

Gloucestershire Pension Fund

Fund Account for the year ended 31st March 2021

2019/20		£'000	2020/21	£'000	Note
	Contributions				
-84,158	employer contributions	-123,689			N18
-18,962	member contributions	-20,110			N18
-103,120			-143,799		N7
	Transfers in from other pension funds				
-12,575	individual transfers from other schemes or funds	-5,883			
-	group transfers from other schemes or funds	-			
-12,575			-5,883		
	Other income				
-136	recoveries for services provided		-94		N20
	Benefits				
73,026	pensions	75,033			N30
13,930	commutation of pensions and lump sum retirement benefits	11,358			
1,334	lump sum death benefits	1,908			
88,290			88,299		N7
	Payments to and on account of leavers				
373	refunds to members leaving scheme or fund	227			
-1	payments for members joining state scheme or fund	-2			
7,929	individual transfers to other schemes or funds	5,706			
-	group transfers to other schemes or funds	-			
8,301			5,931		
-19,240	Net (additions) / withdrawals from dealings with members		-55,546		
10,028	Management Expenses		12,202		N20
-9,212	Net (additions) / withdrawals including fund management expenses		-43,344		
	Returns on investments				
-25,088	Investment income	-23,888			N13
46	Taxes on income	-43			N3 & N13
168,409	Profit(-) and losses on disposal of investments and changes in market value of investments	-590,652			N4
143,367	Net returns on investments		-614,583		
134,155	NET INCREASE (-) / DECREASE IN THE NET ASSETS AVAILABLE FOR BENEFITS DURING THE YEAR		-657,927		
2,378,718	Opening net assets of the scheme		2,244,563		
2,244,563	Closing net assets of the scheme		2,902,490		

Gloucestershire Pension Fund

Net Assets Statement as at 31st March 2021

2019/20		2020/21	Note
£'000		£'000	
	Investment assets		
331,206	Bonds	360,751	
1,673,162	Pooled investment vehicles	2,257,529	N10
200,277	Pooled property investments	202,134	N10
2,904	Derivative contracts	1,106	N2 & N15
4,491	Other investments - Venture Capital/Private Equity	4,856	
12,328	Cash held on behalf of the investment managers	15,816	N25
4,352	Other investment balances	5,800	
2,228,720		2,847,992	N12
	Long term investment assets		
427	Brunel Pension Partnership Ltd.	112	
427		112	
	Investment liabilities		
-4,108	Derivative contracts	-813	N2 & N15
-946	Other investment balances	-	
-5,054		-813	N12
2,224,093	Total net investments	2,847,291	
	Long term assets		
315	Contributions due from employers	308	
315		308	N12 & N22
	Current assets		
4,808	Contributions due from employers	4,974	
471	Other current assets	277	
618	Money due re. transfer of staff to another pension scheme	-	
250	Payments in advance	275	
17,539	Cash balances	50,668	N2, N21, N25
23,686		56,194	N12 & N22
	Current liabilities		
-18	Unpaid benefits	-7	
-3,513	Other current liabilities	-1,296	
-3,531		-1,303	N12 & N23
2,244,563	Net assets of the scheme available to fund benefits at the reporting period end	2,902,490	N4, N5, N12 & N16

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end but rather summarise the transactions and net assets of the scheme.

The actuarial present value of promised retirement benefits is disclosed at Note N24.
The notes on the following pages form part of these Financial Statements.

Gloucestershire Pension Fund

Notes to Pension Fund Accounts

N1. Introduction

The County Council is the administering body for the Gloucestershire Pension Fund which is a contributory defined benefit scheme. This is not only for County Council employees but also for District Councils within the County and other local bodies providing public services. A full list of all employing bodies who are members of the Fund are shown in the Pension Fund's Annual Report alongside the detailed accounts of the Gloucestershire Pension Fund.

The Fund is governed by the Public Service Pensions Act 2013 and administered in accordance with the following secondary legislation:

- The LGPS Regulations 2013 (as amended)
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The LGPS (Management and Investment of Funds) Regulations 2016 (as amended)

The Fund exists to provide pensions and certain other benefits to former employees. The Pension Fund is not a Gloucestershire County Council fund and is subject to its own audit; therefore balances are not included in the Gloucestershire County Council Consolidated Balance Sheet. The Fund is administered by the Pension Committee, which is a committee of Gloucestershire County Council. The Pension Board was set up with effect from the 1st April 2015 to assist the Pensions Committee in securing compliance with the relevant laws and Regulations and to help the Pension Committee ensure the effective and efficient governance and administration of the Fund.

Membership Breakdown

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Pension Fund include the following:

- Scheduled bodies, which are automatically entitled to be members of the Fund.
- Admitted bodies, which participate in the Fund under the terms of an admission agreement between the Fund and the employer. Admitted bodies include voluntary, charitable and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.

Fire fighters, police and teachers have their own separate nationally-administered schemes.

Membership details are set out below:

	31st March 2020	31st March 2021
Number of employers	204	204
Number of employees in the scheme		
County Council	10,252	10,074
Other employers	8,869	9,148
	<hr/> 19,121	<hr/> 19,222
Number of pensioners		
County Council	9,812	10,176
Other employers	6,795	7,114
	<hr/> 16,607	<hr/> 17,290
Deferred pensioners		
County Council	11,743	11,744
Other employers	8,430	8,530
	<hr/> 20,173	<hr/> 20,274
Total number of members in pension scheme	<hr/> 55,901	<hr/> 56,786

In addition there were 5,110 (4,516 2019/20) undecided or unprocessed leavers.

Undecided leavers are those members who are no longer accruing service and to whom a refund of contributions or transfer out may be due.

Unprocessed leavers are those members which represent cases where we are aware that a member has left, but that case has not yet been processed.

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31st March 2021. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31st March 2019. When setting contribution rates the Actuary takes into account the funding target, the time horizon over which the funding target is to be achieved and the strength of the employer covenant; further information can be found within the Fund's Funding Strategy Statement. During 2020/21 employer contribution rates ranged from 0% to 38.0% of pensionable pay.

Benefits

Prior to 1st April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1st April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with Consumer Prices Index.

A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on the LGPS website - see www.lgpsmember.org.

N2. Summary of significant accounting policies

Basis of preparation

The Statement of Accounts summarises the Funds' transactions for the 2020/21 financial year and its position at year end as at 31st March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts summarise the transactions of the Fund and reports on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial value of promised retirement benefits, valued on an International Accounting Standard (IAS19) basis, is disclosed at Note 24 of these accounts. The accounts are prepared on a going concern basis.

Critical judgements in applying accounting policies

The net Pension Fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note N24.

These actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies.

Assumptions made about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end-date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates. Income and expenditure have been accounted for on an accruals basis.

The items within the Financial Statements as at 31st March 2021, for which there is a risk of material adjustment in the forthcoming year, are highlighted below:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 24)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied	The effects on the net pension liability of changes in the individual assumptions can be measured as follows: - A 0.5% decrease in the real discount rate would increase the liability by £424m - A 0.5% increase in the pension increase rate would increase the liability by £379m - A 0.5% increase in the salary increase rate would increase the liability by £37m
Pooled Property Funds, Private Equity, Infrastructure and Private Debt	Investments are not publicly listed and as such there is a degree of estimation involved in the valuation. Due to the normal delay in receiving quarterly valuation statements for the underlying funds, investments in Pooled Property Funds, Private Equity, Infrastructure and Private Debt funds totalling £86.5m have a valuation date earlier than 31st March 2021.	The total value of Pooled Property Funds, Private equity, Infrastructure and Private Debt investments in the financial statements as at 31st March 2021 was £294.752m. There is a risk that these investments may be under or overstated in the accounts, see Note 26. A change in market price of those holdings with a valuation date prior to the 31st March 21 would equate to a potential movement of - Private Equity & Infrastructure £7.6m, 28.5% - Pooled Property Funds £4.0m, 14.2% - Private Debt £1.5m, 4.6%

Revenue and expense recognition

Contribution income

Contributions have been accounted for on an accruals basis where amounts due have been determined in time for inclusion in the accounts. Additional employer's contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Employer deficit contribution lump sum payments are accounted for in the year the payment is made. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

Benefits payable and refunds of contributions

Benefits payable and refunds of contributions have been brought into the accounts on the basis of all valid claims approved during the year.

Transfers to and from other schemes

Individual transfer values are accounted for when they are paid or received. Bulk transfer values are accrued when the value has been determined.

Management expenses

Pension Fund expenses have been accounted for in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Costs*. A more detailed breakdown of management expenses can be found in Note N20.

Investment management expenses

Investment Management Expenses comprise of expenses which are incurred in relation to the management of pension fund assets. Broadly, these are based on the market value of the investments in the investment manager's portfolio and therefore increase or reduce as the value of these investments change. Where an investment manager's fee has not been received by the reporting period end date, an estimate based upon the market value of the mandate at the end of the reporting period has been used. Where fees are netted off investment market values by investment managers, these expenses are grossed up to increase the change in value of investments.

Federated Hermes deducts its fees from a combination of assets held and income distributions and is included within Investment Management Expenses. Technology Venture Partners (TVP) and Yorkshire Fund Managers Ltd. (YFM) deduct their fees from the value of the assets under their management. Fees for TVP and YFM have not been included as they are the legal responsibility of the managers and not the Fund. Management costs for Arcmont are deducted from distributions. Brunel's investment managers and Golub deduct their fees from the value of the pooled funds under their management. The investment manager for Brunel's passive global equity pooled funds encashes units to cover their fees and all these fees have also been included within Investment Management Expenses.

Acquisition and transaction costs of investments

Acquisition costs of investments (e.g. stamp duty) and transaction costs are included within Investment Management Expenses with a corresponding offset against Profit on Disposal of Investments. In addition to the transaction costs disclosed, indirect costs are incurred through the bid/offer spread on investments within pooled investment vehicles. A more detailed breakdown of management expenses, including transaction costs, can be found in Note N20.

Administration expenses

All administrative expenses are accounted for on an accrual basis. All staff costs associated with administration is charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund. Further information on administrative expenses can be found in Note N20.

Oversight & governance expenses

All Oversight and Governance expenses are accounted for on an accrual basis. All staff costs associated with Oversight and Governance is charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund. The cost of investment advice from external consultants is included in Oversight & Governance. Further information on Oversight and Governance expenses can be found in Note N20.

Investment Income

Dividends are accounted for when the holding is declared ex-dividend. Any amount not received by the end of the reporting period is recognised as a current financial asset. Investment income arising from the underlying investments of Pooled Investment Vehicles is reinvested within the Pooled Investment Vehicle and reflected in the unit price.

Cash and cash equivalents

Cash comprises cash in hand (bank) and demand deposits (money market funds) which also includes amounts held by the Fund's custodian on behalf of its investment managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimal risk of changes in value.

Cash balances held in accordance with the County Councils' Treasury Management Strategy and those held with the Funds' Custodian State Street Global Services, on behalf of investment managers, are in instant access accounts.

The Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 Post-Employment Benefits and relevant actuarial standards.

As permitted under the Code, the Fund has included a note disclosing the actuarial present value of retirement benefits by way of a note to the net asset statement in Note N24.

Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes.

Valuation of assets

The SORP requires securities to be valued on a Fair Value Basis therefore assets and liabilities, where there is an active and readily available market price, are valued at the bid price. Where assets do not actively trade through established exchange mechanisms, a price is obtained from the manager of the investment asset through their quarterly reports. Further details of their approach to establishing fair value can be found within Note N26, Basis of Valuation table. Any amounts due or payable in respect of trades entered into but not yet completed at 31st March each year, accrued dividend income, Fund debtors and creditors and cash and cash instruments are accounted for as financial instruments held at amortised cost. Investments held in foreign currencies are shown at market value translated into sterling at the exchange rates prevailing as at 31st March 2021. Purchases and sales during the year which require settlement in a foreign currency are converted from/to sterling at the exchange rate prevailing on the trade date. Fixed interest securities are recorded at market value based on their yields. Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is re-invested in the fund, net of applicable withholding tax. The Pooled Property Investments are independently valued either in accordance with the Royal Institute of Chartered Surveyors valuation standards or by a fair value process driven by International Private Equity and Venture Capital Valuation guidelines. Private Equity and Infrastructure funds are valued using the latest financial statements published by the respective fund managers and in accordance with the International Private Equity and Venture Capital Guidelines. The valuation standards followed by the managers are in accordance with the industry guidelines and the constituent management agreements. Such investments may not always be valued on year end valuation as information may not be available, and therefore will be valued based on the latest valuation provided by the managers adjusted for movements to the year end.

Financial assets are included in the financial statements on a fair value basis at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from the changes in the fair value of the asset are recognised in the Fund Account.

The values of investment as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 26). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association).

Gloucestershire Pension Fund together with nine other shareholders each hold a 10% share in Brunel Pension Partnership Ltd (company number 10429110). As such, no fund is deemed to have a significant influence and this long term investment is accounted for at fair value. The asset was initially measured at cost and is subsequently revalued for any impairment.

The accounts for the year ended 31st March 2021 use the valuations for the Fund's assets based on the figures provided by the Fund's custodian, State Street.

Derivatives

Derivative contracts are valued at fair value and are determined using exchange prices at the reporting date. The fair value is the unrealised profit or loss at the current bid or offer market quoted price of the contract. Derivative contract assets, those with a positive value, are valued at bid price and derivative contract liabilities, those with a negative value, are valued at the offer price. The amounts included in change in market value are the realised gains and losses on closed futures contracts and the unrealised gains and losses on open futures contracts. The fair value of the forward currency contracts are based on market forward exchange rates at the year end date.

N3. Taxation

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and is exempt from UK capital gains tax on the proceeds of investments sold and UK income tax on interest received. Corporation Tax is deducted from UK equity dividends; tax deducted from property unit trusts can be reclaimed. Withholding tax is payable on income from overseas investments. This tax is recovered wherever local tax laws permit.

N4. Investment movements summary

2020/21

Asset Class	Market Value at 31 st March 2020	Purchases during the year at cost and derivative payments	Sales proceeds during the year and derivative receipts	Change in market value during the year	Market Value at 31 st March 2021
	£'000	£'000	£'000	£'000	£'000
Bonds	331,206	63,441	-52,290	18,394	360,751
Equities	-	-	-	-	-
Pooled Investments	*1,673,162	507,876	-496,390	572,881	2,257,529
Pooled Property Funds	*200,277	8,032	-2,509	-3,666	202,134
Private Equity/Venture Capital	4,491	-	-57	422	4,856
	<u>2,209,136</u>	<u>579,349</u>	<u>-551,246</u>	<u>588,031</u>	<u>2,825,270</u>
Derivative contracts:					
Futures	415	777	-1,857	459	-206
Forward currency contracts	-1,619	-	-	2,118	499
	<u>-1,204</u>	<u>777</u>	<u>-1,857</u>	<u>2,577</u>	<u>293</u>
Long term investment assets					
Brunel Pension Partnership Ltd.	427	-	-	-315	112
	<u>427</u>	<u>-</u>	<u>-</u>	<u>-315</u>	<u>112</u>
Net Investment Assets	<u>2,208,359</u>	<u>580,126</u>	<u>-553,103</u>	<u>590,293</u>	<u>2,825,675</u>

In addition to the investments there was £76,815k (£36,204k 2019/20) in cash, cash equivalents and accruals. Cash movements, currency adjustments and other end of year settlements totalled £359k (-£550k 2019/20). As a result the total profit (-) and losses on disposal of investments and changes in market value of investments was -£590.6m (£168.4m 2019/20).

* As a result of a change in CIPFA guidance Pooled Property Funds are now all grouped together in the Net Asset Statement where previously Property Unit Trusts were shown separately. The breakdown above has been changed to reflect the new format and £8,215k has been moved from the opening position of Pooled Investments to Pooled Property Funds

2019/20

Asset Class	Market Value at 31 st March 2019	Purchases during the year at cost and derivative payments	Sales proceeds during the year and derivative receipts	Change in market value during the year	Market Value at 31 st March 2020
	£'000	£'000	£'000	£'000	£'000
Bonds	323,927	91,304	-78,310	-5,715	331,206
Equities	-	-	-	-	-
Pooled Investments *	1,820,908	858,632	-849,625	-156,753	1,673,162
Pooled Property Funds *	201,128	3,773	-2,293	-2,331	200,277
Private Equity/Venture Capital	4,972	-	-44	-437	4,491
	<u>2,350,935</u>	<u>953,709</u>	<u>-930,272</u>	<u>-165,236</u>	<u>2,209,136</u>
Derivative contracts:					
Futures	-542	5,058	-3,474	-627	415
Forward currency contracts	410	-	-	-2,029	-1,619
	<u>-132</u>	<u>5,058</u>	<u>-3,474</u>	<u>-2,656</u>	<u>-1,204</u>
Long term investment assets					
Brunel Pension Partnership Ltd.	395	-	-	32	427
	<u>395</u>	<u>-</u>	<u>-</u>	<u>32</u>	<u>427</u>
Net Investment Assets	<u>2,351,198</u>	<u>958,767</u>	<u>-933,746</u>	<u>-167,860</u>	<u>2,208,359</u>

In addition to the investments there was £36,204k (£27,520k 2018/19) in cash, cash equivalents and accruals. Cash movements, currency adjustments and other end of year settlements totalled (-£550k) (£583k 2018/19). As a result the total profit (-) and losses on disposal of investments and changes in market value of investments was £168.4m (-£90.9m 2018/19).

* As a result of a change in CIPFA guidance in 2020/21, Pooled Property Funds are now all grouped together in the Net Asset Statement where previously Property Unit Trusts were shown separately. The breakdown above has been changed to reflect the new format and the movement of Property Funds from the Pooled Investment category to Pooled Property Funds.

The change in market value of investments comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

The closing market value of the derivatives in the previous tables represents fair value as at the year end date. In the case of derivative contracts, which are traded on exchanges, this value is determined using exchange prices at the reporting date. Forward foreign exchange contracts are over the counter contracts and are valued by determining the gain or loss that would arise from closing out the contract at the reporting date and entering into an equal and opposite contract as at that date. The profit or loss arising is included within the cash and accruals figure.

All derivative contracts settled during the period are reported within the table as purchases and sales.

N5. Management of fund assets

The market value of investments managed by each external manager at the end of the financial year was:

	2019/20		2020/21	
	£'000	%	£'000	%
Investments managed by the Brunel regional asset pool				
Legal & General Investment Management	477,178	21.3	498,512	17.2
Brunel Global High Alpha Fund	381,851	17.0	436,140	15.0
Brunel ACS UK Equity Fund	292,751	13.0	373,224	12.9
Brunel Global Sustainable Fund	-	-	254,269	8.8
Brunel Diversifying Returns Fund	-	-	217,761	7.5
Brunel Property Fund	-	-	208,809	7.2
Brunel Emerging Equity Fund	120,663	5.4	176,328	6.1
Brunel Private Equity and Infrastructure Portfolio	12,691	0.6	29,709	1.0
Brunel Pension Partnership Ltd. (Shareholding)	427	0.0	112	0.0
	1,285,561	57.3	2,194,864	75.7
Investments managed outside of the Brunel regional asset pool				
Western Asset Management Company Ltd.	521,508	23.2	582,266	20.1
Arcmont Asset Management Ltd.	30,752	1.4	33,360	1.1
Golub Capital Partners International	33,362	1.5	31,710	1.1
Technology Venture Partners	3,733	0.2	3,817	0.1
Yorkshire Fund Managers Ltd.	757	0.0	1,039	0.0
BlackRock Advisors (UK) Ltd.	63,290	2.8	-	-
CBRE Global Investment Partners Ltd.	62,383	2.8	-	-
Federated Hermes Investment Management Property Unit Trust	142,818	6.4	-	-
Aberdeen Standard Investments	79,715	3.5	-	-
	938,318	41.8	652,192	22.4
Total - External Managers	2,223,879	99.1	2,847,056	98.1
In-house cash and accruals	20,471	0.9	55,199	1.9
Cash instruments with Custodian	213	0.0	235	0.0
	2,244,563	100.0	2,902,490	100.0

Where the value of an investment exceeds 5% of the total value of net assets, details have been disclosed in note N16.

N6. Actuarial position of the Fund

- In line with the Local Government Pension Scheme Regulations, actuarial valuations of the Fund are required to be undertaken every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The latest valuation took place as at 31st March 2019 and established the minimum contribution payments for the three years until 31st March 2023. The next valuation will take place as at March 2022.

The key elements of the actuarial valuation are:

- to ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where it is reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations

The aim is to achieve 100% solvency over a period not exceeding 17 years depending on the type of employer and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

- The market value of the Fund's assets at the March 2019 triennial valuation date was £2,379m (£1,703m March 2016) and represented 102% (79.7% March 2016) of the Fund's accrued liabilities.
- The table below summarises the whole fund Primary and Secondary Contribution rates at the 2019 valuation. The 2016 valuation results of the Fund are shown for comparison.

	Last Valuation 31st March 2016		This Valuation 31st March 2019	
Primary Rate (% of pay)	19.6%		20.9%	
Secondary Rate (£)	2017/18	32,487,000	2020/21	30,652,000
	2018/19	36,638,000	2021/22	26,850,000
	2019/20	40,905,000	2022/23	24,353,000

- Individual employers' rates will vary depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2019 actuarial valuation report and the Funding Strategy Statement on the Fund's website. The Actuary has made an assessment of the contributions that should be paid into the Fund by participating employers for the period 1st April 2020 to 31st March 2023 in order to maintain the solvency of the Fund.
- The contribution rate has been calculated using the projected evolution of each employers' assets and benefit payments and the main actuarial assumptions used are as follows:

	Funding Basis	
	2016	2019
Rate of return on investments (Discount Rate)	4.0% pa	4.2% pa
Rate of general pay increases	2.4% pa	2.6% pa
Rate of increase to pensions in payment (in excess of guaranteed minimum pension)	2.1% pa	2.3% pa

- The estimate of the pension fund liability is subject to significant variations, based on changes to the underlying assumptions used - please see table above.
- The full actuarial valuation reports for 2007, 2010, 2013, 2016 and 2019 are published on the Pension pages of the County Council's website
- See note N24 for details of the Actuarial Present Value of Promised Retirement Benefits.

N7. Analysis of contributions receivable and benefits payable

	2019/20		2020/21	
	Contributions receivable £'000	Benefits payable £'000	Contributions receivable £'000	Benefits payable £'000
Gloucestershire County Council <i>[Administering authority]</i>	46,486	46,656	**60,830	47,185
Scheduled bodies (167 20/21) (164 19/20)* <i>[Bodies admitted by right]</i>	50,666	35,667	**76,371	35,530
Admitted bodies (36 20/21) (39 19/20)* <i>[Bodies admitted by agreement]</i>	5,968	5,967	6,598	5,584
	103,120	88,290	143,799	88,299

Scheduled bodies now include 102 (97 19/20) schools who have converted to academy status.

* These numbers relate to active employers with active members

** During 2020/21 Gloucestershire County Council and four scheduled bodies made the decision to pay lump sum deficit contributions of £38.8m to the Fund to benefit from earning greater investment returns in the short term resulting in reduced contribution payments owing in future years.

N8. Investment Strategy Statement

The Fund's Investment Strategy Statement (ISS) as required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 can be found on the Fund's website www.gloucestershire.gov.uk/pensions/investments. It includes a statement on the Fund's approach to pooling its investment assets as required under the Regulations.

N9. Related party transactions

Gloucestershire County Council, as Administering Authority for the Fund, incurred the following costs in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund. All monies owing to and due from the Fund were paid or accrued for in the year.

	2019/20 £'000	2020/21 £'000
Administrative expenses	2,362	2,144

Part of the Pension Fund's cash holdings are invested on the money markets by the Treasury Management team of Gloucestershire County Council, see notes N2, N21 and N25.

Of the County Council's key management personnel, some of the Executive Director Corporate Resources and Director of Finance remuneration costs were recharged to the Fund to reflect time spent supporting the Fund. These consisted of salary, fees and allowances of £28,528 (£11,209 2019/20) and employers' pension contributions of £8,815 (£3,464 2019/20). The increase on the year reflects the extra time spent by the Director of Finance prior to the commencement of the new Head of Pensions.

The Executive Director and Director are members of the Fund as contributing Gloucestershire County Council employees. This does not impact on their role as Finance Director and S151 officer, which is clearly defined.

The Pensions Committee is the decision making body for the Fund and Gloucestershire County Council nominates 6 voting committee members.

Each member of the Pension Committee is required to declare their interests at each meeting.

Mr. P. Clark, the Scheme Member Representative, is a non-voting member of the Pension Committee. Mr. Clark is a contributing member of the Pension Fund and this does not impact on his Pension Committee role. Three members of the Pension Committee were also District Council members as at 31st March 2021 and these are detailed below:

Member	District Council
Cllr. D. Brown	Gloucester City Council
Cllr. D. Gray	Tewkesbury Borough Council
Cllr. R. Theodoulou	Cotswold District Council

In addition to the roles outlined above, Cllr. R. Theodoulou represents the Gloucestershire Pension Fund on the Brunel Oversight Board. Cllr L. Stowe is corporate shareholder representative for Gloucestershire County Council for UBICO Limited which is an employer in the Fund.

Cllr. D. Gray replaced Cllr. N. Cooper on the Committee.

The Pension Board was created on the 1st April 2015. Five members of the Board are members of the Fund as contributing employees and another one is in receipt of pension benefits. This does not impact on their roles as members of the Pension Board given the nature of the Board's functions.

Transactions between employers and the Fund are disclosed in note N7.

Brunel Pension Partnership Ltd (Company Number 10429110)

Brunel was formed on the 14th October 2016 and will oversee the investment of pension fund assets for Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset and Wiltshire Funds.

Each of the ten local authorities, including Gloucestershire County Council own 10% of Brunel. Pension Fund transactions with Brunel are as follows:

	2019/20 £'000	2020/21 £'000
Income	-	-
Expenditure	860	909
Debtors	-	-
Payments in Advance	250	271
	<u>1,110</u>	<u>1,180</u>

In addition to his role as Pension Committee member and Cotswold District Council councillor, Cllr. R Theodoulou represents the Fund on the Brunel Oversight Board.

In 2020/21 the Pension Fund, together with the other nine Funds in Brunel, entered into a Pension Cost Recharge Agreement whereby each Fund agreed to reimburse Brunel with its share of regular ongoing pension related cashflows via its Annual Operating Charge. As part of this arrangement the Fund also agreed to pay or receive its share of any exit payment or credit should Brunel cease to be a member of the Local Government Pension Scheme. At the end of September 2020 the Fund's share of the possible charge was £657k.

N9a Key management personnel

The key management personnel of the Fund are the Section 151 Officer and the Head of Pensions. The Section 151 Officer's costs have not been included as the Pension Fund is recharged on a time spent basis and their salary is accounted for in Gloucestershire County Council's accounts.

Total remuneration payable to the Head of Pensions position is set out below. This changed from 0.5 full time equivalent (F.T.E.) in 2019/20 to 1 F.T.E commencing November 2020,

	2019/20 £'000	2020/21 £'000
Short-term benefits	73	51
Post-employment benefits	37	3
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	<u>110</u>	<u>54</u>

N10. Contingent liabilities and contractual commitments

Investment commitments

The Fund has investment commitments with three managers where the investment manager has not yet drawn down all monies due. These commitments relate to investments in private debt, private equity and infrastructure and are requested as and when the respective investment manager identifies an investment opportunity. The amounts requested can therefore be irregular in both size and timing.

During the year the Fund increased its commitment to the Brunel's infrastructure mandate by £50m, private equity mandate by £10m and private debt mandate by £40m. Brunel's private debt mandate is still in the process of being set up. Brunel anticipates that investment in its private equity, infrastructure and private debt funds may be fully drawn down by 2026. In relation to the Fund's private debt funds managed by Arcmont and Golub it is estimated that 80-85% of the Fund's total commitment has been drawn down and the private debt funds will start returning monies as investments mature rather than draw down the entire commitment.

The following table shows the Fund's total commitment and the remaining liability, following drawdowns, at the year end.

	Total Commitment	Outstanding liability 2019/20	Outstanding liability 2020/21
	£'000	£'000	£'000
Arcmont Asset Management Ltd. (private debt)	50,000	17,532	14,992
Golub Capital Partners International (private debt)	40,000	5,798	5,798
Brunel Pension Partnership Ltd. (private equity) Cycle 1	43,000	36,930	31,638
Brunel Pension Partnership Ltd. (private equity) Cycle 2	70,000	60,000	69,563
Brunel Pension Partnership Ltd. (infrastructure) Cycle 1	43,000	36,212	30,664
Brunel Pension Partnership Ltd. (infrastructure) Cycle 2	130,000	80,000	122,865
Brunel Pension Partnership Ltd. (private debt) Cycle 2	120,000	80,000	120,000
	496,000	316,472	395,520

Pension bonds

Eleven admitted body employers in the Pension Fund held insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default. No such defaults have occurred in 2020/21 (2019/20 nil).

Contingent liability

In 2020/21 the Pension Fund, together with the other nine Funds in Brunel, entered into a Pension Cost Recharge Agreement whereby each Fund agreed to reimburse Brunel with its share of regular ongoing pension related cashflows via its Annual Operating Charge. As part of this arrangement the Fund also agreed to pay or receive its share of any exit payment or credit should Brunel cease to be a member of the Local Government Pension Scheme. At the end of September 2020 the Fund's share of the possible charge was £657k.

N11. Stock lending

The Pension Funds' custodian has been authorised to release stock to third parties under a stock lending arrangement. At 31st March 2021 the value of stock out on loan was £20.4m of which £14.4m was in UK Government stock and £6.0m in Overseas Government Stock (In 19/20 the value out on loan was £3.7m in UK Government stock and £1.1m in Overseas Equity). Stock lending Commission of £3k was received by the Fund.

Collateral of £21.3m (£5.6m) equal to 104.4% (116.5%) of stock out on loan was held in the form of UK and Overseas Government stock and a restrictive list of Overseas Equities.

The Pension Fund stipulates those institutions that are allowed to borrow its stock and the type of collateral that is acceptable.

These investments continue to be recognised in the Fund's financial statements. During the period the stock is on loan, the voting rights of the loaned stocks pass to the borrower

Brunel also operated a stock lending programme in relation to the underlying assets in two of the Fund's pooled funds. At 31st March 2021 the market value of shares out on loan was £17.1m and the value of collateral held £18.5m (108.2%). Income of £40k was reinvested into the pooled funds.

N12. Financial asset analysis

	2019/20	2020/21	Note
	£'000	£'000	
Investment Assets			
Bonds			
Public Sector	45,332	45,381	
Corporate	285,874	315,370	
	331,206	360,751	
Pooled investment vehicles			
Equities	1,335,698	1,738,473	
Bonds	181,014	208,677	
Global Absolute Return	79,715	-	
Diversified Growth	-	217,761	
Private Equity	6,317	11,407	
Infrastructure	6,303	16,141	
Private Debt	64,115	65,070	
	1,673,162	2,257,529	N10
Other investments			
Pooled Property Investments	200,277	202,134	N10
Venture Capital/Private Equity	4,491	4,856	
	204,768	206,990	
Derivative Contracts			
Futures	2,426	583	
Forward Foreign Exchange Contracts	478	523	
	2,904	1,106	N15
Cash (Managers)			
Cash instruments	10,076	13,239	
Cash deposits	2,252	2,577	
	12,328	15,816	
Other investment balances			
Debtors			
Outstanding settlement of investment sales	-	1	
Accrued dividend income and tax reclaims due on dividend income	4,352	5,799	
	4,352	5,800	
Long term financial assets			
Brunel Pension Partnership Ltd.	427	112	
	427	112	
Total Investment Assets	2,229,147	2,848,104	

	2019/20	2020/21	Note
	£'000	£'000	
Investment Liabilities			
Derivative Contracts			
Futures	-2,011	-789	
Forward Foreign Exchange Contracts	-2,097	-24	
	-4,108	-813	N15
Other investment balances			
Creditors			
Outstanding settlement of investment purchases	-946	-	
Total Investment Liabilities	-5,054	-813	
Long Term Assets			
Contributions due from employers	315	308	
	315	308	N22
Current Assets			
Contributions due from employers	4,808	4,974	
Other current assets (debtors)	471	277	
Money due re. transfer of staff to another pension scheme	618	-	
Payments in advance	250	275	
Cash balances	17,539	50,668	N21
	23,686	56,194	N22
Current Liabilities			
Unpaid benefits	-18	-7	
Other liabilities (creditors)	-3,513	-1,296	
	-3,531	-1,303	N23
TOTAL	2,244,563	2,902,490	

The Chartered Institute of Public Finance & Accountancy (CIPFA) has removed the requirement to distinguish between quoted and unquoted assets and between UK and Overseas assets. CIPFA now also requires Pooled Investment Vehicles to be classified by underlying asset class rather than type of pooled fund. The presentation of the accounts have been adjusted to follow the new format.

N13. Investment income

Investment income arises from the following investment categories:

	2019/20 £'000	2020/21 £'000
Bonds	12,222	11,751
Pooled investment vehicles	5,574	3,608
Pooled property investments	6,902	8,325
Interest on cash deposits	303	140
Private equity	-	7
Other income from stock lending, underwriting and class actions	87	57
	<hr/> 25,088	<hr/> 23,888
Withholding tax	-46	43
	<hr/> 25,042	<hr/> 23,931

N14. Separately invested additional voluntary contributions (AVC's)

Gloucestershire Pension Fund provides additional voluntary contribution (AVC) schemes for its members with The Prudential Assurance Company Limited and Phoenix Life Limited. The AVC's are invested separately in funds managed by them. These are in the form of with-profits, unit-linked and deposit accounts and secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement receive an annual statement confirming amounts held to their account and movements in the year. These amounts are not included in the Pension Fund Accounts in accordance with Regulation 4 (1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended).

Value of separately invested additional voluntary contributions

	31st March 2020 £'000	31st March 2021 £'000
The Prudential Assurance Company Limited	6,385	6,922
Phoenix Life Limited	18	19
	<hr/> 6,403	<hr/> 6,941

Contributions paid by members in the Prudential scheme during 2020/21 totalled £610,385 (2019/20 £557,479).

N15. Derivatives

Investments in derivatives are only made if they contribute to a reduction of risks and facilitate efficient portfolio management. A derivative is a generic term for financial instruments used in the management of portfolios and is a financial contract between two parties, the value of which is determined by the underlying asset. Derivatives include futures, forwards, swaps and options.

The fixed income portfolio uses futures for duration management purposes. Additionally, the investment strategy for this manager, for the majority of overseas currency exposures, is to be fully hedged back to Sterling which is achieved by the use of foreign exchange forward contracts. To mitigate large unrealised profits or losses accruing with any one counterparty the contracts are split between a handful of banks and the contracts rolled quarterly in order that gains or losses are realised at regular intervals.

Derivative Contract Analysis

	Contract type*	2019/20 Economic Exposure £'000	2020/21 Economic Exposure £'000	Expiration	2019/20 Market Value £'000	2020/21 Market Value £'000
INVESTMENT ASSETS						
<u>Futures</u>						
UK - Fixed Interest UK Long Gilt Future	ET	-9,806	-	Less than 3 months	211	-
UK Futures		-9,806	-		211	-
Overseas - Fixed Interest US Treasury Long Bond Future	ET	1,444	-	Less than 3 months	105	-
US 5yr Note Future	ET	53,886	-	Less than 3 months	2,034	-
US 10yr Note Future	ET	-	-16,608	Less than 3 months	-	478
US Ultra Bond Future	ET	-	-1,839	Less than 3 months	-	105
German Euro-Bund Future	ET	-7,480	-	Less than 3 months	76	-
Overseas Futures		47,850	-18,447		2,215	583
Total Futures		38,044	-18,447		2,426	583
Forward foreign exchange contracts	OTC	10,805	36,753	Less than 6 months	478	523
Total Derivative Assets		48,849	18,306		2,904	1,106
INVESTMENT LIABILITIES						
<u>Futures</u>						
UK - Fixed Interest UK Long Gilt Future	ET	-	4,976	Less than 3 months	-	-52
UK Futures		-	4,976		-	-52
Overseas - Fixed Interest German Euro-Bund Future	ET	-	-7,733	Less than 3 months	-	-24
US 10yr Note Future	ET	-19,574	-	Less than 3 months	-1,084	-
US Ultra Bond Future	ET	-9,663	-	Less than 3 months	-927	-
US 5yr Note Future	ET	-	47,671	Less than 3 months	-	-654
US Treasury Long Bond Future	ET	-	1,120	Less than 3 months	-	-59
Overseas Futures		-29,237	41,058		-2,011	-737
Total Futures		-29,237	46,034		-2,011	-789
Forward foreign exchange contracts	OTC	46,343	5,804	Less than 6 months	-2,097	-24
Total Derivative Liabilities		17,106	51,838		-4,108	-813
Net Futures					-1,204	293

* Contract types ET (exchange traded) OTC (over the counter)

A breakdown of the open forward foreign exchange contracts at 31st March 2021 is given below:-

Open Forward Currency Contracts at 31st March 2021

Settlement	Currency bought	Local Value	Currency sold	Local Value	Asset Value	Liability Value
		000		000	£000	£000
Up to six months	GBP	10,892	EUR	12,392	329	-
Up to six months	GBP	11,888	USD	16,298	76	-
Up to six months	GBP	10,464	USD	14,345	68	-
Up to six months	GBP	1,328	EUR	1,509	41	-
Up to three months	USD	810	GBP	583	4	-
Up to three months	USD	1,156	GBP	835	3	-
Up to three months	USD	526	GBP	380	1	-
Up to three months	USD	530	GBP	383	1	-
Up to six months	GBP	5,804	USD	8,041	-	-24
Open forward currency contracts at 31st March 2021					<u>523</u>	<u>-24</u>
Net forward currency contracts at 31st March 2021						<u>499</u>
Prior year comparative						
Open forward currency contracts at 31st March 2020					<u>478</u>	<u>-2,097</u>
Net forward currency contracts at 31st March 2020						<u>-1,619</u>

N16. Investments exceeding 5% of Total Net Assets

At 31st March 2021 the Pension Fund held eight, (2019/20, seven) investments that each exceeded 5% of the total value of the net assets of the scheme. These eight investments totalled £2,089,909k out of a total market value for the Fund of £2,902,490k. These are detailed as follows:

<u>Investments exceeding 5% of Total Net Assets</u>	2019/20 £'000	%	2020/21 £'000	%
Brunel Global High Alpha Equity Fund	381,851	17.0	436,140	15.0
Brunel UK Equity Fund	292,751	13.0	373,224	12.9
Legal & General SSciBeta Multi Factor Developed Equity Index Fund	196,325	8.7	263,530	9.1
Brunel Global Sustainable Fund	-	-	254,269	8.8
Brunel Diversifying Returns Fund	-	-	217,761	7.5
Legg Mason Global Funds - WA GMS	173,831	7.7	201,044	6.9
Brunel Emerging Markets Equity Fund	120,663	5.4	176,328	6.1
Legal & General Developed World Equity Hedged Currency Index Fund	111,772	4.9	167,613	5.8
Federated Hermes Property Unit Trust	141,755	6.3	*	*
Legal & General Developed World Equity Index Fund	120,614	5.4	-	-
	1,539,562	68.4	2,089,909	72.1

* The Fund continues to hold the Federated Hermes Property Unit Trust, however it's value has dropped below 5% of Total Net Assets standing at £137,838,000 (4.75 %).

The Brunel Funds are Unit Trusts.

The Legg Mason Global Fund is an O.E.I.C. investing in overseas fixed interest.

Federated Hermes Property Unit Trust is a Property Unit Trust.

The Legal & General Funds are passively managed Unitised Insurance Policies .

N17. Agency services

The Pension Fund pays discretionary pension awards to former employees on behalf of some Pension Fund employers. The amounts paid are not included within the Fund Account but are provided as a service and fully reclaimed from the employer bodies. The sums are disclosed below.

	2019/20	2020/21
	£'000	£'000
Discretionary Payments	1,115	1,109

N18. Contributions breakdown

	2019/20	2020/21
	£'000	£'000
From Employers:		
Normal contributions	57,371	62,440
Augmentation contributions	-	-
Deficit recovery contributions	25,757	57,267
Section 75 debt (cessation of employer)	-1,194	2,066
Other	2,224	1,916
	<u>84,158</u>	<u>123,689</u>
From Members:		
Normal contributions	18,789	19,937
Additional voluntary contributions	173	173
	<u>18,962</u>	<u>20,110</u>

The Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The primary contribution rate, the rate which all employers in the Fund will pay was set at 20.9%, in addition most employers will also pay a secondary contribution rate depending on their own particular circumstances. Full details of the contribution rates payable can be found in the 2019 Actuarial Valuation Report and the Pension Fund's Annual Report.

The employers' monthly contributions are expressed as a percentage of pensionable pay. Deficit recovery payments are either based on a percentage of pensionable pay or paid as a lump sum. Both monthly contributions and deficit funding payments have been identified above. The deficit recovery contributions relate to past service benefit accrual and are payable over an agreed recovery period, not exceeding 17 years.

During 2020/21 Gloucestershire County Council and four scheduled bodies made the decision to pay lump sum deficit contributions of £38.8m to the Fund to benefit from earning greater investment returns in the short term resulting in reduced contribution payments owing in future years.

Employers who left the scheme during 2020/21 paid outstanding deficit payments, where necessary, and this was included under Section 75 debt.

A revision to the Regulations in May 2018 and a further, more recent revision permits, at the discretion of the Pension Fund, the payment of an exit credit to an employer. Exit credit payments are also included within Section 75 debt.

Other contributions are those contributions paid by an employer to compensate the Pension Fund for early retirement costs or excess ill health retirement costs.

These payments follow the principles outlined in the Funding Strategy Statement. Early retirement costs are usually paid in one lump sum or were historically paid over several years dependent on the status of the employer. When a payment is spread there is an extra cost to reflect the delay in total payment. There are currently no early retirement costs being spread and at 31st March 2021 there were no accrued early retirements due to the Fund (2019/20 nil).

The majority of employers are covered by an ill health insurance policy and claims are made as they arise. Excess ill health retirement costs, not covered by the insurance policy, are invoiced for where necessary. At 31st March 2021 £454k (2019/20 £117k) was due to the Pension fund for ill health retirement costs which have been accrued.

It had been agreed previously that an employer who left the Fund in 2008/09 could spread the payment of their deficit over a number of years. The total amount was credited to the Pension Fund and an accrual made for the outstanding amount. The accrual is rolled forward each year and adjusted for deficit payments made.

N19. Custody of investments

The accounts for the year ended 31st March 2021 use the valuations for the Fund's assets provided by our custodian, State Street Global Services. This reflects the position of the custodian who is ultimately the master book of record. Custodian records are regularly reconciled with the Fund Manager's records. Using the custodian's valuations ensures that the various portfolios are priced consistently, so that the same stocks, in different portfolios, are valued on the same basis. Investments held in custody by State Street Global Services on behalf of the Pension Fund, are ring-fenced from the assets of the Bank and segregated within its books as belonging to Gloucestershire Pension Fund.

N20. Management expenses

Pension Fund expenses have been accounted for in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Costs*.

<u>Management expenses</u>	2019/20	2020/21
	£'000	£'000
Investment management expenses *	7,797	10,146
Administration expenses	1,509	1,556
Oversight & governance	722	500
	10,028	12,202

* Please see a more detailed breakdown of the investment management expenses below.

Investment management expenses

2020/21

	Management Fees	Performance fees	Transaction Costs	Total
	£'000	£'000	£'000	£'000
Bonds	573	-	-	573
Pooled Investment Vehicles	6,699	-	554	7,253
Pooled Property Investments	1,040	-	-	1,040
Derivative Contracts	-	-	142	142
Brunel Pension Partnership Ltd.	1,049	-	-	1,049
	9,361	-	696	10,057
Custody Fees				89
				10,146

2019/20

	Management Fees	Performance fees	Transaction Costs	Total
	£'000	£'000	£'000	£'000
Bonds	541	-	-	541
Pooled Investment Vehicles	4,377	-	254	4,631
Pooled Property Investments	860	568	84	1,512
Derivative Contracts	-	-	29	29
Brunel Pension Partnership Ltd.	953	-	-	953
	6,731	568	367	7,666
Custody Fees				131
				7,797

Investment management expenses are generally set on a fixed fee basis, calculated using the market value of each portfolio. The cost of investment management expenses varies with the value of assets under management.

The increases investment management expenses during the period of £2.3 million arise as a result of three key factors:

- One of the Private Debt funds starting to return profits from which fees were deducted.
- The change in the Strategic Asset Allocation of the Fund.
- A different fee structure for the Brunel Global High Alpha and Brunel Emerging Market mandate compared to the previous investment mandate held by the Fund partly offset by a reduction in Pooled Property Investment fees.

Change in Strategic Asset Allocation

In accordance with the new agreed strategic asset allocation, two existing pooled funds were sold and the proceeds invested in a Global High Alpha Fund, Global Sustainable Fund and Diversifying Returns Fund managed by Brunel. This move resulted in increased transition costs of £492k in 2020/21. These changes, which were supported by the Independent Investment advisor to the Fund, are designed to improve investment returns, and increase diversification and reduce investment risks to the Fund.

Transaction costs

When an asset is purchased or sold a cost is incurred for broker commission and stamp duty, when appropriate, based on a small percentage of the value of assets being transacted.

Transaction costs of £696k (£367k 2019/20) were included within the purchase cost/proceeds of investment at the point of purchase or sale but for transparency purposes have been added to Investment Management Expenses with a corresponding offset against Profit on Disposal of Investments as recommended by CIPFA.

Transaction costs increased in 2020/21 largely due to an on-going re-organisation of investment managers and investment assets which commenced in 2018/19 together with an increase in derivative contract expenses.

Administration expenses and Oversight & Governance expenses

The increase in Administration Expenses was largely due to an increase in the number of staff employed. Whilst the decrease in Oversight & Governance was mainly due to a reduction in actuarial fees during the inter-valuation period.

Within Oversight and Governance costs there were actuarial expenses of £87,680 (£123,512 2019/20) generated by specific employer requirements, these were recharged back to the employer. The corresponding income is included within Recoveries for Services Provided in the Fund Account.

In addition to the recharged actuarial expenses, recoveries for services provided includes £5,959 (£12,586 19/20) for pension and fee reimbursements.

Audit fees

Audit fees of £22,575 (£24,605 in 2019/20) were incurred in relation to Grant Thornton UK LLP, the auditors appointed by Public Sector Audit Appointments Ltd. for external audit services.

N21. Cash

From the 1st April 2010 the Pension Fund has had its own bank account. At 31st March 2021 cash of £50.7m (£17.5m in 2019/20) was invested through the County Council's short-term investment procedures. During the year the average investment balance was £55.4m (£22.6m 2019/20) earning interest of £54.5k (£159.5k 2019/20).

N22. Current & long term assets

	2019/20	2020/21
	£'000	£'000
Current assets		
Contributions due - Employees	942	925
Contributions due - Employers	3,866	4,049
Sundry debtors	471	277
Payment in advance	250	275
Money due re. transfer of staff to another pension scheme	618	-
	6,147	5,526
Cash balances	17,539	50,668
	23,686	56,194

	2019/20	2020/21
	£'000	£'000
Long term assets		
Long term debtors	315	308

It had been agreed that an employer who left the Fund could spread the payment of their deficit over a number of years. The total amount was credited to the Pension Fund and an accrual made for the outstanding amount. The accrual is rolled forward each year and adjusted for deficit payments made. A payment of £7,200 is due to the Pension Fund within the next twelve months.

N23. Current liabilities

	2019/20	2020/21
	£'000	£'000
Benefits payable	-18	-7
Sundry creditors	-3,513	-1,296
	-3,531	-1,303

N24. Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation (See Note N6), the fund's Actuary also undertakes a valuation of the Pension Fund liabilities on an IAS19 basis every year. The promised retirement benefits at 31st March 2021 have been projected using a roll forward approximation from the latest formal funding valuation as at 31st March 2019. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However the Actuary is satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The Present Value of Promised Retirement Benefits at 31st March 2021 includes an allowance for the "McCloud ruling", i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes. This estimate was allowed for in the 31st March 2020 IAS26 reporting and is continued to be allowed for within the liabilities this year.

Present Value of Promised Retirement Benefits:

Year Ended	31st March 2020	31 st March 2021
	£m	£m
Active members	1,233	1,881
Deferred members	721	990
Pensioners	1,183	1,277
Total	3,137	4,148

It should be noted that the above figures are appropriate only for the preparation of the Fund's accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31st March 2021 and 31st March 2020. It is estimated that the impact of the change in financial assumptions to 31st March 2021 is to increase the actuarial present value by £837m (19/20 decrease of £303m). It is estimated that the impact of the change in demographic and longevity assumptions is to increase the actuarial present value by £49m (19/20 decrease by £104m).

Significant Actuarial Assumptions Used

Financial assumption:

Year Ended	31 st March 2020 % pa	31 st March 2021 % pa
Pension Increase Rate	1.90	2.85
Salary Increase Rate	2.20	3.15
Discount Rate	2.30	2.00

Longevity assumption:

Life expectancy is based on the Fund's VitaCurves alongside future improvements based on the CMI 2020 model with an allowance for smoothing of recent mortality experience and a long term rate of improvement of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below.

Longevity assumptions as at 31st March 2021	Males	Females
	Years	
Current Pensioners	21.9	24.3
Future Pensioners **	22.9	26.0

Longevity assumptions as at 31st March 2020	Males	Females
	Years	
Current Pensioners	21.7	23.9
Future Pensioners **	22.4	25.3

** Future pensioners are assumed to be aged 45 at the latest formal valuation as at 31st March 2019.

Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Commutation assumption:

An allowance is included for future retirements to elect to take 35% (35% 2019/20) of the maximum additional tax free cash up to HMRC limits for pre-April 2008 service and 68% (68% 2019/20) of the maximum tax free cash for post-April 2008 service.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31st March 2021	Approximate % increase to liabilities	Approximate monetary amount £m
0.5% p.a. increase in the Pension Increase Rate	9	379
0.5% p.a. increase in the Salary Increase Rate	1	37
0.5% p.a. decrease in the Real Discount Rate	10	424

Sensitivity to the assumptions for the year ended 31st March 2020	Approximate % increase to liabilities	Approximate monetary amount £m
0.5% p.a. increase in the Pension Increase Rate	9	273
0.5% p.a. increase in the Salary Increase Rate	1	28
0.5% p.a. decrease in the Real Discount Rate	10	304

The principal demographic assumption is the longevity assumption. For sensitivity purposes, the Actuary estimates that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

N25. Nature and extent of risks arising from Financial Instruments

The Gloucestershire Pension Fund's ("The Fund") objective is to generate positive investment returns for a given level of risk. Therefore the Fund holds financial instruments such as securities (equities, bonds), collective investment schemes (or pooled funds) and cash and cash equivalents. In addition debtors and creditors arise as a result of its operations. The value of these financial instruments in the financial statements approximates to their fair value.

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities i.e. promised benefits payable to members. Therefore the aim of investment risk management is to minimise the risk of an overall reduction on the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

The Fund's investments are managed on behalf of the Fund via Brunel and its appointed Investment Managers. In addition the Fund also has a small number of directly appointed Investment Managers. Each Investment Manager is required to invest the assets managed by them in accordance with the terms of their investment guidelines or pooled fund prospectus. The Gloucestershire Pension Fund Committee ("Committee") has determined that the investment management structure is appropriate and is in accordance with its investment strategy. The Committee regularly monitors each investment mandate and considers and takes advice on the nature of the investments made and associated risks.

The Fund's investments are held by State Street Global Services, who act as custodian on behalf of the Fund.

Because the Fund adopts a long term investment strategy, the high level risks described below will not alter significantly during the year unless there are significant strategic or tactical changes in the portfolio.

Market Risk

Market risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in market prices, interest rates or currencies. The Fund is exposed through its investments in equities, bonds and investment funds, to all these market risks. The aim of the investment strategy is to manage and control market risk within acceptable parameters, while optimising the return from the investment portfolio.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical, industry sectors, individual securities, investment mandate guidelines and Investment Managers. The risk arising from exposure to specific markets is limited by the strategic asset allocation, which is regularly monitored by the Committee as well as appropriate monitoring of market conditions and benchmark analysis.

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, caused by factors other than interest rate or foreign currency movements, whether those changes are caused by factors specific to the individual instrument, its issuer or factors affecting all such instruments in the market.

Market price risk arises from uncertainty about the future value of the financial instruments that the Fund holds. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited. The Investment Managers mitigate this price risk through diversification in line with their own investment strategies and mandate guidelines.

Other Price Risk - Sensitivity Analysis

The sensitivity of the Fund's investments to changes in market prices has been analysed using the volatility of return experienced by each investment portfolio during the year to 31st March 2021. The volatility data is broadly consistent with a one-standard deviation movement in the value of the assets. The analysis assumes that all other variables remain constant.

Movements in market prices would have increased or decreased the assets, as held by the Fund's custodian, at 31st March 2021 by the amounts shown below:

As at 31st March 2021	Value	Volatility of return	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
UK Bonds	333,654	8.00	360,346	306,962
Overseas Bonds	235,774	8.00	254,636	216,912
UK Equities	373,224	16.70	435,552	310,896
Multi National Equities	1,583,011	16.60	1,845,791	1,320,231
UK Property	188,361	14.20	215,108	161,614
Overseas Property	13,773	14.20	15,729	11,817
Venture Capital/Private Equity/Infrastructure	32,404	28.50	41,639	23,169
Private Debt	65,070	4.60	68,063	62,077
	2,825,271		3,236,864	2,413,678
Total Gloucestershire Fund	2,825,271	10.50%	3,121,924	2,528,618

As at 31st March 2020	Value	Volatility of return	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
UK Bonds	308,486	9.80	338,718	278,254
Overseas Bonds	203,734	9.80	223,700	183,768
UK Equities	292,751	27.50	373,258	212,244
Multi National Equities	1,122,661	27.00	1,425,779	819,543
UK Property	185,723	14.20	212,096	159,350
Overseas Property	14,554	14.20	16,621	12,487
Venture Capital/Private Equity/Infrastructure	17,111	28.40	21,971	12,251
Private Debt	64,115	7.20	68,731	59,499
	2,209,135		2,680,874	1,737,396
Total Gloucestershire Fund	2,209,135	16.30%	2,569,224	1,849,046

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risk, which represents the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. This risk will affect the value of both fixed interest and index linked securities. The amount of income receivable from cash balances will also be affected by fluctuations in interest rates.

The Funds exposure to interest rate movements, as a result of the bond portfolio, as at the 31st March 2021 is set out below along with the interest rate sensitivity analysis data.

Interest Rate Risk Sensitivity Analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. Over the last five years long term yields, as measured by the yield on the FTSE Over 15 Year Gilt Index as at the end of March 2021, have averaged 1.44% (2019/20 1.77%) and moved between a high of 2.36% (2.76% 2019/20) and a low of 0.45% (0.45% 2019/20). As at the end of March 2021 this yield was 1.32% (0.75% 2019/20). Given the high degree of uncertainty over the future economic situation, the Fund's bond manager has advised that it is entirely possible that yields could fluctuate anywhere within this historic range in the next year, or in extreme circumstances outside these boundaries.

Changes in interest rates do not impact on the value of cash and cash equivalents but they will affect the interest income received on those balances.

The analysis that follows assumes that all other variables, in particular, exchange rates, remain constant and shows the effect in the year on the values of a +/- 100bps (1%) change in interest rates on a time-weighted basis.

Assets exposed to interest rate risk	Carrying	Change in the year in the net	
	amount as at	assets available to pay benefits	
	31st March	+100BPS	-100BPS
	2021	(1% increase)	(1% decrease)
	£'000	£'000	£'000
Cash held directly by the Fund	50,668	-	-
Cash and cash equivalents held on behalf of the Fund	15,816	-	-
Bond Portfolio - Fixed Interest Securities excluding cash	551,606	-32,568	32,568
	618,090	-32,568	32,568

Assets exposed to interest rate risk	Carrying	Change in the year in the net	
	amount as at	assets available to pay benefits	
	31st March	+100BPS	-100BPS
	2020	(1% increase)	(1% decrease)
	£'000	£'000	£'000
Cash held directly by the Fund	17,539	-	-
Cash and cash equivalents held on behalf of the Fund	12,328	-	-
Bond Portfolio - Fixed Interest Securities excluding cash	516,614	-31,968	31,968
	546,481	-31,968	31,968

Foreign Currency Risk

Foreign currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on both monetary and non-monetary investments denominated in a currency other than Sterling. For a Sterling based investor, when Sterling weakens, the Sterling value of foreign currency denominated investments rises. As Sterling strengthens, the Sterling value of foreign currency denominated investment falls. We permit the fixed income portfolio manager and the global multi asset manager to hedge currency exposures back to Sterling.

Currency Risk Sensitivity Analysis

Following analysis of historical data, by the Fund's performance measurement service, the likely volatility associated with foreign exchange rate movements is considered to be 6.9% (as measured by one standard deviation).

This analysis assumes that all other variables, in particular interest rates, remain constant.

A 6.9% strengthening/weakening of the Pound against the various countries in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

2020/21 Currency exposure - Asset type	Asset value		
	as at	Change to net assets available	
	31st March	to pay benefits	
	2021	£'000	£'000
		+6.9%	-6.9%
UK Equities	-	-	-
Global Equities	1,140,344	1,219,028	1,061,660
Emerging Market Equities	-	-	-
Overseas Private Debt	32,611	34,861	30,361
Venture Capital /Private Equity/ Infrastructure	-	-	-
Diversified Growth	10,651	11,386	9,916
Cash/Cash equivalents	739	790	688
	<u>1,184,345</u>	<u>1,266,065</u>	<u>1,102,625</u>

2019/20 Currency exposure - Asset type	Asset value		
	as at	Change to net assets available	
	31st March	to pay benefits	
	2020	£'000	£'000
		+7.4%	-7.4%
UK Equities	3	3	3
Global Equities	877,084	941,988	812,180
Emerging Market Equities	-	-	-
Overseas Private Debt	33,363	35,832	30,894
Venture Capital /Private Equity/ Infrastructure	10,204	10,959	9,449
Diversified Growth	-	-	-
Cash/Cash equivalents	3,137	3,369	2,905
	<u>923,791</u>	<u>992,151</u>	<u>855,431</u>

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. This is often referred to as counterparty risk.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the careful selection and monitoring of counterparties including brokers, custodian and investment managers minimises any credit risk that may occur through the failure to settle transactions in a timely manner. The Fund's contractual exposure to credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Bankruptcy or insolvency of the custodian may affect the Fund's access to its assets. However, all assets held by the custodian are ring-fenced as "client assets" and therefore cannot be claimed by creditors of the custodian. Brunel, on behalf of the Fund, manages the risk by monitoring the credit quality and financial position of the custodian.

Credit risk on over the counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

The Fund's bond portfolios have significant credit risk through its underlying investments. This risk is managed through diversification across sovereign and corporate entities, credit quality and maturity of bonds. The market prices of bonds incorporate an assessment of credit quality in their valuation which reflects the probability of default (the yield of a bond will include a premium that will compensate for the risk of default).

The Council believes it has managed its exposure to credit risk within an acceptable level and its default experience over the last five financial years is not significantly out of line with the industry.

Another source of credit risk is the cash balances held to meet operational requirements or by the managers at their discretion. Internally held cash is managed on the Fund's behalf by the Council's Treasury Management Team in line with the Fund's Treasury Management Policy which sets out the permitted counterparties and limits. The Fund invests surplus cash held with the custodian in diversified money market funds.

Through its securities lending activities, the Fund is exposed to the counterparty risk of the collateral provided by borrowers against the securities lent. This risk is managed by restricting the collateral permitted to high grade sovereign debt, AAA rated fixed interest stock issued by Supranational bodies and a restrictive list of equities indices. Cash collateral is not permitted.

Foreign exchange contracts are subject to credit risk in relation to the counterparties of the contracts which are primarily banks. The maximum credit exposure on foreign currency contracts is any net profit on forward contracts, should the counterparty fail to meet its obligations to the Fund when it falls due.

The credit risk within the bond portfolios can be analysed using standard industry credit ratings and the analysis as at 31st March 2021 is set out below.

Credit Analysis

31st March 2021	AAA £'000	AA £'000	A £'000	BBB £'000	BB £'000	B £'000	Unrated £'000
UK Gilts	-	35,621	-	-	-	-	-
Overseas Govt Bonds	9,224	-	-	-	-	-	-
Corporate Bonds	-	15,468	149,081	110,538	7,130	4,109	1,160
Asset backed	1,098	5,483	4,966	19,044	2,296	-	-
Emerging Markets	-	-	3,796	824	1,023	30	-
Mortgage Backed Securities	-	1,908	-	-	-	-	-
Cash/Cash							
Equivalents/Currency	2	1	-	-	-	-	8,527
Forwards/Derivatives							
	10,324	58,481	157,843	130,406	10,449	4,139	9,687
% of Fixed Interest Portfolio	2.7	15.3	41.4	34.2	2.7	1.1	2.6

31st March 2020	AAA £'000	AA £'000	A £'000	BBB £'000	BB £'000	B £'000	Unrated £'000
UK Gilts	-	36,206	-	-	-	-	-
Overseas Govt Bonds	8,591	-	792	-	-	-	-
Corporate Bonds	3,399	22,302	150,966	102,758	-	-	-
High Yield	-	-	-	-	6,348	3,930	683
Emerging Markets	-	-	3,702	-	840	-	-
Mortgage Backed Securities	-	1,984	-	-	-	-	-
Cash/Cash							
Equivalents/Currency	6,818	1	-	-	-	-	-1,611
Forwards							
	18,808	60,493	155,460	102,758	7,188	3,930	-928
% of Fixed Interest Portfolio	5.4	17.4	44.7	29.6	2.1	1.1	-0.3

Treasury Management Year End Cash Balances

The management of Pension Fund cash balances not held by the Custodian is delegated to Gloucestershire County Council's Treasury Management team to manage in accordance with their Treasury Management Strategy, which reflects the CIPFA Code of Practice on Treasury Management in Public Services. Pension Fund cash is invested separately from Gloucestershire County Council monies.

The Fund's cash holding under its treasury management arrangements at 31st March 2021 is shown below:

Account Name	Rating*	Balances as at 31st March		Balances as at 31st	
		2020	2021	March 2021	Rating*
		£'000		£'000	
Aberdeen Standard Liquidity Fund	AAAm	5,857		10,000	AAAm
Federated Short Term Sterling Prime Fund	AAAm	-		10,000	AAAm
Goldman Sachs	AAAm	-		9,483	AAAm
HSBC Instant Access	A-1+	7,176		21,210	A-1
HSBC Current Account	A-1+	569		-25	A-1
Handelsbanken	A-1+	3,937		-	A-1+
Total		17,539		50,668	

* Ratings quoted are all Standard and Poors as at 31st March 2021 and 2020

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. The Pension Fund has not experienced any actual defaults in recent years and the current practice is to obtain a guarantee before admitting new employers so that all pension obligations are covered in the event of that employer facing financial difficulties. Contributions due as at 31st March 2021 was £4,974k (2019/20 £4,808k) and as at 2nd June 2021 £509k remained outstanding.

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments. A substantial portion of the Fund's investments consist of readily realisable securities, in particular equities and fixed income investments, even though a significant proportion is held in pooled funds. However, the main liability of the Fund are the benefits payable, which fall due over a long period and the investment strategy reflects the long term nature of these liabilities. Therefore the Fund is able to manage the liquidity risk that arises from its investments in less liquid asset classes such as property which are subject to longer redemption periods and cannot be considered as liquid as the other investments. The Fund maintains a cash balance to meet working requirements and has immediate access to its cash holdings.

Refinancing risk

Refinancing risk relates to the Fund being required to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. Refinancing risk within the Bond portfolio is mitigated through credit and liquidity analysis of all investments and diversification by issuer and maturity. The Brunel property portfolio managed on behalf of the Pension Fund is not leveraged or subject to refinancing risk. However, the underlying investments within this portfolio are leveraged and so may be subject to refinancing risk. This risk is mitigated by covenants written into the Fund documentation. There are no other financial instruments that have refinancing risk as part of its treasury management and investment strategies.

N26 Fair value hierarchy

Basis of valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Futures	Level 1	Published exchange prices at the year end	Not required	Not required
Quoted Bonds	Level 2	Fixed interest securities are valued at a market value based on current yields	Source of pricing, valuation methodology documentation	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risks	Not required
Pooled investments	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published.	NAV based pricing set on a forward pricing basis and prices published frequently.	Not required
Property Pooled investments	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published.	NAV-based pricing set on a forward pricing basis. Ease of redemption	Not required
Quoted Bonds	Level 3	Fixed interest securities are valued at a market value based on current yields	Source of pricing, valuation methodology documentation, trade comparison review	Low volume of trades in trade comparison review cohort.
Property Pooled investments	Level 3	Closing bid price where bid and offer prices are published. Closing single price where single price published.	NAV-based pricing set on a forward pricing basis. Ease of redemption	Valuations could be affected by changes in the structure of the holdings such as changing from a closed ended fund to an open ended fund.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Private equity	Level 3	Direct investments: valuation performed in accordance with international Financial Reporting Standards, International Private Equity Valuation guidelines and respective United States Generally Accepted Accounting Principles	EBITDA multiple, Revenue multiple, Discount for lack of marketability, Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts
Private Debt	Level 3	Fair value is determined by the following factors: enterprise value of a portfolio company, the nature and realisable value of any collateral, the portfolio company's ability to make payments and its earnings, discounted cash flows, market environment and changes in the interest rate environment	Initial recognition cost, Principal repayments, effective interest method, Impairment reductions	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts
Infrastructure Funds	Level 3	Direct investments: valuation performed in accordance with International Private Equity Valuation guidelines and respective United States Generally Accepted Accounting Principles	Future free cash flows from underlying investments. Cost of capital of underlying investments	Valuations could be affected by material events occurring after the preparation of the independent reports, and by changes to expected cash flows

Sensitivity of assets valued at level 3

Having consulted with independent advisors, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31st March 2021.

2020/21	Assessed valuation range (+/-)	Value at 31st March 2021 £'000	Value on increase £'000	Value on decrease £'000
UK Pooled Property Investments	14.2%	145,184	165,800	124,568
Venture Capital/Private Equity/Infrastructure	28.5%	32,404	41,639	23,169
UK Corporate Bonds	8.0%	3,395	3,667	3,123
UK Private Debt	4.6%	33,360	34,895	31,825
Overseas Private Debt	4.6%	31,710	33,169	30,251
Total		246,053	279,170	212,936

2019/20	Assessed valuation range (+/-)	Value at 31st March 2020 £'000	Value on increase £'000	Value on decrease £'000
UK Pooled Property Investments	14.2%	170,116	194,272	145,960
Venture Capital/Private Equity/Infrastructure	28.4%	17,111	21,971	12,251
UK Corporate Bonds	9.8%	17,699	19,434	15,965
UK Private Debt	7.2%	30,752	32,966	28,538
Overseas Private Debt	7.2%	33,363	35,765	30,961
Total		269,041	304,408	233,675

Fair Value Hierarchy

The Fund is required to classify its investments using a fair value hierarchy that reflects the subjectivity of the inputs used in making an assessment of fair value. Fair value is the value at which the investments could be realised within a reasonable timeframe. This hierarchy is not a measure of investment risk but a reflection of the ability to value the investments at fair value. Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur. The fair value hierarchy has the following levels:

- Level 1 – Unadjusted quoted prices in an active market for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Products classified as Level 1 comprise quoted equities, quoted fixed securities and quoted index linked securities.
- Level 2 – Inputs other than quoted market prices under Level 1, for example, when an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.
- Level 3 – At least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The following table provides an analysis of the financial assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Values at 31st March 2021	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
Financial assets at fair value through profit and loss	583	2,592,456	246,053	2,839,092
Non-financial assets at fair value through profit and loss	-	-	-	-
Financial liabilities at fair value through profit and loss	-789	-	-	-789
Investment manager cash and accruals				8,876
Net Investments Assets	-206	2,592,456	246,053	2,847,179
Brunel Pension Partnership Ltd.				112
Investment Debtors/Creditors*				55,199
Total Net Investment Assets	-206	2,592,456	246,053	2,902,490

Values at 31st March 2020	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
Financial assets at fair value through profit and loss	2,426	1,950,170	269,041	2,221,637
Non-financial assets at fair value through profit and loss	-	-	-	-
Financial liabilities at fair value through profit and loss	-2,011	-	-	-2,011
Investment manager cash and accruals				4,039
Net Investments Assets	415	1,950,170	269,041	2,223,665
Brunel Pension Partnership Ltd.				427
Investment Debtors/Creditors*				20,471
Total Net Investment Assets	415	1,950,170	269,041	2,244,563

* Investment debtors and creditors have been added to this table to reflect the total net assets of the Fund.

Transfers between Levels 1 and 2

There has been no movement between levels 1 & 2

Reconciliation of Fair Value Measurements within Level 3

2020/21

	UK property pooled funds £'000	Venture Capital/Private Equity £'000	Overseas Private Debt £'000	UK Private Debt £'000	UK Corporate Bonds £'000	Total £'000
Market Value 31st March 2020	170,116	17,111	33,363	30,752	17,699	269,041
Transfers into Level 3*	2,963	-	-	-	-	2,963
Transfers out of Level 3*	-24,064	-	-	-	-14,369	-38,433
Purchases during the year and derivative payments	25	23,501	-	2,540	-	26,066
Sales during the year and derivative receipts	-	-8,644	-	-93	-52	-8,789
Unrealised gains/(losses)	-3,856	450	-1,653	161	121	-4,777
Realised gains/(losses)	-	-14	-	-	-4	-18
Market Value 31st March 2021	145,184	32,404	31,710	33,360	3,395	246,053

2019/20

	UK property pooled funds £'000	Venture Capital/Private Equity £'000	Overseas Private Debt £'000	UK Private Debt £'000	UK Corporate Bonds £'000	Total £'000
Market Value 31st March 2019	164,487	7,249	20,145	22,252	3,512	217,645
Transfers into Level 3	6,135	-	-	-	15,451	21,586
Transfers out of Level 3	-	-	-	-	-	-
Purchases during the year and derivative payments	4,277	8,938	13,797	16,737	-	43,749
Sales during the year and derivative receipts	-	-793	-2,442	-7,775	-1,238	-12,248
Unrealised gains/(losses)	-4,783	1,752	-579	-462	-59	-4,131
Realised gains/(losses)	-	-35	2,442	-	33	2,440
Market Value 31st March 2020	170,116	17,111	33,363	30,752	17,699	269,041

* Following further information received, on the 1st April 2020 £24.1m of Pooled Property Investment was transferred from level 3 to level 2 and £3m Pooled Property Investment was transferred from level 2 to level 3. In the quarter ending March 2021, £14.4m of UK Corporate Bonds were transferred from level 3 to level 2 due to there being more observed trading activity to corroborate the fair values given.

N27. Financial instrument disclosure

2020/21	Fair value through profit and loss £'000	Assets at amortised cost £'000	Liabilities at amortised cost £'000
Financial assets			
Bonds	360,751	-	-
Pooled investment vehicles	2,257,529	-	-
Pooled property investments	202,134	-	-
Venture Capital/Private equity	4,856	-	-
Brunel Pension Partnership Ltd.	112	-	-
Derivative contracts	1,106	-	-
Cash	-	66,484	-
Other investment balances	-	5,800	-
Debtors	-	552	-
	2,826,488	72,836	-
Financial liabilities			
Derivative contracts	-813	-	-
Other investment balances	-	-	-
Creditors	-	-	-1,296
Borrowings	-	-	-
	-813	-	-1,296
	2,825,675	72,836	-1,296
2019/20	Fair value through profit and loss £'000	Assets at amortised cost £'000	Liabilities at amortised cost £'000
Financial assets			
Bonds	331,206	-	-
Pooled investment vehicles*	1,673,162	-	-
Pooled property investments*	200,277	-	-
Venture Capital/Private equity	4,491	-	-
Brunel Pension Partnership Ltd.	427	-	-
Derivative contracts	2,904	-	-
Cash	-	29,867	-
Other investment balances	-	4,352	-
Debtors	-	1,339	-
	2,212,467	35,558	-
Financial liabilities			
Derivative contracts	-4,108	-	-
Other investment balances	-	-	**-946
Creditors	-	-	-3,513
Borrowings	-	-	-
	-4,108	-	-4,459
	2,208,359	35,558	-4,459

* As a result of a change in CIPFA guidance Pooled Property Funds are now all grouped together in the Net Asset Statement where previously Property Unit Trusts were shown separately. The breakdown above has been changed to reflect the new format and £8,215k has been moved from Pooled Investment Vehicles to Pooled Property Investments.

**Other investment Balances of -£946 was entered in the wrong column in 2019-20; rather than being in the Assets at Amortised Cost column it should have been in the Liabilities at Amortised Cost column, the note has been re-stated to correct this error.

N27 (a) Net gains and losses on financial instruments

	2019/20 £'000	2020/21 £'000
Financial assets		
Fair value through profit and loss	-168,409	590,652
Amortised cost - realised gains on de-recognition of assets	-	-
Amortised cost - unrealised gains	-	-
Financial liabilities		
Fair value through profit and loss	-	-
Amortised cost - realised losses on de-recognition of assets	-	-
Amortised cost - unrealised losses	-	-
	<u>-168,409</u>	<u>590,652</u>

All realised gains and losses arise from the sale or disposal of financial assets which have been derecognised in the financial statements.

The Fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

N28. Bulk transfers in and out of the Pension Fund**Transfers to or from other pension funds**

During 2020/21 there were no bulk transfers to or from other pension funds.

N29. Accounting Standards that have been issued but have not yet been adopted

The Code requires consideration of the impact of standards that have been issued but not yet adopted. This is to enable users to evaluate the risk of these new standards on the pension fund's current financial position.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform

The amendments address issues that might affect financial reporting when an existing interest rate benchmark is replaced with an alternative benchmark interest rate. This will not have an impact on the Pension Fund and is therefore considered to be immaterial.

N30. Taxation where lifetime or annual allowances are exceeded

Where a member's benefit entitlement exceeds the United Kingdom Inland Revenue tax limits (Lifetime Allowance or the Annual Allowance), the member is liable for taxation. This tax can be paid by the member or has to be paid by the Pension Fund on behalf of the member in exchange for a reduction in benefit entitlement. The Pension Fund has paid £67k on behalf of members during 2020/21 (£74k 2019/20). Any lifetime or annual allowance tax paid on behalf of members is recovered from their future pension payments. No accruals are made for the recovery of this tax element on the grounds of materiality and the very long term nature of its recovery.

N31. Events after the reporting date

There were no events after the reporting date.