulations 2015 ; 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 Committee of Management 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 Committee of Management as a body in accordance with the Public Employees' (Pension Scheme) (Administration) (Jersey) Regulations 2015 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 Scheme Actuary

Name of Scheme: Government of Jersey Public Employees' Pension Fund

Effective Date of Valuation: 31 December 2018

1. Security of prospective rights

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

It is our opinion that, on a going concern basis, the resources of the Fund are expected in the normal course of events to meet in full the liabilities of the respective schemes as they fall due, assuming all future increases to pensions and deferred pensions effective on or after 1 January 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 schemes 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 marginal deficit in the Final Salary Scheme of £1.1M at the effective date of the valuation, equivalent to a funding ratio (assets divided by the present value of the liabilities) of 99.95%. The Committee of Management and the Chief Minister agreed that no adjustments to benefits were required following the valuation.

The valuation report disclosed a surplus in the Career Average Scheme of £3.26M, which is equivalent to a funding ratio of 120.5%. In accordance with the Funding Strategy Statement, this surplus will be retained in the Career Average Scheme.

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 95% of its accrued liabilities as at that date, based on pension increases equal to the minimum increases specified in the Regulations governing the Fund. This assumes that the Fund discontinued on the valuation date, even though the Regulations currently governing the Fund do not envisage the Fund's discontinuance (i.e. the future accrual of benefits and payment of contributions into the Fund being discontinued).

By accrued liabilities we mean benefits arising in respect of pensioners, deferred pensioners and active members for service prior to the effective date, on the basis that all active members are treated as if they had terminated pensionable service on the effective date with entitlement to deferred pensions. A procedure was agreed between the Policy & Resources Committee and the Fund's Committee of Management, as documented in an Act of the Policy & Resources Committee dated 20 November 2003, for dealing with the shortfall transferred to the Fund arising from the changes made to the Fund in 1987 (the "pre-1987 debt"). This agreement was described in our report on the actuarial valuation of the Fund as at 31 December 2018 and is reproduced in Appendix A to this statement. The provisions of the Fund were amended to deal with the debt in that manner.

The above opinion assumes that, should there ever arise any question of the Fund's discontinuance, the capitalised value of the debt would be assessed at the point of discontinuance and paid off in full by the Government of Jersey at that point or over a period of time in accordance with the above agreement.

3. Further information

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

Jonathan F. Teasdale

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

12 February 2020

Appendix A – The Ten Point Agreement

The framework agreed between the Policy and Resources Committee and the Committee of Management for dealing with the pre-1987 debt was documented in a ten-point agreement approved by Act of the Policy and Resources Committee dated 20 November 2003. The provisions of the agreement, which have subsequently been reflected in Regulations approved by the States of Jersey on 27 September 2005, enable us to treat the pre-1987 debt as an asset of the Final Salary Scheme for valuation purposes. The text of the agreement is reproduced below.

1. The States confirms responsibility for the Pre-1987 Debt of £192.1 million as at 31 December 2001 and for its servicing and repayment with effect from that date on the basis that neither the existence of any part of the outstanding Debt nor the agreed method of servicing and repayment shall adversely affect the benefits or contribution rates of any person who has at any time become a member of the Scheme.

2. At the start of the servicing and repayment period, calculated to be 82 years with effect from 1 January 2002, the Employers' Contribution rate will be increased by 0.44% to the equivalent of 15.6%. These contributions will be split into 2 parts, namely a contribution rate of 13.6% of annual pensionable salary and an annual debt repayment. The Employer's Contribution rate will revert to 15.16% after repayment in full of the Debt.

3. During the repayment period the annual Debt repayment will comprise a sum initially equivalent to 2% of the Employers' total pensionable payroll, re-expressed as a cash amount and increasing each year in line with the average pay increase of Scheme members.

4. A statement of the outstanding debt as certified by the Actuary to the Scheme is to be included each year as a note in the States Accounts.

5. In the event of any proposed discontinuance of the Scheme, repayment and servicing of the outstanding Debt shall first be rescheduled by the parties on the advice of the Actuary to ensure that paragraph (1) above ("Point 1") continues to be fulfilled.

6. For each valuation the States Auditor shall confirm the ability of the States to pay off the Debt outstanding at that date.

7. If any decision or event causes the Actuary at the time of a valuation to be unable to continue acceptance of such servicing and repayment of the Debt as an asset of the Scheme, there shall be renegotiation in order to restore such acceptability.

8. In the event of a surplus being revealed by an Actuarial Valuation, negotiations for its disposal shall include consideration of using the employers' share to reduce or pay off the Debt.

9. As and when the financial position of the States improves there shall be consideration of accelerating or completing repayment of the Debt.

10. The recent capital payment by JTL of £14.3m (plus interest) reduced the £192.1m total referred to in (1) by £14.3m and if any other capital payments are similarly made by other Admitted Bodies these shall similarly be taken into account."

Appendix B – Additional Information from the 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 £2,061.9M at 31 December 2018.

   b) future contributions payable by members and employers at the various rates specified in the Regulations or, where applicable in the case of particular employers, the rates specified in the Actuary's latest contribution certificate.

   c) future pre-1987 debt repayments payable to the Final Salary Scheme by particular employers in accordance with the rates specified in the Actuary's latest contribution certificate.

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

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

   The Regulations governing the Fund provide for annual increases in line with the Jersey RPI at present, although lower increases may be paid where an actuarial review has disclosed that the financial condition of the Fund is no longer satisfactory. We have assumed that in a discontinuance situation the pension increases provided would be equal to the minimum increases specified in the Regulations i.e. nil increases for the Final Salary Scheme and 50% of RPI for the Career Average Scheme.

3. **Methods and assumptions**

   The actuarial methods and assumptions underlying the opinions in this Statement are as set out in our full report on the valuation of the Fund as at 31 December 2018.

Appendix C – Split between Schemes(Unaudited)

Final Salary Scheme / Career Average Scheme Split

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

Fund Account for the year ended 31 December 2020:

Dealings with members	Career Average Scheme (£'000)	Final Salary Scheme (£'000)	Total (£'000)
Employer contributions	41,786	16,623	58,409
Employee contributions	21,532	1,758	23,290
Total Contributions	**63,318**	**18,381**	**81,699**
Transfers in	1,678	398	2,076
Other income	450	203	653
Total payments in	**65,446**	**18,982**	**84,428**
Benefits	572	86,771	87,343
Payments to and on account of leavers	1,766	18,361	20,127
Administrative expenses	1,367	1,108	2,475
Total Payments Out	**3,705**	**106,240**	**109,945**
Net additions / (withdrawals) from dealings with members	**61,741**	**(87,258)**	**(25,517)**
Net returns on investments			
Change in market value of Investments	19,440	324,106	343,546
Investment income	884	16,629	17,513
Investment administration expenses	(1,720)	(26,448)	(28,168)
Net returns on investments	**18,604**	**314,287**	**332,891**
Net increase in the Fund's assets during the year	80,345	227,029	307,374
Opening net assets	75,894	2,175,682	2,251,576
Closing net assets	**156,239**	**2,402,711**	**2,558,950**

Fund Account for the year ended 31 December 2019:

Dealings with members		Career Average Scheme (£'000)	Final Salary Scheme (£'000)	Total (£'000)
Payments in	Employer contributions	34,735	18,056	52,791
	Employee contributions	17,422	1,864	19,286
	Total Contributions	**52,157**	**19,920**	**72,077**
	Transfers in	2,541	1,990	4,531
	Other income	140	191	331
	Total payments in	**54,838**	**22,101**	**76,939**
Payments out	Benefits	233	84,443	84,676
	Payments to and on account of leavers	914	25,278	26,192
	Administrative expenses	1,097	1,706	2,803
	Total Payments Out	**2,244**	**111,427**	**113,671**
	Net additions / (withdrawals) from dealings with members	**52,594**	**(89,326)**	**(36,732)**
Net returns on investments				
Change in market value of Investments		4,418	217,132	221,550
Investment income		419	20,602	21,021
Investment administration expenses		(749)	(15,428)	(16,177)
	Net returns on investments	4,088	222,306	**226,394**
Net increase in the Fund's assets during the year		56,682	132,980	**189,662**
Opening net assets		19,212	2,042,702	**2,061,914**
	Closing net assets	**75,894**	**2,175,682**	**2,251,576**

Statement of Net Assets available for Benefits as at 31 December 2020:

	Career Average Scheme (£'000)	Final Salary Scheme (£'000)	Total (£'000)
Investment assets			
Unitised Investment Balances	156,107	2,398,639	2,554,746
Current assets*	537	6,171	6,708
Current liabilities*	(405)	(2,099)	(2,504)
Total net assets available for benefits	**156,239**	**2,402,711**	**2,558,950**

Statement of Net Assets available for Benefits as at 31 December 2019:

	Career Average Scheme (£'000)	Final Salary Scheme (£'000)	Total (£'000)
Investment assets			
Unitised Investment Balances	74,211	2,174,243	2,248,454
Current assets*	1,711	5,437	7,148
Current liabilities*	(28)	(3,998)	(4,026)
Total net assets available for benefits	**75,894**	**2,175,682**	**2,251,576**

*As of 31 December 2020, the current assets of the Career Average Scheme include £375,000 (2019: £1,709,000) due from the Final Salary Scheme. A corresponding value is recognised as a current liability in the Final Salary Scheme. These balances net to nil and are not split out as a current asset/liability in the Statement of Net Assets Available for Benefits of the combined Fund.

Glossary

Accrual (of pension benefit): This is the process by which future benefits under the two Schemes are build up and are typically expressed as a fraction of a year's pensionable earning. The rate of accrual differs between the two Schemes. The accrual of benefit will be an asset to the individual member and a liability to the respective Scheme.

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

Admitted Bodies: Bodies whose staff can become members of the Final Salary Scheme and Career Average Scheme by virtue of an agreement made between the Chief Minister, Committee of Management and the relevant body.

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

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

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

Committee of Management: Board to manage the Fund under the powers vested in it by Regulations governing the respective Schemes. Comprising of; a chairman, 5 employer representatives, 4 member representatives, 2 pensioner representative and 1 Admitted Body employer representative.

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.

Equity: 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 equity outside of recognised stock exchanges.

Fixed Interest Securities: Investments in mainly government but also company stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date.

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

Ground Lease: A long lease (typically 125 years or longer) granted by the freeholder on a piece of land in return for a ground rent. At the end of the lease the land and the building normally revert to the freeholder.

Jersey RPI: Jersey Retail Prices Index is the rate of inflation that pension benefits are linked to.

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

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

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

PEPF: Is the pension Fund, as defined under Article 5 of the Public Employees' (Pension) (Jersey) Law 2014, for the Final Salary Scheme (see PECRS) and the Career Average Scheme (see PEPS).

PECRS: Is the Public Employees' Contributory Retirement Scheme, also referred to the 'Final Salary Scheme'. This is the larger of the two schemes within PEPF in terms of assets and liabilities, it pays pension benefits, subject to conditions, based on final salaries. Closed to new members, this is also the older of the two schemes with new employees of the Government of Jersey instead joining the newer PEPS scheme.

PEPS: Is the Public Employees' Pension Scheme also referred to as the 'Career Average Scheme'. This is currently the smaller of the two Schemes within PEPF in terms of assets and liabilities, due to its recent inception providing only a short period to amass both assets and liabilities. The Scheme pays pension benefits, subject to conditions, based on career average revalued earnings (CARE). The Scheme is open to all new employees of the Government of Jersey and Admitted Bodies, but also includes members who were moved from the Final Salary Scheme on 1 January 2019.

PEPT: The Public Employees' Pension Team, a section of the Government of Jersey's Treasury & Exchequer who perform the day to day administration of the Final Salary Scheme and the Career Average Scheme of the PEPF.

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

Salary linked bond (or Pre 1987 debt): A payment arrangement agreed between the Government of Jersey and the Committee of Management for dealing with the shortfall transferred to the Fund arising from the changes made to the Final Salary Scheme in 1987. Repayment of the Salary Linked Bond was noted as under consideration in the 2021-2024 Government Plan.

Segregated assets: Assets that the Fund holds where the custodian holds individual assets on behalf of the Fund that are managed by an investment manager. This is different to Pooled assets where the Fund invests with other investors in a pool of assets, and the Fund owns units in the pool as opposed to the individual assets.

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

States Employment Board: The State's Employment Board is the employer of all public sector employees in Jersey and is responsible for fixing the terms and conditions of these employees.

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

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

Contacts and Further Information

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

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

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

Alternatively, you may contact us via the Schemes electronic or postal address detailed below:

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