

Gloucestershire Pension Fund

Business Plan 2021-22

Introduction

This is the Business Plan for the Gloucestershire Pension Fund, which is managed and administered by Gloucestershire County Council. The Business Plan details our priorities and areas of key focus in relation to the Fund for 2021/22. The Business Plan is formally reviewed and agreed every year. However, throughout the year it is monitored by officers, and as a result the Pensions Committee may be asked to agree changes to it.

The purpose of the Business Plan is to:

- explain the background and objectives for the management of the Gloucestershire Pension Fund
- document the priorities and improvements to be implemented by the Pension Fund over the next year to help achieve those objectives
- enable progress and performance to be monitored in relation to those priorities
- provide stakeholders with a clear vision

In addition, this Business Plan includes a budget for expected payments from the Gloucestershire Pension Fund over the period, including the resources required to manage the Fund.

Background to the Gloucestershire Pension Fund

The Gloucestershire Pension Fund is a £2.8bn⁺ Local Government Pension Scheme, which provides death and retirement benefits for local government employees (other than teachers, police and firefighters) in Gloucestershire and employees of other qualifying bodies which provide similar services. Total membership as at 31 March 2020 was 55,901 members consisting of 19,121 active, 20,173 deferred and 16,607 retired (pensioner/dependant) members. There are 204 active employer bodies in the Fund. 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.

Governance and management of the Fund

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.

The Pensions Committee's principal aim is to carry out the functions of Gloucestershire County Council as the Scheme Manager and Administering Authority for the Gloucestershire Pension Fund in accordance with the LGPS regulations and any other relevant legislation.

In its role as the administering authority, Gloucestershire County Council owes fiduciary duties to the employers and members of the Gloucestershire Pension Fund and must not compromise this with its own

particular interests. Consequently, this fiduciary duty is a delegated responsibility of the Pensions Committee and its members must not compromise this with their own individual interests

In addition to the Pensions Committee, a Local Pension Board (“LPB”) is in place to assist in:

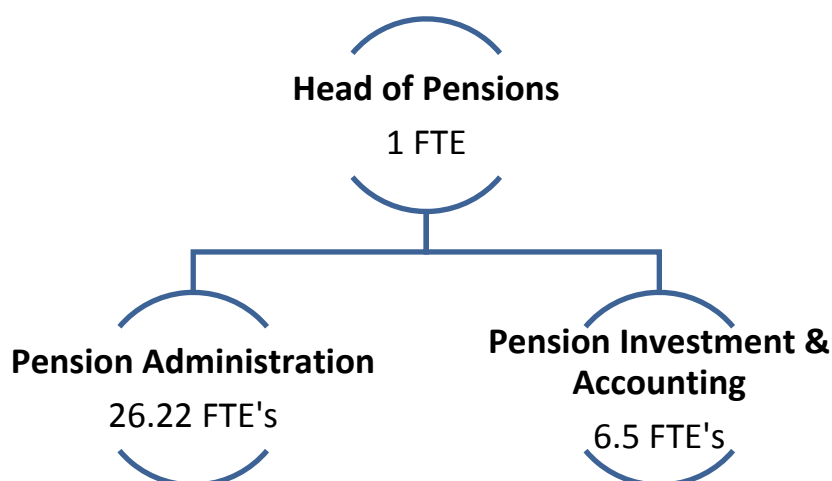
- securing compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS
- to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator
- secure the effective and efficient governance and administration of the LGPS for the Gloucestershire Pension Fund

The Pension Fund Team

The Pension Fund is managed by the Head of Pensions, who is supported by two sections:

- The Pension Administration Section which is responsible for the day to day administration of pension benefits and is headed by the Pension Administration Manager. The team delivers a pensions service to approximately 55,901 scheme members and 204 Employers. This includes the calculation of various benefits, transfers in and out, refunds and maintenance of individual records. The team also implements and maintains the pension software systems, reconciles employer records, and oversees a pensioner payroll service for approximately 16,500 pensioners, survivors and dependents.
- The Pension Investment Section which is responsible for accounting, investment and governance matters is headed by the Pension Investment & Accounting Manager. The section is responsible for day to day accounting, production of the Annual Accounts and production of the Annual Report. Additionally, the section is responsible for all investment matters of the Fund, including implementing the Fund’s responsible investment approach, monitoring and managing of the fund managers and the approximately £2.8bn of assets (as at 31 December 2020). The Pension Investment Section is also responsible for overseeing the pooling of the Fund’s assets with eight other LGPS Funds, and the Environment Agency, into the Brunel Pension Partnership.

The structure, as agreed by Committee in January 2021 is outlined below:



Officers, the Pensions Committee and the Local Pension Board are supported by a range of specialist consultants, suppliers and fund managers. The Fund’s Independent Adviser is John Arthur from MJ Hudson, actuary is Hymans Robertson, LGPS Pool is Brunel and custodian is State Street.

Aims and Objectives for the management of the Fund

Our Primary Objectives are:

- Administer pension benefits in accordance with the LGPS Regulations 2013 (as amended);
- Achieve a 100% funding level;
- Ensure there are sufficient liquid resources available to meet the Funds liabilities and commitments; and
- To maintain as stable as possible, required employer contribution rates.

Our key strategies and policies which guide the management of the Fund are listed below and can be found on our website at <https://www.gloucestershire.gov.uk/council-and-democracy/pensions/local-government-pension-scheme-lgps/finance-and-investments/>

- Investment Strategy Statement
- Funding Strategy Statement
- Communication Policy Statement
- Governance Compliance Statement
- Governance Policy Statement
- Risk Management Policy
- Exit Credit Policy
- Pension Administration Strategy
- Training Strategy
- Breaches Policy

The key activities and areas of focus in our Business Plan are grouped into the areas of governance, funding, investment management, training & skills and administration, to align with the key aims and objectives of these strategies and policies. These aims and objectives are summarised below.

Governance

- Act in the best interests of the Fund's members and employers
- Strive to ensure compliance with the appropriate legislation and statutory guidance, and to act in the spirit of other relevant guidelines and best practice guidance
- Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based
- Have robust governance arrangements in place to facilitate informed decision making, supported by appropriate advice, policies and strategies

Funding

- Achieve and maintain assets equal to 100% of liabilities, whilst remaining within reasonable risk parameters
- Determine employer contribution requirements, whilst recognising the constraints on affordability and strength of employer covenant, with the aim being to maintain as predictable an employer contribution requirement as possible
- Minimise unrecoverable debt on employer termination
- Ensure net cash outgoings can be met as/when required

Investment Management

- Ensure that its future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability
- Strike the appropriate balance between long-term consistent investment performance, responsible investment and the funding objectives
- Recognising the constraints on affordability for employers, aim for sufficient excess investment returns relative to the growth of liabilities
- To be a good steward with our assets, as the Fund believes that sound corporate governance contributes to long-term value for our members.
- To ensure that ESG considerations are taken into account as part of funding and investment strategy setting

Training & Skills

- Ensure the Fund is managed, and its services delivered, by people who have the appropriate knowledge and expertise
- Ensure the Fund is effectively governed and administered
- Ensure decisions are robust, are well founded and comply with regulatory requirements and guidance from the Pensions Regulator, the Scheme Advisory Board and the Ministry of Housing, Communities and Local Government (MHCLG)
- Ensure officers responsible for accounting consider and implement CIPFA guidance

Administration

- Provide a high quality, professional, proactive, timely and customer focused administration service to the Fund's stakeholders
- Administer the Fund in a cost effective and efficient manner utilising technology appropriately to obtain value for money
- Ensure the Fund's employers are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Fund
- Ensure the correct benefits are paid to, and the correct income collected from the correct people, at the correct time
- Maintain accurate records and ensure data is protected and has authorised use only
- Promote the Scheme as a valuable benefit and provide sufficient information so members can make an informed decision about their benefits
- Communicate in a clear and concise manner
- Ensure we use the most appropriate means of communication, taking into account the different needs of different stakeholders
- Regularly evaluate the effectiveness of communications and shape future communications appropriately

Ongoing Activities

The key activities section of the Business Plan highlights what our key tasks are for the next 2 to 3 years. This focusses on areas of change and project like tasks which are in addition to our day to day “ongoing activities”. On a day to day basis our focus is on the following key elements:

- Paying pension benefits to beneficiaries, as prescribed by the LGPS regulations
- Communicating with our scheme members about their membership of the Fund
- Ensuring we receive all the pension contributions paid by active members of the Fund, as prescribed by the LGPS regulations
- Ensuring all the employers in the Fund pay their pension contributions
- Safeguarding the Fund’s assets
- Investing any Fund assets that are not currently needed to pay benefits
- Working with the actuary so, over the valuation cycle, a determination can be made as to how much employers need to pay into the Fund to ensure we have enough money to pay pension benefits in the future

Managing this on a day to day basis involves a wide range of processes and procedures, some of which are outlined below, and all of which have been designed around achieving our Fund’s objectives as outlined in our strategies and policies. The pension fund is large, complex and highly regulated. As such, these processes and procedures require expert knowledge and experience from both officers and external advisors in several diverse areas, as illustrated below.

Governance

- Setting the agenda, reporting and presenting to the Pensions Committee and Local Pension Board
- Implementing and monitoring the achievement of other areas of governance such as the Training Strategy, Breaches Policy and The Pension Regulator’s Code of Practice
- Procurement of and payment for advisers and other services
- Assisting internal and external audit in their role
- Replying to Freedom of Information requests in adherence with statutory time limits

Accountancy

- Preparing and publishing the Fund’s Annual Report
- Completing the Annual Accounts and assisting external auditors
- Preparation and quarterly monitoring of the Annual Budget
- Preparation of statutory and non-statutory returns as required
- Cash flow
- Monitoring of income and expenditure including employer and scheme member contributions
- Invoicing of employers for pension strain and actuarial recharges

Funding

- Agreeing the funding strategy with the actuary and consulting with employers and monitoring continued appropriateness annually
- Assisting the actuary with the Actuarial Valuation by providing membership data and presenting results and explanations to employers of future employer contributions and deficit payments
- Arranging actuarial data required by the Government Actuary Department (“GAD”)
- Monitoring the employer’s covenant including their ability to pay contributions and managing any employers who wish to join or leave the Fund

- Submitting monthly cash flow data to the actuary for employer asset tracking (HEAT)

Investments

- Carrying out a fundamental review of the investment strategy every three years
- Appointing, monitoring and dismissing of fund managers, including within a pooling environment
- Monitoring and reporting on investment performance
- Monitoring and implementation of the strategic asset allocation decisions
- Working with other LGPS funds and the Environment Agency to pool investments through our role within the Brunel Pension Partnership (see below)
- Monitoring and engaging with our fund managers on their responsible investment approach
- Responsible investment reporting on the Fund's investments with Brunel, as relevant, for different asset classes and strategies. This includes; carbon footprints, fossil fuel exposures and the Fund's voting and engagement activities

Brunel Pension Partnership Oversight

- Participation in the Oversight Board and Client Group of the Brunel Pool
- Assessment and analysis of the performance of Brunel portfolios in which the Fund is invested
- Monitoring the service level agreements and that key performance indicators are being met
- Ensure Brunel provides value for money

Administration

- Providing ongoing information to scheme members and their beneficiaries as they join, leave or change their status in the Fund, within statutory timescales
- Calculating and notifying entitlement to retirement, leaving and death benefits
- Processing transfers into and out of the Fund
- Providing quotations of retirement benefits including any additional costs to employers
- Providing information on how scheme members can increase their pension benefits
- Providing information to solicitors in respect of divorce proceedings
- Maintaining accurate scheme member records
- Maintaining the Fund's Internal Dispute Resolution Procedure
- Maintaining and updating the pensions software system
- Providing guidance on changes in processes following legislation updates
- Providing information on progress against key performance indicators
- Extracting and forwarding data to the Fund actuary to track membership changes for employer mergers and TUPE transfers
- Reporting and making payments to HMRC
- Processing bulk updates to data relating to employer year end returns
- Quarterly review of the Risk Register
- Providing information to employers and members via newsletters/email
- Maintaining the Fund's website
- Providing new employers with information about their Fund responsibilities
- Providing ongoing training and technical updates to employers
- Staging an Annual General Meeting

Key Challenges and Influences

The pooling of investment assets, with those of the other eight administering authorities and the Environment Agency, who make up the Brunel Pension Partnership, is now approaching its final transition phase. The remaining asset transitions must be managed efficiently and effectively to minimise cost and risk to the Fund. The Fund and its advisers will be working closely with Brunel throughout this process.

The Fund's actuary, Hymans Robertson, carried out the formal valuation (which is a legal requirement of the LGPS Regulations) as at 31 March 2019 with the results being delivered to the Committee during the latter half of the 2019/20 financial year and the revised Funding Strategy Statement and employer contribution rates for the next 3 years being signed off in February 2020. The investment strategy of the Fund was also formally reviewed with the Fund's investment adviser once the valuation results were known, to ensure the investment strategy would meet the required level of asset outperformance, in the most risk efficient way. The equity element of the investment strategy was also reviewed again in January 2021 as a result of the covid pandemic. The Fund will be working on implementing the revised asset allocation from these strategy reviews, throughout the period.

In 2019, Hymans were appointed by the Scheme Advisory Board (SAB) to facilitate a review of governance structures for the LGPS. The SAB commissioned this report to examine the effectiveness of current LGPS governance models and to consider alternatives or enhancements to existing models which can strengthen LGPS governance. This project is now at an advanced stage and once the formal requirements are known, the Fund will put a work programme in place to ensure compliance with the requirements and that the Fund maintains best practice governance.

The following are just some of the other areas which will need to be managed or responded to, some of which may necessitate a review of the aims, objectives and governance of the Fund:

- The McCloud case and the additional administration workload this will require
- Implementing any required changes as a result of the national LGPS cost control mechanism
- Impact of Covid on funding, investment and/or administration
- 95k cap regulations
- Continued development of Brunel

Budget

All the costs associated with the management of the Fund are a charge to the Fund and not the Council. The following details the expected expenditure to the Fund.

	Budget		Budget
	2021/22		2020/21
	£'000		£'000
Administrative Expenses			
Staff costs	1,021		960
Premises	75		70
IT	460		400
Supplies and services	270		260
Other central costs	63		60
Cost of democracy	0		0
Other	15		0
Total Administrative Expenses	1,904		1,750
Investment Management Expenses			
Management fees	8000		5,306
Performance fees	0		0
Custody fees	75		140
Brunel contract costs	1065		1,040
Tax & legal cost	25		0
Transaction costs	500		580
Total Investment Management Expenses	9,665		7,066
Oversight & Governance Expenses			
Staff costs	235		230
Audit fees	30		30
Actuarial fees	350		400
Pension Committee/Board	20		10
Performance monitoring service	120		117
Investment consultancy	130		30
Other professional fees	200		200
Total Oversight & Governance Expenses	1,085		1,017
Income			
Recoveries for services provided	-130		-125
Total Pension Fund Budget	12,524		9,708

Delivering the Business Plan

Monitoring and Reporting

In order to identify whether we are meeting our agreed Business Plan we will:

- continue to monitor progress of the key priorities and the agreed budgets on an ongoing basis
- provide updates on progress against these key priorities on a regular basis to the Pensions Committee, which will be shared with the Local Pension Board
- as part of these updates:
 - highlight any areas where we are exceeding or failing to achieve our targets and the reasons why and, as a result, identify any changes to the planned priorities

Risks

The detailed Risk Register of the Fund matches high level risks, under each of the four areas of activity, to the Fund's high-level objectives:

- Governance Risks
- Financial Risks
- Funding/Demography Risks
- Administration/Regulatory Risks

Each of the detailed risks under these categories has been given an impact score and a likelihood score before any controls are applied. These have then been combined to give an overall pre-control risk score, which has been assigned a Red – Amber – Green (RAG) rating. Changes to the level of risk are reported at each Committee meeting.

The next few years will remain challenging for those involved in the governance, management and operation of the Fund. The risks documented in the Risk Register will be reviewed and updated every quarter for presentation to Committee. The Fund's Business Plan has been completed to ensure that all our known risks are being managed and resourced.

Training Plan

The Fund has an agreed training strategy in place to aid the Pensions Committee members, Local Pension Board members in performing and developing personally in their individual roles, with the ultimate aim of ensuring that the Gloucestershire Pension Fund is managed by individuals who have the appropriate levels of knowledge and skills.

The following high-level training plan has been developed for 2021/22 to assist in meeting these aims:

Title of Session	Timescale	Audience
New Committee/Board Member Induction	Q1	Pensions Committee, Local Pension Board
Pensions Committee Pre-Meeting Training covering content relevant to agenda and CIPFA knowledge & skills framework modules	Quarterly	Pensions Committee, Local Pension Board
Local Pension Board Pre-Meeting Training covering content relevant to agenda and CIPFA knowledge & skills framework modules	Quarterly	Local Pension Board, Pensions Committee
PLSA Local Authority Conference	Q1	Pensions Committee, Local Pension Board and Officers
Brunel Pension Partnership Training Day	Q3	Pensions Committee, Local Pension Board and Officers
Gloucestershire Pension Fund AGM and Training Day	Q3	Pensions Committee, Local Pension Board and Officers
CIPFA Pension Audit & Accounting workshop	Q4	Officers
LGA Fundamentals Training	As required	Pensions Committee, Local Pension Board

Key Tasks/Work Plan for 2021/22

Governance

Task	2021/22			
	Q1	Q2	Q3	Q4
Review of Risk Register	✓	✓	✓	✓
Approval of External Audit Plan	✓			
Implement outcomes of the Funds Governance Review		✓	✓	✓
Review and approve Business Plan				✓
Annual review against The Pensions Regulators Code of Practise				✓
Approval of audited Fund accounts		✓		
Approval of Annual Report		✓		
Review Policy Statements		✓	✓	✓
Training Needs Analysis	✓			

Funding

Task	2021/22			
	Q1	Q2	Q3	Q4
Review of ongoing funding position	✓	✓	✓	✓
Cash flow modelling			✓	

Investment Management

Task	2021/22			
	Q1	Q2	Q3	Q4
Monitor Fund performance	✓	✓	✓	✓
Responsible Investment Reporting	✓	✓	✓	✓
Asset transitions to Brunel Portfolios	✓			
Review the inflation exposure on the Fund and implemented agreed recommendations	✓	✓	✓	
Review the Funds Investment Strategy Statement				✓
Procure consultancy support in preparation for the next full strategic review in 2022/23				✓
Review the Funds Responsible Investment Policy			✓	✓
Review the recommendations of the Taskforce for Climate-related Financial Disclosure (TCFD) and requirements for UK Stewardship code signatory status	✓	✓	✓	✓

Administration

Task	2021/22			
	Q1	Q2	Q3	Q4
Issue Annual Benefit Statements to active and deferred members		✓		
P60's distributed to pensioner members	✓			
Recruitment of agreed additional resources	✓	✓	✓	✓
Annual pension in payment and CARE accrual increase exercise	✓			

Annual submission of HMRC Event report				✓
Issue notices to employees for breaches of HMRC Annual Allowance limits			✓	
Provision of data to actuary to produce financial accounting required for employer accounts	✓	✓	✓	
Reconciliation of membership data for all employers	✓	✓		✓
Review and correct data errors		✓	✓	
Process and reconcile membership pay and contribution data for year end	✓	✓		
Data quality assessment for the Pensions Regulator		✓		
Possible implementation of McCloud judgement	✓	✓	✓	✓
Possible implementation of revised 95k cap regulations		✓	✓	✓