

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

<b>Meeting:</b>	Pension Committee
<b>Date:</b>	29 February 2024
<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>	That the Committee notes the update provided within this report and seeks from officers such clarifications or further assurance as they require.
<b>Background Documents:</b>	<p>The Pensions Committee last received a Governance &amp; Operations summary update at its meeting on the 7 December 2023. The report and related minutes can be found on the following link.</p> <p><a href="https://www.gloucestershire.gov.uk/agenda-for-pension-committee-on-thursday-7-december-2023-10-00-am">Agenda for Pension Committee on Thursday 7 December 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
  - The Pensions Regulator (TPR) General Code of Practise
  - Brunel
- Operations
  - Key Performance Indicators
  - Business Plan 2023/24
  - 2023/24 Budget position forecast
  - 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>KGB Cleaning SW Limited</b>	All Saints Academy	1 January 2022	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>Civica UK Limited</b>	Gloucester City Council	29 April 2014	30 November 2022
<b>Aspens</b>	Farmors School	10 December 2018	31 July 2022
<b>Civica UK Limited</b>	Gloucester City Council	25 October 2011	31 May 2022
<b>Gloucestershire Airport Limited</b>	Gloucester City Council & Cheltenham Borough Council	1 December 1992	31 May 2022
<b>Gloucester City Homes Limited</b>	Gloucester City Council	17 March 2015	29 September 2023

## **The Pensions Regulator (TPR) General Code of Practise**

The TPR has published its new General Code of Practice (the 'Code') which has now been laid in Parliament. The Code is expected to come into force on 27 March 2024.

### **Overview**

The Code consolidates and modernises 10 previous codes into a single Code and sets out governance standards for pension schemes.

For Public Service Pension Schemes specifically, the Code replaces Code of Practice 14 (Governance and Administration of Public Service Pension Schemes).

The Code will be accessible online and the paper version runs to 171 pages comprising 51 modules (not all will apply to the LGPS).

### **The General Code of practice**

The new Code covers all governance (including investment governance) and administration conduct and practices required of an LGPS fund. As part of TPR's goal to simplify its layout and make it easier for users to navigate, TPR has categorised the new General Code into five areas:

- The Governing Body
- Funding and investment
- Communications and disclosure
- Administration
- Reporting to TPR

Within each of these five areas are specific modules that apply to the running of a pension scheme. It was well publicised that new modules on Cyber controls and Pension scams would feature prominently in the new Code. TPR's expectations in these areas remain pretty much unchanged since the draft Code was produced in 2021.

Part of TPR's remit for the General Code is to give practical guidance on legal obligations, and it's one of the main entities policing this compliance. Compliance with the Code is important to uphold the Fund's reputation and avoid fines or other remedial measures from TPR. Ultimately though, compliance with the Code is a positive opportunity to demonstrate effective decision making, oversight, processes and internal controls

Overall, the General Code provides Funds with a strong framework to assess existing fund compliance levels concerning the running of the Fund, managing advisers and service providers, risk management and, importantly, the administration of the scheme for members. If the Fund was subject to a visit from TPR, it would be in all these areas that it would expect evidence of compliance from the Fund.

### **Next Steps**

The following activity will be undertaken and this will form a core project within the 2024/25 Fund Business Plan.

1. Training provided to Committee and Board members on the expectations set out by TPR within the General Code.
2. Assess current levels of compliance for all 'must' areas within the General code, as it pertains to our Fund. Identify any gaps of partial or non-compliance.
3. Consider expected areas of 'should' and 'best practice' indicated by TPR.
4. Set out what new policies or processes will be required because of this assessment.

This activity will be undertaken by Officers, and where appropriate external support, with a report being brought back to the June 2024 Pensions Committee meeting relating to points 2 to 4 above.

We are also expecting guidance and support to be provided by the LGPS Scheme Advisory Board (SAB).

## **Brunel**

### **2023 Review**

Brunel has published a review of the year 2023, which captures key highlights across Responsible Investment, strategy, culture, governance and climate change.

The full review of 2023 can be found here: [2023-REVIEW.pdf \(brunelpensionpartnership.org\)](https://www.brunelpensionpartnership.org/2023-REVIEW.pdf).

The report aims to reflect on the progress of the partnership throughout 2023. It contains case studies on investment in UK affordable housing and private debt lending to mid-market UK businesses, a look at Brunel focus their internal culture (from flexible working to tracking our carbon footprint), an update on their biodiversity theme, and, at a strategic level, both a taking stock and a look-ahead to the future of pooling.

# Operations

## Key Performance Indicators

The key performance indicators (KPI's), which are attached as appendix 1 to this report are based on the revised interim 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 have increased by 38% from 624 to 862.

Progress continues to be made in improving the individual KPI performance levels, with 1 KPI being achieved and 3 out of the 5 now approaching target. 1 KPI remained low over the quarter, but this is the area that saw the most increase in case volume over the quarter.

Progress continues to be made on upskilling and onboarding new members of the administration team, with c38% of the team having less than 18 months service. The vacancy rate within the administration team is currently c25% (8 posts) as we continue recruitment of the additional resources.

## 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. All tasks for 2023/24 have been completed expect the below, as we were awaiting the launch of the General Code of Practice

## Governance

Task	2022/23	2023/24			
	Q4	Q1	Q2	Q3	Q4
Annual review against The Pensions Regulators Code of Practice	Moved onto the 2023/24 business plan				Moved to core project for 2024/25 business plan

## 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	Completed - RI Policy	✓
	Ongoing – TCFD reporting on 2024/25 business plan	
2) Review pensions administration system contract	Completed – Procurement exercise completed	✓
3) Pensions Dashboard (including a Data Improvement Strategy)	On hold Commenced and initial data check undertaken. Overall project has been delayed by Government and we await confirmation of new staging date	
4) McCloud	Ongoing – on 2024/25 business plan	

## 2023/24 Budget position forecast

The Fund's operational budget, as approved by the Pension Committee in March 2023, includes core running costs of administration, governance and investment officers and direct service providers.

This budget, however, does exclude investment management fees and expenses, as these are largely based on asset valuations, performance, and transactional basis and as a result are extremely difficult to predict. They are however monitored and separately reported annually, fully in line with the Cost Transparency Initiative (CTI) reporting framework and are considered alongside investment returns.

In June 2023, the Pension Committee approved a revision to the 2023-24 budget totalling an additional £260k to increase staffing and resources as recommended under an independent review of the Administration Team undertaken during 2022-23. The budget shown below therefore includes this addition.

The Fund is currently forecasting an overall underspend of £361k (7%) against the revised operating budget for 2023/24, based on actual expenditure at the end of December 2023.

Gloucestershire Pension Fund - Budget 2023-24 Projected Outturn Position Feb 24				
	2023-24			
	Revised Budget 2023-24	Forecast Outturn	Forecast Variance	Variance
	£ 000	£000	£000	%
<b>Administrative Expenses</b>				
Staff Costs	1,513	1,151	-362	-24%
Premises	75	64	-11	-15%
IT	500	599	99	20%
Supplies & Services **	400	405	5	1%
Other Central Costs	85	105	20	24%
<b>Total Administrative Expenses</b>	<b>2,573</b>	<b>2,324</b>	<b>-249</b>	<b>-10%</b>
<b>Oversight &amp; Governance Expenses</b>				
Staff Costs	251	219	-32	-13%
Audit Fees	65	95	30	46%
Actuarial Fees	300	347	47	16%
Pension Committee/Board	40	10	-30	-75%
Performance Monitoring Service	135	73	-62	-46%
Investment Consultancy	150	255	105	70%
Other Professional Fees **	150	99	-51	-34%
<b>Total Oversight &amp; Governance Expenses</b>	<b>1,091</b>	<b>1,098</b>	<b>7</b>	<b>1%</b>
<b>Income</b>				
Recoveries for services provided	-100	-152	-52	52%
<b>TOTAL IN HOUSE COSTS</b>	<b>3,564</b>	<b>3,270</b>	<b>-294</b>	<b>-8%</b>
<b>Budgeted Investment Management Expenses</b>				
Brunel Contract Costs	1,260	1,219	-41	-3%
Custody Fees	75	65	-10	-13%
Tax & Legal Costs	25	10	-15	-60%
<b>Total Budgeted Investment Management Expenses*</b>	<b>1,360</b>	<b>1,294</b>	<b>-66</b>	<b>-5%</b>
<b>TOTAL PENSION FUND BUDGET</b>	<b>4,924</b>	<b>4,563</b>	<b>-361</b>	<b>-7%</b>
<p><b>* Additional Portfolio Investment management fees and related costs</b>  Due to the nature of additional management fees and associated costs being linked to asset valuations, performance and transactions undertaken, they are very difficult to predict and budget for. Whilst these costs are not included within the above budget, they are however, fully</p>				
<p>** 2023-24 Budget allocations revised following review of the CIPFA code of Practice and to align to actual activity classification between administration, governance and oversight. Administration, Supplies &amp; Services increased by £50k, and other professional fees within oversight and governance</p>				

## Key Variances

- **Staffing** - Underspend on staffing costs of £362k for Administration and £32k for Oversight and Governance is forecast for 2023-24. This is largely because of the phased implementation of the recruiting additional staff, recommended under the independent administration review. Whilst the appointment of additional team members has been undertaken to improve service delivery during the year, a number of vacant positions remain within the Fund. It is intended that these positions will be filled during 2024 accordingly.

This is offset by a small adverse variance following the settlement of the national pay award for APT&C staff of a flat rate increase of £1,925 (pro rata for part time staff) to each member of staff. The pay award resulted in an overall budget increase of 5.6% against an original allocation of 4%.

- **Administration IT Costs** – An overspend of £99k for IT costs is now forecast for 2023-24. This is largely because of additional licensing fees associated with the administration system (Altair) totalling £95K, incurred following the one year extension of the existing service provision.
- **Oversight & Governance Investment Consultancy** – An overspend of £105k is now forecast for investment consultancy services. This is because of the approved additional consultancy services associated with the assessment and selection of fund managers for inclusion within the new strategic allocation to affordable and social housing portfolio, currently being undertaken.



## 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 in Q1 2024, but commencement has been delayed due to the procurement exercise of the Pensions Administration ICT system, or the awaited launch of the TPR's General Code of Practise.

Action	Reason	Timescales	Current action/comment
<b>Develop a Fund Business Continuity Policy / Plan</b>	Expected to be included in TPR New Code.  We understand that the Fund currently relies on the Council's approach to Business Continuity.	Expected Q2 – Q3 2024	Operational business continuity plan as required by GCC has been completed. Gap analysis for the specific Fund requirements now needs to be undertaken
<b>Develop a Fund Cyber Strategy</b>	Expected to be included in TPR New Code.  We understand that the Fund currently relies on the Council's approach to Cyber Security.	Q3 2023 – Q1 2024  now expected Q2 - Q3 2024	Strategy can now be developed due to completion of the Pensions Administration Software procurement. TPR Code now also launched.
<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.	TPR code now launched: Delivery now expected Q2 2024	TPR code now launched.