

**REPORT TITLE: Gloucestershire Pension Fund Update – Part 1 – Governance & Operations**

<b>Meeting:</b>	Pension Committee
<b>Date:</b>	7 December 2023
<b>Item Type:</b>	For information
<b>Purpose of Report:</b>	<p>To update the Committee on matters relating to the governance of the Fund and provide details of ongoing and future business operational issues.</p> <p>The provision of this information to the Committee is important in ensuring the Committee in complying with its Governance responsibilities under the Public Service Pensions Act 2013.</p> <p>The recommendation is considered to be appropriate in the context of the obligations flowing from the Regulations.</p>
<b>Recommendations or Actions Sought:</b>	<p>That the Committee notes the update provided within this report and seeks from officers such clarifications or further assurance as they require.</p>
<b>Background Documents:</b>	<p>The Pensions Committee last received a Governance &amp; Operations summary update at its meeting on the 22 September 2023. The report and related minutes can be found at item 37 of the following link.</p> <p><a href="https://www.gloucestershire.gov.uk/agenda-for-pension-committee-on-friday-22-september-2023-10.00-am">Agenda for Pension Committee on Friday 22 September 2023, 10.00 am (gloucestershire.gov.uk)</a></p>
<b>Appendices:</b>	<p>Appendix 1 – Key Performance Indicators</p> <p>Appendix 2 – Business Plan 2023/24</p> <p>Appendix 3 – Governance Workplan</p>
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## Introduction

This report updates the Committee on governance and operational matters arising since the previous Committee meeting, the updates in this paper relate to:

- Governance
  - Employer update
  - Consultations
  - Brunel
- Operations
  - Key Performance Indicators
  - Business Plan 2023/24
  - Governance workplan

## Governance

### Employer update

The following table outlines those Employers who have been admitted to the Fund in the period:

Employer	Awarding Authority	Date of Admission	Length of agreement	Basis of admission
<b>Caterlink</b>	St Peters Catholic High School	1 September 2023	3 Years with possible 2 years extension	Contract-Admitted Body
<b>Pendergate (Kindred)</b>	St Peters Catholic High School	1 October 2023	3 Years with possible 2 years extension	Contract-Admitted Body

The following table outlines those Employers who have ceased been admitted to the Fund in the period:

Employer	Awarding Authority	Date of Admission	Date of Cessation
<b>Pauntley PC</b>	-	1 April 2013	31 March 2020
<b>Aspens</b>	Denmark Road High School	5 April 2019	17 January 2022
<b>Direct Cleaning</b>	St Peters Catholic High School	1 September 2020	30 September 2023

## Consultations

### Next steps on Investment

On the 11 July, the Department for Levelling-Up, Housing and Communities launched a consultation entitled: Next Steps on Investment. This related to the awaited consultation of pooling guidance. The Fund provided a response to the consultation here: [Gloucestershire Pension Fund - Agreed Pooling Consultation Response](#).

The consultation received 152 responses from across the sector. The government have provided a response to the consultation here: [Local Government Pension Scheme \(England and Wales\): Next steps on investments - government response - GOV.UK \(www.gov.uk\)](#)

The government response forms part of the Pension Reforms detailed in the Autumn Statement: [Autumn Statement Pensions Reform 2023 - GOV.UK \(www.gov.uk\)](#)  
Specifically, the reforms in respect of the LGPS refer to the following:

- confirming a March 2025 deadline for the accelerated consolidation of Local Government Pension Scheme (England and Wales) assets.
- setting a direction towards fewer pools exceeding £50 billion Assets Under Management
- implementing a 10% allocation ambition for investments in private equity.

We will await further details and guidance from DLUHC in relation to these matters and will keep Committee regularly updated.

### Economic Activity of Public Bodies (Overseas Matters)

On 23 June 2023 the Government published the [Economic Activity of Public Bodies \(Overseas Matters\) Bill](#), also known as the Boycotts, Divestments and Sanctions Bill.

The Bill, if enacted, would prevent Administering Authorities from making investment decisions “influenced by political or moral disapproval of foreign states”, except where this is required by formal Government legal sanctions, embargoes, and restrictions.

Part two of the Schedule sets out exceptions for “certain types of consideration” to which the relevant provisions of the Bill (mainly section one) would not apply. The provisions in this part of the Schedule effectively permit boycotts of, or divestment from, relevant investments where the rationale for that decision includes “labour-related misconduct”, or “environmental misconduct”. This would permit LGPS funds, and other affected decision makers, to take into account considerations relating to Environmental, Social and Governance (ESG) factors when making decisions not to invest, or to divest. This is in line with established investment practice in the LGPS.

While private sector pension funds have been excluded, the LGPS would be covered by the Bill. The Pensions Regulator (TPR) would be responsible for overseeing compliance.

The Scheme Advisory Board responded as follows to the announcement of the Bill:

- We would point out that LGPS is a well-funded and well-run Scheme. Administering Authorities take their statutory and fiduciary duties around the investment of pension funds very seriously.

- They also take very seriously their duties under the Equality Act to foster good relations between different communities and to eliminate discrimination.
- As far as the Board is aware, there is no evidence that any LGPS fund has instituted inappropriate politically motivated boycott or divestment policies
- We have concerns that there would also be scope for judicial review by “interested third parties” in parallel to TPR action

At the time of writing the report, the Bill is currently awaiting its 3<sup>rd</sup> reading.

## **Brunel**

### **UK Stewardship Code**

Brunel have retained their status as a signatory to the UK Stewardship code.

### **ACS operator**

Brunel’s Listed Markets portfolios are held through an Authorised Contractual Scheme (ACS) which is a tax efficient wrapper.

An ACS requires an operator, known as the Alternative Investment Fund Manager (AIFM), who appoints key function holders such as Investment Manager, Custodian and Administrator. At launch, Brunel appointed FundRock to this role.

In September, following a detailed procurement process, Brunel appointed Tutman as their new ACS operator. Brunel have subsequently worked with Tutman to successfully transition responsibilities.

As Brunel’s business matures, several of the original 3rd party contracts are coming up for review and potential renewal. Brunel’s Project Team are planning and coordinating this activity, assured by Officers from Client Group due to the Public Contracts Regulations (PCR) framework requirements in some cases.

### **Brunel Chair**

It has been announced that current independent Chair, Denise Le Gal will be stepping down towards the end of 2024, after 8 years of service. Recruitment for a new independent Chair is currently underway. Click [here](#) for the press release.

## Operations

### Key Performance Indicators

The key performance indicators (KPI's), which are attached as appendix 1 to this report are now based on the revised targets as agreed by Committee in June 2023.

We have included a trend analysis, on a rolling 12 month basis, against the new KPIs as if they had been applied since April 2020. This analysis also now tracks the case volumes and this reflects a marked increase over the same period.

On a quarter v quarter basis, overall case volumes remain consistent at 624 completed cases compared to 621 in the previous quarter. Overall, the number of cases completed within target also remained consistent at c80% across the quarters.

The individual KPI performance levels over the quarter remain within expected levels of deviation based on case volumes, and that the quarter historically sees a reduction in available resources due to annual leave.

### Business Plan 2023/24

The following is a summary, together with commentary of the amber key tasks from the work plan agreed as part of the business plan for 2023/24.

A detailed report against all items is attached as appendix 2 to this report

### Governance

Task	2022/23	2023/24			
	Q4	Q1	Q2	Q3	Q4
Annual review against The Pensions Regulators Code of Practise	Moved onto the 2023/24 business plan			Still awaiting publication of the single code of practise	

## Core projects tracking from 2023/24 business plan

Below is a brief tracking of the core projects identified in the 2023/24 business case.

1) Responsible Investment Policy and TCFD reporting	The Responsible investment policy is to be considered by Committee at its meeting on 7 December 2023.	
2) Review pensions administration system contract	On schedule	
3) Pensions Dashboard (including a Data Improvement Strategy)	Commenced and initial data check undertaken. Overall project has been delayed by Government and we await confirmation of new staging date	
4) McCloud	On schedule	

## Governance Review

A detailed report on the tasks from the work plan agreed by Committee in September 2021 is attached as appendix 3 to this report.

The following activities were scheduled to commence, but have been held. All other activities are operating to schedule. The development of a Fund Cyber Strategy has been rescheduled to coincide with the Core Project 1 of the business plan 2023/24.

Action	Reason	Timescales	Current action/comment
<b>Carrying out a review of Fund's practices against TPR's New Code of Practice</b>	As part of best practice, we would expect the Administering Authority to carry out a regular review of their practices against the New Code.	Awaiting code of practice from TPR	On hold