

## Gloucestershire Local Government Pension Fund

### Business Plan 2018-19

#### 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.

Under this guidance Business Plans can be split into two parts.

Firstly, for the Fund as a whole, the identification of: key issues; major milestones; targets and their measurement; plus financial estimates for investment and administration.

Secondly, for the Pension Committee, setting out expectations of its own performance, including attainment of standards as set out in the Chartered Institute of Public Finance & Accountancy's (CIPFA's) knowledge & skills framework, achievement of required training outcomes including specialist training on the Brunel Partnership, and for the achievement of administrative targets

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

As at 31<sup>st</sup> March 2018, the Gloucestershire Local Government Pension Scheme (LGPS) Fund had approximately 53,400 members consisting of 18,600 active, 19,400 deferred and 15,400 retired (pensioner/dependant) members. There are 273 employer bodies in the Fund and 196 of these have active contributing members. The value of investment assets under management at 31<sup>st</sup> March 2018 was £2.23 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.

##### **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' quarterly performance reports and discussing their strategy and performance when the Fund Managers meet with the Committee and with 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 issue to be considered by the Pension Committee is the Brunel Pension Partnership, which the Gloucestershire Fund has joined, and 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 will be transferred to the Brunel Pension Partnership as each of the partnerships investment mandates become operational.

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.

### ***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. In meeting this requirement detailed advice was obtained from an Investment Consultant from Hymans Robertson and from the Independent Investment Advisor to the Fund.

The Investment Strategy Statement and Strategic Asset Allocation which will be implemented in stages from 1 April 2017, was agreed by the Gloucestershire Pension Committee on 29<sup>th</sup> March 2017 and has been placed on the Gloucestershire LGPS website. This statement was reviewed during 2017/18 in the context of the investment portfolio's available to the Funds within the Brunel Pension Partnership, with the target allocations for each portfolio being agreed by the Pension Committee at its meeting on 9<sup>th</sup> February 2018. Investments against these new target allocations will commence during 2018/19.

## ***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. As agreed by the Pension Committee, the format and content of the Pension Fund Annual Report and Annual Pensioners Newsletter will be reviewed during 2018 in order that the 2018/19 versions are published in a new format.

## ***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.

## ***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.

## **Targets & Major Milestones for the Pension Fund in 2018/19**

The major targets and milestones for 2018/19 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 25/05/18 for publication by 30/5/18	Meet specified time scales

Action any DCLG requirements re the future structure of the LGPS, including investments	Meet specified time scales
Confirm content of a shorter 2018/19 Annual Report, as agreed by Committee in 2017.	To be agreed by Committee in September 2018
Accounts agreed by the Audit Committee on 27 <sup>th</sup> July 2018	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 2018	Meet specified time scales
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
Amended Annual Pension Fund Report printed by 31/10/18	Discussed at Annual Meeting

#### Pension Fund Financial Estimates

The costs of operating the Gloucestershire Pension Fund are borne by the Fund (and not by the County Council). These estimated costs for 2018/19 are shown overleaf 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.

ESTIMATES	2017/18		2018/19	
	£'000	£'000	£'000	£'000
<b>Investments, Accounting &amp; Financial Management</b>				
Staff costs	346		358	
Other internal costs	56		63	
External Fund Manager fees	6,500		6,500	
Other external costs	567		895	
<b>Sub Total of Investments Costs</b>		<b>7,469</b>		<b>7,816</b>
<b>Scheme Administration including Member Records &amp; Benefits</b>				
Staff costs	656		674	
Other internal costs	271		297	
External costs	460		481	
<b>Sub Total of Administration Costs</b>		<b>1,387</b>		<b>1,452</b>
<b>Total</b>		<b>8,856</b>		<b>9,268</b>

The main budget change between 2017/18 and 2018/19 is a £328,000 increase in other external costs in relation to Gloucestershire's anticipated share of company costs under the Brunel Pension partnership (BPP), taking the estimated charge to £614,000 in 2018/19. External fund manager fees are forecast to remain the same for 2018/19 with the expectation that budget reductions will arise following BPP becoming fully operational with the selected managers for the new, pooled portfolios.

#### Training for the Pension Committee and supporting officers

CIPFA have produced guidance on the knowledge and skills committee members and fund officers need to have when involved in the work of the Pension Fund committee.

The CIPFA *Knowledge and Skills Framework* identifies those elements pension fund committee members should have in order to collectively fulfil their effective decision making role.

The Committee recognises the importance of training for its members and for its officers, who advise and support the Committee. The Committee have undertaken to attain the standards laid down in CIPFA's knowledge and skills framework

The Committee's expectations on training and other areas of performance are detailed below.

To complete a bi-annual assessment on training needs for all members of the Pension Committee based on the knowledge and skills framework. To use the results of the assessment to identify areas within the framework 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.

Based on the training needs assessment carried out at the end of 2017/18, internal training is scheduled to be provided to Pension Committee and Board Members during 2018/19 as follows:

Month	Topic
May 2018	Responsible Investment
September 2018	Investment Risks and Rewards
November 2018	The triennial fund valuation process
November 2018	Brunel Pension Partnership
February 2019	To be determined

Also, Committee members are expected to attend all 3 days of the LGA Pensions Fundamentals course, which covers benefits, fund administration and investments. The course is designed to help ensure effective decision making. Attendance on this course should take place as soon as possible, but must be within the first three years of joining the Committee, and for officers, within the first year of supporting the Committee.

#### Administrative Targets for the Committee

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

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.

### 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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