

# Agenda Item 4

**Pension Board  
28 July 2021**

## **Gloucestershire Pension Fund update – Part 1 Quarter ending 31 March 2021**

### **Report of the Head of Pensions**

#### **Summary**

This report summarises the Fund's funding position, market value, asset allocation, investment and administration performance for the quarter ending 31 March 2021.

The information contained in this report was taken to the Pensions Committee on 18 June and fulfils the requirement for administering authorities, under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 to keep under review the performance of their investment managers.

#### **Funding position**

The past service position of the Fund has improved since 31 March 2019. This can be considered in two ways:

- Based on a level of investment return of 4.1%, the fund currently has sufficient assets to pay all accrued benefits. The amount of additional assets has increased from £41m to £409m; or
- The investment return required to have sufficient assets to pay all accrued benefits without further payments has decreased from 4.1% to 3.2%. The likelihood of achieving the required return has increased from 71% to 80%.

However, prudent expectations of future investment returns have fallen from 4.2% to 4.1% based on the Fund's current investment strategy (and a 70% likelihood of success). This will increase the cost of providing benefits that continue to be earned in the future.

A detailed update on the funding position as at 31 March 2021, prepared by the Funds actuary, Hymans Robertson is attached as Appendix 1 to this report.

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## Fund Performance

Over the quarter to 31 March 2021, the Fund's total market value increased by £55.378m, to £2,898.248m.

Over the quarter, total Fund assets produced a positive return of 1.9%, compared to a target of 2.3%, underperforming the strategic benchmark by 0.4%.

Performance over the 3 years to 31 March 2021 was 7.6% slightly behind the benchmark by 0.2%, with the last 12 months providing a return 3.5% ahead of the benchmark of 26.6%

A detailed investment performance report is attached as Appendix 2 to this report.

## Investment Strategy and Activities

Strategic asset allocation reflects the new strategy to be implemented as part of the Investment Strategy Review (approved April 2020); as a result, a number of asset classes will be underweight or overweight for an interim period until the portfolio is fully constructed.

A detailed asset allocation report is attached as Appendix 3 to this report.

During the Quarter the following investment activity took place:

- Rebalancing of the Strategic Asset Allocation by reducing the allocation to the Brunel Global High Alpha portfolio by £135m to bring the portfolio to within its target allocation range, with the proceeds being allocated into the Diversified Risk Fund, awaiting future drawdown for the private markets allocations. The cost of this rebalancing was £364k, equivalent to 27bps of the value of the transaction.
- Strategic Asset Allocation change of transitioning £168m from the LGIM Developed Equity Passive allocation to the Global Sustainable Portfolio to bring the portfolio towards its target allocation. The cost of this transition was £168k, equivalent to 10bps of the value of the transition.
- Top up allocation to Brunel Private Markets portfolios to achieve strategic asset allocation targets, based upon anticipated cashflows:
  - Private Equity - £10m
  - Private Debt - £40m
  - Infrastructure - £50m

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## Fund Administration

The Pensions Administration Team to effectively continue to administer the Fund and pay accurate benefits in a timely manner, whilst retaining robust checking and authorisation processes, have maintained an office presence throughout the pandemic. In order to deliver the key services whilst protecting the health of staff, the decision was taken from the outset to divide the Pension Administration team into two sub teams. These teams work on a rotational basis of one week in the office, followed by one week working at home.

Under this arrangement the management and staff of the pension administration section have worked through the different tasks and workloads of the section, dividing them into those that can be completed effectively and securely from home, and those that require an office presence for effective delivery.

An additional step that was implemented from the outset, to further improve staff safety, was to separate the “in office” team across the office space of not only the Pensions Section, but also of a neighbouring vacant office. This has delivered an effective service whilst also ensuring substantial “social distancing” from the beginning of the COVID-19 pandemic.

It must be recognised that these current working practises are enforced due to the pandemic and have impacted on operational delivery. However, the steps undertaken have mitigated the impact on the service delivery. We will continue to monitor the balance between service delivery and staff safety as further restrictions are lifted. The current performance figures are below.

**Table 1 – Summary Performance**

Service	Target	2017/18 (Actual)	2018/19 (Actual)	2019/20 (Actual)	2020/21 to 31/03/2021
Estimates to employees (15 days)	90%	85%	96%	98%	<b>90%</b>
Retirements and lump sums (15 days)	90%	75%	69%	61%	<b>80%</b>
Refunds Paid (15 days)	90%	96%	98%	99%	<b>93%</b>
Death Grants Paid (8 days)	90%	74%	82%	67%	<b>70%</b>
Annual Benefits Statements issued within the statutory deadline	100%	100% see note 1	100% see note 1	100% see note 1	<b>100% see note 1</b>
“Transfers Out” Paid (15 days)	90%	92%	98%	99%	<b>97%</b>

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**Table 2 – 2020/21 Performance to 31 March 2021**

Service Standards – Processing tasks within internal targets	Target Achievement	No. Processed	No. processed on time	Actual achievement	Average days taken (averaging all cases)	Average days taken (averaging cases exceeding target ONLY)
Estimates to employees (15 days)	90%	534	482	90%	9	not available
Retirements and lump sums (15 days)	90%	872	701	80%	12	19
Refunds Paid (15 days)	90%	424	395	93%	10	20
Death Grants Paid (8 days)	90%	89	62	70%	10	17
2020/21 Annual Benefits Statements issued within the statutory deadline	100%	N/A	N/A	N/A	N/A	100% see note 1
“Transfers Out” Paid (15 days)	90%	136	132	97%	6	22

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**Table 3 – 2019/20 Performance (full year)**

Service Standards – Processing tasks within internal targets	Target Achievement	No. Processed	No. processed on time	Actual % achievement	Average days taken (averaging all cases)	Average days taken (averaging cases exceeding target ONLY)
Estimates to employees (15 days)	90%	739	724	98%	8	not available
Retirements and lump sums (15 days)	90%	983	603	61%	13	19
Refunds Paid (15 days)	90%	649	641	99%	7	23
Death Grants Paid (8 days)	90%	76	51	67%	7	10
2019/20 Annual Benefits Statements issued within the statutory deadline	100%	34434 see note 1	34434 see note 1	100%	N/A	N/A
“Transfers Out” Paid (15 days)	90%	194	192	99%	4	16

**Table 4 - 2018/19 Performance (full year)**

Service Standards – Processing tasks within internal targets	Target Achievement %	No. Processed	No. processed on time	Actual % achievement	Average days taken
Estimates to employees (15 days)	90%	615	587	96%	7
Retirements and lump sums (15 days)	90%	858	592	69%	13
Refunds Paid (15 days)	90%	620	609	98%	7
Death Grants Paid (8 days)	90%	79	65	82%	7
2017/18 Annual Benefits Statements issued within the statutory deadline	100%	34,617 see note 1	34,617 see note 1	100% see note 1	N/A
“Transfers Out” Paid (15 days)	90%	147	144	98	5

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**Table 5- 2017/18 Performance (full year)**

Service Standards – Processing tasks within internal targets	Target Achievement %	No. Processed	No. processed on time	Actual % achievement	Average days taken
Estimates to employees (15 days)	90%	571	485	85%	10
Retirements and lump sums (15 days)	90%	768	575	75%	11
Refunds Paid (15 days)	90%	448	429	96%	6
Death Grants Paid (8 days)	90%	61	45	74%	7
2016/17 Annual Benefits Statements issued within the statutory deadline	100%	31,190 see note 1	31,190 see note 1	100% see note 1	N/A
“Transfers Out” Paid (15 days)	90%	132	122	92%	7

**Note 1** - Regarding Annual Benefits Statements, all of the year end returns from all employers were received by the Administration Team within the statutory deadline. All returns were matched to the member records held within the Administration team, and where a definitive match was made, 100% of the Annual Benefit Statements were distributed to active and deferred members by the statutory deadline.

## Business Plan 2021/22

The following is an update on the Pensions Committee Key Tasks/Work Plan which formed part of the agreed business plan for 2021/22.

Comments on each topic are contained within the table. For the amber items, this represents that these activities are yet to commence, but these activities are scheduled to take place over multiple quarters:

## Governance

Task	2021/22			
	Q1	Q2	Q3	Q4
Review of Risk Register	✓ - completed	✓	✓	✓
Approval of External Audit Plan	✓ - completed			
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		✓		

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Review Policy Statements		✓	✓	✓
Training Needs Analysis	✓ - launched and ongoing			

## Funding

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

## Investment Management

Task	2021/22			
	Q1	Q2	Q3	Q4
Monitor Fund performance	✓ - completed	✓	✓	✓
Responsible Investment Reporting	✓	✓	✓	✓
Asset transitions to Brunel Portfolios	✓ - completed			
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	✓	✓	✓	✓

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## Administration

Task	2021/22			
	Q1	Q2	Q3	Q4
Issue Annual Benefit Statements to active and deferred members		✓		
P60's distributed to pensioner members	✓ - completed			
Recruitment of agreed additional resources	✓ - ongoing	✓	✓	✓
Annual pension in payment and CARE accrual increase exercise	✓ - pension in payment completed, Care accrual ongoing			
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	✓ - completed	✓	✓	
Reconciliation of membership data for all employers	✓ - ongoing	✓		✓
Review and correct data errors		✓	✓	
Process and reconcile membership pay and contribution data for year end	✓ - ongoing	✓		
Data quality assessment for the Pensions Regulator		✓		
Possible implementation of McCloud judgement	✓	✓	✓	✓
Possible implementation of revised 95k cap regulations		✓	✓	✓

## Recommendation

That the Board notes the report.

## Contact Officer

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