



Gloucestershire
COUNTY COUNCIL



GLOUCESTERSHIRE

PENSION FUND



2020/21

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INTRODUCTION

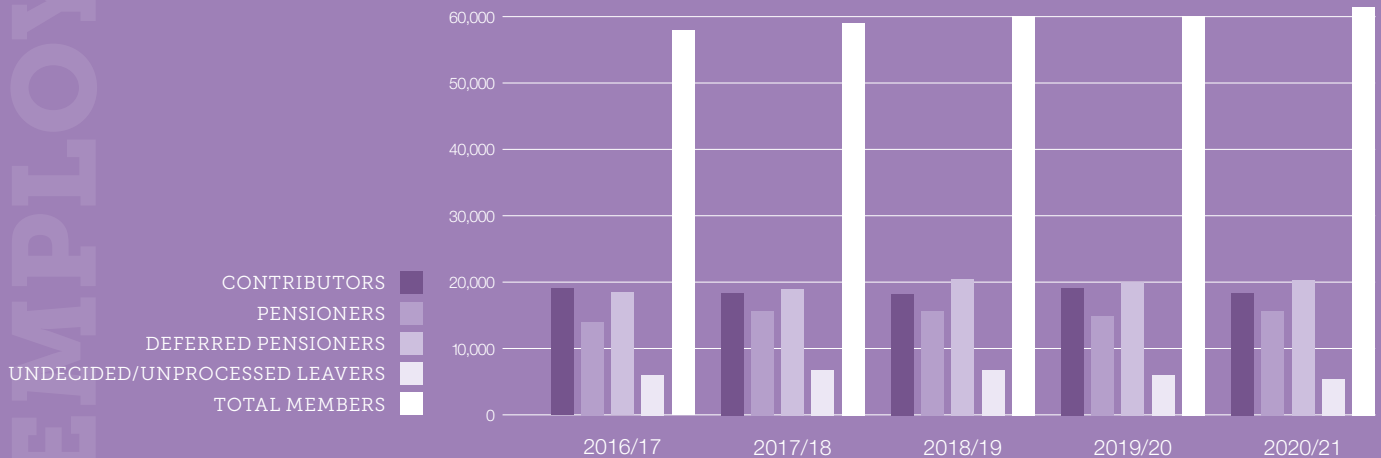
IT IS WITH PLEASURE THAT WE INTRODUCE THIS YEAR'S ANNUAL REPORT OF THE **GLOUCESTERSHIRE PENSION FUND**. IT CONTAINS DETAILS OF THE ADMINISTRATION OF THE FUND, TOGETHER WITH ITS INVESTMENTS AND ACCOUNTS FOR THE YEAR TO 31ST MARCH 2021.

This introductory section provides a summarised version of the key issues set out within the Annual Report, and hence can be read as a standalone report.

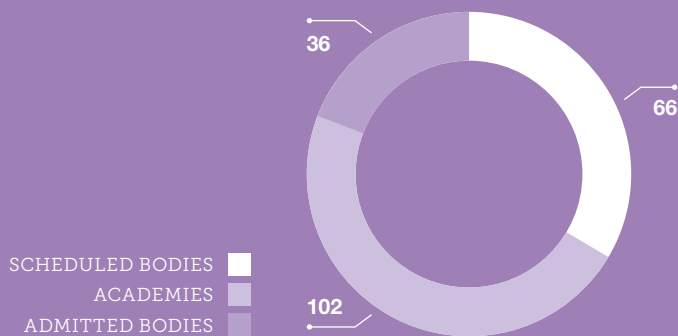
The Fund is managed and administered by Gloucestershire County Council on behalf of Gloucestershire local authorities, other bodies providing

public services and certain admitted bodies, as part of the national Local Government Pension Scheme (LGPS) Regulations. The Fund collects employer and employee pension contributions in relation to active employees of these organisations and meets the cost of pension benefits due to current and former employees.

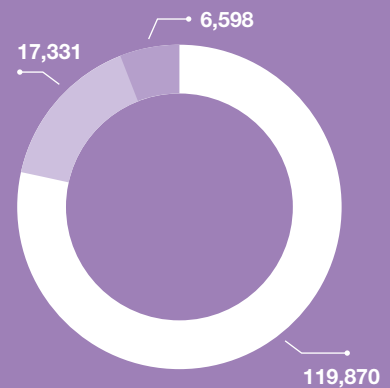
MEMBERSHIP SUMMARY



NUMBER OF EMPLOYERS 2020/21



TOTAL CONTRIBUTIONS 2020/21 £000'S



19,222
CONTRIBUTORS

17,290
PENSIONERS

20,274
DEFERRED

FUND MEMBERSHIP & EMPLOYERS

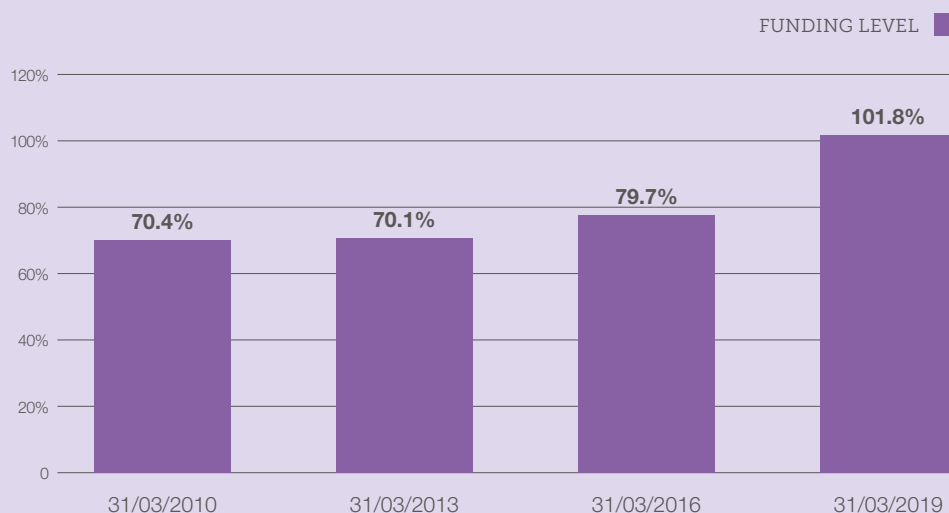
This report is primarily aimed at members and participating employer organisations within the Gloucestershire Pension Fund. In terms of Fund Members, overall membership continues to increase steadily.

Membership at the end of March **2021** stood at approximately **56,800**, split between active contributors (**19,222**), pensioners (**17,290**) and deferred members (**20,274**). There were also

unprocessed leavers (**5,110**) at the end of March **2021**. This equates to a rise of **594** compared with the position at the end of March **2020**.

With regards to participating employers, the Pension Fund has seen the overall numbers remain the same during **2020/21** standing at **204** employers. Contributions received from employers and employees totalled **£143.8m** during the year.

ACTUARIAL ARRANGEMENTS



£1,703
MILLION/2016

79.7%
OF LIABILITIES

£2,379
MILLION/2019

101.8%
OF LIABILITIES

ACTUARIAL ARRANGEMENTS

An actuarial valuation of the Fund is undertaken every three years. This outlines the approach taken to secure Fund solvency while keeping employer contributions stable and also gives details of the actuarial assumptions and methods used to value liabilities at the **2019** triennial valuation. The Fund's assets, as at the **2019** triennial valuation were valued at **£2,379 million**, which were sufficient to meet **101.8%** of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date.

The funding levels at the last four triennial valuations are shown in the graph. Further details of the rationale and assumptions used to calculate these funding levels can be found within the Annual Report.

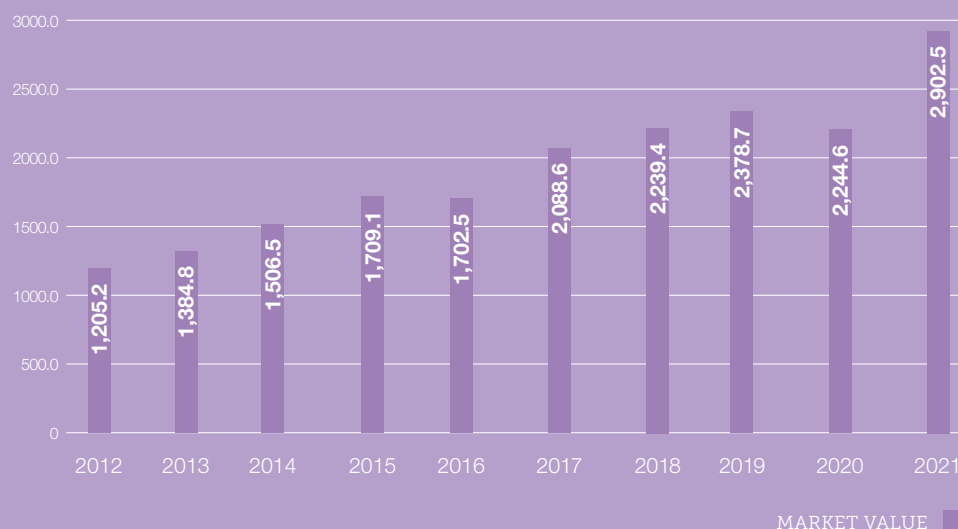
POLICY DOCUMENTS

The latest version of the Fund's policy statements covering Investment Strategy, Funding Strategy, Governance and Communication, as well as a brief summary of scheme benefits are also included within this Annual Report as well as being available on the Fund's website.

31ST MARCH 2021
£2,902.5
 MILLION

31ST MARCH 2020
£2,244.6
 MILLION

MARKET VALUE OF FUND BY YEAR £M



ANNUALISED RETURNS

	3 YEARS	5 YEARS	10 YEARS	20 YEARS
FUND	7.7%	9.6%	8.5%	6.6%
UNIVERSAL AVERAGE	7.6%	9.5%	8.3%	6.9%
RANKING	62	43	34	56



INVESTMENT & FUND PERFORMANCE

During **2020/21** the Fund achieved a **26.6%** return on its investments, placing Gloucestershire 23rd out of the 64 LGPS Funds measured by PIRC Local Authority Pension Performance Analytics (who monitor the performance of Pension Funds). The long-term performance of the Fund remains positive and the over ten year, annualised performance was **+8.5%**, placing the Fund **21st out of the 64** LGPS Funds measured.

An analysis of the performance of the Fund compared with the other LGPS Funds and its strategic benchmark is shown above. The position of the Gloucestershire Fund is presented as a diamond in each of the relevant bars. The higher the positioning, the higher the Fund scored in comparison to its peers in terms of absolute return over **3, 5, 10 and 20 year periods**.

The value of the Fund's assets as at **31st March 2021** was **£2,902.5 million**. This represented an overall increase of **£657.9 million** compared with the position at **31st March 2020**. The value of the Fund at the end of the last ten financial years is shown in the graph above.

The Fund undertakes its investments in accordance with the Strategic Asset Allocation. This Strategic Asset Allocation was reviewed in detail during **2019/20**, with a new allocation being agreed by the Pension Committee which is set out in the Investment Strategy Statement (ISS). A copy of this policy, along with details of the Fund's investment and performance, is available within this Annual report.

STATEMENT OF ACCOUNTS

The full Statement of Accounts of the Fund for the year ended **31st March 2021** and the auditors report in relation to these accounts can be found on pages **81** to **131**.

SCHEME DETAILS

We remind both existing and future pensioners, that the Local Government Pension Scheme (LGPS) is determined by statutory legislation. This legislation can only be changed by the Government via the Department for Levelling Up, Housing & Communities (DLUHC) and the scheme cannot be changed by the County Council or other scheduled employers of the Gloucestershire Pension Fund.

Following a review by the Public Service Pensions Commission a new LGPS scheme was introduced, commencing from **1st April 2014**. The terms of the LGPS scheme only apply to new pensionable service accrued with effect from **April 2014**. Previously accrued pensionable service and pensions in payment prior to **April 2014** are not affected.

Further information on the main features of the 2014 LGPS scheme can be found within the Annual report

PENSIONS ADMINISTRATION

The Public Service Pensions Act 2013 and LGPS regulations required LGPS Funds to have a Local Pension Board within its governance structure. Their role, which continued in **2020/21**, is to assist the administering authority in ensuring compliance with LGPS and other pension regulations. More details of the membership, meetings and work of the Gloucestershire Pension Board in relation to **2020/21** can be found on pages **70** to **71**.

WE EXPRESS OUR THANKS TO ALL THOSE INVOLVED WITH THE INVESTMENT, ACCOUNTING AND PENSION ADMINISTRATION ACTIVITIES OF THE GLOUCESTERSHIRE FUND, AND THE DEVELOPMENT OF THE BRUNEL PENSION PARTNERSHIP.

LGPS POOLING

In **July 2015** the Government announced their intention for LGPS Funds to set up investment pooling arrangements. This involved a number of LGPS Funds with assets totalling approximately **£30 billion** jointly investing in the various asset classes, as chosen by each Fund, via a FCA approved organisation. The aim of this approach is to reduce investment manager fees whilst not adversely affecting, or even improving, individual Fund investment performance. During **2016/17** the Government approved and issued new investment regulations for the LGPS Funds to both facilitate and ensure investment pooling took place.

The Gloucestershire Fund is collaborating with nine other LGPS Funds from the South West of England and has established a new FCA regulated investment pooling company called the Brunel Pension Partnership (BPP). This process is ongoing and the ten Funds are continuing to transfer their investments into Brunel as envisaged by Government. As at **31st March 2021**, **£2,195m** of Gloucestershire investments were under the management of Brunel, this equates to **76%** of the total assets of the Fund at **31st March 2021**. Further details of our pooling progress can be found within the Annual report.

OUR THANKS

We express our thanks to all those involved with the investment, accounting and pension administration activities of the Gloucestershire Fund, and the development of the Brunel Pension Partnership.

In this, we acknowledge the continuing work of the members of the Pension Committee, whose current membership is shown on page **14**, in overseeing the Fund's investment management and administration arrangements as well as the support from the Pension Board, whose membership is shown on page **70**, in assisting the administering authority to comply with the LGPS and other pension regulations.

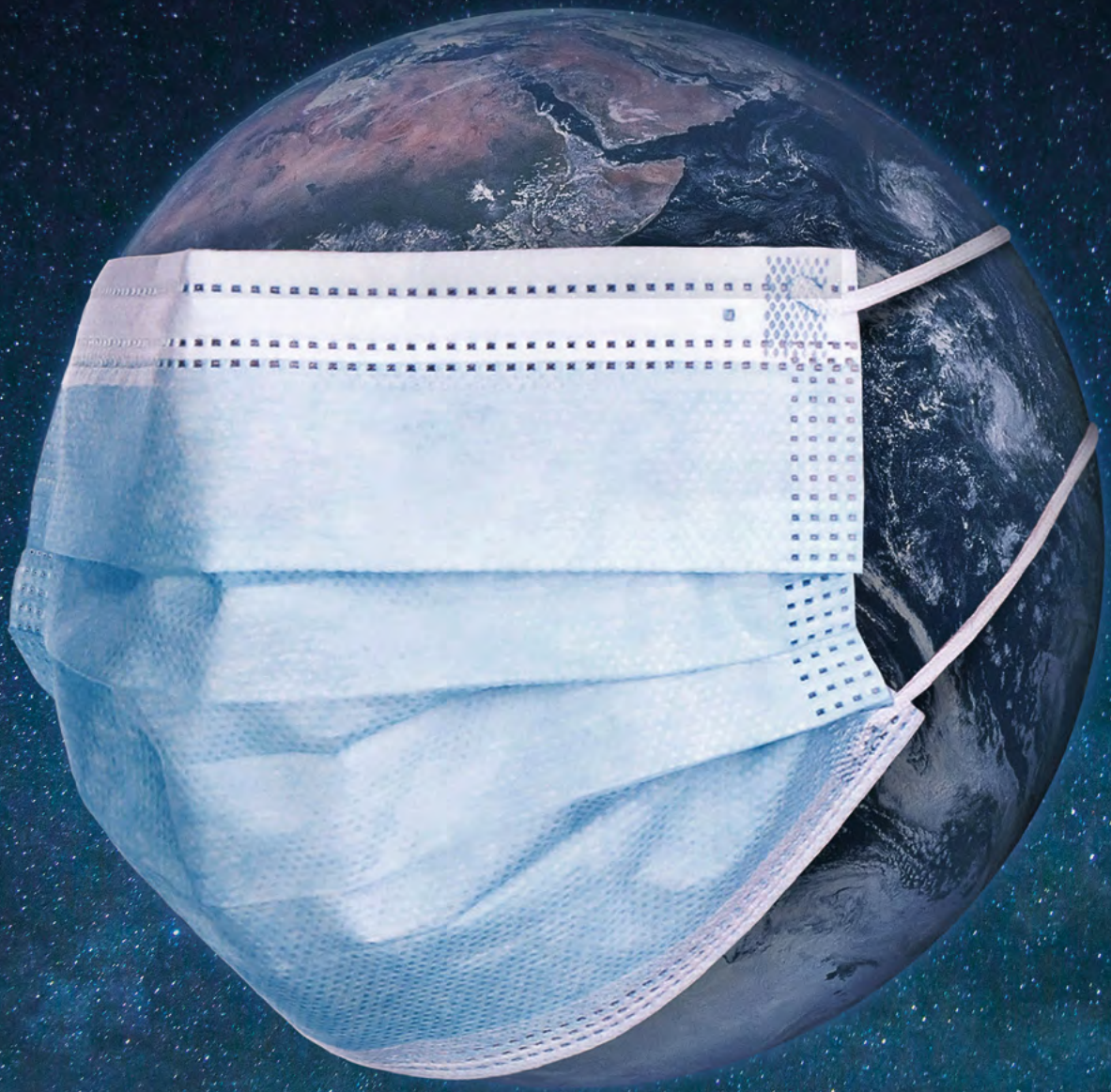
Finally, on behalf of the Fund we wish to acknowledge and thank all previous serving members of the Committee, but in particular Ray Theodoulou, who was a member and Chair of the Pension Committee for over 20 years. His leadership and knowledge will be greatly missed and we thank him for his service and dedication to the members and employers of the Gloucestershire Pension Fund.

COUNCILLOR LYNDEN STOWE
Chairman of the Pension Committee

STEVE MAWSON
Deputy Chief Executive & Executive Director of Corporate Resources

MATTHEW TREBILCOCK
Head of Pensions





INDEPENDENT INVESTMENT ADVISOR'S REPORT

01

01

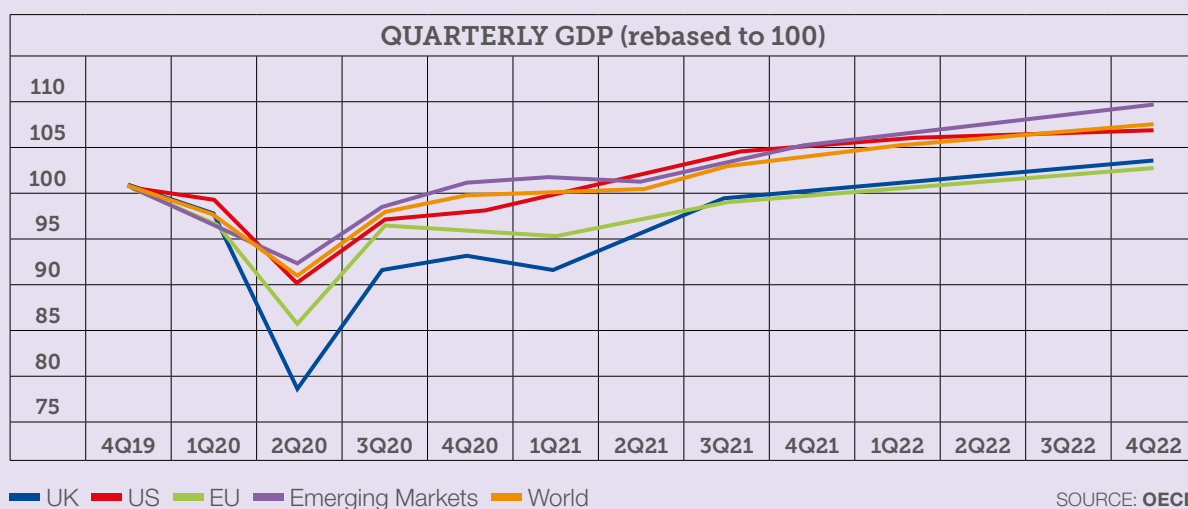
INDEPENDENT INVESTMENT ADVISOR'S REPORT

If the financial year 2020/21 is taken in isolation, it has been a remarkable year. The first quarter of the financial year, to June 2020, saw the onset of the Covid pandemic and the largest collapse in the global economy since the second world war; the following quarter, one of the strongest economic recoveries! In investment terms, the UK stock market peaked on 17th January 2020, fell 36% to hit a bottom on 23rd March 2020 and then recovered 40% by the end of the 2020/21 financial year.

Reporting the financial year in isolation will only show the recovery we have seen in investment markets and not the shock and steep falls seen at the very start of the pandemic in March 2020 which fell in the previous financial year. The UK stock market remains below the January 2020 high (FT All-Share). Stock markets in other countries have fared better and reached new all time highs since the Covid pandemic struck, particularly in the US where the stock market has a higher exposure to technology stocks which, in many cases, have benefitted from the economic shutdown as consumers moved online.

ECONOMIC BACKGROUND

The chart below shows the quarterly Gross Domestic Product (GDP) as an indicator of economic growth. It is rebased to 100 to make the figures comparable and includes forecasts out to the end of 2022.



The chart shows the scale of the economic decline seen at the start of this financial year and that the global economy has recovered back to end 2019 levels despite the continuing economic effects of the Covid pandemic and ensuing economic shutdowns. The UK and EU are lagging somewhat but still expected to recover back to end 2019 levels of GDP by the end of this year. Whilst Emerging Markets seem to have recovered well, this is driven by China.

According to the World Bank, the global economy declined by 3.6% over 2020 as a whole, having grown by 2.3% in 2019. It forecasts that **“the global economy is set to expand 5.6 percent in 2021—its strongest post-recession pace in 80 years.**

This recovery is uneven and largely reflects sharp rebounds in some major economies. In many emerging market and developing economies (EMDE), obstacles to vaccination continue to weigh on activity. By 2022, last year’s per capita income losses will not be fully unwound in about two-thirds of EMDEs.”

This is a very uneven recovery and, as with so many of the effects of this pandemic, it is the less fortunate and those less able to cope who have been hardest hit. This will undoubtedly create issues for the future.

MARKET RETURNS

As noted earlier, the 2020/21 financial year looks exceptional as it includes the rapid market recovery post the onset of Covid but none of the preceding falls.

Globally, all markets rose as the major central banks responded to the Covid pandemic by pushing money into the financial system through Quantitative Easing with the intention of supporting economic growth.

Within Equity markets, the MSCI World index gained 51% over the 2020/21 financial year, led by the US (S&P index) up 53% and Japan (Nikkei 225 index) up 54%. Within the developed world the UK was the laggard rising 23% (FTSE All-Share) over the year with Europe up 34% (STOXX 600 index). For most equity markets this meant that new highs were reached by the end of the 2020/21 financial year, the UK being the major exception. This is partly because the UK equity market has a high exposure to financial, oil and mining related companies, all of which were badly affected by the crisis as well as continuing uncertainty over the post BREXIT outlook for the economy.

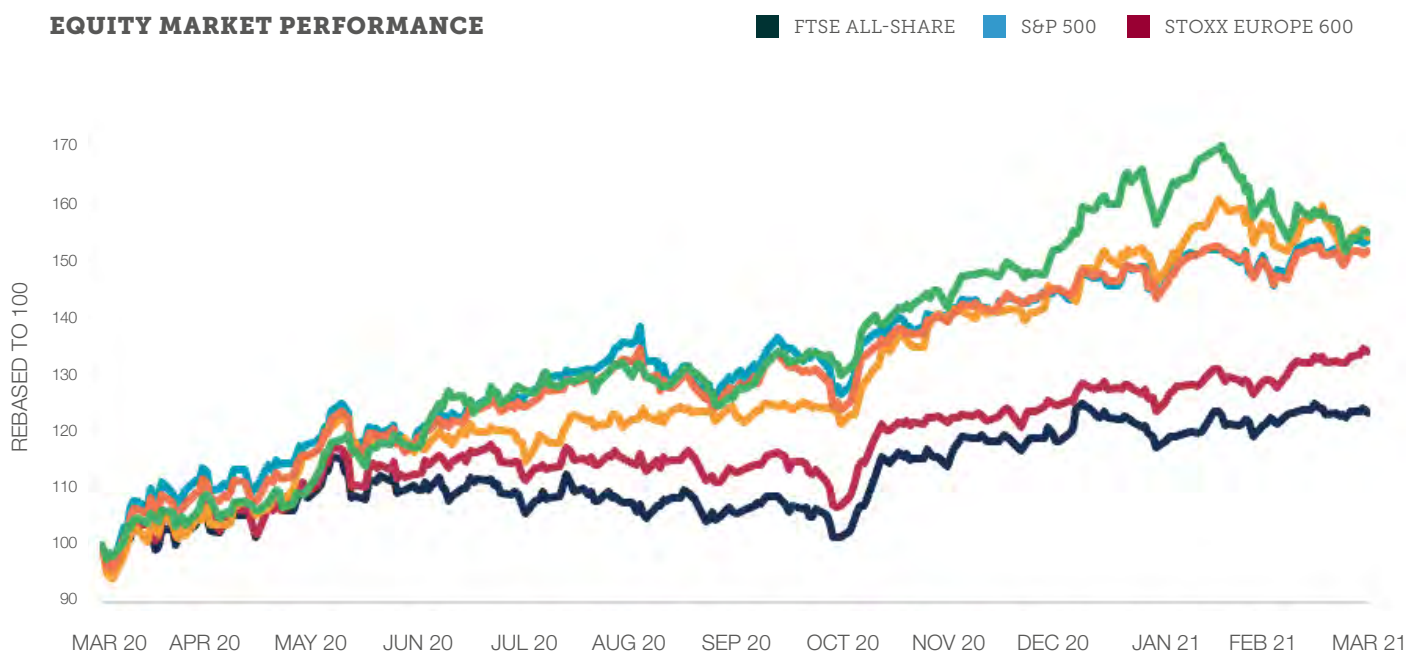
Government bonds yields were flat for the first 9 months of the financial year but rose in the final quarter (prices fell) as investors started to focus on the strength of the coming economic recovery and the possible inflationary implications. UK-10 year Government bond yields rose from a yield of 0.36% at the start of the financial year to a yield of 0.845% by its close.

Across the developed world, government bond yields remain below inflation meaning that it is impossible to retain the real value of the Fund's assets without taking investment risk to generate above inflation returns.

Property markets were shaken by the pandemic and the closure of the retail and hospitality sectors with many tenants in these sectors asking for rental breaks. However, logistics, particularly last mile delivery sheds performed well as demand increased with more on-line shopping. Because property markets are illiquid (there is no agreed price on a day to day basis) the price of a property does not move immediately to reflect changes in economic conditions or supply and demand. During the onset of the Covid pandemic, property transactions fell to zero and so there was no price setting mechanism and valuations were stable if unrealistic. Commercial property values finished the 2020/21 financial year at approximately the same level as the end of the 2018/19 financial year but this hides a wide variation within sectors as retail properties fell sharply in value whilst logistic centres saw valuations rise.

Other alternative asset classes such as Private Equity, Private Debt and Infrastructure are also illiquid and therefore did not reflect the falls seen in equity markets at the onset of the pandemic. They have also now recovered to pre-Covid levels.

EQUITY MARKET PERFORMANCE



FUND RETURNS

Gloucestershire County Council Pension rose in value to an all-time high of **£2.902bn** as at **31st March 2021**, a rise of **26.6%** over the financial year, mainly driven by the strong performance of equity markets over the period. This rate of return was ahead of the Fund's benchmark which rose **23.0%** over the same period. The scale of this rise is due to the timing of this report being the one year anniversary of the market lows post the start of the Covid pandemic. Over the longer term the Fund continues to closely match the performance of its benchmark and has returned **8.5%** per annum over the last **10** years. Importantly, this rate of return is above the rate assumed by the actuary which means the Fund's assets have increased by more than the actuary's calculation of the Fund's liabilities (the accrued pension payments) leaving the fund in a strong position to meet these obligations into the future.

During the year the Pensions Committee made a number of changes to the Fund's asset allocation. This included investing into a sustainable equity portfolio which targets "positive pursuit" companies - companies providing solutions to environmental sustainability. This portfolio was valued at over **£250m** and accounted for **8.8%** of the total Fund by the end of the financial year.

The Committee also made further allocations to alternative assets including Infrastructure and Private Debt. These assets provide good diversification from the equity portfolios which make up the majority of the Fund's assets. A large element of the Infrastructure investment will be targeting renewable energy. Because these assets are illiquid, it takes time to invest and as such the Fund has cash awaiting investment into these assets.

BRUNEL PENSION PARTNERSHIP – POOLING

The Fund has continued to transfer the management of assets to the Brunel Pensions Partnership. The Fund's assets will remain segregated within Brunel and managed purely in the interest of the members of the Gloucestershire County Council Pension Fund. Brunel now manage over **£35bn** of assets for **10** Local Government Pension Schemes across the South-West of England. This gives them the ability to negotiate better fees with the asset managers and deliver cost savings to the Fund.

During the year the Fund's property holdings were bought under Brunel's management with the Fund's two fixed interest mandates to be transferred to Brunel in the summer of **2021**. When this is completed, the Fund will have approximately **95%** of its assets managed by Brunel.

Brunel have a strong commitment to the environment and investing responsibly. Any members particularly interested in this area should visit the Brunel website for further information.

FUND
PERFORMANCE
26.6%
OVER 1 YEAR
AND
8.5% PA
OVER 10 YEARS

OUTLOOK

The speed of the economic recovery seems remarkable given that the pandemic has not ended and Covid infections, particularly of the Delta variant, are still rising in a number of countries, including the US, as I write this report (**August 2021**). Of course, forecasts of the future come with heavy warnings. The scope for the virus to mutate into a variant which can evade the current crop of vaccines still hangs over all of us, as does the need to increase the rate of vaccination in the developing world. However, the progress made in developing vaccines and how quickly businesses have moved to a new world of restricted social contact has shown how quickly we, as a people, can adapt. Hopefully, this is a sign of what we can achieve when pushed which is particularly important given the environmental challenges we all face going forward.

Whilst it is likely that the next two years will see a continuation of the current economic recovery across the globe, thereafter, it is my expectation that growth rates will slow down, back towards the levels seen in the late **2010's** of **2%** per annum GDP growth globally. The difference this time may be inflation which, prior to the pandemic, was subdued across the developed world and often below the targets set by central banks.

In order to counter the impact of the economic lockdowns, many central banks have gone to unprecedented lengths to force interest rates and bond yields down to ultra-low levels. They have done this by pushing money into the financial system through a process called Quantitative Easing. At the same time governments across the developed world have supported workers through furlough schemes (UK) or direct payments to the lower paid (US) and are now looking to increase government spending on infrastructure projects to aid the economic recovery. This has increased government indebtedness to levels not seen since the second world war.

A rapid return of consumer spending as economic lockdowns are relaxed, coupled with high levels of government spending is hitting a global supply chain which has been disrupted by the pandemic and forcing prices higher in many areas. In the US, inflation hit a **13** year high of **5.4%** in **June 2021**. It is forecast to approach **4%** by the turn of the year in the UK (as measured by the Retail Price Index).

As the strong economic recovery passes and we move back to the more muted growth rates as seen in **2018/19** this inflationary pressure should pass. However, there are a number of external

factors which are building and we may be at the end of a **50**-year period of falling inflation.

These factors include:

- a desire to move production back onshore, nearer to the consumer and away from lowest cost production sites
- a recognition by investors and some governments that businesses have a responsibility for the working practises throughout their supply chain pushing up standards but also costs
- the 'greenification' of the economy to combat climate change which is likely to come with an initial cost as new methods of production are found which are less damaging to the environment.

These issues suggest to me that whilst economic growth may revert to the muted levels seen in **2018/9**, inflation may remain slightly higher. This will suit heavily indebted governments as it reduces the interest payments they pay on their debt but makes life hard for asset owners looking to grow the real value of their capital.

John Arthur
August 2021

US INFLATION

SOURCE: **TRADINGECONOMICS.COM** | **U.S BUREAU OF LABOR STATISTICS**





02

OVERALL
FUND
MANAGEMENT

02

OVERALL FUND MANAGEMENT

SCHEME MANAGEMENT & ADVISORS

2.1

ADMINISTERING AUTHORITY :
GLOUCESTERSHIRE COUNTY COUNCIL

CURRENT PENSION COMMITTEE

REPRESENTING
GLOUCESTERSHIRE COUNTY COUNCIL



CLLR. L. STOWE
CHAIRMAN



CLLR. D. BROWN



CLLR. C. HAY



CLLR. M. BABBAGE



CLLR. A. MILLER



**CLLR. M. MACKENZIE-
CHARRINGTON**



CLLR. W. THOMAS

REPRESENTING
GLOUCESTERSHIRE
DISTRICT COUNCILS



CLLR. D. GRAY

REPRESENTING
SCHEME
MEMBERS



MR. P CLARK

COUNTY COUNCIL OFFICERS

MR. S. MAWSON

DEPUTY CHIEF EXECUTIVE & EXECUTIVE
DIRECTOR OF CORPORATE RESOURCES
(AND SECTION 151 OFFICER)

MR. P. BLACKER

DIRECTOR OF FINANCE

ASSET POOL & ASSET POOL OPERATOR

BRUNEL PENSION PARTNERSHIP LTD.
WWW.BRUNELPENSIONPARTNERSHIP.ORG
E-MAIL: INFO@BRUNELPP.ORG

INDEPENDENT ADVISOR

MR. J. ARTHUR, MJ HUDSON INVESTMENT
ADVISERS LTD.

FUND ACTUARY

MRS J. WEST, HYMANS ROBERTSON LLP

MR. D. GREEN, HYMANS ROBERTSON LLP

SCHEME ADMINISTRATOR

GLOUCESTERSHIRE COUNTY COUNCIL

INVESTMENT MANAGERS

AS AT 31ST MARCH 2021

- + ARCMONT ASSET MANAGEMENT LTD.
- + BRUNEL PENSION PARTNERSHIP LTD.
- + GOLUB CAPITAL PARTNERS
INTERNATIONAL LP
- + WESTERN ASSET MANAGEMENT
COMPANY LTD.
- + TECHNOLOGY VENTURE PARTNERS LLP (TVP)
- + YORKSHIRE FUND MANAGERS EQUITY
PARTNERS (YFM)

AVC PROVIDER

- + PRUDENTIAL ASSURANCE COMPANY LIMITED
- + PHOENIX LIFE LIMITED

2.2

AUDITOR

GRANT THORNTON UK LLP

GLOBAL CUSTODIAN

STATE STREET GLOBAL SERVICES

PERFORMANCE MEASUREMENT

+ STATE STREET GLOBAL SERVICES

+ PIRC LIMITED

BANKER

HSBC

LEGAL ADVISOR+ GLOUCESTERSHIRE COUNTY COUNCIL
IN-HOUSE LEGAL TEAM

+ OSBORNE CLARKE LLP

POST YEAR-END CHANGES

Following the May 2021 elections Councillors Theodoulou, Smith and Parsons left the Pension Committee and Councillors M. Babbage, M. Mackenzie-Charrington, W. Thomas and A. Preest joined. Councillor Preest subsequently left and was replaced by Doctor A. Miller.

Councillor Stowe assumed the role of Chair of the Pension Committee replacing Councillor Theodoulou.

ENQUIRIES

For information/contact details for committee members, fund managers and advisors or for details regarding the Fund's investments and accounting activities, please contact the Pension Investment Team at Shire Hall, Gloucester, phone **(01452) 328946**.

For details of Local Government Pension Scheme benefits and administration, please contact the Pension Administration Manager at Shire Hall, Gloucester, phone **(01452) 328866**.

COMPLAINTS

In the event of a complaint members should contact the Pension Administration Manager at Shire Hall, Gloucester, phone **(01452) 328866** in the first instance.

WEBSITE**INVESTMENTS AND ACCOUNTING**

www.gloucestershire.gov.uk/extra/pensions/investments

BENEFITS AND ADMINISTRATION

www.gloucestershire.gov.uk/pensions

PENSION SCHEMES REGISTRY NUMBER

PSR 10079170

RISK MANAGEMENT

The Pension Fund maintains a Risk Register which is reviewed and reported to every Pension Committee and Pension Board meeting. Risks are rated on a "traffic light system" and assigned to a lead officer for monitoring and review. Controls are documented and further actions identified where necessary.

The risks associated with the Fund's administration, management and investments are included in the Funding Strategy Statement (FSS). The risks and actions to manage and reduce them are shown within the FSS, which is contained within the Annual Report.

In addition, the Fund's Investment Strategy Statement (ISS) should be read in conjunction with the Fund's Funding Strategy Statement (FSS). The ISS sets out the roles of the Fund's investment managers and custodian, who have a responsibility for the management and safeguarding of the Pension Fund's assets, as well as the requirement to invest money in a wide variety of investments. The ISS also covers the authority's approach to risk, including the ways in which risks are to be measured and managed, as well as the approach to pooling investments, including the use of collective investment vehicles and shared services. The statement outlines the authority's approach on how social, environment or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments, and the authority's policy on the exercise of rights (including voting rights) attaching to investments.

Internal auditors also evaluate both risk and controls for the main areas of governance, pension administration and investment management. This includes third party risk and involves obtaining assurances from the external fund managers on their governance and administration arrangements as well as acquiring copies of their latest audited accounts and internal control assurance reports. The internal audit results then feed into an annual governance statement.

RISKS RATED
ON A **TRAFFIC
LIGHT**
SYSTEM AND
ASSIGNED TO
LEAD OFFICER

OTHER **THIRD PARTY RISK**

The receipt and calculation of employer pension contributions is monitored monthly. Employers are required to complete a return which reconciles to the pension payment and verifies the calculation of both employee and employer contributions.

OTHER **INVESTMENT RISK**

The Pension Fund employs an Independent Investment Advisor to assist and advise the Pension Committee. Investment performance is reviewed by committee every quarter. In addition, the Independent Advisor and Fund Officers have regular in-depth meetings with investment managers to review performance and report back to the Pension Committee as appropriate. During 2020/21 performance data was provided by the Brunel Pension Partnership and the custodian to the partnership, as well as by an independent specialist company, PIRC Local Authority Pension Performance Analytics. Performance is measured against both a customised fund benchmark and mandate specific benchmarks.

The Investment Strategy Statement (ISS) contains further details of how the Fund controls risk linked to its investments. There is an additional note on the Nature and Extent of Risks Arising from Financial Instruments within the Notes to the Accounts on pages **117** to **123**.

In addition to the risks identified within the ISS, the Internal Audit, Risk and Assurance function carries out audits of the Pension Fund in accordance with their Internal Audit Plan each year. The Internal Audit Plan is approved by the Pensions Committee each year and the outcomes and any recommendations are reported back to Committee at the next available Quarterly Committee meeting, together with any relevant action plans.



03

FINANCIAL PERFORMANCE

03 FINANCIAL PERFORMANCE

The Fund Account (page 87) indicates an increase in the net assets of the scheme available to fund benefits during the year of **£657.9m** for **2020/21**; this follows a decrease of **-£134.1m** in **2019/20**. The summarised figures are shown in the table below.

FINANCIAL SUMMARY

	2016/17 £M	2017/18 £M	2018/19 £M	2019/20 £M	2020/21 £M
CONTRIBUTIONS AND INVESTMENT INCOME *	140.0	168.3	145.7	140.7	173.6
REALISED PROFIT / (LOSS)	237.9	55.9	196.4	350.3	196.9
LESS BENEFITS AND OTHER EXPENSES *	(88.7)	(91.8)	(97.3)	(106.6)	(106.4)
ANNUAL SURPLUS / (SHORTFALL)	289.2	132.4	244.8	384.4	264.1
INCREASE / (DECREASE) IN MARKET VALUE OF INVESTMENTS	96.9	18.4	(105.5)	(518.5)	393.8
INCREASE / (DECREASE) IN FUND DURING YEAR	386.1	150.8	139.3	(134.1)	657.9
MARKET VALUE OF NET ASSETS AT 31ST MARCH	2,088.6	2,239.4	2,378.7	2,244.6	2,902.5

* Excludes recoverable expenditure

FUND ACCOUNT (INFLOWS) AND OUTFLOWS

The following table shows the income and expenditure of the Pension Fund over the last five years together with an estimate for **2021/22**.

	2016/17 ACTUAL £000	2017/18 ACTUAL £000	2018/19 ACTUAL £000	2019/20 ACTUAL £000	2020/21 ACTUAL £000	2021/22 BUDGET £000
CONTRIBUTIONS EMPLOYERS	-87,923	-112,820	-93,016	-84,158	-123,689	-84,910
CONTRIBUTIONS EMPLOYEES	-17,625	-17,795	-18,114	-18,962	-20,110	-20,412
TRANSFERS IN	-7,100	-6,733	-6,736	-12,575	-5,883	-6,636
BULK TRANSFER VALUES IN	-94	-	-	-	-	-
OTHER INCOME	-151	-143	-132	-136	-94	-131
BENEFITS PAYABLE	76,653	78,170	83,460	88,290	88,299	88,465
PAYMENTS TO AND ON ACCOUNT OF LEAVERS	177	297	372	372	225	289
TRANSFERS OUT	3,146	5,974	4,992	7,929	5,706	5,549
BULK TRANSFER VALUES OUT	338	-	-	-	-	-
NET (ADDITIONS)/WITHDRAWALS FROM DEALINGS WITH MEMBERS	-32,579	-53,050	-29,174	-19,240	-55,546	-17,786
INVESTMENT MANAGEMENT EXPENSES	6,698	5,783	6,492	7,797	10,146	9,665
ADMINISTRATION EXPENSES	1,133	1,217	1,397	1,509	1,556	1,904
OVERSIGHT & GOVERNANCE EXPENSES	694	418	553	722	500	1,085
INVESTMENT INCOME	-27,256	-30,849	-27,681	-25,042	-23,931	-23,500
PROFIT, LOSS AND CHANGE IN MARKET VALUE	-334,803	-74,344	-90,864	168,409	-590,652	-184,000
NET INCREASE (-) / DECREASE IN THE FUND	-386,113	-150,825	-139,277	134,155	-657,927	-212,632

£37.8m
POSITIVE
 CASH FLOW
 2019/20

£73.7m
POSITIVE
 CASH FLOW
 2020/21

£1.6m
 ADMINISTRATION
EXPENSE
 2020/21

£657.9m
NET INCREASE
 IN ASSETS
 2020/21

£23.9m
INVESTMENT
 INCOME IN
 2020/21

£88.3m
BENEFITS
 PAID
 2020/21

INCOME

Employers' contributions for 2020/21 includes **£38.8m** of pre-payments made by a number of scheduled bodies who chose to pay one-off secondary contributions to the Fund in relation to their 2021/22 and 2022/23 contributions. As a result these bodies will benefit from reduced secondary contribution payments in 2021/22 and 2022/23 which will be reflected in reduced contribution income in those years and in the forecast for 2021/22.

In 2019/20 there was an increase in the number of high value transfer values. Transfer values in 2020/21 have fallen to more normal levels.

Investment income fell by **£1.1m** between 2019/20 and 2020/21. This was primarily due to a fall in income from bonds and the private debt funds but partly offset by an increase in income from pooled property funds.

Investment income for 2021/22 is forecast to remain broadly consistent with 2020/21.

The change in Profit, Loss and Change in Market Value from a **-£168,409** in 19/20 to **£590,652** in 2020/21 is mainly due to the fall in market values that happened just before the end of 2019/20 due to COVID-19 which was then followed by a bounce back in market values during 2020/21. In 2020/21 the Fund returned performance of **26.6%**.

EXPENDITURE

Investment management expenses in 2020/21 increased by **£2.3m** in comparison to 2019/20. The increase arose 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 and

a different fee structure for the Brunel Global High Alpha and Brunel Emerging Market mandates compared to the previous investment mandates held by the Fund. This was partly offset by a reduction in Pooled Property Investment fees.

It is anticipated that Benefits Payable will remain broadly consistent and the 2021/22 forecast figure is based on current expectations for pensioner growth during the period.

Administration expenses were broadly consistent with the previous year whilst Oversight & Governance expenses fell by **£222k** mainly due to a reduction in actuarial fees in a non triennial valuation year. The 2021/22 forecast of Administration Expenses and Oversight & Governance Expenses has been increased for additional staffing to facilitate increased resource for the Pension Fund teams and to implement a governance review.

CASH FLOW

For 2020/21 the inflow of cash to the Fund continued to exceed the outflow. Details of the net cash inflow to the Fund for the past 5 years and a forecast for the following year are shown below.

There are a number of factors that affect the size of the net cash inflow. These factors include changes in the levels of retirements and pensioner numbers, contribution levels, dividend income and transfers into and out of the scheme. During 2020/21 one-off exit credit payments of **£2.1m** were received from employers leaving the Pension Fund and **£38.8m** in contribution pre-payments whilst 2019/20 contained one-off exit payments of **£1.2m** due to employers leaving the Pension Fund.

	2016/17 ACTUAL £000	2017/18 ACTUAL £000	2018/19 ACTUAL £000	2019/20 ACTUAL £000	2020/21 ACTUAL £000	2021/22 FORECAST £000
NET CASH FLOW	55,028	78,433	49,929	37,755	73,705	35,894

FINANCIAL PERFORMANCE

OPERATIONAL EXPENSES

The following tables show budgeted and actual figures of the three constituent parts that make up the operating expenses of the Pension Fund.

	2017/18		2018/19		2019/20		2020/21		2021/22
ADMINISTRATIVE COSTS	BUDGET £000	ACTUAL £000	BUDGET £000	ACTUAL £000	BUDGET £000	ACTUAL £000	BUDGET £000	ACTUAL £000	BUDGET £000
STAFF COSTS	807	656	832	742	917	766	960	803	1,021
PREMISES	52	65	52	74	70	51	70	48	75
IT	317	212	319	287	406	380	400	375	460
SUPPLIES & SERVICES	205	206	256	220	240	258	260	254	270
OTHER CENTRAL COSTS	60	61	61	66	60	54	60	55	63
COST OF DEMOCRACY	-	-	-	-	-	-	-	-	-
OTHER	-	17	-	8	-	-	-	21	15
	1,441	1,217	1,520	1,397	1,693	1,509	1,750	1,556	1,904

	2017/18		2018/19		2019/20		2020/21		2021/22
OVERSIGHT & GOVERNANCE COST	BUDGET £000	ACTUAL £000	BUDGET £000	ACTUAL £000	BUDGET £000	ACTUAL £000	BUDGET £000	ACTUAL £000	BUDGET £000
STAFF COSTS	193	175	200	169	210	165	230	159	235
AUDIT FEES	38	20	31	18	19	25	30	23	30
ACTUARIAL FEES	214	196	210	207	300	347	400	173	350
PENSION COMMITTEE/BOARD	5	1	5	2	2	1	10	-	20
PERFORMANCE MONITORING SERVICE	39	30	37	83	19	80	117	79	120
INVESTMENT CONSULTANCY	21	21	22	24	30	24	30	26	130
OTHER PROFESSIONAL FEES	350	-25	653	50	980	80	200	40	200
	860	418	1,158	553	1,560	722	1,017	500	1,085

£1.56M
ADMINISTRATIVE COSTS
2020/21

£1.75M
ADMINISTRATIVE COSTS
2019/20

The increase in staffing budgets between 2020/21 and 2021/22 is to facilitate increased resource for the Pension Administration and Pension Investment teams. The increase in the investment consultancy budget is to allow for a review of the Fund's inflation risk exposure and any further risk management analysis that may be required.

Actuarial fees within Oversight & Governance contain actuarial expenses of **£88,000 (2019/20 £124,000)** which arose as a result of employer requests and was therefore recharged back to them. Net actuarial fees for **2020/21** were **£86,000 (2019/20 £223,000)**. Additional actuarial costs were incurred in 2019/20 in relation to the Fund undertaking the triennial valuation carried out by the Fund actuary.

OPERATIONAL EXPENSES Cont.

	2017/18		2018/19		2019/20		2020/21		2021/22
INVESTMENT MANAGEMENT EXPENSES	BUDGET £000	ACTUAL £000	BUDGET £000	ACTUAL £000	BUDGET £000	ACTUAL £000	BUDGET £000	ACTUAL £000	BUDGET £000
MANAGEMENT FEES *	4,562	4,586	6,500	4,925	5,800	5,778	5,306	8,312	8,000
PERFORMANCE FEES	578	432	-	544	-	568	-	-	-
BRUNEL CONTRACT COSTS *	-	-	-	417	-	953	1,040	1,049	1,065
TRANSACTION COSTS	-	656	-	428	-	367	580	696	500
CUSTODY FEES	90	101	90	176	90	131	140	89	75
TAX & LEGAL COSTS	-	8	-	2	-	-	-	-	25
	5,230	5,783	6,590	6,492	5,890	7,797	7,066	10,146	9,665

* To aid transparency the costs of the Brunel Pension Partnership, which oversees the management of the Fund's investment managers, has been separated out from Management Fees and the figures for previous years have also been amended to reflect that change.

Investment management fees for some mandates have increased as a result of moving from passive to active managers and a change in the strategic asset allocation which resulted in increased investments to alternatives which are subject to higher fee rates. In addition the majority of investment management fees are based on a percentage of assets under management and the increase to the management fee budget also incorporates the effect of the rebound in investment market values on the management fees.

Transaction costs cannot be forecast in advance and hence are not budgeted for.

ANALYSIS OF PENSION CONTRIBUTIONS

The timeliness of employee and employer pension contributions to be paid to the Pension Fund no later than 19 days after the end of the month in which they were deducted from pay is shown below.

EMPLOYEE AND EMPLOYER CONTRIBUTIONS	TOTAL	ON TIME		LATE	
	£000	£000	%	£000	%
2016/17	103,000	102,900	99.90	100	0.10
2017/18	128,000	127,950	99.95	50	0.05
2018/19	108,000	107,850	99.84	150	0.16
2019/20	100,913	100,671	99.76	242	0.24
2020/21	143,936	143,249	99.52	687	0.48

In total **39 (35 2019/20)** monthly payments were received late, of which **22** were received within one month, **5** within two months, **2** within three months and **10** which were from two employers, paid within eleven months. **(2019/20, 17** received within one month, **2** within two months and **16** within seven months).

During **2020/21** the option to levy interest on overdue contributions was not exercised **(2019/20 £0 was charged)**.

	2016/17	2017/18	2018/19	2019/20	2020/21
ANALYSIS OF PENSION OVERPAYMENTS	£000	£000	£000	£000	£000
PENSION OVERPAYMENTS B/FWD.	29.1	67.3	29.7	33.2	7.1
PENSION OVERPAYMENTS IN THE CURRENT YEAR	88.4	33.0	59.3	20.0	56.0
OVERPAYMENT RECOVERED	(50.2)	(61.1)	(46.1)	(34.2)	(44.5)
OVERPAYMENTS WRITTEN OFF	-	(9.5)	(9.7)	(11.9)	3.2
PENSION OVERPAYMENTS C/FWD.	67.3	29.7	33.2	7.1	21.8

Gloucestershire Pension Fund participates in the National Fraud Initiative (NFI) which is a biennial data matching exercise administered by the Cabinet Office.

Pension data was submitted through the web portal in **2020** and data match reports produced matching:

- + Active pensioners with Department of Works and Pensions (DWP) deceased records, to identify cases where we might be continuing to pay someone who has died;
- + Pensioners with payroll records for public sector bodies to identify cases where pensions should be abated; and
- + Pensioners receiving an enhanced injury pension with individuals receiving relevant state benefits to identify cases where they have failed to declare relevant state benefits that may remove or reduce entitlement to the enhanced pension.

During the **2021** exercise Match reports were reviewed and additional information sought as necessary. The reports identified **20** pensioners who had died where the Pensions Section had not been informed of their death and total overpayments amounted to **£15,158**. As at August **2021** **£8,144** had been recovered. None of the cases identified were suspected of fraud. Since the previous NFI exercise, undertaken in **2018**, the Fund has participated in the "Tell us once" service

There were no abatement or LGPS injury cases identified as part of the NFI exercise, however the Abatement Policy has currently been suspended since March **2020** after the Government asked the NHS Scheme and LGPS Funds to suspend their policies to encourage recently retired NHS and Social Worker staff to come back to work to help during the COVID crisis.



INVESTMENT POLICY & PERFORMANCE REPORT

04

04

INVESTMENT POLICY AND PERFORMANCE REPORT

INVESTMENT POWERS AND DUTIES

The powers and duties concerning the investment of Fund monies are set out in the Local Government Pension Scheme Management and Investment of Funds Regulations 2016 (as amended) which came into force on the 1st November 2016. The 2016 Regulations require the County Council, as Administering Authority for the Gloucestershire Fund, to invest any monies that are not immediately required to pay pensions and other benefits.

The previous Regulations allowed a wide range of investments, but set certain limits; the 2016 Regulations allows the authority to invest, without any restriction as to quantity, in any investment made in accordance with a scheme under section 11(1) of the Trustee Investments Act 1961. However the authority's investment strategy must set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment. The authority's investment strategy may not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that authority.

The Regulations require the County Council to have a suitably diversified portfolio of investments and must obtain the advice of properly qualified persons on investment matters. In carrying out these duties, the County Council owes a fiduciary duty to the contributors and beneficiaries of the Fund, as well as to the council taxpayers who ultimately 'guarantee' the financing of future liabilities.

INVESTMENT STRATEGY

The Pension Committee is responsible for the Fund's investment policy. During 2020/21 the Committee comprised of six County Councillors, one District representative and a union nominated representative for staff / deferred / pensioner members. Further details on the Pension Committee regarding meetings held and voting arrangements can be found in the Governance Compliance Statement report on pages **73** to **74**.

The Committee determines the overall investment strategy for the Fund after receiving advice from its officers, independent advisor and appropriate external investment consultants. The investment strategy developed by the Pension Committee is detailed in the Investment Strategy Statement (ISS) which superseded the Statement of Investment Principles (SIP) from 1st April 2017 and can be found on pages **171** to **180**.

INVESTMENT MANAGEMENT

The objective of LGPS pension fund investment policy is to minimise the level of the contributions to be paid into the Fund by employer bodies to ensure its solvency. In place at the year-end were five investment managers, Brunel Pension Partnership, Legal & General Investment Management, Western Asset Management, Golub Capital Partners International and Arcmont Asset Management who each manage portfolios within specific asset categories of the Fund's investments. In addition there was a relatively small amount invested in two private equity/venture capital funds.

Each manager is required to have regard for the Fund's Investment Strategy Statement and the legislative environment in which the Fund operates.

State Street Global Services became the Fund's appointed global custodian in November 2017.

THE FUND'S INVESTMENT MANAGERS ARE:

INVESTMENTS MANAGED BY THE BRUNEL PENSION PARTNERSHIP REGIONAL ASSET POOL	MANDATE	BID MARKET VALUE 31ST MARCH 2021 £M
BRUNEL PENSION PARTNERSHIP	Global High Alpha Equities	436.1
	UK Equities	373.2
	Global Sustainable	254.3
	Diversifying Returns	217.8
	Property	208.8
	Emerging Markets Equities	176.3
	Private Equity and Infrastructure	29.7
	Passive Equities	498.5
LEGAL & GENERAL INVESTMENT MANAGEMENT		
INVESTMENTS MANAGED OUTSIDE OF THE BRUNEL PENSION PARTNERSHIP REGIONAL ASSET POOL	MANDATE	BID MARKET VALUE 31ST MARCH 2021 £M
WESTERN ASSET MANAGEMENT	Global Fixed Interest	381.2
	Global Multi Strategy Fixed Interest	201.0
ARCMONT ASSET MANAGEMENT LLP	UK Private Debt	33.4
GOLUB CAPITAL PARTNERS INTERNATIONAL	Overseas Private Debt	31.7
TECHNOLOGY VENTURE PARTNERS	Private Equity	3.8
YFM GROUP	Private Equity	1.0

£2.2^{BN}
INVESTMENTS
 MANAGED BY BRUNEL

FUND PERFORMANCE

Primarily, State Street Global Services and additionally, PIRC Local Authority Pension Performance Analytics, measure the Fund's investment performance. These companies provide independent performance measuring services for the Fund.

To **31st March 2021** the Fund realised the following returns:

	FUND % P.A.	STRATEGIC BENCHMARK % P.A.
1 YEAR	26.6	23.0
3 YEARS	7.6	7.8
5 YEARS	9.6	9.6
10 YEARS	8.5	8.6

For general market background the following shows rates of return achieved on various asset classes over the **12** months to **31st March 2021**:

- + After the sharp fall in global markets in the quarter to **March 2020**, returns bounced back almost immediately despite the ongoing challenges of the COVID pandemic which has been larger and longer lasting than predicted.
- + Performance was dominated by extremely strong equity returns of **39%**, of which emerging market equities achieved **46.7%**.
- + Defensive assets performed more modestly with property being the most disappointing of the major asset classes delivering **0.4%**.
- + Bonds achieved a return of **7.3%** for the year.

FUND ACHIEVED
26.6%
PERFORMANCE
DURING 2020/21

AVERAGE LOCAL AUTHORITY FUND ACHIEVED
22.8%
PERFORMANCE
DURING 2020/21

LOCAL AUTHORITY UNIVERSE

For **2020/21**, **64** local authority funds were included directly in the PIRC Local Authority Pension Performance Analytics Universe. The average investment return achieved by Local Authority Pension Funds within the Universe for **2020/21** was **22.8%** (including property assets), placing Gloucestershire **23rd** out of the **64** funds.

The average total fund returns for the average local authority funds are shown below:

AVERAGE RETURNS OVER:	LOCAL AUTHORITY UNIVERSE %
1 YEAR	22.8
3 YEARS	7.6
5 YEARS	9.5
10 YEARS	8.3

COMPARISON OF INVESTMENT PERFORMANCE WITH OTHER LGPS FUNDS

The Fund's investment performance is compared on an annual basis against other local authority pension funds subscribing to PIRC Local Authority Pension Performance based on the Analytics Universe of **64** local authority pension funds. The Fund performance was ranked **23rd** out of **64** over one year and **37th** out of **64** over the three year period. Ten year performance placed the Gloucestershire Fund **21st**.

INVESTMENT PERFORMANCE

31st March 2021 investment returns over **1** year, **3** years, **5** years and since inception as derived from the various asset categories in the Gloucestershire Fund compared to the specific performance benchmark used for each asset class:

	SINCE INCEPTION		1 YEAR		3 YEARS		5 YEARS	
ASSET POOL MANAGED INVESTMENTS	FUND %	B/MARK %	FUND %	B/MARK %	FUND %	B/MARK %	FUND %	B/MARK %
EQUITIES								
UK ACTIVE *	3.4	3.0	27.5	24.9	n/a	n/a	n/a	n/a
PASSIVE LOW CARBON *	11.5	11.6	39.0	39.2	n/a	n/a	n/a	n/a
PASSIVE SMART BETA *	7.9	8.2	34.2	34.4	n/a	n/a	n/a	n/a
PASSIVE DEVELOPED *	10.7	10.7	37.8	37.9	n/a	n/a	n/a	n/a
PASSIVE DEVELOPED HEDGED *	11.3	11.4	50.2	50.4	n/a	n/a	n/a	n/a
GLOBAL HIGH ALPHA *	23.9	13.5	50.0	39.1	n/a	n/a	n/a	n/a
EMERGING MARKETS *	13.6	13.9	46.1	42.8	n/a	n/a	n/a	n/a
GLOBAL SUSTAINABLE *	9.4	12.6	n/a	n/a	n/a	n/a	n/a	n/a
PROPERTY								
UK	1.7	2.5	1.7	2.5	n/a	n/a	n/a	n/a
INTERNATIONAL	-4.1	-2.9	-4.1	-2.9	n/a	n/a	n/a	n/a
ALTERNATIVES								
PRIVATE MARKETS INFRASTRUCTURE CYCLE 1 *	1.8	1.0	3.6	0.7	n/a	n/a	n/a	n/a
PRIVATE MARKETS INFRASTRUCTURE CYCLE 2 *	-1.4	0.3	n/a	n/a	n/a	n/a	n/a	n/a
PRIVATE MARKETS PRIVATE EQUITY CYCLE 1 *	14.1	15.7	-1.6	39.6	n/a	n/a	n/a	n/a
PRIVATE MARKETS PRIVATE EQUITY CYCLE 1 *	52.0	3.5	n/a	n/a	n/a	n/a	n/a	n/a
DIVERSIFYING RETURNS *	-0.0	0.0	n/a	n/a	n/a	n/a	n/a	n/a
NON-ASSET POOL MANAGED INVESTMENTS - FIXED INTEREST								
GLOBAL	6.0	6.3	9.5	7.0	4.0	3.9	5.3	5.1
GLOBAL MULTI STRATEGY	3.6	2.6	15.3	2.2	2.7	2.6	4.5	2.5
ALTERNATIVES								
UK PRIVATE DEBT *	7.1	5.7	6.7	5.3	7.3	5.7	n/a	n/a
OVERSEAS PRIVATE DEBT *	6.2	5.7	-5.3	5.3	8.3	5.7	n/a	n/a

* Performance history not available as assets not held for the entire duration of the period.

The **10** year total fund performance returns are shown on page **26**. Performance returns by fund manager are shown below.

Net investment performance by fund manager against benchmarks as at **31st March 2021**, annualised for **1, 3** and **5** years and since inception:

ASSET POOL MANAGED INVESTMENTS			SINCE INCEPTION		1 YEAR		3 YEARS		5 YEARS	
	MANDATE	BENCHMARK	PORTFOLIO %	B/MARK %	PORTFOLIO %	B/MARK %	PORTFOLIO %	B/MARK %	PORTFOLIO %	B/MARK %
BRUNEL	UK Active Equity*	FTSE All Share	3.4	3.0	27.5	24.9	n/a	n/a	n/a	n/a
BRUNEL	Global High Alpha Equity*	MSCI World Total Return Gross	23.9	13.5	50.0	39.1	n/a	n/a	n/a	n/a
BRUNEL	Emerging Markets Equity*	MSCI Emerging Markets Total Return Gross	13.6	13.9	46.1	42.8	n/a	n/a	n/a	n/a
BRUNEL	Private Markets Infra-structure Cycle 1*	Consumer Price Index	1.8	1.0	3.6	0.7	n/a	n/a	n/a	n/a
BRUNEL	Private Markets Infra-structure Cycle 2*	Consumer Price Index	-1.4	0.3	n/a	n/a	n/a	n/a	n/a	n/a
BRUNEL	Private Markets Private Equity Cycle 1*	MSCI All Country World Index	14.1	15.7	-1.6	39.6	n/a	n/a	n/a	n/a
BRUNEL	Private Markets Private Equity Cycle 2*	MSCI All Country World Index	52.0	3.5	n/a	n/a	n/a	n/a	n/a	n/a
BRUNEL	Passive Low Carbon*	MSCI World Low Carbon	11.5	11.6	39.0	39.2	n/a	n/a	n/a	n/a
BRUNEL	Passive Smart Beta*	SciBeta Multifactor Composite	7.9	8.2	34.2	34.4	n/a	n/a	n/a	n/a
BRUNEL	Passive Developed Equity*	FTSE World Developed	10.7	10.7	37.8	37.9	n/a	n/a	n/a	n/a
BRUNEL	Passive Developed Equity Hedged*	FTSE World Developed Hedged	11.3	11.4	50.2	50.4	n/a	n/a	n/a	n/a
BRUNEL	Diversifying Returns*	Sterling Overnight Index Average	-0.0	0.0	n/a	n/a	n/a	n/a	n/a	n/a
BRUNEL	Global Sustainable Equity*	MSCI All Country World GBP Index	9.4	12.6	n/a	n/a	n/a	n/a	n/a	n/a
BRUNEL	International Property	MSCI/AREF UK All Balanced	-4.1	-2.9	-4.1	-2.9	n/a	n/a	n/a	n/a
BRUNEL	UK Property*	MSCI Global Quarterly Property Fund	1.7	2.5	1.7	2.5	n/a	n/a	n/a	n/a
NON-ASSET POOL MANAGED INVESTMENTS										
Western Asset	Global Fixed Interest	ICE BoAML Sterling Non Gilts +1%	6.0	6.3	9.5	7.0	4.0	3.9	5.3	5.1
Western Asset	Global Multi Strategy Fixed Interest	3M GBP LIBOR + 2%	3.6	2.6	15.3	2.2	2.7	2.6	4.5	2.5
Golub Capital Partners	Private Debt*	3M GBP LIBOR +5%	6.2	5.7	-5.3	5.3	8.3	5.7	n/a	n/a
Arcmont	Private Debt*	3M GBP LIBOR +5%	7.1	5.7	6.7	5.3	7.3	5.7	n/a	n/a

* Performance history not available as assets were not held for the entire duration of the period.

ASSET ALLOCATION - PLANNED COMPARED TO ACTUAL

	STRATEGIC ASSET ALLOCATION TARGET 2020/21	ACTUAL ASSET ALLOCATION AS AT 31ST MARCH 2020	ACTUAL ASSET ALLOCATION AS AT 31ST MARCH 2021
	%	%	%
UK ACTIVE EQUITIES	12.0	13.0	12.9
GLOBAL HIGH ALPHA	13.0	17.0	15.0
EMERGING MARKETS	6.5	5.4	6.1
SUSTAINABLE	10.0	0.0	8.8
LOW CARBON	4.0	2.2	2.3
SMART BETA	9.5	8.7	9.1
PASSIVE DEVELOPED	0.0	10.4	5.8
OVERSEAS	0.0	2.8	0.0
TOTAL EQUITY	55.0	59.5	60.0
FIXED INTEREST	22.0	23.2	20.1
UK AND GLOBAL PROPERTY	10.0	9.2	7.2
DIVERSIFYING RETURNS	0.0	0.0	7.5
MULTI ASSET GLOBAL ABSOLUTE RETURN	0.0	3.6	0.0
INFRASTRUCTURE	5.0	0.3	0.5
PRIVATE EQUITY	3.0	0.3	0.4
PRIVATE DEBT	5.0	2.9	2.2
VENTURE CAPITAL	0.0	0.2	0.2
CASH	0.0	0.8	1.9
	100.0	100.0	100.0

SIGNIFICANT CHANGES DURING THE YEAR

Following progress with pooling arrangements, the Strategic Asset Allocation allows for a range of allocations to the various Brunel investment portfolios, as agreed by the Committee. The following identifies the various allocation ranges of which management can work within in consultation with the Independent Advisor to the Fund.

BRUNEL PORTFOLIO	NEW AGREED ALLOCATION FROM 1ST APRIL 2021 (%)	AGREED TARGET ALLOCATION RANGE FROM 1ST APRIL 2021 (%)
ACTIVE EQUITIES		
UK EQUITIES	12.0	10.0 to 14.0
GLOBAL HIGH ALPHA EQUITIES	13.0	11.0 to 15.0
EMERGING MARKET EQUITIES	6.5	5.0 to 8.0
SUSTAINABLE GLOBAL EQUITIES	10.0	8.0 to 12.0
PASSIVE EQUITIES		
LOW CARBON EQUITIES	4.0	3.0 to 5.0
SMART BETA EQUITIES	9.5	8.0 to 11.0
TOTAL EQUITIES	55.0	52.0 to 58.0
FIXED INTEREST		
UK INVESTMENT GRADE	14.5	13.0 to 16.0
MULTI ASSET CREDIT	7.5	6.5 to 8.5
TOTAL FIXED INTEREST	22.0	20.0 to 24.0
ALTERNATIVES		
DIVERSIFIED RETURNS	0.0	0.0 to 10.0
PROPERTY	10.0	8.0 to 12.0
PRIVATE DEBT	5.0	4.0 to 6.0
INFRASTRUCTURE	5.0	4.0 to 6.0
PRIVATE EQUITY	3.0	2.0 to 4.0
VENTURE CAPITAL	0.0	0.0 to 0.5
TOTAL ALTERNATIVES	23.0	21.0 to 25.0
TOTAL ALL	100.0	

As at **31st March 2021** the Fund's assets were invested in a diversified portfolio that consisted primarily of equity and debt securities. The majority of the equities held by the Fund are in international blue chip entities which are listed on stock markets such as the FTSE and MSCI Indices. The equity strategy is to hold a global diverse portfolio of equities with a small allocation to higher risk markets, such as Emerging Markets, to maintain a wide range of diversification and to improve return opportunities.

ANNUAL RESPONSIBLE INVESTMENT UPDATE

Brunel currently manages **75.7%** of the Fund's assets and over time will manage the vast majority of the Gloucestershire Fund, in conjunction with nine other funds in the South West of England. As such, Brunel own and maintain Responsible Investment (RI) and Climate Change Policies on behalf of their clients and Brunel selects and monitors asset managers on this basis. Brunel publishes a Responsible investment and Stewardship Outcomes report and this together with further details of the RI and Climate Change Policies can be found on the Brunel website <https://www.brunelpensionpartnership.org/responsible-investment/>.

During **2020/21**, Brunel continued to develop policies to guide its appointed investment managers with respect to voting, engagement and RI more generally. Brunel's policies are informed by its investment beliefs and its clients' policies and priorities together with regulations and statutory guidance and are aligned with best practice. Brunel's engagement objectives are linked to seven priority themes:

- 1. Climate Change**
- 2. UK Policy Framework**
- 3. Diversity & Inclusion**
- 4. Human Capital**
- 5. Cost and Tax Transparency**
- 6. Cyber Security**
- 7. Supply Chain Management**

FEDERATED HERMES

EOS at Federated Hermes is the Brunel Pension Partnership's engagement partner and a leading stewardship provider with a focus on achieving positive change. Their dedicated team of engagement and voting specialists enable pension funds such as Gloucestershire and the wider Brunel pool to achieve their fiduciary responsibilities and be more active owners of companies.

Federated Hermes focuses on greater sustainability in outcomes for society, in the interests of ultimate beneficiaries, through improved long-term returns on investment.

The following sections summarise the work of Brunel, together with their engagement provider, Federated Hermes, across areas including voting and engagement during **2020/21**.

ENGAGEMENT

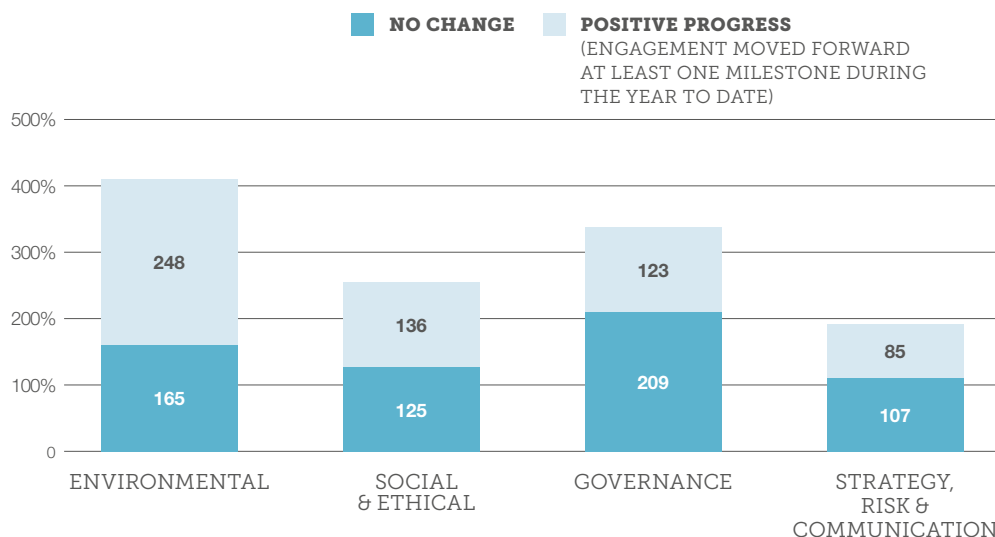
Brunel believes it is essential that they take an active and responsible approach to identifying risks and opportunities within investment portfolios. As such, Brunel set engagement objectives linked to the priority themes highlighted above and provide all of their clients with quarterly and annual updates relating to the work of both Brunel and their appointed asset managers activities.

During **2020/21**, Brunel's proxy voting and engagement provider, Federated Hermes, engaged with 881 Brunel held companies (**2019/20 867**) covering **1,050 (2019/20 1,081)** identified objectives and issues (see chart below). Progress of at least one milestone was moved forward for **51%** of objectives during the year (**2019/20 52%**).

ENGAGEMENT PROGRESS

Engagement during 2020 made significant progress.

EOS undertake engagement over three-year cycles. During **2020**, EOS engaged with **881** Brunel-held companies on **1,050** milestones. At least one milestone was moved forward for about **51%** of objectives during the year.



Engagement covers active equity portfolios, please note this does not include engagement undertaken directly by Brunel or it's managers.

Source: Brunel Pension Partnership 2021 Responsible Investment and Stewardship Outcomes for the year ending 31st December 2020

VOTING

Brunel Pension Partnership, on behalf of its clients, have developed a single voting policy for all assets managed by Brunel in the various mandates, articulated in their Stewardship Policy which is available on the company website. The implementation of Brunel's voting policy which is published in their Stewardship Policy is supported by Federated Hermes. Voting decisions are informed by investment consideration, consultation with portfolio managers, clients, other institutional investors and Brunel's engagement with companies. Brunel maintains quarterly voting records which are publically available on their website.

With respect to Gloucestershire's holdings, during **2020/21** Federated Hermes made voting recommendations at **1,044** meetings (**19/20 299**) covering **9,177** resolutions (**19/20 4,017**). At **332 (19/20 125)** of those meetings Federated Hermes recommended opposing one or more resolutions. The majority of resolutions where Federated Hermes recommended voting against management related to board governance and remuneration.



05

SCHEME ADMINISTRATION

05

SCHEME ADMINISTRATION

5.1

ADMINISTRATION ARRANGEMENTS

The Pensions Administration team is responsible for the scheme member and pensioner administration of the Fund. Members of the Pensions Finance team provide support to the Pension Committee including the production of management information and reports. In addition employers are responsible for ensuring that member and employer contributions are deducted at the correct rate and member data is sent to the Pensions Administration team.

To enable assurances to be obtained as to the effective and efficient operation of the Fund's investments, performance is benchmarked on an annual basis against other local authority pension funds subscribing to the PIRC Local Authority Pension Performance Analytics' Universe of 62 local authority pension funds. Internal controls are also in place to support the reliability and integrity of financial information and the Fund is subject to internal and external audit.

Staff contact details can be found on page **15** together with the Fund's web addresses which contain detailed documents and information on the following areas:

- + The Pension Fund's policy statements.
- + The actuary's triennial valuation reports from 2007 to 2019.
- + Annual reports from 2011/12 to the present.
- + Independent Auditor's Consistency Report
- + Business Plan

- + Funding Strategy Statements
- + Investment Strategy Statement
- + Pension Board Report
- + Brunel's Responsible Investment and Stewardship Policies, Climate Change Statement and Voting Guidelines
- + A range of guides for scheme members in "booklet" form covering different topics.
- + Online copies of the various forms members may wish to use in connection with their scheme membership.
- + Updates on latest developments affecting the pension scheme.
- + Information on the Annual Benefit Statements.
- + Administration Staff contact details
- + Employer pages, providing an Employer's Administration Guide and associated forms/documentation together with other relevant information.

The Pension Fund's web pages also contain links to the National LGPS Member website and the Brunel Pension Partnership website, the Fund's pool asset manager who will eventually manage all the Fund's investments although responsibility for asset allocation will remain with the Pension Committee.

5.2

VALUE FOR MONEY STATEMENT

The Gloucestershire Pension Fund strives to deliver value for money services to all of the members and employers within the Fund. In order to demonstrate the efficiency and effectiveness of the services provided we collect data on key service related performance indicators and cost data which is used for comparisons over time and comparisons with other Funds where possible.

The key data to confirm value for money is set out on the following pages, but in summary this data confirms that the Gloucestershire Fund continues to deliver a good quality, value for money service which meets the expectations of members of the fund.

From the performance data on pages **36** to **37**, it can be seen that during **2020/21**, despite the impact of Covid-19 on operations, across the majority of indicators, performance has remained broadly consistent across all 6 performance

indicators with **2019/20**. Performance against four of the six indicators being on or above target in **2020/21** and all of the Annual Benefits Statements were issued to members by the statutory deadline.

During 2020/21 and the impact of the Covid-19 pandemic, the focus was on ensuring the payment of members benefits. Whilst some other administration areas remain lower than the performance levels achieved under the pre-April **2014** scheme or in previous years, it is evident that the investment in additional staff allowed management to clearly target the complex areas of the scheme and ensure a high-quality service continues to be delivered to members. The **2021/22** budget also allows for the additional recruitment of a number of pension administration officers, which the Fund hopes will continue to support the improvement of service delivery and performance indicators further.

SUMMARY OF ACTIVITY

5.3

KEY TASKS PERFORMANCE INFORMATION

The Pension Fund has a number of local performance targets which are included within the Pension Administration Strategy report, and are detailed in the tables below. These tables show the levels of achievement for the last five years for the key tasks delivered by the Pension Fund.

	2016/17 %	2017/18 %	2018/19 %	2019/20 %	2020/21 %
PENSION CONTRIBUTIONS PAID ON OR BEFORE THE DUE DATE	99.90	99.95	99.84	99.76	99.52
EMPLOYERS PROVIDING THE PENSION FUND WITH A COPY OF THEIR DISCRETIONS POLICY DOCUMENT (187 OUT OF 204)	81.2	79.7	81.0	90.2	91.7
PROVISION OF NAMED PENSIONS CONTACTS FOR THE EMPLOYER	100	100	100	100	100

ACTIVITY	TARGET	2016/17	2017/18	2018/19	2019/20	2020/21
ANNUAL BENEFIT STATEMENTS SENT BY STATUTORY DEADLINE	31/08/2017	31/08/2018	31/08/2019	31/08/2020	31/08/2021	
	100%	100%*	100%*	100%*	100%*	100%*
PROVIDE RETIREMENT ESTIMATES WITHIN 15 WORKING DAYS						
TOTAL COMPLETED		669	571	651	739	534
COMPLETED ON TIME		442	485	587	724	482
ACHIEVEMENT	90%	66.1%	84.9%	90.2%	98.0%	90.3%
PAY RETIREMENT GRANTS WITHIN 15 WORKING DAYS						
TOTAL COMPLETED		807	768	858	983	872
COMPLETED ON TIME		285	575	592	603	701
ACHIEVEMENT	90%	35.3%	74.9%	69%	61.3%	80.4%
PAY DEATH GRANTS WITHIN 8 WORKING DAYS						
TOTAL COMPLETED		59	61	79	76	89
COMPLETED ON TIME		32	45	65	51	62
ACHIEVEMENT	90%	54.2%	73.8%	82%	67.1%	69.7%
PAY REFUNDS WITHIN 15 WORKING DAYS						
TOTAL COMPLETED		290	448	620	649	424
COMPLETED ON TIME		203	429	609	641	395
ACHIEVEMENT	90%	70%	95.8%	98.2%	98.8%	93.2%
PAY TRANSFER VALUES WITHIN 15 WORKING DAYS						
TOTAL COMPLETED		71	132	147	194	136
COMPLETED ON TIME		55	122	144	192	132
ACHIEVEMENT	90%	77.5%	92.4%	98.0%	99.0%	97.1%

* Where the year-end return has been received from the employer and a definitive match made to the Pensions Administration records.

5.4

COMPLAINTS RECEIVED

TYPE OF COMPLAINT	2016/17	2017/18	2018/19	2019/20	2020/21
SYSTEM ERROR	-	-	-	-	-
STAFF ERROR	-	-	2	1	1
STAFF ATTITUDE	-	-	-	-	-
TOTAL	-	-	2	1	1
TOTAL AS % OF WORKLOAD	0.0%	0.0%	0.0%	0.0%	0.0%

FINANCIAL INDICATORS

UNIT COSTS PER MEMBER	2016/17	2017/18	2018/19	2019/20	2020/21
INVESTMENT MANAGEMENT EXPENSES					
TOTAL COSTS £000	6,698	5,783	6,492	7,797	10,146
TOTAL MEMBERSHIP NUMBERS	58,465	59,768	60,134	60,417	61,896
COST PER MEMBER £	114.56	96.75	107.96	129.05	163.92
ADMINISTRATION EXPENSES					
TOTAL COSTS £000	1,133	1,217	1,397	1,509	1,556
TOTAL MEMBERSHIP NUMBERS	58,465	59,768	60,134	60,417	61,896
COST PER MEMBER £	19.38	20.36	23.23	24.98	25.14
OVERSIGHT AND GOVERNANCE					
TOTAL COSTS £000	694	418	553	722	500
TOTAL MEMBERSHIP NUMBERS	58,465	59,768	60,134	60,417	61,896
COST PER MEMBER £	11.87	6.99	9.20	11.95	8.08
TOTAL COST PER MEMBER £	145.81	124.10	140.39	165.98	197.14

The management fees disclosed above include investment management fees directly incurred by the Fund i.e. including those charged on pooled fund investments which tend to be deducted from the market value of the investments rather than invoiced to the Fund. In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments.

BENCHMARKING

The Pension Fund submits data (SF3 submission) on an annual basis to the Ministry of Housing, Communities & Local Government (MHCLG). This information provides a benchmark on the administration and fund management of the Local Government Pension Scheme and is also used in compiling the National Accounts and to show the role of pension funds in the economy. The SF3 submission is subjected to a strict validation by MHCLG and any significant variances are investigated.

Please find detailed below the results of the benchmarking obtained from that submission, comparing the average cost per scheme member of the Gloucestershire Fund to the average cost per scheme member of all funds in England and Wales.

The results show that the average cost per scheme member of the Gloucestershire Fund has been consistently lower than the average of all funds in England and Wales.

	2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £
ADMINISTRATION COSTS PER SCHEME MEMBER					
GLOUCESTERSHIRE COUNTY COUNCIL	26.61	32.28	27.94	32.92	37.55
ALL AUTHORITIES	29.80	30.24	29.80	32.68	35.70
FUND MANAGEMENT COSTS PER SCHEME MEMBER					
GLOUCESTERSHIRE COUNTY COUNCIL	121.33	127.77	107.80	117.08	139.48
ALL AUTHORITIES	148.49	155.06	175.44	189.59	209.68
TOTAL ADMINISTRATION AND FUND MANAGEMENT COSTS PER SCHEME MEMBER					
GLOUCESTERSHIRE COUNTY COUNCIL	147.94	160.05	135.74	150.00	177.03
ALL AUTHORITIES	178.29	185.30	205.24	222.27	245.38

STAFFING INDICATORS

The table below shows the number of staff over the last five years in the Pensions Administration Team working exclusively on local government pension scheme benefits.

	2016/17	2017/18	2018/19	2019/20	2020/21
NUMBER OF FULL TIME EQUIVALENT PENSION FUND STAFF	11.8	14.9	14.6	14.9	15.5
TOTAL FUND MEMBERSHIP	58,465	59,768	60,134	60,417	61,896
NUMBER OF FUND MEMBERS TO ONE MEMBER OF ADMINISTRATION STAFF	4,954	4,011	4,119	4,055	3,993

OTHER ACTIVITIES UNDERTAKEN IN 2020/21

5.5

WORKING THROUGH THE COVID-19 PANDEMIC

Despite the additional challenges resulting from the Covid-19 pandemic and the additional support and assistance required from scheme members and employers alike, the Gloucestershire Pensions staff continued to provide a seamless and efficient service.

OTHER INFORMATION

MEMBERSHIP SUMMARY	2016/17	% DIFF	2017/18	% DIFF	2018/19	% DIFF	2019/20	% DIFF	2020/21
CONTRIBUTORS	18,986	-0.82	18,830	+0.74	18,969	+0.80	19,121	+0.53	19,222
PENSIONERS	14,700	+4.44	15,353	+4.59	16,058	+3.42	16,607	+4.11	17,290
DEFERRED PENSIONERS	18,738	+3.87	19,463	+4.90	20,417	-1.19	20,173	+0.5	20,274
TOTAL	52,424	+2.33	53,646	+3.35	55,444	+0.82	55,901	+1.58	56,786
UNDECIDED/ UNPROCESSED LEAVERS	6,041	+1.34	6,122	-23.39	4,690	-3.71	4,516	+13.15	5,110
TOTAL	58,465	+2.23	59,768	+0.61	60,134	+0.47	60,417	+2.45	61,896

Deferred pensioners are former employees who have not transferred their pension rights and to whom benefits will be paid, from their eligible retirement date.

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. These cases (once processed) could end up becoming Undecided Leavers or Deferred (depending on length of membership) or indeed could end up being aggregated with another record the member may hold, in which case the particular record itself would be deleted.

OTHER INFORMATION

THE FOLLOWING GIVES AN AGE PROFILE OF FUND MEMBERS

GENDER	CATEGORY AGE	ACTIVE	DEFERRED	PENSIONER	WIDOW(ER)/ DEPENDANT
F	under 15	0	0	0	21
M	under 15	0	0	0	15
F	15 to 19	93	1	0	21
M	15 to 19	42	0	0	18
F	20 to 24	555	66	0	10
M	20 to 24	216	31	0	26
F	25 to 29	907	565	0	6
M	25 to 29	327	346	0	2
F	30 to 34	1,204	1,131	0	1
M	30 to 34	329	528	0	2
F	35 to 39	1,548	1,535	1	1
M	35 to 39	302	576	0	1
F	40 to 44	1,907	1,764	2	4
M	40 to 44	361	537	0	5
F	45 to 49	2,469	2,307	4	5
M	45 to 49	386	561	3	10
F	50 to 54	2,848	3,261	41	24
M	50 to 54	538	720	15	25
F	55 to 59	2,385	3,123	516	30
M	55 to 59	558	702	142	66
F	60 to 64	1,291	1,685	1,741	77
M	60 to 64	400	406	604	90
F	65 to 69	325	262	2,950	112
M	65 to 69	141	83	1,093	97
F	70 to 74	62	55	2,528	183
M	70 to 74	28	19	1,215	117
F	75 to 79	0	3	1,391	214
M	75 to 79	0	7	823	120
F	80 to 84	0	0	795	228
M	80 to 84	0	0	469	93
F	85 to 89	0	0	358	196
M	85 to 89	0	0	250	67
F	90 to 94	0	0	147	114
M	90 to 94	0	0	86	19
F	95 to 99	0	0	35	39
M	95 to 99	0	0	10	0
F	100 to 104	0	0	3	8
F	105 to 109	0	0	0	1
TOTAL	56,786	19,222	20,274	15,222	2,068

ANALYSIS OF NEW PENSIONERS

Please find detailed below a breakdown of new pensioners split into the various types of retirement:

	2016/17	2017/18	2018/19	2019/20	2020/21
NORMAL RETIREMENT	196	195	205	186	235
EARLY RETIREMENT*	502	544	618	683	637
ILL-HEALTH RETIREMENT**	31	26	32	27	20
	729	765	855	896	892

*Early retirements are made up of employees who, on being made redundant and over the age of 55, were entitled to their accrued pension rights plus those employees over 55 who elected to receive their pension benefits before their normal retirement age, incurring a reduction in their pension benefits to reflect early payment (there are some exclusions to this rule).

**Ill-health retirements relate to those members of staff, and former members of staff with deferred benefits, deemed permanently incapable of continuing in the employment the member was engaged in due to medical reasons and not immediately capable of undertaking any gainful employment in the future.

EMPLOYER SUMMARY

Please find listed below a summary of the number of employers in the Fund as at 31st March 2021 analysed by scheduled bodies and admitted bodies which are active

(with active members) and ceased (no active members but some outstanding liabilities) during the year.

	ACTIVE	CEASED	TOTAL
SCHEDULED BODIES	169	14	183
ADMITTED BODIES	37	39	76
Total	206	53	259

EMPLOYEE CONTRIBUTIONS

Employee contributions are prescribed by statute and are based on pay bands. The pay bands and rates applicable from April 2020 are detailed below:

Whilst these same rates will apply to the 2021/22 financial year, the pensionable pay banding levels have increased slightly. Employees can opt to pay 50% of the relevant contribution rate to accrue 50% of the normal pension.

PENSIONABLE PAY	EMPLOYEE CONTRIBUTION RATE %
UP TO £14,600	5.5
£14,601 TO £22,800	5.8
£22,801 TO £37,100	6.5
£37,101 TO £46,900	6.8
£46,901 TO £65,600	8.5
£65,601 TO £93,000	9.9
£93,001 TO £109,500	10.5
£109,501 TO £164,200	11.4
MORE THAN £164,201	12.5

EMPLOYER CONTRIBUTIONS

Employer contributions are assessed every three years by the Scheme Actuary. The contributions are required to be sufficient to maintain the long-term solvency of the Fund.

The results of the most recent actuarial valuation of the Fund, as at 31st March 2019, were announced in March 2020 and set the employers' contribution rates payable in each of the three years commencing 1st April 2020. The next actuarial valuation is due as at 31st March 2022, which will prescribe the employer rates from 1st April 2023.

The table below summarises the whole fund Primary and Secondary Contribution rates at the 2019 valuation. Primary rates relate to future service liabilities whilst the secondary rate relates to past service deficit payments. The Primary rate is the payroll weighted average of the underlying individual employer primary rates and the Secondary rate is the total of the underlying individual employer secondary rates calculated in accordance with the Regulations and the Chartered Institute of Public Finance & Accountancy (CIPFA) guidance. The whole fund Primary and Secondary contributions calculated at the 2016 valuation 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

Further information regarding the valuation and the scheme's funding position is included in the Actuarial Report on Fund on pages **60** to **61**.

Details of benefits payable under the LGPS and how they are calculated are contained in a scheme booklet that is issued to new employees. A general guide to the benefits payable is contained on page **185** of this report. In accordance with the Pensions (Increase) Act 1971 pensions payable are increased in relation to the movement in the Consumer Price Index.

PARTICIPATING EMPLOYERS AND CONTRIBUTIONS RECEIVABLE

A list of the Fund's participating and contributing employers is shown below. The Rates & Adjustment Certificate showing each individual employer's contribution rate, as agreed with the Scheme Actuary, for the period 1st April 2020 to 31st March 2023 may be found on pages 63 to 68.

2020/21 CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS	EMPLOYEE CONTRIBUTIONS	TOTAL
ADMINISTERING AUTHORITY			
GLOUCESTERSHIRE COUNTY COUNCIL*	51,558,857	9,271,428	60,830,285
SCHEDULED BODIES			
CHELTENHAM BOROUGH COUNCIL	10,053,336	467,261	10,520,597
COTSWOLD DISTRICT COUNCIL	5,268,484	51,062	5,319,546
FOREST OF DEAN DISTRICT COUNCIL	5,597,083	26,577	5,623,660
GLOUCESTER CITY COUNCIL	10,828,503	395,607	11,224,110
STROUD DISTRICT COUNCIL	4,127,116	675,254	4,802,370
TEWKESBURY BOROUGH COUNCIL	2,868,481	424,050	3,292,531
COTSWOLDS NATIONAL LANDSCAPE	83,497	30,590	114,087
CHELTENHAM BOROUGH HOMES	1,011,987	371,594	1,383,581
POLICE AND CRIME COMMISSIONER FOR GLOUCESTERSHIRE	6,090,218	1,760,919	7,851,137
LOWER SEVERN DRAINAGE BOARD	149,982	25,527	175,509
PARISH AND TOWN COUNCILS (POOLED)	597,600	148,875	746,475
UNIVERSITY OF GLOUCESTERSHIRE	3,553,532	1,024,640	4,578,172
CIRENCESTER COLLEGE	553,499	136,985	690,484
GLOUCESTERSHIRE COLLEGE	1,183,216	327,957	1,511,173
HARTPURY UNIVERSITY	2,052,981	551,940	2,604,921
ACADEMIES			
ABBEY VIEW CCT	23,886	5,200	29,086
ALL SAINTS	223,275	51,284	274,559
AYLBURTON PRIMARY	2,932	522	3,454
BALCARRAS SCHOOL	369,062	71,281	440,343
BATTLEDOWN PRIMARY	110,704	20,743	131,447
BELMONT SCHOOL	196,847	37,419	234,266
BERKELEY PRIMARY	65,826	14,069	79,895
BERKELEY UTC ACADEMY	41,976	9,761	51,737
BIBURY C OF E PRIMARY ACADEMY	17,046	3,459	20,505
BISHOPS CLEEVE PRIMARY	147,650	37,150	184,800
BLOCKLEY PRIMARY ACADEMY	50,303	10,208	60,511
BOURTON ON THE WATER	91,565	20,109	111,674
BREAM C OF E PRIMARY ACADEMY	7,593	1,384	8,977
BROCKWORTH PRIMARY	75,171	17,886	93,057
CAM WOODFIELD JUNIOR ACADEMY	44,727	9,615	54,342

2020/21 CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS	EMPLOYEE CONTRIBUTIONS	TOTAL
CHARLTON KINGS INFANTS SCHOOL	98,742	21,443	120,185
CHARLTON KINGS JUNIOR SCHOOL	86,808	16,125	102,933
CHELTENHAM BOURNSIDE SCHOOL	418,349	83,078	501,427
CHESTERTON PRIMARY ACADEMY	97,449	21,489	118,938
CHIPPING CAMPDEN SCHOOL	340,140	72,161	412,301
CHOSEN HILL SCHOOL	288,686	55,978	344,664
CHRIST CHURCH C OF E	80,114	17,729	97,843
CHURCHDOWN SCHOOL	340,431	62,146	402,577
CHURCHDOWN VILLAGE INFANTS	65,932	15,496	81,428
CIRENCESTER DEER PARK SCHOOL	299,434	65,261	364,695
CIRENCESTER KINGSHILL SCHOOL	218,349	48,244	266,593
CLEARWATER PRIMARY ACADEMY	34,298	7,038	41,336
CLEEVE SCHOOL	255,536	84,147	339,683
COALEY C OF E PRIMARY ACADEMY	16,616	3,419	20,035
COTSWOLD SCHOOL	324,909	73,814	398,723
CRYPT SCHOOL	190,809	46,699	237,508
DENE MAGNA SCHOOL	409,083	51,276	460,359
DENMARK ROAD HIGH SCHOOL	178,615	33,470	212,085
DIOCESE OF GLOUCESTER ACADEMIES TRUST	87,276	24,292	111,568
DRYBROOK PRIMARY	56,886	9,662	66,548
DURSLEY PRIMARY	168,199	19,755	187,954
FARMORS ACADEMY	195,768	39,081	234,849
FIELD COURT C OF E INFANT SCHOOL	132,105	32,254	164,359
FIELD COURT C OF E JUNIOR SCHOOL	75,598	14,946	90,544
FIVE ACRES HIGH SCHOOL ACADEMY	253,023	53,430	306,453
FOREST HIGH SCHOOL	69,657	15,243	84,900
FOREST VIEW PRIMARY	128,052	22,957	151,009
GLOUCESTER ACADEMY	206,207	56,701	262,908
GOTHERINGTON PRIMARY SCHOOL	52,387	7,682	60,069
GRANGE PRIMARY ACADEMY	92,824	22,111	114,935
GRETTON PRIMARY SCHOOL	21,598	4,273	25,871
HARDWICKE PRIMARY SCHOOL	109,829	22,542	132,371
HARTPURY C OF E PRIMARY ACADEMY	32,053	5,309	37,362
HENLEY BANK HIGH SCHOOL	158,854	32,779	191,633
HIGHNAM C OF E PRIMARY SCHOOL	54,510	12,008	66,518
HOLMLEIGH PARK HIGH SCHOOL	277,478	56,328	333,806
KATHERINE LADY BERKELEY SCHOOL	359,341	70,732	430,073
KEMBLE PRIMARY ACADEMY	25,582	7,984	33,566
LAKEFIELD PRIMARY ACADEMY	75,857	15,448	91,305
LONGFORD PARK PRIMARY ACADEMY	46,866	11,008	57,874

2020/21 CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS	EMPLOYEE CONTRIBUTIONS	TOTAL
LONGNEY C OF E PRIMARY ACADEMY	27,270	5,638	32,908
LYDNEY PRIMARY	26,238	4,798	31,036
MARLING SCHOOL	214,833	51,448	266,281
MILESTONE ACADEMY	859,244	165,971	1,025,215
MINCHINHAMPTON ACADEMY	72,070	15,264	87,334
MITTON MANOR PRIMARY ACADEMY	44,522	9,066	53,588
MOAT PRIMARY ACADEMY	68,075	16,630	84,705
NEWENT COMMUNITY SCHOOL	219,659	43,578	263,237
NORTH CERNEY C OF E PRIMARY ACADEMY	15,029	3,064	18,093
OFFAS MEAD PRIMARY	29,795	6,693	36,488
PATERNOSTER ACADEMY	140,833	26,286	167,119
PATES SCHOOL	276,362	65,534	341,896
PRIMROSE HILL ACADEMY	59,224	11,792	71,016
REDMARLEY C OF E SCHOOL	20,885	3,803	24,688
RIBSTON HALL SCHOOL	190,973	42,209	233,182
ROBINSWOOD PRIMARY SCHOOL	342,461	85,777	428,238
ROSARY CATHOLIC PRIMARY SCHOOL	53,820	10,412	64,232
ROWANFIELD INFANT SCHOOL	49,229	11,337	60,566
ROWANFIELD JUNIOR SCHOOL	128,873	25,332	154,205
SEVERNBANKS PRIMARY	98,831	18,016	116,847
SEVERN VALE SCHOOL	395,564	64,605	460,169
SEVERN VIEW PRIMARY	25,308	5,855	31,163
SIDDINGTON C OF E PRIMARY ACADEMY	24,878	5,430	30,308
SIR THOMAS RICH'S SCHOOL	213,545	42,504	256,049
SIR WILLIAM ROMNEY'S SCHOOL	156,732	30,724	187,456
SOUTH GLOS & STROUD ACADEMY TRUST	42,254	10,399	52,653
SPRINGBANK PRIMARY	136,134	30,626	166,760
ST DAVID'S PRIMARY	71,807	16,148	87,955
ST DOMINIC'S CATHOLIC PRIMARY SCHOOL	17,009	1,675	18,684
ST JAMES PRIMARY ACADEMY	95,399	19,319	114,718
ST JOHN'S C OF E PRIMARY	37,705	7,651	45,356
ST LAWRENCE ACADEMY	41,646	8,548	50,194
ST MARY'S CATHOLIC PRIMARY SCHOOL	63,797	13,926	77,723
ST MATTHEW'S C OF E PRIMARY ACADEMY	55,652	11,454	67,106
ST PETER'S CATHOLIC HIGH SCHOOL	405,426	80,303	485,729
STAUNTON AND CORSE C OF E SCHOOL	32,261	6,470	38,731
STONE WITH WOODFORD C OF E ACADEMY	28,657	4,879	33,536
STROUD HIGH SCHOOL	220,841	46,915	267,756
TEWKESBURY SCHOOL	348,852	72,262	421,114
THE DEAN ACADEMY	245,570	45,132	290,702

2020/21 CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS	EMPLOYEE CONTRIBUTIONS	TOTAL
THE RIDGE ACADEMY	85,995	20,452	106,447
THOMAS KEBLE SCHOOL	209,637	48,348	257,985
TREDINGTON PRIMARY	13,036	3,021	16,057
TREDWORTH INFANT AND NURSERY ACADEMY	182,747	18,776	201,523
WHITESHILL PRIMARY ACADEMY	23,924	4,914	28,838
WINCHCOMBE ABBEY	94,272	19,293	113,565
WINCHCOMBE SCHOOL	163,745	29,616	193,361
WYEDEAN SCHOOL	275,203	52,177	327,380
	68,558,150	9,408,536	77,966,686
ADMITTED BODIES			
ADOPTION WEST	117,293	31,026	148,319
ASPIRE SPORTS AND CULTURAL TRUST	57,106	25,509	82,615
ASPENS (DENMARK ROAD)	4,147	722	4,869
ASPENS CATERING (FARMORS)	10,002	1,884	11,886
ATKINS	14,873	4,764	19,637
BARNARDOS FOD AND STROUD	5,269	1,140	6,409
BARNARDOS GLOUCESTER	-	6,516	6,516
BRANDON TRUST	9,772	2,362	12,134
CHELTENHAM TRUST	153,223	26,903	180,126
CIVICA UK LTD	-	42,786	42,786
CIVICA UK LTD - GLOS CITY IT	11,126	1,741	12,867
COTSWOLD ARCHAEOLOGY LTD.	151,956	39,317	191,273
ENTERPRISE (ACCORD OPERATIONS LTD)	20	46,091	46,111
GARDNERS LANE & OAKWOOD (CHELT. & TEWKES)	94,557	32,071	126,628
GLOUCESTER CITY HOMES	349,095	96,660	445,755
GLOUCESTERSHIRE AIRPORT	39,182	12,821	52,003
GLOUCESTERSHIRE HEALTH & CARE NHS FOUNDATION	65,411	16,613	82,024
GLOUCESTERSHIRE GROUP HOMES	55,056	10,911	65,967
THE ORDERS OF ST JOHN CARE TRUST	59,892	12,561	72,453
PLACES FOR PEOPLE	21,718	8,072	29,790
PROSPECTS YOUTH SERVICE	63,179	127,311	190,490
PUBLICA (COTSWOLD)	1,068,012	347,542	1,415,554
PUBLICA (FOREST)	576,975	192,192	769,167
PUBLICA (FOREST) REVENUE & BENEFITS	57,950	16,956	74,906
RIDGE CREST CLEANING (FARMORS)	3,828	744	4,572
RINGWAY INFRASTRUCTURE SERVICES	66,117	16,541	82,658
SPORT & LEISURE MANAGEMENT	92,458	24,872	117,330
STROUD COURT COMMUNITY TRUST	78,982	20,142	99,124
STROUD SUBSCRIPTION ROOMS	7,147	1,974	9,121

2020/21 CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS	EMPLOYEE CONTRIBUTIONS	TOTAL
TINIES UK (GLOS COLLEGE)	38,273	9,084	47,357
TWO RIVERS HOUSING	192,466	88,696	281,162
UBICO LTD (CHELT BC)	1,243	101,015	102,258
UBICO LTD (COTS DC)	15,205	4,745	19,950
UBICO LTD (FODDC)	6,197	6,516	12,713
UBICO LTD (TEWKS BC)	-	34,346	34,346
WEALDON LEISURE (FODDC)	56,628	16,918	73,546
ADMITTED BODIES TOTAL	3,544,358	1,430,064	4,974,422
SECTION 75 DEBT (CESSATION OF EMPLOYER)	2,065,959	-	2,065,959
ILL HEALTH INSURANCE	-2,037,942	-	-2,037,942
TOTAL CONTRIBUTIONS	123,689,382	20,110,028	**143,799,410

* including schools.

** includes ill health and early retirement contributions totalling £1.9m.

Some of the employers will include accruals for contributions due but not received as at 31st March 2021.

SUMMARY OF FREEDOM OF INFORMATION REQUESTS RECEIVED DURING 2020/21

SUBJECT	NUMBER OF REQUESTS	
	2019/20	2020/21
ALTERNATIVE INVESTMENTS	12	13
SUBJECT ACCESS REQUEST	2	1
VOTING RECORDS	2	4
INVESTMENTS IN FOSSIL FUELS, CLIMATE CHANGE AND TOBACCO	2	3
CURRENCY TRANSACTIONS	1	-
HOLDINGS IN CAPITAL GROUP	1	-
ASSETS HELD	1	2
SOFTWARE PROVIDERS USED	-	1
INVESTMENT MANAGEMENT FEES	-	1
INDEPENDENT ADJUDICATOR	-	1
	21	26

The Fund's Internal Disputes Resolution Procedure (I.D.R.P.)

5.6

Although the majority of problems relating to members benefits are normally the result of misunderstandings or incorrect information and can be dealt with informally, the LGPS Regulations provide a formal complaint procedure known as the Internal Dispute Resolution Procedure. This formal process consists of two stages, as detailed below, although many of the complaints are resolved during the first stage.

STAGE 1

In the first instance you should write to the person nominated by the body who made the decision about which you wish to appeal. You must do this within six months of the date of the notification of the decision or the act or omission about which you are complaining (or such longer period as the nominated person considers reasonable). This is a formal review of the initial decision or act or omission and is an opportunity for the matter to be reconsidered. The nominated person will consider your complaint and notify you of his or her decision.

STAGE 2

If you are dissatisfied with that person's decision, (or their failure to make a decision) you may apply to the Fund's administering authority to have it reconsidered.

The Pensions Section can tell you who your employer's nominated person is and supply you with a more detailed leaflet on the Internal Disputes Resolution Procedure and relevant time limits together with a form to fill in or you can ask your employer.

MONEYHELPER (FORMERLY THE PENSIONS ADVISORY SERVICE - TPAS)

MoneyHelper is available at any time to assist members and beneficiaries of the scheme in connection with any pension query they may have or any difficulty which they cannot resolve with the scheme administrator. Information can be found on the MoneyHelper website at www.moneyhelper.org.uk.

PENSIONS OMBUDSMAN

In cases where a complaint or dispute has not been satisfactorily resolved through the Internal Disputes Resolution Procedure, or with the help of MoneyHelper (formerly TPAS), an application can be made to the Pensions Ombudsman within three years of the event that gave rise to the complaint or dispute or, if later, within three years of when the individual first knew about it (or ought to have known about it). There is discretion in certain instances for the time limit to be extended.

The Pensions Ombudsman's website can be found at www.pensions-ombudsman.org.uk or they can be contacted on **0800 917 4487**.

More detailed information can be found on the pages of the Pension Section's website by using the following link www.gloucestershire.gov.uk/pensions. Alternatively, you can contact the Pensions Section by telephoning **(01452) 328888**.

Details of scheme member appeals during 2020/2021 are as follows:

There was one Stage 2 IDRP appeal against the Fund during 2020/2021. The independent appointed person upheld the member's complaint.

06

PENSIONS ADMINISTRATION STRATEGY



06

PENSIONS ADMINISTRATION STRATEGY

INTRODUCTION & PURPOSE

It is recognised by the Secretary of State that for the administration of the Local Government Pension Scheme (LGPS) to be improved and costs reduced, Employers and Administering Authorities must co-operate closely and provide sufficient resource to ensure that their statutory obligations are met. The purpose of this Administration Strategy is therefore to recognise those responsibilities and to set out the time scales within which tasks should be completed. This will subsequently improve the flow of information between Employers and Gloucestershire Pension Fund (as Administering Authority), ensuring that those obligations are met, and ultimately that costs are kept to a minimum and that scheme members receive accurate and timely payment/notification of their entitlements. The Administering Authority has assigned responsibility for the management and administration of the Gloucestershire Pension Fund to the Pension Committee.

1. THE REGULATIONS

1.1 The Pension Administration Strategy is concerned with ensuring that Gloucestershire Pension Fund runs smoothly for its member's employer organisations and Gloucestershire Pension Fund.

1.2 The Pension Administration Strategy is made in accordance with Regulation 59 of the Local Government Pension Scheme Regulations 2013 which states, amongst other things that:

- (1)** An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ('its pension administration strategy') and, where it does so, paragraphs (3) to (7) apply.
- (2)** The matters are:
 - (a)** procedures for liaison and communication with Scheme employers in relation to which it is the administering authority ('its Scheme employers');
 - (b)** the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions by:
 - (i)** the setting of performance targets
 - (ii)** the making of agreements about levels of performance and associated matters, or
 - (iii)** such other means as the administering authority considers appropriate
 - (c)** procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;
 - (d)** procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions;
 - (e)** the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers under regulation 70 (additional costs arising from Scheme employer's level of performance) on account of that employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);
 - (f)** the publication by the administering authority of annual reports dealing with:
 - (i)** the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and
 - (ii)** such other matters arising from its pension administration strategy as it considers appropriate; and

(g) such other matters as appear to the administering authority, after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

1.3 The Pension Administration Strategy is published to Gloucestershire Pension Fund's Scheme employers and to the Secretary of State.

2. THE STRATEGY

2.1 Procedures for liaison and communication with Scheme employers

2.1.1 The employer will nominate a person to act as the 'employer representative' and Gloucestershire Pension Fund 's primary contact. The employer will notify Gloucestershire Pension Fund who that person is and ensure that changes of nominated person are notified to Gloucestershire Pension Fund immediately.

2.1.2 Gloucestershire Pension Fund employs a multi-channel approach to liaison and communication with Scheme employers to ensure that employer needs are constantly and consistently met.

2.1.3 Channels include:

- The 'Gloucestershire Pension Fund Employers Web Site', that gives access to:
 - information about Gloucestershire Pension Fund and the Local Government Pension Scheme
 - administration forms to download, print and use as needed.
 - contact information for key Gloucestershire Pension Fund representatives who can inform and liaise with employers on the scheme and its application to individual cases.
- Gloucestershire Pension Fund issues information by e-mail to the nominated contact for pensions at each organisation.
- Employer representatives can distribute pension information as appropriate to relevant staff within their organisation with a view to ensuring the smooth operation of the scheme within their organisation. The employer representative should always be mindful of the confidentiality of some correspondence.
- Employer update seminars are held twice yearly (usually during January and June) covering scheme development issues and providing the opportunity for Employers to field any questions/queries.

2.2 LEVELS OF PERFORMANCE

2.2.1 Gloucestershire Pension Fund and Scheme employers must have regard to the current version of the Pension Administration Strategy when carrying out their functions.

LEVELS OF PERFORMANCE FOR SCHEME EMPLOYERS AND THE ADMINISTERING AUTHORITY

2.2.2 The employer must supply notifications (or approved alternatives) to Gloucestershire Pension Fund as follows:

- (i) New starters (FORM: Employer pension starter notification): within 5 weeks of the employee joining.
- (ii) Change in member's details (FORM: LGPS con-change): within 5 weeks of the event.
- (iii) Early leavers (FORM: leaver1): within 5 weeks of the employee leaving.
- (iv) Retirement Notifications (FORM: leaver1) and all other required documents must be received by Gloucestershire Pension Fund on or before 5 working days after the last day of employment.
- (v) Death in active membership (FORM: leaver1): within 5 working days of the death of the member.

2.2.3 Great care must be taken to avoid breaking The Occupational Pension Schemes (Disclosure of Information) Regulations 2013. For example, where a retirement takes place before normal pension age, leaver1 form must be received by Gloucestershire Pension Fund no later than one month after the date of retirement. Where a retirement takes place on or after normal pension age, Gloucestershire Pension Fund must receive leaver1 form no later than 10 working days after the date of retirement. The above timeframes within 2.2.2 are therefore to allow us to ensure compliance with the Disclosure Regulations in relation to all scheme member matters.

2.2.4 Each employer in the fund will provide Gloucestershire Pension Fund with a monthly statement reconciling to the total contributions paid. This statement must be received by the Pension Fund before the payment of the contribution is made. The format of this statement is stipulated by Gloucestershire Pension Fund and contains information as detailed in the LGPS Regulations 2013. It also provides assistance to the employer by validating the calculations. A separate spreadsheet is available for employees utilising the 50/50 scheme and both can be obtained from the 'Gloucestershire Pension Fund Employers Web Site'. The deadline for receipt of these statements is no later than the 10th day of the month following the month in which contributions have been deducted. Where the 10th falls on a weekend or bank holiday, the due date becomes the last working day prior to the 10th.

2.2.5 Employers will provide Gloucestershire Pension Fund with a year-end data return as at 31st March each year in an approved format no later than 31st May of that year. The return must be balanced by the employer against the employee and employer contribution payments made for that financial year.

**Please note that in the year of the Triennial Valuation, this date may need to be brought forward. Any such change will be notified in advance to your nominated person.*

2.2.6 The scheme employer is responsible for ensuring that employee and employer contributions are deducted at the correct rate and on the correct pensionable pay. This includes contributions due on leave of absence with reduced or no pay, maternity leave contributions, contributions relating to the 50/50 option and any other contributions due to the Gloucestershire Pension Fund or requested by the Gloucestershire Pension Fund.

2.2.7 The employer is responsible for exercising the discretionary powers given to employers by the regulations. The employer is also responsible for publishing its policy in respect of the key discretions as required by the regulations to its employees.

2.2.8 Gloucestershire Pension Fund is not responsible for verifying the accuracy of any information provided by the employer for the purpose of calculating benefits under the provisions of the Local Government Pension Scheme and the Discretionary Payments Regulations. That responsibility rests with the employer.

2.2.9 Any over payment of benefits resulting from inaccurate information supplied by the employer shall be recovered from the employer.

Similarly, where Gloucestershire Pension Fund are required to revise their calculations due to incorrect notification of information by the employer, Gloucestershire Pension Fund reserves the right to pass on the administrative costs of processing that revision.

2.2.10 In the event of Gloucestershire Pension Fund incurring costs or being fined by e.g. The Pensions Regulator, as a result of an employer's action or inaction (e.g. the failure to notify a retirement within the time limits described above), this charge will be passed on to the relevant employer.

2.2.11 Under the Data Protection Act 1998, the employer will protect from improper disclosure any information about a member contained (where applicable) on any item sent from Gloucestershire Pension Fund. It will also only use information supplied or made available by Gloucestershire Pension Fund for the operation of the Local Government Pension Scheme.

LEVELS OF PERFORMANCE FOR GLOUCESTERSHIRE PENSION FUND

2.2.12 Gloucestershire Pension Fund will make available/ issue forms, newsletters, booklets and such other materials as are necessary for the administration of the Scheme.

2.2.13 Gloucestershire Pension Fund will support employers in running the Local Government Pension Scheme by:

- (i) providing information, interpretation and assistance on the scheme and its administration.
- (ii) distributing regular technical information.

2.2.14 Working co-operatively with employers, Gloucestershire Pension Fund aims to:

- (i) in relation to retirements; pay retirement grants within 10 working days of receipt of all the relevant required paperwork
- (ii) in relation to deaths in service; pay the death gratuity within 3 working days of receipt of all the relevant required paperwork
- (iii) provide employer requested estimates within 15 working days of request from employer
- (iv) send Annual Benefit Statements (ABS's) to scheme members in accordance with the specified timeframes within the LGPS Regulations following the relevant end of financial year, (subject to timely receipt of all required notifications under 2.2.2. and a balanced year-end return as stated in 2.2.5)

2.2.15 Gloucestershire Pension Fund will produce benefit illustrations for members each year where the employer has submitted usable and accurate year-end financial data.

2.2.16 Gloucestershire Pension Fund will supply any information to employers necessary to ensure the smooth running of the pension fund.

2.2.17 Gloucestershire Pension Fund will work with employers to ensure that retirement is as smooth a process as possible for the member and employer.

2.2.18 Under the Data Protection Act 1998, Gloucestershire Pension Fund will protect from improper disclosure any information held about a member. Information held will be used by Gloucestershire Pension Fund for the operation of the Local Government Pension Scheme.

2.2.19 Gloucestershire Pension Fund is responsible for exercising the discretionary powers given to it by the regulations. Gloucestershire Pension Fund is also responsible for publishing its policy to its members in respect of the key discretions as required by the regulations.

2.2.20 Gloucestershire Pension Fund aims to provide a service to members that meet the requirements of the Occupational Pension Schemes (Disclosure of Information) Regulations 2013.

2.2.21 The Gloucestershire Pension Fund will contact all scheme employers throughout the financial year, depending on their year end reporting date, to establish requirements for an annual pension liability report produced by the Fund's actuary. These reports are required under the relevant International Accounting Standards (IAS) or Financial Reporting Standards (FRS) for inclusion in the employer's Annual Report & Accounts. For those wishing to commission such a report, the Gloucestershire Pension Fund will provide all the necessary documentation as provided by the Fund's actuary; the cost of obtaining this report will be recharged to the employer. Employers who fail to meet the advised deadlines of this exercise may incur a further actuarial charge due to the nature of the bulk discount fee obtained by the Fund.

2.2.22 Where employers who are admitted bodies to the Fund are required to hold an indemnity bond, the Gloucestershire Pension Fund will request, from the Fund's actuary, revised bond valuations in accordance with the employer's Admission Agreement. Indemnity bonds are normally reviewed annually and the standard renewal date is 1st April. Where an employer is required to obtain a new or revised bond they will be given a minimum of 20 working days notice by the Gloucestershire Pension Fund. The actuary cost of obtaining the bond valuation will be recharged to the employer.

2.3 PAYMENTS BY SCHEME EMPLOYERS TO GLOUCESTERSHIRE PENSION FUND

2.3.1 Scheme employers will make all payments required under the Local Government Pension Scheme, and any related legislation, promptly to Gloucestershire Pension Fund and/or its Additional Voluntary Contribution providers (Prudential / Phoenix Life) as appropriate.

• PAYMENT DATES

Contributions can be paid over at any time but the latest date for cleared funds to be received is the 19th of the month immediately following the month in which deductions were made. For example contributions deducted in April must be received by Gloucestershire Pension Fund by 19th May at the latest. Where the 19th falls on a weekend or Bank Holiday, the due date becomes the last working day prior to the 19th.

Similarly, the employer will pay any Additional Voluntary Contributions to the relevant AVC Provider within the same timeframe.

• LATE PAYMENT

Under the Pensions Act 1995, the Pensions Regulator may be notified if contributions are not received in accordance with the regulators code of practice, as described above.

• **MONTHLY CONTRIBUTION**
- PAYMENT METHOD

Apart from Additional Voluntary Contributions, all other Contributions should be paid to the Gloucestershire Pension Fund's bank account, by Direct Debit or BACS. The payment should match the in-month return(s) for the employer and a summary document should be sent if the payment covers two returns or more.

• **SECONDARY (DEFICIT) CONTRIBUTION**

It is expected that secondary (deficit) contribution payments will be included on the monthly return when payment is made with the normal monthly contributions.

• **INVOICE - PAYMENT METHOD**

Payments of invoices raised by the Pension Fund are due immediately upon receipt and must be made separate to any contribution payment that is due. The payment should be paid to the Gloucestershire Pension Fund's bank account, by BACS quoting invoice details.

• **REMITTANCE ADVICES**

Employers must submit a remittance advice with each payment to the Gloucestershire Pension Fund (email address: peninv@gloucestershire.gov.uk). Employers who are paying monthly contributions must provide the statement as detailed in paragraph 2.2.4 above.

2.4 ADDITIONAL COSTS INCURRED AS A RESULT OF SCHEME EMPLOYER'S LEVEL OF PERFORMANCE

2.4.1 Gloucestershire Pension Fund will charge the scheme employer an administrative fee, for chasing any overdue/outstanding documentation or overdue payment, of £6 subject to VAT in relation to each item, each time it is chased.

Payments paid into Gloucestershire County Council's bank account rather than the Pension Fund's bank account will be subject to an administration fee of £6 subject to VAT. Any other additional charges imposed by the Bank to transfer these payments will also be passed on to the employer.

In addition, where additional costs have been incurred by Gloucestershire Pension Fund because of the Scheme employer's level of performance in carrying out its functions under the LGPS, the additional costs will be recovered from that Scheme employer. Costs subject to VAT will be based on a time and materials basis.

2.4.2 Gloucestershire Pension Fund will give written notice to the Scheme employer stating -

- (i) the reasons for the additional cost incurred;
- (ii) that the Scheme employer should pay the additional costs attributable to that authority's level of performance;
- (iii) the basis on which the specified amount is calculated; and
- (iv) the relevant provisions of the Pension Administration Strategy under which the additional costs have arisen.
- (v) Additional costs incurred will be collated and invoiced each calendar year.

2.4.3 Any disagreement regarding the amount of additional cost being recovered, which cannot be resolved between the employer and Gloucestershire Pension Fund, will be decided by the Secretary of State who will have regard to -

- (i) the provisions of the Pension Administration Strategy that are relevant to the case; and
- (ii) the extent to which Gloucestershire Pension Fund and the Scheme employer have complied with those provisions in carrying out their functions under these Regulations.

2.5 INTEREST ON LATE PAYMENTS

2.5.1 In accordance with the LGPS Regulations, interest may be charged on any amount overdue from a Scheme employer by more than one month.

2.5.2 Interest will be calculated at one percentage point above base rate on a day to day basis from the due date to the date of payment and compounded with three-monthly rests.

3. REVIEW OF THE PENSION ADMINISTRATION STRATEGY

3.1 The Pension Administration Strategy will be kept under review by the Gloucestershire Pension Fund's Pension Committee.

3.2 The Pension Committee's relationship with Scheme employers including details on communication, governance, skills and knowledge, etc., is contained within the following documents: Communications Policy; Governance Policy; Governance Compliance Statement. All these documents are available on Gloucestershire Pension Fund's website www.gloucestershire.gov.uk/pensionsinvestments.

3.3 Employers may make suggestions to improve the Pension Administration Strategy for consideration by Gloucestershire Pension Fund at any time.

3.4 Gloucestershire Pension Fund will revise the Pension Administration Strategy after consulting with Scheme employers and any other persons considered appropriate following a material change in any policy covered in the strategy. When the Gloucestershire Pension Fund publishes its Strategy or a revised Strategy it will send a copy to each of its Scheme employers and to the Secretary of State.

3.5 Employers are welcome to discuss any aspect of the Pension Administration Strategy with Gloucestershire Pension Fund at any time. Employers are welcome to visit Gloucestershire Pension Fund at any time, subject to notice.

3.6 The Gloucestershire Pension Fund Annual Report will give details of the extent to which the Administering Authority and Employers have achieved the levels of performance as detailed in the Administration Strategy as well as such other matters from the Administration Strategy it considers important.

4. EMPLOYER CONTRIBUTION RATES AND ADMINISTRATION COSTS

4.1 Employers' contribution rates are not fixed. Employers are required to pay whatever is necessary to ensure that the portion of the fund relating to their organisation is sufficient to meet its liabilities.

4.2 Gloucestershire Pension Fund has an actuarial valuation undertaken every three years by the Fund's actuary. The actuary balances the fund's assets and liabilities in respect of each employer, and assesses the appropriate minimum contribution rate for each employer to be applied for the subsequent three years.

4.3 The cost of running Gloucestershire Pension Fund is charged directly to the Fund, and the actuary takes these costs into account in assessing the employers' contribution rates.

4.4 If an employer wishes Gloucestershire Pension Fund to carry out any employer specific work, Gloucestershire Pension Fund reserves the right to make a reasonable charge to cover the administration involved, where appropriate. Gloucestershire Pension Fund would always discuss such matters with the employer before any work commenced.



07

**EXECUTIVE
SUMMARY
ON THE LAST
TRIENNIAL
VALUATION**

07

EXECUTIVE SUMMARY ON THE LAST TRIENNIAL VALUATION

FUNDING POSITION

An actuarial valuation of the Fund was carried out as at 31st March 2019. The results are briefly summarised below.

The table below summarises the financial position of the Fund at 31st March 2019, and at the previous three valuation dates, in respect of benefits earned by members up to this date.

	31ST MARCH 2010	31ST MARCH 2013	31ST MARCH 2016	31ST MARCH 2019
PAST SERVICE POSITION	£M	£M	£M	£M
PAST SERVICE LIABILITIES	1,498	1,976	2,138	2,338
MARKET VALUE OF ASSETS	1,054	1,385	1,703	2,379
SURPLUS / (DEFICIT)	(444)	(591)	(435)	41
FUNDING LEVEL	70.4%	70.1%	79.7%	101.8%

The main reasons for the change in the funding level over the period were better than anticipated investment returns, the effect of expected changes in membership, an increase in the assumed rate of future investment returns, an increase in the assumed rate of inflation and changes in mortality rates.

CONTRIBUTION RATES

The table below summarises the whole fund Primary and Secondary Contribution rates at the 2019 valuation. The Primary rate is the payroll weighted average of the underlying individual employer primary rates and the Secondary rate is the total of the underlying individual employer secondary rates calculated in accordance with the Regulations and the Chartered Institute of Public Finance & Accountancy (CIPFA) guidance.

The Primary rate includes an allowance of 0.6% of pensionable pay for the Fund's expenses (0.5% at the 2016 valuation). The average employee contribution rate is 6.3% of pensionable pay (6.3% at the 2016 valuation).

The minimum contributions to be paid by each employer from 1st April 2020 to 31st March 2023 are shown in the Rates and Adjustment Certificate on pages 63 to 68.

PRIMARY EMPLOYER CONTRIBUTION RATE AS A % OF PAY 1ST APRIL 2020 TO 31ST MARCH 2023	SECONDARY RATE £000		
	2020/21	2021/22	2022/23
20.9%	30,652	26,850	24,353

The next triennial valuation will take place as at 31st March 2022. This will set the minimum contributions to be paid by each employer from 1st April 2023 to 31st March 2026.

A copy of the most recent valuation can be found at www.gloucestershire.gov.uk/extra/pensions/investments

RESULT OF INTERIM MONITORING

The Fund continues to set life expectancy assumptions using ClubVita, which is a specialised longevity company providing life expectancy assumptions based on annual monitoring of the Fund's own membership. In addition employers' ill health and early retirement experience is monitored and extra contributions obtained where necessary. In 2020/21 extra contributions of £1.2m (£1.7m 2019/20) were collected from employers in connection with early retirements and £0.7m (£0.5m 2019/20) was received in connection with ill-health retirements.



08

ACTUARIAL REPORT ON FUND



ACTUARIAL REPORT ON FUND

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

DESCRIPTION OF FUNDING POLICY

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2021. In summary, the key funding principles are as follows:

- + to ensure the long-term solvency of the Fund using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- + to ensure that employer contribution rates are reasonably stable where appropriate;
- + to minimise the long-term cash contributions which employers need to pay to the Fund by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- + to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- + 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 FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 17 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 70% likelihood that the Fund will achieve the funding target over 17 years.

FUNDING POSITION AS AT THE LAST FORMAL FUNDING VALUATION

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31st March 2019. This valuation revealed that the Fund's assets, which at 31st March 2019 were valued at £2,379 million, were sufficient to meet 102% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1st April 2020 to 31st March 2023 were set in accordance with the Fund's funding policy as set out in its FSS.

PRINCIPAL ACTUARIAL ASSUMPTIONS AND METHOD USED TO VALUE THE LIABILITIES

Full details of the methods and assumptions used are described in the 2019 valuation report.

METHOD

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

ASSUMPTIONS

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2019 valuation were as follows:

FINANCIAL ASSUMPTIONS	31ST MARCH 2019
DISCOUNT RATE	4.2%
SALARY INCREASE ASSUMPTION	2.6%
BENEFIT INCREASE ASSUMPTION (CPI)	2.3%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	MALES	FEMALES
CURRENT PENSIONERS	21.7 years	23.9 years
FUTURE PENSIONERS*	22.4 years	25.3 years

*Aged 45 at the 2019 Valuation.

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

EXPERIENCE OVER THE PERIOD SINCE 31ST MARCH 2019

Markets were severely disrupted by COVID 19 in March 2020, but in the year 2020/21 they recovered strongly. As a result, the funding level of the Fund as at 31st March 2021 is likely to be an improvement to that reported at the previous formal valuation.

The next actuarial valuation will be carried out as at 31st March 2022. The Funding Strategy Statement will also be reviewed at that time.

Julie West FFA
For and on behalf of Hymans Robertson LLP
23rd April 2021

Hymans Robertson LLP
20 Waterloo Street, Glasgow, G2 6DB



RATES AND ADJUSTMENTS CERTIFICATE

09

SUMMARY STATEMENT TO THE RATES AND ADJUSTMENTS CERTIFICATE

In accordance with regulation 62(4) of the Regulations, 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 method and assumptions used to calculate the contributions set out in the Rates and Adjustments certificate are detailed in the Fund's Funding Strategy Statement and the Actuary's report on the actuarial valuation.

The required minimum contribution rates are set out below.

EMPLOYER/POOL	MINIMUM CONTRIBUTIONS FOR THE YEAR ENDING TOTAL CONTRIBUTION RATE (%/£)		
	2020/21	2021/22	2022/23
GLOUCESTERSHIRE COUNTY COUNCIL & SCHOOLS POOL			
GLOUCESTERSHIRE COUNTY COUNCIL*	26.8% plus £10,150,000	24.7% plus £150,000	23.7% plus £150,000
GLOUCESTERSHIRE COUNTY COUNCIL SCHOOLS	30.9%	28.9%	27.9%
STABILISED			
GLOUCESTER CITY COUNCIL*	19.4% plus £9,644,000	19.4% plus £0	19.4% plus £0
CHELTENHAM B.C.*	20.0% plus £8,675,000	20.0% plus £0	20.0% plus £0
COTSWOLD D.C.*1	20.2% plus £4,902,000	20.2% plus £0	20.2% plus £0
FOREST OF DEAN D.C.*1	20.3% plus £5,531,000	20.3% plus £0	20.3% plus £0
STROUD D.C.	19.7% plus £2,118,000	19.7% plus £1,840,000	19.7% plus £1,562,000
TEWKESBURY B.C.	19.7% plus £1,661,000	19.7% plus £1,465,000	19.7% plus £1,269,000
POLICE AND CRIME COMMISSIONER FOR GLOUCESTERSHIRE **	19.8% plus £512,000	19.8% plus £343,000	19.8% plus £167,000

EMPLOYER/POOL	MINIMUM CONTRIBUTIONS FOR THE YEAR ENDING TOTAL CONTRIBUTION RATE (%/£)		
	2020/21	2021/22	2022/23
TOWN AND PARISH COUNCILS POOL			
BERKELEY TOWN COUNCIL	23.6%	22.4%	21.1%
BISLEY WITH LYPIATT PARISH COUNCIL	23.6%	22.4%	21.1%
BROCKWORTH PARISH COUNCIL	23.6%	22.4%	21.1%
CAINSCROSS PARISH COUNCIL	23.6%	22.4%	21.1%
CAM PARISH COUNCIL	23.6%	22.4%	21.1%
CHALFORD PARISH COUNCIL	23.6%	22.4%	21.1%
CHARLTON KINGS PARISH COUNCIL	23.6%	22.4%	21.1%
CHURCHDOWN PARISH COUNCIL	23.6%	22.4%	21.1%
CINDERFORD TOWN COUNCIL	23.6%	22.4%	21.1%
CIRENCESTER TOWN COUNCIL	23.6%	22.4%	21.1%
COLEFORD TOWN COUNCIL	23.6%	22.4%	21.1%
DURSLEY TOWN COUNCIL	23.6%	22.4%	21.1%
HINTON PARISH COUNCIL	23.6%	22.4%	21.1%
HUCCLECOTE PARISH COUNCIL	23.6%	22.4%	21.1%
KING'S STANLEY PARISH COUNCIL	23.6%	22.4%	21.1%
LECHLADE TOWN COUNCIL	23.6%	22.4%	21.1%
LEONARD STANLEY PARISH COUNCIL	23.6%	22.4%	21.1%
LYDNEY TOWN COUNCIL	23.6%	22.4%	21.1%
MORETON-IN-MARSH TOWN COUNCIL	23.6%	22.4%	21.1%
NAILSWORTH TOWN COUNCIL	23.6%	22.4%	21.1%
NEWENT TOWN COUNCIL	23.6%	22.4%	21.1%
NORTHLEACH WITH EASTINGTON TOWN COUNCIL	23.6%	22.4%	21.1%
PAINSWICK PARISH COUNCIL	23.6%	22.4%	21.1%
PRESTBURY PARISH COUNCIL	23.6%	22.4%	21.1%
RODBOROUGH PARISH COUNCIL	23.6%	22.4%	21.1%
STONEHOUSE TOWN COUNCIL	23.6%	22.4%	21.1%
STROUD TOWN COUNCIL	23.6%	22.4%	21.1%
TETBURY TOWN COUNCIL	23.6%	22.4%	21.1%
TEWKESBURY TOWN COUNCIL	23.6%	22.4%	21.1%
TIDENHAM PARISH COUNCIL	23.6%	22.4%	21.1%
WOTTON-UNDER-EDGE TOWN COUNCIL	23.6%	22.4%	21.1%

EMPLOYER/POOL	MINIMUM CONTRIBUTIONS FOR THE YEAR ENDING TOTAL CONTRIBUTION RATE (%/£)		
	2020/21	2021/22	2022/23
COLLEGES & UNIVERSITY			
CIRENCESTER TERTIARY COLLEGE	24.8%	24.8%	24.8%
GLOUCESTERSHIRE COLLEGE	19.2% plus £212,000	19.2% plus £213,000	19.2% plus £213,000
HARTPURY UNIVERSITY	22.9% plus £93,000	22.9% plus £95,000	22.9% plus £98,000
UNIVERSITY OF GLOUCESTERSHIRE	22.1% plus £154,000	22.1% plus £158,000	22.1% plus £162,000
SCHEDULED BODIES			
CHELTENHAM BOROUGH HOMES LTD	18.0%	18.0%	18.0%
COTSWOLDS NATIONAL LANDSCAPE (FORMERLY COTSWOLD CONSERVATION BOARD)	19.0%	19.0%	19.0%
LOWER SEVERN INTERNAL DRAINAGE BOARD	26.3% plus £57,000	26.3% plus £57,000	26.3% plus £57,000
ADMITTED BODIES			
ADOPTION WEST	23.8%	23.8%	23.8%
ALLIANCE IN PARTNERSHIP (ST. PETER'S)	30.1%	30.1%	30.1%
APCOA	0%	0%	0%
ASPENS CATERING (FARMORS)	29.2%	29.2%	29.2%
ASPIRE SPORTS AND CULTURAL TRUST	14.9%	14.9%	14.9%
BARNARDOS FOREST OF DEAN AND STROUD	26.8%	26.8%	26.8%
BARNARDOS GLOUCESTER	0%	0%	0%
BRANDON TRUST	25.0%	25.0%	25.0%
BRAYBORNE	31.3%	31.3%	31.3%
CHELTENHAM TRUST	23.7%	23.7%	23.7%
CIVICA (GLOS)	0%	0%	0%
COTSWOLD ARCHAEOLOGICAL TRUST	29.8%	29.8%	29.8%
ENTERPRISE (AOL) LTD	0%	0%	0%
FOREST OF DEAN DC - UBICO	0%	0%	0%
GARDNERS LANE & OAKWOOD	20.2%	20.2%	20.2%
GLOUCESTER CITY HOMES TRUST	24.0%	24.0%	24.0%
GLOUCESTER CITY IT - CIVICA	26.6%	26.6%	26.6%
GLOUCESTER COMMUNITY BUILDING COLLECTIVE	-	19.4%	19.4%
GLOUCESTERSHIRE AIRPORT LTD.	24.0%	24.0%	24.0%
GLOUCESTERSHIRE HEALTH & CARE NHS FOUNDATION	25.5%	25.5%	25.5%
GLOUCESTERSHIRE GROUP HOMES	32.8%	32.8%	32.8%
PLACES FOR PEOPLE	16.3%	16.3%	16.3%
PROSPECTS SERVICES	0.0%	0.0%	0.0%
RIDGE CREST CLEANING (FARMORS)	28.3%	28.3%	28.3%
SPORT LEISURE MANAGEMENT (SLM) LTD	25.3%	25.3%	25.3%
STROUD COURT COMMUNITY TRUST	31.3%	31.3%	31.3%
THE ORDER OF ST. JOHN CARE TRUST	27.9%	27.9%	27.9%

EMPLOYER/POOL	MINIMUM CONTRIBUTIONS FOR THE YEAR ENDING TOTAL CONTRIBUTION RATE (%/£)		
	2020/21	2021/22	2022/23
ADMITTED BODIES			
TINIES UK (GLOS COLLEGE)	22.6%	22.6%	22.6%
TWO RIVERS HOUSING	18.1%	18.1%	18.1%
UBICO - CHELTENHAM WASTE	0.0%	0.0%	0.0%
UBICO - COTSWOLD WASTE	21.1%	21.1%	21.1%
UBICO - TEWKESBURY	0.0%	0.0%	0.0%
URBASER	-	28.6%	28.6%
WEALDEN LEISURE (FOREST OF DEAN DC - LEISURE)	19.9%	19.9%	19.9%
MULTI ACADEMY TRUSTS ***			
ACADEMIES ENTERPRISE TRUST	24.3%	24.3%	24.3%
CORINIUM EDUCATION TRUST	25.2%	25.2%	25.2%
COTSWOLD BEACON ACADEMY TRUST	25.7%	25.7%	25.7%
DIOCESE OF GLOUCESTERSHIRE ACADEMIES TRUST	27.1%	27.1%	27.1%
GLOUCESTERSHIRE LEARNING ALLIANCE	23.8%	23.8%	23.8%
GREENSHAW LEARNING TRUST	29.1%	29.1%	29.1%
PRIMARY QUEST	33.2%	33.2%	33.2%
SAND	30.5%	30.5%	30.5%
SEVERN FEDERATION ACADEMY TRUST	26.5%	26.5%	26.5%
SGS ACADEMY TRUST	25.9%	25.9%	25.9%
THE ROBINSWOOD ACADEMY TRUST	23.6%	23.6%	23.6%
THE WHITE HORSE FEDERATION	29.0%	29.0%	29.0%

EMPLOYER/POOL	MINIMUM CONTRIBUTIONS FOR THE YEAR ENDING TOTAL CONTRIBUTION RATE (%/£)		
	2020/21	2021/22	2022/23
ACADEMIES			
ABBEY VIEW – CCT LEARNING	26.5%	27.1%	27.6%
ALL SAINTS ACADEMY	26.3%	24.9%	23.4%
BALCARRAS SCHOOL	27.4%	25.9%	24.4%
BLOCKLEY C OF E PRIMARY SCHOOL	27.9%	27.4%	26.8%
BOURTON ON THE WATER	25.8%	24.5%	23.1%
CHARLTON KINGS INFANT	26.1%	24.7%	23.3%
CHARLTON KINGS JUNIOR	30.6%	29.3%	27.9%
CHELTENHAM BOURNSIDE	30.5%	29.2%	27.8%
CHIPPING CAMPDEN	28.6%	27.9%	27.2%
CHOSEN HILL SCHOOL	30.6%	29.5%	28.3%
CHRIST CHURCH C OF E PRIMARY (CHELTENHAM)	25.6%	25.1%	24.6%
CHURCHDOWN SECONDARY	33.8%	33.3%	32.8%
CHURCHDOWN VILLAGE INFANTS	24.2%	23.8%	23.3%
CIRENCESTER KINGSHILL	26.3%	25.6%	24.8%
CLEEVE SCHOOL	26.7%	25.8%	24.8%
DENE MAGNA	32.5%	31.8%	31.0%
DENMARK ROAD HIGH SCHOOL	33.5%	32.4%	31.2%
FARMORS	30.1%	30.0%	29.8%
FIELD COURT JUNIOR	28.1%	26.1%	24.1%
FOREST VIEW PRIMARY	31.6%	31.0%	30.3%
GOTHERINGTON	38.0%	36.5%	34.9%
GRETTON PRIMARY	28.1%	28.8%	29.4%
HIGHNAM C OF E	25.8%	25.7%	25.6%
KATHARINE LADY BERKELEYS	31.2%	29.7%	28.1%
MITTON MANOR PRIMARY SCHOOL	28.1%	27.1%	26.1%
NEWENT COMMUNITY SCHOOL ACADEMY	30.2%	29.8%	29.3%
PATE'S GRAMMAR SCHOOL	27.3%	26.7%	26.0%
REDMARLEY C OF E	30.2%	30.2%	30.3%
RIBSTON HALL HIGH SCHOOL	28.3%	26.8%	25.2%
SEVERN VALE	30.8%	31.5%	32.1%
SEVERNBANKS PRIMARY SCHOOL	31.2%	30.2%	29.1%
SIR THOMAS RICH'S	31.3%	29.8%	28.3%
SIR WILLIAM ROMNEY	29.8%	28.9%	27.9%
ST DAVID'S PRIMARY SCHOOL	24.8%	24.3%	23.7%
ST DOMINICS CATHOLIC PRIMARY	32.6%	30.6%	28.6%
ST MARY'S CATHOLIC PRIMARY	25.0%	24.2%	23.4%
ST PETERS HIGH SCHOOL AND SIXTH FORM	30.6%	29.5%	28.3%

EMPLOYER/POOL	MINIMUM CONTRIBUTIONS FOR THE YEAR ENDING TOTAL CONTRIBUTION RATE (%/£)		
	2020/21	2021/22	2022/23
ACADEMIES			
STAUNTON CORSE	27.7%	25.7%	23.7%
STONE WITH WOODFORD C OF E PRIMARY SCHOOL	32.3%	30.8%	29.2%
STROUD HIGH SCHOOL	29.1%	28.4%	27.6%
TEWKESBURY SCHOOL	30.1%	29.2%	28.3%
THE COTSWOLD SCHOOL	27.8%	26.3%	24.8%
THE CRYPT SCHOOL	24.9%	23.9%	22.8%
THE DEAN ACADEMY	32.5%	30.8%	29.0%
THE ROSARY CATHOLIC PRIMARY	29.1%	27.4%	25.7%
THOMAS KEBLE	29.1%	28.1%	27.0%
TREDWORTH INFANT SCHOOL	26.5%	25.6%	24.6%
WINCHCOMBE SECONDARY	31.4%	30.4%	29.4%
WYEDEAN SCHOOL	32.7%	31.8%	30.8%

* The employer Secondary rates have been amended to reflect contribution pre-payments made on 1st April 2020 by the employers to reduce Secondary contributions that were otherwise due in 2021/22 and 2022/23. The Secondary rates for GCC also include an additional £150k p.a. in respect of the former Prospects Services contract.

** The employer Secondary rate in the year 2020/21 has been reduced to reflect up front payment of the whole amount on 1st April 2020.

*** Each academy within the trust will pay the pooled Multi Academy Trust rate shown.

1 The rates for these Councils are inclusive of the Publica contracts.

FURTHER COMMENTS

Contributions expressed as a percentage of pensionable pay should be paid into Gloucestershire County Council Pension Fund ("the Fund") at a frequency in accordance with the requirements of the Regulations.

Further sums should be paid to the Fund to meet the costs of any early retirements and/or augmentations using methods and factors issued by us from time to time or as otherwise agreed.

Payments may be required to be made to the Fund by employers to meet the capital costs of any ill-health retirements that exceed those included within my assumptions. If an employer has an ill-health liability insurance in place with a suitable insurer and provides satisfactory evidence to the Administering Authority, then their certified contribution rate may be reduced by the value of their insurance premium, for the period the insurance is in place.*

The certified contribution rates represent the minimum level of contributions to be paid. Employing authorities may pay further amounts at any time and future periodic contributions may be adjusted on a basis approved by the Fund actuary.

There has been significant volatility in the financial markets since February and March 2020 as a result of the COVID-19 pandemic. This volatility may impact funding balance sheets for those employers planning to exit the Fund during the period covered by this Rates and Adjustments Certificate. In order to effectively manage employer exits from the Fund, the Administering authority reserves the right to revisit the contribution rates for employers that are expected to cease participation in the Fund before 31st March 2023. An employer will be contacted by the Administering Authority in this instance.

* From 1st April 2020 a blanket ill-health insurance policy has been in place covering almost all employers resulting in no amendments to the certified contribution rate.



10 | GOVERNANCE

10 GOVERNANCE

THE GLOUCESTERSHIRE LOCAL GOVERNMENT PENSION SCHEME (LGPS) **PENSION BOARD**

10.1

All Public Sector Pension schemes were required under the Public Service Pensions Act 2013 to set up a Pension Board with effect from 2015/16 to assist the administering authorities of their Pension scheme in ensuring compliance with LGPS and other pension regulations.

The County Council, as administering authority of the Gloucestershire LGPS agreed the terms of reference of the Pension Board in February 2015 and amended them during 2019/20. The terms of reference are included within the Fund's Governance Policy document, which can be found on the Fund's website and in the 2020/21 Annual Report.

Under the constitution, the Board shall provide an annual report to the Pension Committee and then to a full meeting of Gloucestershire County Council. The report will include information on the business conducted by the Pension Board with any risks or concerns identified. The report will also be published on the Pension Fund's website. This report meets that requirement for the 2020/21 financial year, covering the work from the October 2020 and March 2021 Board meetings.

Taking account of the relevant LGPS regulations and guidance, the Gloucestershire LGPS decided to appoint an independent non-voting chair of the Pension Board. An independent chair of the Pension Board cannot have any involvement (e.g. through membership or employer links) with the local pension scheme they would be chairing, but having good experience and knowledge of the LGPS would be advantageous and would assist the other Board members in their role. To comply with these requirements the Gloucestershire LGPS invited the Head of Pensions at the Oxfordshire LGPS, Sean Collins, to become chair of the Gloucestershire Pension Board. Attendance at Board meetings was as follows:

	ATTENDED 22ND OCTOBER 2020 MEETING	ATTENDED 9TH MARCH 2021 MEETING
SCHEME EMPLOYER REPRESENTATIVES		
ANNETTE BENSON (UNIVERSITY OF GLOUCESTERSHIRE)	No	Yes
PAUL JONES (CHELTENHAM BOROUGH COUNCIL)	Yes	Yes
CLLR NIGEL MOOR (GLOUCESTERSHIRE COUNTY COUNCIL)	Yes	Yes
SCHEME MEMBER REPRESENTATIVES		
JOHN ABBOTT	Yes	Yes
MICHAEL HUNT	Yes	Yes
JON TOPPING	Yes	Yes

In addition to attendance at Board Meetings, members of the Pension Board are invited to attend joint training and update sessions with members of the Pension Committee. Members of the Pension Board are also sent all agenda papers for the Pension Committee meetings, which they can attend as observers. The minutes of the Pension Board are reported to the next Pension Committee.

WORK PROGRAMME

The Board receives the following items in respect of its key responsibilities at every meeting:

- + Funding position and an Investment Performance review
- + Risk Register
- + Pension Administration Report

Due to the Covid-19 Pandemic both meetings in 2020/21 have taken place virtually. The October 2020 meeting being the first of these types of meetings focussed on the Board's key responsibilities and the following additional reports were received:

- + Business Plan 2020/21
- + Exit Credit Policy

The Board received the following additional reports at its meeting on 9th March 2021 which was again held virtually:

- + Annual Report 2019/20
- + Regulatory Statements
 - Revised Funding Strategy Statement
 - Revised Investment Strategy Statement
- + Training Strategy
- + Business Plan 2021/22

The Board particularly welcomed and supported the Training Strategy which will aid both the Committee and Board to meet their respective responsibilities in relation to the knowledge and skills requirements of the roles. A version of the National Knowledge Assessment tool prepared by Hymans Robertson will be used in 2021/22 to aid the development of the training plan to be delivered.

At the March 2021 meeting, the Board also supported the undertaking of an independent Governance Review by AON. As part of this Board members were invited to partake in a survey prepared by AON and the March 2021 meeting was observed by AON. The Board look forward to receiving the review findings in 2021/22. It is envisaged that the review will develop the work plan for the Board in 2021/22.

FUTURE WORK PROGRAMME

The key responsibilities as set out above will continue to be covered by the Board in 2021/22, including the review of the Annual Report and Business Plan.

The Board will review the outcomes and proposals of the Governance Review and will look to develop a work-plan on any agreed recommendations to ensure the effective delivery of the statutory responsibilities of the Committee and Board.

Another key focus area for the Board in 2021/22 will be the preparation for the next triennial valuation of the Fund due at 31st March 2022. The Board will be invited to provide comments into the review of the Funding Strategy Statement which will determine the principles to be followed in the valuation.

Finally, the Board will look to support the Committee in delivering its responsibilities following the McCloud judgement. There are a number of challenges for the Fund, and the scheme employers, therefore, the Board's input will be important in determining the Committee's final approach and the onward presentation of these outcomes to the scheme members.

GOVERNANCE COMPLIANCE

10.2

The Pension Fund's Governance structure and the roles and responsibilities of each element within the structure are contained in the Governance Policy Statement on pages **75** to **80** of this report.

Membership of the Pension Committee showing voting rights, attendance at meetings and training received are shown in the matrix below. Training days shown includes attendance at courses, seminars and conferences. This is in addition to training received at Pension Committee meetings which includes fund manager and performance presentations, as well as officer and investment advisor briefings.

MEMBER	VOTING RIGHTS	MEETINGS ATTENDED	TRAINING RECEIVED NUMBER OF DAYS	
			FROM 2016/17 TO 2020/21	DURING 2020/21
CLLR. R. THEODOULOU	Yes	4	12	1
CLLR. D. BROWN	Yes	4	6	1
CLLR. D. GRAY*	Yes	4	1	1
CLLR. C. HAY	Yes	4	15	2
CLLR. S. PARSONS	Yes	4	6	1
CLLR. R. SMITH	Yes	1	5	1
CLLR. L. STOWE	Yes	4	6	1
P. CLARK (SCHEME MEMBER REP.)	No	4	9	1

* Commenced 1st April 2020

Meetings were held on 25th September 2020, 4th December 2020, 29th January 2021 and 5th March 2021.

FUND GOVERNANCE COMPLIANCE STATEMENT

10.3

Pension Funds are required to produce a statement explaining how well they comply with a number of best practice principles covering governance arrangements for the Fund. Good governance means there are clear arrangements and controls in place to help ensure the Pension Fund is managed efficiently. The following Governance Compliance Statement was reviewed in July 2017. The statement details the areas where these best practice principles apply, for example, covering committee structure and representation, arrangements for training, etc. The Governance Compliance Statement then indicates whether the Fund is fully compliant in all these areas and refers to the relevant policy documents such as the Governance Policy Statement (page 75) which gives more information on the governance arrangements which are in place.

AREA	PRINCIPLE	LEVEL OF COMPLIANCE	REASON FOR NON-COMPLIANCE
A) STRUCTURE	a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	FULL – see Governance Policy Statement	
	b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	FULL – see Governance Policy Statement	
	c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Not Applicable – There is no secondary committee or panel	
	d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Not Applicable – There is no secondary committee or panel	
B) REPRESENTATION	a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:		
	i. employing authorities (including non-scheme employers, e.g. admitted bodies);	PARTIAL – not all employing authorities are represented	Concerns over logistics and potential size of Committee but will keep under review. Employers are able to attend Committee as observers and submit written questions. Also Employer Forums, which are open to all employers, are held at least twice a year.
	ii. scheme members (including deferred and pensioner scheme members);	FULL – see Governance Policy Statement	
	iii. where appropriate, independent professional observers; and	FULL – see Governance Policy Statement	
	iv. expert advisors (on an ad-hoc basis).	FULL – see Governance Policy Statement	
	b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	FULL – see Governance Policy Statement	

AREA	PRINCIPLE	LEVEL OF COMPLIANCE	REASON FOR NON-COMPLIANCE
C) SELECTION AND ROLE OF LAY MEMBERS	a) That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	FULL – see Governance Policy Statement	
	b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	FULL – see Governance Policy Statement	
D) VOTING	a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	FULL – see Governance Policy Statement	
E) TRAINING / FACILITY TIME / EXPENSES	a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	FULL – see Governance Policy Statement and Members Allowances scheme within the Council's Constitution	
	b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	FULL – see Governance Policy Statement and Members Allowances scheme within the Council's Constitution	
	c) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	FULL – see Governance Policy Statement	
F) MEETINGS - FREQUENCY	a) That an administering authority's main committee or committees meet at least quarterly.	FULL – see Governance Policy Statement	
	b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Not Applicable – There is no secondary committee or panel	
	c) That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	FULL – see Governance Policy Statement	
G) ACCESS	a) That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	FULL – see Governance Policy Statement	
H) SCOPE	a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	FULL – see Governance Policy Statement	
I) PUBLICITY	a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	FULL – see Governance Policy Statement	

GOVERNANCE POLICY STATEMENT

10.4

INTRODUCTION

1. The County Council, as Administering Authority, has prepared this policy statement and consulted upon it with scheme employers.
2. This statement addresses the best practice principles identified in the statutory guidance issued and is in accordance with regulation 55 of the Local Government Pension Scheme (LGPS) Regulations 2013.
3. The County Council's Compliance Statement which identifies the level of compliance against these best practice principles is shown as an appendix to this policy statement. The Governance and Policy Statement was reviewed and updated in February 2020.

PURPOSE OF GOVERNANCE POLICY STATEMENT

4. The regulations on governance policy and compliance statements require an administering authority, after consultation with such persons as they consider appropriate, to prepare, maintain and publish a written statement setting out:
 - (a) whether it delegates its functions in relation to maintaining a pension fund to a committee, sub-committee or officer of the authority;
 - (b) and, if so, it must state:
 - + the frequency of any committee/sub-committee meetings;
 - + the terms of reference, structure and operational procedures of the delegation;
 - + whether the committee/sub-committee includes representatives of
 - employing authorities (including non-scheme employers)
 - scheme members
 - + and, if there are such representatives, whether they have voting rights.
 - (c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not comply, the reasons for not complying; and
 - (d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 53(4) (Scheme managers).

5. Thus, the policy statement should include information about all of the administering authority's pension fund governance arrangements. Information about the representation of employers should also cover any arrangements for representing admitted body employers (non-scheme employers).

A copy of the Terms of Reference for the Fund's local pension board is included on pages **78** to **80**.

PRINCIPLE A - STRUCTURE

6. The purpose of the Pension Committee is to give advice on the proper management of the Gloucestershire Pension Fund and carry out the function of the Council as Administering Authority.
7. Under the cabinet structure in local government, management of the pension fund is a non-executive function. In Gloucestershire it is linked to the administration by virtue of the Chairman of the Pension Committee being the Deputy Leader and Cabinet Member for Finance and Change.

PENSION COMMITTEE

The Pension Committee reports to County Council. It meets formally each quarter and more frequently if formal decisions on fund management are required.

Terms of Reference:

- + To set the investment policies of the Fund, including the establishment and maintenance of a strategic benchmark for asset allocation, drawing upon professional service providers, considering the forthcoming changes with Pooled Investments within Brunel Pension Partnership.
 - + To appoint and review the performance of all Fund Managers and associated professional service providers.
 - + To approve and keep under review the Funding Strategy Statement.
 - + To approve and keep under review the Investment Strategy Statement.
 - + To report annually to the full Council.
 - + To consider any other matter relevant to the proper operation and management of the Fund.
 - + To review the Council's performance as Administering Authority.
 - + To decide upon arrangements for managing the Administering Authority's relationship with employers in the Fund e.g. agreeing contribution rates, establishing dispute resolution procedures and ensuring employers have established policies as required by Regulations.
 - + To decide upon requests for admission of qualifying organisations wishing to join the Fund.
 - + To decide upon key pension policy and discretions that are the responsibility of the Administering Authority.
 - + To consider advice and recommendations from the Pension Board on areas that may improve the governance of the Pension Fund (the remit of the Pension Board is detailed in its Terms of Reference).
 - + To consider the Pension Board's proposed work plan for the forthcoming financial year.
8. The Pension Committee's formal terms of reference (see left) are interpreted as including:
- + Determining the overall investment strategy and strategic asset allocations of the Fund, with regard to investment suitability and diversification.
 - + Overseeing the preparation of the Investment Strategy Statement (ISS), including the Fund's policy on socially responsible investment and Corporate Governance.
 - + Annually reviewing the ISS.
 - + Monitoring compliance with the ISS.
 - + Overseeing the preparation of the Funding Strategy Statement.
 - + Approving the Annual Report.
 - + Appointing, reviewing and when necessary, dismissing, the Fund's investment managers and custodian, subject to changes agreed by Brunel Pension Partnership as part of the Pooled Investments.
 - + Reviewing investment manager performance against set benchmarks on a regular basis.
 - + Appointing, reviewing and when necessary, dismissing, the Fund's actuary, investment advisors/consultants and performance measurement consultants.
 - + Ensuring appropriate Pension Fund governance arrangements are in place in accordance with the LGPS regulations and other regulatory requirements.
 - + Holding an annual meeting.

PRINCIPLE B - REPRESENTATION

9. The role of independent professional observers in e.g. assessing compliance with the ISS' principles and risk management, will be met by elected councillors with support from officers within the County Council and the Fund's independent advisor.

PRINCIPLE C - SELECTION AND ROLE OF LAY MEMBERS

10. The Agenda for any meetings of the Pension Committee will include an item at the start of the meeting inviting all committee members to declare any financial or pecuniary interest related to specific matters on the agenda.

PRINCIPLE D - **VOTING**

- 11.** The Pension Committee comprises 6 County Councillors, including the Cabinet Member for Finance and Change, together with one voting district council representative and one non-voting scheme member representative (who also represents pensioners and deferred members). The scheme member representative is non-voting because as the LGPS is a statutory scheme with benefits fully protected by statute, any changes in investment or other policies which were voted on by the scheme member representative does not affect the scheme members' benefits.

The Fund's independent investment advisor and the Chief Financial Officer and staff support the Committee in its role.

- 12.** Elected councillors already have legal responsibilities for the prudent and effective stewardship of LGPS funds and in more general terms have a clear fiduciary duty in the performance of their functions. Lay members (non councillors) should be reminded that they owe a duty of care to the fund beneficiaries and are required to act in their best interests at all times, particularly in terms of their investment decisions. They are not there to represent their own local, political or private interest.

PRINCIPLE E - **TRAINING/ FACILITY TIME/EXPENSES**

- 13.** Decisions should only be taken by persons or organisations with the skills, information and resources necessary to take them effectively. Where trustees elect to take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take. All members of the Committee (including lay members) are offered training, including that offered by the Employers Organisation (and are exposed to presentations at the Committee's quarterly meetings on investment matters). Substitutions are not permitted on the Pension Committee.
- 14.** Committee members complete a training requirement self assessment form. These are used to determine the training to be provided to Committee Members and a log of training undertaken is maintained by the Administering Authority.
- 15.** The members' allowances scheme within the County Council's Constitution outlines the process for both councillors and lay members reclaiming expenses. The same rules apply to both councillors and lay members.

PRINCIPLE F - **MEETINGS (FREQUENCY/QUORUM)**

- 16.** The Pension Committee reports to County Council. It meets formally each quarter and more frequently if formal decisions on fund management are required.

Other ways of engaging stakeholders which the Council have adopted are:

- + bi-lateral discussions, and similar forums, involving employers and other stakeholders;
- + an annual meeting for all employers and fund members;
- + a triennial meeting between all employers and the actuary to discuss the results of the actuarial valuation.

PRINCIPLE G - **ACCESS**

- 17.** All members of the Pensions Committee have equal access to committee papers, documents and advice.

PRINCIPLE H - **SCOPE**

- 18.** The terms of reference of the Pensions Committee (as detailed in paragraph 7 on page **76** of this document) include general scheme and other administrative issues in connection with their role as Administering Authority.
- 19.** The finance and operational arrangements of the Fund are subject to review and audit by both the Fund's external auditor, Grant Thornton, and the Council's own internal audit service. Reports issued by our auditors are subject to consideration by the Council's elected members acting as an audit committee.

PRINCIPLE I - **PUBLICITY**

- 20.** The County Council is committed to the widest inclusion of all stakeholders in consultation and communication outside of the formal governance arrangements. In this respect it has made arrangements to make its publications available via the Council's public website and its intranet.
- 21.** A copy of the Governance Compliance Statement will be published as part of the Pension Fund Annual Report. The Annual Report is discussed at the Fund's annual meeting which is open to all fund members and employers.

TERMS OF REFERENCE FOR THE PENSION BOARD OF THE GLOUCESTERSHIRE LOCAL GOVERNMENT PENSION FUND

1. ROLE OF THE PENSION BOARD

1.1 The role of the local Pension Board as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013, is to –

- + Assist Gloucestershire County Council as Scheme Manager;
 - to secure compliance with the Local Government Pension Scheme (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
 - in such other matters as the LGPS regulations may specify.
- + Provide the Scheme Manager with such information as it requires to ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest.

1.2 In addition, the LGPS (Amendment) (Governance) Regulations 2015 expect the Pension Board to assist the Scheme Manager to secure the effective and efficient governance and administration of the LGPS for the Gloucestershire Local Government Pension Fund.

1.3 The Board shall provide an annual report to the Pension Committee and then to a full meeting of Gloucestershire County Council. The report will include information on the business conducted by the Pension Board with any risks or concerns identified and mitigation steps proposed. The report will also be published on the Pension Fund's website. Any concerns requiring reporting outside the annual process should be raised with the Pensions Committee.

1.4 The Pension Board will ensure it effectively and efficiently complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

1.5 The Pension Board will also help ensure that the Gloucestershire Local Government Pension Fund is managed and administered effectively and efficiently and complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

1.6 The cost of running the Pension Board will be met from the Pension Fund.

2. APPOINTMENT OF MEMBERS OF THE PENSION BOARD

2.1 The Pension Board shall consist of seven members and be constituted as follows:

a) The Chairman.

The Chair of the Pension Board, who can demonstrate their knowledge and understanding of the Local Government Pension Scheme will be appointed by the Scheme Manager taking due regard of the Appointment of Other Members guidance, as set out in the LGPS Guidance on the creation and operation of Local Pension Boards in England and Wales. The Chair of the Pension Board cannot be a Gloucestershire County Councillor.

b) Three employer representatives who can demonstrate their capacity to represent other scheme employers, and their knowledge and understanding of the Local Government Pension Scheme. To be appointed by the Scheme Manager taking due regard of the process for appointing Employer and Member Representatives guidance, as set out in the LGPS Guidance on the creation and operation of Local Pension Boards in England and Wales.

c) Three scheme member representatives who can demonstrate, their capacity to represent other scheme members, and their knowledge and understanding of the Local Government Pension Scheme. To be appointed by the Scheme Manager taking due regard of the process for appointing Employer and Member Representatives guidance, as set out in the LGPS Guidance on the creation and operation of Local Pension Boards in England and Wales.

One of the employer or member representatives should be a County Councillor appointed annually at a meeting of Full Council.

In order to ensure that effective Board Members are appointed who can demonstrate their capacity to represent other scheme employers or members (as appropriate), a direct appointment process will be followed wherever possible, with member representative being selected through nominations made by recognised trade unions, and employer representatives being selected through nominations made from established employers within the Fund.

3. LENGTH OF TERM AND REMOVAL:

- 3.1** The Chairman, each employer representative, and scheme member representative so appointed shall serve initially for a 4 year term, which may be extended for further 4 year terms subject to taking due regard of the process for appointing Employer and Member Representatives guidance, and other Members, as set out in the LGPS Guidance on the creation and operation of Local Pension Boards in England and Wales.
- 3.2** Board members can be removed on grounds of non attendance, breach of code of conduct and non participation in training.
- 3.3** Each Board member should endeavour to attend all Board meetings during the year and is required to attend at least one of the scheduled meetings each financial year. In the event of a Board member failing to do this, or other persistent non-attendance then the tenure of that member should be reviewed by the other Board members.
- 3.4** Other than by ceasing to be eligible, a Board member may only be removed from office during a term of appointment by the unanimous agreement of all of the other members in attendance at the Board Meeting where this is being considered. The removal of the Chairman also requires the consent of the Scheme Manager.

4. QUORUM

The Board shall have a formal quorum of 3 to include one employer representative and one member representative.

Because of the specialist nature of their work, no substitution is permitted.

Meetings of the Local Pension Board will always be chaired by the appointed Chair of the Board when in attendance. Where the Chair is not in attendance at a meeting, those members present will elect a temporary chairperson for that meeting.

5. CODE OF CONDUCT AND CONFLICTS OF INTEREST

The principles included in the County Council's Member Code of Conduct applies to all members of the Local Pension Board. Likewise, all other relevant County Council policies shall apply to members of the Pension Board.

6. KNOWLEDGE AND SKILLS

A member of the Pension Board will be conversant with –

- + The legislation and associated guidance of the Local Government Pension Scheme (LGPS).
- + Any document recording policy about the administration of the LGPS which is for the time being adopted by the Gloucestershire Local Government Pension Fund.

A member of the Pension Board must have knowledge and understanding of –

- + The law relating to pensions, and
- + Any other matters which are prescribed in regulations.

7. BOARD MEETINGS AND PUBLICATION OF BOARD INFORMATION

- 7.1** The Board shall meet no less than twice per annum. If there is a need for additional meetings these will be determined by the Chair of the Board.
- 7.2** The agenda and supporting papers shall be distributed to members of the board 5 clear working days prior to each meeting.
- 7.3** Pension Board papers, agendas and minutes of meetings will be published on the Gloucestershire Local Government Pension Fund website subject to the Rules on Access to Information and the Data Protection Act 1998.
- 7.4** The reimbursement of reasonable travel and subsistence expenses for attendance at Board meetings and approved training events will be made to Board Members.

8. REMIT OF THE BOARD

The Board shall:

- i. Ensure the Pension Fund's strategy and policy documents are in place and have been maintained in accordance with the LGPS Regulations. These documents are the: Communications Policy statement; Funding Strategy Statement; Governance Compliance Statement; Pensions Administration Strategy; Pension Fund Annual Report and Accounts; Statement of Investment Principles.
- ii. Ensure the Pension Fund's internal Risk Register is in place and reviewed at least annually.
- iii. Review the Pension Fund's performance in complying with the requirements of the LGPS Regulations and any other legislation relating to the governance and administration of the LGPS.
- iv. Review the Pension Fund's performance in complying with the requirements of the Pension Regulator.
- v. Provide advice and make recommendations when required, to the Pensions Committee, on areas that may improve the governance of the Pension Fund.
- vi. Formulate and agree an annual work-plan for the Board.
- vii. To carry out any other activities relating to the efficient governance and administration of the Pension Fund, which the Pensions Committee may request the Pension Board to undertake.

9. VOTING RIGHTS AND DECISION MAKING

- 9.1 Only members of the Pension Board who are employer or member representatives will have an individual voting right but it is expected the Pension Board will as far as possible reach a consensus.
- 9.2 A majority of Board members, with a voting right and present at a meeting, will be required to agree any decision of the Board, including any referrals back to the Pensions Committee.

10. ACCOUNTABILITY

The Pension Board will be collectively and individually accountable to the Scheme Manager.

DEFINITIONS

The undernoted terms shall have the following meaning when used in this document:

"Pension Board" or "Board"

Means the local Pension Board for Gloucestershire County Council as administering authority for the Gloucestershire Local Government (LGPS) Pension Fund as required under the Public Service Pensions Act 2013.

"Scheme Manager"

Means Gloucestershire County Council as administering authority of the Gloucestershire Local Government (LGPS) Pension Fund.

"LGPS"

The Local Government Pension Scheme as constituted by the Local Government Pension Scheme Regulations 2013, the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 and The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

"Scheme"

Means the Local Government Pension Scheme as defined under "LGPS".



FUND ACCOUNT AND NET ASSETS STATEMENT

FUND ACCOUNT AND NET ASSETS STATEMENT

STATEMENT OF ACCOUNTS 2020/21

STATEMENT OF RESPONSIBILITIES AND FOREWORD TO ACCOUNTS

The audited accounts and notes following on pages **87** to **131**, summarise the transactions and net assets of the Fund.

AUTHORITY'S RESPONSIBILITIES

The Authority is required:

- + To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs (the Chief Financial Officer).
- + To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- + To approve the statement of accounts.

THE CHIEF FINANCIAL OFFICER'S RESPONSIBILITIES

The Chief Financial Officer is responsible for the preparation of the Fund's statement of accounts in accordance with proper practices set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

In preparing this statement of accounts, the Chief Financial Officer has:

- + Selected suitable accounting policies and then applied them consistently.
- + Made judgements and estimates that were reasonable and prudent.
- + Complied with the Code of Practice on Local Authority Accounting.
- + Kept proper accounting records which were up to date.
- + Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Steve Mawson

**Deputy Chief Executive & Executive Director of
Corporate Resources (and Section 151 Officer)**

15th December 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLOUCESTERSHIRE COUNTY COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS OF GLOUCESTERSHIRE PENSION FUND

OPINION

We have audited the financial statements of Gloucestershire Pension Fund (the 'Pension Fund') administered by Gloucestershire County Council (the 'Authority') for the year ended 31 March 2021 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- + give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2021 and of the amount and disposition at that date of the fund's assets and liabilities,
- + have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- + have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We are responsible for concluding on the appropriateness of the Deputy Chief Executive and Executive Director of Corporate Resources' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Deputy Chief Executive and Executive Director of Corporate Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Deputy Chief Executive and Executive Director of Corporate Resources' use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

The responsibilities of the Deputy Chief Executive and Executive Director of Corporate Resources with respect to going concern are described in the 'Responsibilities of the Authority, the Deputy Chief Executive and Executive Director of Corporate Resources and Those Charged with Governance for the financial statements' section of this report.

OTHER INFORMATION

The Deputy Chief Executive and Executive Director of Corporate Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements, our auditor's report thereon, and our auditor's report on the Authority's financial statements. Our opinion on the Pension Fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Pension Fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund's financial statements or our knowledge of the Pension Fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Pension Fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

OPINION ON OTHER MATTER REQUIRED BY THE CODE OF AUDIT PRACTICE (2020) PUBLISHED BY THE NATIONAL AUDIT OFFICE ON BEHALF OF THE COMPTROLLER AND AUDITOR GENERAL (THE CODE OF AUDIT PRACTICE)

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements and our knowledge of the Pension Fund, the other information published together with the Pension Fund's financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Code of Audit Practice, we are required to report to you if:

- + we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- + we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- + we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- + we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- + we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

RESPONSIBILITIES OF THE AUTHORITY, THE DEPUTY CHIEF EXECUTIVE AND EXECUTIVE DIRECTOR OF CORPORATE RESOURCES AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Deputy Chief Executive and Executive Director of Corporate Resources. The Deputy Chief Executive and Executive Director of Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Deputy Chief Executive and Executive Director of Corporate Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Deputy Chief Executive and Executive Director of Corporate Resources is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Pension Fund will no longer be provided.

The Audit and Governance Committee is Those Charged with Governance for the Pension Fund. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

EXPLANATION AS TO WHAT EXTENT THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- + We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- + We enquired of senior officers and the Audit and Governance Committee, concerning the Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- + We enquired of senior officers, internal audit and the Audit and Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

- + We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
 - journals, management estimations and transactions outside the course of normal business; and
 - the significant accounting estimates in the financial statements, including those related to the valuation of level 2 and level 3 investments and the valuation of defined benefit net pension fund liabilities.
- + Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Deputy Chief Executive and Executive Director of Corporate Resources has in place to prevent and detect fraud;
 - analysis of the journals listing and determination of the criteria for selecting high risk unusual journals;
 - Identifying and testing unusual journals made during the year and the accounts production stage for appropriateness and corroboration;
 - gaining an understanding of the accounting estimates and critical judgements applied by management and considering their reasonableness; and
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- + These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- + The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and did not identify any areas of non-compliance.

- + Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government pensions sector
 - understanding of the legal and regulatory requirements specific to the Pension Fund including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA, LASAAC and SOLACE
 - the applicable statutory provisions.
- + In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

USE OF OUR REPORT

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Alex Walling, Key Audit Partner.
For and on behalf of Grant Thornton UK LLP,
Local Auditor, Bristol
 15 December 2021

FUND ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2021

2019/20 £000	CONTRIBUTIONS	2020/21 £000	NOTE
-84,158	employer contributions	-123,689	N18
-18,962	member contributions	-20,110	N18
-103,120	TOTAL	-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	TOTAL	-5,883	
	OTHER INCOME		
-136	recoveries for services provided	-94	N20
-136	TOTAL	-94	
	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	TOTAL	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	TOTAL	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	

NET ASSETS STATEMENT AS AT 31ST MARCH 2021

2019/20 £000	INVESTMENT ASSETS	2020/21 £000	NOTE
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	TOTAL	2,847,992	N12
LONG TERM INVESTMENT ASSETS			
427	Brunel Pension Partnership Ltd.	112	
427	TOTAL	112	
INVESTMENT LIABILITIES			
-4,108	Derivative contracts	-813	N2 & N15
-946	Other investment balances	-	
-5,054	TOTAL	-813	N12
2,224,093	TOTAL NET INVESTMENTS	2,847,291	
LONG TERM ASSETS			
315	Contributions due from employers	308	
315	TOTAL	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	TOTAL	56,194	N12 & N22
CURRENT LIABILITIES			
-18	Unpaid benefits	-7	
-3,513	Other current liabilities	-1,296	
-3,531	TOTAL	-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.

STATEMENT OF ACCOUNTS 2020/21

NOTES TO PENSION FUND ACCOUNTS 2020/21

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
	19,121	19,222
NUMBER OF PENSIONERS		
COUNTY COUNCIL	9,812	10,176
OTHER EMPLOYERS	6,795	7,114
	16,607	17,290
DEFERRED PENSIONERS		
COUNTY COUNCIL	11,743	11,744
OTHER EMPLOYERS	8,430	8,530
	20,173	20,274
TOTAL NUMBER OF MEMBERS IN PENSION SCHEME	55,901	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 uprated 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	<p>The effects on the net pension liability of changes in the individual assumptions can be measured as follows:</p> <ul style="list-style-type: none"> - 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	<p>Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.</p> <p>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.</p>	<p>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.</p> <p>A change in market price of those holdings with a valuation date prior to the 31st March 2021 would equate to a potential movement of</p> <ul style="list-style-type: none"> - 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 31ST MARCH 2020	PURCHASES DURING THE YEAR AT COST & DERIVATIVE PAYMENTS	SALES PROCEEDS DURING THE YEAR & DERIVATIVE RECEIPTS	CHANGE IN MARKET VALUE DURING THE YEAR	MARKET VALUE AT 31ST 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
	2,209,136	579,349	-551,246	588,031	2,825,270
DERIVATIVE CONTRACTS					
FUTURES	415	777	-1,857	459	-206
FORWARD CURRENCY CONTRACTS	-1,619	-	-	2,118	499
	-1,204	777	-1,857	2,577	293
LONG TERM INVESTMENT ASSETS					
BRUNEL PENSION PARTNERSHIP LTD.	427	-	-	-315	112
NET INVESTMENT ASSETS	2,208,359	580,126	-553,103	590,293	2,825,675

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 31ST MARCH 2019	PURCHASES DURING THE YEAR AT COST & DERIVATIVE PAYMENTS	SALES PROCEEDS DURING THE YEAR & DERIVATIVE RECEIPTS	CHANGE IN MARKET VALUE DURING THE YEAR	MARKET VALUE AT 31ST 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
	2,350,935	953,709	-930,272	-165,236	2,209,136
DERIVATIVE CONTRACTS					
FUTURES	-542	5,058	-3,474	-627	415
FORWARD CURRENCY CONTRACTS	410	-	-	-2,029	-1,619
	-132	5,058	-3,474	-2,656	-1,204
LONG TERM INVESTMENT ASSETS					
BRUNEL PENSION PARTNERSHIP LTD.	395	-	-	32	427
NET INVESTMENT ASSETS	2,351,198	958,767	-933,746	-167,860	2,208,359

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 £000	%	2020/21 £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 [ADMINISTERING AUTHORITY]	46,486	46,656	**60,830	47,185
SCHEDULED BODIES (167 20/21) (164 19/20)* (BODIES ADMITTED BY RIGHT)	50,666	35,667	**76,371	35,530
ADMITTED BODIES (36 20/21) (39 19/20)* (BODIES ADMITTED BY AGREEMENT)	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.

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.

ADMINISTRATIVE EXPENSES

2019/20 £000	2020/21 £000
2,362	2,144

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
	1,110	1,180

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	-	-
	110	54

N10. CONTINGENT LIABILITIES AND CONTRACTUAL 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 £000	OUTSTANDING LIABILITY 2019/20 £000	OUTSTANDING LIABILITY 2020/21 £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 as £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

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 has been adjusted to follow the new format.

INVESTMENT ASSETS	2019/20 £000	2020/21 £000	NOTE
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

INVESTMENT ASSETS	2019/20 £000	2020/21 £000	NOTE
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	
TOTAL INVESTMENT ASSETS	2,229,147	2,848,104	
INVESTMENT LIABILITIES	2019/20 £000	2020/21 £000	NOTE
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	

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 STOCKLENDING, UNDERWRITING AND CLASS ACTIONS	87	57
	25,088	23,888
WITHHOLDING TAX	-46	43
	25,042	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
	6,403	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

INVESTMENT ASSETS	CONTRACT TYPE*	2019/20 ECONOMIC EXPOSURE £000	2020/21 ECONOMIC EXPOSURE £000	EXPIRATION	2019/20 MARKET VALUE £000	2020/21 MARKET VALUE £000
FUTURES						
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	CONTRACT TYPE*	2019/20 ECONOMIC EXPOSURE £000	2020/21 ECONOMIC EXPOSURE £000	EXPIRATION	2019/20 MARKET VALUE £000	2020/21 MARKET VALUE £000
FUTURES						
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 000	CURRENCY SOLD	LOCAL VALUE 000	ASSET VALUE £000	LIABILITY VALUE £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					523	-24
NET FORWARD CURRENCY CONTRACTS AT 31ST MARCH 2021						499
PRIOR YEAR COMPARATIVE						
OPEN FORWARD CURRENCY CONTRACTS AT 31ST MARCH 2020					478	-2,097
NET FORWARD CURRENCY CONTRACTS AT 31ST MARCH 2020						-1,619

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:

INVESTMENTS EXCEEDING 5% OF TOTAL NET ASSETS	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 £000	2020/21 £000
DISCRETIONARY PAYMENTS	1,115	1,109

N18. CONTRIBUTIONS BREAKDOWN

FROM EMPLOYERS	2019/20 £000	2020/21 £000
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
	84,158	123,689

FROM MEMBERS	2019/20 £000	2020/21 £000
NORMAL CONTRIBUTIONS	18,789	19,937
ADDITIONAL VOLUNTARY CONTRIBUTIONS	173	173
	18,962	20,110

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.

MANAGEMENT EXPENSES	2019/20 £000	2020/21 £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 £000	PERFORMANCE FEES £000	TRANSACTION COSTS £000	TOTAL £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

INVESTMENT MANAGEMENT EXPENSES 2019/20	MANAGEMENT FEES £000	PERFORMANCE FEES £000	TRANSACTION COSTS £000	TOTAL £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 increased 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

CURRENT ASSETS	2019/20 £000	2020/21 £000
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

LONG TERM ASSETS	2019/20 £000	2020/21 £000
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 £000	2020/21 £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	31ST MARCH 2020 £M	31ST MARCH 2021 £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 31ST MARCH 2020 %PA	YEAR ENDED 31ST 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.

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:

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 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 £000	VOLATILITY OF RETURN %	VALUE ON INCREASE £000	VALUE ON DECREASE £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 £000	VOLATILITY OF RETURN %	VALUE ON INCREASE £000	VALUE ON DECREASE £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 AMOUNT AS AT 31ST MARCH 2021 £000	CHANGE IN THE YEAR IN THE NET ASSETS AVAILABLE TO PAY BENEFITS	
		+100BPS (1% INCREASE) £000	-100BPS (1% DECREASE) £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 AMOUNT AS AT 31ST MARCH 2020 £000	CHANGE IN THE YEAR IN THE NET ASSETS AVAILABLE TO PAY BENEFITS	
		+100BPS (1% INCREASE) £000	-100BPS (1% DECREASE) £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 31ST MARCH 2021	CHANGE TO NET ASSETS AVAILABLE TO PAY BENEFITS	
	£000	£000 +6.9%	£000 -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
	1,184,345	1,266,065	1,102,625

2019/20 CURRENCY EXPOSURE - ASSET TYPE	ASSET VALUE AS AT 31ST MARCH 2020	CHANGE TO NET ASSETS AVAILABLE TO PAY BENEFITS	
	£000	£000 +7.4%	£000 -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
	923,791	992,151	855,431

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 FORWARDS / DERIVATIVES	2	1	-	-	-	-	8,527
	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

CREDIT ANALYSIS 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 FORWARDS	6,818	1	-	-	-	-	-1,611
	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	BALANCES AS AT 31ST MARCH 2020		BALANCES AS AT 31ST MARCH 2021	
	RATING*	£000	RATING*	£000
ABERDEEN STANDARD LIQUIDITY FUND	AAAm	5,857	AAAm	10,000
FEDERATED SHORT TERM STERLING PRIME FUND	AAAm	-	AAAm	10,000
GOLDMAN SACHS	AAAm	-	AAAm	9,483
HSBC INSTANT ACCESS	A-1+	7,176	A-1	21,210
HSBC CURRENT ACCOUNT	A-1+	569	A-1	-25
HANDELSBANKEN	A-1+	3,937	A-1+	-
		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	USING	WITH	TOTAL
	MARKET PRICE	OBSERVABLE	SIGNIFICANT	
	LEVEL 1	LEVEL 2	UNOBSERVABLE	
	£000	£000	INPUTS	£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 INVESTMENT 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	USING	WITH	TOTAL
	MARKET PRICE	OBSERVABLE	SIGNIFICANT	
	LEVEL 1	LEVEL 2	UNOBSERVABLE	
	£000	£000	INPUTS	£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 INVESTMENT 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	VENTURE CAPITAL / PRIVATE EQUITY	OVERSEAS PRIVATE DEBT	UK PRIVATE DEBT	UK CORPORATE BONDS	TOTAL
	£000	£000	£000	£000	£000	£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	VENTURE CAPITAL / PRIVATE EQUITY	OVERSEAS PRIVATE DEBT	UK PRIVATE DEBT	UK CORPORATE BONDS	TOTAL
	£000	£000	£000	£000	£000	£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 FINANCIAL ASSETS	FAIR VALUE THROUGH PROFIT AND LOSS £000	ASSETS AT AMORTISED COST £000	LIABILITIES AT AMORTISED COST £000
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 FINANCIAL ASSETS	FAIR VALUE THROUGH PROFIT AND LOSS £000	ASSETS AT AMORTISED COST £000	LIABILITIES AT AMORTISED COST £000
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.

N27a. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

FINANCIAL ASSETS	2019/20 £000	2020/21 £000
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	-	-
	-168,409	590,652

All realised gains and losses arise from the sale or disposal of financial assets which have been de-recognised 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.



12 | **ASSET POOLS**

12 ASSET POOLS

INVESTMENT POOLING BRUNEL PENSION PARTNERSHIP

In 2015 the Department of Communities and Local Government (as it then was) issued LGPS: Investment Reform Criteria and Guidance which set out how the government expected funds to establish asset pooling arrangements. The objective was to deliver:

- + Benefits of scale
- + Strong governance and decision making
- + Reduced costs and excellent value for money, and
- + An improved capacity and capability to invest in infrastructure

This has led to the creation of eight asset pools which have significantly changed the previous approach to investing, although it should be stressed that the responsibility for determining asset allocations and the investment strategy remains with individual pension funds.

As a result of the investment pooling agenda, the Gloucestershire Fund joined with nine other LGPS administering authorities to set up the Brunel Pension Partnership. Gloucestershire County Council approved the business case for Brunel in December 2016, based on estimated potential fee savings of £550 million over a 20 year period across the ten funds, of which Gloucestershire's share was estimated to be £10.8 million. This estimated fee saving is much lower than for the majority of Funds in Brunel, due to the fact that the investment management fees being paid by the Gloucestershire Fund were generally lower than those paid by the other Funds in Brunel.

The project will see initial net costs in the early years primarily due to transition costs, but will break even in the future as fee savings are delivered. With regard to the Gloucestershire Fund the original business case forecasts that the Fund would break even by 2029.

GOVERNANCE ARRANGEMENTS OF THE POOL

The governance arrangement in place between the pool and the ten funds involves two types of representation:

1. Oversight Board made up of one representative from each Pensions Committee and two member-representative observers.
2. Client Group made up of senior officers from each of the ten funds.

Further details of the role and involvement of administering authorities in the governance arrangements of the pool can be found within Brunel's annual report for the year ended 30th September 2020; a copy of which can be found at the following address:

https://www.brunelpensionpartnership.org/wp-content/uploads/2021/03/Brunel_Pension_Partnership_Annual_Report_2019_2020.pdf

POOL SET UP COSTS AND SAVINGS

The expected costs and savings for the Gloucestershire Pension Fund, as per the original business case approved in December 2016, and then submitted to Government, are set out in the following table.

GLOUCESTERSHIRE PENSION FUND EXPECTED COSTS AND SAVINGS FROM POOLING (AS PER BUSINESS CASE SUBMISSIONS)

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
SET UP COSTS	117	1,034	-	-	-	-
ONGOING BRUNEL COSTS	-	-	413	535	552	570
CLIENT SAVINGS	-	-	(64)	(66)	(68)	(70)
TRANSITION COSTS	-	-	1,327	2,652	13	-
FEE SAVINGS	-	-	(171)	(557)	(898)	(965)
NET COSTS (REALISED SAVINGS)	117	1,034	1,505	2,564	(401)	(465)

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/36 £000	TOTAL £000
SET UP COSTS	-	-	-	-	-	1,151
ONGOING BRUNEL COSTS	588	607	627	647	7,742	12,281
CLIENT SAVINGS	(72)	(74)	(76)	(78)	(924)	(1,492)
TRANSITION COSTS	-	-	-	-	-	3,992
FEE SAVINGS	(1,037)	(1,111)	(1,191)	(1,274)	(19,514)	(26,718)
NET COSTS (REALISED SAVINGS)	(521)	(578)	(640)	(705)	(12,696)	(10,786)

Following approval of the business case, Brunel was established in July 2017, as a company wholly owned by the Administering Authorities (in equal shares) that participate in the pool. The company is authorised by the Financial Conduct Authority (FCA). It is responsible for implementing the detailed Strategic Asset Allocations of the participating funds by investing Funds' assets within defined outcome focused investment portfolios. In particular, it researches and selects the external managers or pooled funds needed to meet the investment objective of each portfolio.

Now that Brunel is operational, the financial performance of the pool will be monitored to ensure that Brunel is delivering on the key objectives of investment pooling. This includes reporting of the costs associated with the appointment and management of the pool company including set up costs, investment management expenses and the oversight and monitoring of Brunel by the client funds. The set up and transition costs incurred to date are set out in the following table.

BRUNEL PARTNERSHIP SET UP COSTS

GLOUCESTERSHIRE 2020/21	DIRECT £000	INDIRECT £000	TOTAL 2020/21 £000	CUMULATIVE £000
SET UP COSTS				
RECRUITMENT	-	-	-	18
LEGAL	-	-	-	133
CONSULTING, ADVISORY & PROCUREMENT	-	-	-	82
OTHER SUPPORT COSTS E.G. IT, ACCOMMODATION	-	-	-	0
SHARE PURCHASE / SUBSCRIPTION COSTS	-	-	-	840
OTHER WORKING CAPITAL PROVIDED E.G. LOANS	-	-	-	-
STAFF COSTS	-	-	-	-
TOTAL SET UP COSTS	-	-	-	1,073
TRANSITION COSTS				
TRANSITION FEE	-	32	32	172
TAX	-	-	-	894
OTHER TRANSITION COSTS	-	1,151	1,151	4,775
TOTAL TRANSITION COSTS	-	1,183	1,183	5,841

The Gloucestershire Fund transitioned its first assets to Brunel in July 2018, with investments being made to the following portfolios in 2018/19 and 2019/20:

- + Global Developed Passive Equities
- + Smart Beta Passive Equities
- + Low Carbon Passive Equities
- + Active UK Equities
- + Active Emerging Market Equities
- + Active High Alpha Equities
- + Private Markets: Infrastructure
- + Private Markets: Private Equity

During 2020/21 transitions continued, with allocations being made to the following portfolio's during the year:

- + Diversifying Returns
- + Global Sustainable Equities

The investment fee savings achieved by the Gloucestershire Fund in relation to all of these portfolios are set out in the table below.

INVESTMENT FEE SAVINGS FROM POOLING

PORTFOLIO	VALUE IN ORIGINAL BUSINESS CASE (31ST MARCH 2016)	VALUE AT 31ST MARCH 2021	PRICE VARIANCE 2020/21	QUANTITY VARIANCE 2020/21	TOTAL SAVING/ (COST) 2020/21	PRICE VARIANCE CUMULATIVE TO DATE	QUANTITY VARIANCE CUMULATIVE TO DATE	TOTAL SAVING/ (COST) CUMULATIVE TO DATE
	£000	£000	£	£	£	£	£	£
WORLD DEVELOPED EQUITY PASSIVE	301,562	167,613	62,455	871	63,326	187,125	19,616	206,741
SMART BETA PASSIVE EQUITIES	0	263,530	81,650	-183,008	-101,358	222,982	-483,715	-260,733
LOW CARBON PASSIVE EQUITIES	0	67,369	9,092	-21,215	-12,123	22,707	-52,984	-30,277
ACTIVE UK EQUITIES	318,696	373,224	493,447	-53,078	440,369	1,244,348	-273,497	970,851
ACTIVE EMERGING MARKETS EQUITIES	0	176,328	215,973	-992,160	-776,187	291,522	-1,421,016	-1,129,494
ACTIVE HIGH ALPHA EQUITIES	0	436,140	1,397,055	-3,182,015	-1,784,960	1,839,962	-4,212,762	-2,372,800
DIVERSIFYING RETURNS	75,700	217,761	359,100	-187,867	171,233	359,100	-187,867	171,233
ACTIVE GLOBAL SUSTAINABLE EQUITIES	0	254,269	162,297	-341,352	-179,055	162,297	-341,352	-179,055
PRIVATE MARKETS INFRASTRUCTURE CYCLE 1	0	11,071	106,493	-366,932	-260,439	137,889	-521,195	-383,306
PRIVATE MARKETS INFRASTRUCTURE CYCLE 2	0	5,070	261,305	-387,592	-126,287	261,305	-387,592	-126,287
PRIVATE MARKETS PRIVATE EQUITY CYCLE 1	0	10,767	-22,197	-409,884	-432,081	-2,849	-652,709	-655,558
PRIVATE MARKETS PRIVATE EQUITY CYCLE 2	0	640	15,355	-119,961	-104,606	15,355	-119,961	-104,606
PROPERTY	0	202,134	657,257	-184,310	472,947	657,257	-184,310	472,947
PRIVATE DEBT CYCLE 2	0	0	58,509	-58,509	0	58,509	-58,509	0
TOTAL		2,185,916	3,857,791	-6,487,012	-2,629,221	5,457,509	-8,877,853	-3,420,344

This analysis shows the fee savings achieved for the Gloucestershire Fund in relation to the assets that have transitioned to the Brunel portfolios. Savings figures for 2020/21 and cumulative to date figures covering 2018/19 to 2020/21 are provided.

The price variance savings are the fee savings achieved by the Gloucestershire Fund, based on the value of investments in each portfolio. These savings are calculated based on the fee percentages being paid by the Gloucestershire Fund prior to pooling, compared with the fee percentages achieved by Brunel. Where fee reductions were granted by one of the Investment Managers due to pooling, slightly in advance of the formulation of the business case, the benefits of these fee reductions are included within the table.

Where the Gloucestershire Fund was not invested in some of the mandates at 31st March 2016, the fee savings were estimated by comparing the fees payable under Brunel, with the average of fees paid, pre Brunel, by other Funds joining the Brunel Pension Partnership, who were invested in these mandates at 31st March 2016.

The calculated fee savings for all of the Funds within the partnership also take account of any performance fees that were in place with investment managers prior to pooling, regardless of the fact as to whether the performance achieved under these mandates was sufficient to require the payment of these performance fees. This is the position regarding the UK Equities mandate relating to the Gloucestershire Fund, where a performance fee was in place prior to pooling. Because of the actual performance achieved by this manager the performance fee was not paid, hence the saving shown in relation to this mandate is a potential cost avoidance saving, rather than a cash saving, which will be achieved under the Brunel mandate if it delivers against the performance target, because a performance fee is no longer payable under the Brunel mandate.

The fee savings achieved (the price variance) feed into the analysis of costs and savings set out in the table below. The budget figures are those that were included in the original business case.

The quantity variance is purely a technical variance which CIPFA requires Funds to publish. It is calculated by looking at the Assets under Management (AUM) at 31st March 2016 for each portfolio, less the AUM at the end of 2020/21, multiplied by the old fee rate.

However, because the Gloucestershire Fund, like the majority of other Funds, did not have asset allocations in many of the portfolio's that the Fund now invests in under the new pooling arrangements, the quantity variances are significantly inflated since the mode of calculation compares a zero value in 2016 with the AUM figure at the end of 2020/21.

EXPECTED COSTS COMPARED TO ACTUAL COSTS / SAVINGS TO DATE

2018-19				
	BUDGET		ACTUAL	
	IN YEAR	CUMULATIVE TO DATE	IN YEAR	CUMULATIVE TO DATE
	£000	£000	£000	£000
SET UP COSTS	-	1,151	-	1,073
ONGOING BRUNEL COSTS *	413	413	660	660
CLIENT SAVINGS	-64	-64	-	-
TRANSITION COSTS	1,327	1,327	2,183	2,183
FEE SAVINGS	-171	-171	-294	-294
NET COSTS (REALISED SAVINGS)	1,505	2,656	2,549	3,622
2019-20				
	BUDGET		ACTUAL	
	IN YEAR	CUMULATIVE TO DATE	IN YEAR	CUMULATIVE TO DATE
	£000	£000	£000	£000
SET UP COSTS	-	1,151	-	1,073
ONGOING BRUNEL COSTS *	535	948	1,059	1,719
CLIENT SAVINGS	-66	-129	-	-
TRANSITION COSTS	2,652	3,979	2,475	4,658
FEE SAVINGS	-557	-728	-1,305	-1,600
NET COSTS (REALISED SAVINGS)	2,564	5,221	2,229	5,850
2020-21				
	BUDGET		ACTUAL	
	IN YEAR	CUMULATIVE TO DATE	IN YEAR	CUMULATIVE TO DATE
	£000	£000	£000	£000
SET UP COSTS	-	1,151	-	1,073
ONGOING BRUNEL COSTS *	552	1,500	1,097	2,816
CLIENT SAVINGS	-68	-197	-	-
TRANSITION COSTS	13	3,992	1,183	5,841
FEE SAVINGS	-898	-1,626	-3,858	-5,458
NET COSTS (REALISED SAVINGS)	-401	4,820	-1,578	4,272

* Ongoing Brunel costs relate to invoices received by the Fund from Brunel and allocated to the year that the invoice relates to. Brunel costs as shown under Investment Management Expenses in Notes to the Accounts, Note 20, have been adjusted so that custody and performance measurement costs contained within those invoices have been allocated as per CIPFA guidance and any invoices not accrued in the relevant year have been included in the year of payment.

The most significant variances from the original business case can be summarised as follows:

ONGOING BRUNEL COSTS

CUMULATIVE BUDGET TO DATE	£1.500m
CUMULATIVE ACTUAL TO DATE	£2.816m

It was accepted that the estimated budget for ongoing Brunel costs, set out in the original business case, was understated, and was insufficient to facilitate the effective delivery of investment services required by the ten Funds within the partnership. A detailed examination of the budget was undertaken in 2018/19, which resulted in an agreed budget increase for 2019/20 to ensure the partnership would effectively deliver the transition plan, investment services required and ongoing savings.

TRANSITION COSTS

CUMULATIVE BUDGET TO DATE	£3.992m
CUMULATIVE ACTUAL TO DATE	£5.841m

The actual transition costs remain higher than the budgeted level. As part of the original business case this was the costing that was materially difficult to predict. The budget included in the original business case could not be based on specific asset holdings, and hence used estimated assets under management based on original client intentions. Each transition is being overseen by Funds and an independent transition advisor to ensure that each transition is being undertaken as effectively as possible.

FEE SAVINGS

CUMULATIVE BUDGET TO DATE	£1.626m
CUMULATIVE ACTUAL TO DATE	£5.458m

Fee savings (including cost avoidance) are significantly higher than the budgeted figure. This is mainly due to higher than anticipated investment returns over the period, which has resulted in increased assets under management on which the fees are payable. With the lower levels of fees achieved by Brunel this culminates into a greater saving based on the increased asset values.

ONGOING INVESTMENT MANAGEMENT COSTS 20-21

The following information has been prepared to enable comparison of the ongoing investment management costs between asset pooled and non pooled investments.

	ASSET POOL				NON-ASSET POOL				FUND TOTAL	
	DIRECT £000	INDIRECT £000	TOTAL £000	BPS	DIRECT £000	INDIRECT £000	TOTAL £000	BPS	£000	BPS
MANAGEMENT FEES										
AD VALOREM	5,345	1,019	6,364	30.67	2,967	224	3,191	43.74	9,555	31.76
PERFORMANCE	-	72	72	0.33	-	18	18	0.22	90	0.30
RESEARCH	-	-	-	-	-	-	-	-	-	-
PRIIPS COMPLIANCE	-	-	-	-	-	-	-	-	-	-
TOTAL MANAGEMENT FEES	5,345	1,091	6,436	31.00	2,967	242	3,209	43.96	9,645	32.06
ASSET POOL SHARED COSTS										
ASSET POOL SHARED COSTS	1,049	-	1,049	4.78	-	-	-	n/a	1,049	3.49
TRANSACTION COSTS										
COMMISSIONS	-5	365	360	1.64	9	3	12	0.15	372	1.24
ACQUISITION/ISSUE COSTS	559	2,844	3,403	17.09	133	515	648	12.23	4,051	13.47
DISPOSAL COSTS	-	-	-	-	-	-	-	-	-	-
REGISTRATION/FILING FEES	-	-	-	-	-	-	-	-	-	-
TAXES AND STAMP DUTY	-	-	-	-	-	-	-	-	-	-
TOTAL TRANSACTION COSTS	554	3,209	3,763	18.73	142	518	660	12.38	4,423	14.71
CUSTODY										
CUSTODY	-	-	-	-	-	-	-	-	89	0.29
OTHER (PROPERTY EXPS)	-	1,432	1,432	6.52	-	187	187	2.30	1,619	5.38
TOTAL	6,948	5,732	12,680	61.03	3,109	947	4,056	58.64	16,825	55.93

Direct / Indirect Costs

Direct investment management fees and transaction costs included in Note 20 - Management Expenses in the Fund Account and Net Assets Statement section represent those charges invoiced to the Fund or deducted from income and clearly identified.

However there has been a general recognition that there are significant further costs that in the past have been hidden. These indirect costs, as detailed in the table, do not meet the criteria for inclusion in the accounts but have been included to show a complete reflection of the costs. These have been identified from cost transparency templates provided by the investment managers as part of the LGPS Scheme Advisory Board Code of Transparency and Compliance initiative. Two managers did not provide information on indirect costs.

Asset Pool Shared Costs

Asset Pool Shared Costs represents the amounts recharged by Brunel for management and ongoing running costs.

Transaction Costs

Transaction costs represent costs incurred in the purchase or disposal of an asset.

Custody

Custody is provided by State Street for the entire Fund and has been included at Fund level in the table above to aid reconciliation to Note 20 - Management Expenses in the Fund Account and Net Assets Statement section.

BPS

The basis point (bps) calculation is based on fees and costs as a percentage of the closing market value of assets. Where a portfolio was only held for part of the year, fees and costs have been pro-rated to represent a full year. The market value of assets transferred during the year to the Brunel Pool was then added back to the market value of the Non-Asset Pool for the purposes of the calculation to enable comparison of the bps.



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FUNDING STRATEGY STATEMENT

IMPLEMENTATION AND APPLICATION OF THE FUNDING STRATEGY STATEMENT

The Funding Strategy Statement (FSS) focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. The FSS is in essence a summary of the Fund's approach to funding its liabilities. The FSS was reviewed as part of the Triennial Fund Valuation process and employers consulted prior to the current FSS being finalised. The full version of the FSS can be found on pages **142** to **170**.

A key challenge for the Administering Authority is to balance the need for stable affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, there are a number of methods which the Administering Authority may permit in order to improve the stability of employer contributions. These include, where circumstances permit, capping of employer contribution rate changes within a pre-determined range ("stabilisation"), the use of extended deficit recovery periods, the phasing in of contribution rises or reductions, the pooling of contributions amongst employers with similar characteristics and the use of some form of security or guarantee to justify a lower contribution rate than would otherwise be the case. Section 3.3 of the FSS on pages **148** to **154** gives a summary of how the main funding policies differ for different types of employer.

New eligible admitted bodies, those employers who do not have an automatic right to join the Pension Fund, are only admitted into the Fund if they have a guarantor to cover any pension obligations which are not met. They may also be required to have an indemnity bond or security in place to cover any potential risks and these are reviewed annually. Admitted bodies do not have the same freedoms as scheduled bodies in how they fund their liabilities and these are set out again in Section 3.3 of the FSS on pages **148** to **154**.

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FUNDING STRATEGY STATEMENT

THE FUNDING STRATEGY STATEMENT SHOWN BELOW IS THE CURRENT VERSION OF THIS STATEMENT.

1. INTRODUCTION

1.1 What is this document?

This is the Funding Strategy Statement (FSS) of the Gloucestershire County Council Pension Fund ("the Fund"), which is administered by Gloucestershire County Council, ("the Administering Authority").

It has been prepared by the Administering Authority in collaboration with the Fund's actuary, Hymans Robertson LLP, and after consultation with the Fund's employers and investment adviser. It is effective from 6th March 2021.

1.2 What is the Gloucestershire County Council Pension Fund?

The Fund is part of the national Local Government Pension Scheme (LGPS). The LGPS was set up by the UK Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the whole of the UK. The Administering Authority runs the Gloucestershire County Council Pension Fund, in effect the LGPS for the Gloucestershire area, to make sure it:

- + receives the proper amount of contributions from employees and employers, and any transfer payments;
- + invests the contributions appropriately, with the aim that the Fund's assets grow over time with investment income and capital growth; and
- + uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

The roles and responsibilities of the key parties involved in the management of the Fund are summarised in **Appendix B**.

1.3 Why does the Fund need a Funding Strategy Statement?

Employees' benefits are guaranteed by the LGPS Regulations, and do not change with market values or employer contributions. Investment returns will help pay for some of the benefits, but probably not all, and certainly with no guarantee. Employees' contributions are fixed in those Regulations also, at a level which covers only part of the cost of the benefits.

Therefore, employers need to pay the balance of the cost of delivering the benefits to members and their dependants.

The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. This statement sets out how the Administering Authority has balanced the conflicting aims of:

- + affordability of employer contributions,
- + transparency of processes,
- + stability of employers' contributions, and
- + prudence in the funding basis.

There are also regulatory requirements for an FSS, as given in **Appendix A**.

The FSS is a summary of the Fund's approach to funding its liabilities, and this includes reference to the Fund's other policies; it is not an exhaustive statement of policy on all issues. The FSS forms part of a framework which includes:

- + the LGPS Regulations;
- + the Rates and Adjustments Certificate (confirming employer contribution rates for the next three years) which can be found in an appendix to the formal valuation report;
- + actuarial factors for valuing individual transfers, early retirement costs and the costs of buying added service; and
- + the Fund's Investment Strategy Statement (see **Section 4**).

1.4 How does the Fund and this FSS affect me?

This depends on who you are:

- + a member of the Fund, i.e. a current or former employee, or a dependant: the Fund needs to be sure it is collecting and holding enough money so that your benefits are always paid in full;
- + an employer in the Fund (or which is considering joining the Fund): you will want to know how your contributions are calculated from time to time, that these are fair by comparison to other employers in the Fund, in what circumstances you might need to pay more and what happens if you cease to be an employer in the Fund. Note that the FSS applies to all employers participating in the Fund;
- + an Elected Member whose council participates in the Fund: you will want to be sure that the council balances the need to hold prudent reserves for members' retirement and death benefits, with the other competing demands for council money;
- + a Council Tax payer: your council seeks to strike the balance above, and also to minimise cross-subsidies between different generations of taxpayers.

1.5 What does the FSS aim to do?

The FSS sets out the objectives of the Fund's funding strategy, such as:

- + to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- + to ensure that employer contribution rates are reasonably stable where appropriate;
- + to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB this will also minimise the costs to be borne by Council Tax payers);
- + to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- + 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.

1.6 How do I find my way around this document?

In Section 2 there is a brief introduction to some of the main principles behind funding, i.e. deciding how much an employer should contribute to the Fund from time to time.

In Section 3 we outline how the Fund calculates the contributions payable by different employers in different situations.

In Section 4 we show how the funding strategy is linked with the Fund's investment strategy.

In the Appendices we cover various issues in more detail if you are interested:

- A. the regulatory background, including how and when the FSS is reviewed,
- B. who is responsible for what,
- C. what issues the Fund needs to monitor, and how it manages its risks,
- D. some more details about the actuarial calculations required,
- E. the assumptions which the Fund actuary currently makes about the future,
- F. a glossary explaining the technical terms occasionally used here.

If you have any other queries please contact the Pensions team in the first instance at peninv@gloucestershire.gov.uk or on **01452 328949**.

2. BASIC FUNDING ISSUES

(More detailed and extensive descriptions are given in Appendix D).

2.1 How does the actuary calculate the required contribution rate?

In essence this is a three-step process:

- + Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;
- + Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;
- + Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See 2.3 below, and the table in 3.3 Note (e) for more details.

2.2 What is each employer's contribution rate?

This is described in more detail in Appendix D. Employer contributions are normally made up of two elements:

- a) the estimated cost of benefits being built up each year, after deducting the members' own contributions and including an allowance for administration expenses. This is referred to as the "Primary rate", and is expressed as a percentage of members' pensionable pay; plus
- b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary rate". In broad terms, payment of the Secondary rate is in respect of benefits already accrued at the valuation date. The Secondary rate may be expressed as a percentage of pay and/or a monetary amount in each year.

The rates for all employers are shown in the Fund's Rates and Adjustments Certificate, which forms part of the formal Actuarial Valuation Report. Employers' contributions are expressed as minima, with employers able to pay contributions at a higher rate. Account of any higher rate will be taken by the Fund actuary at subsequent valuations, i.e. will be reflected as a credit when next calculating the employer's contributions.

2.3 What different types of employer participate in the Fund?

Historically the LGPS was intended for local authority employees only. However over the years, with the diversification and changes to delivery of local services, many more types and numbers of employers now participate. There are currently more employers in the Fund than ever before, a significant part of this being due to new academies.

In essence, participation in the LGPS is open to public sector employers providing some form of service to the local community. Whilst the majority of members will be local authority employees (and ex-employees), the majority of participating employers are those providing services in place of (or alongside) local authority services: academy schools, contractors, housing associations, charities, etc.

The LGPS Regulations define various types of employer as follows:

Scheduled bodies - councils, and other specified employers such as academies and further education establishments. These must provide access to the LGPS in respect of their employees who are not eligible to join another public sector scheme (such as the Teachers Scheme). These employers are so-called because they are specified in a schedule to the LGPS Regulations.

It is now possible for Local Education Authority schools to convert to academy status, and for other forms of school (such as Free Schools) to be established under the academies legislation. All such **academies (or Multi Academy Trusts)**, as employers of non-teaching staff, become separate new employers in the Fund. As academies are defined in the LGPS Regulations as "Scheduled Bodies", the Administering Authority has no discretion over whether to admit them to the Fund, and the academy has no discretion whether to continue to allow its non-teaching staff to join the Fund. There has also been guidance issued by the MHCLG regarding the terms of academies' membership in LGPS Funds.

Designating employers - employers such as town and parish councils are able to participate in the LGPS via resolution (and the Fund cannot refuse them entry where the resolution is passed). These employers can designate which of their employees are eligible to join the scheme.

Other employers are able to participate in the Fund via an admission agreement, and are referred to as 'admission bodies'. These employers are generally those with a "community of interest" with another scheme employer – **community admission bodies** ("CAB") or those providing a service on behalf of a scheme employer – **transferee admission bodies** ("TAB"). CABs will include housing associations and charities, TABs will generally be contractors. The Fund is able to set its criteria for participation by these employers and can refuse entry if the requirements as set out in the Fund's admissions policy are not met. (NB the terminology CAB and TAB has been dropped from recent LGPS Regulations, which instead combine both under the single term 'admission bodies'; however, we have retained the old terminology here as we consider it to be helpful in setting funding strategies for these different employers).

2.4 How does the calculated contribution rate vary for different employers?

All three steps above are considered when setting contributions (more details are given in **Section 3** and **Appendix D**).

1. The **funding target** is based on a set of assumptions about the future, (e.g. investment returns, inflation, pensioners' life expectancies). If an employer is approaching the end of its participation in the Fund then its funding target may be set on a more prudent basis, so that its liabilities are less likely to be spread among other employers after its cessation;
2. The **time horizon** required is the period over which the funding target is achieved. Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform; and
3. The **likelihood of achieving** the funding target over that time horizon will be dependent on the Fund's view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker then the required likelihood will be set higher, which in turn will increase the required contributions (and vice versa).

For some employers it may be agreed to pool contributions, see 3.4.

Any costs of non ill-health early retirements must be paid by the employer, see 3.6.

Costs of ill-health early retirements are covered in 3.7 and 3.8.

2.5 How is a funding level calculated?

An employer's "funding level" is defined as the ratio of:

- + the market value of the employer's share of assets (see Appendix D, section D5, for further details of how this is calculated), to
- + the value placed by the actuary on the benefits built up to date for the employer's employees and ex-employees (the "liabilities"). The Fund actuary agrees with the Administering Authority the assumptions to be used in calculating this value.

If this is less than 100% then it means the employer has a shortfall, which is the employer's "deficit"; if it is more than 100% then the employer is said to be in "surplus". The amount of deficit or shortfall is the difference between the asset value and the liabilities value.

It is important to note that the funding level and deficit/surplus are only measurements at a particular point in time, on a particular set of assumptions about the future. Whilst we recognise that various parties will take an interest in these measures, for most employers the key issue is how likely it is that their contributions will be sufficient to pay for their members' benefits (when added to their existing asset share and anticipated investment returns).

In short, funding levels and deficits are short term, high level risk measures, whereas contribution-setting is a longer term issue.

2.6 How does the Fund recognise that contribution levels can affect council and employer service provision, and council tax?

The Administering Authority and the Fund actuary are acutely aware that, all other things being equal, a higher contribution required to be paid to the Fund will mean less cash available for the employer to spend on the provision of services. For instance:

- + Higher Pension Fund contributions may result in reduced council spending, which in turn could affect the resources available for council services, and/or greater pressure on council tax levels;
- + Contributions which Academies pay to the Fund will therefore not be available to pay for providing education; and
- + Other employers will provide various services to the local community, perhaps through housing associations, charitable work, or contracting council services. If they are required to pay more in pension contributions to the LGPS then this may affect their ability to provide the local services at a reasonable cost.

Whilst all this is true, it should also be borne in mind that:

- + The Fund provides invaluable financial security to local families, whether to those who formerly worked in the service of the local community who have now retired, or to their families after their death;
- + The Fund must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today will mean higher contributions tomorrow: deferring payments does not alter the employer's ultimate obligation to the Fund in respect of its current and former employees;
- + Each employer will generally only pay for its own employees and ex-employees (and their dependants), not for those of other employers in the Fund;
- + The Fund strives to maintain reasonably stable employer contribution rates where appropriate and possible. However, a recent shift in regulatory focus means that solvency within each generation is considered by the Government to be a higher priority than stability of contribution rates;
- + The Fund wishes to avoid the situation where an employer falls so far behind in managing its funding shortfall that its deficit becomes unmanageable in practice: such a situation may lead to employer insolvency and the resulting deficit falling on the other Fund employers. In that situation, those employers' services would in turn suffer as a result;

- ✦ Council contributions to the Fund should be at a suitable level, to protect the interests of different generations of council tax payers. For instance, underpayment of contributions for some years will need to be balanced by overpayment in other years; the council will wish to minimise the extent to which council tax payers in one period are in effect benefiting at the expense of those paying in a different period.

Overall, therefore, there is clearly a balance to be struck between the Fund's need for maintaining prudent funding levels, and the employers' need to allocate their resources appropriately. The Fund achieves this through various techniques which affect contribution increases to various degrees (see 3.1). In deciding which of these techniques to apply to any given employer, the Administering Authority takes a view on the financial standing of the employer, i.e. its ability to meet its funding commitments and the relevant time horizon.

The Administering Authority will consider a risk assessment of that employer using a knowledge base which is regularly monitored and kept up-to-date. This database will include such information as the type of employer, its membership profile and funding position, any guarantors or security provision, material changes anticipated, etc.

For instance, where the Administering Authority has reasonable confidence that an employer will be able to meet its funding commitments, then the Fund will permit options such as stabilisation (see 3.3 Note (b)), a longer time horizon relative to other employers, and/or a lower likelihood of achieving their funding target. Such options will temporarily produce lower contribution levels than would otherwise have applied. This is permitted in the expectation that the employer will still be able to meet its obligations for many years to come.

On the other hand, where there is doubt that an employer will be able to meet its funding commitments or withstand a significant change in its commitments, then a higher funding target, and/or a shorter time horizon relative to other employers, and/or a higher likelihood of achieving the target may be required.

The Fund actively seeks employer input, including to its funding arrangements, through various means: see **Appendix A**.

2.7 What approach has the Fund taken to dealing with uncertainty arising from the McCloud court case and its potential impact on the LGPS benefit structure?

The LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The courts have ruled that the 'transitional protections' awarded to some members of public service pension schemes when the schemes were reformed (on 1 April 2014 in the case of the LGPS) were unlawful on the grounds of age discrimination. At the time of writing, the Ministry of Housing, Communities and Local Government (MHCLG) has not provided any details of changes as a result of the case. However it is

expected that benefits changes will be required and they will likely increase the value of liabilities. At present, the scale and nature of any increase in liabilities are unknown, which limits the ability of the Fund to make an accurate allowance.

The LGPS Scheme Advisory Board (SAB) issued advice to LGPS funds in May 2019. As there was no finalised outcome of the McCloud case by 31 August 2019, the Fund Actuary has acted in line with SAB's advice and valued all member benefits in line with the current LGPS Regulations.

The Fund, in line with the advice in the SAB's note, has considered how to allow for this risk in the setting of employer contribution rates. As the benefit structure changes that will arise from the McCloud judgement are uncertain, the Fund has elected to reflect the increase in risk through the likelihood of success parameters which are used in the assessment of employer contribution rates at the 2019 valuation.

Once the outcome of the McCloud case is known, the Fund may revisit the contribution rates set to ensure they remain appropriate.

The Fund has also considered the McCloud judgement in its approach to cessation valuations. Please see note (j) to table 3.3 for further information.

2.8 What approach has the Fund taken to dealing with uncertainty arising from the Goodwin court case and its potential impact on the LGPS benefit structure?

The Goodwin tribunal was raised in the Teachers' scheme. It claimed members, or their survivors, were discriminated against due to their sexual orientation. The claim was because the Teachers' scheme provides a survivor's pension which is less favourable for a widower or surviving male partner, than for a widow or surviving female partner of a female scheme member. On 30 June 2020, the Tribunal found in favour of the claimant and agreed there was discrimination. This finding and remedy is expected to apply across all public service pension schemes, including the LGPS, however this is not certain and the details are not yet known.

The impact, if any, of the Goodwin case on Fund liabilities is expected to be small and will largely be an administrative issue. In the absence of a resolution or any guidance to this case, no allowance has been made for this within the 2019 formal valuation.

2.9 When will the next actuarial valuation be?

On 8 May 2019 MHCLG issued a consultation seeking views on (among other things) proposals to amend the LGPS valuation cycle in England and Wales from a three year (triennial) valuation cycle to a four year (quadrennial) valuation cycle.

The Fund intends to carry out its next actuarial valuation in 2022 (3 years after the 2019 valuation date) in line with MHCLG's desired approach in the consultation. The Fund has therefore instructed the Fund Actuary to certify contribution rates for employers for the period 1 April 2020 to 31 March 2023 as part of the 2019 valuation of the Fund.

3. CALCULATING CONTRIBUTIONS FOR INDIVIDUAL EMPLOYERS

3.1 General comments

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, the Fund's three-step process identifies the key issues:

1. What is a suitably (but not overly) prudent funding target?
2. How long should the employer be permitted to reach that target? This should be realistic but not so long that the funding target is in danger of never actually being achieved.
3. What likelihood is required to reach that funding target?
This will always be less than 100% as we cannot be certain of the future. Higher likelihood "bars" can be used for employers where the Fund wishes to reduce the risk that the employer ceases leaving a deficit to be picked up by other employers.

These and associated issues are covered in this Section.

The Administering Authority recognises that there may occasionally be particular circumstances affecting individual employers that are not easily managed within the rules and policies set out in the Funding Strategy Statement. Therefore the Administering Authority reserves the right to direct the actuary to adopt alternative funding approaches on a case by case basis for specific employers.

3.2 The effect of paying lower contributions

In limited circumstances the Administering Authority may permit employers to pay contributions at a lower level than is assessed for the employer using the three step process above. At their absolute discretion the Administering Authority may:

- + extend the time horizon for targeting full funding;
- + adjust the required likelihood of meeting the funding target;
- + permit an employer to participate in the Fund's stabilisation mechanisms;
- + permit extended phasing in of contribution rises or reductions;
- + pool contributions amongst employers with similar characteristics; and/or
- + accept some form of security or guarantee in lieu of a higher contribution rate than would otherwise be the case.

Employers which are permitted to use one or more of the above methods will often be paying, for a time, contributions less than required to meet their funding target, over the appropriate time horizon with the required likelihood of success. Such employers should appreciate that:

- + their true long term liability (i.e. the actual eventual cost of benefits payable to their employees and ex-employees) is not affected by the pace of paying contributions;
- + lower contributions in the short term will result in a lower level of future investment returns on the employer's asset share. Thus, deferring a certain amount of contribution may lead to higher contributions in the long-term; and
- + it may take longer to reach their funding target, all other things being equal.

Below (3.3) is a summary of how the main funding policies differ for different types of employer, followed by more detailed notes where necessary.

Section 3.4 onwards deals with various other funding issues which apply to all employers.

3.3 The different approaches used for different employers

TYPE OF EMPLOYER	SCHEDULED BODIES			COMMUNITY ADMISSION BODIES AND DESIGNATING EMPLOYERS		TRANSFEREE ADMISSION BODIES*
SUB-TYPE	LOCAL AUTHORITIES, POLICE, FIRE	COLLEGES & UNIVERSITIES	ACADEMIES	OPEN TO NEW ENTRANTS	CLOSED TO NEW ENTRANTS	(ALL)
FUNDING TARGET BASIS USED	Ongoing participation basis, assumes long-term Fund participation (see Appendix E)			Ongoing participation basis, but may move to "low-risk exit basis" - see Note (a)		Contractor exit basis, assumes fixed contract term in the Fund (see Appendix E)
PRIMARY RATE APPROACH	(see Appendix D – D.2)					
STABILISED CONTRIBUTION RATE?	Yes - see Note (b)	No	No	No	No	No
MAXIMUM TIME HORIZON – NOTE (C)	17 years	17 years	17 years	17 years	Future working lifetime	As per the letting employer
SECONDARY RATE – NOTE (D)	Monetary amount	Monetary amount	% of payroll	Monetary amount	Monetary amount	% of payroll or monetary amount
TREATMENT OF SURPLUS	Covered by stabilisation arrangement	Contributions kept at Primary rate	Contributions kept at Primary rate	Preferred approach: contributions kept at Primary rate. Reductions may be permitted by the Administering Authority		Where the calculated secondary rate is negative, contributions are the maximum of the current rate in payment and the sum of the primary and the secondary rates. Where the calculated secondary rate is positive, contributions are set to be the primary rate.
LIKELIHOOD OF ACHIEVING TARGET – NOTE (E)	70%	70% or 75% depending on evidence of financial strength	75%	80% for Community Admission Bodies, 70% for Designating Employers	50% where the low-risk exit basis is used	66%
PHASING OF CONTRIBUTION CHANGES	Covered by stabilisation arrangement	3 years	3 years for increases and decreases, subject to a maximum increase / decrease of 2% p.a.	3 years	3 years	None
REVIEW OF RATES – NOTE (F)	Review of rates will be carried out in line with the Regulations and as set out in Note (f)					Particularly reviewed in last 3 years of contract
NEW EMPLOYER	n/a	n/a	Note (g)	Note (h)		Notes (h) & (i)
CESSATION OF PARTICIPATION: EXIT DEBT/CREDIT PAYABLE	Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation calculation principles applied would be as per Note (j).			Can be ceased subject to terms of admission agreement. Exit debt/credit will be calculated on a basis appropriate to the circumstances of cessation – see Note (j).		Participation is assumed to expire at the end of the contract. Cessation debt/credit calculated on the contractor exit basis, unless the admission agreement is terminated early by the contractor in which case the low risk exit basis would apply. Letting employer will be liable for future deficits and contributions arising. See Note (j) for further details

* Where the Administering Authority recognises a fixed contribution rate agreement between a letting authority and a contractor, the certified employer contribution rate will be derived in line with the methodology specified in the risk sharing agreement. Additionally, in these cases, upon cessation the contractor's assets and liabilities will transfer back to the letting employer with no crystallisation of any deficit or surplus. Further detail on fixed contribution rate agreements is set out in note (i).

NOTE (A) (GILTS EXIT BASIS FOR CABS AND DESIGNATING EMPLOYERS CLOSED TO NEW ENTRANTS)

In the circumstances where:

- + the employer is a Designating Employer, or an Admission Body but not a Transferee Admission Body, and
- + the employer has no guarantor, and
- + the admission agreement is likely to terminate, or the employer is likely to lose its last active member, within a timeframe considered appropriate by the Administering Authority to prompt a change in funding,

the Administering Authority may set a higher funding target (e.g. based on the return from long-term gilt yields) by the time the agreement terminates or the last active member leaves, in order to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required from the employer when a cessation valuation is carried out.

The Administering Authority also reserves the right to adopt the above approach in respect of those Designating Employers and Admission Bodies with no guarantor, where the strength of covenant is considered to be weak but there is no immediate expectation that the admission agreement will cease or the Designating Employer alters its designation.

NOTE (B) (Stabilisation)

Stabilisation is a mechanism where employer contribution rate variations from year to year are kept within a pre-determined range, thus allowing those employers' rates to be relatively stable. In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund Actuary, believes that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been "stabilised" (and may therefore be paying less than their theoretical contribution rate) should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

This stabilisation mechanism allows short term investment market volatility to be managed so as not to cause volatility in employer contribution rates, on the basis that a long term view can be taken on net cash inflow, investment returns and strength of employer covenant.

The current stabilisation mechanism applies if:

- + the employer satisfies the eligibility criteria set by the Administering Authority (see below) and;

- + there are no material events which cause the employer to become ineligible, e.g. significant reductions in active membership (due to outsourcing or redundancies), or changes in the nature of the employer (perhaps due to Government restructuring), or changes in the security of the employer.

On the basis of extensive modelling carried out for the 2019 valuation exercise (see Section 4), the following employers will be permitted to stabilise contribution increases and decreases subject to previously agreed limits:

- + Gloucestershire County Council and Schools
- + Cotswold District Council
- + Forest of Dean District Council
- + Gloucester City Council
- + Stroud District Council
- + Tewkesbury Borough Council
- + Gloucestershire Police
- + Cheltenham Borough Council

The stabilisation criteria and limits will be reviewed at the next formal valuation. However, the Administering Authority reserves the right to review the stabilisation criteria and limits at any time before then, on the basis of membership and/or employer changes as described above.

NOTE (C) (Maximum time horizon)

The maximum time horizon starts at the commencement of the revised contribution rate (1 April 2020 for the 2019 valuation). The Administering Authority would normally expect the same period to be used at successive triennial valuations, but would reserve the right to propose alternative time horizons, for example where there were no new entrants.

NOTE (D) (Secondary rate)

For employers where stabilisation is not being applied, the Secondary contribution rate for each employer covering the period until the next formal valuation will often be set as a monetary amount. However, where a percentage of salaries approach is used, the Administering Authority reserves the right to amend these rates between formal valuations and/or to require these payments in monetary terms instead, for instance where:

- + the employer is relatively mature, i.e. has a large Secondary contribution rate (e.g. above 15% of payroll), or
- + there has been a significant reduction in payroll due to outsourcing or redundancy exercises, or
- + the employer has closed the Fund to new entrants.

NOTE (E) (Likelihood of achieving funding target)

Each employer has its funding target calculated, and a relevant time horizon over which to reach that target. Contributions are set such that, combined with the employer's current asset share and anticipated market movements over the time horizon, the funding target is achieved with a given minimum likelihood. A higher required likelihood bar will give rise to higher required contributions, and vice versa.

The way in which contributions are set using these three steps, and relevant economic projections, is described in further detail in Appendix D.

Different likelihoods are set for different employers depending on their nature and circumstances: in broad terms, a higher likelihood will apply due to one or more of the following:

- + the Fund believes the employer poses a greater funding risk than other employers,
- + the employer does not have tax-raising powers;
- + the employer does not have a guarantor or other sufficient security backing its funding position; and/or
- + the employer is likely to cease participation in the Fund in the short or medium term.

NOTE (F) (Regular Reviews)

Under the Regulations the Fund may amend contribution rates between valuations for "significant change" to the liabilities or covenant of an employer: this may result in a material increase or decrease in contributions, depending on the circumstances. The Fund would consider the following circumstances as a potential trigger for review:

- + in the opinion of an Administering Authority there are circumstances which make it likely that an employer (including an admission body) will become an exiting employer sooner than anticipated at the last valuation;
- + an employer is approaching exit from the scheme within the next two years and before completion of the next valuation;
- + an employer agrees to pay increased contributions to meet the cost of an award of additional pension, under Regulation 31(3) of the Regulations;
- + there are changes to the benefit structure set out in the LGPS Regulations including the outcomes of the McCloud case and cost sharing mechanisms (if permitted in Regulation at that time) which have not been allowed for at the last valuation;

- + it appears likely to the Administering Authority that the amount of the liabilities arising or likely to arise for an employer or employers has changed significantly since the last valuation;
- + it appears likely to the Administering Authority that there has been a significant change in the ability of an employer or employers to meet their obligations (i.e. a material change in employer covenant);
- + it appears to the Administering Authority that the membership of the employer has changed materially such as bulk transfers, significant reductions to payroll or large-scale restructuring; or
- + where an employer has failed to pay contributions or has not arranged appropriate security as required by the Administering Authority.

The Administering Authority will also consider a request from any employer to review contributions where the employer has undertaken to meet the costs of that review and sets out the reasoning for the review (which would be expected to fall into one of the above categories, such as a belief that their covenant has changed materially or they are going through a significant restructuring impacting their membership).

Except in circumstances such as an employer nearing cessation, the Administering Authority will not consider market volatility or changes to asset values as a basis for a change in contributions outside a formal valuation.

The Rates & Adjustments Certificate will be updated as necessary, following such a review.

The Administering Authority will also consider guidance in such matters from the Scheme Advisory Board as issued from time to time.

NOTE (G) (New Academy conversions)

At the time of writing, the Fund's policies on academies' funding issues are as follows:

- i. The new academy will be regarded as a separate employer in its own right and will not be pooled with other employers in the Fund. The only exception is where the academy is part of a Multi Academy Trust (MAT) in which case the academy's figures will be calculated as below but can be combined with, for the purpose of setting contribution rates, with those of the other academies in the MAT;
- ii. The new academy's past service liabilities on conversion will be calculated based on its active Fund members on the day before conversion. For the avoidance of doubt, these liabilities will include all past service of those members, but will exclude the liabilities relating to any ex-employees of the school who have deferred or pensioner status;
- iii. The new academy will be allocated an initial asset share from the ceding council's assets in the Fund. This asset share will be calculated using the estimated funding position of the ceding council at the date of academy conversion. The share will be based on the active members' funding level, having first allocated assets in the council's share to fully fund deferred and pensioner members. The assets allocated to the academy will be limited if necessary so that its initial funding level is subject to a maximum of 100%. The asset allocation will be based on market conditions and the academy's active Fund membership on the day prior to conversion;
- iv. The new academy's calculated contribution rate will be based on the time horizon and likelihood of achieving funding target outlined for Academies in the table in Section 3.3 above;
- v. It is possible for an academy to leave one MAT and join another. If this occurs, all active, deferred and pensioner members of the academy transfer to the new MAT.

The Fund's policies on academies are subject to change in the light of any amendments to MHCLG and/or DfE guidance (or removal of the formal guarantee currently provided to academies by the DfE). Any changes will be notified to academies, and will be reflected in a subsequent version of this FSS. In particular, policies (iii) and (iv) above will be reconsidered at each valuation.

NOTE (H) (New Admission Bodies)

With effect from 1 October 2012, the LGPS 2012 Miscellaneous Regulations introduced mandatory new requirements for all Admission Bodies brought into the Fund from that date. Under these Regulations, all new Admission Bodies will be required to provide some form of security, such as a guarantee from the letting employer, an indemnity or a bond. The security is required to cover some or all of the following:

- + the strain cost of any redundancy early retirements resulting from the premature termination of the contract;
- + allowance for the risk of asset under performance;
- + allowance for the risk of a greater than expected rise in liabilities;
- + allowance for the possible non-payment of employer and member contributions to the Fund; and/or
- + the current deficit.

Transferee Admission Bodies: For all TABs, the security must be to the satisfaction of the Administering Authority as well as the letting employer, and will be reassessed on an annual basis. See also Note (i) below.

Community Admission Bodies: The Administering Authority will only consider requests from CABs (or other similar bodies, such as section 75 NHS partnerships) to join the Fund if they are sponsored by a Scheduled Body with tax raising powers, guaranteeing their liabilities and also providing a form of security as above.

The above approaches reduce the risk, to other employers in the Fund, of potentially having to pick up any shortfall in respect of Admission Bodies ceasing with an unpaid deficit.

NOTE (I) (New Transferee Admission Bodies)

A new TAB usually joins the Fund as a result of the letting/outsourcing of some services from an existing employer (normally a Scheduled Body such as a council or academy) to another organisation (a “contractor”). This involves the TUPE transfer of some staff from the letting employer to the contractor. Consequently, for the duration of the contract, the contractor is a new participating employer in the Fund so that the transferring employees maintain their eligibility for LGPS membership. At the end of the contract the employees revert to the letting employer or to a replacement contractor.

Ordinarily, the TAB would be set up in the Fund as a new employer with responsibility for all the accrued benefits of the transferring employees; in this case, the contractor would usually be assigned an initial asset allocation equal to the past service liability value of the employees’ Fund benefits. The quid pro quo is that the contractor is then expected to ensure that its share of the Fund is also fully funded at the end of the contract: see Note (j).

Employers which “outsource” have flexibility in the way that they can deal with the pension risk potentially taken on by the contractor. In particular, there are three different routes that such employers may wish to adopt. Clearly as the risk ultimately resides with the employer letting the contract, it is for them to agree the appropriate route with the contractor:

i) Pooling

Under this option the contractor is pooled with the letting employer. In this case, the contractor pays the same rate as the letting employer, which may be under a stabilisation approach.

ii) Letting employer retains pre-contract risks

Under this option the letting employer would retain responsibility for assets and liabilities in respect of service accrued prior to the contract commencement date. The contractor would be responsible for the future liabilities that accrue in respect of transferred staff. The contractor’s contribution rate could vary from one valuation to the next. It would be liable for any deficit (or entitled to any surplus) at the end of the contract term in respect of assets and liabilities attributable to service accrued during the contract term. Please note, the level of exit credit (if any) payable on cessation would be determined by the Administering Authority in accordance with the Regulations, this FSS and the Fund’s exit credit policy.

iii) Fixed contribution rate agreed

Under this option the contractor pays a fixed contribution rate throughout its participation in the Fund and on cessation does not pay any deficit or receive an exit credit. In other words, the pension risks “pass through” to the letting employer.

The Administering Authority is willing to administer any of the above options as long as the approach is documented in the Admission Agreement as well as the transfer agreement. Alternatively, letting employers and Transferee Admission Bodies may operate any of the above options by entering into a separate Side Agreement. The Administering Authority would not necessarily be a party to this side agreement, but may treat the Admission Agreement as if it incorporates the side agreement terms where this is permitted by legislation or alternatively agreed by all parties.

Any risk sharing agreement should ensure that some element of risk transfers to the contractor where it relates to their decisions and it is unfair to burden the letting employer with that risk. For example the contractor should typically be responsible for pension costs that arise from:

- + above average pay increases, including the effect in respect of service prior to contract commencement even if the letting employer takes on responsibility for the latter under (ii) above; and
- + redundancy and early retirement decisions.

NOTE (J) (Admission Bodies Exiting the Fund)

Notwithstanding the provisions of the Admission Agreement, the Administering Authority may consider any of the following as triggers for the cessation of an admission agreement with any type of body:

- + Last active member ceasing participation in the Fund (NB recent LGPS Regulation changes mean that the Administering Authority has the discretion to defer taking action for up to three years, so that if the employer acquires one or more active Fund members during that period then cessation is not triggered. The current Fund policy is that this is left as a discretion and may or may not be applied in any given case);
- + The insolvency, winding up or liquidation of the Admission Body;
- + Any breach by the Admission Body of any of its obligations under the Agreement that they have failed to remedy to the satisfaction of the Fund;
- + A failure by the Admission Body to pay any sums due to the Fund within the period required by the Fund; or
- + The failure by the Admission Body to renew or adjust the level of the bond or indemnity, or to confirm an appropriate alternative guarantor, as required by the Fund.
- + On termination of a deferred debt agreement.

On cessation, in the absence of a deferred debt arrangement, the Administering Authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus.

Payment of cessation debt

Where there is a deficit, payment of this amount in full would normally be sought from the Admission Body. The Fund's normal policy is that this cessation debt is paid in a single lump sum within 30 days of the employer being notified.

However, in line with the Regulations and when in the best interests of all parties, the Fund may agree for this payment to be spread over an agreed period, however, such agreement would only be permitted at the Fund's discretion, where payment of the debt in a single immediate lump sum could be shown to be materially detrimental to the employer's normal operations. In cases where payment is spread, the Fund reserves the right to require that the ceasing employer provides some form of security (such as a charge over assets, bond indemnity or guarantee) relating to the unpaid amount of debt at any given time.

Consideration of surplus / exit credit

Where there is a surplus, the Administering Authority will determine the amount of exit credit to be paid in accordance with the Regulations. In making this determination, the Administering Authority will consider:

- (i) the extent of any surplus,
- (ii) the proportion of surplus arising as a result of the employer's contributions,
- (iii) any representations (such as risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee (or some other form of employer assistance/support) and
- (iv) any other factors the Administering Authority deem relevant.

The Fund have a separate 'Exit Credit Policy' document which sets out the general guidelines that the Fund will consider when determining the amount of an exit credit payable to an exiting employer in line with Regulation 64, depending on employer's participation conditions. Please note that these are guidelines only and the Fund will also consider any other factors that are relevant on a case-by-case basis. These considerations may result in a determination that would be different if the guidelines were rigorously adhered to. In all cases, the Fund will not be bound by the guidelines, and will make its decision on a discretionary basis.

Allowance for McCloud on cessation

As discussed in Section 2.7, the LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The Fund has considered how it will reflect the current uncertainty regarding the outcome of this judgement in its approach to cessation valuations. For cessation valuations that are carried out before any changes to the LGPS benefit structure (from 1 April 2014) are confirmed, the Fund's policy is that the actuary will apply a 1% loading to the ceasing employer's post 2014 benefit accrual value, as an estimate of the possible impact of resulting benefit changes.

Allowance for expenses on cessation

The Fund Actuary charges a fee for carrying out an employer's cessation valuation which the Fund will recharge to the employer. For the purposes of the cessation valuation, this fee will be treated as an expense incurred by the employer and will be deducted from the employer's cessation surplus or added to the employer's cessation deficit, as appropriate. This process improves administrative efficiency as it reduces the number of transactions required to be made between the employer and the Fund following an employer's cessation.

Actuarial basis on cessation

For non-Transferee Admission Bodies whose participation is voluntarily ended either by themselves or the Fund, or where a cessation event has been triggered, the Administering Authority must look to protect the interests of other ongoing employers. The actuary will therefore adopt an approach which, to the extent reasonably practicable, protects the other employers from the likelihood of any material loss emerging in future:

- (b) Where a guarantor does not exist then, in order to protect other employers in the Fund, the cessation liabilities and final surplus/deficit will normally be calculated using a "gilt exit basis", which is more prudent than the ongoing participation basis. This has no allowance for potential future investment outperformance above gilt yields, and has added allowance for future improvements in life expectancy. This could give rise to significant cessation debts being required.
- (c) Where there is a guarantor for future deficits and contributions, the details of the guarantee will be considered prior to the cessation valuation being carried out. In some cases the guarantor is simply guarantor of last resort and therefore the cessation valuation will be carried out consistently with the approach taken had there been no guarantor in place. Alternatively, where the guarantor is not simply guarantor of last resort, the cessation may be calculated using the ongoing participation basis or contractor exit basis as described in Appendix E;

(d) Again, depending on the nature of the guarantee, it may be possible to simply transfer the former Admission Body's liabilities and assets to the guarantor, without needing to crystallise any deficit or surplus. This approach may be adopted where the employer cannot pay the contributions due, and this is within the terms of the guarantee.

Under (a) and (b), any shortfall would usually be levied on the departing Admission Body as a single lump sum payment. If this is not possible then the Fund may spread the payment subject to there being some security in place for the employer such as a bond indemnity or guarantee.

In the event that the Fund is not able to recover the required payment in full, then the unpaid amounts fall to be shared amongst all of the other employers in the Fund. This may require an immediate revision to the Rates and Adjustments Certificate affecting other employers in the Fund, or instead be reflected in the contribution rates set at the next formal valuation following the cessation date.

Deferred Debt Agreement ("DDA") alternative to immediate cessation

As an alternative, where the ceasing Admission Body is continuing in business the Administering Authority may enter into a written agreement with the Admission Body to defer their obligations to make an exit payment and continue to make secondary contributions (a 'Deferred Debt Agreement' as described in Regulation 64 (7A)). The Admission Body must meet all active employer requirements and pay the secondary rate of contributions as determined by the Fund Actuary until the termination of the deferred debt agreement.

The Administering Authority will consider deferred debt agreements in the following circumstances:

- + The Admission Body requests the Fund consider a deferred debt agreement;
- + The Admission Body is expected to have a deficit if a cessation valuation was carried out;
- + The Admission Body is expected to be a going concern; and
- + The covenant of the Admission Body is considered sufficient by the Administering Authority.

The Administering Authority will normally require:

- + Security be put in place covering the Admission Body's deficit on their cessation basis;
- + Regular monitoring of the contribution requirements and security requirements;
- + All costs of the arrangement are met by the Admission Body, such as the cost of advice to the Fund, ongoing monitoring of the arrangement, and correspondence on any ongoing contribution and security requirements.

A deferred debt agreement will normally terminate on the first date on which one of the following events occurs:

- + the Admission Body enrolls new active Fund members;
- + the period specified, or as varied, under the deferred debt agreement elapses;
- + the take-over, amalgamation, insolvency, winding up or liquidation of the Admission Body;
- + the Administering Authority serves a notice on the Admission Body that the Administering Authority is reasonably satisfied that the Admission Body's ability to meet the contributions payable under the deferred debt arrangement has weakened materially or is likely to weaken materially in the next 12 months;
- + the Fund actuary assesses that the Admission Body has paid sufficient secondary contributions to cover all (or almost all) of the exit payment due if the employer becomes an exiting employer on the calculation date (i.e. Admission Body is now largely fully funded on their cessation basis);
- + the Fund actuary assesses that the Admission Body's value of liabilities has fallen below an agreed de minimise level, if the employer becomes an exiting employer on the calculation date; or
- + The Admission Body requests early termination of the agreement and settles the exit payment in full as calculated by the Fund actuary on the calculation date (i.e. the Admission Body pays their outstanding cessation debt on their cessation basis).

On the termination of a deferred debt agreement, the Admission Body will become an exiting employer and a cessation valuation will be completed in line with this FSS.

3.4 Pooled contributions

From time to time, with the advice of the Actuary, the Administering Authority may set up pools for employers with similar or complementary characteristics. This will always be in line with its broader funding strategy. Currently the pools in place within the Fund are as follows:

- + Town and Parish Councils (as a way of sharing experience and smoothing out the effects of costly but relatively rare events such as deaths in service).
- + LEA schools are generally pooled with their funding Council. However there may be exceptions for specialist or independent schools.
- + Admission Bodies may be pooled with the letting employer or other associated Local Authorities, provided all parties (particularly the letting employer(s) or Local Authorities) agree.

The intention of the pool is to minimise contribution rate volatility which would otherwise occur when members join, leave, take early retirement, receive pay rises markedly different from expectations, etc. Such events can cause large changes in contribution rates for very small employers in particular, unless these are smoothed out for instance by pooling across a number of employers.

On the other hand it should be noted that the employers in the pool will still have their own individual funding positions tracked by the Actuary, so that some employers will be much better funded, and others much more poorly funded, than the pool average. This therefore means that if any given employer was funding on a stand-alone basis, as opposed to being in the pool, then its contribution rate could be much higher or lower than the pool contribution rate.

On exit from a pool, Town and Parish Councils, and LEA schools converting to academies, will normally be attributed assets on a pro-rata basis measuring the pool's funding position at that time. This differs from the alternative approach (in effect applied to TABs ceasing their contract) which would be to assess the individual employer's calculated asset share. The reason for this difference in approach is the long history of Town and Parish Councils and LEA schools paying pooled rates regardless of their own calculated asset share, and also to ensure that any orphan liabilities are accounted for.

Those employers which have been pooled are identified in the Rates and Adjustments Certificate.

Employers who are permitted to enter (or remain in) a pool at the 2019 valuation will not normally be advised of their individual contribution rate unless agreed by the Administering Authority.

Community Admission Bodies that are deemed by the Administering Authority to have closed to new entrants are not usually permitted to participate in a pool.

3.5 Additional flexibility in return for added security

The Administering Authority may permit greater flexibility to the employer's contributions if the employer provides added security to the satisfaction of the Administering Authority.

Such flexibility includes a reduced rate of contribution, an extended time horizon, or permission to join a pool with another body (e.g. the Local Authority).

Such security may include, but is not limited to, a suitable bond, a legally-binding guarantee from an appropriate third party, or security over an employer asset of sufficient value.

The degree of flexibility given may take into account factors such as:

- + the extent of the employer's deficit;
- + the amount and quality of the security offered;
- + the employer's financial security and business plan; and
- + whether the admission agreement is likely to be open or closed to new entrants.

3.6 Non ill health early retirement costs

It is assumed that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire). (NB the relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014). Employers are required to pay additional contributions ('strain') wherever an employee retires before attaining this age. The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health.

Employers must make these additional contributions as a one off payment to the fund immediately on awarding the early retirement. The exception to this rule are statutory bodies with tax raising powers, where, depending on the circumstances, the Administering Authority may at its absolute discretion agree to spread the payment over a period not exceeding 3 years. If this is agreed, interest will be charged, using factors provided by the actuary. In any event the spread period cannot exceed the period to the member's normal retirement date if this is shorter than 3 years.

3.7 Ill health early retirement costs

If a member retires early due to ill-health, an additional funding strain will usually arise, which can be very large. Such strain costs are the responsibility of the member's employer to pay, and are required to be paid to the Fund immediately or, in the case of tax raising bodies, over a three year period if requested by the employer.

The Administering Authority has arranged for an external insurance policy to cover ill health early retirement strains (see 3.8 below for further details). Each employer's contributions to the Fund includes its share of that year's insurance premium. When an active member retires on ill health early retirement, the claim amount received from the insurer will be credited to the respective employer's asset share in the Fund.

The Fund will monitor the strain arising from Tier 1 and Tier 2 ill-health retirements. Any additional costs arising from Tier 3 ill-health retirements will be reflected in the employer contribution rate following the next formal valuation.

3.8 Ill health risk management

The Fund recognises ill health early retirement costs can have a significant impact on an employer's funding and contribution rate, which could ultimately jeopardise their continued operation.

To mitigate this risk, the Fund has agreed to implement new procedures with effect from 1 April 2020, under which all Academy Schools, Town and Parish Councils, Admitted Bodies with closed Admission Agreements and Admitted Bodies without a guarantor will be required to be automatically covered by an ill health pension strain insurance policy organised by the Fund. This cost of this cover will be paid from the employer contributions.

All other employers will also automatically be covered by the ill health policy organised by the Fund unless they choose to opt out of such cover by making a risk based decision in accordance with the detailed procedures issued to all employers.

Where an employer formally opts out of the cover their employer contributions will remain unchanged, but will include a risk based ill health allowance. The standard approach of monitoring ill-health strain costs will apply for these employers where they will be asked to pay for any ill-health strains in excess of their allowance.

3.9 Employers with no remaining active members

In general an employer ceasing in the Fund, due to the departure of the last active member, will pay a cessation debt or receive an exit credit on an appropriate basis (see 3.3, Note (j)) and consequently have no further obligation to the Fund. Thereafter it is expected that one of two situations will eventually arise:

- a) The employer's asset share runs out before all its ex-employees' benefits have been paid. In this situation the other Fund employers will be required to contribute to pay all remaining benefits: this will be done by the Fund actuary apportioning the remaining liabilities on a pro-rata basis at successive formal valuations;
- b) The last ex-employee or dependant dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the Fund's actuary to the other Fund employers.
- c) In exceptional circumstances the Fund may permit an employer with no remaining active members and a cessation deficit to continue contributing to the Fund. This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period. The Fund would reserve the right to invoke the cessation requirements in the future, however. The Administering Authority may need to seek legal advice in such cases, as the employer would have no contributing members.

3.10 Policies on bulk transfers

Each case will be treated on its own merits, but in general:

- + The Fund will not pay bulk transfers greater than the lesser of (a) the asset share of the transferring employer in the Fund, and (b) the value of the past service liabilities of the transferring members;
- + The Fund will not grant added benefits to members bringing in entitlements from another Fund unless the asset transfer is sufficient to meet the added liabilities; and
- + The Fund may permit shortfalls to arise on bulk transfers if the Fund employer has suitable strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's Fund contributions to increase between valuations.

3.11 Excess salary awards

The Fund Actuary makes assumptions regarding future pay growth applying to the pre-1 April 2014 accrual of benefit of current active members. Should actual pay rises exceed this assumption then the employer's liabilities will increase, and this increase could be very marked as pay growth immediately affects all benefits accrued before April 2014.

4. FUNDING STRATEGY AND LINKS TO INVESTMENT STRATEGY

4.1 What is the Fund's investment strategy?

The Fund has built up assets over the years, and continues to receive contribution and other income. All of this must be invested in a suitable manner, which is the investment strategy.

Investment strategy is set by the Administering Authority, after consultation with the employers and after taking investment advice. The precise mix, manager make up and target returns are set out in the Investment Strategy Statement which is available to members and employers.

The investment strategy is set for the long-term, but is reviewed from time to time. Normally a full review is carried out as part of each actuarial valuation, and is kept under review annually between actuarial valuations to ensure that it remains appropriate to the Fund's liability profile.

The same investment strategy is currently followed for all employers.

4.2 What is the link between funding strategy and investment strategy?

The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (resulting from the funding strategy) or asset returns and income (resulting from the investment strategy). To the extent that investment returns or income fall short, then higher cash contributions are required from employers, and vice versa.

Therefore, the funding and investment strategies are inextricably linked.

4.3 How does the funding strategy reflect the Fund's investment strategy?

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The actuary's assumptions for future investment returns (described further in Appendix E) are based on the current benchmark investment strategy of the Fund. The future investment return assumptions underlying each of the fund's three funding bases include a margin for prudence, and are therefore also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government (see Appendix A1).

In the short term – such as the assessments at formal valuations – there is the scope for considerable volatility in asset values. However, the actuary takes a long term view when assessing employer contribution rates and the contribution rate setting methodology takes into account this potential variability.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

4.4 Does the Fund monitor its overall funding position?

The Administering Authority monitors the relative funding position, i.e. changes in the relationship between asset values and the liabilities value, annually. It reports this to the regular Pensions Committee meetings, and also to employers via e-mail, Employers Forums and its Annual General Meeting.

5. STATUTORY REPORTING AND COMPARISON TO OTHER LGPS FUNDS

5.1 Purpose

Under Section 13(4)(c) of the Public Service Pensions Act 2013 ("Section 13"), the Government Actuary's Department must, following each triennial actuarial valuation, report to MHCLG on each of the LGPS Funds in England & Wales. This report will cover whether, for each Fund, the rate of employer contributions are set at an appropriate level to ensure both the solvency and the long term cost efficiency of the Fund.

This additional MHCLG oversight may have an impact on the strategy for setting contribution rates at future valuations.

5.2 Solvency

For the purposes of Section 13, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

- (a) the rate of employer contributions is set to target a funding level for the Fund of 100%, over an appropriate time period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds); and either
- (b) employers collectively have the financial capacity to increase employer contributions, and/or the Fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or
- (c) there is an appropriate plan in place should there be, or if there is expected in future to be, a material reduction in the capacity of fund employers to increase contributions as might be needed.

5.3 Long Term Cost Efficiency

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long term cost efficiency if:

- i. the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual,
- ii. with an appropriate adjustment to that rate for any surplus or deficit in the Fund.

In assessing whether the above condition is met, MHCLG may have regard to various absolute and relative considerations. A relative consideration is primarily concerned with comparing LGPS pension funds with other LGPS pension funds. An absolute consideration is primarily concerned with comparing Funds with a given objective benchmark.

Relative considerations include:

- 1. the implied deficit recovery period; and
- 2. the investment return required to achieve full funding after 20 years.

Absolute considerations include:

- 1. the extent to which the contributions payable are sufficient to cover the cost of current benefit accrual and the interest cost on any deficit;
- 2. how the required investment return under "relative considerations" above compares to the estimated future return being targeted by the Fund's current investment strategy;
- 3. the extent to which contributions actually paid have been in line with the expected contributions based on the extant rates and adjustment certificate; and
- 4. the extent to which any new deficit recovery plan can be directly reconciled with, and can be demonstrated to be a continuation of, any previous deficit recovery plan, after allowing for actual Fund experience.

MHCLG may assess and compare these metrics on a suitable standardised market-related basis, for example where the local funds' actuarial bases do not make comparisons straightforward.

APPENDIX A - Regulatory framework

WHY DOES THE FUND NEED AN FSS?

The Ministry of Housing, Communities and Local Government (MHCLG) has stated that the purpose of the FSS is:

- + “to establish a **clear and transparent fund-specific strategy** which will identify how employers’ pension liabilities are best met going forward;
- + to support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**; and
- + to take a **prudent longer-term view** of funding those liabilities.”

These objectives are desirable individually, but may be mutually conflicting.

The requirement to maintain and publish a FSS is contained in LGPS Regulations which are updated from time to time. In publishing the FSS the Administering Authority has to have regard to any guidance published by Chartered Institute of Public Finance and Accountancy (CIPFA) (most recently in 2016) and to its Statement of Investment Principles / Investment Strategy Statement.

This is the framework within which the Fund’s actuary carries out triennial valuations to set employers’ contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

A2 Does the Administering Authority consult anyone on the FSS?

Yes. This is required by LGPS Regulations. It is covered in more detail by the most recent CIPFA guidance, which states that the FSS must first be subject to “consultation with such persons as the authority considers appropriate”, and should include “a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of other participating employers”.

In practice, for the Fund, the consultation process for this FSS was as follows:

- a) A draft version of the FSS was issued to all participating employers in February 2021 for comment;
- b) Comments were requested within 16 days;
- c) Following the end of the consultation period the FSS was submitted to, and agreed by the Pension Committee at its March 2021 meeting, updated where required, and then published, in March 2021.

A3 How is the FSS published?

The FSS is made available through the following routes:

- + Published on the website, at www.gloucestershire.gov.uk/extra/pensions/investments
- + A copy sent by email to each participating employer in the Fund;
- + A copy sent to employee/pensioner representatives;
- + A full copy linked from the annual report and accounts of the Fund;
- + Copies sent to independent advisers;
- + Copies made available on request.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the triennial valuation (which may move to every four years in future – see Section 2.8). This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation.

It is possible that (usually slight) amendments may be needed within the three year period. These would be needed to reflect any regulatory changes, or alterations to the way the Fund operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

- + trivial amendments would be simply notified at the next round of employer communications,
- + amendments affecting only one class of employer would be consulted with those employers,
- + other more significant amendments would be subject to full consultation.

In any event, changes to the FSS would need agreement by the Pensions Committee and would be included in the relevant Committee Meeting minutes.

A5 How does the FSS fit into other Fund documents?

The FSS is a summary of the Fund’s approach to funding liabilities. It is not an exhaustive statement of policy on all issues, for example there are a number of separate statements published by the Fund including the Investment Strategy Statement, Governance Strategy and Communications Strategy. In addition, the Fund publishes an Annual Report and Accounts with up to date information on the Fund.

These documents can be found on the web at www.gloucestershire.gov.uk/extra/pensions/investments

APPENDIX B - Responsibilities of key parties

The efficient and effective operation of the Fund needs various parties to each play their part.

B1 The Administering Authority should:-

1. operate the Fund as per the LGPS Regulations;
2. effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;
3. collect employer and employee contributions, and investment income and other amounts due to the Fund;
4. ensure that cash is available to meet benefit payments as and when they fall due;
5. pay from the Fund the relevant benefits and entitlements that are due;
6. invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Investment Strategy Statement (ISS) and LGPS Regulations;
7. communicate appropriately with employers so that they fully understand their obligations to the Fund;
8. take appropriate measures to safeguard the Fund against the consequences of employer default;
9. manage the valuation process in consultation with the Fund's actuary;
10. provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);
11. prepare and maintain a FSS and a ISS, after consultation;
12. notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and
13. monitor all aspects of the fund's performance and funding and amend the FSS and ISS as necessary and appropriate.

B2 The Individual Employer should:-

1. deduct contributions from employees' pay correctly;
2. pay all contributions, including their own as determined by the actuary, promptly by the due date;
3. have a policy and exercise discretions within the regulatory framework;
4. make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and
5. notify the Administering Authority promptly of all changes to its circumstances, prospects or membership, which could affect future funding.

B3 The Fund Actuary should:-

1. prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;
2. provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);
3. provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);
4. prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
5. assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;
6. advise on the termination of employers' participation in the Fund; and
7. fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

B4 Other parties:-

1. investment advisers (either internal or external) should ensure the Fund's ISS remains appropriate, and consistent with this FSS;
2. investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the ISS;
3. auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;
4. governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;
5. legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures;
6. MHCLG (assisted by the Government Actuary's Department) and the Scheme Advisory Board, should work with LGPS Funds to meet Section 13 requirements.

APPENDIX C - Key risks and controls

TYPES OF RISK

The Administering Authority has an active risk management programme in place. The measures that it has in place to control key risks are summarised below under the following headings:

- + financial;
- + demographic;
- + regulatory; and
- + governance.

C2 Financial risks

RISK	SUMMARY OF CONTROL MECHANISMS
FUND ASSETS FAIL TO DELIVER RETURNS IN LINE WITH THE ANTICIPATED RETURNS UNDERPINNING THE VALUATION OF LIABILITIES AND CONTRIBUTION RATES OVER THE LONG-TERM.	<p>Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing.</p> <p>Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc.</p> <p>Analyse progress at three yearly valuations for all employers.</p> <p>Inter-valuation roll-forward of liabilities between valuations at whole Fund level.</p>
INAPPROPRIATE LONG-TERM INVESTMENT STRATEGY.	<p>Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes.</p> <p>Chosen option considered to provide the best balance.</p>
ACTIVE INVESTMENT MANAGER UNDER-PERFORMANCE RELATIVE TO BENCHMARK.	<p>Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.</p>
PAY AND PRICE INFLATION SIGNIFICANTLY MORE THAN ANTICIPATED.	<p>The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases.</p> <p>Inter-valuation monitoring, as above, gives early warning.</p> <p>Some investment in bonds also helps to mitigate this risk.</p> <p>Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.</p>
EFFECT OF POSSIBLE INCREASE IN EMPLOYER'S CONTRIBUTION RATE ON SERVICE DELIVERY AND ADMISSION/SCHEDULED BODIES	<p>An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.</p>
ORPHANED EMPLOYERS GIVE RISE TO ADDED COSTS FOR THE FUND	<p>The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future.</p> <p>If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).</p>
EFFECT OF POSSIBLE ASSET UNDERPERFORMANCE AS A RESULT OF CLIMATE CHANGE	<p>The Fund is working closely with the Brunel Pension Partnership to ensure that climate change risks are actively considered.</p>

C3 Demographic risks

RISK	SUMMARY OF CONTROL MECHANISMS
PENSIONERS LIVING LONGER, THUS INCREASING COST TO FUND.	<p>Set mortality assumptions with some allowance for future increases in life expectancy.</p> <p>The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.</p>
MATURING FUND – I.E. PROPORTION OF ACTIVELY CONTRIBUTING EMPLOYEES DECLINES RELATIVE TO RETIRED EMPLOYEES.	<p>Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.</p>
DETERIORATING PATTERNS OF EARLY RETIREMENTS	<p>Employers are charged the extra cost of non ill-health retirements following each individual decision.</p> <p>All high risk employers are covered by an ill health insurance policy organised by the Fund. All other employers are also covered by this policy unless they formally opt out of these arrangements following the procedures set out in section 3.8 above.</p>
REDUCTIONS IN PAYROLL CAUSING INSUFFICIENT DEFICIT RECOVERY PAYMENTS	<p>In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows:</p> <p>Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see Note (b) to 3.3).</p> <p>For other employers, review of contributions is permitted in general between valuations (see Note (f) to 3.3) and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.</p>

C4 Regulatory risks

RISK	SUMMARY OF CONTROL MECHANISMS
CHANGES TO NATIONAL PENSION REQUIREMENTS AND/OR HMRC RULES E.G. CHANGES ARISING FROM PUBLIC SECTOR PENSIONS REFORM.	<p>The Administering Authority considers all consultation papers issued by the Government and comments where appropriate.</p> <p>The Administering Authority is monitoring the progress on the McCloud court case and will consider an interim valuation or other appropriate action once more information is known.</p> <p>The government's long term preferred solution to GMP indexation and equalisation - conversion of GMPs to scheme benefits - was built into the 2019 valuation.</p>
TIME, COST AND/OR REPUTATIONAL RISKS ASSOCIATED WITH ANY MHCLG INTERVENTION TRIGGERED BY THE SECTION 13 ANALYSIS (SEE SECTION 5).	<p>Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.</p>
CHANGES BY GOVERNMENT TO PARTICULAR EMPLOYER PARTICIPATION IN LGPS FUNDS, LEADING TO IMPACTS ON FUNDING AND/OR INVESTMENT STRATEGIES.	<p>The Administering Authority considers all consultation papers issued by the Government and comments where appropriate.</p> <p>Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.</p>

C5 Governance risks

RISK	SUMMARY OF CONTROL MECHANISMS
ADMINISTERING AUTHORITY UNAWARE OF STRUCTURAL CHANGES IN AN EMPLOYER'S MEMBERSHIP (E.G. LARGE FALL IN EMPLOYEE MEMBERS, LARGE NUMBER OF RETIREMENTS) OR NOT ADVISED OF AN EMPLOYER CLOSING TO NEW ENTRANTS.	<p>The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data.</p> <p>The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between triennial valuations</p> <p>Deficit contributions may be expressed as monetary amounts.</p>
ACTUARIAL OR INVESTMENT ADVICE IS NOT SOUGHT, OR IS NOT HEEDDED, OR PROVES TO BE INSUFFICIENT IN SOME WAY	<p>The Administering Authority maintains close contact with its specialist advisers.</p> <p>Advice is delivered via formal meetings involving Elected Members, and recorded appropriately.</p> <p>Actuarial advice is subject to professional requirements such as peer review.</p>
ADMINISTERING AUTHORITY FAILING TO COMMISSION THE FUND ACTUARY TO CARRY OUT A TERMINATION VALUATION FOR A DEPARTING ADMISSION BODY.	<p>The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes.</p> <p>Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.</p>
AN EMPLOYER CEASING TO EXIST WITH INSUFFICIENT FUNDING OR ADEQUACY OF A BOND.	<p>The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure.</p> <p>The risk is mitigated by:</p> <ul style="list-style-type: none"> Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see Notes (h) and (j) to 3.3). Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Where permitted under the regulations requiring a bond to protect the Fund from various risks. Requiring new Community Admission Bodies to have a guarantor. Reviewing bond or guarantor arrangements at regular intervals (see Note (f) to 3.3). Reviewing contributions well ahead of cessation if thought appropriate (see Note (a) to 3.3).
AN EMPLOYER CEASING TO EXIST RESULTING IN AN EXIT CREDIT BEING PAYABLE	<p>The Administering Authority regularly monitors admission bodies coming up to cessation</p> <p>The Administering Authority invests in liquid assets to ensure that exit credits can be paid when required.</p>

APPENDIX D - The calculation of Employer contributions

In Section 2 there was a broad description of the way in which contribution rates are calculated. This Appendix considers these calculations in much more detail.

As discussed in Section 2, the actuary calculates the required contribution rate for each employer using a three-step process:

- + Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;
- + Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;
- + Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See the table in 3.3 Note (e) for more details.

The calculations involve actuarial assumptions about future experience, and these are described in detail in Appendix E.

D1 What is the difference between calculations across the whole Fund and calculations for an individual employer?

Employer contributions are normally made up of two elements:

- a) the estimated cost of ongoing benefits being accrued, referred to as the "Primary contribution rate" (see D2 below); plus
- b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary contribution rate" (see D3 below).

The contribution rate for each employer is measured as above, appropriate for each employer's assets, liabilities and membership. The whole Fund position, including that used in reporting to MHCLG (see section 5), is calculated in effect as the sum of all the individual employer rates. MHCLG currently only regulates at whole Fund level, without monitoring individual employer positions.

D2 How is the Primary contribution rate calculated?

The Primary element of the employer contribution rate is calculated with the aim that these contributions will meet benefit payments in respect of members' future service in the Fund. This is based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year.

The Primary rate is calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole. The Primary rate is calculated such that it is projected to:

1. meet the required funding target for all future years' accrual of benefits*, excluding any accrued assets,
2. within the determined time horizon (see note 3.3 Note (c) for further details),
3. with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

* The projection is for the current active membership where the employer no longer admits new entrants, or additionally allows for new entrants where this is appropriate.

The projections are carried out using an economic modeller (the "Economic Scenario Service") developed by the Fund's actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. Further information about this model is included in Appendix E. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (at the end of the time horizon) is equal to the required likelihood.

The approach includes expenses of administration to the extent that they are borne by the Fund, and includes allowances for benefits payable on death in service and on ill health retirement.

D3 What is the difference between calculations across the whole Fund and calculations for an individual employer?

The Fund aims for the employer to have assets sufficient to meet 100% of its accrued liabilities at the end of its funding time horizon based on the employer's funding target assumptions (see Appendix E).

The Secondary rate is calculated as the balance over and above the Primary rate, such that the total contribution rate is projected to:

1. meet the required funding target relating to combined past and future service benefit accrual, including accrued asset share (see D5 below)
2. at the end of the determined time horizon (see 3.3 Note (c) for further details)
3. with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

The projections are carried out using an economic modeller (the "Economic Scenario Service") developed by the Fund Actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. Further information about this model is included in Appendix E. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (at the end of the time horizon) is equal to the required likelihood.

D4 What affects a given employer's valuation results?

The results of these calculations for a given individual employer will be affected by:

1. past contributions relative to the cost of accruals of benefits;
2. different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);
3. the effect of any differences in the funding target, i.e. the valuation basis used to value the employer's liabilities at the end of the time horizon;
4. any different time horizons;
5. the difference between actual and assumed rises in pensionable pay;
6. the difference between actual and assumed increases to pensions in payment and deferred pensions;
7. the difference between actual and assumed retirements on grounds of ill-health from active status;
8. the difference between actual and assumed amounts of pension ceasing on death;
9. the additional costs of any non ill-health retirements relative to any extra payments made; and/or

10. differences in the required likelihood of achieving the funding target.

D5 How is each employer's asset share calculated?

The Administering Authority does not operate separate bank accounts or investment mandates for each employer. Therefore it cannot account for each employer's assets separately. Instead, the Fund Actuary must apportion the assets of the whole Fund between the individual employers. There are broadly two ways to do this:

- 1) A technique known as "analysis of surplus" in which the Fund actuary estimates the surplus/deficit of an employer at the current valuation date by analysing movements in the surplus/deficit from the previous actuarial valuation date. The estimated surplus/deficit is compared to the employer's liability value to calculate the employer's asset value. The actuary will quantify the impact of investment, membership and other experience to analyse the movement in the surplus/deficit. This technique makes a number of simplifying assumptions due to the unavailability of certain items of information. This leads to a balancing, or miscellaneous, item in the analysis of surplus, which is split between employers in proportion to their asset shares.
- 2) A 'cashflow approach' in which an employer's assets are tracked over time allowing for cashflows paid in (contributions, transfers in etc.), cashflows paid out (benefit payments, transfers out etc.) and investment returns on the employer's assets.

Until 31 March 2016 the Administering Authority used the 'analysis of surplus' approach to apportion the Fund's assets between individual employers.

Since then, the Fund has adopted a cashflow approach for tracking individual employer assets.

The Fund Actuary uses the Hymans Robertson's proprietary "HEAT" system to track employer assets on a monthly basis. Starting with each employer's assets from the previous month end, cashflows paid in/out and investment returns achieved on the Fund's assets over the course of the month are added to calculate an asset value at the month end.

The Fund is satisfied that this new approach provides the most accurate asset allocations between employers that is reasonably possible at present.

D6 How does the Fund adjust employer asset shares when an individual member moves from one employer in the Fund to another?

Under the cashflow approach for tracking employer asset shares, the Fund has allowed for any individual members transferring from one employer in the Fund to another, via the transfer of a sum from the ceding employer's asset share to the receiving employer's asset share. This sum is equal to the member's Cash Equivalent Transfer Value (CETV) as advised by the Fund's administrators.

APPENDIX E - Actuarial assumptions

E1 What are the actuarial assumptions used to calculate employer contribution rates?

These are expectations of future experience used to place a value on future benefit payments (“the liabilities”) and future asset values. Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants’ benefits.

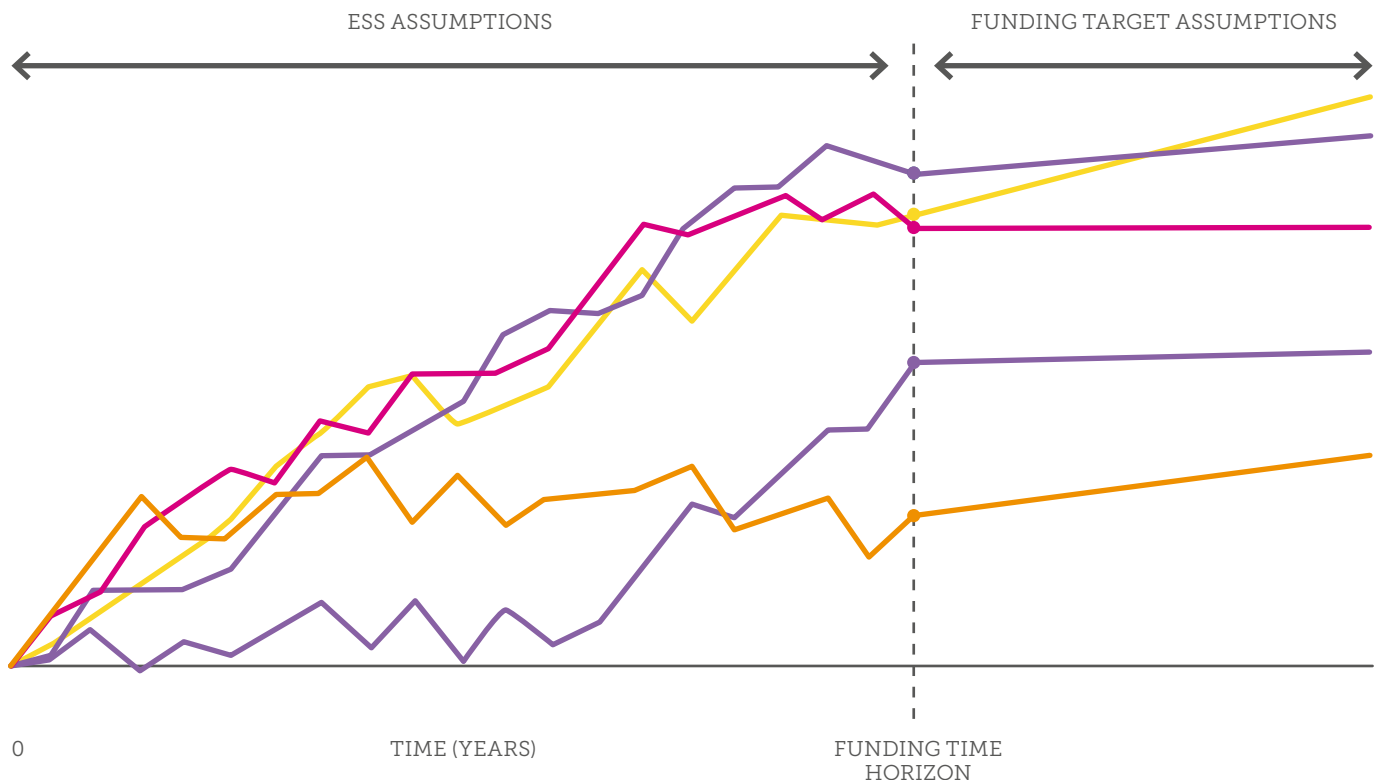
Changes in assumptions will affect the funding target and required contribution rate. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The actuary’s approach to calculating employer contribution rates involves the projection of each employer’s future benefit payments, contributions and investment returns into the future under 5,000 possible economic scenarios. Future inflation (and therefore benefit payments) and investment returns for each asset class (and therefore employer asset values) are variables in the projections.

By projecting the evolution of an employer’s assets and benefit payments 5,000 times, a contribution rate can be set that results in a sufficient number of these future projections (determined by the employer’s required likelihood) being successful at the end of the employer’s time horizon. In this context, a successful contribution rate is one which results in the employer having met its funding target at the end of the time horizon.

Setting employer contribution rates therefore requires two types of assumptions to be made about the future:

1. Assumptions to project the employer’s assets, benefits and cashflows to the end of the funding time horizon. For this purpose the actuary uses Hymans Robertson’s proprietary stochastic economic model - the Economic Scenario Service (“ESS”).
2. Assumptions to assess whether, for a given projection, the funding target is satisfied at the end of the time horizon. For this purpose, the Fund has three different funding bases.



Details on the ESS assumptions and funding target assumptions are included below (in E2 and E3 respectively).

E2 What assumptions are used in the ESS?

The actuary uses Hymans Robertson's ESS model to project a range of possible outcomes for the future behaviour of asset returns and economic variables. With this type of modelling, there is no single figure for an assumption about future inflation or investment returns. Instead, there is a range of what future inflation or returns will be which leads to likelihoods of the assumption being higher or lower than a certain value.

The ESS is a complex model to reflect the interactions and correlations between different asset classes and wider economic variables. The table below shows the calibration of the model as at 31 March 2019. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years, except for the yields which refer to the simulated yields at that time horizon.

ANNUALISED TOTAL RETURNS

		ANNUALISED TOTAL RETURNS									
		CASH	INDEX LINKED GILTS (MEDIUM)	FIXED INTEREST GILTS (MEDIUM)	UK EQUITY	OVERSEAS EQUITY	PROPERLY	A RATED CORPORATE BONDS (MEDIUM)	RPI INFLATION EXPECTATION	17 YEAR REAL GOVT BOND YIELD	17 YEAR GOVT BOND YIELD
5 YEARS	16th %ile	-0.4 %	-2.3%	-2.9%	-4.1%	-4.1%	-3.5%	-2.7%	1.9%	-2.5%	0.8%
	50th %ile	0.7%	0.5%	0.3%	4.0%	4.1%	2.4%	0.8%	3.3%	1.7%	2.1%
	84th %ile	2.0%	3.3%	3.4%	12.7%	12.5%	8.8%	4.0%	4.9%	-0.8%	3.6%
10 YEARS	16th %ile	-0.2%	-1.8 %	-1.3 %	-1.5%	-1.4 %	-1.5%	-0.9%	1.9%	-2.0%	1.2%
	50th %ile	1.3%	0.0%	0.2%	4.6%	4.7%	3.1%	0.8%	3.3%	-0.8%	2.8%
	84th %ile	2.9%	1.9%	1.7%	10.9%	10.8%	7.8%	2.5%	4.9%	-0.4%	4.8%
20 YEARS	16th %ile	0.7%	-1.1%	0.1%	1.2%	1.3%	0.6%	0.7%	2.0%	-0.7%	2.2%
	50th %ile	2.4%	0.3%	1.0%	5.7%	5.8%	4.3%	1.9%	3.2%	0.8%	4.0%
	84th %ile	4.5%	2.0%	2.0%	10.3%	10.4%	8.1%	3.0%	4.7%	2.2%	6.3%
Volatility (Disp)(1 yr)		1%	7%	10%	17%	17%	14%	11%	1%		

E3 What assumptions are used in the funding target?

At the end of an employer's funding time horizon, an assessment will be made – for each of the 5,000 projections – of how the assets held compare to the value of assets required to meet the future benefit payments (the funding target). Valuing the cost of future benefits requires the actuary to make assumptions about the following financial factors:

- + Benefit increases and CARE revaluation
- + Salary growth
- + Investment returns (the “discount rate”)

Each of the 5,000 projections represents a different prevailing economic environment at the end of the funding time horizon and so a single, fixed value for each assumption is unlikely to

be appropriate for every projection. For example, a high assumed future investment return (discount rate) would not be prudent in projections with a weak outlook for economic growth. Therefore, instead of using a fixed value for each assumption, the actuary references economic indicators to ensure the assumptions remain appropriate for the prevailing economic environment in each projection. The economic

indicators the actuary uses are: future inflation expectations and the prevailing risk free rate of return (the yield on long term UK government bonds is used as a proxy for this rate).

The Fund has three funding bases which will apply to different employers depending on their type. Each funding basis has a different assumption for future investment returns when determining the employer's funding target.

FUNDING BASIS	ONGOING PARTICIPATION BASIS	CONTRACTOR EXIT BASIS	LOW RISK EXIT BASIS
EMPLOYER TYPE	All employers except Transferee Admission Bodies and closed Community Admission Bodies	Transferee Admission Bodies	Community Admission Bodies that are closed to new entrants
INVESTMENT RETURN ASSUMPTION UNDERLYING THE EMPLOYER'S FUNDING TARGET (AT THE END OF ITS TIME HORIZON)	Long term government bond yields plus an asset outperformance assumption (AOA) of 1.8% p.a.	Long term government bond yields plus an AOA equal to the AOA used to allocate assets to the employer on joining the Fund	Long term government bond yields with no allowance for outperformance on the Fund's assets

E4 What other assumptions apply?

The following assumptions are those of the most significance used in both the projection of the assets, benefits and cashflows and in the funding target.

a) Salary growth

After discussion with Fund officers, the salary increase assumption at the 2019 valuation has been set to be a blended rate combined of:

1. 2% p.a. until 31 March 2022 followed by
2. 0.5% above the consumer prices index (CPI) p.a. thereafter.

This gives a single "blended" assumption of CPI plus 0.3%. This is equivalent to the assumption adopted at the previous valuation leading to no change in the funding target.

b) Pension increases

Since 2011 the consumer prices index (CPI), rather than RPI, has been the basis for increases to public sector pensions in deferment and in payment. Note that the basis of such increases is set by the Government, and is not under the control of the Fund or any employers.

At this valuation, we have continued to assume that CPI is 1.0% per annum lower than RPI. (Note that the reduction is applied in a geometric, not arithmetic, basis).

c) Life expectancy

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experience of LGPS funds which participate in Club Vita, the longevity analytics service used by the Fund, and endorsed by the actuary.

The longevity assumptions that have been adopted at this valuation are a bespoke set of "VitaCurves", produced by the Club Vita's detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

Allowance has been made in the ongoing valuation basis for future improvements in line with the 2018 version of the Continuous Mortality Investigation model published by the Actuarial Profession and a 1.25% per annum minimum underpin to future reductions in mortality rates. This updated allowance for future improvements will generally result in lower life expectancy assumptions and hence a reduced funding target (all other things being equal).

The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed level of security underpinning members' benefits.

d) General

The same financial assumptions are adopted for most employers (on the ongoing participation basis identified above), in deriving the funding target underpinning the Primary and Secondary rates: as described in (3.3), these calculated figures are translated in different ways into employer contributions, depending on the employer's circumstances.

The demographic assumptions, in particular the life expectancy assumption, in effect vary by type of member and so reflect the different membership profiles of employers.

APPENDIX F - Glossary

Funding basis

The combined set of assumptions made by the actuary, regarding the future, to calculate the value of the funding target at the end of the employer's time horizon. The main assumptions will relate to the level of future investment returns, salary growth, pension increases and longevity. More prudent assumptions will give a higher funding target, whereas more optimistic assumptions will give a lower funding target.

Administering Authority

The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".

Admission Bodies

Employers where there is an Admission Agreement setting out the employer's obligations. These can be Community Admission Bodies or Transferee Admission Bodies. For more details (see 2.3).

Covenant

The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.

Designating Employer

Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.

Employer

An individual participating body in the Fund, which employs (or used to employ) **members** of the Fund. Normally the assets and **funding target** values for each employer are individually tracked, together with its **Primary rate** at each **valuation**.

Gilt

A UK Government bond, ie a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but are also used in funding as an objective measure of a risk-free rate of return.

Guarantee / guarantor

A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's **covenant** to be as strong as its guarantor's.

Letting employer

An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority, but can sometimes be another type of employer such as an Academy.

LGPS

The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 100 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.

Maturity

A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.

Members

The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferred (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).

Primary contribution rate

The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses). See Appendix D for further details.

Profile

The profile of an employer's membership or liability reflects various measurements of that employer's **members**, ie current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its **maturity** also.

Rates and Adjustments Certificate

A formal document required by the LGPS Regulations, which must be updated at the conclusion of the formal **valuation**. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the period until the next valuation is completed.

Scheduled Bodies

Types of employer explicitly defined in the LGPS Regulations, whose employees must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).

Secondary contribution rate

The difference between the employer's actual and Primary contribution rates. See Appendix D for further details.

Stabilisation

Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund

Valuation

A risk management exercise to review the **Primary and Secondary contribution rates**, and other statutory information for a Fund, and usually individual employers too



INVESTMENT STRATEGY STATEMENT

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INVESTMENT STRATEGY STATEMENT

INTRODUCTION AND BACKGROUND

This is the Investment Strategy Statement ("ISS") of the Gloucestershire Pension Fund ("the Fund"), which is administered by Gloucestershire County Council, ("the Administering Authority"). The Council has a duty to ensure that the Fund assets, not immediately required to pay pension benefits, are suitably invested and to take proper advice in the execution of this function. It has delegated this responsibility to the Funds Pensions Committee ("the Committee").

The ISS is made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations") and guidance issued from time to time by the Secretary of State. The ISS has been prepared by the Committee having taken advice from the actuary to the Fund, Hymans Robertson LLP and the Fund's Independent Investment Advisor.

This ISS, which was approved by the Committee, is subject to periodic review at least every three years and without delay after any significant change in investment policy. In addition, an appendix is included which sets out the Committee's Investment Beliefs. This is in line with the recommendations in the Stewardship Code 2020 produced by the Financial Reporting Council (FRC). It is the intention that these beliefs act as broad guidance for the Committee's actions going forward.

The ISS should be read in conjunction with the Fund's Funding Strategy Statement (dated March 2021).

THE SUITABILITY OF PARTICULAR INVESTMENTS AND TYPES OF INVESTMENTS

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death for their dependants, on a defined benefits basis. The funding position of the Fund will be reviewed at each triennial actuarial valuation, or more frequently as required.

The Committee aims to fund the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions is agreed by the employers to meet the cost of future benefits accruing.

The Committee has translated its objectives into a suitable strategic asset allocation benchmark for the Fund. This benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature and cash flow requirements of the Fund's liabilities.

It is intended that the Fund's investment strategy and strategic asset allocation will be reviewed at least every three years following an actuarial revaluation of the Fund.

The Committee carried out a strategic asset allocation review and an asset liability modelling exercise in conjunction with the 2019 actuarial valuation of the Fund. A number of different contribution and investment strategies were modelled and the future evolution of the Fund considered under a wide range of different scenarios. The Committee considered the chances of achieving their long-term funding target – maintaining a fully funded position into the future. They also considered the level of downside risk in the various strategies by identifying the low funding levels which might emerge in the event of poor outcomes.

This approach helps to ensure that the investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members), together with the level of disclosed surplus or deficit (relative to the funding bases used).

In addition, the Committee monitors the investment strategy on an ongoing basis, focusing on factors including, but not limited to:

- + Suitability, given the Fund's level of funding and liability profile
- + The level of expected risk
- + The outlook for asset returns over the long term

The Committee also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate from the agreed target allocation ranges. The allocations will be rebalanced back to within this target allocation range as necessary to control investment risk.

INVESTMENT OF MONEY IN A WIDE VARIETY OF INVESTMENTS ASSET CLASSES

The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities; fixed interest and index linked bonds; cash; property; and loans, either directly or through pooled funds. The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds, investing in these products for the purpose of efficient portfolio management or to hedge specific risks.

The Committee reviews the nature of Fund investments on a regular basis, with particular reference to suitability and diversification. The Committee seeks and considers advice from a suitably qualified person in undertaking such a review, this being the appointed Independent Advisor to the Gloucestershire Pension Fund. If, at any time, investment in a security or product not previously known to the Committee is proposed, appropriate advice is sought and considered to ensure its suitability and diversification benefit.

The conclusions of the asset allocation review conducted in 2020 were that the Fund could afford to take a modestly lower level of investment risk and still achieve the required rate of return as forecast by the actuary. As a result, the overall target allocation to equities has been reduced. The target allocation to fixed interest (bonds) has also been reduced due to the low level of current bond yields and the low level of forecast investment returns. There have been increases in the target allocations to, international property; infrastructure; private equity and private debt. These asset classes have similar long-term return forecasts to equities but should provide greater diversification and hence lower the investment risk within the Fund. Due to the illiquid nature of some of the assets the Fund will be investing in, this move will take a number of years to complete. The new target investment strategy is set out below:

Allocation by investment category

INVESTMENT CATEGORY	STRATEGIC ASSET ALLOCATION TO 31ST MARCH 2020	TARGET STRATEGIC ASSET ALLOCATION FROM 1ST APRIL 2021	TARGET STRATEGIC ASSET ALLOCATION RANGE FROM 1ST APRIL 2021
EQUITIES	58.5%	55.0%	52% to 58%
ALTERNATIVES	17.0%	23.0%	21% to 25%
FIXED INTEREST	24.5%	22.0%	20% to 24%
TOTAL	100.0%	100.0%	100.0%

As at February 2020, the forecast return on the target portfolio over the long-term was 4.8% p.a. with an expected annual volatility of the funding level of 9.1%. This volatility includes an assumed diversification benefit. Further details on the Fund's risks, including the approach to mitigating risks, is provided in the following section.

RESTRICTIONS ON INVESTMENT

In line with the Regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007.

The Committee's approach to setting its investment strategy and assessing the suitability of different types of investment takes account of the various risks involved and a rebalancing policy is applied to maintain the asset split close to the agreed asset allocation target. Therefore, it is not felt necessary to set additional restrictions on investments.

Once the Committee has set the strategic asset allocation for the Fund, after seeking appropriate investment advice, it sets benchmarks for each asset class which reflect the risk

and return profile which the Fund is looking to access so that, in aggregate, they are consistent with the overall asset allocation for the Fund.

The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles. Passive management (where the portfolio directly reflects the composition of the benchmark), is used where the Committee do not believe an active manager is able to add value in this asset class or where there is a desire to dampen the investment risk in that asset class.

The individual managers and their benchmarks are as follows:

ASSET CLASS	BENCHMARK	STRATEGIC ASSET ALLOCATION TO 31ST MARCH 2020	TARGET STRATEGIC ASSET ALLOCATION FROM 1ST APRIL 2021	TARGET ASSET ALLOCATION RANGE FROM 1ST APRIL 2021
EQUITIES	-	58.5%	55.0%	52.0% to 58.0%
UK ACTIVE EQUITIES	FTSE All Share	13.0%	12.0%	10.0% to 14.0%
GLOBAL HIGH ALPHA	MSCI World	14.0%	13.0%	11.0% to 15.0%
EMERGING MARKET	MSCI Emerging Markets	7.0%	6.5%	5.0% to 8.0%
SUSTAINABLE	MSCI World	2.0%	10.0%	8.0% to 12.0%
LOW CARBON	MSCI World	2.0%	4.0%	3.0% to 5.0%
SMART BETA	MSCI World	9.5%	9.5%	8.0% to 11.0%
FIXED INTEREST	-	-	22.0%	20.0% to 24.0%
UK INVESTMENT GRADE	Iboxx UK Corporate Bonds	17.0%	14.5%	13.0% to 16.0%
MULTI ASSET CREDIT	Cash +2%	7.5%	7.5%	6.5% to 8.5%
ALTERNATIVES	-	-	23.0%	21.0% to 25
DIVERSIFIED RETURNS	Cash +5%	4.0%	0.0%	0.0% to 10%
PROPERTY	IPD UK Balanced	7.5%	10.0%	8.0% to 12.0%
INFRASTRUCTURE	-	1.0%	5.0%	4.0% to 6.0%
PRIVATE EQUITY	-	1.0%	3.0%	2.0% to 4.0%
PRIVATE DEBT	-	3.5%	5.0%	4.0% to 6.0%
VENTURE CAPITAL	-	0.0%	0.0%	0.0% to 0.5%
CASH	-	0.0%	0.0%	0.0% to 0.5%
TOTAL	-	100.0%	100.0%	100.0%

The intention is to move to the target strategic benchmark in stages as market conditions allow and commitments to the alternative asset classes are drawn.

A high allocation to Diversified Returns will be made to hold a proportion of the cash awaiting drawdown into the alternative asset classes, hence the wide 0-10% range for this asset class.

The approach to risk, including the ways in which risks are to be measured and managed.

The Gloucestershire Pension Fund Committee is aware that the Fund has a need to take investment risk to help it achieve its funding objectives. It has an active risk management programme in place that aims to help it identify the risks being taken and has put in place processes to manage, measure, monitor and (where possible) mitigate the risks being taken. The principal risks affecting the Fund are set out below, as is the Fund's approach to managing these risks and the contingency plans that are in place:

FUNDING RISKS

- + Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting its liabilities.
- + Changing demographics – The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits.
- + Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes, and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities.

The Committee measures and manages financial mismatch in two ways. As indicated above, the Committee has set a strategic asset allocation benchmark for the Fund after considering the most recent actuarial data from the 2019 actuarial review. This data will be updated in 2022. The Committee assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. The Committee also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

The Committee monitors Demographic changes by using detailed mortality analysis provided by the Funds actuaries during each triennial actuarial review.

The Committee seeks to mitigate systemic risk through a diversified portfolio of assets and by employing a number of asset managers. It is not possible to make specific provision for all possible eventualities that may arise under this heading.

INVESTMENT RISKS

- + Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- + liquidity - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.
- + Currency risk – The risk that the currency of the Fund's assets underperforms relative to Sterling (i.e. the currency of the liabilities).
- + Environmental, social and governance ("ESG") – The risk that ESG related factors reduce the Fund's ability to generate the long-term returns.
- + Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

The Committee measure and manage asset risks as follows.

The Fund's strategic asset allocation benchmark includes a diversified range of asset classes. The Committee has put in place rebalancing arrangements to ensure the Fund's "actual allocation" does not deviate substantially from this target. The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund's asset concentration risk.

The Fund monitors its cashflow requirements and any necessary generation of income from its assets to meet current and future pension payments. The cash flow forecasts are formally updated as part of the triennial actuarial review. The Fund invests in a range of assets, both liquid (quoted equities and bonds) and less liquid (infrastructure, Private Debt etc). The Committee monitors its need for liquidity and aims to hold cash to cover 6 months of forecast drawdowns of its commitments into the alternative asset classes and the use of the Diversified Returns allocation will manage the Funds medium to long-term cash requirements for these commitments.

The Fund invests in a range of overseas markets which provides an exposure to a diversified range of currencies; the Committee also assess the Fund's currency risk during their risk analysis. A proportion of the currency risk relating to the Fund's overseas equity investments is hedged back to Sterling either through investment in currency hedged fund units within the Fund's Global Equity mandates, or via a strategic currency hedge solution. At the strategic level, the intention is to hedge back to Sterling 100% of fixed interest assets and approximately 50% of Equity assets via the major currencies where this is cost efficient. The actual level of currency hedging will be kept under review by the Committee and its advisers on an ongoing basis.

Details of the Fund's approach to managing ESG risks is set out later in this Investment Strategy Statement.

The Committee believes in working with asset managers over the long-term which allows the asset manager to invest over the long-term, and the Committee monitors them on this basis. The diversification by manager and long-term nature of the investment process adopted by the asset managers reduces the probability of a single asset manager underperforming to the extent that it affects the Funds ability to meet its liabilities in a significant way. Under the advent of pooling the selection and monitoring of asset managers is undertaken by the Brunel Pension Partnership (Brunel) who are resourced to complete this function. Nonetheless the Committee will continue to hold both Brunel and the underlying managers to account as necessary.

A separate schedule of risks that the Fund monitors is set out in the Fund's Funding Strategy Statement.

The approach to pooling investments, including the use of collective investment vehicles and shared services.

The Gloucestershire Pension Fund is working with nine other administering authorities to pool investment assets through the Brunel Pension Partnership Ltd (Brunel). Brunel is wholly owned by the Administering Authorities of these ten member Funds and is authorised by the Financial Conduct Authority (FCA) to act as the operator of an unregulated Collective Investment Scheme.

The pool has been created in order to achieve greater economies of scale within asset management, increase resources focused on the selection and monitoring of asset managers, provide thought leadership in Responsible Investment and EGS areas, embedding these into the selection of asset managers and investments, and deliver cost savings to the Fund. The Fund's intention is to invest its assets through the Brunel pool as and when suitable investment solutions become available. An indicative timetable for investing through the Pool was set out in the July 2016 submission to Government.

The key criteria for assessment of Pool solutions will be as follows:

1. That the Pool enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund.
2. That there is financial benefit to the Fund in investing in the solution offered by the Pool.

At the end of 2020 all of the Fund's listed equity exposures are being managed by Brunel, as well as the property exposure. The fixed interest allocations will transition in 2021 and all future alternative asset allocations are now being committed to the Brunel portfolios. At the time of preparing this statement, the Fund has the following legacy assets under its management:

- + Two small closed end fixed life venture capital funds. These funds will mature over the next few years and repay their proceeds to the Fund.
- + Two Private Debt funds, both of which are closed ended. These funds will mature over the next few years and repay their proceeds to the Fund.

The Gloucestershire fund is a client of Brunel and as a client has the right to expect certain standards and quality of service. A detailed service agreement has been signed which sets out the duties and responsibilities of Brunel, and the rights of the Gloucestershire Fund as a client. It includes a duty of care on Brunel to act in its clients' interests. Each client has an appointed Shareholder and an Oversight Board and Client Group have been established by Brunel. They are comprised of representatives from each of the Administering Authorities including Gloucestershire.

These have been set up by them according to an agreed constitution and terms of reference. Acting for the Administering Authorities, they will, together with the nominated Shareholders, have responsibility for ensuring that Brunel delivers the services required to achieve investment pooling. The proposed arrangements for asset pooling for the Brunel pool have been formulated to meet the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and Government guidance. The Committee is aware that the Ministry for Housing, Communities and Local Government is currently engaged in a further consultation regarding the mechanisms for pooling and the Fund will take any updated recommendations and advice into account when issued. Gloucestershire County Council has approved the full business case for the Brunel Pension Partnership.

How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments

The Committee consider the Fund's approach to responsible investment in two key areas:

- + Responsible investment, including climate change – considering the financial impact of environmental, social and governance (ESG) factors on its investments.
- + Stewardship and governance – acting as responsible and active investors/owners, through considered voting of shares, and encouraging its investment managers to engage with investee company management as part of the investment process.

Responsible investment, including Climate Change

As a Pension Fund, with pension obligations stretching out many years into the future, the Fund, by its nature, is a long-term investor. The authority recognises that investing responsibly over the long-term must include the consideration of not just financial data but also of the impact of the Fund's investments in terms of the environment, effects on broader society and corporate governance (ESG issues). The Fund, through Brunel, has appointed asset managers who invest for the long term and explicitly consider ESG issues as an integral part of their research effort when investing the Fund's assets.

The Fund also expects to vote, where practical, on all Annual and Extraordinary general meetings held by companies in which it is invested, via the Brunel Pension Partnership. The Fund will not seek to exclude investments that are not barred by UK law in the belief that engagement is preferable to divestment. Whilst there is obvious risk in investing in companies with material ESG issues, there can be long-term financial gain where such companies are actively attempting to manage and improve these risks, and as such the Fund adopts a policy of risk monitoring and engagement in order to positively influence company behaviour and enhance future returns to investors, and believes this is more compatible with its fiduciary responsibility and more supportive of its long term investment goals.

If a company fails to engage on these issues with the Brunel Pension Partnership and with the Fund's asset managers, or if the BPP and/or asset managers have reason to believe a company is not being honest and open about its intended actions in this area, divestment on a stock by stock basis remains an option.

The Fund will work with like-minded investors within the BPP to promote best practice in the long-term stewardship of investments.

Brunel's Investment Principles clearly articulate the commitment of each Fund in the Partnership and its operator (Brunel Company), to be responsible investors and as such recognise that social, environment and corporate governance considerations are a key part of the processes in the selection, non-selection, retention and realisation of managers and underlying assets. One of the principal benefits, outlined in the Brunel business case, achieved through scale and resources arising from pooling, is this improved implementation of responsible investment and stewardship. Every portfolio, in every asset class, under the Brunel, explicitly includes responsible investment and includes an assessment of how social, environment and corporate governance considerations may present financial risks to the delivery of the portfolio objectives. The approach undertaken will vary in order to be the most effective in mitigating risks and enhancing investor value in relation to each portfolio and its objectives. More information is available on the Brunel Pension Partnership website.

CLIMATE CHANGE

THE BRUNEL PENSION PARTNERSHIP'S 2020-2022 CLIMATE CHANGE POLICY OBJECTIVES

The Gloucestershire Pension Committee fully encourages and supports the BPP's 2020-2022 policy objectives on climate change which are set out in their Climate Change Policy. These are laid out below.

BRUNEL'S 2020-2022 POLICY OBJECTIVES

We will play an active and leading role in encouraging policy makers to establish comprehensive and robust climate change policy frameworks. Within this, we will focus particular attention on:

- + The adoption of a meaningful price on carbon, which is material (i.e. sufficient to drive change at the scale and rate required); progressive over time and widespread (i.e. applies to all major sectors of the economy).
- + The removal of fossil fuel subsidies.
- + The introduction of policy measures – for example, product standards, limitations on high carbon technologies, support for low carbon technologies – that accelerate the move away from high impact activities and sectors.
- + The removal or correction of regulatory barriers to progress and support financial policy makers and regulators in being ambitious and effective in implementation of plans to mitigate climate risk and under the Adaptation Reporting Power.
- + The integration of climate change into the mandates and into the oversight and control processes of prudential regulators and other regulatory bodies.
- + Ensuring that climate change policy is socially sustainable and takes due account of workers' rights and community interests (the 'Just Transition') when taking action to reduce greenhouse gas emissions and adapt to a changing climate.

We will play an active leading role in encouraging policy makers to integrate climate change into multilateral and bilateral trading frameworks, with a particular focus on the UK post Brexit.

We will encourage policy makers to introduce mandatory climate change disclosure requirements for companies, with a focus on providing clear, decision useful information and encouraging a clear articulation of the risks that companies and their investors face.

We will support the development of skills, knowledge and professional standards of those intermediaries who are critical influencers in the action of investors and companies. These include, but are not limited to, investment consultants, actuaries, lawyers and auditors.

Further details of Brunel's Climate Change policy are set out on its website <https://www.brunelpensionpartnership.org/>.

MONITORING AND REPORTING PROGRESS

Reporting on climate change is an area that is rapidly developing, and we are working with Brunel and other member funds to continue to improve this. We are supportive of Brunel's involvement in initiatives, such as the Institutional Investors Group on Climate Change ("IIGCC") Paris Aligned Investment Initiative, that are working to allow asset owners and investment managers to explain, in a consistent and comparable manner, how their portfolios compare to the goals of a net zero carbon future and of keeping global temperature rise below 2°C.

2022 STOCKTAKE AND ONGOING IMPROVEMENTS

The Gloucestershire Pension Fund is currently supportive of Brunel's approach of not issuing exclusion lists as we believe that simply stating exclusions or requiring divestment from specific stocks or sectors will not compel investment managers to develop their capacity on climate change or drive change in the companies in which they are invested.

Alongside Brunel and our partner funds, we will be undertaking a full review of our climate change policy approach in late 2022 to provide us with the opportunity to reflect on our progress, the effectiveness of our approach, and to raise our ambitions (ahead of the triennial strategy review).

One of the key questions that will be addressed as part of this review is whether Brunel's decision to engage with investment managers has been effective. Specifically, whether it has been effective in delivering change in the way investment managers work and in their ongoing engagement with companies to drive improvements in corporate strategies on climate change, so that these companies are on a trajectory to be aligned with the transition to a 2°C economy. If the answer is no, we will be expecting Brunel to consider whether they need to change investment managers and/or introduce selective divestment requirements for companies.

We will continue to monitor Brunel's progress on implementing its policy objectives and will work with them to achieve our collective climate change ambitions. If the Fund does not feel action is progressing at an appropriate pace, the Fund will seek to address this with the partnership.

STEWARDSHIP

The Committee believes one of the potential benefits of pooling, achieved through the scale and resources arising from pooling, is the improved implementation of stewardship practices. Brunel has published its Responsible Investment Stewardship Policy which outlines its approach and priorities.

The policy reflects the priorities of its underlying clients, and we were active in contributing to the policy.

With the support of the Gloucestershire Pension Fund and the other partner funds, Brunel has been using its influence to press for improved stewardship at external investment managers and has been actively involved in government consultations and other initiatives in the area. Once all equity assets have been transitioned, the Partnership and Brunel Ltd will seek to deliver best practice standards in responsible investment and stewardship in terms of company engagement as outlined in the Brunel Pension Partnership Investment Principles. More information is available on the website (www.brunelpensionpartnership.org).

The Committee has delegated investment powers to Brunel and the Fund's investment managers (where assets have not yet transitioned to Brunel) to act in the best interests of the Fund. Brunel and the Fund's investment managers are encouraged to engage in constructive dialogue on behalf of the Fund and to use their influence to encourage companies to adopt best practice in key areas. Brunel and the Fund's investment managers have been asked to report to the Committee on the implementation of their stewardship and engagement activities, which will be reviewed on a regular basis.

Officers of the Fund have been involved in the Responsible Investment sub-group and discuss ESG and responsible investment matters regularly. A representative from Brunel is also present at the majority of Committee meetings and can report back on these activities.

The Fund recognises the importance of collaboration with other investors to achieve more effective and wider reaching outcomes. In this respect, the Fund is a member of the Local Authority Pension Fund Forum ("LAPFF") which aims to protect the long-term investment interests of beneficiaries by promoting the highest standards of corporate governance and corporate responsibility amongst investee companies.

2020 UK STEWARDSHIP CODE

In late 2019, the Financial Reporting Council ("FRC") published its revised 2020 UK Stewardship Code ("2020 Code"). The latest Code defines stewardship as "the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society."

The FRC has described the 2020 Code as ambitious and highlighted the increased focus on 'activities and outcomes' as opposed to policy statements alone. As part of this increased remit, the 2020 Code covers a wider range of asset classes, requires signatories to consider the systematic integration of ESG and climate change in the stewardship and investment process, and is based on a more stringent 'comply and explain' basis.

The Committee will be reviewing its policy towards becoming a signatory to the Stewardship Code 2020 as published by the Financial Reporting Council. In relation to the asset classes where the UK Stewardship Code is relevant, our Fund Managers are signatories.

The Committee expects both the Brunel pool and any directly appointed fund managers to comply with the Stewardship Code 2020 and this is monitored on an annual basis. Through Brunel the Fund is affiliated with Institutional Investors Group on Climate Change (IIGCC); Share Action; The Task Force on Climate Related Financial Disclosures (TCFD); the UK Sustainable Investment and Finance Association (UKSIF) and Climate Action 100. We continue to explore opportunities to enhance our stewardship activities.

VOTING

The Committee has delegated the exercise of voting rights to Brunel and the Fund's investment managers (where assets have not yet transitioned to Brunel) on the basis that voting power will be exercised with the objective of preserving and enhancing long-term shareholder value.

As part of owning publicly listed companies Brunel, on behalf of its clients, will have the opportunity to vote at company meetings (AGM/ EGMs). Brunel aims to vote 100% of all available votes. To provide guidance to its managers, Brunel has a single voting policy for all assets managed by Brunel in segregated accounts. Hermes EOS has been appointed to support Brunel as its engagement and voting service provider. Brunel will publish its voting policy and provide online voting records at least annually. The Fund will publish the voting carried out on its behalf on its website.

Investment managers have produced written guidelines of their process and practice in this regard. They are encouraged to vote in line with their guidelines, in respect of all resolutions, at annual and extraordinary general meetings of companies. Investment managers are expected to report on their voting activity on a regular basis.

APPENDIX - Investment Beliefs

The Committee believes that:

- + It is important that funding related aspects and, in particular, funding level and cash flow profile feed into investment strategy decisions. Given this, actuarial and investment matters are looked at in tandem by the Committee, most notably when setting the investment strategy.
- + The Committee targets a strong funding level to provide some buffer to the risk of future employer contribution increases. This and knowledge of the future cash flow profile of the Fund enables the Committee to adopt a long-term investment horizon. This enables the Fund to accept short term volatility in investment returns or the illiquidity of some assets, in order to achieve higher investment returns. In this context, the Committee believes that, over the longer term, equities are expected to outperform other liquid assets, in particular, government bonds. The Committee is therefore comfortable that the Fund maintains a significant allocation to equities in order to support the affordability of contributions.
- + Strategic asset allocation is a key determinant of investment risk and return, and thus is typically more important than manager or stock selection which going forward will be delegated to the LGPS pool to which the Fund is a member. In addition, the Committee believes that periodic rebalancing of asset class weightings back to their strategic benchmark can add value over the long term.
- + Risk can be mitigated through the diversification of the portfolio, by selecting a variety of both asset classes and managers. A balance needs to be struck between the need for diversification and keeping a small enough number of mandates to ensure good governance.
- + Markets are dynamic and are not always efficient, and therefore offer opportunities for investors. Active management can add value over time but it is not guaranteed and can be hard to access. Where generating 'alpha' is particularly difficult, passive management may be preferred, but brings some of its own risks. In all cases, managers will be judged on net returns calculated after fees. It is one of the roles of the Investment Committee to monitor investment costs and challenge where necessary.
- + A strong ESG / RI policy is required by regulation and should be seen within the context of the Fund's long-term investment and future proofing its financial security. ESG considerations can help identify superior long-term investments and the Committee requires its managers to include them as an integral part of their investment processes, provided these considerations do not detrimentally impact financial returns or risk. The Fund requires managers to report back on them on all ESG matters.
- + The Committee believe that controlling climate change will impact all investment decisions going forward and, therefore, require their investment managers to adopt a policy of engaging with investee companies to improve their behaviour in all areas but particularly regarding climate change. The committee believes that engagement with investee companies rather than exclusion, is the best approach to achieve material change and is more compatible with their fiduciary duty and more supportive of their long-term investment goals. However, where investee companies are not taking sufficient action or are not prepared to engage in good faith on these issues, we believe this is likely to impact future returns and expect our managers to act accordingly.
- + Effective governance and decision-making structures that promote decisiveness, efficiency and accountability add value to the Fund. The Committee believes in appointing good investment managers with which to work in partnership, delegates authority to them, and monitors their performance (on financial and other metrics) regularly. The Committee also believes that taking independent advice, notably in investment and actuarial matters, can strengthen governance, and add value to the Fund.



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COMMUNICATIONS POLICY STATEMENT

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The following Communications Policy Statement outlines how the Fund communicates with scheme members, their representatives and employers and was reviewed in August 2018.

All employers are instructed to issue new employees with a pensions starter pack provided by the Administering Authority, which provides information regarding the pension scheme and the individual's options together with links to where more detailed scheme information can be obtained.

HR and Payroll Guides to the 2014 Scheme are provided by the Local Government Association on the National LGPS 2014 Regulations & Guidance website. A link to this information is provided on the Employer page of the Fund's website together with an administration guide to the 2008 Scheme.

During 2020/21 the Pension Fund communicated with scheme members, their representatives and employers as set out in the policy statement below other than the annual meeting and employer forums did not take place due to COVID 19 restrictions and the Pension Board has been enhanced with the appointment of one further employer representative and one further employee representative and now meets at least four times a year.

COMMUNICATIONS POLICY STATEMENT

Various means are employed to communicate with the Fund's stakeholders. These are described in respect of each interested group as follows:

MEMBERS OF THE SCHEME

An Annual Meeting is held each December and provides the main opportunity for the Fund to explain its performance and accounts to members of the Fund and employers.

The Fund's Annual Report is also placed on the pension pages of the County Council's website. This Report includes the Fund's policy statements covering Funding Strategy, Governance, Communication and Administration. In addition, each policy statement is listed separately on the website.

All pensioner members receive a pension newsletter each April that covers matters of interest.

An annual Benefit Statement is sent to all active and deferred members of the Fund showing their accrued benefits up to the end of the previous financial year. At this time the opportunity is also taken to include information on current matters of interest to scheme members.

Information on the scheme and changes to it are posted on the pension pages of the County Council's website and where appropriate these are also posted onto the "news" section of the staff intranet.

The Authority continues to send payslips to pensioners every April, May and October. The October pensioner pay slips include an invitation to the Fund's Annual Meeting and details on how to access the annual report and accounts.

Pay slips are also sent where the difference in the net pension payment is £10 or more from the previous month.

All active scheme members are sent an invitation to attend the Fund's Annual Meeting, via their employer and are given the link to the County Council's website to access a copy of the Fund's annual report and accounts. They are also given details on how to request a paper copy of the annual report and accounts.

PROSPECTIVE MEMBERS OF THE SCHEME

All employers are provided with a link to the employers' pages of the Fund's pension website, together with instructions on how to supply all prospective members of the scheme with a pensions pack. This pack informs individuals of the benefits of the scheme as well as details about where they can obtain further information.

Advice and guidance is provided by Pensions staff to all employers within the Fund on an on-going basis.

SCHEME EMPLOYERS

An online employers' guide to the scheme is made available to all new and prospective employers via the County Council's website.

Employers are also consulted on key revisions to the Funds strategy and policy documents - the Investment Strategy Statement, the Governance Policy and Compliance Statements, the Administration Strategy, the Communication Policy and the Funding Strategy Statement.

Employer forums are held with the administering authority at least twice yearly to help improve understanding of: the pension scheme; the employers' role and ways of improving the accuracy and timeliness of scheme administration. All employers are invited to attend. Minutes of the meetings and copies of any presentations are sent to all employers, including those unable to attend.

Copies of all relevant communications received centrally (i.e. from MHCLG, Treasury, HMRC, LGA, etc.) are circulated to employers to ensure they are kept informed. These documents are often discussed in detail at the Employers Forums. In addition, communications relating to operational requirements and changes are circulated to employers where required.

Where we are informed of a transfer, direct dialogue takes place between the administering authority and employers being affected by business transfers to ensure trades unions and prospective employers understand the pension scheme.

Every three years when the triennial valuation takes place meetings are arranged with the actuary to discuss the outcome of the valuation, contribution rates and e.g. options around phasing in any increase in contribution required.

Meetings are held with the Chief Financial Officers of District Councils where there is an opportunity for current developments and issues to be presented and discussed.

EMPLOYEE REPRESENTATION

The Pension Committee includes an employee representative nominated by the trades unions, as one of its members. The employee representative also represents pensioners and deferred members.

Employee representatives are involved in consultation where business transfers are proposed.

PENSION BOARD

The Gloucestershire Pension Board meets at least twice a year and includes two employer representatives and two employee representatives. Members of the public are able to attend as observers.



SUMMARY OF FUND BENEFITS

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SUMMARY OF FUND BENEFITS

INTRODUCTION

The Gloucestershire Pension Fund is administered under the Local Government Pension Scheme (LGPS) Regulations. Benefits built up from 1st April 2014 are calculated on a Career Average Revalued Earnings (C.A.R.E.) basis. Benefits accrued prior to 1st April 2014 continue to be protected on a "final salary" basis.

The scheme is open to all eligible employees regardless of the hours worked and continues to provide a comprehensive set of benefits for its members. Shown below is a summary of the key features of the scheme currently in force from 1st April 2014. This summary is only provided as an illustrative guide of some of the key features of the scheme and is not intended to give details of all the benefits provided, or the specific conditions relating to the provisions of the scheme.

ENQUIRIES

Enquiries and more detailed information on the LGPS can be obtained by visiting the Gloucestershire County Council Pensions website at www.gloucestershire.gov.uk/pensions or from the Pensions Section at Shire Hall, Gloucester, telephone (01452) 328888.

Local Government Pension Scheme (LGPS) Regulations 2013 (as amended) –

Principal Features of the Scheme in Force from 1st April 2014

- + Employee Contribution Rate – Variable (9 Band Rates) between 5.5% and 12.5% depending on level of earnings.
- + Annual Pension and Lump Sum
 - C.A.R.E. Pension based on 1/49th of pensionable pay attributable to each year of membership (index linked by C.P.I.) from 1st April 2014 PLUS option to exchange up to ¼ of pension pot for a lump sum (each £1 of pension providing £12 lump sum)
 - Any membership between 1st April 2008 and 31st March 2014 will provide a pension based on 1/60th of final years pensionable pay for each year of membership PLUS option to exchange up to ¼ of pension pot for a lump sum (each £1 of pension providing £12 lump sum)

– Any pre 1st April 2008 membership will provide "standard benefits" of a pension based on 1/80th of final years pensionable pay for each year of membership PLUS a lump sum of three times the pension. There is also the option to exchange part of the pension to increase the lump sum to ¼ of the pension pot (each £1 of pension providing £12 lump sum).

- + 50:50 Option - allowing members the option to pay half contributions for half pension benefits.
- + Normal Retirement Date - Later of State Pension Age or age 65. Member also has the right to retire from age 55 (although benefits will normally suffer an actuarial reduction).
- + Earliest Retirement Date – age 55 in cases of – Member initiated Early Retirement / Flexible Retirement / Redundancy / Efficiency of the Service.
- + Ill Health Retirement – early payment of benefits (irrespective of age) if "permanently" incapable of continuing in the employment the member was engaged in due to medical reasons and is not immediately capable of undertaking any "gainful employment" in the future. Level of benefits based on a three tier system, depending on likelihood of being able to obtain "gainful employment".
- + Provision for an ongoing pension is provided for a spouse, registered civil partner, eligible cohabiting partner (subject to certain qualifying conditions) and/or any eligible children in the event of a member's death.
- + Lump Sum Death Grant - In the event of death in service, a lump sum death grant of three times actual annual pay is payable.
- + Index Linking - Pensions are increased in accordance with annual review orders made under the Pension (Increase) Act 1971. The index currently used for this purpose is the Consumer Price Index (CPI).
- + Additional Pension Benefits – In house facilities to increase potential benefits by:
 - paying additional monthly contributions to purchase additional pension (to a maximum (at 1st April 2020) of £7,194). From 1st April 2021 this increased to £7,316;
 - making additional voluntary contributions to Prudential's in-house AVC arrangement to provide an additional pension benefit at retirement.



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GLOSSARY OF TERMS

17 GLOSSARY OF TERMS

Accrual

An amount to cover income or spending that has not yet been paid but which belongs to that accounting period.

Actuary

An advisor on financial questions involving probabilities relating to mortality and other contingencies. Every three years the Scheme appointed actuary reviews the assets and the liabilities of the Fund and reports to the Strategic Finance Director (and Section 151 Officer) on the financial position. This is known as the triennial actuarial valuation.

Active Investment Management

A style of investment management where the fund manager aims to outperform a benchmark by superior asset allocation, market timing or stock selection (or by a combination of each).

Admitted Body

An organisation that chooses and is allowed by the scheme to be admitted to the LGPS using an Admission Agreement in order to provide access to the scheme for some or all of its employees.

Additional Voluntary Contributions (AVC's)

Contributions over and above a member's normal contributions which the member elects to pay in order to secure additional benefits.

Augmentation

This is when extra pension benefits can be bought for a pension scheme member. They are usually paid for by the employer.

Benchmark

A target or measure against which performance is to be judged, which is commonly used to assess the investment performance of a fund or portfolio.

Bid/Offer/Mid Price

Bid – The price at which a Market-maker or dealer is prepared to buy securities or other assets.

Offer – The price at which a Market-maker or dealer is prepared to sell securities or other assets.

Mid – The average of the current bid and offer price.

Bond

Certificate of debt issued by a Government or company, promising regular payments on a specified date or range of dates, usually with final capital payment at redemption.

Consumer Price Index (CPI)

Measure of price inflation in the UK. Differs from the RPI in the range of goods and services included, and the way the index is constructed.

Deferred Retirement Benefit

A retirement benefit that a member has accrued but is not yet entitled to receive.

Derivatives

See definition on note N15, page 107.

Equities

Share in the ownership of a company, giving the holder the right to receive distributed profits and to vote at annual general meetings of the company. A term used for ordinary shares.

Exchange Traded Funds (ETFs/ET's)

A fund that tracks a selection or 'basket' of related securities within a stock market index but can be traded on an exchange like a stock or share.

Fair Value

A price deemed to accurately reflect the value of a security based on measurable valuation fundamentals. Considered to be an equitable valuation from the point of view of both buyer and seller.

FTSE

Indices maintained by the FTSE Group (an independent company originally set up by the Financial Times and the London Stock Exchange) which measures the performance of the shares listed on the London Stock Exchange.

Funding Level

The relationship at a specified date between the actuarial value of assets and the actuarial liability. Normally expressed as a funding ratio or percentage. Used as a measure of the fund's ability to meet future liabilities.

Futures Contracts

A contract which binds two parties to complete a sale or purchase at a specified future date at a price which is fixed at the time the contract is effected. Futures contracts have standard terms. Margin (deposit) payments are required, and settlement dealt via a clearing house.

Gilts

A bond issued by the UK Government and so-called because certificates used to be gilt-edged.

Global Custodian

An organisation which is responsible for the safe-keeping of assets, income collection and settlement of trades, independent of the asset management function.

Guaranteed Minimum Pension (GMP)

The minimum pension which a salary related occupational pension scheme must provide in respect of contracted out contributions paid between April 1978 and 1997, as a condition of contracting out of the state-earnings related pension scheme (SERPS).

Hedge

A means of protecting against financial loss, normally by taking an offsetting position in a related investment.

Index Tracking

An investment process which aims to match the returns on a particular market index either by holding all the stocks in the particular index or, more commonly a mathematically calculated sample of stocks that will perform as closely as possible to the index.

Investment Management Agreement

The document agreed between an investment manager and the Fund setting out the basis upon which the manager will manage a portfolio of investments for the Fund.

Investment Strategy

The Fund's long-term distribution of assets amongst various asset classes, taking into consideration, for example, the goals of the Pension Committee and their attitude to risk and timescale.

Leverage

The use of borrowed money to over-invest a portfolio which magnifies both gains and losses. This may be achieved by derivative instruments. Also refers to the debt/equity ratio in a company's balance sheet.

Managed Fund

A pooled fund that invests across a wide range of asset classes. (See Pooled Investment Vehicle).

Market Value

The price at which an asset might reasonably be expected to be sold in an open market.

Membership

Local authority employment during which time pension contributions were made or deemed to have been made providing entitlement to benefits under the scheme.

MSCI Index

Indices maintained and produced by Morgan Stanley Capital International that track equity markets throughout the world. MSCI indexes are weighted by market capitalisation and include various countries, regions and industries in both developed and emerging markets.

Net Asset Value (NAV)

The value in a company or mutual fund, calculated by subtracting total debt from total assets and dividing the result by the number of shares or units in existence.

Notional Value

The value of a derivative's underlying assets.

Open Ended Investment Company (OEIC)

A pooled investment vehicle structured as a limited company. Investors can buy and sell shares on an on-going basis.

Options

The right but not the obligation to buy (call option) or sell (put option) a specific security at a specified price (the exercise or strike price), at or within a specified time (the expiry date). This right is obtained by payment of an amount (known as the premium) to the writer (seller) of the option, and can be exercised whatever happens to the security's market price.

Over The Counter (OTC)

Any market which does not operate through a recognised exchange.

Pensionable Pay

The earnings on which benefits and/or contributions are calculated under the scheme rules.

Performance Measurement

Calculation of a fund's historic return on its investments.

PIRC

PIRC is an independent research and advisory consultancy providing services to institutional investors on corporate governance, corporate social responsibility and performance management.

Pooled Investment Vehicle

A fund in which a number of investors pool their assets, which are managed on a collective basis. The assets of a pooled investment vehicle are denominated in units that are re-valued regularly to reflect the values of underlying assets. Vehicles include: open ended investment companies, real estate investment trusts and unit trusts.

Projected Unit Method

An accrued benefits funding method in which the actuarial liability makes allowance for projected pensionable pay. The primary contribution rate is that necessary to cover the cost of all benefits which will accrue in the control period following the valuation date by reference to pensionable pay projected to the dates on which benefits become payable.

Quoted Investments

Investments that have their prices quoted on a recognised stock exchange.

Realised Gains/(Losses)

Profit/(losses) on investments when they are sold at more/(less) than the purchase price.

Retail Price Index (RPI)

Measure of price inflation in the UK. The RPI measures the average change from month to month in the prices of goods and services purchased by most households in the UK.

Risk

The likelihood of a return different from that expected and the possible extent of the difference. It can also indicate the volatility of different assets.

Securities

General name for stocks and shares of all types that can be traded freely on the open market.

Segregated Fund

Where the assets of a particular fund are managed independently of those of other funds under the fund manager's control.

Specialist Management

When an investment manager's mandate is restricted to a specific asset class or sector. The Pension Committee determines allocations to each asset class.

Strategic Asset Allocation

The process of dividing investments between the main asset classes to meet the Fund's risk and return objectives.

Transfer Payment

A payment made from one pension scheme to another pension scheme in lieu of benefits which have accrued to the member or members concerned, to enable the receiving pension scheme to provide alternative benefits.

Transfer Value

The amount of the transfer payment.

Unitised Insurance Policy

Investors are issued with a life policy representing title. Investors' 'holdings of units' represent a means of calculating the value of their policy. The life fund/company holds the pool of investments and is the owner of all the assets.

Unit Trust

Unit trusts are collective funds which allow private investors to pool their money in a single fund, thus spreading risk, getting the benefit of professional fund management and reducing dealing costs. Unit trust trading is based on market forces and their net asset value - that is the value of their underlying assets divided by the number of units in issue. The activities of unit trusts are regulated by the FCA.

Universe

Term sometimes used to describe the total number of funds in a performance survey.

Unlisted Securities

Stocks and shares not available for purchase or sale through the stock market.

Unquoted Investments

Stocks that are not listed on an exchange and so have no publicly stated price.

Venture Capital

Investment in a company that is at a relatively early stage of development and is not listed on a stock exchange. A venture capitalist raises money from investors to invest in such opportunities. These investments are typically risky but potentially very profitable.