

Introduction

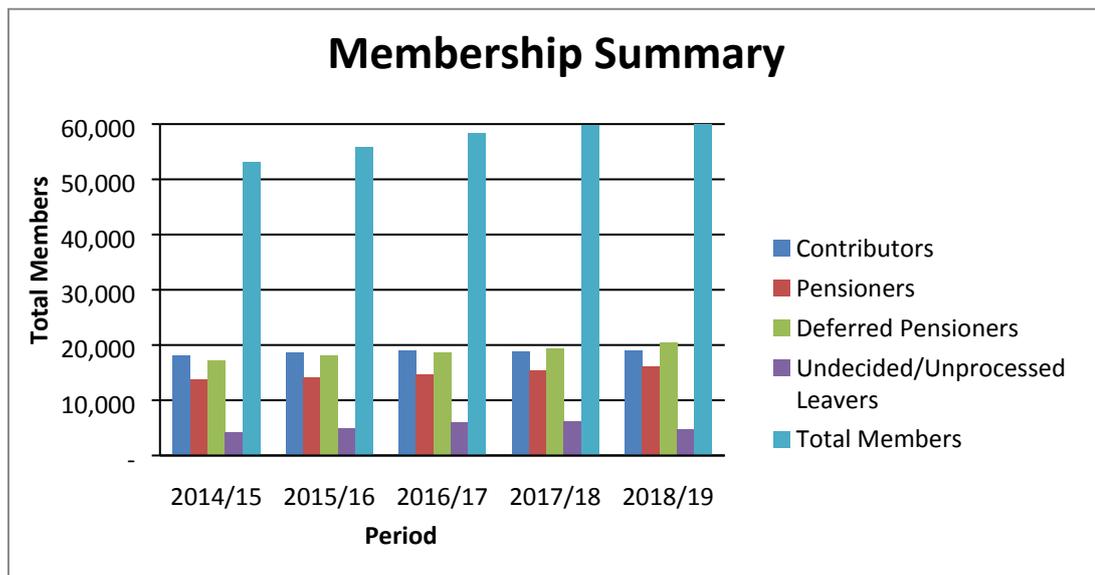
It is with pleasure that we introduce this year's Annual Report of the Gloucestershire Pension Fund. It contains details of the administration of the Fund, together with its investments and accounts for the year to 31st March 2019.

This introductory section provides a summarised version of the key issues set out within the Annual Report, and hence can be read as a standalone report.

The Fund is managed and administered by Gloucestershire County Council on behalf of Gloucestershire local authorities, other bodies providing public services and certain admitted bodies, as part of the national Local Government Pension Scheme (LGPS) Regulations. The Fund collects employer and employee pension contributions in relation to active employees of these organisations and meets the cost of pension benefits due to current and former employees.

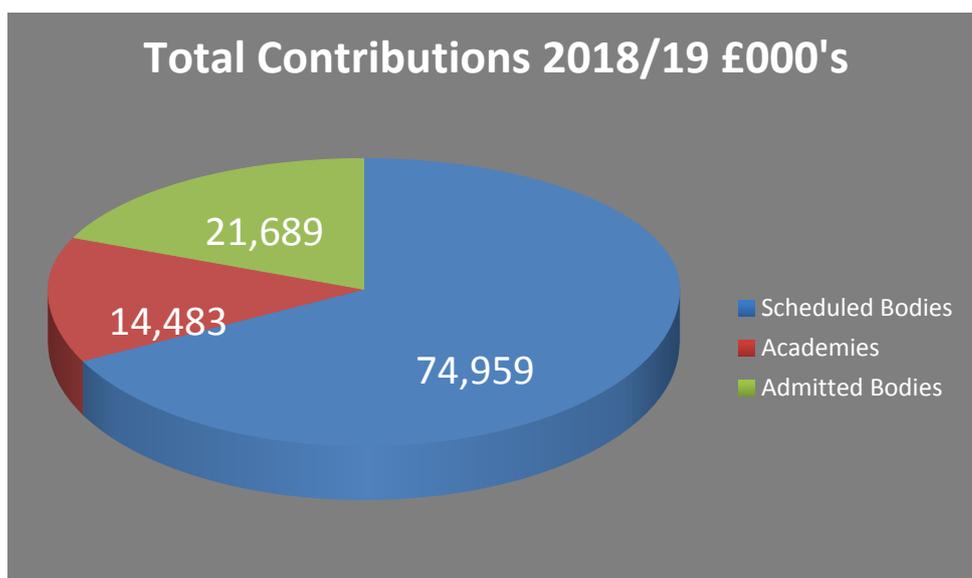
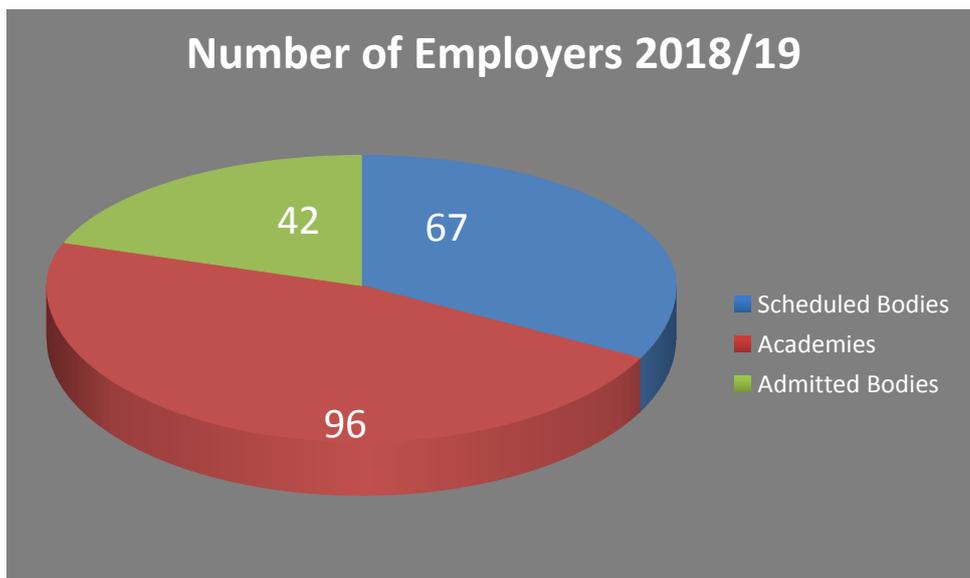
Fund Membership and Employers

This report is primarily aimed at members and participating employer organisations within the Gloucestershire Pension Fund. In terms of Fund Members these have increased steadily over the last five years, as illustrated below.



Membership at the end of 2018/19 stood at approximately 55,400, split between active contributors (18,969), pensioners (16,058) and deferred members (20,417). There were also unprocessed leavers (4,690) at the end of the period. This equates to a rise of 1,900 compared with the position at the end of 2017/18. A more detailed breakdown of membership can be found on pages 31 to 32 in the main body of the report.

With regards to participating employers, the Pension Fund has seen an increase of 4 new employers joining the Fund during 2018/19 to a total of 205. A breakdown of employer groups and contributions received is shown graphically below. Contributions received from employers and employees totalled £111.1m during the year.



A detailed breakdown of all participating employers and the total value of contributions received during 2018/19 can be found on pages 34 to 37 in the main body of the report.

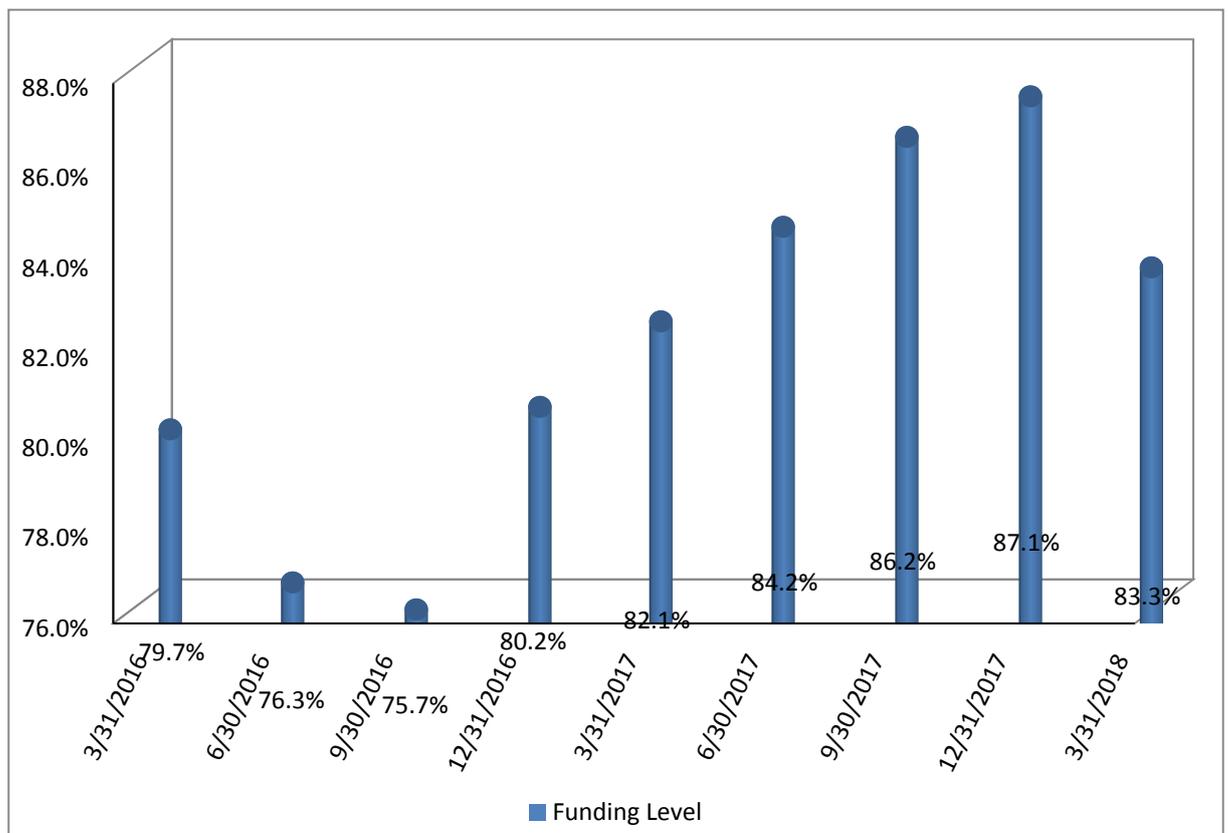
Policy Documents

The latest version of the Fund's policy statements covering Investment Principles, Funding Strategy, Governance and Communication, as well as a brief summary of scheme benefits are also included within the main body of the report.

Actuarial Arrangements

The detailed actuarial report on the Fund can be found on pages 46 to 47. This outlines the approach taken to secure Fund solvency while keeping employer contributions stable and also gives details of the actuarial assumptions and methods used to value liabilities at the last triennial valuation. The Fund's assets, as at the last triennial valuation date of 31st March 2016 were valued at £1,703 million, which were sufficient to meet 79.7% of the liabilities (i.e. the present value of promised retirement benefits), accrued up to that date.

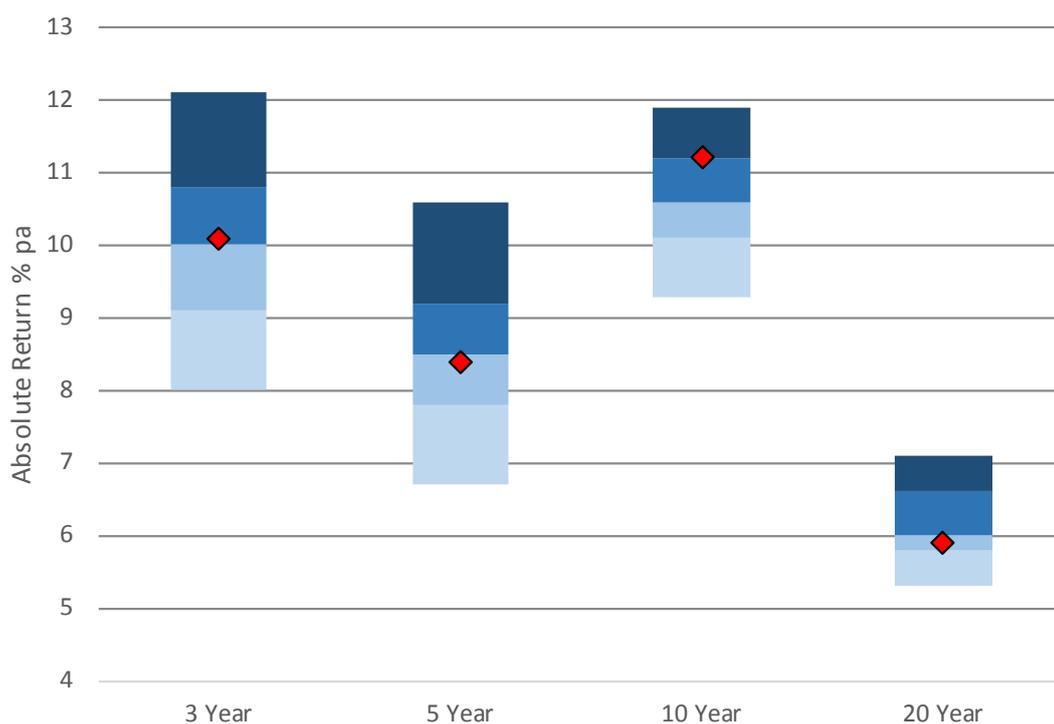
The funding levels at the end of each financial year since the last triennial valuation are shown in the graph below. The detailed triennial valuation of the Fund as at 31st March 2019 is currently being undertaken, with the funding level, as at 31st March 2019, being reported towards the end of the 2019/20 financial year. The Fund commissioned an interim funding level assessment as at 28th February 2019 which indicated the Fund was 86.4% funded. Further details of the rationale and assumptions used to calculate these funding levels can be found in the main body of the report.



Investment and Fund Performance

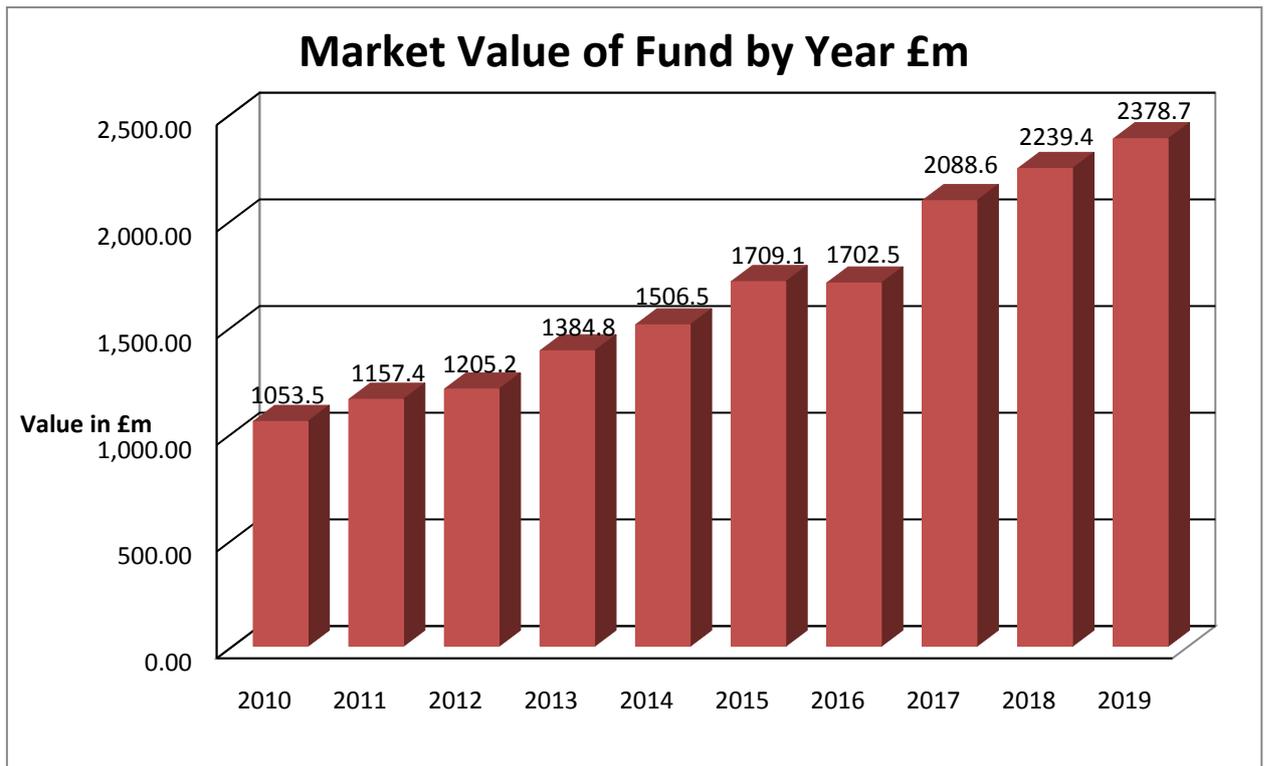
During 2018/19 the Fund achieved a +5% return on its investments, placing it into the bottom quartile of LGPS Funds for the year, as calculated by PIRC Local Authority Pension Performance Analytics (who monitor the performance of Pension Funds). Despite this, the long-term performance of the Fund has been positive, particularly over a ten year period where annualised performance was +11.2%, placing the Fund in the top quartile of LGPS Funds over that period.

An analysis of the performance of the Fund compared with 64 other LGPS Funds and its strategic benchmark is shown below. The position of the Gloucestershire Fund is presented as a red diamond in each of the relevant bars. The higher the positioning, the higher the Fund scored in comparison to it's peers in terms of absolute return over 3, 5, 10 and 20 year periods.



	3 Years	5 Years	10 Years	20 Years
Fund	10.1%	8.4%	11.2%	5.9%
Universal Average	10.5%	8.8%	10.7%	6.4%
Ranking	(30)	(37)	(13)	(32)

The value of the Fund's assets as at 31st March 2019 was £2,379 million. This represented an overall increase of £139.3 million compared with the position at 31st March 2018. The value of the Fund at the end of the last ten financial years is shown in the graph below.



The Fund undertakes their investments in accordance with the Strategic Asset Allocation which is set out in the Investment Strategy Statement (ISS), which is agreed by the Pension Committee and a copy of this policy, along with details of the Fund's investment and performance, is available on pages 137 to 143 and 18 to 23 respectively of the full report.

Statement of Accounts

The full Statement of Accounts of the Fund for the year ended 31st March 2019 and the auditors report in relation to these accounts can be found on pages 64 to 106.

Scheme Details

We remind both existing and future pensioners, that the Local Government Pension Scheme (LGPS) is determined by statutory legislation. This legislation can only be changed by the Government via the Ministry of Housing, Communities and Local Government (MHCLG) and the scheme cannot be changed by the County Council or other scheduled employers of the Gloucestershire Pension Fund.

Following a review by the Public Service Pensions Commission a new LGPS scheme was introduced, commencing from 1st April 2014. The terms of the LGPS scheme only apply to new pensionable service accrued with effect from April 2014. Previously accrued pensionable service and pensions in payment prior to April 2014 are not affected.

Further information on the main features of the 2014 LGPS scheme can be found on page 146.

Pensions Administration

Details relating to the administration of the Gloucestershire Pension Scheme are shown on pages 26 to 30 and also within the Administration Strategy at page 39.

The Public Service Pensions Act 2013 and LGPS regulations required LGPS Funds to set up local Pension Boards from 2015/16. Their role, which continued in 2018/19, is to assist administering authorities in ensuring compliance with LGPS and other pension regulations. More details of the membership, meetings and work of the Gloucestershire Pension Board in relation to 2018/19 can be found on page 54.

LGPS Pooling

In July 2015 the Government announced their intention for LGPS Funds to set up investment pooling arrangements. This involved a number of LGPS Funds with assets totalling approximately £30 billion jointly investing in the various asset classes, as chosen by each Fund, via a FCA approved organisation. The aim of this approach is to reduce investment manager fees whilst not adversely affecting, or even improving, individual Fund investment performance. During 2016/17 the Government approved and issued new investment regulations for the LGPS Funds to both facilitate and ensure investment pooling took place.

The Gloucestershire Fund is collaborating with nine other LGPS Funds from the South West of England and has established a new FCA regulated investment pooling company called the Brunel Pension Partnership (BPP). This process is ongoing and the ten Funds are continuing to transfer their investments into the BPP as envisaged by Government. As at 31st March 2019, £889m of Gloucestershire investments have been transferred to the BPP. Further details of our pooling progress can be found on pages 107 to 110 of the full report.

Our Thanks

We express our thanks to all those involved with the investment, accounting and pension administration activities of the Gloucestershire Fund, and the development of the Brunel Pension Partnership. In this, we acknowledge the continuing work of the members of the Pension Committee, whose membership is shown on page 10, in overseeing the Fund's investment management and administration arrangements as well as the support from the Pension Board, whose membership is shown on page 54, in assisting the administering authority to comply with the LGPS and other pension regulations.

Councillor Ray Theodoulou
Chairman of the Pension Committee

Steve Mawson
Director of Corporate Services

Paul Blacker
Director of Finance