

Gloucestershire Pension Fund

Business Plan 2022-23

Introduction

This is the Business Plan for the Gloucestershire Pension Fund, which is managed and administered by Gloucestershire County Council. The Business Plan details our priorities and areas of key focus in relation to the Fund for 2022/23. The Business Plan is formally reviewed and agreed every year. However, throughout the year it is monitored by officers, and as a result the Pensions Committee may be asked to agree changes to it.

The purpose of the Business Plan is to:

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

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

Background to the Gloucestershire Pension Fund

The Gloucestershire Pension Fund is a £2.9bn⁺ Local Government Pension Scheme, which provides death and retirement benefits for local government employees (other than teachers, police and firefighters) in Gloucestershire and employees of other qualifying bodies which provide similar services. Total membership as at 31 March 2021 was 56,800 members consisting of 19,222 active, 20,274 deferred and 17,290 retired (pensioner/dependant) members. There are 204 active employer bodies in the Fund. The Pension Committee is responsible for the proper administration of all aspects of the Fund and has been delegated this authority by the County Council, as Administering Authority of the Fund.

Governance and management of the Fund

The Pension Committee is responsible for the proper administration of all aspects of the Fund and has been delegated this authority by the County Council, as Administering Authority of the Fund.

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

In its role as the administering authority, Gloucestershire County Council owes fiduciary duties to the employers and members of the Gloucestershire Pension Fund and must not compromise this with its own particular interests. Consequently, this fiduciary duty is a delegated responsibility of the Pensions Committee and its members must not compromise this with their own individual interests

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

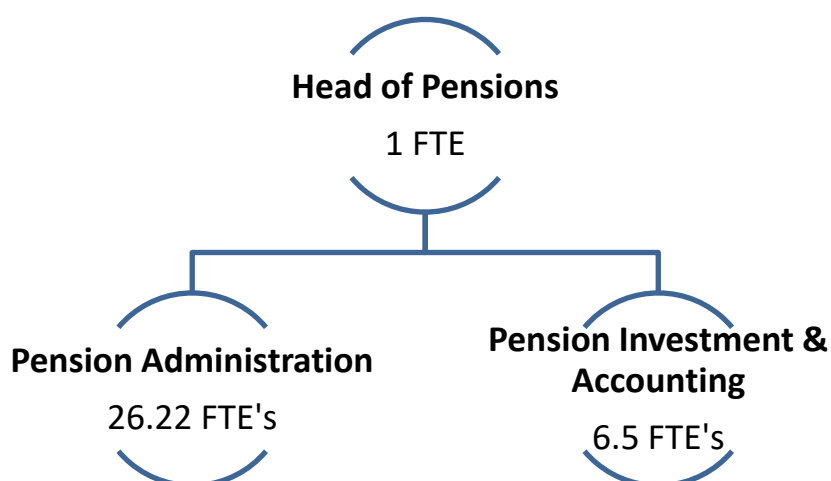
- securing compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS
- to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator
- secure the effective and efficient governance and administration of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

The Pension Fund Team

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

- The Pension Administration Section which is responsible for the day to day administration of pension benefits and is headed by the Pension Administration Manager. The team delivers a pensions service to approximately 56,800 scheme members and 204 Employers. This includes the calculation of various benefits, transfers in and out, refunds and maintenance of individual records. The team also implements and maintains the pension software systems, reconciles employer records, and oversees a pensioner payroll service for approximately 17,290 pensioners, survivors and dependents.
- The Pension Investment Section which is responsible for accounting, investment and governance matters is headed by the Pension Investment & Accounting Manager. The section is responsible for day to day accounting, production of the Annual Accounts and production of the Annual Report. Additionally, the section is responsible for all investment matters of the Fund, including implementing the Fund’s responsible investment approach, monitoring and managing of the fund managers and the approximately £2.9bn of assets (as at 31 March 2021). The Pension Investment Section is also responsible for overseeing the pooling of the Fund’s assets with eight other LGPS Funds, and the Environment Agency, into the Brunel Pension Partnership.

The team structure, as agreed by Committee is outlined below:



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

Aims and Objectives for the management of the Fund

Our Primary Objectives are:

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

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

Policy	Last approved	Next review due by
Communication Policy Statement	August 2018	June 2022
Exit Credit	May 2020	May 2023
Funding Strategy Statement	March 2021	March 2023
Governance Compliance Statement	March 2022	March 2025
Governance Policy Statement	March 2022	March 2025
Investment Strategy Statement	December 2021	June 2022
Pension Administration Strategy	April 2017	June 2022
Reporting Breaches of the Law	December 2021	December 2024
Risk Management	December 2021	December 2024
Statement of Administering Authority Discretions	December 2021	December 2024
Training Strategy	April 2021	April 2024

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

Governance

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

Funding

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

Investment Management

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

Training & Skills

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

Administration

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

Ongoing Activities

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

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

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

Governance

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

Accountancy

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

Funding

- Agreeing the funding strategy with the actuary and consulting with employers and monitoring continued appropriateness annually
- Assisting the actuary with the Actuarial Valuation by providing membership data and presenting results and explanations to employers of future employer contributions and deficit payments
- Arranging actuarial data required by the Government Actuary Department (“GAD”)

- Monitoring the employer's covenant including their ability to pay contributions and managing any employers who wish to join or leave the Fund
- Submitting monthly cash flow data to the actuary for employer asset tracking (HEAT)

Investments

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

Brunel Pension Partnership Oversight

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

Administration

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

Key Challenges and Influences

The next 12 months promise to be a very busy time for the fund. 2022 sees the next Actuarial valuation for the fund where opportunities and challenges are generated in equal measure from strong asset returns, widening diversity of employers and evolving funding risks. Good engagement and planning will be critical to ensure we deliver a successful year that sets a strong future course for the fund.

The potential for a positive funding position does present a different kind of challenge for the fund to those that have been faced over the last few decades. In the past, a large focus has been on plugging deficits and reaching 100% funding. The challenge now is to consider the options available to maximise the impact of gains made in recent years.

Evolving funding risks around, investment, inflation and longevity remain the long-term headline risks of the Fund. For various reasons (including the impact of the pandemic, climate change etc), the challenge of understanding and managing risk requires more time for the Fund to consider, measure and mitigate. A key activity will be to determine an appropriate level of prudence in the funding strategy to ensure the plans are robust in the face of each of these evolving risks.

Regarding climate change, during 2022 we expect to see action in areas such as capital reallocation, engagement and reporting. We will be working closely with Brunel in implementing the Funds' response to climate change and we expect this to become increasingly apparent during the year as we proceed with the climate stocktake

Inflation has risen further and faster than most market participants expected. Most believe that higher inflation will prove to be transient, falling back sharply in the latter half of 2022. However, we acknowledge that the risk it persists has increased significantly in recent months. The fund benefits from high allocations to equities and real assets which have historically provided good protection against high inflation over the long-term. We anticipate the monthly inflation figures to become the most closely monitored economic statistic during 2022.

We are still awaiting DLUHC action following conclusion of the Scheme Advisory Board's 'Good Governance' project in 2021, but hopefully with the Funds own governance review, this should leave the Fund in a strong position. At the same time, we are anticipating the launch of a new consolidated Single Code of Practice from TPR and will lead to the Fund focussing discussions at Committee and Board on cyber risk.

One of the biggest challenges ahead in 2022 is surrounding data. We expect consultations on phase two of the McCloud remedy to commence shortly. The stage two consultation will be about the choice of benefits available during the period between CARE introductions to 31 March 2022. The focus will be on the availability and quality of data not only for McCloud but also is a key consideration as we move closer to the launch of the Pensions Dashboard.

All these areas will formulate the core projects for the next 12 months and beyond.

Budget

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

	Budget 2022/23	Budget 2021/22
	£'000	£'000
Administrative Expenses		
Staff Costs	1,041	1,021
Premises	75	75
IT	460	460
Supplies and services	320	270
Other central costs	70	63
Cost of democracy	0	0
Other	15	15
Total Administrative Expenses	1,981	1,904
Investment Management Expenses		
Management fees	11,500	8,000
Performance fees	0	0
Custody fees	75	75
Brunel contract costs	1,120	1,065
Tax & legal costs	25	25
Transaction costs	500	500
Total Investment Management Expenses	13,220	9,665
Oversight & Governance Expenses		
Staff costs	240	235
Audit fees	50	30
Actuarial fees	400	350
Pension Committee/Board	20	20
Performance monitoring service	120	120
Investment consultancy	150	130
Other professional fees	150	200
Total Oversight & Governance Expenses	1,130	1,085
Income		
Recoveries for services provided	-100	-130
Total Pension Fund Budget	16,231	12,524

Delivering the Business Plan

Monitoring and Reporting

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

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

Risks

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

- Funding and investment risks
- Operational and regulatory risks
- Governance risks

Each of the detailed risks under these categories has been given a target risk score based upon impact and likelihood. These risks are then monitored against the target risk. Changes to the level of risk are reported at each Committee meeting.

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

Training Plan

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

The following high-level training plan has been developed for 2022/23 to assist in meeting these aims:

Title of Session	Timescale	Audience
Pensions Committee Pre-Meeting Training covering content relevant to agenda and CIPFA knowledge & skills framework modules	Quarterly	Pensions Committee, Local Pension Board and Officers
Local Pension Board Pre-Meeting Training covering content relevant to agenda and CIPFA knowledge & skills framework modules	Quarterly	Local Pension Board, Pensions Committee and Officers
PLSA Local Authority Conference	Q2	Pensions Committee, Local Pension Board and Officers
Brunel Pension Partnership Investor Day	Q3	Pensions Committee, Local Pension Board and Officers
Gloucestershire Pension Fund Training Day	Q3/Q4	Pensions Committee, Local Pension Board and Officers
CIPFA Pension Audit & Accounting workshop	Q4	Officers
LGA Fundamentals Training	As required	Pensions Committee, Local Pension Board
Hymans Online Learning Academy (LOLA)	As Required	Pensions Committee, Local Pension Board and Officers

Core Projects for 2022/23

1) 2022 Actuarial Valuation and associated tasks

What is it?

It is the formal actuarial valuation of the Fund detailing the solvency position and other financial metrics. It is a legal requirement of the LGPS Regulations. It determines the contribution rates payable by the employers to fund the cost of benefits and make good any existing shortfalls as set out in the separate Funding Strategy Statement. This is considered in conjunction with an employer risk management assessment. The exercise will include cash flow projections that can be used to prepare the Funds cash management and investment strategy.

Timescales and Stages

Effective date 31 March 2022

Initial whole Fund results (expected) 2022/23 Q2

Individual Employer results (expected) 2022/23 Q3

Deadline for agreement of all contributions and sign-off 31 March 2023

Resource and Budget Implications

The exercise will be performed by the Funds Actuary and it will determine contribution requirements for all participating employers from 1 April 2023. It is a major exercise for the Fund and will take considerable resource from the Administration and Finance teams over 2022/23. Employers will be formally consulted on the funding strategy as part of the process. The Fund Actuary's costs in relation to this exercise are included in the 2022/23 budget.

2) Review pensions administration system contract

What is it?

The Fund has a contract with Aquila Heywood in relation to their Altair administration system which expires in 2023. The Fund have access to the LGPS National Frameworks, which includes a framework for pensions administration systems. It is envisaged that the Fund would make use of this framework. Should a new software supplier be appointed, there will be a significant amount of work required to migrate to the new system.

Timescales and Stages

Finalise national framework for pensions administration system 2020/21 Q1

Conduct tender for CPF administration system 2022/23 Q2 to Q4

Transition to new administration system if required 2023/24

Resource and Budget Implications

To be led by the Head of Pensions and Pension Administration Manager. If transition to a new system is required, there are likely to be significant transition costs and the ongoing cost for systems included in the 2022/23 budget will probably change.

3) Pensions Dashboard (including a Data Improvement Strategy)

What is it?

The Pensions Dashboard is a Government initiative first announced in the Budget 2016. The idea behind the Dashboard is to allow all pension savers in the UK access to view the values of all of their pension pots, including state pension, through one central platform. A consultation was undertaken by Government in early 2019 which sought views on the potential phasing of the introduction of the pensions dashboards as well as how the architecture, funding and governance arrangements would work. The legislative requirements to participate in the Pension Dashboard for schemes (including public sector schemes) was launched by DWP in February 2022. The actual timescales that will apply to public sector pension schemes are not yet known so the timescales below are estimated. However, in preparation for this, the Fund will embark on producing a Data Improvement Strategy and plan.

Timescales and Stages

Data Improvement Strategy 2022/23 Q2 to Q3

Data Improvement Plan 2022/23 Q4

Potential Pension Dashboard launch 2023/24

Resource and Budget Implications

The Data Improvement Strategy and Plan will be led by the Head of Pensions and the Pensions Administration Manager. Resource and budget implications cannot be determined until more detail is available, especially around the Pensions Dashboard.

4) McCloud

What is it?

The McCloud case has highlighted that the introduction of the new CARE schemes for Firefighters and Judges in April 2015 were unlawful. This impacts on other public service pension schemes including the LGPS where the new CARE scheme from April 2014 included a statutory underpin for older members. Remedies are being worked through by Government to remove the inequality in the schemes, which will result in changes to scheme benefits some of which will be retrospective. From an administrative perspective the impact of McCloud will result in a change to how benefits are calculated for a large number of scheme members including members who have left. This is likely to significantly impact on administration process and systems as well as requiring a robust communication exercise with

employers and scheme members. The additional resource/system requirements are likely to be significant. The remediation is subject to a Public Service Pensions and Judicial Offices Bill, which is currently laid before parliament.

Timescales and Stages

McCloud planning/impact analysis 2022/23 Q1 ongoing

Timescales will be updated as more information becomes available.

Resource and Budget Implications

It will impact across all of the Administration Team. No estimated allowance for additional resource has been included in the 2022/23 budget at this time. Support from the pensions administration software provider is likely to require additional budget is also likely to be needed in future years as the impact is realised.

Key Tasks/Work Plan for 2022/23

Governance

Task	Q1 (Apr-Jun 22)	Q2 (Jul-Sep 22)	Q3 (Oct-Dec 22)	Q4 (Jan-Mar 23)
Review of Risk Register	✓	✓	✓	✓
Approval of External Audit Plan	✓			
Implement outcomes of the Funds Governance Review	✓	✓	✓	✓
Review and approve Business Plan for 2023/24				✓
Annual review against The Pensions Regulators Code of Practise				✓
Approval of audited Fund accounts		✓		
Approval of Annual Report			✓	
Review Policy Statements		✓		✓
Training Needs Analysis				✓
Review Breaches log	✓	✓	✓	✓
Monitor employer activity	✓	✓	✓	✓

Funding

Task	Q1 (Apr-Jun 22)	Q2 (Jul-Sep 22)	Q3 (Oct-Dec 22)	Q4 (Jan-Mar 23)
Review of ongoing funding position	✓	✓	✓	✓
Cash flow modelling				✓
Review the Funding Strategy Statement			✓	✓

Investment Management

Task	Q1 (Apr-Jun 22)	Q2 (Jul-Sep 22)	Q3 (Oct-Dec 22)	Q4 (Jan-Mar 23)
Monitor Fund performance	✓	✓	✓	✓
Responsible Investment Reporting	✓	✓	✓	✓
Review the Funds Investment Strategy Statement	✓			
Review the Funds Responsible Investment Policy			✓	✓
Review the recommendations of the Taskforce for Climate-related Financial Disclosure (TCFD) and requirements for UK Stewardship code signatory status	✓	✓	✓	✓

Administration

Task	Q1 (Apr-Jun 22)	Q2 (Jul-Sep 22)	Q3 (Oct-Dec 22)	Q4 (Jan-Mar 23)
Issue Annual Benefit Statements to active and deferred members		✓		
P60's distributed to pensioner members	✓			
Recruitment of agreed additional resources	✓			
Annual pension in payment and CARE accrual increase exercise	✓			
Annual submission of HMRC Event report				✓
Issue notices to employees for breaches of HMRC Annual Allowance limits			✓	

Provision of data to actuary to produce financial accounting required for employer accounts	✓	✓	✓	
Reconciliation of membership data for all employers	✓	✓		✓
Review and correct data errors		✓	✓	
Process and reconcile membership pay and contribution data for year end	✓	✓		
Data quality assessment for the Pensions Regulator		✓		