

## Gloucestershire Local Government Pension Fund

### Business Plan 2019-20

#### Report of the Strategic Finance Director

##### **1. Introduction**

This Business Plan has been prepared in accordance with the Department for Communities & Local Government (CLG) best practice guidance for the governance of Pension Funds.

##### **2. Background**

As at 31<sup>st</sup> March 2019, the Gloucestershire Local Government Pension Scheme (LGPS) Fund had 55,468 members consisting of 19,026 active, 20,414 deferred and 16,028 retired (pensioner/dependant) members. There are 207 active employer bodies in the Fund. The value of investment assets under management at 31<sup>st</sup> March 2019 was £2.37 billion.

The Pension Committee is responsible for the proper administration of all aspects of the Fund and has been delegated this authority by the County Council, as Administering Authority of the Fund.

##### **3. Key Issues to be considered by the Pension Committee**

The Committee aims to ensure the maximising of investment returns over the long term within an acceptable level of risk, in the context of the Investment Strategy and the Fund's Risk Register. This includes reviewing the Fund Managers' performance as set out in the quarterly performance reports which are provided to the Committee on a quarterly basis, taking account of views and recommendations made by officers of the fund, including the Independent Advisor. The Committee also have to ensure that, over the long term, there are sufficient assets readily available to meet all Fund liabilities.

Another key investment issue to be considered by the Pension Committee is the Brunel Pension Partnership, which the Gloucestershire Fund has joined, which became fully operational as an FCA regulated company from 1 April 2018 in accordance with Government requirements.

During 2018/19 a significant proportion of the funds investments were transferred to the Brunel Pension Partnership as each of the partnerships investment mandates became operational. As at the 31<sup>st</sup> March 2019, £862 million of the funds assets had been invested in new Brunel Portfolio's, whilst an additional £560 million has been committed to new Brunel Portfolio's which will be transitioned during 2019/20.

There are also a number of key policy and strategy documents which the Local Government Pension Scheme (LGPS) Regulations require to be produced and these need to be kept under regular review. These can be accessed on the County Council's web site ([www.gloucestershire.gov.uk/pensionsinvestments](http://www.gloucestershire.gov.uk/pensionsinvestments)) and are listed below:

### ***Funding Strategy Statement***

This sets down the strategy for prudently meeting the Fund's future pension liabilities over the longer term, including the maintenance, as far as possible, of stable levels of employer contributions. It also identifies key risks and controls facing the Fund and includes details of employer contribution rates following the Fund's triennial valuation.

The Fund, working with its actuaries Hymans Robertson, will undertake a review of the Funding Strategy Statement once the results of the 2019 valuation have been finalised. This will then lead to the Funding Strategy Statement being updated and consulted on with all of the employers within the Fund, before being formally agreed by the Pension Committee by the end of February 2020.

### ***Investment Strategy Statement***

The Investment Strategy Statement has been prepared in accordance with the LGPS - Management & Investment of Funds Regulations, which came into force from 1 November 2016. These regulations introduced a prudential framework for investment decision making, and a Power of Direction for the Secretary of State to intervene in the investment function of an Administering Authority if deemed necessary, and also requires all funds to publish a new Investment Strategy Statement (ISS), which includes the Strategic Asset allocation by 1 April each year.

The Department for Communities and Local Government (DCLG) has also outlined new guidance on preparing and maintaining an Investment Strategy Statement which replaces the Statement of Investment Principles (SIP).

In order to comply with the guidance, administering authorities must take proper advice as part of the formulation of the Investment Strategy Statement and new Investment Strategy.

The Fund will undertake a review of the Strategic Asset allocation and the Investment Strategy Statement after the actuarial valuation has been completed during 2019/20, taking detailed advice from an investment specialist in order to meet the requirements set out above.

The new Investment Strategy Statement and Strategic Asset Allocation which will be implemented in stages from 1 April 2020, will be agreed by the Gloucestershire Pension Committee by the end of February 2020 and will be placed on the Gloucestershire LGPS website.

## ***Communications Strategy***

This details how the Fund provides information and publicity about the Pension scheme to its existing members and their employers, as well as methods of promoting the Pension scheme to prospective members and their employers. It also identifies the format, frequency and method of distributing such information or publicity. This strategy will be reviewed during 2019/20 and will be agreed by the Gloucestershire Pension Committee in November 2019 and will be placed on the Gloucestershire LGPS website.

## ***Governance Compliance Statement***

The LGPS Regulations require Administering Authorities to prepare a written statement setting out their compliance with best practice governance principles. These best practice principles are grouped within eight categories and are listed within the statement. The Fund's compliance against each of these principles is also detailed, including evidence of compliance and, if appropriate, reasons if there is not full compliance. This will be reviewed during 2019/20 and will be agreed by the Pension Committee by the end of February 2020.

## ***Governance Policy Statement***

This document details the arrangements put in place by the Administering Authority for the administration of the Pension scheme. These include the terms of reference of the Pension Committee and the appropriate governance arrangements which will reflect the eight categories of best practice principles as outlined in the Governance Compliance Statement. This will be reviewed during 2019/20 and will be agreed by the Pension Committee by the end of February 2020.

2019/20 is the financial year in which the full actuarial valuation of the fund will be undertaken. This valuation, which will be overseen by the Pension Committee, examines, in detail, the assets and liabilities of all of the employers within the Fund, sets the employers contribution rates covering the financial years 2020/21 to 2022/23, and will determine the overall funding level of the Gloucestershire Fund.

In addition to the above, during 2019/20, the Pension Committee will agree the annual report and annual accounts relating of the Fund covering the 2018/19 financial year. The Committee will also receive six monthly updates on the performance of the pension administration team, comparing actual performance against the agreed performance indicators set out later in this plan, and will consider the updated risk register at each meeting of the Committee.

#### **4. Key Targets & Major Milestones for the Pension Fund in 2019/20**

The major targets and milestones for 2019/20 are detailed below.

<u>Task</u>	<u>Measure of Performance</u>
Effectively transition assets of the Fund to the new managers appointed by the Brunel Pension Partnership (BPP).	Meeting transition timetable and minimising transition costs.
Continue to input into the governance arrangements within the BPP including the Client Group and Oversight Board.	Effective service delivery by the BPP.
Ensure the collection of, and accounting for, £100m+ of employer and employee contributions from Fund employers.	Full collection and correct accounting within final accounts
Pension Fund Accounts completed by 24/05/19 for publication by 30/5/19	Meet specified time scales
Action any DCLG requirements re the future structure of the LGPS, including investments	Meet specified time scales
Accounts agreed by the Audit Committee on 26 <sup>th</sup> July 2019	No qualification of a/c's by Auditor
To administer pension benefits in accordance with the LGPS regulations, and the guidance set out by the Pension Regulator.	No material breaches that need to be reported to the Pension Regulator.
Issue the Annual Benefit Statements to all Fund Members by the end of August 2019	Meet specified time scales
2018/19 Annual Pension Fund Report produced And printed by 31/10/19.	Discussed at Annual Meeting
Update Pension Strategy Statements: <ul style="list-style-type: none"><li>• Funding Strategy Statement</li><li>• Investment Strategy Statement</li><li>• Communications Strategy</li><li>• Governance Policy and Compliance Statement</li></ul>	For agreement by Committee by: End February 2020 End February 2020 End November 2019 End February 2020
In house training for Committee and Board	Relevance of topics covered
To continue with regional training events in relation to the Brunel Pension Partnership	Provision of training events

## **5. Pension Fund Financial Estimates**

The costs of operating the Gloucestershire Pension Fund are borne by the Fund (and not by the County Council). The estimated costs for 2019/20 are shown below and are split between “Investments, Accounting & Financial Management” and “Scheme Administration”. For comparison purposes the previous year’s estimates are also shown.

“Investments, Accounting & Financial Management” includes the cost of Fund Managers, the Brunel Pension Partnership costs and other external costs, as well as the internal costs of producing and maintaining the Fund’s accounting records and statements.

“Scheme Administration” includes the internal costs of dealing with the Fund’s members and employers in relation to current/future benefits and compliance with scheme regulations, as well as external costs such as IT and actuarial costs in supporting Fund administration and the Triennial Valuation.

<b>ESTIMATES</b>	<b>2018/19</b>		<b>2019/20</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Investments, Accounting &amp; Financial Management</b>				
Staff costs	358		372	
Other internal costs	63		67	
External Fund Manager fees	6,500		5,800	
Other external costs	895		1,211	
<b>Sub Total of Investments Costs</b>		<b>7,816</b>		<b>7,450</b>
<b>Scheme Administration including Member Records &amp; Benefits</b>				
Staff costs	674		755	
Other internal costs	297		354	
External costs	481		584	
<b>Sub Total of Administration Costs</b>		<b>1,452</b>		<b>1,693</b>
<b>Total</b>		<b>9,268</b>		<b>9,143</b>

The main budget changes between 2018/19 and 2019/20 are:

### **Investment Costs**

The budget for External Fund Manager costs has been reduced by £700,000 to reflect the removal of the budget provision for a potentially large performance fee that could have been payable under a previous investment mandate, prior to the establishment of the Brunel Active UK mandate, together with other forecast fee reductions during 2019/20.

The budget for “Other external costs” has increased by £316,000. This increase is due to the estimated increase in Brunel Pension Partnership costs that will be chargeable to the Fund , following the increase in the BPP budget in 2019/20, as approved via a Special Reserve Matter approved by all of the Shareholders of the BPP.

### **Scheme Administration including Member Records & Benefits**

The budget for staff costs is increased by £81,000 (fye). This increase is to facilitate the third stage of an increased resource plan for the pension administration team.

As has been previously reported to the Pension Committee and Pension Board, the last few years have seen unprecedented change in the level of legislative and statutory responsibilities imposed on the administration of the LGPS. The introduction of the new CARE scheme, and increased record keeping and reporting requirements from the Pension’s Regulator, being the most notable.

The increased complexity not only affects the day-to-day administration of the scheme, but has also impacted substantially on the level of technical support the pensions section is required to provide to active employee members of the fund in terms of options available to them, and the growing number of employers in terms of understanding the legislation.

In line with other LGPS funds, Gloucestershire has already commenced increasing staff to cope the additional demands, but due the high level of training and support required for new recruits, has approached this on a “staged” basis to ensure the section was able to cope with the additional training pressures, whilst still providing a good level of customer service.

To date the actual establishment of the team has increased from 13.64 fte posts in 2016 to 18.9 fte posts as at 31 March 2019, following the successful recruitment of seven new Pension Officers.

The management team now feel that later this year will be the time to move to the next stage and commence work on appointing up to three additional posts at a slightly more senior level to Pensions Officers, to increase the current fte at this more senior level from 3.8 fte’s to around 6.8 fte’s. This is with the objective of targeting the more technical areas, particularly around processing of retirements and death grants, which will in turn have a positive effect on the key performance indicators. The additional posts will also support the wider function to ensure that the pension section continues to meet increasing statutory obligations, e.g. additional Pensions Regulator requirements.

The budget for external costs has increased by £103,000 which is due to the additional costs relating to the hosting of the Altair Pension Administration software, following the award of a contract commencing on the 1<sup>st</sup> April 2019 to Heywood Limited, as reported to the Pension Committee.

## **6 Administrative/Training Targets for the Committee**

Members to attend at least 60% of Pension Committee meetings each year.

To complete a bi-annual assessment on training needs for all members of the Pension Committee based on the CIPFA knowledge and skills framework. To use the results of the assessment to identify any areas where knowledge and skill levels need to be improved.

In addition, the Committee have agreed individuals should carry out a minimum of 1 days training each year via any combination of the following: attendance on regional briefings on the Brunel Pension Partnership, attendance on internal training events and external courses/conferences/seminars; reading briefing notes/policy documents; reading and discussing reports at Pension Committee.

Committee minutes to be issued within two months of a meeting

Committee papers to be sent out 5 working days before a meeting.

To regularly review and agree changes to strategy/policy documents. All strategy/policy documents will be considered by Committee at least every three years, even if no changes are recommended.

## **7. Administrative Targets for the Pension Fund**

<b>Service Standards – Processing tasks within internal targets</b>	<b>Target Achievement %</b>
Issue estimates to employees within 15 days	90%
Process retirements and lump sums within 15 days	90%
Pay refunds within 15 days	90%
Pay death grants within 8 days	90%
Issue Annual Benefits Statements within the statutory deadline	100%
Pay Transfers Out” within 15 days	90%
Pension Fund Accounts produced by statutory deadline	30/5/2018
Annual report produced by statutory deadline	31/10/2018

The Pension Committee and Pension Board receive regular reports on the actual achievement against these performance targets.

### **Contact Officer**

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