



GLOUCESTERSHIRE
PENSION FUND
2022/23



Gloucestershire
COUNTY COUNCIL

CONTENTS

Introduction	3
01 Independent Investment Advisor's Report	9
02 Overall Fund Management	13
2.1 Scheme management and advisors	14
2.2 Risk management	15
03 Financial Performance	17
04 Investment Policy and Performance Report	23
05 Scheme Administration	36
5.1 Administration arrangements	37
5.2 Value for money statement	38
5.3 Summary of activity	39
5.4 Key performance data	40
5.5 Other information	42
5.6 Internal Disputes Resolution Procedure	52
06 Pensions Administration Strategy	53
07 Executive Summary on the Last Triennial Valuation	60
08 Actuarial Report on Fund	63
09 Rates & Adjustment Certificate	66
10 Governance	75
10.1 Pension Board	76
10.2 Governance Compliance	78
10.3 Governance Policy & Compliance Statement	79
11 Fund Account, Net Assets Statement and Notes	91
12 Asset Pools	142
13 Funding Strategy Statement	150
14 Investment Strategy Statement	167
15 Communications Policy Statement	177
16 Summary of Fund Benefits	180
17 Glossary of Terms	182

This document has interactive navigation buttons throughout. These should work on most PDF readers, however, will not work if viewed through your internet browser.

INTRODUCTION

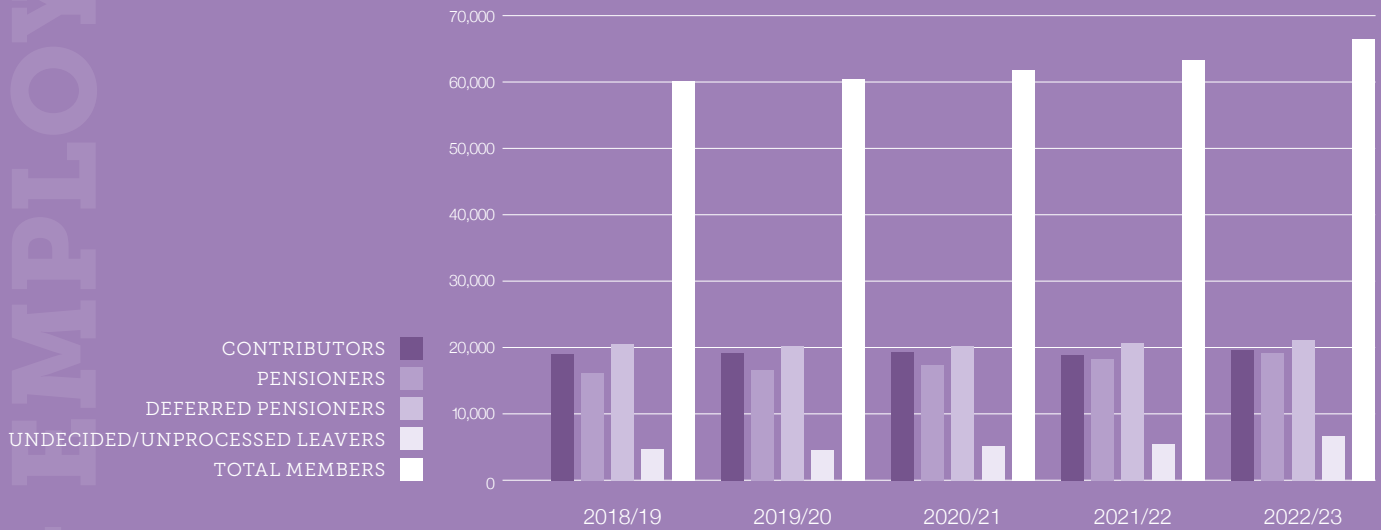
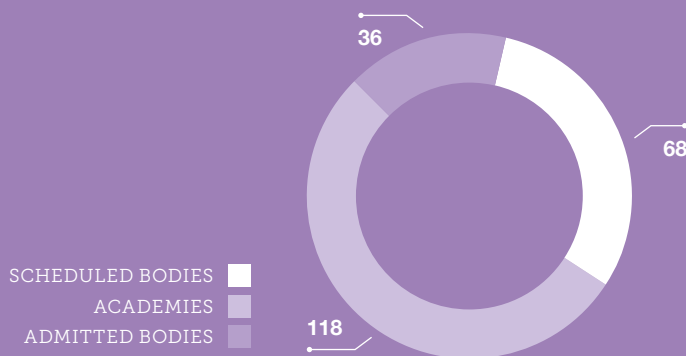
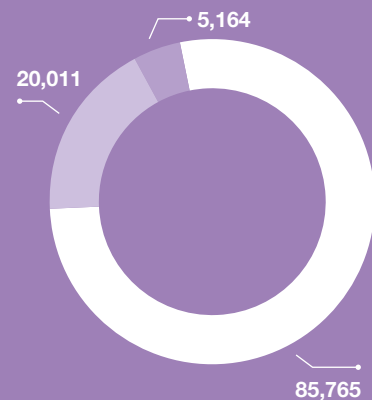
IT IS WITH PLEASURE THAT WE INTRODUCE THIS YEAR'S ANNUAL REPORT OF THE **GLOUCESTERSHIRE PENSION FUND**. IT CONTAINS DETAILS OF THE ADMINISTRATION OF THE FUND, TOGETHER WITH ITS INVESTMENTS AND ACCOUNTS FOR THE YEAR TO 31ST MARCH 2023.

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 2022/23
(Total: 222)TOTAL CONTRIBUTIONS
2022/23 £000'S
(Total: £110.9m)

19,603
CONTRIBUTORS

19,012
PENSIONERS

21,096
DEFERRED

FUND MEMBERSHIP & EMPLOYERS

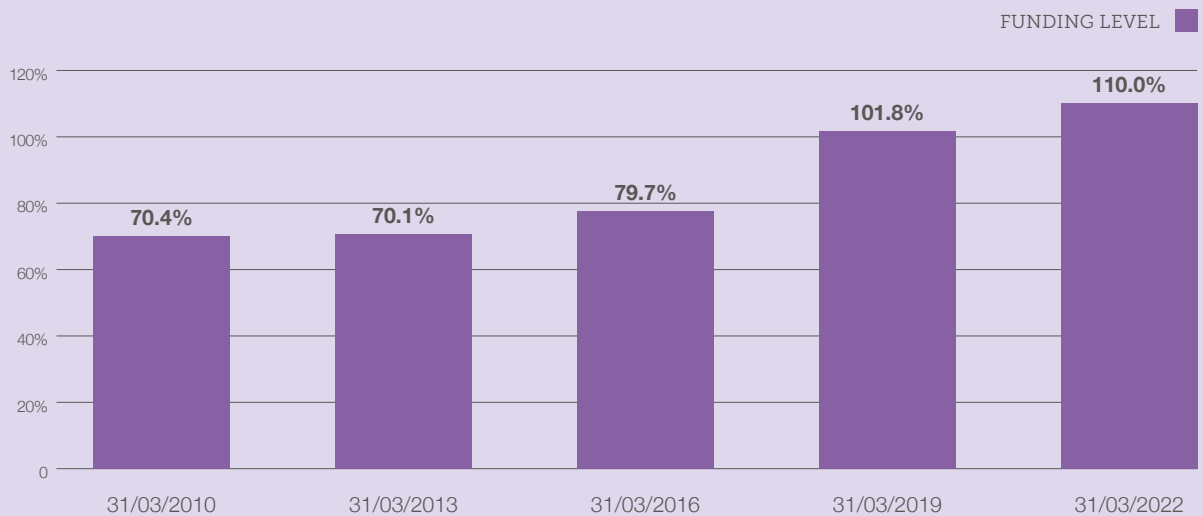
This report is primarily aimed at members and participating employer organisations within the Gloucestershire Pension Fund. In terms of Fund Members, overall membership continues to increase steadily.

Membership at the end of March 2023 stood at approximately **59,700**, split between active contributors (**19,603**), pensioners (**19,012**) and deferred members (**21,096**).

There were also unprocessed leavers (6,708) at the end of March 2023. This equates to a rise of **1,319** compared with the position at the end of March 2022.

With regards to participating employers, the Pension Fund has seen the overall numbers increase by 5 during 2022/23 to finish at **222** employers. Contributions received from employers and employees totalled **£110.9m** during the year.

ACTUARIAL ARRANGEMENTS



£1,703
MILLION/2016

79.7%
OF LIABILITIES

£3,111
MILLION/2022

110%
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 **2022** triennial valuation. The Fund's assets, as at the **2022** triennial valuation were valued at **£3,111 million**, which were sufficient to meet **110%** of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date.

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

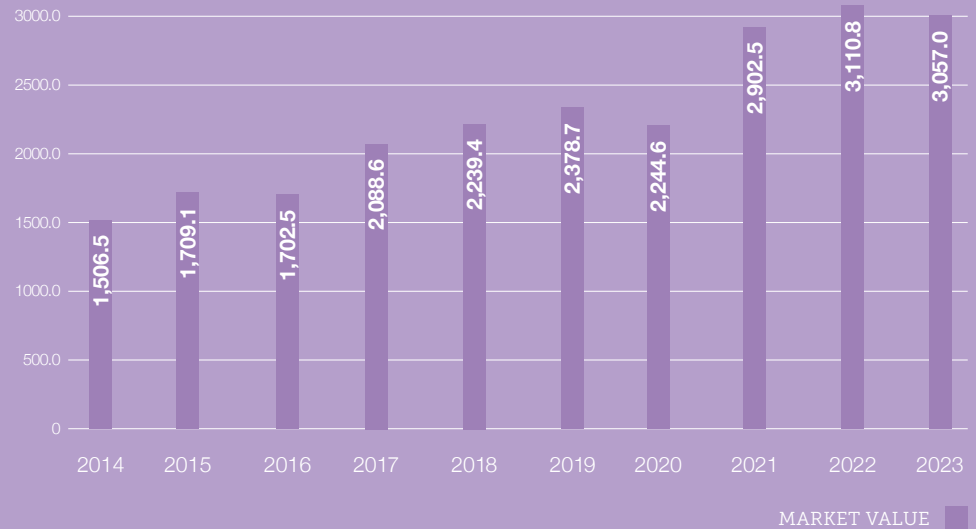
POLICY DOCUMENTS

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 2023
£3,057.0
 MILLION

31ST MARCH 2022
£3,110.8
 MILLION

MARKET VALUE OF FUND BY YEAR £M



ANNUALISED RETURNS

	3 YEARS	5 YEARS	10 YEARS	20 YEARS
FUND	9.9%	5.5%	7.3%	8.3%
UNIVERSAL AVERAGE	9.6%	6.0%	7.3%	8.4%
CPI	6.0%	4.3%	2.8%	2.7%



INVESTMENT & FUND PERFORMANCE

During **2022/23** the Fund's investments reduced by 2%, placing Gloucestershire 21st out of the 62 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 with the over ten year, annualised performance being **+7.3%**, placing the Fund **22nd out of the 62** 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 2023** was **£3,057.0 million**. This represented an overall decrease of **£53.9 million** compared with the position at **31st March 2022**. 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 during **2022/23**, 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 2023** and the auditor's report in relation to these accounts can be found on pages **91** to **141**.

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 this Annual report.

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

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 **2022/23**, 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 **2022/23** can be found on pages **76** and **78**.

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 an 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 2023, £2,977m** of Gloucestershire investments were under the management of Brunel, this equates to 97% of the total assets of the Fund at **31st March 2023**. Further details of our pooling progress can be found within the Annual report.

STATEMENT OF ACCOUNTS

LOOKING AHEAD

2023/24 is again expected to be another busy year for the Fund. Further Government consultations are expected, with LGPS Pooling, and levelling up consultation already having been recently published. The Fund is committed to full engagement and will continue to review and submit responses as appropriate.

The Fund recognises the need for continuous improvement to services provided to its members. In **2022** an independent review of administrative services was commissioned, and a formal improvement plan has been developed and approved within the **2023/24** Business Plan, which aims to increase team resources and improve key service delivery going forward.

Regarding investment priorities, The Fund aims to formulate a Responsible Investment Policy, recognising the need for effective stewardship incorporating fully Environmental, Social and Governance risk management, in managing long term investments. This policy will inform the Funds beliefs and principals in managing future portfolios in line with its fiduciary duty. This work is ongoing, but it is planned that this will be finalised and approved later this year.

The Fund is also working towards meeting its aspiration to become a signatory to the Financial Reporting Council **2020** UK Stewardship Code, and the adoption of reporting frameworks set out under the Task Force on Climate-related Financial Disclosures (TCFD) reporting standards.

During **2023/24** the Fund will work in partnership with investment consultants to assess the availability of suitable opportunities for the Fund to meet its specific investment objectives in relation to its strategic asset allocation to Social & Affordable Housing.

OUR THANKS

We express our thanks to all those involved with the investment, accounting and pension administration activities of the Gloucestershire Fund, and the ongoing 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 **76**, in assisting the administering authority to comply with the LGPS and other pension regulations.

COUNCILLOR LYNDEN STOWE

Chairman of the Pension Committee

PAUL BLACKER

Director of Finance

MATTHEW TREBILCOCK

Head of Pensions



01

**INDEPENDENT
INVESTMENT**
ADVISOR'S
REPORT

01

INDEPENDENT INVESTMENT ADVISOR'S REPORT

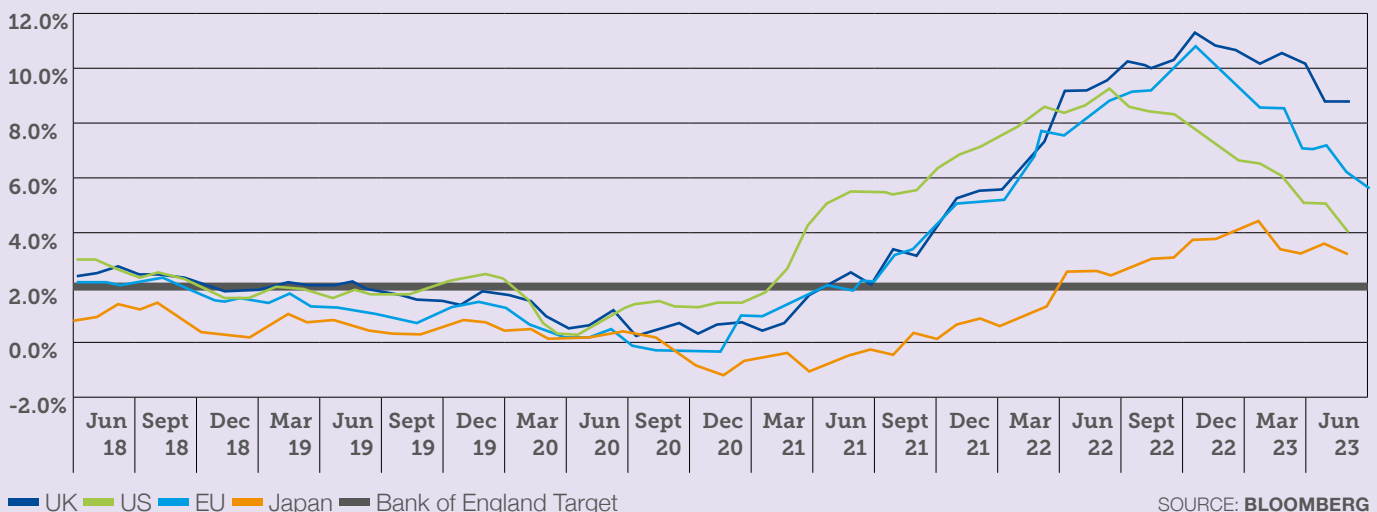
ECONOMIC BACKGROUND

The last financial year to March 2023 was marked by interest rates across the globe moving higher as central banks, who are responsible for setting interest rates, reacted belatedly to higher inflation. Inflation was already rising towards the end of the previous financial year as an uneven recovery from the Covid pandemic led to a mismatch between the recovering demand for goods (as economies reopened) and still disrupted supply chains. This effected the availability of various products. Russia invading Ukraine poured fuel on the inflationary fire by restricting the supply of a number of vitally important commodities including oil, gas and wheat. This turbo-charged price rises in these commodities which fed through supply chains forcing inflation higher. It is this imbalance between supply and demand which central banks hope to rectify through higher interest rates reducing demand until the two are again in balance and inflation drops out of the system.

The chart below shows inflation as measured by the Consumer Price Index (CPI) for the major economic areas. It shows how rapidly inflation has picked up following a prolonged period of very low inflation and therefore low interest rates. Because inflation is measured as the change in prices over the preceding twelve months, the rate will naturally peak at some stage as past price rises drop out of the equation. Nonetheless, inflation has risen higher and lasted longer than most economic analysts and central banks expected a year ago.

As the chart shows, inflation does now appear to have peaked and this is related to the massive increase in gas prices following the Russian invasion of Ukraine in March 2022 now falling out of the equation as well as post covid supply disruptions reducing. Remember, falling inflation does not mean prices are falling, it just means that they are not rising as quickly as before. The UK remains the laggard in terms of inflation falling but it is now on a declining trend as July 2023.

CHART 1 / CPI : ANNUAL RATE OF INFLATION - FIVE YEARS TO MARCH 23.



Notes: UK: UK CPI EU Harmonised YoY NSA (Ticker: UKRPCJYR Index); US: US CPI Urban Consumer YoY NSA (Ticker: CPI YOY Index); Eurozone: Eurostat Eurozone MUICP All Items YoY Flash Estimate (Ticker: ECCPEST Index); Japan: Japan CPI Nationwide YOY (Ticker: JNCPIYOY Index).

Inflation is sometimes described as a scourge on the poor as they are often in more precarious employment and have limited ability to negotiate their wages higher, yet spend a larger part of their income on basic goods and services such as food and heating. It has been the prices of these very products which have risen the most in the last year. This is why it is important to bring inflation under control.

Raising interest rates forces up the cost of borrowing, including mortgages, which restricts consumers' and businesses' ability to spend thereby reducing demand until it matches the restricted supply. Interest rates are a very blunt tool for adjusting demand and they act with a significant and variable time lag making their effectiveness uncertain except in hindsight. This has meant that throughout the last financial year economists and investors have been uncertain about whether the rise in interest rates will be just enough to lower demand to exactly the right level to match supply; will be too much, causing an economic recession; or too little and not bring inflation under control. Historically, we have never seen central banks get this calculation just right hence the economic cycles we have seen in the past.

Looking forward, we need to accept that things have changed. I do not expect inflation to fall back to the levels we saw in the latter part of the last decade and then remain stable at that level. A number of long-term factors which had been holding inflation down look to be changing and the impact of decarbonising the global economy, whilst an absolute necessity, does often come with an initial financial cost which will, in the main, be passed through to the end consumer. I suspect we will see more volatile inflation and, therefore, more variable and, on average, higher interest rates than in the last decade and more frequent and shorter economic cycles. This will affect asset prices and investment decisions going forward.

FUND RETURNS

The **2022/23** fiscal year was poor for most investments with rising interest rates affecting the valuation of many assets. Your Fund fell in value by **-2%** over the financial year **2022/23**, to end the period with a value of just over **£3 billion**. This was a better performance than the Fund benchmark which fell **-2.8%** over this period. Globally, Bonds fell as they repriced to reflect higher interest rates. UK Government Bonds (Gilts) fell over **-17%** on average with longer duration bonds, which are more affected by rising interest rates, falling further over the course of the fiscal year. UK Index-Linked Gilts fell **-20%**. This is unprecedented and reflects the speed of the uptick in inflation and thereby expectations for future interest rates. Global equities fell over **6%** in Sterling terms due to the effect of higher debt costs and falling valuations but with weaker Sterling were almost flat in local currency terms. Returns from illiquid assets were more mixed with UK property falling over **-10%** but Infrastructure rising over the year although part of this may be a delayed response to higher interest rates as it is harder to reprice these assets as they are not publicly traded but rely on independent valuers to reflect current pricing which can happen with a lag. Given the significant fall in some asset classes over the last fiscal year, a decline in the value of the Fund of only **-2%** seems a credible performance.

The Fund has risen by **9.9%** per annum over the last 3 years, exceeding the return of the Fund benchmark by 0.8% and by **5.5%** per annum over the last 5 years, slightly behind the return of the benchmark.

Over the longer term the performance of the fund has been strong, returning **7.3%** per annum over the last 10-years, which is in-line with the Fund benchmark. Importantly, this strong long-term investment performance 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 obligations) leaving the Fund in a strong position to meet these obligations into the future. The Fund does still need to earn an investment return over the long-term to cover the cost of future pension accruals.

FUND
PERFORMANCE
9.9% PA
OVER 3 YEARS
AND
7.3% PA
OVER 10 YEARS

BRUNEL PENSION PARTNERSHIP – POOLING

The Fund has now transferred 97% of its assets to the Brunel Pensions Partnership (Brunel). 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. 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.

It should be recognised that the Fund returns noted above have been achieved after taking into account the costs of transitioning the Fund's assets across to Brunel. This cost will be recouped in the longer term due to the lower asset management fees Brunel has negotiated on the Funds behalf.

During the financial year the Fund continued to place its investments on a more environmentally sustainable footing increasing the percentage of assets directly targeting investments which act in a sustainable manner and aim to provide solutions to climate change. In addition, the Fund continues to invest further into infrastructure including renewable energy sources financing this by reducing the exposure to global and UK equities.

OUTLOOK

Investment markets are likely to remain difficult for the next few years and my expectation is that inflation is not yet beaten and because of this interest rates will remain higher over the medium-term but also more volatile as central banks look to tread a tightrope between containing inflation and securing economic prosperity and full employment. Your Fund is well diversified, across different asset classes as well as by industry and geography which will make it better able to weather this period of potentially lower returns.

As an open, Defined Benefit Pension Fund, the Fund has the benefit of having a very long-term investment horizon, this allows the Fund to invest for the long-term, to weather through periods of market volatility and invest in the best long-term interests of not just the Fund's membership but also the global environment. With good planning the Fund can avoid selling assets into periods of market stress helped by the Fund remaining cash positive with pension contributions from employers and employees exceeding pension payments each year. A focus on the long-term should enable the Fund to continue to provide strong investment returns into the future.

John Arthur
August 2023

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. DR. A. MILLER



**CLLR. M. MACKENZIE-
CHARRINGTON**



CLLR. W. THOMAS

REPRESENTING
GLOUCESTERSHIRE
DISTRICT COUNCILS



MR. P CLARK

REPRESENTING
SCHEME
MEMBERS



CLLR. D. GRAY

REPRESENTING SCHEME
EMPLOYERS



MS. J. ATKINSON

COUNTY COUNCIL OFFICERS

MR. S. MAWSON

DEPUTY CHIEF EXECUTIVE & EXECUTIVE
DIRECTOR OF CORPORATE RESOURCES
(AND SECTION 151 OFFICER) RESIGNED FROM
THE COUNCIL 30TH SEPTEMBER 2023.

MR. P. BLACKER

DIRECTOR OF FINANCE
ACTING SECTION 151 OFFICER FROM 1ST
OCTOBER 2023

MR. M. TREBILCOCK

HEAD OF PENSIONS

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 2023

- + ARCMONT ASSET MANAGEMENT LTD.
- + BLACKROCK INVESTMENT MANAGEMENT (UK) LTD.
- + BRUNEL PENSION PARTNERSHIP LTD.
- + GOLUB CAPITAL PARTNERS INTERNATIONAL LP
- + TECHNOLOGY VENTURE PARTNERS LLP (TVP)

AVC PROVIDER

- + PRUDENTIAL (PART OF M&G PLC.)
- + PHOENIX LIFE LIMITED

2.2

AUDITOR

GRANT THORNTON UK LLP

GLOBAL CUSTODIAN

STATE STREET BANK & TRUST COMPANY

PERFORMANCE MEASUREMENT

+ STATE STREET GLOBAL SERVICES

+ PIRC LIMITED

BANKER

LLOYDS BANK

LEGAL ADVISOR+ GLOUCESTERSHIRE COUNTY COUNCIL
IN-HOUSE LEGAL TEAM

+ OSBORNE CLARKE LLP

POST YEAR-END CHANGES

Councillor Mackenzie-Charrington and Councillor Thomas left the Pension Committee in April 2023 and were replaced by Councillor C. Turner and Councillor J. Bloxsom.

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) 328907**.

For details of Local Government Pension Scheme benefits and administration, please contact the Pension Administration Manager at Shire Hall, Gloucester, phone **(01452) 583733**.

COMPLAINTS

In the event of a complaint members should contact the Pension Administration Manager at Shire Hall, Gloucester, phone **(01452) 583733** in the first instance.

WEBSITE**INVESTMENTS AND ACCOUNTING**

<https://www.gloucestershire.gov.uk/pensions/investments>

BENEFITS AND ADMINISTRATION

<https://www.gloucestershire.gov.uk/pensions>

PENSION SCHEMES REGISTRY NUMBER

PSR 10079170

RISK MANAGEMENT

The Fund recognises that effective risk management is an essential element of good governance. By identifying and managing risks through effective policies and a risk management strategy, the Fund can:

- + demonstrate best practice in governance
- + ensure high quality administration
- + improve financial management
- + minimise the risk and effect of adverse conditions
- + identify and maximise opportunities that might arise
- + minimise threats

The Fund's governance arrangements ensure that risk management is undertaken at the highest levels. The Fund recognises that risk is inherent in many of its activities and makes extensive use of external advisors and industry best practice in assessing and establishing policies to identify and mitigate those risks.

The principal documents relating to risk management and control, which are available on the Fund's website, are:

- + Risk Management Policy
- + Breaches of the Law Policy
- + Communications Policy
- + Conflicts of Interest Policy
- + Funding Strategy Statement
- + Governance Policy & Compliance Statement
- + Investment Strategy Statement
- + Pensions Administration Strategy
- + Training Policy

The Fund maintains a Risk Register which is reviewed and reported to every Pension Committee and Pension Board meeting.

The detailed Risk Register matches high level risks under the three areas of activity; Governance, Funding & Investment; Operational (Administration & Communication). Each of the detailed risks under each activity is then given an impact score and a likelihood score before any controls are applied. These are then combined to give a target risk status which is assigned a Red – Amber – Green (RAG) rating.

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

OVERALL FUND
MANAGEMENT

The Pension Board is also in place to assist in:

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

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 2022/23 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 **125** to **131**.

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 94) indicates a decrease in the net assets of the scheme available to fund benefits during the year of **£53.9m** for **2022/23**; this follows an increase of **£208.3m** in **2021/22**. The summarised figures are shown in the table below.

FINANCIAL SUMMARY

	2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M
CONTRIBUTIONS AND INVESTMENT INCOME *	145.7	140.7	173.6	129.8	133.7
REALISED PROFIT / (LOSS)	196.4	350.3	196.9	203.5	62.7
LESS BENEFITS AND OTHER EXPENSES *	-97.3	-106.6	-106.4	-119.0	-136.7
ANNUAL SURPLUS / (SHORTFALL)	244.8	384.4	264.1	214.3	59.7
INCREASE / (DECREASE) IN MARKET VALUE OF INVESTMENTS	-105.5	-518.5	393.8	-6.0	-113.5
INCREASE / (DECREASE) IN FUND DURING YEAR	139.3	-134.1	657.9	208.3	-53.8
MARKET VALUE OF NET ASSETS AT 31ST MARCH	2,378.7	2,244.6	2,902.5	3,110.8	3,057.0

* 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 **2023/24**.

	2018/19 ACTUAL £000	2019/20 ACTUAL £000	2020/21 ACTUAL £000	2021/22 ACTUAL £000	2022/23 ACTUAL £000	2023/24 BUDGET £000
CONTRIBUTIONS EMPLOYERS	-93,016	-84,158	-123,689	-82,992	-88,045	-111,501
CONTRIBUTIONS EMPLOYEES	-18,114	-18,962	-20,110	-21,119	-22,895	-26,337
TRANSFERS IN	-6,736	-12,575	-5,883	-6,928	-7,639	-5,943
BULK TRANSFER VALUES IN	-	-	-	-	-	-
OTHER INCOME	-132	-136	-94	-89	-133	-117
BENEFITS PAYABLE	83,460	88,290	88,299	92,236	98,814	107,825
PAYMENTS TO AND ON ACCOUNT OF LEAVERS	372	372	225	333	277	402
TRANSFERS OUT	4,992	7,929	5,706	6,867	9,941	10,697
BULK TRANSFER VALUES OUT	-	-	-	1,069	-	-
NET (ADDITIONS)/WITHDRAWALS FROM DEALINGS WITH MEMBERS	-29,174	-19,240	-55,546	-10,623	-9,680	-24,974
INVESTMENT MANAGEMENT EXPENSES	6,492	7,797	10,146	16,306	24,991	14,110
ADMINISTRATION EXPENSES	1,397	1,509	1,556	1,553	1,845	2,263
OVERSIGHT & GOVERNANCE EXPENSES	553	722	500	671	820	1,141
INVESTMENT INCOME	-27,681	-25,042	-23,931	-18,776	-14,965	-16,000
PROFIT, LOSS AND CHANGE IN MARKET VALUE	-90,864	168,409	-590,652	-197,484	50,862	-128,393
NET INCREASE (-) / DECREASE IN THE FUND	-139,277	134,155	-657,927	-208,353	53,873	-151,853

INCOME

Contributions from employers and employees increased by £6.8m during 2022/23 due to increased numbers of staff and the effect of pay awards granted. The forecast for employers' contributions for 2023/24 has been increased to include anticipated one-off secondary contributions from a number of scheduled bodies at the start of the new triennial valuation period. Consequently, these scheduled bodies will pay reduced secondary contribution payments in 2024/25 and 2025/26.

In 2022/23 there was an increase in the number of high value transfer values coming into the Fund compared to 2021/22. It is anticipated that transfer values in will reduce slightly in 2023/24.

Investment income fell by **£3.8m** between 2021/22 and 2022/23. This was primarily due to a fall in income from bonds following the move into pooled funds, where income is retained.

Investment income for 2023/24 is forecast to increase slightly, however the majority of the Fund's investments are now in pooled funds where the income is retained within the pooled fund and is reflected in the share price instead.

The change in Profit(-), Loss and Change in Market Value from a **-£197.5m** in **2021/22** to **£50.9m** in **2022/23** is due to a fall in market values during the year. In 2022/23 the Fund returned performance of **-2.0%** (2021/22 6.9%).

EXPENDITURE

Investment management expenses in 2022/23 increased by **£8.7m** in comparison to 2021/22. The increase arose largely as a result of the full adoption of the Cost Transparency Initiative (CTI) reporting template to account for all management expenses incurred on funds invested during the year. This has a zero net effect overall, with an offsetting increase in reported profit in year. In addition, an increase in amounts invested in property, private equity and infrastructure resulted in increases in management fees.

Benefits Payable increased by **£6.6m** during 2022/23 due to an increased number of members retiring and agreed pay awards. The 2023/24 forecast figure has been increased by £9m following current expectations for pensioner growth and pay awards during the period.

Administration Expenses increased by **£292k** due to additional staff and higher computer costs. Whilst the increase in Oversight & Governance of £149k was due to increased actuarial fees arising from the triennial valuation, increased staff costs and external audit costs which were offset to a certain extent by a decrease in professional fees. The 2023/24 forecast of Administration Expenses and Oversight & Governance Expenses has been increased for additional staffing to facilitate increased resource for the Pension Fund teams and an anticipated increase in the cost of supplies and services.

In 2022/23 there was an increase in the number of high value transfer values going out of the Fund compared to 2021/22. There were no bulk transfer values paid out of the Fund in 2022/23 but during 2021/22 a bulk transfer value of **£1,069k** was paid to another local authority pension fund in respect of a group of employees moving between funds.

CASH FLOW

For 2022/23 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 together with their respective forecasts 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. 2022/23 saw a reduction in investment income received from directly held fixed interest holdings of **£3.2m** following a transition to fixed interest pooled funds where dividend income is retained in the pooled fund and re-invested. The Fund also saw an increase of **£2m** in the total amount of transfer values being paid out of the Fund

	2018/19		2019/20		2020/21		2021/22		2022/23		2023/24
	FORECAST £000	ACTUAL £000	FORECAST £000	ACTUAL £000	FORECAST £000	ACTUAL £000	FORECAST £000	ACTUAL £000	FORECAST £000	ACTUAL £000	FORECAST £000
NET CASH FLOW	66,852	49,929	43,846	37,755	37,716	73,705	35,894	20,116	25,948	8,089	23,433

£1.845M
ADMINISTRATIVE COSTS
2022/23

£1.553M
ADMINISTRATIVE COSTS
2021/22

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.

	2019/20		2020/21		2021/22		2022/23		2023/24
ADMINISTRATIVE COSTS	BUDGET £000	ACTUAL £000	BUDGET £000	ACTUAL £000	BUDGET £000	ACTUAL £000	BUDGET £000	ACTUAL £000	REVISED BUDGET** £000
STAFF COSTS	917	766	960	803	1,021	748	1,041	910	1,513
PREMISES	70	51	70	48	75	40	75	51	75
IT	406	380	400	375	460	395	460	468	500
SUPPLIES & SERVICES *	240	258	260	275	270	309	320	335	350
OTHER CENTRAL COSTS	60	54	60	55	63	61	70	81	70
COST OF DEMOCRACY	-	-	-	-	-	-	-	-	-
OTHER *	-	-	-	-	15	-	15	-	15
	1,693	1,509	1,750	1,556	1,904	1,553	1,981	1,845	2,523

* Legal fees are now included within Supplies and Services.

	2019/20		2020/21		2021/22		2022/23		2023/24
OVERSIGHT & GOVERNANCE COST	BUDGET £000	ACTUAL £000	BUDGET £000	ACTUAL £000	BUDGET £000	ACTUAL £000	BUDGET £000	ACTUAL £000	REVISED BUDGET** £000
STAFF COSTS	210	165	230	159	235	177	240	214	251
AUDIT FEES	19	25	30	23	30	45	50	81	65
ACTUARIAL FEES	300	347	400	173	350	248	400	363	300
PENSION COMMITTEE/BOARD	2	1	10	-	20	6	20	2	40
PERFORMANCE MONITORING SERVICE	19	80	117	79	120	64	120	65	135
INVESTMENT CONSULTANCY	30	24	30	26	130	23	150	37	150
OTHER PROFESSIONAL FEES	980	80	200	40	200	108	150	58	200
	1,560	722	1,017	500	1,085	671	1,130	820	1,141

* Legal fees are now included within Supplies and Services.

** 2023/24 budget revised following Pension Committee approval of additional resources as recommended under the review of administration.

The increase in staffing budgets between 2022/23 and 2023/24 is to facilitate increased resource for the Pension Administration and Pension Investment teams and an anticipated increase in the cost of supplies and services.

Actuarial fees within Oversight & Governance contain actuarial expenses of **£96,000 (2021/22 £61,000)** which arose as a result of employer requests and was therefore recharged back to them. Net actuarial fees for **2022/23** were **£267,000 (2021/22 £187,000)**. Additional actuarial costs were incurred in 2022/23 in relation to the triennial valuation which was concluded in 2022/23 by the Fund actuary.

The conclusion of a governance review undertaken in 2021/22 was mainly responsible for the decrease of Other Professional Fees within Oversight & Governance. Whilst IT costs increased by £73k as a result of higher charges from third party suppliers and IT overheads. The external auditors continued to perform additional work, resulting in an increase of £36k in 2022/23, and the budget for 2023/24 has been increased to incorporate the higher levels of scrutiny now required from our auditors.

OPERATIONAL EXPENSES Cont.

INVESTMENT MANAGEMENT EXPENSES	2019/20		2020/21		2021/22		2022/23		2023/24
	BUDGET £000	ACTUAL £000	BUDGET £000	ACTUAL £000	BUDGET £000	ACTUAL £000	BUDGET £000	ACTUAL £000	BUDGET £000
MANAGEMENT FEES	-	5,778	-	8,312	-	10,443	-	15,925	-
PERFORMANCE FEES	-	568	-	-	-	1,325	-	706	-
TRANSACTION COSTS	-	367	-	696	-	3,495	-	7,163	-
SUB TOTAL	-	6,713	-	9,008	-	15,263	-	23,794	-
BRUNEL CONTRACT COSTS	-	953	1,040	1,049	1,065	969	1,120	1,136	1,260
CUSTODY FEES	90	131	140	89	75	71	75	53	75
TAX & LEGAL COSTS	-	-	-	-	25	3	25	8	25
SUB TOTAL	90	1,084	1,180	1,138	1,165	1,043	1,220	1,197	1,360
TOTAL	90	7,797	1,180	10,146	1,165	16,306	1,220	24,991	1,360

The increase on investment management expenses during the period of £8.7m increased from those reported in 2021-22 largely because of the full adoption of the Cost Transparency Initiative (CTI) reporting template to account for all management expenses incurred on funds invested during the year. This has a zero net effect overall, with an offsetting increase in reported profit in year.

In addition, an increase in amounts invested in property, private equity debt and infrastructure resulted in increases in management fees due to their higher fee structure.

Management, Performance and Transactions costs cannot be accurately forecast in advance and hence are not budgeted for, but are all fully reviewed and monitored by the Fund.

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	%
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
2021/22	103,199	102,669	99.49	530	0.51
2022/23	109,054	108,452	99.45	602	0.55

In total **40 (56 2021/22)** monthly payments were received late; all outstanding payments were received within one month. (**2021/22, 47** received within one month, **4** within two months, **3** within three months and **2** within four months).

During **2022/23** the option to levy interest on overdue contributions was not exercised (**2021/22 £0 was charged**).

	2018/19	2019/20	2020/21	2021/22	2022/23
ANALYSIS OF PENSION OVERPAYMENTS	£000	£000	£000	£000	£000
PENSION OVERPAYMENTS B/FWD.	29.7	33.2	7.1	21.8	22.2
PENSION OVERPAYMENTS IN THE CURRENT YEAR	59.3	20.0	56.0	35.3	126.0
OVERPAYMENT RECOVERED	(46.1)	(34.2)	(44.5)	(24.4)	(79.8)
OVERPAYMENTS WRITTEN OFF	(9.7)	(11.9)	3.2	(10.5)	(0.3)
PENSION OVERPAYMENTS C/FWD.	33.2	7.1	21.8	22.2	68.1

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 **2022/23** exercise Match reports were reviewed and additional information sought, as necessary. The reports identified 24 pensioners who had died where the Pensions Section had not been informed of their death and total overpayments amounted to **£63,714.51**. As at August **2023 £1,358.02** had been recovered, with **£6,432.39** to be recovered from a death grant owing. None of the cases identified were suspected of fraud. This Fund participate in the 'tell us once' service and this database is checked daily to identify any deceased GCC LGPS pensioner members.

There were no cases of abatement or LGPS injury cases identified as part of the NFI.

The pension abatement policy was suspended on the 30th March **2020**, due to the covid pandemic (the Government was trying to get recently retired NHS and Social Worker staff to come back to work to help during the crisis and to remove one of the hurdles that may stop a person considering a return to work, the Government asked the NHS Pension scheme and LGPS funds to alter or suspend their "abatement" policies during this time) and has now been removed completely. Therefore, any employment that a pensioner member took up on or after the 30th March **2020** would not be subject to an abatement check.

04

INVESTMENT POLICY & PERFORMANCE REPORT

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 2022/23 the Committee comprised of seven County Councillors, one District representative, a union nominated representative for staff / deferred / pensioner members and an employer representative. Further details on the Pension Committee regarding meetings held and voting arrangements can be found in the Governance Compliance Statement report on pages **80 to 90**.

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) and can be found on pages **167 to 176**.

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 three investment managers, Brunel Pension Partnership, 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 one private equity/venture capital fund and from February 2023 the Fund has employed BlackRock Investment Management (UK) Ltd. to carry out currency hedging on its behalf.

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 Bank & Trust Company 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 2023 £M
BRUNEL PENSION PARTNERSHIP	Global High Alpha Equities	410.6
	Global Sustainable	398.6
	UK Equities	357.0
	Sterling Corporate Bonds	326.3
	Passive Equities	309.8
	Property	262.3
	Diversifying Returns	241.9
	Multi Asset Credit	218.5
	Emerging Markets Equities	189.3
	Private Equity and Infrastructure	171.7
	Private Debt	59.2
INVESTMENTS MANAGED OUTSIDE OF THE BRUNEL PENSION PARTNERSHIP REGIONAL ASSET POOL	MANDATE	BID MARKET VALUE 31ST MARCH 2023 £M
GOLUB CAPITAL PARTNERS INTERNATIONAL	Overseas Private Debt	35.4
ARCMONT ASSET MANAGEMENT LLP	UK Private Debt	20.1
BLACKROCK INVESTMENT MANAGEMENT (UK) LTD.	Currency Hedge	8.1
TECHNOLOGY VENTURE PARTNERS	Private Equity	3.4

£2.9_{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 2023** the Fund realised the following returns:

	FUND % P.A.	STRATEGIC BENCHMARK % P.A.
1 YEAR	-2.0	-2.8
3 YEARS	9.9	9.1
5 YEARS	5.5	5.8
10 YEARS	7.3	7.3

- + 2022-23 was a good year for alternative investments (private markets), the only area to deliver positive results.
- + Equity performance was neutral.
- + Bond markets were volatile during the year resulting in negative performance.
- + Property saw a strong decline in values over the year.

FUND ACHIEVED

-2.0%
PERFORMANCE
DURING 2022/23

AVERAGE LOCAL AUTHORITY FUND ACHIEVED

-1.6%
PERFORMANCE
DURING 2022/23

LOCAL AUTHORITY UNIVERSE

For **2022/23**, **62** 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 **2022/23** was **-1.6%**, placing Gloucestershire **21st** out of the **62** funds.

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

AVERAGE RETURNS OVER:	LOCAL AUTHORITY UNIVERSE %
1 YEAR	-1.6
3 YEARS	9.5
5 YEARS	5.9
10 YEARS	7.3

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 **62** local authority pension funds. The Fund performance was ranked **21st** out of **62** over one year and **17th** out of **62** over the three year period. Ten year performance placed the Gloucestershire Fund **22nd**.

INVESTMENT PERFORMANCE

As at **31st March 2023** 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 *	4.3	5.6	2.3	3.9	12.3	13.9	n/a	n/a
PASSIVE DEVELOPED HEDGED *	6.7	7.4	-8.5	-6.1	15.1	16.2	n/a	n/a
PASSIVE DEVELOPED PARIS ALIGNED *	3.2	3.3	0.7	0.7	n/a	n/a	n/a	n/a
GLOBAL HIGH ALPHA *	12.0	9.8	0.4	-0.5	17.9	17.1	n/a	n/a
EMERGING MARKETS *	0.4	2.2	-5.2	-4.5	7.1	8.3	n/a	n/a
GLOBAL SUSTAINABLE *	6.4	9.7	-1.3	-0.9	n/a	n/a	n/a	n/a
FIXED INTEREST								
MULTI-ASSET CREDIT *	-2.7	5.4	-3.4	6.3	n/a	n/a	n/a	n/a
STERLING CORPORATE BONDS *	-9.7	-9.8	-10.7	-10.2	n/a	n/a	n/a	n/a
PROPERTY								
UK *	1.8	1.4	-13.5	-14.4	1.8	1.4	n/a	n/a
INTERNATIONAL *	7.3	11.0	11.6	17.5	7.3	11.0	n/a	n/a
ALTERNATIVES								
PRIVATE MARKETS INFRASTRUCTURE CYCLE 1 *	5.7	4.5	14.9	10.1	8.1	5.9	n/a	n/a
PRIVATE MARKETS INFRASTRUCTURE CYCLE 2 *	6.0	7.0	16.2	10.1	n/a	n/a	n/a	n/a
PRIVATE MARKETS INFRASTRUCTURE CYCLE 3*	-2.0	4.1	n/a	n/a	n/a	n/a	n/a	n/a
PRIVATE MARKETS PRIVATE EQUITY CYCLE 1 *	21.3	10.6	14.6	-0.9	18.1	16.0	n/a	n/a
PRIVATE MARKETS PRIVATE EQUITY CYCLE 2 *	32.5	6.8	-0.6	-0.9	n/a	n/a	n/a	n/a
PRIVATE MARKETS PRIVATE EQUITY CYCLE 3*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
PRIVATE MARKETS PRIVATE DEBT CYCLE 2 *	6.1	5.6	8.1	6.3	n/a	n/a	n/a	n/a
PRIVATE MARKETS PRIVATE DEBT CYCLE 3 *	4.1	2.2	n/a	n/a	n/a	n/a	n/a	n/a
DIVERSIFYING RETURNS *	1.6	3.9	-2.9	5.3	n/a	n/a	n/a	n/a
NON-ASSET POOL MANAGED INVESTMENTS - FIXED INTEREST								
ALTERNATIVES								
UK PRIVATE DEBT	6.3	5.9	1.0	7.4	5.5	6.0	6.3	5.9
OVERSEAS PRIVATE DEBT	9.8	5.9	14.5	7.4	8.8	6.0	11.6	5.9

* 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 2023, 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	4.3	5.6	2.3	3.9	12.3	13.9	n/a	n/a
BRUNEL	Global High Alpha Equity*	MSCI World Total Return Gross	12.0	9.8	0.4	-0.5	17.9	17.1	n/a	n/a
BRUNEL	Emerging Markets Equity*	MSCI Emerging Markets Total Return Gross	0.4	2.2	-5.2	-4.5	7.1	8.3	n/a	n/a
BRUNEL	Private Markets Infra-structure Cycle 1*	Consumer Price Index	5.7	4.5	14.9	10.1	8.1	5.9	n/a	n/a
BRUNEL	Private Markets Infra-structure Cycle 2*	Consumer Price Index	6.0	7.0	16.2	10.1	n/a	n/a	n/a	n/a
BRUNEL	Private Markets Infra-structure Cycle 3*	Consumer Price Index	-2.0	4.1	n/a	n/a	n/a	n/a	n/a	n/a
BRUNEL	Private Markets Private Equity Cycle 1*	MSCI All Country World Index	21.3	10.6	14.6	-0.9	18.1	16.0	n/a	n/a
BRUNEL	Private Markets Private Equity Cycle 2*	MSCI All Country World Index	32.5	6.8	-0.6	-0.9	n/a	n/a	n/a	n/a
BRUNEL	Private Markets Private Equity Cycle 3*	MSCI All Country World Index	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
BRUNEL	Private Markets Private Debt Cycle 2*	Sterling Overnight Index Average + 4%	6.1	5.6	8.1	6.3	n/a	n/a	n/a	n/a
BRUNEL	Private Markets Private Debt Cycle 3*	Sterling Overnight Index Average + 4%	4.1	2.2	n/a	n/a	n/a	n/a	n/a	n/a
BRUNEL	Passive Developed Equity Hedged*	FTSE World Developed Hedged	6.7	7.4	-8.5	-6.1	15.1	16.2	n/a	n/a
BRUNEL	Passive Developed Equity Paris Aligned*	FTSE World Developed Paris-Aligned (PAB) Net Index	3.2	3.3	0.7	0.7	n/a	n/a	n/a	n/a
BRUNEL	Diversifying Returns*	Sterling Overnight Index Average +3%	1.6	3.9	-2.9	5.3	n/a	n/a	n/a	n/a
BRUNEL	Global Sustainable Equity*	MSCI All Country World GBP Index	6.4	9.7	-1.3	-0.9	n/a	n/a	n/a	n/a
BRUNEL	International Property*	MSCI Global Quarterly Property Fund Index (lag 1 quarter)	7.3	11.0	11.6	17.5	7.3	11.0	n/a	n/a
BRUNEL	UK Property*	AREF/IPD UK All Property Fund Index	1.8	1.4	-13.5	-14.4	1.8	1.4	n/a	n/a
BRUNEL	Multi-Asset Credit*	Sterling Overnight Index Average + 4%	-2.7	5.4	-3.4	6.3	n/a	n/a	n/a	n/a
BRUNEL	Sterling Corporate bonds*	IBoxx Sterling Non-Gilts Overall Total Return Index	-9.7	-9.8	-10.7	-10.2	n/a	n/a	n/a	n/a

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

NON-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 %
Golub Capital Partners	Private Debt	Sterling Overnight Index Average + 5%	9.8	5.9	14.5	7.4	8.8	6.0	11.6	5.9
Arcmont	Private Debt	Sterling Overnight Index Average + 5%	6.3	5.9	1.0	7.4	5.5	6.0	6.3	5.9

ASSET ALLOCATION

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 that management can work within in consultation with the Independent Advisor to the Fund. Actual levels of investments held at both 31st March 2022 and 31st March 2023 are also shown.

In December 2022 the Fund agreed to realign its strategic asset allocation targets to include a 5% strategic allocation to Social and Affordable Housing and an additional 2% allocation to Infrastructure. These were matched with reductions in equities (UK) and fixed interest investments.

	STRATEGIC ASSET ALLOCATION TARGET 2021/22	STRATEGIC ASSET ALLOCATION TARGET 2022/23	APPROVED CHANGES IN STRATEGIC ASSET ALLOCATION 2022/23	ACTUAL ASSET ALLOCATION AS AT 31ST MARCH 2022	ACTUAL ASSET ALLOCATION AS AT 31ST MARCH 2023
	%	%	%	%	%
UK ACTIVE EQUITIES	12.0	10.0	-2.0	13.0	11.7
GLOBAL HIGH ALPHA	13.5	13.5	-	13.2	13.5
EMERGING MARKETS	6.5	6.5	-	5.8	6.2
SUSTAINABLE	13.0	13.0	-	11.7	13.1
PASSIVE DEVELOPED	0.0	0.0	-	4.4	0.0
PARIS ALIGNED	10.0	10.0	-	9.9	10.2
TOTAL EQUITY	55.0	53.0	-2.0	58.0	54.7
MULTI ASSET CREDIT	7.5	7.0	-0.5	6.5	7.2
STERLING CORPORATE BONDS	14.5	10.0	-4.5	11.8	10.7
TOTAL FIXED INTEREST	22.0	17.0	-5.0	18.3	17.9
UK AND GLOBAL PROPERTY	10.0	10.0	-	9.1	8.7
DIVERSIFYING RETURNS	0.0	0.0	-	7.5	7.9
INFRASTRUCTURE	5.0	7.0	2.0	1.9	3.8
PRIVATE EQUITY	3.0	3.0	-	1.2	1.8
PRIVATE DEBT	5.0	5.0	-	2.5	3.8
VENTURE CAPITAL	0.0	0.0	-	0.1	0.1
SOCIAL/AFFORDABLE HOUSING	0.0	5.0	5.0	0.0	0.0
RISK MANAGEMENT FRAMEWORK	0.0	0.0	-	0.0	0.3
CASH	0.0	0.0	-	1.4	1.2
	100.0	100.0	-	100.0	100.0

ANNUAL RESPONSIBLE INVESTMENT UPDATE

Brunel currently manages the majority of the Fund's assets 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 **2022/23**, 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. Biodiversity**
- 3. Circular economy and supply chain management**
- 4. Cyber**
- 5. Diversity, equity and inclusion**
- 6. Human rights and social issues**
- 7. Tax and cost, transparency and fairness**

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 **2022/23**.

ENGAGEMENT

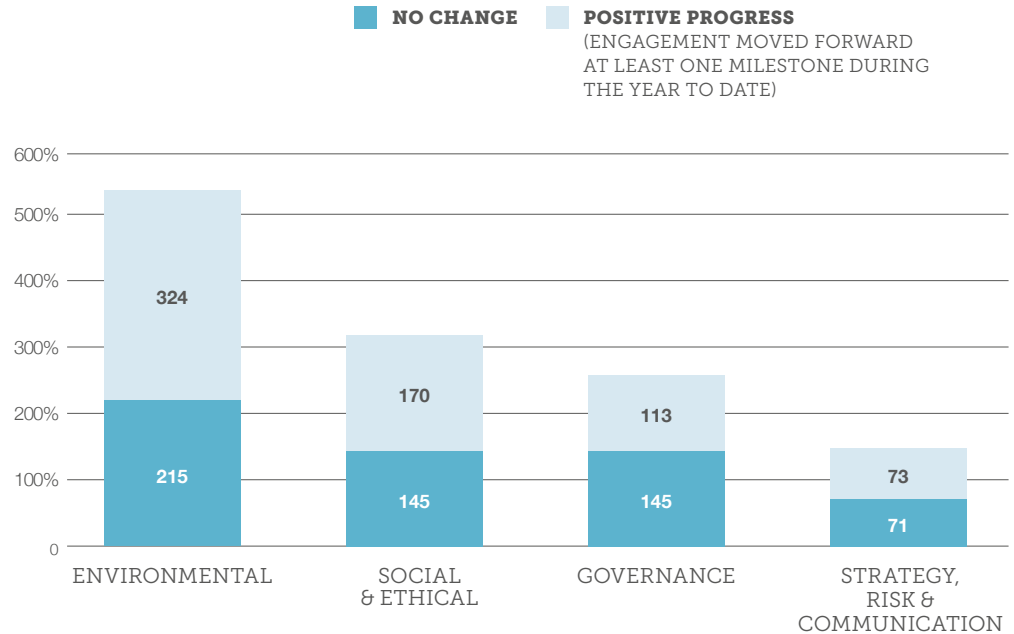
Brunel believes it is essential that they take an active and responsible approach to identifying risks and opportunities within investment portfolios. As such, Brunel set engagement objectives linked to the priority themes highlighted and provide all of their clients with quarterly and annual updates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

During **2022/23**, Brunel's proxy voting and engagement provider, Federated Hermes, engaged with 899 Brunel held companies (**839 in 2021/22**) covering 1,256 (**1,337 in 2021/22**) identified objectives and issues (see chart below). Progress against one or more milestones was achieved for 54% of objectives during the year (**50% in 2021/22**).

ENGAGEMENT PROGRESS

Engagement during 2022 made significant progress.

EOS undertakes engagement over three-year cycles. During **2022**, EOS engaged with **899** Brunel-held companies on **1,256** milestones. At least one milestone was moved forward about **54%** of objectives set 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 2023 Responsible Investment and Stewardship Outcomes for the year ending 31st December 2022.

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 publicly available on their website.

With respect to Gloucestershire's holdings, during 2022 Federated Hermes made voting recommendations at 1,456 meetings (1,322 in 2021), which represented 99% of votable meetings. At those meetings Federated Hermes recommended voting against or abstaining on 2,729 resolutions (2,367 2021) over the year. The vast majority of these voting recommendations were related to board structure and remuneration.

DEVELOPMENT OF A RESPONSIBLE INVESTMENT POLICY

The Fund aims to formulate a Responsible Investment Policy, recognising the need for effective stewardship incorporating fully Environmental, Social and Governance risk management, in managing long term investments. This policy will inform the Funds beliefs and principals in managing future portfolios in line with its fiduciary duty. This work is ongoing, but it is planned that this will be finalised and approved later this year.

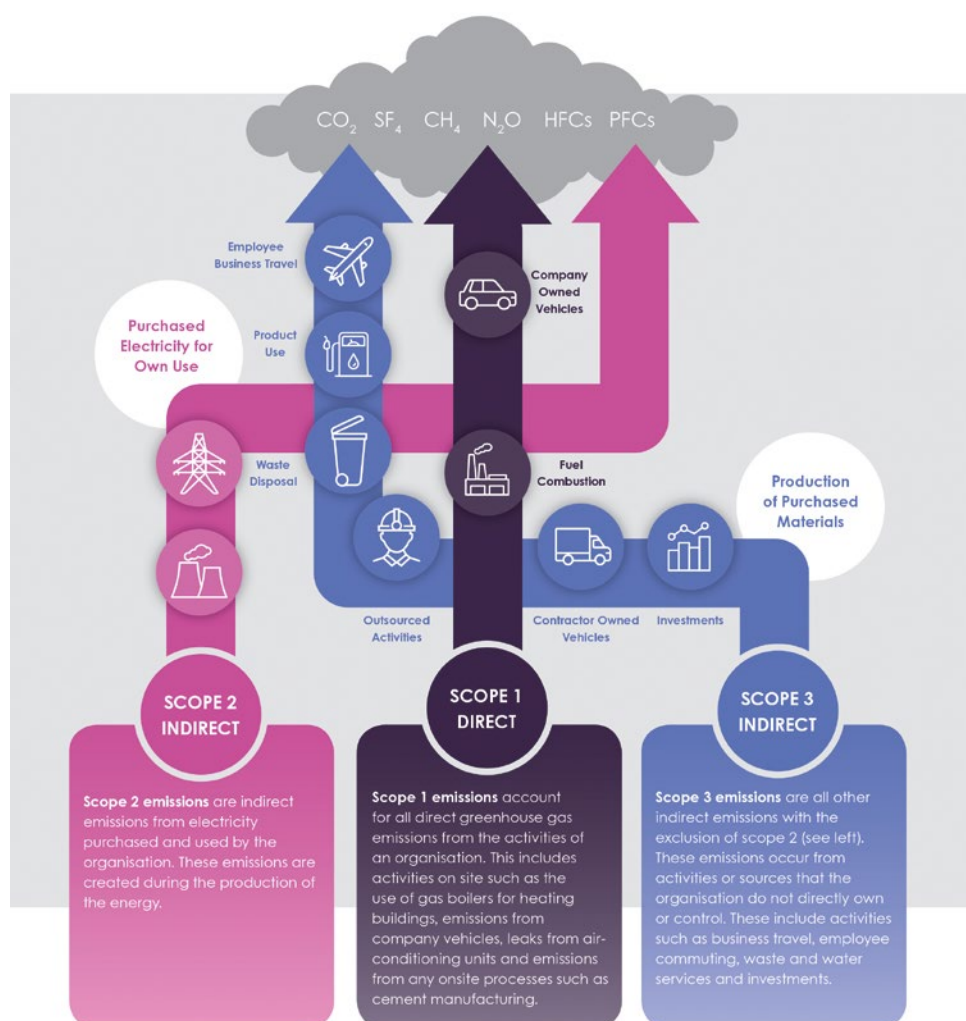
The Fund is also working towards meeting its aspiration to become a signatory to the Financial Reporting Council 2020 UK Stewardship Code, and the adoption of reporting frameworks set out under the Task Force on Climate-related Financial Disclosures (TCFD) reporting standards.

RESPONSIBLE INVESTMENT REPORTING AND CARBON METRICS

The Fund is fully committed to establishing transparent and informative disclosures on all investment holdings held and continues to work with Brunel in developing the appropriate reporting frameworks, for the Pension Committee and Board to regularly review but also to provide transparency for wider stakeholders through our website. As part of this development the Fund will be publishing the following carbon metric reporting framework for listed equity holdings held within the Brunel pool, which provides essential analysis in monitoring the carbon performance of the investments and a comparison against a strategic benchmark made up of the total Brunel client pool portfolios.

Carbon foot printing is measured by using a Weighted Average Carbon Intensity rating (WACI). Carbon intensity is broken down into 3 different scopes as explained more via the following illustration which was taken from a recent Brunel Pension Partnership publication.

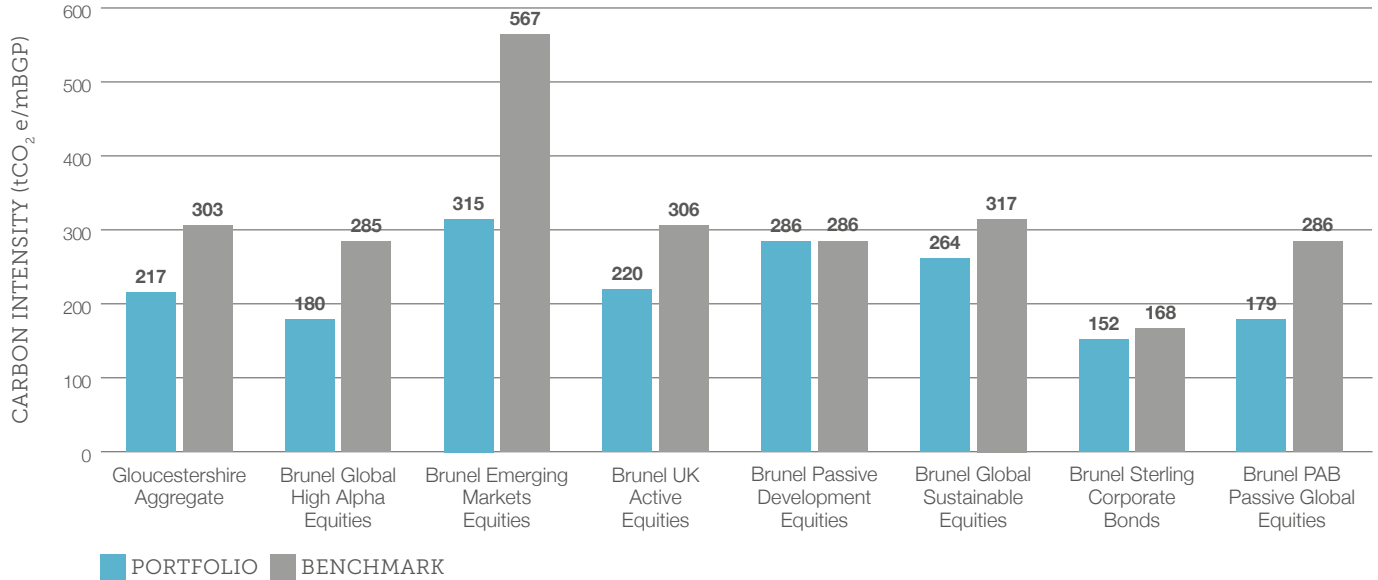
SCOPE 1,2 AND 3 DEFINITIONS



The WACI, is calculated by dividing the total carbon emissions by the total company revenues. This tool provides a valuable insight into the specific companies and sectors within the Fund's portfolio and assists responsible investment stewardship and engagement.

The following charts provide analysis of the Funds position as at 31st December 2022:

WEIGHTED AVERAGE CARBON INTENSITY (WACI)

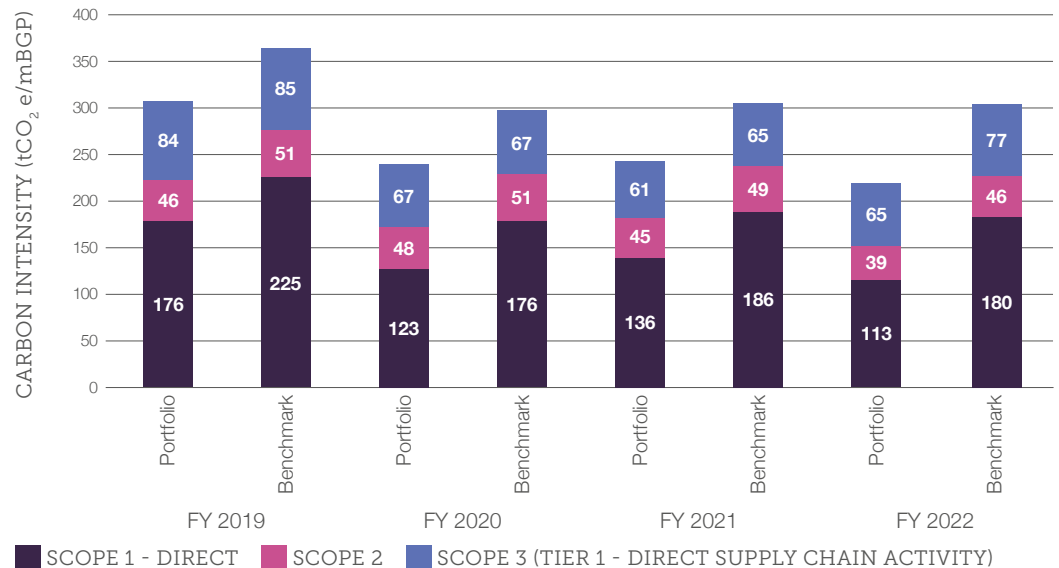


The Weighted Average Carbon Intensity (WACI) of the Gloucestershire Aggregate Portfolio is below its Strategic Benchmark, with a relative efficiency of **+29%**.

ABSOLUTE **CARBON FOOTPRINT** BY SCOPE

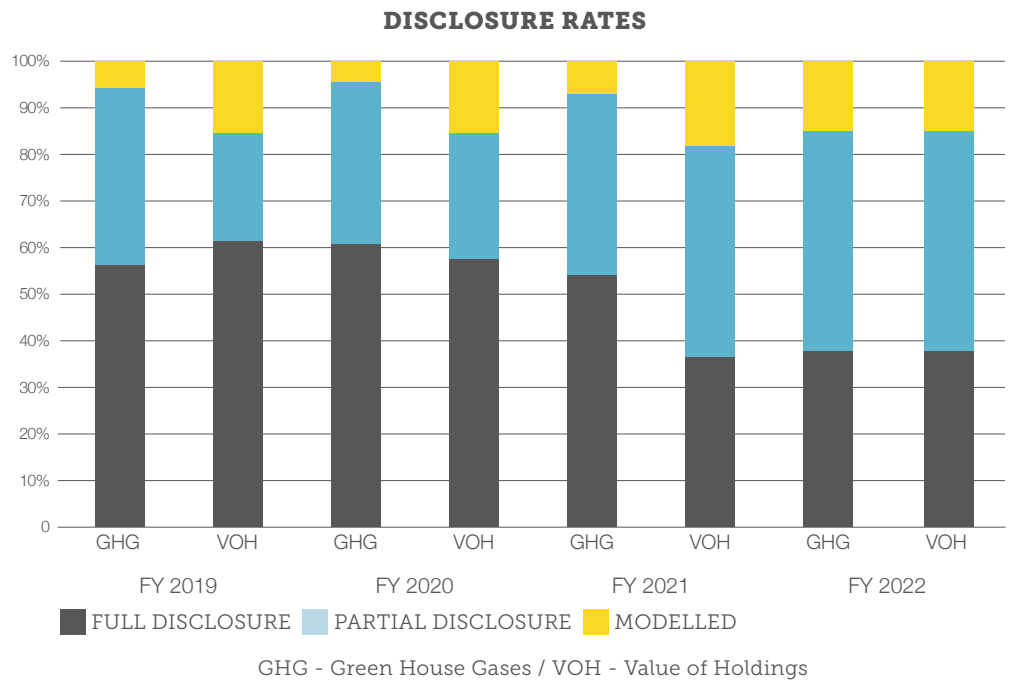
The chart below shows the weighted average carbon intensity v benchmark for Gloucestershire Pension Fund since 2019, and this clearly demonstrates a considerable reduction in the carbon intensity across all categories within the Fund's portfolio.

WEIGHTED AVERAGE CARBON INTENSITY (WACI)



DISCLOSURE RATES

The requirement for greater transparency of carbon reporting and disclosures is changing considerably within listed markets but for the 2022 analysis, the above table shows 38% of the portfolio has been subject to full disclosure, with 48% partial disclosure, resulting in estimation modelling of 14% has been necessary. With the continued transition under the Task Force on Climate-related Financial Disclosures (TCFD) reporting standards, then it is anticipated that full disclosure of companies will increase, enhancing the value of future analysis going forward.



PORTFOLIO DISCLOSURE RATES BY METHOD

Carbon Disclosure Category	GHG-weighted disclosure	Value weighted disclosure
FULL DISCLOSURE	38%	38%
PARTIAL DISCLOSURE	48%	48%
MODELLED	14%	14%

FULL DISCLOSURE

Data disclosed by a company in an un-edited form.

PARTIAL DISCLOSURE

Trucast has used data disclosed by a company but has made adjustments to match the reporting scope required by its research process. Values may also be derived from a previous year's disclosed data using changes in business activities and consolidated revenues.

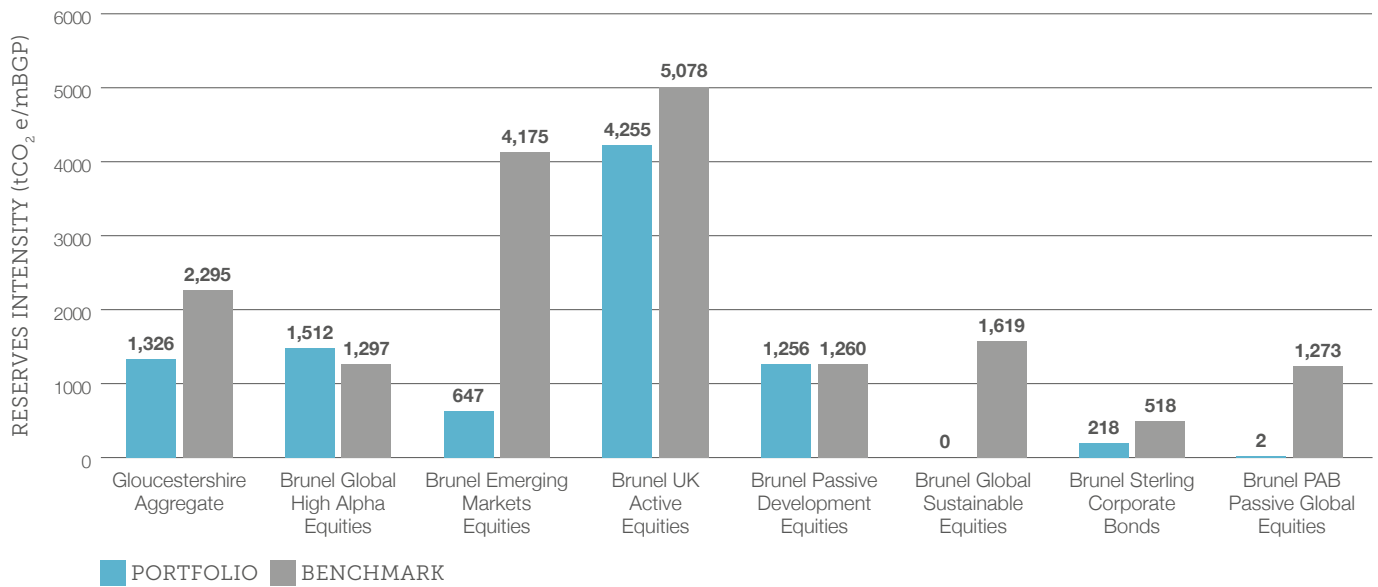
MODELLED

In the absence of usable disclosures, the data has been modelled using Trucast's EE-10 model.

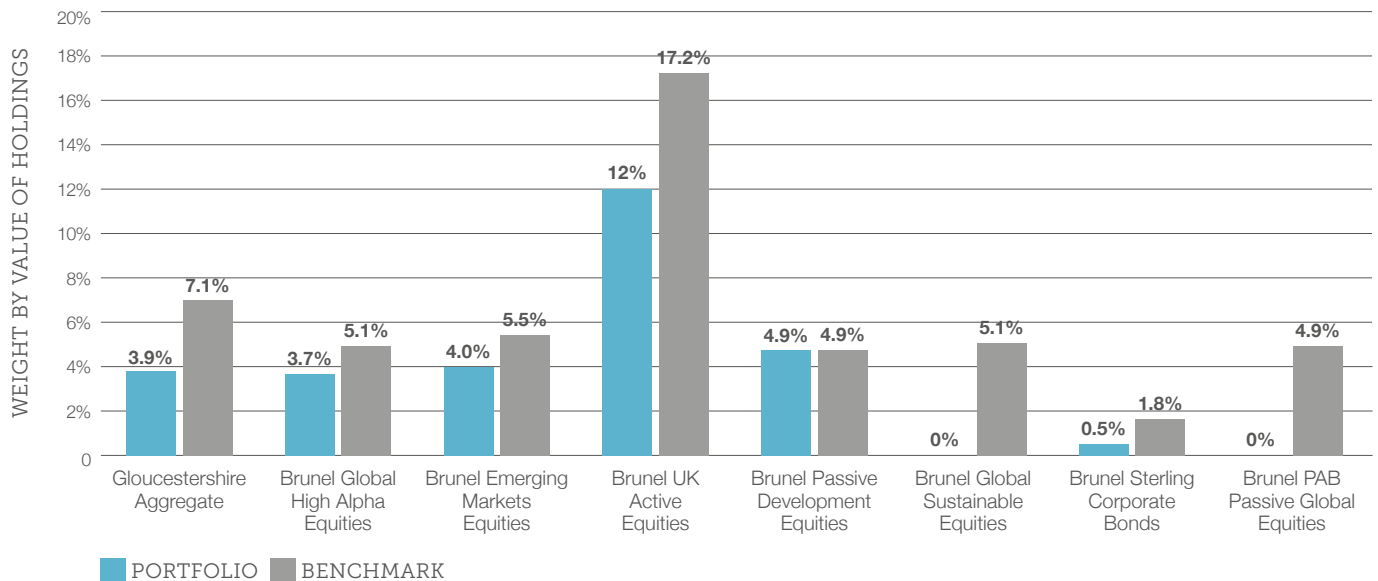
FOSSIL FUEL RESERVE **EXPOSURE**

The following illustrations provide an analysis of fossil fuel reserves within investment holdings, which have not yet been realised by companies, together with the future emissions which will be incurred when these reserves are utilised. This analysis is valuable in assessing potential risks of stranded assets. The Gloucestershire Aggregate portfolio has a lower exposure to fossil fuels than the strategic benchmark.

EMISSIONS FROM RESERVES PER MILLION GBP INVESTED



RESERVES EXPOSURE



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 2013 to 2022.
- + Annual reports from 2018/19 to the present.
- + Independent Auditor's Consistency Report.
- + Business Plan.

- + Funding Strategy Statements.
- + Investment Strategy Statement.
- + Investment Performance Report.
- + 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 manages the majority of the Fund's investments although responsibility for asset allocation remains with the Pension Committee.

5.2

VALUE FOR MONEY STATEMENT

The Fund strives to provide a quality service to our scheme members and employers, which will include providing value for money. 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.

During 2022/23 the recruitment of additional pension administration officers has been ongoing. Whilst some further recruitment, and system improvements remain a priority, we are focussing on the training of the additional team members. These additional resources and system developments will provide an improvement on service delivery and performance indicators over time.

The Local Government Pension Scheme funds account return (SF3) provides a useful dataset that can be analysed by fund membership (size) and administrative cost (investment costs are accounted for separately) the ratio gives a cost per member. From the latest available data relating to 2021/22 the Gloucestershire Pension Fund's (administration and oversight and governance) cost per member was £36.99 (£37.99 for all LGPS England & Wales all sizes), which compared favourably with, other LGPS funds of similar membership size.

SUMMARY OF ACTIVITY

During the 2022/2023 year, the administration function has primarily focussed on increasing resources and training the newly appointed staff whilst keeping on top of the day-to-day work. Towards the end of this period, the Fund commissioned an independent review of its administrative function. The final report highlighted the need for an even greater increase in administration resourcing as well as a need to modernise the service which would involve a series of projects taking place in 2023/2024 and beyond.

Furthermore, during the 2023/2024 year, the Fund will re-tender its administration software contract.

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.

	2018/19 %	2019/20 %	2020/21 %	2021/22 %	2022/23 %
PENSION CONTRIBUTIONS PAID ON OR BEFORE THE DUE DATE	99.84	99.76	99.52	99.49	99.45

		2018/19	2019/20	2020/21	2021/22	2022/23
SERVICE	TARGET	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL
ESTIMATES TO EMPLOYEES (15 DAYS)	90%	90%	98%	90%	75%	81%
RETIREMENTS AND LUMP SUMS PAID (15 DAYS)	90%	69%	61%	80%	64%	59%
REFUNDS PAID (15 DAYS)	90%	98%	99%	93%	63%	58%
DEATH GRANTS PAID (8 DAYS)	90%	82%	67%	70%	51%	53%
ANNUAL BENEFITS STATEMENTS ISSUED WITHIN THE STATUTORY DEADLINE	100%	100% see note 1	100% see note 1	100% see note 1	100% see note 1	100% see note 1
TRANSFERS OUT PAID (15 DAYS)	90%	98%	99%	97%	96%	95%

Note 1. All of the year end returns from all employers were received by the Administration Team within the statutory deadline. All returns were matched to the member records held within the Administration team, and where a definitive match was made, 100% of the Annual Benefit Statements were distributed to active and deferred members by the statutory deadline.

EMPLOYER CHARGES IN RESPECT OF SERVICE STANDARD BREACHES

As per Section 2.4 of the Pensions Administration Strategy, the Fund will charge employers additional costs incurred as a result of scheme employer's level of performance. In **2022/23** additional costs of **£16,968** were recharged (£5,664 2021/22).

COMPLAINTS RECEIVED

TYPE OF COMPLAINT	2018/19	2019/20	2020/21	2021/22	2022/23
SYSTEM ERROR	-	-	-	-	-
STAFF ERROR	2	1	1	2	-
STAFF ATTITUDE	-	-	-	-	-
TOTAL	2	1	1	2	-
TOTAL AS % OF WORKLOAD	0.0%	0.0%	0.0%	0.0%	0.0%

FINANCIAL INDICATORS

UNIT COSTS PER MEMBER	2018/19	2019/20	2020/21	2021/22	2022/23
INVESTMENT MANAGEMENT EXPENSES					
TOTAL COSTS £000	6,492	7,797	10,146	16,306	24,991
TOTAL MEMBERSHIP NUMBERS	60,134	60,417	61,896	63,251	66,419
COST PER MEMBER £	107.96	129.05	163.92	257.80	376.26
ADMINISTRATION EXPENSES					
TOTAL COSTS £000	1,397	1,509	1,556	1,553	1,845
TOTAL MEMBERSHIP NUMBERS	60,134	60,417	61,896	63,251	66,419
COST PER MEMBER £	23.23	24.98	25.14	24.55	27.78
OVERSIGHT AND GOVERNANCE					
TOTAL COSTS £000	553	722	500	671	820
TOTAL MEMBERSHIP NUMBERS	60,134	60,417	61,896	63,251	66,419
COST PER MEMBER £	9.20	11.95	8.08	10.61	12.35
TOTAL COST PER MEMBER £	140.39	165.98	197.14	292.96	416.39

The management fees disclosed above include investment management fees 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.

The increase on investment management expenses during the period of £8.7m have increased from those reported in 2021-22 largely because of the full adoption of the Cost Transparency Initiative (CTI) reporting template to account for all management expenses incurred on funds invested during the year. This has a zero net effect overall, with an offsetting increase in reported profit in year. In addition, an increase in amounts invested in property, private equity and infrastructure resulted in increases in management fees.

BENCHMARKING

The Pension Fund submits data (SF3 submission) on an annual basis to the Department for Levelling Up, Housing and Communities (DLUHC). 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 DLUHC and any significant variances are investigated.

Please find detailed below the latest available benchmarking relating to 2021/22 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.

	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £
ADMINISTRATION COSTS PER SCHEME MEMBER					
GLOUCESTERSHIRE COUNTY COUNCIL	27.94	32.92	37.55	34.66	36.99
ALL AUTHORITIES	29.80	32.68	35.70	35.89	37.99
FUND MANAGEMENT COSTS PER SCHEME MEMBER					
GLOUCESTERSHIRE COUNTY COUNCIL	107.80	117.08	139.48	178.67	281.81
ALL AUTHORITIES	175.44	189.59	209.68	238.37	282.37
TOTAL ADMINISTRATION AND FUND MANAGEMENT COSTS PER SCHEME MEMBER					
GLOUCESTERSHIRE COUNTY COUNCIL	135.74	150.00	177.03	213.33	318.80
ALL AUTHORITIES	205.24	222.27	245.38	274.26	320.36

Please also find detailed below benchmarking results, from the 2021/22 SF3 submission, comparing the number of full time equivalent (F.T.E.) staff employed in pension administration and accounting duties at the Gloucestershire Fund to the average number of F.T.E. staff employed in pension administration and accounting duties in all funds in England and Wales.

	2017/18	2018/19	2019/20	2020/21	2021/22
STAFF EMPLOYED IN PENSION ADMINISTRATION AND ACCOUNTING DUTIES					
GLOUCESTERSHIRE COUNTY COUNCIL	22.0	21.0	21.0	20.1	19.6
ALL AUTHORITIES	19.6	20.9	22.0	23.6	25.2

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.

	2018/19	2019/20	2020/21	2021/22	2022/23
NUMBER OF FULL TIME EQUIVALENT PENSION FUND STAFF	14.6	14.9	15.5	14.4	22.7
TOTAL FUND MEMBERSHIP	60,134	60,417	61,896	63,251	66,419
NUMBER OF FUND MEMBERS TO ONE MEMBER OF ADMINISTRATION STAFF	4,119	4,055	3,993	4,392	2,926

OTHER INFORMATION

5.5

MEMBERSHIP SUMMARY	2018/19	% DIFF	2019/20	% DIFF	2020/20	% DIFF	2021/22	% DIFF	2022/23
CONTRIBUTORS	18,969	+0.80	19,121	+0.53	19,222	-1.57	18,920	+3.61	19,603
PENSIONERS	16,058	+3.42	16,607	+4.11	17,290	+4.85	18,128	+4.88	19,012
DEFERRED PENSIONERS	20,417	-1.19	20,173	+0.5	20,274	+2.66	20,814	+1.35	21,096
TOTAL	55,444	+0.82	55,901	+1.58	56,786	+1.89	57,862	+3.20	59,711
UNDECIDED/ UNPROCESSED LEAVERS	4,690	-3.71	4,516	+13.15	5,110	+5.46	5,389	+24.48	6,708
TOTAL	60,134	+0.47	60,417	+2.45	61,896	+2.19	63,251	+5.01	66,419

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's (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	18
M	under 15	0	0	0	16
F	15 to 19	89	2	0	27
M	15 to 19	49	0	0	16
F	20 to 24	567	71	0	12
M	20 to 24	238	31	0	12
F	25 to 29	918	443	0	7
M	25 to 29	294	240	0	6
F	30 to 34	1227	1062	0	4
M	30 to 34	341	567	0	2
F	35 to 39	1722	1544	0	2
M	35 to 39	337	645	0	2
F	40 to 44	2040	2004	3	8
M	40 to 44	364	628	0	2
F	45 to 49	2297	2192	3	2
M	45 to 49	402	518	1	11
F	50 to 54	2620	3175	29	18
M	50 to 54	500	704	13	24
F	55 to 59	2505	3472	529	34
M	55 to 59	586	697	135	64
F	60 to 64	1448	2035	1872	59
M	60 to 64	437	450	585	102
F	65 to 69	359	356	3212	132
M	65 to 69	159	115	1083	115
F	70 to 74	65	85	2718	181
M	70 to 74	38	34	1204	123
F	75 to 79	1	12	1875	242
M	75 to 79	0	10	983	148
F	80 to 84	0	2	958	232
M	80 to 84	0	2	532	113
F	85 to 89	0	0	433	203
M	85 to 89	0	0	277	94
F	90 to 94	0	0	182	113
M	90 to 94	0	0	90	34
F	95 to 99	0	0	45	44
M	95 to 99	0	0	12	0
F	100 to 104	0	0	5	9
M	100 to 104	0	0	2	0
TOTAL	59,711	19,603	21,096	16,781	2,231

ANALYSIS OF NEW PENSIONERS

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

	2018/19	2019/20	2020/21	2021/22	2022/23
NORMAL RETIREMENT	205	186	235	365	362
EARLY RETIREMENT*	618	683	637	641	696
ILL-HEALTH RETIREMENT**	32	27	20	14	39
	855	896	892	1,020	1,097

*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 2023 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	183	16	199
ADMITTED BODIES	35	48	83
TOTAL	218	64	282

EMPLOYEE CONTRIBUTIONS

Employee contributions are prescribed by statute and are based on pay bands. The pay bands and rates applicable from April 2022 are detailed below:

Whilst these same rates will apply to the 2023/24 financial year, the pensionable pay banding levels have increased. 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 £15,000	5.5
£15,001 to £23,600	5.8
£23,601 to £38,300	6.5
£38,301 to £48,500	6.8
£48,501 to £67,900	8.5
£67,901 to £96,200	9.9
£96,201 to £113,400	10.5
£113,401 to £170,100	11.4
More than £170,101	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 most recent actuarial valuation of the Fund, as at 31st March 2022, was undertaken to calculate the employers' contribution rates which will be payable in each of the three years commencing 1st April 2023. The contribution rates from the 2019 actuarial valuation applied to the period of this report.

The table below summarises the whole fund Primary and Secondary Contribution rates at the 2019 and 2022 valuations. 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.

	VALUATION AS AT 31ST MARCH 2019		VALUATION AS AT 31ST MARCH 2022	
PRIMARY RATE (% OF PAY)	20.9%		21.8%	
SECONDARY RATE (£)	2020/21	30,652,000	2023/24	20,698,000
	2021/22	26,850,000	2024/25	20,082,000
	2022/23	24,353,000	2025/26	19,463,000

Further information regarding the valuation and the scheme's funding position is included in the Actuarial Report on the Fund on pages **63** to **65**.

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 pages **180** to **181** 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 2023 to 31st March 2026 may be found on pages 66 to 74.

2022/23 CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS	EMPLOYEE CONTRIBUTIONS	TOTAL
ADMINISTERING AUTHORITY			
GLOUCESTERSHIRE COUNTY COUNCIL*	41,767,320	10,609,656	52,376,976
SCHEDULED BODIES			
CHELTENHAM BOROUGH COUNCIL	1,787,495	513,518	2,301,013
COTSWOLD DISTRICT COUNCIL	372,504	66,813	439,317
FOREST OF DEAN DISTRICT COUNCIL	78,535	32,586	111,121
GLOUCESTER CITY COUNCIL	1,457,051	499,901	1,956,952
STROUD DISTRICT COUNCIL	4,068,473	804,514	4,872,987
TEWKESBURY BOROUGH COUNCIL	2,693,272	508,863	3,202,135
COTSWOLDS NATIONAL LANDSCAPE	122,578	42,948	165,526
CHELTENHAM BOROUGH HOMES	1,082,931	394,256	1,477,187
POLICE AND CRIME COMMISSIONER FOR GLOUCESTERSHIRE	6,697,071	2,018,478	8,715,549
LOWER SEVERN DRAINAGE BOARD	156,863	27,396	184,259
PARISH AND TOWN COUNCILS (POOLED)	628,602	185,912	814,514
UNIVERSITY OF GLOUCESTERSHIRE	3,900,056	1,078,369	4,978,425
CIRENCESTER COLLEGE	668,873	169,782	838,655
GLOUCESTERSHIRE COLLEGE	1,058,850	299,806	1,358,656
HARTPURY UNIVERSITY	2,299,258	625,179	2,924,437
ACADEMIES			
ABBAY VIEW CCT	32,354	6,949	39,303
ALL SAINTS	196,637	51,652	248,289
AYLBURTON PRIMARY	25,250	5,252	30,502
BALCARRAS SCHOOL	373,510	91,151	464,661
BATTLEDOWN PRIMARY	189,016	35,748	224,764
BELMONT SCHOOL	338,376	64,736	403,112
BERKELEY PRIMARY	90,376	19,859	110,235
BERKELEY UTC ACADEMY	48,013	11,376	59,389
BIBURY C OF E PRIMARY ACADEMY	15,764	3,199	18,963
BISHOPS CLEEVE PRIMARY	157,052	39,905	196,957
BLOCKLEY PRIMARY ACADEMY	54,768	13,300	68,068
BOURTON ON THE WATER	118,185	29,056	147,241
BREAM C OF E PRIMARY ACADEMY	55,974	11,806	67,780
BROCKWORTH PRIMARY	104,041	24,793	128,834
CAM WOODFIELD JUNIOR ACADEMY	53,348	11,215	64,563

2022/23 CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS	EMPLOYEE CONTRIBUTIONS	TOTAL
CHARLTON KINGS INFANTS SCHOOL	119,166	28,891	148,057
CHARLTON KINGS JUNIOR SCHOOL	121,515	24,608	146,123
CHELTENHAM BOURNSIDE SCHOOL	504,911	106,866	611,777
CHESTERTON PRIMARY ACADEMY	100,689	21,637	122,326
CHIPPING CAMPDEN SCHOOL	364,819	79,733	444,552
CHOSEN HILL SCHOOL	353,491	77,633	431,124
CHRIST CHURCH C OF E	79,585	17,327	96,912
CHURCHDOWN SCHOOL	390,249	73,301	463,550
CHURCHDOWN VILLAGE INFANTS	78,280	19,169	97,449
CIRENCESTER DEER PARK SCHOOL	379,236	80,513	459,749
CIRENCESTER KINGSHILL SCHOOL	247,629	58,363	305,992
CLEARWATER PRIMARY ACADEMY	50,029	10,650	60,679
CLEEVE SCHOOL	308,238	73,409	381,647
COALEY C OF E PRIMARY ACADEMY	26,037	5,179	31,216
COLD ASTON C OF E PRIMARY ACADEMY	8,609	1,697	10,306
COTSWOLD SCHOOL	372,346	97,321	469,667
CRYPT SCHOOL	208,476	55,496	263,972
DENE MAGNA SCHOOL	344,300	67,513	411,813
DENMARK ROAD HIGH SCHOOL	225,346	44,561	269,907
DIOCESE OF GLOUCESTER ACADEMIES TRUST	124,753	33,362	158,115
DRYBROOK PRIMARY	69,624	12,487	82,111
DURSLEY PRIMARY	78,453	16,202	94,655
ENGLISH BICKNOR PRIMARY	20,603	4,331	24,934
FARMORS ACADEMY	230,000	46,276	276,276
FIELD COURT C OF E INFANT SCHOOL	138,332	29,291	167,623
FIELD COURT C OF E JUNIOR SCHOOL	87,511	20,297	107,808
FIVE ACRES HIGH SCHOOL ACADEMY	260,733	53,378	314,111
FOREST HIGH SCHOOL	67,082	14,608	81,690
FOREST VIEW PRIMARY	158,533	29,716	188,249
GLOUCESTER ACADEMY	310,536	67,298	377,834
GOTHERINGTON PRIMARY SCHOOL	53,722	8,858	62,580
GRANGE PRIMARY ACADEMY	78,946	18,996	97,942
GREAT OLDBURY PRIMARY	52,093	12,589	64,682
GREENSHAW MULTI ACADEMY TRUST (CENTRAL STAFF)	112,748	29,383	142,131
GRETTON PRIMARY SCHOOL	30,224	5,716	35,940
HARDWICKE PRIMARY SCHOOL	109,563	22,322	131,885
HARTPURY C OF E PRIMARY ACADEMY	46,167	7,695	53,862
HENLEY BANK HIGH SCHOOL	184,978	38,441	223,419
HIGHNAM C OF E PRIMARY SCHOOL	63,626	14,163	77,789
HOLMLEIGH PARK HIGH SCHOOL	292,492	59,106	351,598

2022/23 CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS	EMPLOYEE CONTRIBUTIONS	TOTAL
HUNTSGROVE PRIMARY	54,676	13,374	68,050
KATHERINE LADY BERKELEY SCHOOL	400,385	87,841	488,226
KEMBLE PRIMARY ACADEMY	31,976	8,179	40,155
LAKEFIELD PRIMARY ACADEMY	77,676	15,877	93,553
LECKHAMPTON HIGH SCHOOL	33,530	8,192	41,722
LONGBOROUGH C OF E PRIMARY ACADEMY	13,302	2,649	15,951
LONGFORD PARK PRIMARY ACADEMY	67,143	15,879	83,022
LONGNEY C OF E PRIMARY ACADEMY	26,003	5,340	31,343
LYDNEY PRIMARY	80,543	17,083	97,626
MARLING SCHOOL	277,693	63,408	341,101
MILESTONE ACADEMY	896,799	168,408	1,065,207
MINCHINHAMPTON ACADEMY	109,957	22,600	132,557
MITTON MANOR PRIMARY ACADEMY	44,662	9,607	54,269
MOAT PRIMARY ACADEMY	50,746	12,404	63,150
NEWENT COMMUNITY SCHOOL	249,135	52,388	301,523
NORTH CERNEY C OF E PRIMARY ACADEMY	19,934	4,045	23,979
NORTH COTSWOLD SCHOOL FOUNDATION MULTI ACADEMY TRUST (CENTRAL STAFF)	21,075	5,318	26,393
OFFAS MEAD PRIMARY	27,946	6,436	34,382
PATERNOSTER ACADEMY	194,201	36,182	230,383
PATES SCHOOL	338,129	84,922	423,051
PHOENIX LEARNING ALLIANCE (CENTRAL STAFF)	99,715	28,789	128,504
PRIMROSE HILL ACADEMY	76,714	15,411	92,125
REDMARLEY C OF E SCHOOL	32,197	5,695	37,892
RIBSTON HALL SCHOOL	210,230	53,429	263,659
ROBINSWOOD PRIMARY SCHOOL	140,902	34,427	175,329
ROSARY CATHOLIC PRIMARY SCHOOL	59,412	12,924	72,336
ROWANFIELD INFANT SCHOOL	60,784	14,474	75,258
ROWANFIELD JUNIOR SCHOOL	96,025	23,578	119,603
SAND ACADEMY TRUST (CENTRAL STAFF)	191,982	49,292	241,274
SEVERN FEDERATION MULTI ACADEMY TRUST (CENTRAL STAFF)	21,597	5,946	27,543
SEVERNBANKS PRIMARY	103,928	21,820	125,748
SEVERN VALE SCHOOL	410,955	77,686	488,641
SIDDINGTON C OF E PRIMARY ACADEMY	26,792	5,844	32,636
SIR THOMAS RICH'S SCHOOL	260,506	57,067	317,573
SIR WILLIAM ROMNEY'S SCHOOL	177,246	36,772	214,018
SOUTH GLOS. & STROUD ACADEMY TRUST	50,576	13,430	64,006
SPRINGBANK PRIMARY	142,880	35,161	178,041
ST DAVID'S PRIMARY	74,077	17,473	91,550
ST JAMES & EBRINGTON PRIMARY ACADEMY	22,144	4,392	26,536

2022/23 CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS	EMPLOYEE CONTRIBUTIONS	TOTAL
ST JAMES PRIMARY ACADEMY	105,674	21,251	126,925
ST JOHN'S C OF E PRIMARY	45,688	8,970	54,658
ST LAWRENCE ACADEMY	49,394	10,062	59,456
ST MARY'S CATHOLIC PRIMARY SCHOOL	69,669	16,118	85,787
ST MATTHEW'S C OF E PRIMARY ACADEMY	67,328	13,857	81,185
ST PETER'S CATHOLIC HIGH SCHOOL	395,365	87,572	482,937
STAUNTON AND CORSE C OF E SCHOOL	40,535	9,481	50,016
STONE WITH WOODFORD C OF E ACADEMY	37,714	7,257	44,971
STROUD HIGH SCHOOL	226,973	51,042	278,015
SWELL C OF E PRIMARY ACADEMY	5,638	1,111	6,749
TEWKESBURY SCHOOL	351,930	78,424	430,354
THE DEAN ACADEMY	259,139	53,755	312,894
THE RIDGE ACADEMY	87,171	21,647	108,818
THE WILLOW PRIMARY ACADEMY	122,524	22,972	145,496
THOMAS KEBLE SCHOOL	202,422	46,851	249,273
TREDINGTON PRIMARY	29,908	7,019	36,927
TREDWORTH INFANT AND NURSERY ACADEMY	91,210	20,863	112,073
WATERMOOR C OF E PRIMARY ACADEMY	56,124	11,658	67,782
WATERWELL PRIMARY ACADEMY	71,911	17,441	89,352
WHITESHILL PRIMARY ACADEMY	28,704	5,877	34,581
WINCHCOMBE ABBEY	112,274	23,144	135,418
WINCHCOMBE SCHOOL	185,234	37,958	223,192
WYEDEAN SCHOOL	317,107	62,894	380,001
	44,012,555	10,967,666	54,980,221
ADMITTED BODIES			
ADOPTION WEST	146,499	38,674	185,173
ALLIANCE IN PARTNERSHIP (ST. PETERS)	30,008	5,451	35,459
ASPIRE FOUNDATION (FORMERLY GARDNERS LANE & OAKWOOD)	95,366	31,094	126,460
ASPIRE SPORTS AND CULTURAL TRUST	42,236	18,451	60,687
ASPENS CATERING (FARMORS)	1,747	329	2,076
ATKINS	17,161	5,628	22,789
BARNARDO'S	5,506	1,192	6,698
BARNARDO'S	-	2,541	2,541
BRANDON TRUST	9,488	2,326	11,814
BRAYBORNE (HOLMLEIGH PARK)	6,008	1,056	7,064
CHELTENHAM TRUST	87,179	24,087	111,266
CIVICA UK LTD	-	5,519	5,519
CIVICA UK LTD - GLOS CITY IT	2,205	1,191	3,396
COTSWOLD ARCHAEOLOGY LTD.	159,206	42,936	202,142
DIRECT CLEANING (ST. PETERS)	57,061	10,256	67,317

2022/23 CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS	EMPLOYEE CONTRIBUTIONS	TOTAL
GLOUCESTER CITY HOMES	257,296	74,347	331,643
GLOUCESTER COMMUNITY BUILDING COLLECTIVE	10,278	3,444	13,722
GLOUCESTERSHIRE AIRPORT	2,792	1,152	3,944
GLOUCESTERSHIRE HEALTH & CARE NHS FOUNDATION	60,552	15,309	75,861
GLOUCESTERSHIRE GROUP HOMES	50,502	10,227	60,729
HALO LEISURE	59,716	16,300	76,016
THE ORDERS OF ST JOHN CARE TRUST	82,346	8,692	91,038
PLACES FOR PEOPLE	19,297	7,055	26,352
PROSPECTS YOUTH SERVICE	-	114,364	114,364
PUBLICA (COTSWOLD)	1,060,718	302,488	1,363,206
PUBLICA (FOREST)	540,250	180,782	721,032
PUBLICA (FOREST) REVENUE & BENEFITS	62,130	18,314	80,444
RINGWAY INFRASTRUCTURE SERVICES	37,223	9,270	46,493
SPORT & LEISURE MANAGEMENT	79,175	40,345	119,520
STROUD COURT COMMUNITY TRUST	93,626	23,724	117,350
STROUD SUBSCRIPTION ROOMS	2,597	680	3,277
TINIES UK (GLOS COLLEGE)	41,439	10,601	52,040
TWO RIVERS HOUSING	183,186	84,001	267,187
UBICO LTD. (CHELT BC)	-	97,522	97,522
UBICO LTD. (COTS DC)	18,437	5,523	23,960
UBICO LTD. (FODDC)	-	4,133	4,133
UBICO LTD. (GLOS. CITY)	208,320	43,222	251,542
UBICO LTD. (TEWKS BC)	-	38,111	38,111
WEALDON LEISURE (FODDC)	55,911	16,974	72,885
ADMITTED BODIES TOTAL	3,585,461	1,317,311	4,902,772
SECTION 75 DEBT (CESSATION OF EMPLOYER)	412,079	-	412,079
ILL HEALTH INSURANCE	-1,732,475	-	-1,732,475
TOTAL CONTRIBUTIONS	88,044,940	22,894,633	**110,939,573

* 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 2023.

SUMMARY OF FREEDOM OF INFORMATION REQUESTS RECEIVED DURING 2022/23

SUBJECT	NUMBER OF REQUESTS			
	2019/20	2020/21	2021/22	2022/23
ALTERNATIVE INVESTMENTS	12	13	10	9
SUBJECT ACCESS REQUEST	2	1	1	2
VOTING RECORDS	2	4	3	1
INVESTMENTS IN FOSSIL FUELS, CLIMATE CHANGE, TOBACCO AND RUSSIA	2	3	-	2
ASSETS HELD AND TRANSACTIONS	3	2	4	4
THIRD PARTY PROVIDERS USED	-	1	2	1
INVESTMENT MANAGEMENT FEES	-	1	-	-
INDEPENDENT ADJUDICATOR	-	1	-	-
BRUNEL PENSION PARTNERSHIP	-	-	1	-
COMMITTEE PAPERS	-	-	-	1
AMOUNT OF COUNCIL TAX SPENT ON PENSIONS	-	-	-	1
	21	26	21	21

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

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 date of 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, 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

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 or they can be contacted on **0800 011 3797**.

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, 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 <https://www.gloucestershire.gov.uk/pensions>. Alternatively, you can contact the Pensions Section by telephoning **(01452) 328888**.

IDRP

There were no IDRP appeals against the fund during 2022/2023.

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 useable 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

An actuarial valuation of the Fund was carried out as at 31st March 2022. The results are briefly summarised below. The results of 2022 valuation will be implemented from 2023/24.

FUNDING POSITION

The table below summarises the financial position of the Fund at 31st March 2022, and at the previous three valuation dates, in respect of benefits earned by members up to this date.

	31ST MARCH 2013	31ST MARCH 2016	31ST MARCH 2019	31ST MARCH 2022
PAST SERVICE POSITION	£M	£M	£M	£M
PAST SERVICE LIABILITIES	1,976	2,138	2,338	2,826
MARKET VALUE OF ASSETS	1,385	1,703	2,379	3,111
SURPLUS / (DEFICIT)	(591)	(435)	41	285
FUNDING LEVEL	70.1%	79.7%	101.8%	110.1%

The main reasons for the change in the funding level over the period were better than anticipated 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 and 2022 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 0.7% of pensionable pay for the Fund's expenses (0.6% at the 2019 valuation). The average employee contribution rate is 6.4% of pensionable pay (6.3% at the 2019 valuation).

The minimum contributions to be paid by each employer from 1st April 2023 to 31st March 2026 are shown in the Rates and Adjustment Certificate on pages 66 to 74.

PRIMARY EMPLOYER CONTRIBUTION RATE AS A % OF PAY 1ST APRIL 2023 TO 31ST MARCH 2026	SECONDARY RATE £000		
	2023/24	2024/25	2025/26
21.8%	20,698	20,082	19,463

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 2025. This will set the minimum contributions to be paid by each employer from 1st April 2026 to 31st March 2029.

A copy of the most recent valuation can be found at <https://www.gloucestershire.gov.uk/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 2022/23 extra contributions of £1.0m (£0.8m 2021/22) were collected from employers in connection with early retirements and £0.9m (£0.1m 2021/22) 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 February 2023. In summary, the key funding principles are as follows:

- + take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- + use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term)
- + where appropriate, ensure stable employer contribution rates
- + reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- + use reasonable measures to reduce the risk of an employer defaulting on its pension obligations
- + manage the fund in line with the stated ESG policies.

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 20 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 20 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 2022. This valuation revealed that the Fund's assets, which at 31st March 2022 were valued at £3,111 million, were sufficient to meet 110% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £285 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1st April 2023 to 31st March 2026 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 2022 valuation report and FSS.

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 2022 valuation were as follows:

FINANCIAL ASSUMPTIONS	31ST MARCH 2022
DISCOUNT RATE	4.2% pa
SALARY INCREASE ASSUMPTION	3.2% pa
BENEFIT INCREASE ASSUMPTION (CPI)	2.7% pa

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 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	MALES	FEMALES
CURRENT PENSIONERS	21.9 years	24.6 years
FUTURE PENSIONERS*	22.6 years	26.0 years

*Aged 45 at the 2022 Valuation.

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and on the Fund's website.

EXPERIENCE OVER THE PERIOD SINCE 31ST MARCH 2022

Markets continued to be disrupted by the ongoing war in Ukraine and inflationary pressures, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in a higher than expected LGPS benefit increase of 10.1% in April 2023. Despite this, the funding level of the Fund is likely to be higher than reported at the 31 March 2022 funding valuation due to the significant rise in interest rates which reduces the value placed on the Fund's liabilities.

The next actuarial valuation will be carried out as at 31st March 2025. The Funding Strategy Statement will also be reviewed at that time.

Julie West FFA

For and on behalf of Hymans Robertson LLP
11th May 2023

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

09

RATES AND ADJUSTMENTS CERTIFICATE

09

SUMMARY STATEMENT TO THE RATES AND ADJUSTMENTS CERTIFICATE

In accordance with regulation 62 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 2023 to 31st March 2026 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 (%/£)		
	2023/24	2024/25	2025/26
GLOUCESTERSHIRE COUNTY COUNCIL & SCHOOLS POOL			
GLOUCESTERSHIRE COUNTY COUNCIL AND SCHOOLS	26.4%	26.4%	26.4%
STABILISED			
GLOUCESTER CITY COUNCIL	19.9% plus £3,214,000	19.9% plus £3,087,000	19.9% plus £2,959,000
CHELTENHAM B.C.**	20.1% plus £2,414,000	20.1% plus £2,212,000	20.1% plus £2,010,000
COTSWOLD D.C.*	20.7% plus £1,491,000	20.7% plus £1,295,000	20.7% plus £1,099,000
FOREST OF DEAN D.C.*/**	20.7% plus £1,828,000	20.7% plus £1,732,000	20.7% plus £1,636,000
STROUD D.C.**	20.0% plus £1,531,000	20.0% plus £1,531,000	20.0% plus £1,531,000
TEWKESBURY B.C.	19.7% plus £1,170,000	19.7% plus £1,073,000	19.7% plus £977,000
POLICE AND CRIME COMMISSIONER FOR GLOUCESTERSHIRE **	19.8%	19.3%	18.8%

EMPLOYER/POOL	MINIMUM CONTRIBUTIONS FOR THE YEAR ENDING TOTAL CONTRIBUTION RATE (%/£)		
	2023/24	2024/25	2025/26
TOWN AND PARISH COUNCILS POOL			
ASHCHURCH RURAL PARISH COUNCIL	21.1%	21.1%	21.1%
BERKELEY TOWN COUNCIL	21.1%	21.1%	21.1%
BISLEY WITH LYPIATT PARISH COUNCIL	21.1%	21.1%	21.1%
BROCKWORTH PARISH COUNCIL	21.1%	21.1%	21.1%
CAINSCROSS PARISH COUNCIL	21.1%	21.1%	21.1%
CAM PARISH COUNCIL	21.1%	21.1%	21.1%
CHALFORD PARISH COUNCIL	21.1%	21.1%	21.1%
CHARLTON KINGS PARISH COUNCIL	21.1%	21.1%	21.1%
CHURCHDOWN PARISH COUNCIL	21.1%	21.1%	21.1%
CINDERFORD TOWN COUNCIL	21.1%	21.1%	21.1%
CIRENCESTER TOWN COUNCIL	21.1%	21.1%	21.1%
COLEFORD TOWN COUNCIL	21.1%	21.1%	21.1%
DURSLEY TOWN COUNCIL	21.1%	21.1%	21.1%
HINTON PARISH COUNCIL	21.1%	21.1%	21.1%
HUCCLECOTE PARISH COUNCIL	21.1%	21.1%	21.1%
LECHLADE TOWN COUNCIL	21.1%	21.1%	21.1%
LEONARD STANLEY PARISH COUNCIL	21.1%	21.1%	21.1%
LYDNEY TOWN COUNCIL	21.1%	21.1%	21.1%
MORETON-IN-MARSH TOWN COUNCIL	21.1%	21.1%	21.1%
NAILSWORTH TOWN COUNCIL	21.1%	21.1%	21.1%
NEWENT TOWN COUNCIL	21.1%	21.1%	21.1%
NORTHLEACH WITH EASTINGTON TOWN COUNCIL	21.1%	21.1%	21.1%
PAINSWICK PARISH COUNCIL	21.1%	21.1%	21.1%
PAUNTLEY PARISH COUNCIL	21.1%	21.1%	21.1%
PRESTBURY PARISH COUNCIL	21.1%	21.1%	21.1%
RODBOROUGH PARISH COUNCIL	21.1%	21.1%	21.1%
STROUD TOWN COUNCIL	21.1%	21.1%	21.1%
TETBURY TOWN COUNCIL	21.1%	21.1%	21.1%
TEWKESBURY TOWN COUNCIL	21.1%	21.1%	21.1%
TIDENHAM PARISH COUNCIL	21.1%	21.1%	21.1%
WEST DEAN PARISH COUNCIL	21.1%	21.1%	21.1%
WOTTON-UNDER-EDGE TOWN COUNCIL	21.1%	21.1%	21.1%

EMPLOYER/POOL	MINIMUM CONTRIBUTIONS FOR THE YEAR ENDING TOTAL CONTRIBUTION RATE (%/£)		
	2023/24	2024/25	2025/26
COLLEGES & UNIVERSITY			
CIRENCESTER TERTIARY COLLEGE	24.2%	23.6%	23.0%
GLOUCESTERSHIRE COLLEGE	19.2% plus £213,000	19.2% plus £213,000	19.2% plus £213,000
HARTPURY UNIVERSITY	22.9% plus £98,000	22.9% plus £98,000	22.9% plus £98,000
UNIVERSITY OF GLOUCESTERSHIRE	22.1% plus £162,000	22.1% plus £162,000	22.1% plus £162,000
OTHER SCHEDULED BODIES			
CHELTENHAM BOROUGH HOMES LTD	19.7%	19.7%	19.7%
COTSWOLDS NATIONAL LANDSCAPE	19.8%	19.8%	19.8%
LOWER SEVERN INTERNAL DRAINAGE BOARD	26.3% plus £33,000	26.3% plus £33,000	26.3% plus £33,000
ADMITTED BODIES			
ADOPTION WEST	15.9%	15.9%	15.9%
ALLIANCE IN PARTNERSHIP (ST. PETER'S)	21.1%	21.1%	21.1%
ASPIRE FOUNDATION	0%	0%	0%
ASPIRE SPORTS AND CULTURAL TRUST	0%	0%	0%
ATKINS	16.2%	16.2%	16.2%
BARNARDO'S	22.8%	22.8%	22.8%
BARNARDO'S	13.4%	13.4%	13.4%
BRANDON TRUST	25.0%	25.0%	25.0%
BRAYBORNE	23.4%	23.4%	23.4%
CHELTENHAM TRUST	0%	0%	0%
COTSWOLD ARCHAEOLOGY LTD.	40.0% plus £85,000	40.0% plus £85,000	40.0% plus £85,000
GLOUCESTER CITY HOMES TRUST	24.0%	24.0%	24.0%
GLOUCESTER CITY IT - CIVICA	0%	0%	0%
GLOUCESTER COMMUNITY BUILDING COLLECTIVE	19.9%	19.9%	19.9%
GLOUCESTERSHIRE HEALTH & CARE NHS FOUNDATION	24.1%	24.1%	24.1%
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%
RINGWAY	20.5%	20.5%	20.5%
SPORT LEISURE MANAGEMENT (SLM) LTD	19.8%	19.8%	19.8%
STROUD COURT COMMUNITY TRUST	31.3%	31.3%	31.3%
STROUD SUBSCRIPTION ROOMS	19.3%	19.3%	19.3%
THE ORDER OF ST. JOHN CARE TRUST	24.4%	24.4%	24.4%

		MINIMUM CONTRIBUTIONS FOR THE YEAR ENDING TOTAL CONTRIBUTION RATE (%/£)		
EMPLOYER/POOL		2023/24	2024/25	2025/26
ADMITTED BODIES				
TINIES UK (GLOS COLLEGE)		0.0%	0.0%	0.0%
TWO RIVERS HOUSING		18.1%	18.1%	18.1%
UBICO - CHELTENHAM WASTE		18.8%	18.8%	18.8%
UBICO - COTSWOLD WASTE		18.1%	18.1%	18.1%
UBICO – FOREST OF DEAN		19.2%	19.2%	19.2%
UBICO - TEWKESBURY		19.8%	19.8%	19.8%
WEALDEN LEISURE (FOREST OF DEAN DC - LEISURE)		0.0%	0.0%	0.0%
MULTI ACADEMY TRUSTS				
ACADEMIES ENTERPRISE TRUST				
BROCKWORTH PRIMARY SCHOOL		24.3%	24.3%	24.3%
OFFAS MEAD PRIMARY		24.3%	24.3%	24.3%
THE RIDGE SCHOOL		24.3%	24.3%	24.3%
BALCARRAS TRUST				
BALCARRAS SCHOOL		24.4%	24.4%	24.4%
LECKHAMPTON HIGH SCHOOL		24.4%	24.4%	24.4%
CORINIUM EDUCATION TRUST				
CHESTERTON PRIMARY ACADEMY		25.2%	25.2%	25.2%
CIRENCESTER DEER PARK		25.2%	25.2%	25.2%
KEMBLE PRIMARY SCHOOL		25.2%	25.2%	25.2%
SIDDINGTON C OF E PRIMARY ACADEMY		25.2%	25.2%	25.2%
COTSWOLD BEACON ACADEMY TRUST				
BERKELEY PRIMARY ACADEMY		25.7%	25.7%	25.7%
CAM WOODFIELD JUNIOR ACADEMY		25.7%	25.7%	25.7%
MARLING SCHOOL		25.7%	25.7%	25.7%
DIOCESE OF GLOUCESTERSHIRE ACADEMIES TRUST				
BIBURY COFE PRIMARY ACADEMY		27.1%	27.1%	27.1%
CHRIST CHURCH COFE PRIMARY SCHOOL		27.1%	27.1%	27.1%
CLEARWATER COFE PRIMARY ACADEMY		27.1%	27.1%	27.1%
COALEY COFE PRIMARY ACADEMY		27.1%	27.1%	27.1%
DGAT (CENTRAL STAFF)		27.1%	27.1%	27.1%
DURSLEY COFE PRIMARY ACADEMY		27.1%	27.1%	27.1%
FIELD COURT COFE INFANT ACADEMY		27.1%	27.1%	27.1%
HARDWICKE PAROCHIAL ACADEMY		27.1%	27.1%	27.1%
LAKEFIELD PRIMARY ACADEMY		27.1%	27.1%	27.1%
LONGNEY COFE PRIMARY ACADEMY		27.1%	27.1%	27.1%
MINCHINHAMPTON PRIMARY ACADEMY		27.1%	27.1%	27.1%
NORTH CERNEY COFE PRIMARY ACADEMY		27.1%	27.1%	27.1%
PRIMROSE HILL COFE PRIMARY ACADEMY		27.1%	27.1%	27.1%
ST. JAMES COFE PRIMARY ACADEMY		27.1%	27.1%	27.1%
ST. JOHNS COFE ACADEMY		27.1%	27.1%	27.1%
ST. LAWRENCE COFE PRIMARY ACADEMY		27.1%	27.1%	27.1%
ST. MATTHEWS COFE PRIMARY		27.1%	27.1%	27.1%

		MINIMUM CONTRIBUTIONS FOR THE YEAR ENDING TOTAL CONTRIBUTION RATE (%/£)		
MULTI ACADEMY TRUSTS		2023/24	2024/25	2025/26
DIOCESE OF GLOUCESTERSHIRE ACADEMIES TRUST				
WHITESHILL PRIMARY SCHOOL		27.1%	27.1%	27.1%
WINCHCOMBE ABBEY COFE PRIMARY ACADEMY		27.1%	27.1%	27.1%
GLOUCESTERSHIRE LEARNING ALLIANCE				
BISHOPS CLEEVE PRIMARY ACADEMY		23.8%	23.8%	23.8%
GREAT OLDBURY PRIMARY ACADEMY		23.8%	23.8%	23.8%
LONGFORD PARK PRIMARY ACADEMY		23.8%	23.8%	23.8%
ROWANFIELD INFANT ACADEMY		23.8%	23.8%	23.8%
ROWANFIELD JUNIOR SCHOOL		23.8%	23.8%	23.8%
SPRINGBANK PRIMARY ACADEMY		23.8%	23.8%	23.8%
TREDINGTON PRIMARY SCHOOL		23.8%	23.8%	23.8%
GREENSHAW LEARNING TRUST				
FIVE ACRES HIGH SCHOOL ACADEMY		31.2%	31.2%	31.2%
GLOUCESTER ACADEMY		31.2%	31.2%	31.2%
HENLEY BANK HIGH SCHOOL		31.2%	31.2%	31.2%
HOLMLEIGH PARK HIGH SCHOOL		31.2%	31.2%	31.2%
PHOENIX LEARNING ALLIANCE				
GRANGE PRIMARY ACADEMY		23.6%	23.6%	23.6%
HUNTSGROVE PRIMARY ACADEMY		23.6%	23.6%	23.6%
MOAT PRIMARY ACADEMY		23.6%	23.6%	23.6%
PHOENIX LEARNING ALLIANCE (CENTRAL STAFF)		23.6%	23.6%	23.6%
ROBINSWOOD PRIMARY SCHOOL		23.6%	23.6%	23.6%
WATERWELLS PRIMARY ACADEMY		23.6%	23.6%	23.6%
PRIMARY QUEST MULTI ACADEMY TRUST				
HARTPURY COFE PRIMARY SCHOOL ACADEMY		26.6%	26.6%	26.6%
HIGHNAM COFE PRIMARY		26.6%	26.6%	26.6%
REDMARLEY COFE PRIMARY		26.6%	26.6%	26.6%
STAUNTON & CORSE COFE PRIMARY		26.6%	26.6%	26.6%
SAND ACADEMIES TRUST				
BATTLEDOWN SCHOOL ACADEMY		22.6%	22.6%	22.6%
BELMONT ACADEMY		22.6%	22.6%	22.6%
PATERNOSTER SCHOOL ACADEMY		22.6%	22.6%	22.6%
SAND ACADEMIES TRUST (CENTRAL STAFF)		22.6%	22.6%	22.6%
THE MILESTONE SCHOOL ACADEMY		22.6%	22.6%	22.6%
THE WILLOW PRIMARY ACADEMY		22.6%	22.6%	22.6%

		MINIMUM CONTRIBUTIONS FOR THE YEAR ENDING TOTAL CONTRIBUTION RATE (%/£)		
MULTI ACADEMY TRUSTS		2023/24	2024/25	2025/26
SEVERN FEDERATION ACADEMY TRUST				
AYLBURTON COFE PRIMARY ACADEMY		26.5%	26.5%	26.5%
BREAM COFE PRIMARY ACADEMY		26.5%	26.5%	26.5%
ENGLISH BICKNOR PRIMARY ACADEMY		26.5%	26.5%	26.5%
LYDNEY COFE PRIMARY ACADEMY		26.5%	26.5%	26.5%
SEVERNBANKS PRIMARY ACADEMY		26.5%	26.5%	26.5%
SGS ACADEMY TRUST				
BERKELEY UTC ACADEMY		25.9%	25.9%	25.9%
FOREST HIGH SCHOOL		25.9%	25.9%	25.9%
SGS (CENTRAL STAFF)		25.9%	25.9%	25.9%
FOREST OF DEAN TRUST				
DENE MAGNA SCHOOL		30.0%	30.0%	30.0%
DRYBROOK PRIMARY SCHOOL ACADEMY		30.0%	30.0%	30.0%
THE ATHELSTAN TRUST				
SIR WILLIAM ROMNEYS SCHOOL		28.1%	28.1%	28.1%
THE DEAN ACADEMY		28.1%	28.1%	28.1%
ACADEMIES				
ABBAY VIEW – CCT LEARNING		27.6%	27.6%	27.6%
ALL SAINTS ACADEMY		23.4%	23.4%	23.4%
BLOCKLEY COFE PRIMARY SCHOOL		26.8%	26.8%	26.8%
BOURTON ON THE WATER		23.1%	23.1%	23.1%
CHARLTON KINGS INFANT		23.3%	23.3%	23.3%
CHARLTON KINGS JUNIOR		27.2%	27.2%	27.2%
CHELTENHAM BOURNSIDE		27.4%	27.4%	27.4%
CHIPPING CAMPDEN		27.2%	27.2%	27.2%
CHOSEN HILL SCHOOL		28.3%	28.3%	28.3%
CHURCHDOWN SECONDARY		32.1%	32.1%	32.1%
CHURCHDOWN VILLAGE INFANTS		24.4%	24.4%	24.4%
CIRENCESTER KINGSHILL		24.8%	24.8%	24.8%
CLEEVE SCHOOL		24.8%	24.8%	24.8%
DENMARK ROAD HIGH SCHOOL		31.2%	31.2%	31.2%
FARMORS		29.8%	29.8%	29.8%
FIELD COURT JUNIOR		24.1%	24.1%	24.1%
FOREST VIEW PRIMARY		30.3%	30.3%	30.3%
GOTHERINGTON		33.8%	33.8%	33.8%
GRETTON PRIMARY		29.4%	29.4%	29.4%
KATHARINE LADY BERKELEYS		28.1%	28.1%	28.1%
MITTON MANOR PRIMARY SCHOOL		26.1%	26.1%	26.1%

EMPLOYER/POOL	MINIMUM CONTRIBUTIONS FOR THE YEAR ENDING TOTAL CONTRIBUTION RATE (%/£)		
	2023/24	2024/25	2025/26
ACADEMIES			
NEWENT COMMUNITY SCHOOL ACADEMY	29.6%	29.6%	29.6%
PATE'S GRAMMAR SCHOOL	27.3%	27.3%	27.3%
RIBSTON HALL HIGH SCHOOL	25.2%	25.2%	25.2%
SEVERN VALE	32.1%	32.1%	32.1%
SIR THOMAS RICH'S	28.3%	28.3%	28.3%
ST DAVID'S PRIMARY SCHOOL	23.7%	23.7%	23.7%
ST MARY'S CATHOLIC PRIMARY	23.7%	23.7%	23.7%
ST PETERS HIGH SCHOOL AND SIXTH FORM	28.3%	28.3%	28.3%
STONE WITH WOODFORD COFE PRIMARY SCHOOL	29.1%	29.1%	29.1%
STROUD HIGH SCHOOL	27.6%	27.6%	27.6%
TEWKESBURY SCHOOL	28.3%	28.3%	28.3%
THE COTSWOLD SCHOOL	24.8%	24.8%	24.8%
THE CRYPT SCHOOL	22.8%	22.8%	22.8%
THE ROSARY CATHOLIC PRIMARY	25.7%	25.7%	25.7%
THOMAS KEBLE	27.0%	27.0%	27.0%
TREDWORTH INFANT SCHOOL	24.6%	24.6%	24.6%
WINCHCOMBE SECONDARY	29.4%	29.4%	29.4%
WYEDEAN SCHOOL	30.8%	30.8%	30.8%

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

** This employer has elected to pre-pay the monetary element of their contributions set out in this Rates and Adjustments Certificate.
A discount has been applied to the pre-payment amount to reflect the early payment of contributions.

FURTHER COMMENTS

Contributions expressed as a percentage of pensionable pay should be paid into 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 the Actuary 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 allowed for within the Actuary's assumptions.

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.

The monetary contributions set out in the certificate above can be prepaid in advance with appropriate adjustments for interest as and when agreed with the Administering Authority. Under these circumstances a revised Rates and Adjustments certificate may be issued reflecting any advance payments.

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 Local Government Pension Scheme (LGPS) and other pension regulations.

The County Council, as administering authority of the Gloucestershire Pension Fund 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 2022/23 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 2022/23 financial year,

covering the work from the July 2022, October 2022, January 2023 and April 2023 Board meetings.

BOARD MEMBERSHIP AND ATTENDANCE

During the year the Board received the resignation of Jon Topping, Scheme Member Representative and Colin Williams, Scheme Employer Representative. Expressions of interest from Scheme Members and Scheme Employers was sought and Gemma Bell from Cheltenham Borough Council has been appointed to the Board with effect from July 2023 as a Scheme Employer Representative. A vacancy for a Scheme Member Representative currently remains.

The Scheme Employer Representative nominated by Gloucestershire County Council has also changed as a result of the Council's AGM in May 2023 with Cllr. Mark Mackenzie-Charrington replacing Cllr. Stephen Hirst on the Board. Cllr. Mackenzie-Charrington had previously been a member of the Pensions Committee.

	MEETING ATTENDANCE			
	21ST JULY 2022	20TH OCTOBER 2022	18TH JANUARY 2023	26TH APRIL 2023
SCHEME EMPLOYER REPRESENTATIVES				
ANNETTE BENSON (UNIVERSITY OF GLOUCESTERSHIRE)	✓	✓	✓	✓
COLIN WILLIAMS (Lower Severn Internal Drainage Board) *resigned position February 2023	✓	✓	✗	
CLLR. STEPHEN HIRST (GLOUCESTERSHIRE COUNTY COUNCIL) *replaced May 2023	✓	✓	✗	✗
SCHEME MEMBER REPRESENTATIVES				
JOHN ABBOTT	✗	✓	✓	✓
MICHAEL HUNT	✓	✓	✓	✓
JON TOPPING *resigned position March 2023	✗	✓	✓	

All meetings were chaired by the Independent non-voting chair, Sean Collins, Head of Pensions from the Oxfordshire Pension Fund.

In addition to attendance at Board Meetings, members of the Pension Board are provided with training opportunities in accordance with the training strategy and training plan. 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:

- + Operational update on funding levels and investment activities
- + Risk Register
- + Pension Administration Report
- + Business Plan update

The Board received the following additional reports at its meetings:

- + 21st July 2022
 - Audit Plan
- + 20th October 2022
 - Financial Statements 2021/22
 - Governance Policy & Compliance Statement
 - Initial 2022 valuation results (including draft Funding Strategy Statement)
 - Strategic asset allocation review
- + 18th January 2023
 - Audit findings report 2021/22
 - Fund cashflow projections
- + 26th April 2023
 - 2022 Valuation report and Funding Strategy Statement
 - LGPS national knowledge assessment results
 - Fund Business Plan 2023/24

The Board welcomed the focus on the actuarial valuation process and outputs throughout 2022/23, as well as the continuation of the governance workplan which now focussed on the administration function, with an independent review being undertaken by AON and recommendations being brought back throughout 2021/22.

Whilst the Board welcomed the undertaking of the LGPS National Knowledge Assessment by both Board and Committee members to ensure good governance and an informed and appropriate training plan, the Board were concerned at the level of engagement by Committee Members, which reflected that only 50% of the Committee undertook the assessment. The Board would like to see a substantial increase, with an aspiration for 100% engagement, for both Committee and Board members when the exercise is repeated in 2024, thereby ensuring that appropriate knowledge and skills are maintained by those charged with governance.

FUTURE WORK PROGRAMME

The key responsibilities as set out above will continue to be covered by the Board in 2023/24, including the review of the Annual Report and Business Plan. This will include the continued monitoring of the delivery of the agreed workplan in respect of the governance review and the Board look forward to assisting the Committee with any outcomes of the administration review.

Another key area for the Board to consider during 2023/24 will be the monitoring arrangements associated with the new single Code of Practice to be issued by the Pension Regulator.

The Board will also look to support Committee in meeting its statutory duties by reviewing the long awaited Government consultations on the future of the LGPS covering the future direction of pooling, climate related reporting, McCloud and the levelling up agenda, which we hope to receive throughout 2023/24.

Finally, the Board will look to support the Committee in delivering a number of the core projects contained in the Business Plan for 2023/24, which are;

- + the review of the pensions administration system contract
- + the Pensions dashboard (including a data improvement strategy)
- + the McCloud judgement.

BOARD MEMBERS TRAINING 2022/23

Annette Benson	Responsible Investment Workshop	15 November 2022
John Abbott	Responsible Investment Workshop	15 November 2022
Michael Hunt	Brunel Investor Day	28 September 2022
Michael Hunt	Responsible Investment Workshop	15 November 2022
Michael Hunt	LGA Governance Conference	19/20 January 2023
Colin Williams	Brunel Investor Day	28 September 2022
Colin Williams	Responsible Investment Workshop	15 November 2022
Colin Williams	LGA Governance Conference	19/20 January 2023

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 and Compliance Statement on pages 79 to 90 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 ahead of Pension Committee meetings provided by officers and advisors which includes fund manager and performance presentations where appropriate.

	MEETING ATTENDANCE					
	VOTING RIGHTS	16TH JUNE 2022	23RD SEPTEMBER 2022	8TH DECEMBER 2022	2ND MARCH 2023	NO. OF TRAINING SESSIONS RECEIVED DURING 2022/23
PENSION COMMITTEE MEMBER						
CLLR. L. STOWE (CHAIR)	Yes	✓	✓	✓	✓	4
CLLR. M. BABBAGE	Yes	X	✓	✓	✓	6
CLLR. D BROWN	Yes	✓	✓	✓	✓	6
CLLR. C. HAY	Yes	✓	✓	✓	✓	2
CLLR. M. MACKENZIE-CHARRINGTON	Yes	X	✓	✓	✓	2
CLLR. DR. A. MILLER	Yes	✓	✓	✓	✓	6
CLLR. W. THOMAS	Yes	✓	✓	✓	✓	5
SCHEME EMPLOYER REPRESENTATIVE						
CLLR. D. GRAY (Gloucestershire County Council and Tewkesbury Borough Council)	No	✓	✓	✓	✓	2
MS J. ATKINSON *commenced June 2022	No	X	✓	X	X	1
SCHEME MEMBER REPRESENTATIVE						
MR. P. CLARK	No	✓	✓	X	✓	2

GOVERNANCE POLICY & COMPLIANCE STATEMENT

10.3

INTRODUCTION AND LEGAL REQUIREMENTS

Gloucestershire County Council is the Administering Authority responsible for managing the Gloucestershire Pension Fund and the administration of the Local Government Pension Scheme (LGPS) on behalf of participating employers and members.

Regulation 55 of the LGPS Regulations 2013 requires Administering Authorities to publish a Governance Policy and Compliance Statement setting out information relating to how the Administering Authority delegates its functions under those regulations and whether it complies with guidance given by the Secretary of State for Levelling Up, Housing, and Communities. It also requires the Administering Authority to keep the statement under review, to make revisions as appropriate and, where such revisions are made, to publish a revised statement.

This document is the Governance Policy and Compliance Statement for the Gloucestershire Pension Fund that has been prepared by the Administering Authority to meet the requirement of the LGPS Regulations.

AIMS AND OBJECTIVES

Gloucestershire County Council recognises the significance of its role as Administering Authority to the Gloucestershire Pension Fund on behalf of its stakeholders, which include:

- + around 60,000 current and former members of the Fund, and their dependants
- + over 200 employers within the Fund which includes scheduled bodies, academies and admitted bodies
- + local taxpayers within Gloucestershire County Council.

In relation to the governance of the Fund, our objectives are as follows:

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

GOVERNANCE ARRANGEMENTS AND STRUCTURE

As per the County Council's Constitution, the Pension Committee provides advice on the proper management of the Fund and carries out some of the functions of the Council in respect of its duties as an Administering Authority. The overall operational responsibility for the running of the Fund has been delegated to the Deputy Chief Executive, Executive Director of Corporate Resources and the Head of Pensions. The Deputy Chief Executive, Executive Director of Corporate Resources and the Head of Pensions will consult with the Chair of the Pension Committee for all decisions with financial implications over £250,000. The Deputy Chief Executive, Executive Director of Corporate Resources and the Head of Pensions are supported in their roles by:

- + The Director of Finance (Deputy Section 151 officer)
- + The Pensions Investment and Accounting Manager
- + The Pensions Administration Manager
- + The wider pensions team within the Council.

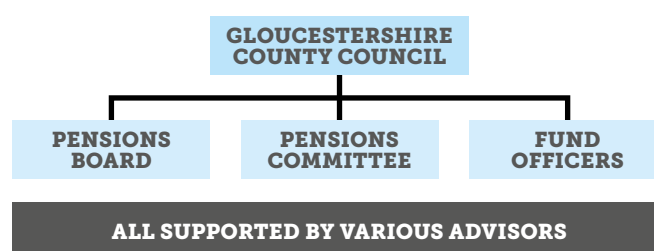
The Pensions Team carries out the day to day running of the Fund including administration, investments and accounting. The Fund participates in the Brunel Pension Partnership (Brunel) who manage some of the Fund's assets on its behalf.

A range of consultants also provide guidance and advice in relation to the management of the Fund.

In line with the Local Government Pension Regulations 2013, a Pensions Board has been established which assists the Administering Authority in ensuring:

- + compliance with the regulations and The Pensions Regulator's requirements and
- + the effective and efficient governance and administration of the Fund.

The Constitution of the Council sets out the framework under which the Pension Fund is to be administered. This framework is depicted in the diagram below.



PENSION COMMITTEE

The Council's Constitution outlines that 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.

Terms of Reference for the Pension Committee

The following are the terms of reference for the Pension Committee as agreed by the Council and included in the Constitution:

1. To ensure the Fund is managed, and that pension payments are made, in compliance with the Local Government Pension Scheme Regulations.
2. To approve and keep under review the Investment Strategy Statement of the Fund, drawing upon appropriate professional advice.
3. To approve and keep under review the Funding Strategy Statement of the Fund, drawing upon appropriate professional advice.
4. To ensure robust risk management arrangements are in place.
5. To ensure the Council operates with due regard and in the spirit of all relevant statutory and non-statutory best practice guidance in relation to its management of the Fund.
6. To agree the Administering Authority responses to consultations by Central Government, professional and other bodies.
7. To appoint and review the performance of all Fund Managers.
8. To appoint and terminate the appointment of the Fund's advisers, including actuaries, investment advisers, governance advisers and specialist lawyers (where required) and periodically to review those arrangements.
9. To consider any other matter relevant to the proper operation and management of the Fund.
10. To approve the Fund's annual business plan and budget and monitoring progress against it.
11. To approve the Fund's Governance Policy Statement and Governance Compliance Statement within the framework as determined by the Council and make recommendations to the Council about any changes to that framework.
12. To approve the Fund's Administration Strategy determining how the Council will administer the Fund including collecting payments due, calculating and paying benefits, gathering information from, and providing information to scheme members and employers.
13. To approve the Fund's Communications Policy Statement, determining the methods of communications with the various stakeholders including scheme members and employers.
14. To approve the Fund's Conflicts of Interest policy covering the management of actual and perceived conflicts of interest for the Pension Committee, the Local Pension Board, and officers.
15. To agree the Fund's Training Strategy for all Pension Committee and Board members and for all officers of the Fund, including determining the Fund's knowledge and skills framework, identifying training requirements, developing training plans and monitoring compliance with the policy.
16. To report annually to the full Council.
17. To review the County Council's performance as Administering Authority.
18. 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.
19. Determining, reviewing, and monitoring the Fund's policy in regard to employer admission and cessation arrangements.
20. To decide upon key pension policy and discretions that is the responsibility of the Administering Authority.
21. 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).
22. To consider the Pension Board's proposed business plan for the forthcoming financial year and annual budget request.
23. To undertake such tasks deemed necessary in order to promote the interests of the County Council with respect to investment pooling, which without limitation shall include agreeing and authorising any documentation, contracts, terms of reference, financial expenditure or investment that may be required consequential upon the County Council's participation in the Brunel Pension Partnership.

MEMBERSHIP OF THE PENSION COMMITTEE

The County Council decides the composition of, and makes appointments to, the Pension Committee. Currently the membership of the Pension Committee comprises 7 County Councillors, all of whom have voting rights.

One employer representative without voting rights is co-opted by the Pension Committee following nomination by the Gloucestershire branch of the Local Government Association to represent the interests of District Councils.

One employer representative without voting rights who can demonstrate their capacity to represent other scheme employers, and their knowledge and understanding of the Local Government Pension Scheme, with applications invited from all employers (excluding GCC and the district councils). An interview process that would include the Chair and Vice-Chair of the Pension Committee and the Head of Pensions would be used to fill the position.

One employee representative without voting rights is co-opted by the Pension Committee following nomination by the unions.

Elected councillors already have legal responsibilities for the prudent and effective stewardship of the Fund, and in more general terms have a clear fiduciary duty in the performance of their functions. Employer and Employee representation owe a duty of care to the fund beneficiaries and are required to act in their best interests at all times.

Although the Employer and Employee representatives do not have voting rights, they are treated as equal members of the Committee and have access to all Committee meeting papers, advisers, officers, meetings and training as if they were Council Members and have the opportunity to contribute to the decision-making process.

Substitutions are not permitted on the Pension Committee.

Employer and Employee representatives serve for a 4-year term from their appointment date and can be removed on grounds of non-attendance, breach of code of conduct and non-participation in training. An employer or employee representative may only be removed from office during a term of appointment by the unanimous agreement of all voting members in attendance at the Pension Committee meeting where this is being considered.

Other ways of ensuring interests of key stakeholders are represented in the management of the Fund include:

- + 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.

PENSION COMMITTEE MEETINGS

The Pension Committee meets at least four times a year in the ordinary course of business and more frequently if formal decisions on fund management are required. Work for the year will be agreed with the Committee. As per the Training Strategy, all Committee members must complete a training requirement self-assessment form annually, and these are used to determine the training to be provided to Committee members. A log of training undertaken is maintained by the Administering Authority.

Agendas for the meetings are agreed with the Chair and circulated with supporting papers to all members of the Committee, officers of the County Council as appropriate and the Fund's Consultants.

A meeting of the Pension Committee is only quorate when there are three voting members present for the duration of the meeting.

At least five clear working days' notice of any meetings are given by posting details of the meeting on the County Council's website. Copies of the agenda and reports open to the public are made available for inspection at least five clear working days before the meeting. If an item is added to the agenda later, the revised agenda will be open to inspection from the time the item was added to the agenda. The reason for lateness will be specified in the report.

There may on occasions, be items which may be exempt from the agenda, reports and minutes of the meetings when it is likely in view of the nature of the business to be transacted or the nature of the proceedings that confidential information would be disclosed.

Copies of the minutes of the meetings and records of decisions taken are made available for a period of six years after a meeting. Minutes of meetings and records of decisions are available for inspection on the Council's website.

SENIOR OFFICERS

Under the Council's Constitution responsibility for all other functions relating to pensions, not already delegated to the Pension Committee, are delegated to the Deputy Chief Executive, Executive Director of Corporate Resources (in addition to their role as the Section 151 Officer, whereby they are responsible for ensuring the proper financial administration of the Fund) and the Head of Pensions. As appropriate, the Deputy Chief Executive, Executive Director of Corporate Resources and the Head of Pensions will delegate aspects of the management of the Pension Fund to other officers of the Council, including;

- + The Director of Finance (Deputy Section 151 officer)
- + The Pensions Investment and Accounting Manager
- + The Pensions Administration Manager
- + The wider pensions team within the Council

as well as appointing suppliers and consultants to assist as necessary.

OTHER DELEGATIONS OF RESPONSIBILITIES

The Pension Committee has also agreed a further scheme of delegation as included in Appendix B. This includes responsibilities relating to how the ongoing implementation of decisions made by them are carried out, as well as how urgent matters that must be considered outside of the Pension Committee cycle are dealt with.

PENSIONS BOARD

Each Administering Authority is required to establish a local Pensions Board to assist them with:

- + securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme, and requirements imposed in relation to the LGPS by the Pensions Regulator
- + ensuring the effective and efficient governance and administration of the Gloucestershire Pension Fund.

The Pensions Board is not a local authority committee; as such the elements of the Constitution of Gloucestershire County Council, such as the procedure rules, do not apply to the Pensions Board unless it is expressly referred to in the Board's terms of reference. The Gloucestershire Pension Board was established by Gloucestershire County Council and the full terms of reference of the Board can be found within the Council's Constitution.

The key points are summarised below.

ROLE OF THE PENSIONS BOARD

The County Council has charged the Pensions Board with providing oversight of the matters that the Pension Committee is responsible for. The Pensions Board, however, is not a decision-making body in relation to the management of the Pension Fund. The Pension Fund's management powers and responsibilities which have been delegated by the Council to the Pension Committee and the Deputy Chief Executive, Executive Director of Corporate Resources remain solely their responsibilities. However, the remit of the Board includes:

1. Ensuring the Pension Fund's key strategy and policy documents are in place and have been maintained in accordance with the LGPS Regulations.
2. Ensuring the Pension Fund's internal Risk Register is in place and reviewed at least annually.
3. Reviewing 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.
4. Reviewing the Pension Fund's performance in complying with the requirements of the Pension Regulator.
5. Providing advice and making recommendations when required, to the Pension Committee, on areas that may improve the governance of the Pension Fund.
6. Formulating and agreeing an annual work plan for the Board.
7. Carrying out any other activities relating to the efficient governance and administration of the Pension Fund, which the Pension Committee may request the Pension Board to undertake.

MEMBERSHIP OF THE PENSION BOARD

The Pensions Board consists of seven members as follows:

- + three employer representatives
- + three scheme member representatives
- + one independent member (non-voting) to act as the Chair of the Pensions Board. The Chair of the Pension Board cannot be a Gloucestershire County Councillor.

The Chair of the Pension Board must be able to demonstrate their knowledge and understanding of the LGPS and will be appointed by the Scheme Manager (the Administering Authority), taking due regard of the Appointment of Other Member guidance, as set out in the LGPS Guidance in the creation and operation of Local Pension Boards.

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 representatives being selected through nominations made by recognised trade unions, and employer representatives being selected through nominations made from established employers within the Fund.

Only members of the Pensions Board who are employer or member representatives will have individual voting rights, but it is expected the Pension Board will as far as possible reach a consensus.

No substitutions are permitted on the Pensions Board.

PENSION BOARD MEETINGS

The Pensions Board meets at least twice each calendar year and additional meetings may be arranged as required to facilitate its work. This will be determined by the Chair.

A meeting of the Pensions Board is only quorate when there are three Board members present for the duration of the meeting, one of which must be an employer representative and one of which must be a member representative.

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.

Each member of the Pensions Board is expected to declare, on appointment, annually, and at each meeting, any interests which may lead to conflicts of interest in the subject area or specific agenda of that Pensions Board.

Members of the public may attend Pensions Board meetings and papers will be made public in the same way as described above for the Pension Committee.

POLICY DOCUMENTS

There are a number of key documents which are relevant to the governance and management of the Fund, including various policies and strategies which incorporate the Fund's objectives. Brief details of these are listed below and the full copies of all documents can be obtained on the County Council's website.

ANNUAL REPORT AND ACCOUNTS

As part of the financial standing orders, it is the duty of the Section 151 Officer to ensure that record-keeping and accounts are maintained by the Pension Fund. The Pension Fund accounts are produced in accordance with CIPFA's Code of Practice on Local Authority Accounting. The financial statements within the accounts summarise the transactions of the Fund and detail the net assets of the Fund. The statement of accounts is reviewed by the Pension Committee and the Audit and Governance Committee and incorporated in the Statement of Accounts for the Council. The accounts are incorporated into an Annual Report which provides an update on other key matters during the year such as scheme details, financial performance and administration matters. Full copies of the Fund's Annual Report and Accounts are distributed to employers in the Fund and other interested parties and a copy placed on the County Council's website.

FUNDING STRATEGY STATEMENT

The Funding Strategy Statement is one of two key parts of the framework which ensures there are sufficient assets in the Fund to pay its liabilities (mainly pension benefits) and sets out how the contribution rates that are required to be paid by the employers participating in the Fund are calculated. The Funding Strategy Statement (FSS) is developed in collaboration with the Fund's actuary and, after consultation with the Fund's employers, it is formally approved by the Pension Committee.

INVESTMENT STRATEGY STATEMENT

The Investment Strategy Statement is the second key part of the framework for ensuring appropriate assets are in the Fund to meet the liabilities. The strategy sets out:

- + the Fund's approach to investment risk including ways in which risks are measured and managed
- + the Fund's approach to pooling of assets (which is done through 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 exercise of voting rights attached to investments.

The Investment Strategy Statement also sets out the target percentage of the total value of all Fund money that should be invested in particular asset classes, including any restrictions on those investments.

GOVERNANCE COMPLIANCE STATEMENT

This sets out our compliance with the Secretary of State's Statutory Guidance on Governance in the LGPS. The Gloucestershire Pension Fund's Governance Compliance Statement is attached as Appendix A and shows where the Fund is compliant or not compliant with the expectations in the statutory guidance and the reasons why the Fund may not be compliant.

TRAINING STRATEGY

The training strategy provides Pension Committee members, Pensions Board members and senior officers with a clear framework setting out how they acquire and retain the knowledge and skills required to perform their individual roles. The aim of this policy is to ensure that those responsible for the management, delivery and governance and decision making in the Fund have the appropriate levels of knowledge and skills.

As part of this policy, the Fund aims to comply with the requirements of:

- + the CIPFA Code of Practice and Knowledge and Skills Framework
- + the knowledge and skills elements of the Public Service Pensions Act 2013 and the Pensions Regulator's (TPR) Code of Practice for Public Service Schemes / the new TPR Single Code due to be introduced in 2022
- + MiFID II (Markets in Financial Instruments Directive).

Members of the Pension Committee, Pensions Board and officers involved in the management of the Fund receive training following completion of a Training Needs Assessment (TNA) to ensure that they meet the aims of the Knowledge and Skills Policy. Specific TNAs on particular subjects will also be carried out as and when required by the appropriate officer and will be used to inform subsequent training requirements.

CONFLICTS OF INTEREST POLICY

Conflicts of interest have always existed for those with LGPS Administering Authority responsibilities as well as for advisers to LGPS funds. This simply reflects the fact that many of those managing or advising LGPS funds have a variety of other roles and responsibilities, and may also have individual personal, business or other interests which might conflict, or be perceived to conflict, with their role managing or advising an LGPS fund. It is generally accepted that LGPS Administering Authorities have both fiduciary and public law duties to act in the best interest of both the scheme beneficiaries and participating employers.

The Fund's Conflict of Interest Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the Fund whether directly or in an advisory capacity. The policy is established to guide Pension Committee members, Pensions Board members, officers and advisers, ensuring that those individuals do not act improperly or create a perception that they may have acted improperly.

BREACHES POLICY

The Breaches Policy sets out how the Fund monitors, records and takes action where breaches of the law occur. The policy sets out the responsibility of Pension Committee members, Pensions Board members, Fund officers and advisers to report breaches of the law to The Pensions Regulator where they are deemed material (as set out in the Policy). A log is maintained of all breaches of the law, whether reported to The Pensions Regulator or not.

RISK MANAGEMENT POLICY

We recognise that effective risk management is an essential element of good governance in the LGPS. The Risk Policy details the risk management strategy for the Gloucestershire Pension Fund, including:

- + the risk philosophy for the management of the Fund, and in particular attitudes to, and appetite for, risk
- + how risk management is implemented
- + risk management responsibilities
- + the procedures that are adopted in the risk management process.

The Fund recognises that it is not possible, or even desirable, to eliminate all risks. Accepting and actively managing risk is therefore a key part of the risk management strategy for Gloucestershire Pension Fund. A key determinant in selecting the action to be taken in relation to any risk will be its potential impact on the Fund's objectives in light of the Fund's risk appetite, particularly in relation to investment matters. Equally important is striking a balance between the cost of risk control actions against the possible effect of the risk occurring.

COMMUNICATIONS POLICY STATEMENT

This document sets out the communications strategy for the Fund. The aim of the strategy is to ensure that all stakeholders are kept informed of developments in relation to the Fund. This helps to ensure transparency and an effective communication process for all interested parties.

PENSION ADMINISTRATION STRATEGY

The Pension Administration Strategy is key to the administration and efficient running of the Pension Fund. It encompasses administrative procedures and responsibilities for the County Council (as the Administering Authority for the Fund) and employing authorities participating in the Fund. It includes quality and performance standards. It is distributed to employers within the Fund following regular review and consultation. This represents part of the process for ensuring the ongoing efficient management of the Fund and maintenance of accurate data and forms part of the overall governance procedures for the Fund.

DISCRETIONS POLICIES

Under the Local Government Pension Scheme regulations, the Administering Authority has a level of discretion in relation to a number of areas. The approaches to these areas of discretion are outlined in the Administering Authority's Discretions Policy. This policy is reviewed as appropriate and interested parties are notified of any significant changes. Employing Authorities are also required to set out their discretions policies in respect of areas under the Regulations where they have a discretionary power.

KEY RISKS

The main governance risks that Pension Committee members monitor on an ongoing basis include:

- + Recruitment and Retention - insufficient experienced staff to meet Fund objectives
- + Knowledge and Skills - insufficient knowledge and skills amongst those charged with Fund Management
- + Conflicts of Interest - actual conflicts of interest permitted to materialise
- + Internal Fraud - financial loss resulting from actions of employee
- + Data Protection - failure to adequately protect data results in potential financial or personal impact on members
- + Reliance on external systems - the Fund's assets, systems or data are compromised including financial/data loss or systems downtime
- + Business continuity failure
- + External factors including regulatory changes impact the governance of the Fund
- + Incorrect advice/guidance received from third parties.
- + Failure to comply with relevant legislation / best practice / guidance.

MONITORING GOVERNANCE OBJECTIVES

OBJECTIVE	MONITORING ARRANGEMENTS
We will aim to act in the best interests of the Fund's members and employers.	<ul style="list-style-type: none"> + Fund specific conflicts of interest policy in place + Training undertaken on role in managing the Fund on behalf of members/employers as part of induction.
We will strive to ensure compliance with the appropriate legislation and statutory guidance, and to act in the spirit of other relevant guidelines and best practice guidance.	<ul style="list-style-type: none"> + Governance of the Fund is considered by both the External and Internal Auditors. + A log of all breaches of the law is maintained in accordance with the Fund's breaches procedure which is reported on and monitored as outlined in that procedure. + Pensions Board prepares and publishes an annual report which should include comment on compliance matters. + Regular reviews of the Fund's compliance with the Pensions Regulator's Code of Practice.
We will act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based	<ul style="list-style-type: none"> + Employers within the Fund are invited to an Annual Employers' Forum. Attendees receive presentations and have the opportunity to ask questions on the governance of the Fund. + Pension Committee includes representatives from scheme members and employers in the Fund. + Pensions Board includes representatives from scheme members and employers in the Fund. + Pension Committee receive advice from officers, and a range of consultants are in place to provide advice across all fund aspects, and members are given sufficient time to consider any recommendations.
We will have robust governance arrangements in place to facilitate informed decision making in a transparent manner, supported by appropriate advice, policies and strategies	<ul style="list-style-type: none"> + Pension Committee carry out regular effectiveness of governance surveys. + Ongoing monitoring against key objectives at Pension Committee meetings. + Ongoing monitoring of business plan targets at Pension Committee meetings.

APPROVAL, REVIEW AND CONSULTATION*

This Governance Policy and Compliance Statement was approved at the Gloucestershire Pension Committee meeting on 23rd September 2022 and will be formally reviewed and updated at least every three years or sooner if the governance arrangements or other matters included within either of them merit reconsideration.

* In addition to the above the June 2023 meeting the Pension Committee approved a Cash Management Policy for the Fund. This document sets out the cash management strategy, providing a framework that ensures that the Pension Fund has an effective process in managing its cash balances and that these are maintained at the appropriate levels to meet future financial obligations and commitments both for the payment of pension benefits and external investments.

APPENDIX A GOVERNANCE BEST PRACTICE COMPLIANCE STATEMENT

Regulation 55 of the Local Government Pension Scheme Regulations 2013 requires Local Government Pension Scheme (LGPS) Administering Authorities to measure their governance arrangements against the standards set out in the Statutory Guidance issued by the Secretary of State for Communities and Local Government.

The following compliance statement has been approved by the Pension Committee. This sets out where the Fund is compliant with the guidance and where it is not compliant, an explanation is provided for non-compliance.

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.	Fully compliant	Council Constitution delegates responsibility for the Pension Fund to the Pension Committee in respect of these matters.
	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.	Fully compliant	Employer and Scheme member representatives are appointed to the Pension Committee.
	c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Fully Compliant/not applicable	No secondary committee.
	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.	Fully Compliant/not applicable	No secondary committee.
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); ii. scheme members (including deferred and pensioner scheme members); iii. where appropriate, independent professional observers; and iv. expert advisers (on an ad-hoc basis).	Fully compliant	(i) Employing authorities are represented by an employer representative. (ii) Scheme members are represented by a scheme member representative. (iii) At this stage the Pension Committee has determined that there is no requirement for an independent professional observer. (iv) Expert advisers – investment consultant participates at all meetings of the Pension Committee and other expert advisors are invited to attend as and when required.
	b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to advisers and meetings, training and are given full opportunity to contribute to the decision-making process, with or without voting rights.	Fully Compliant	All members are sent Pension Committee papers ahead of meetings, are invited to training and are able to fully contribute to the decision-making process.

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.	Fully Compliant	See Governance Policy and members made fully aware of this during induction training.
	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.	Fully Compliant	Members of the Pension Committee declare interests at the start of each meeting.
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.	Fully Compliant	See the Council's Constitution and the Fund's Governance Policy.

Further Information

Whilst the co-opted employer and scheme member representatives do not have voting rights, they are encouraged to fully participate in the meetings and decision-making discussions.

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.	Fully Compliant	See Training Strategy, Governance Policy and Members allowances scheme within the Council's Constitution.
	b) That where such a policy exists, it applies equally to all members of committees, advisory panels or any other form of secondary forum.	Fully Compliant	See Training Strategy and Governance Policy.
	c) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	Fully Compliant	See Governance Policy and Training Needs Assessments (TNAs) are regularly completed by all Committee Members.
MEETINGS (FREQUENCY/ QUORUM)	a) That an administering authority's main committee or committees meet at least quarterly.	Fully Compliant	
	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.	Fully Compliant/not applicable	No secondary committee.
	c) That an administering authority that does not include lay members in their formal governance arrangements must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Not applicable	See Governance Policy for other ways of engaging stakeholders. Employer and scheme member representatives are on the main Pension Committee.
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.	Fully Compliant	Committee papers are despatched 5 clear working days prior to a Committee meeting.
SCOPE	a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Fully Compliant	The Pension Committee reviews all aspects of Pension Fund management. The finance and operational arrangements of the Fund are subject to review and audit by both external and internal auditors.
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.	Fully Compliant	Governance Policy and Compliance Statement published in full in the Pension Fund Annual Report & Accounts and on the County Council's website. The Annual Report is also discussed at the Fund's AGM which is open to all Fund members and employers.

APPENDIX B

DELEGATION OF FUNCTIONS BY PENSIONS COMMITTEE

KEY:

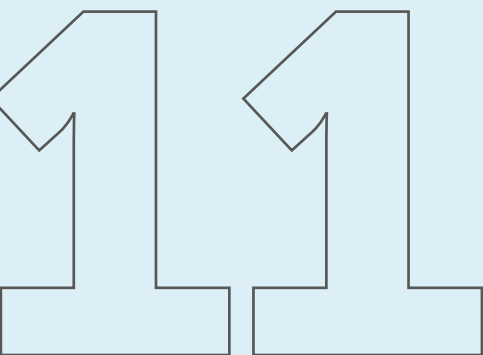
PC – Pensions Committee
EDCR – Executive Director of Corporate Resources (S151 Officer)
DoF – Director of Finance (Deputy S151 Officer)
HoP – Head of Pensions

PIAM – Pensions Investment and Accounting Manager
PAM – Pensions Administration Manager
FA – Fund Actuary
Advisors – Investment, actuarial, governance and/or benefits consultants as appropriate

FUNCTION DELEGATED TO PC	FURTHER DELEGATION TO OFFICER(S)	DELEGATED OFFICER(S)	COMMUNICATION AND MONITORING OF USE OF DELEGATION
To formulate and publish an Investment Strategy Statement and to monitor performance and effectiveness of investment managers.	Implementation of strategic allocation including use of both rebalancing and conditional ranges.	HoP (in consultation with the Funds independent investment advisor).	Monitored at PC as a regular standing agenda item.
To formulate and publish a Funding Strategy Statement in order to manage the Fund's approach to funding its liabilities and to determine all policy matters relating to employer admission and cessations.	Making decisions in line with policy with regards to individual employer admissions and cessations, i.e. to determine the amount of any cessation surplus or deficit. Agreeing (in conjunction with the FA) the terms and payment of bulk transfers into and out of the Fund where there is a bulk transfer of staff.	HoP (in consultation with the FA).	Monitored at PC as a regular standing agenda item.
To agree the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.	Agreeing the Administering Authority responses where the consultation timescale does not provide sufficient time for a draft response to be approved by PC.	HoP (or PAM or PIAM) and in consultation with relevant advisors, subject to agreement with Chair of PC.	PC advised of consultation via e-mail (if not already raised previously at PC) to provide opportunity for other views to be fed in. Copy of consultation response provided at following PC for noting.
To set the overall strategic objectives for the Pension Fund and ensure these are reflected in the annual business plan, delivered on budget and to review the Administering Authority's performance.	Regular day to day operational delivery of objectives.	HoP (in conjunction with PAM and / or PIAM).	Regularly monitored at PC with further monitoring by EDCR and DoF via Administering Authority's Corporate Service Plan.
To approve / agree the Pension Fund's policy and strategy documents on a regular cycle.	Changes to policy and strategy documents - authority to make minor amendments or required regulatory changes (i.e., where no impact on strategy and having no significant financial implications). Changes to Administering Authority discretionary policies necessitated by changes to regulations - authority to amend the policies to reflect the requirements of such new regulations, subject to those decisions having no significant financial implications. Note that the discretionary policy itself contains a number of specific delegated responsibilities to various Fund officers.	HoP (in conjunction with PAM and / or PIAM after taking appropriate advice from advisers).	Copy of policies to be provided to PC members at next available PC meeting following changes being made.
To determine arrangements for managing the Fund's relationships with its employers.	Ensuring employers have established policies as required by Regulations. (for example Employing Authority Discretions policy and a nominated person to consider Internal Dispute Resolution Procedure) cases.	HoP and/or PAM and PIAM (having regard to advisers).	Ongoing reporting to PC for noting, where applicable.

FUNCTION DELEGATED TO PC	FURTHER DELEGATION TO OFFICER(S)	DELEGATED OFFICER(S)	COMMUNICATION AND MONITORING OF USE OF DELEGATION
To determine the Fund's risk management strategy and arrangements.	Ensuring the processes outlined in the Fund's Risk Management Strategy are carried out and that risks are recorded and monitored on the Risk Register on an ongoing basis.	HoP and/or PAM and PIAM (having regards to advisers).	Ongoing reporting to PC for noting.
To select, appoint and dismiss the Fund's advisers, including actuary, benefits consultants, governance consultants, investment consultants and global custodian.	Ongoing monitoring of suppliers.	HoP.	Ongoing reporting to PC for noting.
	Selection, appointment, and termination of suppliers following approval by PC.	HoP (having regard to ongoing advice of legal and procurement advisers) and subject to ratification by PC.	Notified to PC via ratification process.
The Committee may delegate a limited range of its functions to one or more officers of the Authority. The Pension Committee will be responsible for outlining expectations in relation to reporting progress of delegated functions back to the Pension Committee.	Other urgent matters as they arise.	HoP or PAM / PIAM / DoF, subject to agreement with Chair of PC.	PC advised of need for delegation via e-mail as soon as the delegation is necessary. Result of delegation to be reported for noting to following PC.
	Other non-urgent matters as they arise.	HoP or PAM / PIAM, subject to agreement to Chair of PC.	PC advised of need for delegation via e-mail as soon as the delegation is necessary. Result of delegation to be reported for noting to following PC.

FUND ACCOUNT AND NET ASSETS STATEMENT



FUND ACCOUNT AND NET ASSETS STATEMENT

STATEMENT OF ACCOUNTS 2022/23

STATEMENT OF RESPONSIBILITIES AND FOREWORD TO ACCOUNTS

The audited accounts and notes following on pages **94** to **141**, 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.

Paul Blacker

Director of Finance and acting Section 151 Officer.

1st March 2024

INDEPENDENT AUDITOR'S STATEMENT

TO THE MEMBERS OF GLOUCESTERSHIRE COUNTY COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS OF GLOUCESTERSHIRE PENSION FUND INCLUDED WITHIN THE PENSION FUND ANNUAL REPORT

OPINION

We have examined the pension fund financial statements of Gloucestershire Pension Fund (the 'pension fund') for the year ended 31 March 2023 included within the pension fund annual report, which comprise the Fund Account, the Net Assets Statement, and the notes to the financial statements, including the summary of significant accounting policies.

In our opinion, the pension fund financial statements are consistent, in all material respects, with the audited financial statements of Gloucestershire County Council for the year ended 31 March 2023 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

RESPECTIVE RESPONSIBILITIES OF THE CHIEF FINANCIAL OFFICER AND THE AUDITOR

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the pension fund's financial statements in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Our responsibility is to state to the members of Gloucestershire County Council our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the financial statements of Gloucestershire County Council.

We also read the other information contained in the pension fund annual report and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information comprises the information included in the pension fund annual report, other than the pension fund financial statements and our auditor's statement thereon.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the financial statements of Gloucestershire County Council describes the basis of our opinion on those financial statements.

USE OF THIS AUDITOR'S STATEMENT

This statement is made solely to the members of Gloucestershire County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the members of Gloucestershire County Council those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Gloucestershire County Council and the members of Gloucestershire County Council as a body, for our work, for this statement, or for the opinions we have formed.

Julie Masci
Key Audit Partner
For and on behalf of Grant Thornton UK LLP
Local Auditor, Bristol.
15th March 2024

FUND ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2023

2021/22 £000	CONTRIBUTIONS	2022/23 £000	NOTE
-82,992	employer contributions	-88,045	N18
-21,119	member contributions	-22,895	N18
-104,111	TOTAL	-110,940	N7
	TRANSFERS IN FROM OTHER PENSION FUNDS		
-6,928	individual transfers from other schemes or funds	-7,639	
-	group transfers from other schemes or funds	-	
-6,928	TOTAL	-7,639	
	OTHER INCOME		
-89	recoveries for services provided	-133	N20
-89	TOTAL	-133	
	BENEFITS		
77,261	pensions	81,628	N30
13,328	commutation of pensions and lump sum retirement benefits	14,195	
1,647	lump sum death benefits	2,991	
92,236	TOTAL	98,814	N7
	PAYMENTS TO AND ON ACCOUNT OF LEAVERS		
335	refunds to members leaving scheme or fund	278	
-2	payments for members joining state scheme or fund	-1	
6,867	individual transfers to other schemes or funds	9,941	
1,069	group transfers to other schemes or funds	-	N28
8,269	TOTAL	10,218	
-10,623	NET (ADDITIONS) / WITHDRAWALS FROM DEALINGS WITH MEMBERS	-9,680	
18,530	MANAGEMENT EXPENSES	27,656	N20
7,907	NET (ADDITIONS) / WITHDRAWALS INCLUDING FUND MANAGEMENT EXPENSES	17,976	
	RETURNS ON INVESTMENTS		
-18,776	Investment income	-14,965	N13
-	Taxes on income	-	N3 & N13
-197,484	Profit(-) and losses on disposal of investments and changes in market value of investments	50,862	N4
-216,260	NET RETURNS ON INVESTMENTS	35,897	
-208,353	NET INCREASE (-) / DECREASE IN THE NET ASSETS AVAILABLE FOR BENEFITS DURING THE YEAR	53,873	
2,902,490	OPENING NET ASSETS OF THE SCHEME	3,110,843	
3,110,843	CLOSING NET ASSETS OF THE SCHEME	3,056,970	

NET ASSETS STATEMENT AS AT 31ST MARCH 2023

2021/22 £000	INVESTMENT ASSETS	2022/23 £000	NOTE
2,773,831	Pooled investment vehicles	2,738,503	N10
246,138	Pooled property investments	262,294	
-	Derivative contracts	11,873	N2 & N15
3,853	Other investments - Venture Capital/Private Equity	3,428	
75,988	Cash held on behalf of the investment managers	29,982	N25
1,129	Other investment balances	926	
3,100,939	TOTAL	3,047,006	N12
LONG TERM INVESTMENT ASSETS			
71	Brunel Pension Partnership Ltd.	697	
71	TOTAL	697	
INVESTMENT LIABILITIES			
-	Derivative contracts	-3,747	N2 & N15
-	Other investment balances	-	
-	TOTAL	-3,747	N12
3,101,010	TOTAL NET INVESTMENTS	3,043,956	
LONG TERM ASSETS			
181	Contributions due from employers	184	
181	TOTAL	184	N12 & N22
CURRENT ASSETS			
5,256	Contributions due from employers	5,180	
1,382	Other current assets	1,561	
5	Payments in advance	3	
4,495	Cash balances	7,932	N2, N21 & N25
11,138	TOTAL	14,676	N12 & N22
CURRENT LIABILITIES			
-13	Unpaid benefits	-146	
-1,473	Other current liabilities	-1,700	
-1,486	TOTAL	-1,846	N12 & N23
3,110,843	NET ASSETS OF THE SCHEME AVAILABLE TO FUND BENEFITS AT THE REPORTING PERIOD END	3,056,970	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 24. The notes on the following pages form part of these Financial Statements.

INDEX OF THE NOTES TO THE ACCOUNTS

- | | |
|--|--|
| N1. INTRODUCTION | N17. AGENCY SERVICES |
| N2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES | N18. CONTRIBUTIONS BREAKDOWN |
| N3. TAXATION | N19. CUSTODY OF INVESTMENTS |
| N4. INVESTMENT MOVEMENTS SUMMARY | N20. MANAGEMENT EXPENSES |
| N5. MANAGEMENT OF FUND ASSETS | N21. CASH |
| N6. ACTUARIAL POSITION OF THE FUND | N22. CURRENT & LONG TERM ASSETS |
| N7. ANALYSIS OF CONTRIBUTIONS RECEIVABLE AND BENEFITS PAYABLE | N23. CURRENT LIABILITIES |
| N8. INVESTMENT STRATEGY STATEMENT | N24. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS |
| N9. RELATED PARTY TRANSACTIONS | N25. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS |
| N10. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS | N26. FAIR VALUE HIERARCHY |
| N11. STOCK LENDING | N27. FINANCIAL INSTRUMENT DISCLOSURE |
| N12. FINANCIAL ASSET ANALYSIS | N28. BULK TRANSFERS IN AND OUT OF THE PENSION FUND |
| N13. INVESTMENT INCOME | N29. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED |
| N14. SEPARATELY INVESTED ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC'S) | N30. TAXATION WHERE LIFETIME OR ANNUAL ALLOWANCES ARE EXCEEDED |
| N15. DERIVATIVES | N31. EVENTS AFTER THE REPORTING DATE |
| N16. INVESTMENTS EXCEEDING 5% OF TOTAL NET ASSETS | |

STATEMENT OF ACCOUNTS 2022/23

NOTES TO PENSION FUND ACCOUNTS 2022/23

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 Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (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 Local Government Pension Scheme 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 2022	31ST MARCH 2023
NUMBER OF EMPLOYERS	217	222
NUMBER OF EMPLOYEES IN THE SCHEME		
COUNTY COUNCIL	9,762	10,084
OTHER EMPLOYERS	9,158	9,519
	18,920	19,603
NUMBER OF PENSIONERS		
COUNTY COUNCIL	10,630	11,123
OTHER EMPLOYERS	7,498	7,889
	18,128	19,012
DEFERRED PENSIONERS		
COUNTY COUNCIL	11,939	12,010
OTHER EMPLOYERS	8,875	9,086
	20,814	21,096
TOTAL NUMBER OF MEMBERS IN PENSION SCHEME	57,862	59,711

In addition, to the membership numbers above, there were 6,708 (5,389 2021/22) 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 range from 5.5% to 12.5% of pensionable pay for the financial year ending 31st March 2023. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31st March 2022, and will take effect from 1st April 2023. 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 2022/23 employer contribution rates ranged from 0% to 34.9% 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 the 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 Fund's transactions for the 2022/23 financial year and its position at year end as at 31st March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 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.

The critical judgement is made by senior management of the Pension Fund, with advice from the Actuary, of the assumptions to be used in the Valuation but because they are assumptions, they could be a source of estimation uncertainty and are also covered in the following section. The Pension Fund Liability is subject to significant variances based on changes to the underlying assumptions and these have been summarised in Note 24.

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 2023, for which there is a significant risk of material adjustment in the forthcoming year, are highlighted below:

ITEM	UNCERTAINTIES	EFFECT IF ACTUAL RESULTS DIFFER FROM ASSUMPTIONS
Actuarial present value of promised retirement benefits (Note 24)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in the individual assumptions have been disclosed within Note 24.
Private Equity, Infrastructure and Private Debt (Note 26)	Private equity, Infrastructure and Private Debt are valued at fair value in accordance with International Private Equity and Venture Capital Valuation guidelines. Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Those investments where at least one input that could have a significant effect on the valuation is not based on observable market data is classed at level 3 in the Fair Value Hierarchy. Private Equity, Infrastructure and Private Debt investments classed as level 3 total £289.8m. The Fund has determined that the valuation methods used are likely to be accurate to within the ranges set out in the Sensitivity of Assets valued at Level 3 table within Note 26. This table also sets out the consequent potential impact on the closing value of investments held at 31st March 2023.
Pooled Property Funds (Note 26)	Pooled Property Funds are valued in accordance with Royal Institution of Chartered Surveyor's standards and fair value processes driven by International Private Equity and Venture Capital Valuation guidelines. Some Property Pooled Funds are not publicly listed or have redemption restrictions and as such there is a degree of estimation involved in the valuation.	Those investments where at least one input that could have a significant effect on the valuation is not based on observable market data is classed at level 3 in the Fair Value Hierarchy. Pooled Property Funds classed as level 3 total £160.8m. The Fund has determined that the valuation methods used are likely to be accurate to within the ranges set out in the Sensitivity of Assets valued at Level 3 table within Note 26. This table also sets out the consequent potential impact on the closing value of investments held at 31st March 2023.

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 value calculations are made towards the end of the bulk transfer process and based on payment being made on a specific day. 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 20.

A) INVESTMENT MANAGEMENT EXPENSES

Investment Management Expenses is comprised 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. Identification of management fees is undertaken within the Cost Transparency Initiative reporting framework.

Federated Hermes deducts its fees from a combination of assets held and income distributions and is included within Investment Management Expenses. Fees due under the Blackrock Currency Hedge Fund are paid quarterly based on the valuation of assets held and have been accrued. 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.

B) 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 20.

C) 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 20.

D) 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 20.

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 Council's Treasury Management Strategy and those held with the Fund's custodian, State Street Bank & Trust Company, 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 promised retirement benefits by way of a note to the Net Asset Statement in Note 24.

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 26, 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 2023. 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. 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.

A detailed breakdown of investments can be found under Note 12.

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 investments 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 2023 use the valuations for the Fund's assets based on the figures provided by the Fund's custodian, State Street Bank & Trust Company.

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 derivatives contracts and the unrealised gains and losses on open derivatives contracts.

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

2022/23 ASSET CLASS	MARKET VALUE AT 31ST MARCH 2022	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 2023
	£000	£000	£000	£000	£000
BONDS	-	-	73	-73	-
POOLED INVESTMENTS	2,773,831	521,365	-527,051	-29,642	2,738,503
POOLED PROPERTY FUNDS	246,138	77,284	-31,535	-29,593	262,294
PRIVATE EQUITY / VENTURE CAPITAL	3,853	-	-11	-414	3,428
	3,023,822	598,649	-558,524	-59,722	3,004,225
DERIVATIVE CONTRACTS					
FUTURES	-	-	-	-	-
FORWARD CURRENCY CONTRACTS	-	-	-	8,126	8,126
	-	-	-	8,126	8,126
LONG TERM INVESTMENT ASSETS					
BRUNEL PENSION PARTNERSHIP LTD.	71	-	-	626	697
NET INVESTMENT ASSETS	3,023,893	598,649	-558,524	-50,970	3,013,048

In addition to the investments there was £43,922k (£86,950k 2021/22) in cash, cash equivalents and accruals. Cash movements, currency adjustments and other end of year settlements totalled £108k (-£511k 2021/22). As a result, the total profit (-) and losses on disposal of investments and changes in market value of investments was £50.9m (-£197.5m 2021/22).

2021/22 ASSET CLASS	MARKET VALUE AT 31ST MARCH 2021	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 2022
	£000	£000	£000	£000	£000
BONDS	360,751	775,844	-1,143,493	6,898	-
POOLED INVESTMENTS	2,257,529	1,298,998	-934,775	152,079	2,773,831
POOLED PROPERTY FUNDS	202,134	53,600	-48,439	38,843	246,138
PRIVATE EQUITY / VENTURE CAPITAL	4,856	-	-1,516	513	3,853
	2,825,270	2,128,442	-2,128,223	198,333	3,023,822
DERIVATIVE CONTRACTS					
FUTURES	-206	387	-383	202	-
FORWARD CURRENCY CONTRACTS	499	-	-	-499	-
	293	387	-383	-297	-
LONG TERM INVESTMENT ASSETS					
BRUNEL PENSION PARTNERSHIP LTD.	112	-	-	-41	71
NET INVESTMENT ASSETS	2,825,675	2,128,829	-2,128,606	197,995	3,023,893

In addition to the investments there was £86,950k (£76,815k 2020/21) in cash, cash equivalents and accruals. Cash movements, currency adjustments and other end of year settlements totalled -£511k (£359k 2020/21). As a result, the total profit (-) and losses on disposal of investments and changes in market value of investments was -£197.5m (-£590.6m 2020/21).

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:

	2021/22 £000	%	2022/23 £000	%
INVESTMENTS MANAGED BY THE BRUNEL REGIONAL ASSET POOL				
BRUNEL GLOBAL HIGH ALPHA FUND	408,878	13.1	410,614	13.5
BRUNEL GLOBAL SUSTAINABLE FUND	362,852	11.7	398,646	13.0
BRUNEL ACS UK EQUITY FUND	405,123	13.0	356,985	11.7
BRUNEL STERLING CORPORATE BONDS PORTFOLIO	365,269	11.7	326,278	10.7
LEGAL & GENERAL INVESTMENT MANAGEMENT	443,916	14.3	309,790	10.1
BRUNEL PROPERTY FUND	246,138	7.9	262,294	8.6
BRUNEL DIVERSIFYING RETURNS FUND	233,716	7.5	241,939	7.9
BRUNEL MULTI ASSET CREDIT PORTFOLIO	200,543	6.4	218,537	7.1
BRUNEL EMERGING EQUITY FUND	179,114	5.8	189,321	6.2
BRUNEL PRIVATE EQUITY AND INFRASTRUCTURE PORTFOLIO	97,394	3.1	171,720	5.6
BRUNEL PRIVATE DEBT FUND	20,921	0.7	59,190	1.9
CASH, CASH INSTRUMENTS AND ACCRUALS WITH BRUNEL	76,181	2.5	30,817	1.0
BRUNEL PENSION PARTNERSHIP LTD. (SHAREHOLDING)	71	0.0	697	0.0
	3,040,116	97.7	2,976,828	97.3
INVESTMENTS MANAGED OUTSIDE OF THE BRUNEL REGIONAL ASSET POOL				
GOLUB CAPITAL PARTNERS INTERNATIONAL	33,228	1.1	35,383	1.2
ARCMONT ASSET MANAGEMENT LTD.	23,602	0.8	20,100	0.7
BLACKROCK INVESTMENT MANAGEMENT (UK) LTD.	-	-	8,126	0.3
TECHNOLOGY VENTURE PARTNERS	3,842	0.1	3,428	0.1
YORKSHIRE FUND MANAGERS LTD.	11	0.0	-	-
	60,683	2.0	67,037	2.3
TOTAL - EXTERNAL MANAGERS	3,100,799	99.7	3,043,865	99.6
IN-HOUSE CASH AND ACCRUALS	9,833	0.3	13,014	0.4
CASH INSTRUMENTS WITH CUSTODIAN	211	0.0	91	0.0
	3,110,843	100.0	3,056,970	100.0

Where the value of an investment exceeds 5% of the total value of net assets, details have been disclosed in Note 16.

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 undertaken by Hymans Robertson LLP, the Fund's actuary, as at 31st March 2022 established the minimum contribution payment for the three years until 31st March 2026. The next valuation will take place as at March 2025.

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 20 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 2022 triennial valuation date was £3,111m (£2,379m March 2019) and represented 110% (102% March 2019) of the Fund's accrued liabilities.

The table below summarises the whole fund Primary and Secondary Contribution rates at the 2022 valuation. The 2019 valuation results of the Fund are shown for comparison.

	LAST VALUATION 31ST MARCH 2019		THIS VALUATION 31ST MARCH 2022	
PRIMARY RATE (% OF PAY)	20.9%		21.8%	
SECONDARY RATE (£)	2020/21	30,652,000	2023/24	20,698,000
	2021/22	26,850,000	2024/25	20,082,000
	2022/23	24,353,000	2025/26	19,463,000

+ 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 2022 actuarial valuation report 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 2023 to 31st March 2026 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		
	2019	2022
RATE OF RETURN ON INVESTMENTS (DISCOUNT RATE)	4.2% PA	4.2% PA
RATE OF GENERAL PAY INCREASES	2.6% PA	3.2% PA
RATE OF INCREASE TO PENSIONS IN PAYMENT	2.3% PA	2.7% 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.

+ Full actuarial valuation reports are published on the Pension pages of the County Council's website
See Note 24 for details of the Actuarial Present Value of Promised Retirement Benefits.

N7. ANALYSIS OF CONTRIBUTIONS RECEIVABLE AND BENEFITS PAYABLE

	2021/22		2022/23	
	CONTRIBUTIONS RECEIVABLE £000	BENEFITS PAYABLE £000	CONTRIBUTIONS RECEIVABLE £000	BENEFITS PAYABLE £000
GLOUCESTERSHIRE COUNTY COUNCIL [ADMINISTERING AUTHORITY]	49,440	47,761	52,377	51,724
SCHEDULED BODIES (185 22/23) (177 21/22)* [BODIES ADMITTED BY RIGHT]	49,768	37,377	53,475	40,254
ADMITTED BODIES (36 22/23) (39 21/22)* [BODIES ADMITTED BY AGREEMENT]	**4,903	7,098	**5,088	6,836
	104,111	92,236	110,940	98,814

Scheduled bodies now include 118 (109 21/22) schools who have converted to academy status.

* These numbers relate to active employers with active members.

** Contributions Receivable for Admitted Bodies for 2022/23 contained £412k deficit payments (£9k deficit credit 21/22) in relation to employers who left the scheme.

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 [https:// www.gloucestershire.gov.uk/pensions/investments](https://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.

ADMINISTRATIVE EXPENSES

2021/22 £000	2022/23 £000
2,299	2,727

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 Deputy Chief Executive & Executive Director of Corporate Resources and the Director of Finance remuneration costs were charged to the Fund to reflect time spent supporting the Fund. These consisted of salary, fees and allowances of £13,914 (£12,781 2021/22), employers' pension contributions of £3,882 (£2,594 2021/22) and employers' national insurance contributions of £1,769 (£1,617 2021/22).

The Deputy Chief Executive & 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 7 voting committee members. Councillor Gray is also a County Councillor but is the District Council's representative on the Pension Committee.

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.

Ms. J. Atkinson is a non-voting member of the Pension Committee. She is employed by a Pension Fund employer, Severn Vale School, and is also a contributing member of the Pension Fund. This does not impact on her Pension Committee role.

Three members of the Pension Committee were also District Council members as at 31st March 2023 and these are detailed below:

MEMBER	DISTRICT COUNCIL
CLLR. M. BABBAGE	CHELTHENHAM BOROUGH COUNCIL
CLLR. D. BROWN	GLOUCESTER CITY COUNCIL
CLLR. D. GRAY	TEWKESBURY BOROUGH COUNCIL

Cllr L. Stowe represents the Gloucestershire Pension Fund on the Brunel Oversight Board and is corporate shareholder representative for Gloucestershire County Council for UBICO Limited which is an employer in the Fund. A family member of Cllr. Stowe is a Councillor at Cotswold District Council which is also an employer in the Fund

A member of Cllr. C. Hay's family is leader of Cheltenham Borough Council which is an employer in the Pension Fund.

The Pension Board was created on the 1st April 2015. Some of the Board are members of the Fund as contributing employees and Cllr. S. Hirst represents Gloucestershire County Council, Cotswold District Council and Tetbury Town Council who are all employers in the Pension Fund. This does not impact on their roles as members of the Pension Board given the nature of the Board's functions.

Mr. J. Topping (Employee Representative) and Mr. C. Williams (Employer Representative) have recently resigned from the Board.

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 oversees 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. As part of Gloucestershire's investment in Brunel the Fund provided regulatory capital. This is subject to regular review by the regulator which could result in additional calls for capital.

Pension Fund transactions with Brunel are as follows:

	2021/22 £000	2022/23 £000
INCOME	46	4
EXPENDITURE	1,014	1,141
DEBTORS	-	-
PAYMENTS IN ADVANCE	-	-

In addition to his role as Pension Committee member, Cllr. L. Stowe 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 2022 the Fund's share of the possible charge was £10k.

N9a. KEY MANAGEMENT PERSONNEL

The key management personnel of the Fund are the Section 151 Officer and the Head of Pensions. A proportion of the Section 151 Officer's costs have been charged to the Fund to reflect time spent supporting the Fund and those costs are included with those of the Head of Pensions in the table below.

	2021/22 £000	2022/23 £000
SHORT-TERM BENEFITS	92	95
POST-EMPLOYMENT BENEFITS	-	-
OTHER LONG-TERM BENEFITS	24	24
TERMINATION BENEFITS	-	-
SHARE-BASED PAYMENTS	-	-
	116	119

N10. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

INVESTMENT COMMITMENTS

The Fund has investment commitments with three managers (Arcmont, Golub and Brunel Pension Partnership) 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.

The Fund made no amendments to its existing commitments during 2022/23.

Brunel anticipates that commitments in Private Equity and Infrastructure Cycle 1 should be drawn down by 2026, Cycle 2 by 2028 and Cycle 3 by 2029. Commitments in Private Debt Cycle 2 should be drawn down by 2025 and Cycle 3 by 2027.

Of the Golub Capital Partners commitment, 87.5% has been drawn down. Golub do not anticipate any further draw downs but reserve the right to still do so. The commitment draw down period will end on the 1st July 2023 and Golub should return monies as investments mature by 2026/27.

In relation to the Fund's private debt fund managed by Arcmont, 81% of the Fund's total commitment has been drawn down. The Arcmont fund's investment period ended in July 2020, however Arcmont may still need to complete follow-on transactions on existing assets and draw down further funds. The fund had been due to expire in July 23 but Arcmont anticipates it may exercise its discretion to extend the life of the fund for a further year.

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

	ORIGINAL COMMITMENT £000	OUTSTANDING LIABILITY 2021/22 £000	OUTSTANDING LIABILITY 2022/23 £000
ARCMONT ASSET MANAGEMENT LTD. (PRIVATE DEBT)	50,000	12,018	9,665
GOLUB CAPITAL PARTNERS INTERNATIONAL (PRIVATE DEBT)	40,000	5,038	5,063
BRUNEL PENSION PARTNERSHIP LTD. (PRIVATE EQUITY) CYCLE 1	43,000	23,596	16,720
BRUNEL PENSION PARTNERSHIP LTD. (PRIVATE EQUITY) CYCLE 2	70,000	58,139	47,520
BRUNEL PENSION PARTNERSHIP LTD. (PRIVATE EQUITY) CYCLE 3	16,000	16,000	16,000
BRUNEL PENSION PARTNERSHIP LTD. (INFRASTRUCTURE) CYCLE 1	43,000	17,503	10,270
BRUNEL PENSION PARTNERSHIP LTD. (INFRASTRUCTURE) CYCLE 2	130,000	95,276	57,280
BRUNEL PENSION PARTNERSHIP LTD. (INFRASTRUCTURE) CYCLE 3	20,000	20,000	17,180
BRUNEL PENSION PARTNERSHIP LTD. (PRIVATE DEBT) CYCLE 2	120,000	99,104	64,090
BRUNEL PENSION PARTNERSHIP LTD. (PRIVATE DEBT) CYCLE 3	38,000	38,000	34,660
	570,000	384,674	278,448

PENSION BONDS

During 2022/23, nine (eleven 2021/22) 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 2022/23 (2021/22 nil).

CONTINGENT LIABILITY

In 2021/22 the Pension Fund, together with the nine other 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 2022 the Fund's share of the possible charge was £10k (2021/22 £768k).

N11. STOCK LENDING

Brunel operates a stock lending programme in relation to the underlying assets in three of the Fund's pooled funds. At 31st March 2023 the market value of shares out on loan was £16.5m (2021/22 £22.2m) and the value of collateral held £17.4m (2021/22 £24.3m) equal to 105.6% (2021/22 109.3%) of stock out on loan. Income of £102.6k (2021/22 £68k) was reinvested into the pooled funds.

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.

N12. FINANCIAL ASSET ANALYSIS

INVESTMENT ASSETS	2021/22 £000	2022/23 £000	NOTE
POOLED INVESTMENT VEHICLES			
EQUITIES	1,799,883	1,665,355	
BONDS	565,811	544,815	
DIVERSIFIED GROWTH	233,716	241,939	
PRIVATE EQUITY	37,290	55,714	
INFRASTRUCTURE	60,104	116,006	
PRIVATE DEBT	77,027	114,674	
	2,773,831	2,738,503	N10
OTHER INVESTMENTS			
POOLED PROPERTY INVESTMENTS	246,138	262,294	
VENTURE CAPITAL/PRIVATE EQUITY	3,853	3,428	
	249,991	265,722	
DERIVATIVE CONTRACTS			
FORWARD FOREIGN EXCHANGE CONTRACTS	-	11,873	
	-	11,873	N15

INVESTMENT ASSETS	2021/22 £000	2022/23 £000	NOTE
CASH (MANAGERS)			
CASH INSTRUMENTS	35,969	4,489	
CASH DEPOSITS	40,019	25,493	
	75,988	29,982	
OTHER INVESTMENT BALANCES			
DEBTORS			
OUTSTANDING SETTLEMENT OF INVESTMENT SALES	51	11	
ACCRUED DIVIDEND INCOME AND TAX RECLAIMS DUE ON DIVIDEND INCOME	1,078	915	
	1,129	926	
LONG TERM FINANCIAL ASSETS			
BRUNEL PENSION PARTNERSHIP LTD.	71	697	
TOTAL INVESTMENT ASSETS	3,101,010	3,047,703	

INVESTMENT LIABILITIES	2021/22 £000	2022/23 £000	NOTE
DERIVATIVE CONTRACTS			
FORWARD FOREIGN EXCHANGE CONTRACTS	-	-3,747	
TOTAL INVESTMENT LIABILITIES	-	-3,747	N15
LONG TERM ASSETS			
CONTRIBUTIONS DUE FROM EMPLOYERS	181	184	
	181	184	N22
CURRENT ASSETS			
CONTRIBUTIONS DUE FROM EMPLOYERS	5,256	5,180	
OTHER CURRENT ASSETS (DEBTORS)	1,382	1,561	
PAYMENTS IN ADVANCE	5	3	
CASH BALANCES	4,495	7,932	N21
	11,138	14,676	N22
CURRENT LIABILITIES			
UNPAID BENEFITS	-13	-146	
OTHER LIABILITIES (CREDITORS)	-1,473	-1,700	
	-1,486	-1,846	N23
TOTAL	3,110,843	3,056,970	

N13. INVESTMENT INCOME

Investment income arises from the following investment categories:

	2021/22 £000	2022/23 £000
BONDS	3,440	-225
POOLED INVESTMENT VEHICLES	7,355	7,709
POOLED PROPERTY INVESTMENTS	7,672	7,153
INTEREST ON CASH DEPOSITS	107	303
OTHER INCOME FROM STOCKLENDING, UNDERWRITING AND CLASS ACTIONS	202	25
	18,776	14,965
WITHHOLDING TAX	-	-
	18,776	14,965

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 2022 £000	31ST MARCH 2023 £000
The Prudential Assurance Company Limited	6,587	6,335
Phoenix Life Limited	19	19
	6,606	6,354

Contributions paid by members in the Prudential scheme during 2022/23 totalled £636,158 (2021/22 £597,142) which included additional death in service premiums totalling £746 (2021/2022 £753).

N15. DERIVATIVES

The Fund uses derivatives to reduce currency risk within the pooled equity funds by way of forward currency contracts managed by BlackRock Investment Management (UK) Ltd. which commenced in February 2023. In addition, the Sterling Corporate Bonds and Multi-asset Credit pooled funds are allowed the modest use of derivatives primarily for currency and interest rate hedging purposes. Due to the nature of pooled funds where units are purchased in the fund itself rather than the underlying assets, details of derivative contracts are at fund level and not disclosed.

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.

DERIVATIVE CONTRACT ANALYSIS

	CONTRACT TYPE*	2021/22 ECONOMIC EXPOSURE £000	2022/23 ECONOMIC EXPOSURE £000	EXPIRATION	2021/22 MARKET VALUE £000	2022/23 MARKET VALUE £000
INVESTMENT ASSETS						
FORWARD FOREIGN EXCHANGE CONTRACTS	OTC	-	963,814	Less than 3 months	-	11,873
TOTAL DERIVATIVE ASSETS		-	963,814	-	-	11,873
INVESTMENT LIABILITIES						
FORWARD FOREIGN EXCHANGE CONTRACTS	OTC	-	495,643	Less than 3 months	-	-3,747
TOTAL DERIVATIVE LIABILITIES		-	495,643	-	-	-3,747
NET FUTURES					-	8,126

* Contract type OTC (over the counter).

OPEN FORWARD CURRENCY CONTRACTS AT 31ST MARCH 2023

A breakdown of the open forward foreign exchange contracts at 31st March 2023 is given below:

SETTLEMENT	CURRENCY BOUGHT	LOCAL VALUE £000	CURRENCY SOLD	LOCAL VALUE £000	ASSET VALUE £000	LIABILITY VALUE £000
Up to three months	GBP	342,054	USD	416,730	5,016	
Up to three months	GBP	339,634	USD	416,730	2,791	
Up to three months	GBP	30,899	JPY	4,894,826	1,154	
Up to three months	GBP	30,483	JPY	4,894,826	636	
Up to three months	GBP	11,506	AUD	20,072	634	
Up to three months	GBP	17,187	CAD	28,083	404	
Up to three months	GBP	47,280	EUR	53,363	391	
Up to three months	GBP	14,212	CHF	15,830	197	
Up to three months	GBP	4,939	SEK	61,858	114	
Up to three months	GBP	14,142	CHF	15,830	94	
Up to one month	CAD	28,083	GBP	16,692	90	
Up to three months	GBP	3,889	HKD	37,087	68	
Up to three months	GBP	986	NOK	12,121	50	
Up to three months	GBP	4,052	DKK	34,020	40	
Up to three months	GBP	1,873	SGD	3,015	39	
Up to three months	GBP	3,856	HKD	37,087	32	
Up to three months	GBP	643	ILS	2,733	29	
Up to three months	GBP	4,846	SEK	61,858	17	
Up to three months	GBP	10,892	AUD	20,072	15	
Up to three months	GBP	627	ILS	2,733	13	
Up to three months	GBP	1,846	SGD	3,015	11	
Up to three months	GBP	275	NZD	527	8	
Up to three months	GBP	4,771	EUR	5,416	8	
Up to one month	EUR	53,363	GBP	46,883	7	
Up to one month	DKK	34,020	GBP	4,009	4	
Up to three months	GBP	941	NOK	12,121	4	
Up to three months	GBP	2,791	JPY	457,089	4	
Up to three months	GBP	500	DKK	4,230	1	
Up to one month	NZD	527	GBP	266	1	
Up to three months	GBP	124	NOK	1,599	1	
Up to three months	GBP	716	AUD	1,322	-	
Up to three months	GBP	72	NZD	142	-	-
Up to three months	GBP	118	SGD	194	-	-
Up to three months	GBP	73	ILS	327	-	-

SETTLEMENT	CURRENCY BOUGHT	LOCAL VALUE £000	CURRENCY SOLD	LOCAL VALUE £000	ASSET VALUE £000	LIABILITY VALUE £000
Up to three months	GBP	180	HKD	1,748		-
Up to three months	GBP	437	SEK	5,604		-1
Up to three months	GBP	266	NZD	527		-1
Up to three months	GBP	1,204	CAD	2,018		-1
Up to three months	GBP	1,138	CHF	1,285		-3
Up to three months	GBP	46,932	EUR	53,363		-4
Up to one month	NOK	12,121	GBP	940		-4
Up to three months	GBP	4,014	DKK	34,020		-4
Up to one month	SGD	3,015	GBP	1,845		-11
Up to one month	ILS	2,733	GBP	627		-13
Up to one month	AUD	20,072	GBP	10,887		-14
Up to one month	SEK	61,858	GBP	4,841		-17
Up to one month	HKD	37,087	GBP	3,853		-31
Up to three months	GBP	17,214	USD	21,341		-36
Up to three months	GBP	16,690	CAD	28,083		-90
Up to one month	CHF	15,830	GBP	14,108		-94
Up to one month	JPY	4,894,826	GBP	30,377		-633
Up to one month	USD	416,730	GBP	339,827		-2,790
OPEN FORWARD CURRENCY CONTRACTS AT 31ST MARCH 2023					11,873	-3,747
NET FORWARD CURRENCY CONTRACTS AT 31ST MARCH 2023					-	8,126
PRIOR YEAR COMPARATIVE						
OPEN FORWARD CURRENCY CONTRACTS AT 31ST MARCH 2022					-	-
NET FORWARD CURRENCY CONTRACTS AT 31ST MARCH 2022					-	-

N16. INVESTMENTS EXCEEDING 5% OF TOTAL NET ASSETS

At 31st March 2023 the Pension Fund held seven (2021/22, seven) investments that each exceeded 5% of the total value of the net assets of the scheme. These seven investments totalled £2,233,573k out of a total market value for the Fund of £3,056,970k. These are detailed as follows:

INVESTMENTS EXCEEDING 5% OF TOTAL NET ASSETS	2021/22 £000	%	2022/23 £000	%
BRUNEL GLOBAL HIGH ALPHA EQUITY FUND	408,878	13.1	410,614	13.4
BRUNEL GLOBAL SUSTAINABLE FUND	362,852	11.7	398,646	13.0
BRUNEL UK EQUITY FUND	405,122	13.0	356,985	11.7
ROYAL LONDON POOLED PENSION COMPANY - BRUNEL STERLING CORPORATE BOND FUND	365,269	11.7	326,278	10.7
LEGAL & GENERAL FTSE PARIS ALIGNED DEVELOPED EQUITIES INDEX FUND	307,747	9.9	309,790	10.1
BRUNEL DIVERSIFYING RETURNS FUND	233,716	7.5	241,939	7.9
BRUNEL EMERGING MARKETS EQUITY FUND	179,114	5.8	189,321	6.2
	2,262,698	72.7	2,233,573	73.0

The Brunel Funds are Unit Trusts.

The Legal & General Fund is a passively managed Unitised Insurance Policy.

The Royal London Pooled Pension Company Fund is an Unitised Insurance Policy investing in sterling corporate bonds.

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.

	2021/22 £000	2022/23 £000
DISCRETIONARY PAYMENTS	1,091	1,094

N18. CONTRIBUTIONS BREAKDOWN

FROM EMPLOYERS	2021/22 £000	2022/23 £000
NORMAL CONTRIBUTIONS	67,026	72,002
AUGMENTATION CONTRIBUTIONS	-	-
DEFICIT RECOVERY CONTRIBUTIONS	15,063	13,745
SECTION 75 DEBT (CESSATION OF EMPLOYER)	-9	412
OTHER	912	1,886
	82,992	88,045
FROM MEMBERS		
NORMAL CONTRIBUTIONS	20,923	22,735
ADDITIONAL VOLUNTARY CONTRIBUTIONS	196	160
	21,119	22,895

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 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 for 2020/21, 2021/22 and 2022/23 can be found in the 2019 Actuarial Valuation Report and the Pension Fund's Annual Report. The Actuary undertook a funding valuation in 2022 setting out the contribution rates payable for the next three years from 1st April 2023, a copy of which can be found at <https://www.gloucestershire.gov.uk/pensions/investments>.

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.

Employers who leave the scheme may need to pay outstanding deficit payments and this is 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 or the recovery of 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. At 31st March 2023, £31k (2021/22 £34k) was due to the Pension Fund for early retirements and has been accrued.

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 2023, £305k (2021/22 £50k) was due to the Pension fund for ill health retirement costs and has 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 2023 use the valuations for the Fund's assets provided by our custodian, State Street Bank & Trust Company. This reflects the position of the custodian who is ultimately the master book of record. Custodian records are regularly reconciled with the Fund Managers' 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 Bank & Trust Company on behalf of the Pension Fund, are ring-fenced from the assets of the Bank and segregated within its books as belonging to the 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	2021/22 £000	2022/23 £000
INVESTMENT MANAGEMENT EXPENSES *	16,306	24,991
ADMINISTRATION EXPENSES	1,553	1,845
OVERSIGHT & GOVERNANCE	671	820
	18,530	27,656

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

INVESTMENT MANAGEMENT EXPENSES 2022/23	MANAGEMENT FEES £000	PERFORMANCE FEES £000	TRANSACTION COSTS £000	TOTAL £000
BONDS	-	-	-	-
POOLED INVESTMENT VEHICLES	11,789	641	6,097	18,527
POOLED PROPERTY INVESTMENTS	4,119	65	1,066	5,250
DERIVATIVE CONTRACTS	17	-	-	17
BRUNEL PENSION PARTNERSHIP LTD.	1,136	-	-	1,136
	17,061	706	7,163	24,930
CUSTODY FEES				53
TAX AND LEGAL COSTS				8
				24,991

INVESTMENT MANAGEMENT EXPENSES 2021/22	MANAGEMENT FEES £000	PERFORMANCE FEES £000	TRANSACTION COSTS £000	TOTAL £000
BONDS	74	-	-	74
POOLED INVESTMENT VEHICLES	9,331	1,160	3,243	13,734
POOLED PROPERTY INVESTMENTS	1,038	165	245	1,448
DERIVATIVE CONTRACTS	-	-	7	7
BRUNEL PENSION PARTNERSHIP LTD.	969	-	-	969
	11,412	1,325	3,495	16,232
CUSTODY FEES				71
TAX AND LEGAL COSTS				3
				16,306

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 increase on investment management expenses during the period of £8.7m have increased from those reported in 2021-22 largely because of the full adoption of the Cost Transparency Initiative (CTI) reporting template to account for all management expenses incurred on funds invested during the year. This has a zero net effect overall, with an offsetting increase in reported profit in year. In addition, an increase in amounts invested in property, private equity and infrastructure resulted in increases in management fees.

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. When an asset is directly held these costs are easily identified, when a pooled fund is held these indirect costs are less transparent as details of the underlying investments and transactions are not generally disclosed. The Cost Transparency Initiative has been introduced to increase transparency of all related costs (direct, indirect and implicit). Transaction costs have increased by £3.67m from 2021-22 largely as a result of the full adoption of CTI reporting.

ADMINISTRATION EXPENSES AND OVERSIGHT & GOVERNANCE EXPENSES

Administration Expenses increased due to additional staff and higher computer costs. Whilst the increase in Oversight & Governance was due to increased actuarial fees arising from the triennial valuation, increased staff costs and external audit costs which were offset to a certain extent by a decrease in professional fees.

Within Oversight and Governance costs there were actuarial expenses of £95,855 (£61,330 2021/22) 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 £37,318 (£27,977 21/22) for pension and fee reimbursements.

AUDIT FEES

Audit fees of £56,480 for 2022-23 were payable with a further £24,845 paid for prior year invoices, totalling £81,325 (£38,550 for 2021/22 with a further £6,656 paid for prior year invoices, totalling £45,206) 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 2023 in-house cash of £7.9m (£4.5m in 2021/22) was invested through the County Council's short-term investment procedures. During the year the average investment balance was £9.3m (£27.76m 2021/22) earning interest of £211k (£7k 2021/22).

N22. CURRENT & LONG TERM ASSETS

CURRENT ASSETS	2021/22 £000	2022/23 £000
CONTRIBUTIONS DUE - EMPLOYEES	1,100	991
CONTRIBUTIONS DUE - EMPLOYERS	4,156	4,189
SUNDRY DEBTORS	1,382	1,561
PAYMENT IN ADVANCE	5	3
	6,643	6,744
CASH BALANCES	4,495	7,932
	11,138	14,676

LONG TERM ASSETS	2021/22 £000	2022/23 £000
Long term debtors	181	184

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 and is included in Current Assets.

N23. CURRENT LIABILITIES

	2021/22 £000	2022/23 £000
Benefits payable	-13	-146
Sundry creditors	-1,473	-1,700
	-1,486	-1,846

N24. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation (See Note 6), the Fund's Actuary, Hymans Robertson LLP, also undertakes a valuation of the Pension Fund liabilities on an IAS19 basis each year. The promised retirement benefits at 31st March 2023 have been projected using a roll forward approximation from the latest formal funding valuation as at 31st March 2022.

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.

PRESENT VALUE OF PROMISED RETIREMENT BENEFITS	31ST MARCH 2022 £M	31ST MARCH 2023 £M
ACTIVE MEMBERS	1,900	1,067
DEFERRED MEMBERS	922	622
PENSIONERS	1,184	1,236
TOTAL	4,006	2,925

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 2023 and 31st March 2022. It is estimated that the impact of the change in financial assumptions to 31st March 2023 is to decrease the actuarial present value by £1,542m (21/22 decrease of £309m). It is estimated that the impact of the change in demographic assumptions is to decrease the actuarial present value by £35m (21/22 decrease by £20m).

SIGNIFICANT ACTUARIAL ASSUMPTIONS USED

YEAR ENDED	31ST MARCH 2022 %PA	31ST MARCH 2023 %PA
PENSION INCREASE RATE (CPI)	3.20	2.95
SALARY INCREASE RATE	3.50	3.45
DISCOUNT RATE	2.70	4.75

DEMOGRAPHIC ASSUMPTIONS

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% 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 2023	MALES	FEMALES
	YEARS	
CURRENT PENSIONERS	21.6	24.4
FUTURE PENSIONERS **	22.2	25.8

LONGEVITY ASSUMPTIONS AS AT 31ST MARCH 2022	MALES	FEMALES
	YEARS	
CURRENT PENSIONERS	21.7	24.1
FUTURE PENSIONERS **	22.6	25.8

** Future pensioners are assumed to be aged 45 at the latest formal valuation as at 31st March 2022.

All other demographic assumptions have been updated since last year and as per the latest funding valuation of 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 obligations are set out below:

CHANGE IN ASSUMPTION AT 31ST MARCH 2023	APPROXIMATE INCREASE TO PROMISED RETIREMENT BENEFITS %	APPROXIMATE MONETARY AMOUNT £M
0.1% P.A. DECREASE IN THE DISCOUNT RATE	2	52
0.1% P.A. INCREASE IN THE SALARY INCREASE RATE	0	5
0.1% P.A. INCREASE IN THE PENSION INCREASE RATE (CPI)	2	48
1 YEAR INCREASE IN MEMBER LIFE EXPECTANCY	4	117

CHANGE IN ASSUMPTION AT 31ST MARCH 2022	APPROXIMATE INCREASE TO PROMISED RETIREMENT BENEFITS %	APPROXIMATE MONETARY AMOUNT £M
0.1% P.A. DECREASE IN THE DISCOUNT RATE	2	79
0.1% P.A. INCREASE IN THE SALARY INCREASE RATE	0	7
0.1% P.A. INCREASE IN THE PENSION INCREASE RATE (CPI)	2	72
1 YEAR INCREASE IN MEMBER LIFE EXPECTANCY	4	160

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 collective investment schemes (or pooled funds), cash and cash equivalents and debtors and creditors (which arise as a result of its operations). The value of all 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 pooled funds. 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 Bank & Trust Company, 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 2023. 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 2023 by the amounts shown below:

AS AT 31ST MARCH 2023	VALUE £000	VOLATILITY OF RETURN %	VALUE ON INCREASE £000	VALUE ON DECREASE £000
UK BONDS	326,278	7.5	350,749	301,807
OVERSEAS BONDS	218,537	7.5	234,927	202,147
UK EQUITIES	356,985	18.2	421,956	292,014
MULTI NATIONAL EQUITIES	1,550,309	17.4	1,820,063	1,280,555
UK PROPERTY	201,450	15.5	232,675	170,225
OVERSEAS PROPERTY	60,844	15.5	70,275	51,413
VENTURE CAPITAL/PRIVATE EQUITY / INFRASTRUCTURE	175,148	31.2	229,794	120,502
PRIVATE DEBT	114,674	9.6	125,683	103,665
	3,004,225		3,486,122	2,522,328
TOTAL GLOUCESTERSHIRE FUND	3,004,225	12.3%	3,373,745	2,634,705

Cash equivalents of £8,157k have been included in UK Bonds and £16,543k in Overseas Bonds. Both of these asset classes are invested in pooled funds.

The above table does not include investment manager cash, cash instruments and debtors or the Brunel Pension Partnership shareholding, derivative contracts, long term and current assets and current liabilities of £52,745k as these are not subject to price risk.

AS AT 31ST MARCH 2022	VALUE £000	VOLATILITY OF RETURN %	VALUE ON INCREASE £000	VALUE ON DECREASE £000
UK BONDS	365,269	8.1	394,856	335,682
OVERSEAS BONDS	200,543	8.1	216,787	184,299
UK EQUITIES	405,122	19.9	485,742	324,503
MULTI NATIONAL EQUITIES	1,628,477	18.5	1,929,745	1,327,208
UK PROPERTY	220,656	15.0	253,754	187,557
OVERSEAS PROPERTY	25,483	15.0	29,306	21,660
VENTURE CAPITAL/PRIVATE EQUITY / INFRASTRUCTURE	101,247	31.2	132,836	69,658
PRIVATE DEBT	77,027	9.0	83,959	70,095
	3,023,824		3,526,985	2,520,662
TOTAL GLOUCESTERSHIRE FUND	3,023,824	13.0%	3,416,921	2,630,727

Cash equivalents of £5,296k have been included in UK Bonds and £1,021k in Overseas Bonds. Both of these asset classes are invested in pooled funds.

The above table does not include investment manager cash, cash instruments and debtors or the Brunel Pension Partnership shareholding, long term and current assets and current liabilities of £87,019k as these are not subject to price risk.

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 its investments in fixed interest pooled funds, as at the 31st March 2023 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. The UK gilt market delivered a 2.05% return (FTSE Actuaries) over the first quarter with the benchmark 10-year gilt yield slipping 18 basis points to 3.49% from 3.67% at the start of the quarter. Longer-dated bonds

outperformed shorter maturities. In the US, 10-year treasury yields fell to 3.47% from 3.87%, while in Germany the 10-year bund yield dropped to 2.29% from 2.57%. Notwithstanding recent and likely ongoing spikes in prices in relation to individual goods and services areas, the general market view is that inflation has peaked. This is driven by the facts that energy prices will moderate, and that weaker GDP growth will reduce the tightness of the labour market. Nonetheless, UK interest rates are likely to rise a bit further as the Bank of England continues to focus on bringing inflation under control. Brunel's Bond portfolios have credit risk through underlying investments. This risk is managed through diversification of credit quality and maturity which the corresponding market price reflects providing an indication of likely default.

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 2023	CHANGE IN THE YEAR IN THE NET ASSETS AVAILABLE TO PAY BENEFITS	
		+100BPS (1% INCREASE) £000	-100BPS (1% DECREASE) £000
	£000		
CASH HELD DIRECTLY BY THE FUND	7,932	-	-
CASH AND CASH EQUIVALENTS HELD ON BEHALF OF THE FUND	29,982	-	-
BOND PORTFOLIO - FIXED INTEREST SECURITIES	544,815	-23,499	23,499
	582,729	-23,499	23,499

In the above table, cash equivalents of £24,700k are included in the Bond Portfolio - Fixed Interest Securities, which are held in pooled funds.

ASSETS EXPOSED TO INTEREST RATE RISK	CARRYING AMOUNT AS AT 31ST MARCH 2022	CHANGE IN THE YEAR IN THE NET ASSETS AVAILABLE TO PAY BENEFITS	
		+100BPS (1% INCREASE) £000	-100BPS (1% DECREASE) £000
	£000		
CASH HELD DIRECTLY BY THE FUND	4,495	-	-
CASH AND CASH EQUIVALENTS HELD ON BEHALF OF THE FUND	75,988	-	-
BOND PORTFOLIO - FIXED INTEREST SECURITIES	565,812	-32,423	32,423
	646,295	-32,423	32,423

In the above table, cash equivalents of £6,317k are included in the Bond Portfolio - Fixed Interest Securities, which are held in pooled funds.

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. The Fund uses derivatives to reduce currency risk within the pooled equity funds by way of forward currency contracts managed by BlackRock Investment Management (UK) Ltd. which commenced in February 2023.

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 6.3% (as measured by one standard deviation).

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

A 6.3% 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:

2022/23 CURRENCY EXPOSURE - ASSET TYPE	ASSET VALUE AS AT 31ST MARCH 2023	CHANGE TO NET ASSETS AVAILABLE TO PAY BENEFITS	
	£000	£000 +6.3%	£000 -6.3%
UK EQUITIES*	1,111	1,181	1,041
GLOBAL EQUITIES	1,248,678	1,327,345	1,170,011
GLOBAL BONDS	-	-	-
OVERSEAS PRIVATE DEBT	35,391	37,621	33,161
OVERSEAS PROPERTY	60,844	64,677	57,011
VENTURE CAPITAL /PRIVATE EQUITY/ INFRASTRUCTURE	149,596	159,021	140,171
DIVERSIFIED GROWTH	21,079	22,407	19,751
CASH/CASH EQUIVALENTS	701	745	657
	1,517,400	1,612,997	1,421,803

* Amount of overseas currency within the Brunel UK Equity Pooled Fund.

2021/22 CURRENCY EXPOSURE - ASSET TYPE	ASSET VALUE AS AT 31ST MARCH 2022	CHANGE TO NET ASSETS AVAILABLE TO PAY BENEFITS	
	£000	£000 +7%	£000 -7%
UK EQUITIES*	1,470	1,573	1,377
GLOBAL EQUITIES	1,194,914	1,270,194	1,119,634
GLOBAL BONDS	34,221	36,377	32,065
OVERSEAS PRIVATE DEBT	33,235	35,329	31,141
OVERSEAS PROPERTY	25,483	27,088	23,878
VENTURE CAPITAL /PRIVATE EQUITY/ INFRASTRUCTURE	43,284	46,011	40,557
DIVERSIFIED GROWTH	16,754	17,810	15,698
CASH/CASH EQUIVALENTS	5,868	6,238	5,498
	1,355,229	1,440,620	1,269,848

* Amount of overseas currency within the Brunel UK Equity Pooled Fund.

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 pooled funds have significant credit risk through their 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 Fund 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.

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 pooled funds can be analysed using standard industry credit ratings and the analysis as at 31st March 2023 is set out below with comparatives from the position as at 31 March 2022.

CREDIT ANALYSIS 31ST MARCH 2023	AAA £000	AA+ TO AA- £000	A+ TO A- £000	BBB+ TO BBB- £000	BB+ TO BB- £000	B+ TO B- £000	CCC+ TO C- £000	UNRATED £000
UK CORPORATE BONDS	7,031	19,914	73,645	169,431	18,260	9,894	-	19,946
GLOBAL BONDS	13,311	222	6,363	31,875	46,782	75,404	20,280	7,757
	20,342	20,136	80,008	201,306	65,042	85,298	20,280	27,703
% OF FIXED INTEREST POOLED FUNDS	3.9	3.9	15.4	38.7	12.5	16.4	3.9	5.3

Cash equivalents held in the Bond Portfolio pooled funds of £24,700k have not been included in the credit analysis table above but are included in the market value of the Bond Portfolio pooled funds in Note 12.

CREDIT ANALYSIS 31ST MARCH 2022	AAA £000	AA+ TO AA- £000	A+ TO A- £000	BBB+ TO BBB- £000	BB+ TO BB- £000	B+ TO B- £000	CCC+ TO C- £000	UNRATED £000
UK CORPORATE BONDS	19,511	20,231	79,446	203,133	15,047	9,359	-	13,247
GLOBAL BONDS	2,451	159	3,607	18,472	36,048	90,031	40,831	7,672
	21,962	20,390	83,053	221,605	51,095	99,390	40,831	20,919
% OF FIXED INTEREST POOLED FUNDS	3.9	3.6	14.9	39.6	9.1	17.8	7.3	3.7

Cash equivalents held in the Bond Portfolio pooled funds of £6,317k have not been included in the credit analysis table above but are included in the market value of the Bond Portfolio pooled funds in Note 12.

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 both its treasury management arrangements and Custodian arrangements at 31st March 2023 is shown below:

ACCOUNT NAME	BALANCES AS AT 31ST MARCH 2022		BALANCES AS AT 31ST MARCH 2023	
	RATING*	£000	RATING*	£000
ABERDEEN STANDARD LIQUIDITY FUND	AAAm	2,636	AAAm	2,636
FEDERATED SHORT TERM STERLING PRIME FUND	AAAm	1,274	AAAm	1,274
LLOYDS INSTANT ACCESS	A-1	545	A-1	-
HSBC CURRENT ACCOUNT	A-1	20	A-1	-
LLOYDS CURRENT ACCOUNT	A-1	20	A-1	4,022
TOTAL BALANCES MANAGED IN HOUSE		4,495		7,932
STATE STREET SSGA GLOBAL ASSET MMF	AAAm	5,990	AAAm	352
STATE STREET LIQUIDITY FUNDS	AAAm	29,979	AAAm	4,137
STATE STREET BANK & TRUST COMPANY	AA-	40,019	AA-	25,493
TOTAL BALANCES HELD BY CUSTODIAN		75,988		29,982

* Ratings quoted are all Standard and Poors as at 31st March 2023 and 2022.

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 in the past the Fund has obtained a guarantee before admitting new employers so that all pension obligations are covered in the event of that employer facing financial difficulties. More recently the Fund has also admitted certain employers on a pass-through basis where the risks inherent in participating in the LGPS are shared between the new employer and the letting employer who is supported by central government. Contributions due as at 31st March 2023 was £5,180k (2021/22 £5,256k) and as at 25th May 2023 £518k 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 they are 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 Pooled Bond Funds 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	VALUE AT 31ST MARCH 2023 £000	BASIS OF VALUATION	OBSERVABLE AND UNOBSERVABLE INPUTS	KEY SENSITIVITIES AFFECTING THE VALUATIONS PROVIDED
CASH INSTRUMENTS HELD ON BEHALF OF THE INVESTMENT MANAGERS	Level 1	4,489	Net Asset Value.	Interest rates.	Not required.
CASH DEPOSITS	Level 1	33,426	Cash held in foreign currencies are shown at market value translated into Sterling at the exchange rates prevailing as at 31st March 2023.	Not required.	Not required.
INVESTMENT INCOME & TAX RECLAIMS DUE	Level 1	915	Investment income is accounted for when a holding is declared ex-dividend and tax relaims accounted for when tax is deducted from investment income. Income and tax reclaim due in foreign currencies are shown at market value translated into Sterling at the exchange rates prevailing at 31st March 2023.	Not required.	Not required.
AMOUNTS RECEIVABLE FOR INVESTMENT SALES	Level 1	11	Amounts receivable due in foreign currencies are shown at market value translated into Sterling at the exchange rates prevailing at 31st March 2023.	Not required.	Not required.
DERIVATIVE CONTRACTS - FORWARD FOREIGN EXCHANGE CONTRACTS - NET	Level 2	8,126	Market forward exchange rates at the year-end.	Exchange rate risks.	Not required.

DESCRIPTION OF ASSET	VALUATION HIERARCHY	VALUE AT 31ST MARCH 2022 £000	BASIS OF VALUATION	OBSERVABLE AND UNOBSERVABLE INPUTS	KEY SENSITIVITIES AFFECTING THE VALUATIONS PROVIDED
POOLED INVESTMENT VEHICLES	Level 2	2,452,109	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.
POOLED PROPERTY INVESTMENTS	Level 2	101,537	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.
POOLED PROPERTY INVESTMENTS	Level 3	160,757	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.
PRIVATE EQUITY	Level 3	59,142	Fair value basis applied in accordance with International Financial Reporting Standards and International Private Equity Valuation guidelines.	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.

DESCRIPTION OF ASSET	VALUATION HIERARCHY	VALUE AT 31ST MARCH 2022 £000	BASIS OF VALUATION	OBSERVABLE AND UNOBSERVABLE INPUTS	KEY SENSITIVITIES AFFECTING THE VALUATIONS PROVIDED
PRIVATE DEBT	Level 3	114,674	The fair value of funds managed by Arcmont and Golub is determined by the enterprise value of a portfolio company, the nature and realisable value of any collateral, its ability to make payments and its earnings, discounted cash flows, market environment and changes in the interest rate environment. For the Private Debt fund managed by Brunel, a fair value basis is applied in accordance with International Financial Reporting Standards and International Private Equity Valuation guidelines.	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	Level 3	116,006	Fair value basis applied in accordance with International Financial Reporting Standards and International Private Equity Valuation guidelines.	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.

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 interest 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 2023	QUOTED MARKET PRICE	USING OBSERVABLE INPUTS	WITH SIGNIFICANT UNOBSERVABLE INPUTS	TOTAL
	LEVEL 1	LEVEL 2	LEVEL 3	
	£000	£000	£000	£000
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS				
POOLED INVESTMENT VEHICLES	-	2,452,109	-	2,452,109
POOLED PROPERTY INVESTMENTS	-	101,537	160,757	262,294
PRIVATE EQUITY	-	-	59,142	59,142
INFRASTRUCTURE	-	-	116,006	116,006
PRIVATE DEBT	-	-	114,674	114,674
DERIVATIVE CONTRACTS	-	11,873	-	11,873
CASH INSTRUMENTS HELD ON BEHALF OF THE INVESTMENT MANAGERS	4,489	-	-	4,489
CASH DEPOSITS	33,425	-	-	33,425
INVESTMENT INCOME AND TAX RECLAIMS DUE	915	-	-	915
AMOUNTS RECEIVABLE FOR INVESTMENT SALES	11	-	-	11
	38,840	2,565,519	450,579	3,054,938
NON-FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	-	-	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS	-	-3,747	-	-3,747
AMOUNTS PAYABLE FOR INVESTMENT PURCHASES	-	-	-	-
NET INVESTMENT ASSETS	38,840	2,561,772	450,579	3,051,191
BRUNEL PENSION PARTNERSHIP LTD.				697
DEBTORS / CREDITORS *				5,082
TOTAL NET INVESTMENT ASSETS	38,840	2,561,772	450,579	3,056,970

VALUES AT 31ST MARCH 2022	QUOTED MARKET PRICE LEVEL 1 £000	USING OBSERVABLE INPUTS LEVEL 2 £000	WITH SIGNIFICANT UNOBSERVABLE INPUTS LEVEL 3 £000	TOTAL £000
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS				
POOLED INVESTMENT VEHICLES	-	2,599,410	-	2,599,410
POOLED PROPERTY INVESTMENTS	-	221,682	24,456	246,138
PRIVATE EQUITY	-	-	41,143	41,143
INFRASTRUCTURE	-	-	60,104	60,104
PRIVATE DEBT	-	-	77,027	77,027
DERIVATIVE CONTRACTS	-	-	-	-
CASH INSTRUMENTS HELD ON BEHALF OF THE INVESTMENT MANAGERS	-	35,969	-	35,969
CASH DEPOSITS	44,514	-	-	44,514
INVESTMENT INCOME AND TAX RECLAIMS DUE	1,078	-	-	1,078
AMOUNTS RECEIVABLE FOR INVESTMENT SALES	51	-	-	51
	45,643	2,857,061	202,730	3,105,434
NON-FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	-	-	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS	-	-	-	-
AMOUNTS PAYABLE FOR INVESTMENT PURCHASES	-	-	-	-
NET INVESTMENT ASSETS	45,643	2,857,061	202,730	3,105,434
BRUNEL PENSION PARTNERSHIP LTD.				71
DEBTORS / CREDITORS *				5,338
TOTAL NET INVESTMENT ASSETS	45,643	2,857,061	202,730	3,110,843

* 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 one movement between levels 1 and 2 which relate to the classification of the Money Market Funds held on behalf of Investment Fund Managers, previously shown as level 2 now moved to level 1 for consistency.

SENSITIVITY OF ASSETS VALUED AT LEVEL 3

Having consulted with independent advisors, who model 5,000 possible outcomes of future behaviours of each economic variable and asset return, 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 2023.

2022/23	ASSESSED VALUATION RANGE (+/-)	VALUE AT 31ST MARCH 2023 £000	VALUE ON INCREASE £000	VALUE ON DECREASE £000
UK POOLED PROPERTY INVESTMENTS	15.5%	116,232	134,248	98,216
OVERSEAS POOLED PROPERTY INVESTMENTS	15.5%	44,525	51,426	37,624
PRIVATE EQUITY/INFRASTRUCTURE	31.2%	175,148	229,794	120,502
UK PRIVATE DEBT	9.6%	75,977	83,271	68,683
OVERSEAS PRIVATE DEBT	9.6%	38,697	42,412	34,982
TOTAL		450,579	541,151	360,007

2021/22	ASSESSED VALUATION RANGE (+/-)	VALUE AT 31ST MARCH 2022 £000	VALUE ON INCREASE £000	VALUE ON DECREASE £000
UK POOLED PROPERTY INVESTMENTS	15.0%	14,425	16,589	12,261
OVERSEAS POOLED PROPERTY INVESTMENTS	15.0%	10,031	11,535	8,526
PRIVATE EQUITY/INFRASTRUCTURE	31.2%	101,247	132,836	69,658
UK PRIVATE DEBT	9.0%	43,799	47,740	39,857
OVERSEAS PRIVATE DEBT	9.0%	33,228	36,219	30,237
TOTAL		202,730	244,919	160,539

All movements in the assessed valuation range of the above investments derive from changes in the underlying profitability of component companies, the range of the potential movement quoted is caused by how this profitability is measured and the economic circumstances in which the component company operates.

RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

2022/23	UK POOLED PROPERTY INVESTMENTS £000	OVERSEAS POOLED PROPERTY INVESTMENTS £000	PRIVATE EQUITY / INFRASTRUCTURE £000	OVERSEAS PRIVATE DEBT £000	UK PRIVATE DEBT £000	UK BONDS £000	TOTAL £000
MARKET VALUE 31ST MARCH 2022	14,425	10,031	101,247	33,228	43,799	-	202,730
TRANSFERS INTO LEVEL 3*	118,394	-	-	-	-	-	118,394
TRANSFERS OUT OF LEVEL 3*	-	-	-	-	-	-	-
PURCHASES DURING THE YEAR AND DERIVATIVE PAYMENTS	14,453	32,154	61,223	-	-	-	107,830
SALES DURING THE YEAR AND DERIVATIVE RECEIPTS	-9,323	-72	-6,447	-	-	-	-15,842
UNREALISED GAINS/ (LOSSES)	-22,922	2,388	19,035	5,469	32,178	-	36,148
REALISED GAINS/ (LOSSES)	1,205	24	90	-	-	-	1,319
MARKET VALUE 31ST MARCH 2023	116,232	44,525	175,148	38,697	75,977	-	450,579

2021/22	UK POOLED PROPERTY INVESTMENTS £000	OVERSEAS POOLED PROPERTY INVESTMENTS £000	PRIVATE EQUITY / INFRASTRUCTURE £000	OVERSEAS PRIVATE DEBT £000	UK PRIVATE DEBT £000	UK BONDS £000	TOTAL £000
MARKET VALUE 31ST MARCH 2021	145,184	-	32,404	31,710	33,360	3,395	246,053
TRANSFERS INTO LEVEL 3	7,509	-	-	-	-	-	7,509
TRANSFERS OUT OF LEVEL 3	-137,838	-	-	-	-	-	-137,838
PURCHASES DURING THE YEAR AND DERIVATIVE PAYMENTS	1,863	9,339	62,177	-	23,787	1,931	99,097
SALES DURING THE YEAR AND DERIVATIVE RECEIPTS	-3,183	-	-3,516	-	14,496	-5,824	1,973
UNREALISED GAINS/ (LOSSES)	670	691	10,257	-2,468	-28,071	-	-18,921
REALISED GAINS/ (LOSSES)	220	1	-75	3,986	227	498	4,857
MARKET VALUE 31ST MARCH 2022	14,425	10,031	101,247	33,228	43,799	-	202,730

When assigning holdings to a level in the fair value hierarchy, consideration is given to the Fund's ability to exit the holding. For holdings not traded on a recognised exchange but where a published price exists and investors are entitled to redeem their holding without restriction, holdings are assigned to level 2. Where there are restrictions on redemption, holdings are assigned to level 3.

*On the 1st April 2022, £118.4m of UK Pooled Property Investments were transferred from level 2 to level 3 due to the restrictions on redemption being imposed.

N27. FINANCIAL INSTRUMENT DISCLOSURE

2022/23 FINANCIAL ASSETS	FAIR VALUE THROUGH PROFIT AND LOSS £000	ASSETS AT AMORTISED COST £000	LIABILITIES AT AMORTISED COST £000
POOLED INVESTMENT VEHICLES	2,738,503	-	-
POOLED PROPERTY INVESTMENTS	262,294	-	-
VENTURE CAPITAL/PRIVATE EQUITY	3,428	-	-
BRUNEL PENSION PARTNERSHIP LTD.	697	-	-
DERIVATIVE CONTRACTS	11,873	-	-
CASH	29,982	7,932	-
OTHER INVESTMENT BALANCES	-	926	-
DEBTORS	-	1,564	-
	3,046,777	10,422	-

FINANCIAL LIABILITIES			
DERIVATIVE CONTRACTS	-3,747	-	-
OTHER INVESTMENT BALANCES	-	-	-
CREDITORS	-	-	-1,700
BORROWINGS	-	-	-
	-3,747	-	-1,700
	3,043,030	10,422	-1,700

2021/22 FINANCIAL ASSETS	FAIR VALUE THROUGH PROFIT AND LOSS £000	ASSETS AT AMORTISED COST £000	LIABILITIES AT AMORTISED COST £000
POOLED INVESTMENT VEHICLES	2,773,831	-	-
POOLED PROPERTY INVESTMENTS	246,138	-	-
VENTURE CAPITAL/PRIVATE EQUITY	3,853	-	-
BRUNEL PENSION PARTNERSHIP LTD.	71	-	-
DERIVATIVE CONTRACTS	-	-	-
CASH	75,988	4,495	-
OTHER INVESTMENT BALANCES	-	1,129	-
DEBTORS	-	1,387	-
	3,099,881	7,011	-

FINANCIAL LIABILITIES			
DERIVATIVE CONTRACTS	-	-	-
OTHER INVESTMENT BALANCES	-	-	-
CREDITORS	-	-	-1,473
BORROWINGS	-	-	-
	-	-	-1,473
	3,099,881	7,011	-1,473

N27a. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

FINANCIAL ASSETS	2021/22 £000	2022/23 £000
FAIR VALUE THROUGH PROFIT AND LOSS	197,484	-50,862
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	-	-
	197,484	-50,862

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

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

N28. BULK TRANSFERS IN & OUT OF THE PENSION FUND

TRANSFERS TO OR FROM OTHER PENSION FUNDS

During 2022/23 no bulk transfer values were paid in respect of groups of employees moving between funds (£1,069k 2021/22).

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 IAS1 (Disclosure of Accounting Policies), IAS 8 (Definition of Accounting Estimates), IAS12 (Deferred Tax to Assets & Liabilities), IFRS 3 (Conceptual Framework), and IFRS16 (Leases, which will be adopted by the Council in 2024) have been issued. It is not anticipated that any of these regulation amendments will have a material impact on the Pension Fund.

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 £96k on behalf of members during 2022/23 (£63k 2021/22). 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. From 6th April 2023 the Lifetime Allowance will be abolished but the Annual Allowance will continue.

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 2022; a copy of which can be found at the following address:

[Brunel-Pension-Partnership-Annual-Report-and-Financial-Statements-2023.pdf](#)
(brunelpensionpartnership.org)

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 TO 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 transition of assets to Brunel took place between July 2018 and July 2022. Set up and transition costs incurred during that time are set out in the following table:

BRUNEL PARTNERSHIP POOL SET UP COSTS

GLOUCESTERSHIRE	TOTAL COSTS - ALL YEARS £000
SET UP COSTS	
RECRUITMENT	18
LEGAL	133
CONSULTING, ADVISORY & PROCUREMENT	82
OTHER SUPPORT COSTS E.G.IT, ACCOMMODATION	-
SHARE PURCHASE / SUBSCRIPTION COSTS	840
OTHER WORKING CAPITAL PROVIDED E.G. LOANS	-
STAFF COSTS	-
TOTAL SET UP COSTS	1,073
TRANSITION COSTS	
TRANSITION FEE	376
TAX	894
OTHER TRANSITION COSTS	6,025
TOTAL TRANSITION COSTS	7,295

The Gloucestershire Fund transitioned its first assets to Brunel in July 2018 and its final assets in July 2021, with investments being made to the following portfolios:

- + 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
- + Diversifying Returns
- + Global Sustainable Equities
- + Multi Asset Credit
- + Sterling Corporate Bonds

At 31st March 2023, 97% of the Fund's investments had transitioned to Brunel, the remaining 3% are held in directly managed pooled funds and will be retained by the Fund until they mature.

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 2023	PRICE VARIANCE 2022/23	QUANTITY VARIANCE 2022/23	TOTAL SAVING/ (COST) 2022/23	PRICE VARIANCE CUMULATIVE TO DATE	QUANTITY VARIANCE CUMULATIVE TO DATE	TOTAL SAVING/ (COST) CUMULATIVE TO DATE
	£000	£000	£	£	£	£	£	£
WORLD DEVELOPED EQUITY PASSIVE	301,562	0	9,725	-35,008	-25,283	218,494	-93,309	125,185
ACTIVE UK EQUITIES	318,696	356,985	563,122	-210,003	353,119	2,407,141	-786,205	1,620,936
ACTIVE EMERGING MARKETS EQUITIES	0	189,321	383,133	-1,088,407	-705,274	998,097	-3,663,793	-2,665,696
ACTIVE HIGH ALPHA EQUITIES	0	410,614	1,243,366	-2,501,755	-1,258,389	4,557,364	-9,674,918	-5,117,554
DIVERSIFYING RETURNS	75,700	241,939	1,232,301	-1,035,637	196,664	2,677,654	-2,318,342	359,312
ACTIVE GLOBAL SUSTAINABLE EQUITIES	0	398,646	1,049,530	-2,126,775	-1,077,245	2,148,764	-4,373,072	-2,224,308
PARIS ALIGNED DEVELOPED EQUITIES	0	309,790	72,760	-101,864	-29,104	91,731	-128,423	-36,692
STERLING CORPORATE BONDS	0	326,278	151,652	-355,730	-204,078	294,355	-690,618	-396,263
MULTI ASSET CREDIT	0	218,537	-58,865	-187,294	-246,159	-130,414	-399,884	-530,298
PRIVATE MARKETS INFRASTRUCTURE CYCLE 1	0	34,994	128,336	-370,660	-242,324	394,654	-1,217,728	-823,074
PRIVATE MARKETS INFRASTRUCTURE CYCLE 2	0	78,242	350,496	-1,120,600	-770,104	1,075,066	-2,628,792	-1,553,726
PRIVATE MARKETS INFRASTRUCTURE CYCLE 3	0	2,770	51,796	-80,296	-28,500	51,796	-80,296	-28,500
PRIVATE MARKETS PRIVATE EQUITY CYCLE 1	0	32,430	-28,207	-412,413	-440,620	-30,928	-1,476,552	-1,507,480
PRIVATE MARKETS PRIVATE EQUITY CYCLE 2	0	23,284	-49,459	-671,370	-720,829	312,977	-1,462,701	-1,149,724
UK PROPERTY	0	201,450	839,564	-219,697	619,867	2,277,144	-618,635	1,658,509
OVERSEAS PROPERTY	0	60,844	129,181	-129,181	0	187,992	-187,992	0
PRIVATE DEBT CYCLE 2	0	55,876	833,929	-950,400	-116,471	1,656,790	-1,959,309	-302,519
PRIVATE DEBT CYCLE 3	0	3,314	79,989	-84,104	-4,115	79,989	-84,104	-4,115
TOTAL		2,945,314	6,982,349	-11,681,194	-4,698,845	19,268,666	-31,844,673	-12,576,007

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 2022/23 and cumulative to date figures covering 2018/19 to 2022/23 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 2022/23, 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 2022/23.

EXPECTED COSTS COMPARED TO ACTUAL COSTS / SAVINGS TO DATE

	2018-19				2019-20			
	BUDGET		ACTUAL		BUDGET		ACTUAL	
	IN YEAR £000	CUMULATIVE TO DATE £000	IN YEAR £000	CUMULATIVE TO DATE £000	IN YEAR £000	CUMULATIVE TO DATE £000	IN YEAR £000	CUMULATIVE TO DATE £000
SET UP COSTS	-	1,151	-	1,073	-	1,151	-	1,073
ONGOING BRUNEL COSTS *	413	413	660	660	535	948	1,059	1,719
CLIENT SAVINGS	-64	-64	-	-	-66	-129	-	-
TRANSITION COSTS	1,327	1,327	2,183	2,183	2,652	3,979	2,475	4,658
FEE SAVINGS	-171	-171	-294	-294	-557	-728	-1,305	-1,600
NET COSTS (REALISED SAVINGS)	1,505	2,656	2,549	3,622	2,564	5,221	2,229	5,850

2020-21				2021-22				2022-23			
BUDGET		ACTUAL		BUDGET		ACTUAL		BUDGET		ACTUAL	
IN YEAR £000	CUMULATIVE TO DATE £000	IN YEAR £000	CUMULATIVE TO DATE £000	IN YEAR £000	CUMULATIVE TO DATE £000	IN YEAR £000	CUMULATIVE TO DATE £000	IN YEAR £000	CUMULATIVE TO DATE £000	IN YEAR £000	CUMULATIVE TO DATE £000
-	1,151	-	1,073	-	1,151	-	1,073	-	1,151	-	1,073
552	1,500	1,097	2,816	570	2,070	1,106	3,922	588	2,658	1,232	5,154
-68	-197	-	-	-70	-267	-	-	-72	-339	-	-
13	3,992	1,183	5,841	-	3,992	1,454	7,295	-	3,992	-	7,295
-898	-1,626	-3,858	-5,458	-965	-2,591	-7,155	-12,613	-1,037	-3,628	-6,982	-19,595
-401	4,820	-1,578	4,272	-465	4,355	-4,595	-323	-521	3,834	-5,750	-6,073

* 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	£2.658m
CUMULATIVE ACTUAL TO DATE	£5.154m

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	£7.295m

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	£3.628m
CUMULATIVE ACTUAL TO DATE	£19.595m

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.

COST TRANSPARENCY - ONGOING INVESTMENT MANAGEMENT COSTS 22-23

The following information has been prepared to enable comparison of the ongoing investment managements 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	8,816	2,658	11,475	38.56	2,290	-	2,290	341.60	13,765	45.23
PERFORMANCE	65	-	65	0.22	641	-	641	95.56	706	2.32
RESEARCH	-	-	-	-	-	-	-	-	-	-
PRIIPS COMPLIANCE	-	-	-	-	-	-	-	-	-	-
TOTAL MANAGEMENT FEES	8,881	2,658	11,540	38.78	2,931	-	2,931	437.16	14,471	47.55
ASSET POOL SHARED COSTS	1,136	-	1,136	3.82	-	-	-	n/a	1,136	3.73
TRANSACTION COSTS										
COMMISSIONS	469	-	469	1.58	-	-	-	-	469	1.54
ACQUISITION/ISSUE COSTS	1,630	4,685	6,315	21.22	-	-	-	-	6,315	20.75
DISPOSAL COSTS	-	-	-	-	-	-	-	-	-	-
REGISTRATION/FILING FEES	-	-	-	-	-	-	-	-	-	-
TAXES AND STAMP DUTY	379	-	379	1.27	-	-	-	-	379	1.24
TOTAL TRANSACTION COSTS	2,478	4,685	7,163	24.07	-	-	-	-	7,163	23.53
CUSTODY	-	-	-	-	-	-	-	-	53	0.18
TAX & LEGAL COSTS	-	-	-	-	-	-	-	-	8	0.03
OTHER (PROPERTY EXPS)	-	2,160	2,160	7.26	-	-	-	-	2,160	7.10
TOTAL	12,495	9,503	21,999	73.93	2,931	-	2,931	437.16	24,991	82.12

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, deducted from income or deducted from the market value of pooled fund units.

However there has been a general recognition that there are significant further costs that in the past have been hidden. These indirect costs, such as pooled fund administration and governance costs and implicit and indirect transaction costs, as detailed in the table, have also 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. Three 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.

Other (Property expenses)

The Fund's property assets are held within pooled funds and these costs represent those incurred in the management of the underlying properties. Within the accounts this figure has been included within Management Fees.

BPS

The basis point (bps) calculation is based on fees and costs as a percentage of the closing market value of assets.

13

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 **152 to 166**.

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 2.1 of the FSS 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 2.1 of the FSS.

FUNDING STRATEGY STATEMENT

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

1. WELCOME TO GLOUCESTERSHIRE PENSION FUND'S FUNDING STRATEGY STATEMENT

This document sets out the Funding Strategy Statement (FSS) for the Gloucestershire Pension Fund.

The Gloucestershire pension fund is administered by Gloucestershire County Council, known as the administering authority. Gloucestershire County Council worked with the fund's actuary, Hymans Robertson, to prepare this FSS which is effective from 1st April 2023.

There's a regulatory requirement for Gloucestershire County Council to prepare a FSS. You can find out more about the regulatory framework in Appendix A. If you have any queries about the FSS, contact peninv@gloucestershire.gov.uk

1.1 What is the Gloucestershire Pension Fund?

The Gloucestershire Pension Fund is part of the Local Government Pension Scheme (LGPS). You can find more information about the LGPS at www.lgpsmember.org. The administering authority runs the fund on behalf of participating employers, their employees and current and future pensioners. You can find out more about roles and responsibilities in Appendix B.

1.2 What are the funding strategy objectives?

The funding strategy objectives are to:

- + take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- + use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- + where appropriate, ensure stable employer contribution rates
- + reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- + use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

1.3 Who is the FSS for?

The FSS is mainly for employers participating in the fund because it sets out how money will be collected from them to meet the fund's obligations to pay members' benefits.

Different types of employers participate in the fund:

Scheduled bodies

Employers who are specified in a schedule to the LGPS regulations, including councils and employers like academies and further education establishments. Scheduled bodies must give employees access to the LGPS if they can't accrue benefits in another pension scheme, such as another public service pension scheme.

Designating employers

Employers like town and parish councils can join the LGPS through a resolution. If a resolution is passed, the fund can't refuse entry. The employer then decides which employees can join the scheme.

Admission bodies

Other employers can join through an admission agreement. The fund can set participation criteria for them and can refuse entry if the requirements aren't met. This type of employer includes contractors providing outsourced services like cleaning or catering to a scheduled body.

Some existing employers may be referred to as **community admission bodies** (CABs). CABs are employers with a community of interest with another scheme employer. Others may be called **transferee admission bodies** (TABs), that provide services for scheme employers. These terms aren't defined under current regulations but remain in common use from previous regulations.

1.4 How does the funding strategy link to the investment strategy?

The funding strategy sets out how money will be collected from employers to meet the fund's obligations. Contributions, assets and other income are then invested according to an investment strategy set by the administering authority. You can find the investment strategy on the Pension Fund's website.

The funding and investment strategies are closely linked. The fund must be able to pay benefits when they are due – those payments are met from a combination of contributions (through the funding strategy) and asset returns and income (through the investment strategy). If investment returns or income fall short the fund won't be able to pay benefits, so higher contributions would be required from employers.

1.5 Does the funding strategy reflect the investment strategy?

The funding policy is consistent with the investment strategy. Future investment return expectations and contribution rates are set with reference to the investment strategy, including a margin for prudence. This is consistent with the regulatory requirement that funds take a 'prudent longer-term view' of funding liabilities.

1.6 How is the funding strategy specific to the Gloucestershire Pension Fund?

The funding strategy reflects the specific characteristics of the fund employers and its own investment strategy.

2. HOW DOES THE FUND CALCULATE EMPLOYER CONTRIBUTIONS?

2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

Employer contributions are made up of two elements:

- + the primary contribution rate** – contributions payable towards future benefits
- + the secondary contribution rate** – the difference between the primary rate and the total employer contribution

The primary rate also includes an allowance for the fund's expenses. The primary rate will always be set as a percentage of pay. The secondary rate may be set as a percentage of pay or as a monetary amount. A monetary amount is usually set where payroll is expected to decline.

The fund actuary uses a model to project each employer's asset share over a range of future economic scenarios. The contribution rate takes each employer's assets into account as well as the projected benefits due to their members. The value of the projected benefits is worked out using employer membership data and the assumptions in Appendix D.

The total contribution rate for each employer is then based on:

- + the funding target** – how much money the fund aims to hold for each employer
- + the time horizon** – the time over which the employer aims to achieve the funding target
- + the likelihood of success** – the proportion of modelled scenarios where the funding target is met.

This approach takes into account the maturing profile of the membership when setting employer contribution rates.

A definition of the funding targets used can be found in Appendix D. Table 1 defines the parameters that will apply for the contribution rate calculation for different types of employers.

Employers may opt to pre-pay contributions. The Fund's policy on contribution prepayments can be found on the Pension Fund website.

TABLE 1: CONTRIBUTION RATE CALCULATION FOR INDIVIDUAL OR POOLED EMPLOYERS

TYPE OF EMPLOYER	SCHEDULED BODIES				DESIGNATED EMPLOYERS	CABS AND ADMISSION BODIES WITH NO GUARANTOR	TABS AND ADMISSION BODIES WITH A GUARANTOR*
SUB-TYPE	LOCAL AUTHORITIES & POLICE	COLLEGES & UNIVERSITIES	ACADEMIES AND MULTI ACADEMY TRUSTS	OTHER SCHEDULED BODIES	TOWN AND PARISH COUNCILS	ALL	ALL
FUNDING TARGET	Ongoing	Ongoing but may move to low-risk exit basis	Ongoing	Ongoing if open. Low-risk exit basis if closed	Ongoing	Low-risk exit basis	Contractor exit basis, assuming fixed-term contract in the fund
LIKELIHOOD OF SUCCESS	75%**	70% or 75%	75%	80% if ongoing. 50% if closed	75%	50%	50%
MAXIMUM TIME HORIZON	17 years	14 years	20 years	20 if open. Average future working lifetime if closed	20 years	Average future working lifetime but may extend to maintain stability of contributions	Same as the letting employer
PRIMARY RATE APPROACH	The contributions must be sufficient to meet the cost of benefits earned in the future with the required likelihood of success at the end of the time horizon.						
SECONDARY RATE	% of payroll or monetary amount	% of payroll or monetary amount	% of payroll	Monetary amount	% of payroll	Monetary amount	% of payroll
HOW IS STABILITY OF CONTRIBUTIONS ACHIEVED	Stabilised contribution strategy	Phasing over 3 years	Test current rate (see 2.2 below)	Phasing over 3 years	Test current rate (see 2.2 below)	N/A	N/A
TREATMENT OF SURPLUS	Covered by stabilisation arrangement	Contributions kept at primary rate				Reductions may be permitted by the administering authority	Reduce contributions by spreading the surplus over the remaining contract term

* For employers joining the Fund with a pass-through agreement, contributions will be calculated using an 80% likelihood of success.

** The primary rate is calculated using a 66% likelihood of success for these employers.

2.2 Making contribution rates stable

Making employer contribution rates reasonably stable is an important funding objective. Where appropriate, contributions are set with this objective in mind. This is achieved through a number of methods:

- + Setting a stabilised contribution strategy
- + Phasing in any employer increases or decreases
- + Testing if the current contribution rate meets a minimum likelihood of success.

A stabilised contribution rate strategy is adopted for all local authorities where contributions move each year with a maximum of the parameters shown in Table 2. After taking advice from the fund actuary, the administering authority believes a stabilised approach is a prudent longer-term strategy.

Maximum contribution increases and decreases are reviewed during the valuation process. The administering authority may review them between valuations to respond to membership or employer changes.

For all academies, multi-academy trusts and town and parish councils, the likelihood of success of the current rate in payment will be tested at the time horizon shown in Table 1. If the likelihood of success is within 2.5% of the likelihood of success shown in Table 1, the contribution rate will remain stable. If the likelihood of success is outside of this range, the contribution rate will be calculated to bring the likelihood of success back within the likelihood of success “corridor”.

The same approach applies for Town and Parish Councils.

Phasing of employer increases over three years may be permitted for academies, colleges and other scheduled bodies

TABLE 2: CURRENT STABILISATION APPROACH

EMPLOYER	MAXIMUM CONTRIBUTION INCREASE PER YEAR	MAXIMUM CONTRIBUTION DECREASE PER YEAR
GLOUCESTERSHIRE COUNTY COUNCIL AND SCHOOLS	+ 0.5% of pay	- 0.5% of pay
CHELTENHAM BOROUGH COUNCIL	+ £202,000	- £202,000
COTSWOLD DISTRICT COUNCIL	+ £195,000	- £195,000
FOREST OF DEAN DISTRICT COUNCIL	+ £95,500	- £95,500
GLOUCESTER CITY COUNCIL	+ £126,000	- £126,000
STROUD DISTRICT COUNCIL	+ £137,000	- £137,000
TEWKESBURY BOROUGH COUNCIL	+ £96,500	- £96,500
GLOUCESTERSHIRE POLICE	+ 0.5% of pay	- 0.5% of pay

2.3 Reviewing contributions between valuations

The fund may amend contribution rates between formal valuations, in line with its policy on contribution reviews. The fund's policy can be found on the Pension Fund website. The purpose of any review is to establish the most appropriate contributions. A review may lead to an increase or decrease in contributions.

2.4 What is pooling?

The administering authority may operate pools for similar types of employer. Contribution rates can be volatile for smaller employers that are more sensitive to individual membership changes – pooling across a group of employers minimises this.

Employers in a pool maintain their individual funding positions, tracked by the fund actuary. That means some employers may be better funded or more poorly funded than the pool average. If pooled employers used stand-alone funding rather than pooling, their contribution rates could be higher or lower than the pool rate.

Pooled employers are identified in the rates and adjustments certificate and only have their pooled contributions certified. Individual contribution rates aren't calculated for pooled employers, unless agreed by the administering authority.

If an employer leaves the fund, the fund will request a cessation payment based on a proportionate share of the pooled funded position (based on liabilities). The funding position will be determined on the fund's ongoing basis.

2.5 What are the current contribution pools?

- + Town and parish councils** – sharing experience and smoothing the effects of costly but rare events like ill-health retirement or deaths in service.
- + Non- academy schools** – pooled with Gloucestershire County Council
- + Ceased employers** – these are pooled with the awarding authority (where relevant) or with another employer providing a guarantee
- + Multi-academy trusts** – a pool operates for each multi-academy trust. The positions of each participating academy school are tracked individually.

2.6 Administering authority discretion

Individual employers may be affected by circumstances not easily managed within the FSS rules and policies. If this happens, the administering authority may adopt alternative funding approaches on a case-by-case basis.

Additionally, the administering authority may allow greater flexibility to the employer's contributions if added security is provided. Flexibility could include things like a reduced contribution rate, extended time horizon, or permission to join a pool. Added security may include a suitable bond, a legally binding guarantee from an appropriate third party, or security over an asset.

3. ADDITIONAL PENSION COSTS ON EARLY RETIREMENT

3.1 Pension costs – awarding additional pension and early retirement on non ill-health grounds

If an employer awards additional pension as an annual benefit amount, they pay an additional contribution to the fund as a single lump sum. The amount is set by guidance issued by the Government Actuary's Department and updated from time to time.

If an employee retires before their normal retirement age on unreduced benefits, employers may be asked to pay additional contributions called strain payments.

Employers typically make strain payments as a single lump sum, though strain payments may be spread by no more than 3 years for scheduled bodies with tax-raising powers.

3.2 Pension costs – early retirement on ill-health

If a member retires early because of ill-health, their employer must pay a funding strain, which may be a large sum.

The administering authority has arranged an external insurance policy to cover ill-health early retirement strains. Each employer's contribution that participates in this arrangement includes a share of the premium. When an active member retires on ill-health early retirement, the claim amount is credited to the employer's asset share.

The fund's policy is that 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 the ill health pension strain insurance policy organised by the Fund.

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.

Where an employer formally opts out of the cover their employer contributions will remain unchanged. When a member retires because of ill-health the employer will be asked to meet the funding strain where this exceeds the allowance for ill-health within the existing contribution rate.

4. HOW DOES THE FUND CALCULATE ASSETS AND LIABILITIES?

4.1 How are employer asset shares calculated?

The fund adopts a cashflow approach to track individual employer assets.

The fund uses Hymans Robertson's HEAT system to track employer assets monthly. Each employer's assets from the previous month end are added to monthly cashflows paid in/out and investment returns to give a new month-end asset value.

If an employee moves from one employer to another within the fund, assets equal to the cash equivalent transfer value (CETV) will move from the original employer to the receiving employer's asset share. Alternatively, if employees move when a new academy is formed or an outsourced contract begins, the fund actuary will calculate assets linked to the value of the liabilities transferring.

4.2 How are employer liabilities calculated?

The fund holds membership data for all active, deferred and pensioner members. Based on this data and the assumptions in Appendix D, the fund actuary projects the expected benefits for all members into the future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns. The assumption for future investment return is determined by the funding target adopted for that employer. These are defined in Appendix D.

Each employer's liabilities reflect the experience of their own employees and ex-employees.

Benefits are valued in line with the regulations in force at the time of the valuation, with an exception relating to the McCloud ruling. The benefits of members likely to be affected by the McCloud ruling have instead been valued in line with the expected regulations, reflecting an underpin as directed by DLUHC.

4.3 What is a funding level?

An employer's funding level is the ratio of the market value of asset share against liabilities. If this is less than 100%, the employer has a shortfall: the employer's deficit. If it is more than 100%, the employer is in surplus. The amount of deficit or surplus is the difference between the asset value and the liabilities value.

Funding levels and deficit/surplus values measure a particular point in time, based on a particular set of future assumptions. While this measure is of interest, for most employers the main issue is the level of contributions payable. The funding level does not directly drive contribution rates. See section 2 for further information on rates.

5. WHAT HAPPENS WHEN AN EMPLOYER JOINS THE FUND?

5.1 When can an employer join the fund?

Employers can join the fund if they are a new scheduled body or a new admission body. New designated employers may also join the fund if they pass a designation to do so.

On joining, the fund will determine the assets and liabilities for that employer within the Fund. The calculation will depend on the type of employer and the circumstances of joining.

A contribution rate will also be set. This will be set in accordance with the calculation set out in Section 2, unless alternative arrangements apply (for example, the employer has agreed a pass-through arrangement). More details on this are in Section 5.4 below.

5.2 New academies

New academies (including free schools) join the fund as separate scheduled employers. Only active members of former council schools transfer to new academies. Free schools do not transfer active members from a converting school but must allow new active members to transfer in any eligible service.

Liabilities for transferring active members will be calculated (on the ongoing basis) by the fund actuary on the day before conversion to an academy. Liabilities relating to the converting school's former employees (i.e. members with deferred or pensioner status) remain with the ceding council.

New academies will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully fund their deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%.

The council's estimated funding level will be based on market conditions on the day before conversion. The fund treats new academies as separate employers in their own right, who are responsible for their allocated assets and liabilities. They won't be pooled with other employers unless the academy is part of a multi-academy trust (MAT).

The new academies' contribution rate is based on the current funding strategy (set out in section 2) and the transferring membership. If a new academy joins an existing MAT, they will be asked instead to pay the contribution rate currently in payment by that MAT.

If an academy leaves one MAT and joins another, all active, deferred and pensioner members transfer to the new MAT.

The fund's policies on academies may change based on updates to guidance from the Department for Levelling Up, Housing and Communities or the Department for Education. Any changes will be communicated and reflected in future funding strategy statements.

5.3 New admission bodies as a results of outsourcing services

New admission bodies usually join the fund because an existing employer (usually a scheduled body like a council or academy) outsources a service to another organisation (a contractor). This involves TUPE transfers of staff from the letting employer to the contractor. The contractor becomes a new participating fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership. At the end of the contract, employees typically revert to the letting employer or a replacement contractor.

Liabilities for transferring active members will be calculated (on the ongoing basis) by the fund actuary on the day before the outsourcing occurs.

New contractors will be allocated an asset share equal to the value of the transferring liabilities. The admission agreement may set a different initial asset allocation, depending on contract-specific circumstances.

There is flexibility for outsourcing employers when it comes to pension risk potentially taken on by the contractor.

The fund's preferred approach is to request that all new admission bodies are set up with a pass-through arrangement. The fund's guidance on pass through is available upon request.

5.4 Other new employers

There may be other circumstances that lead to a new admission body entering the fund, eg set up of a wholly owned subsidiary company by a Local Authority. Calculation of assets and liabilities on joining and a contribution rate will be carried out allowing for the circumstances of the new employer.

New designated employers may also join the fund. These are usually town and parish councils. Contribution rates will be set using the same approach as other designated employers in the fund.

5.5 Risk assessment for new admission bodies

Under the LGPS regulations, a new admission body must assess the risks it poses to the fund if the admission agreement ends early, for example if the admission body becomes insolvent or goes out of business. In practice, the fund actuary assesses this because the assessment must be carried out to the administering authority's satisfaction.

After considering the assessment, the administering authority may decide the admission body must provide security, such as a guarantee from the letting employer, an indemnity or a bond.

This must cover some or all of the:

- + strain costs of any early retirements, if employees are made redundant when a contract ends prematurely
- + allowance for the risk of assets performing less well than expected
- + allowance for the risk of liabilities being greater than expected
- + allowance for the possible non-payment of employer and member contributions
- + admission body's existing deficit.

6. WHAT HAPPENS WHEN AN EMPLOYER LEAVES THE FUND?

6.1 What is a cessation event?

Triggers for cessation from the fund are:

- + the last active member stops participation in the fund.
The administering authority, at their discretion, can defer acting for up to three years by issuing a suspension notice. That means cessation won't be triggered if the employer takes on one or more active members during that period
- + insolvency, winding up or liquidation of the admission body
- + a breach of the agreement obligations that isn't remedied to the fund's satisfaction
- + failure to pay any sums due within the period required
- + failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor
- + termination of a deferred debt arrangement (DDA).

The administering authority will instruct the fund actuary to carry out a cessation valuation to calculate if there is a surplus or a deficit when the employer leaves the scheme.

6.2 What happens on cessation?

The administering authority must protect the interests of the remaining fund employers when an employer leaves the scheme. The actuary aims to protect remaining employers from the risk of future loss. The funding target adopted for the cessation calculation is below. These are defined in Appendix D.

- a) Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis.
- b) Where there is a guarantor, the guarantee will be considered before the cessation valuation. Where the guarantor is a guarantor of last resort, this will have no effect on the cessation valuation. If this isn't the case, cessation may be calculated using the same basis that was used to calculate liabilities (and the corresponding asset share) on joining the Fund.
- c) Depending on the guarantee, it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus. This may happen if an employer can't pay the contributions due and the approach is within guarantee terms.

If the fund can't recover the required payment in full, unpaid amounts will be paid by the related letting authority (in the case of a ceased admission body) or shared between the other fund employers. This may require an immediate revision to the rates and adjustments certificate or be reflected in the contribution rates set at the next formal valuation.

The fund actuary charges a fee for cessation valuations. Fees and any other cessation expenses are deducted from the employer's asset share.

6.3 What happens if there is a surplus?

If the cessation valuation shows the exiting employer has more assets than liabilities the employer has a surplus, known as an exit credit. The administering authority can decide how much will be paid back to the employer based on:

- + the surplus amount
- + the proportion of the surplus due to the employer's contributions
- + any representations (like risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee or some other form of employer assistance/support
- + any other relevant factors.

The fund's approach to payment of exit credits is detailed within the cessation policy which is available on the Pension Fund website.

6.4 How do employers repay cessation debts?

If there is a deficit, full payment will usually be expected in a single lump sum or:

- + spread over an agreed period, if the employer enters into a deferred spreading agreement ("DSA")
- + if an exiting employer enters into a deferred debt agreement ("DDA"), it stays in the fund and pays contributions until the cessation debt is repaid. Payments are reassessed at each formal valuation.

The options available to employers are detailed in the fund's cessation policy, available on the Pension Fund website.

6.5 What if an employer has no active members?

When employers leave the fund because their last active member has left, they may pay a cessation debt, receive an exit credit or enter a DDA/DSA. Beyond the DDA/DSA they have no further obligation to the fund and either:

- a) their asset share runs out before all ex-employees' benefits have been paid. The other fund employers will be required to contribute to the remaining benefits. The fund actuary will apportion the liabilities on a pro-rata basis based on liability share at the formal valuation.
- b) the last ex-employee or dependant dies before the employer's asset share is fully run down. The fund actuary will apportion the remaining assets to the other fund employers based on liability share.

6.6 Are bulk transfers allowed?

Employers or a group of employees may leave the fund as the result of a bulk transfer. The calculation of transferring assets will be agreed as part of the bulk transfer terms.

Cases will be looked at individually, but generally:

- + the fund won't pay bulk transfers greater in value than either the asset share of the transferring employer in the fund, or the value of the past service liabilities of the transferring members, whichever is lower
- + the fund won't grant added benefits to members bringing in entitlements from another fund, unless the asset transfer is enough to meet the added liabilities
- + the fund may permit shortfalls on bulk transfers if the employer has a suitable covenant and commits to meeting the shortfall in an appropriate period, which may require increased contributions between valuations.

7. WHAT ARE THE STATUTORY REPORTING REQUIREMENTS?

7.1 Reporting regulations

The Public Service Pensions Act 2013 requires the Government Actuary's Department to report on LGPS funds in England and Wales after every three-year valuation, in what's usually called a section 13 report. The report should include confirmation that employer contributions are set at the right level to ensure the fund's solvency and long-term cost efficiency.

7.2 Solvency

Employer contributions are set at an appropriate solvency level if the rate of contribution targets a funding level of 100% over an appropriate time, using appropriate assumptions compared to other funds. Either:

- (a) employers collectively can increase their contributions, or the fund can realise contingencies to target a 100% funding level

or

- (b) there is an appropriate plan in place if there is, or is expected to be, a reduction in employers' ability to increase contributions as needed.

7.3 Long-term cost efficiency

Employer contributions are set at an appropriate long-term cost efficiency level if the contribution rate makes provision for the cost of current benefit accrual, with an appropriate adjustment for any surplus or deficit.

To assess this, the administering authority may consider absolute and relative factors.

Relative factors include:

1. comparing LGPS funds with each other
2. the implied deficit recovery period
3. the investment return required to achieve full funding after 20 years.

Absolute factors include:

1. comparing funds with an objective benchmark
2. the extent to which contributions will cover the cost of current benefit accrual and interest on any deficit
3. how the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy
4. the extent to which contributions paid are in line with expected contributions, based on the rates and adjustment certificate
5. how any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for fund experience.

These metrics may be assessed by GAD on a standardised market-related basis where the fund's actuarial bases don't offer straightforward comparisons.

APPENDIX A - The regulatory framework

A1. Why do funds need a funding strategy statement?

The Local Government Pension Scheme (LGPS) regulations require funds to maintain and publish a funding strategy statement (FSS). According to the Department for Levelling Up, Housing and Communities (DLUHC) the purpose of the FSS is to document the processes the administering authority uses to:

- + to establish a **clear and transparent fund-specific** strategy which will identify how employers' pension liabilities are best met going forward
- + support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**
- + ensure the fund meets its **solvency and long-term cost efficiency** objectives
- + take a **prudent longer-term view** of funding those liabilities.

To prepare this FSS, the administering authority has used guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA).

A2. Consultation

Both the LGPS regulations and most recent CIPFA guidance state the FSS should be prepared in consultation with "persons the authority considers appropriate". This should include 'meaningful dialogue... with council tax raising authorities and representatives of other participating employers'.

The consultation process included issuing a draft version to participating employers, including the CIPFA guidance, and holding a consultation period no shorter than 20 business days.

A3. How is the FSS published?

The FSS is made available through the following routes:

- + publishing on the administering authority's website
- + sending copies to each employer
- + including the full statement or summary in final accounts
- + sending copies to members of the local pension board
- + sending copies to independent advisers
- + making copies freely available on request.

The FSS is published on the Gloucestershire Pension Fund website.

A4. How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the valuation. Amendments may be made before then if there are regulatory or operational changes. Any amendments will be consulted on, agreed by the Pensions Committee and included in the Committee meeting minutes.

A5. How does the FSS fit into the overall fund documentation?

The FSS is a summary of the fund's approach to funding liabilities. It isn't exhaustive – the fund publishes other statements like the statement of investment principles, investment strategy statement, governance strategy and communications strategy. The fund's annual report and accounts also includes up-to-date fund information.

You can see all fund documentation on the Gloucestershire Pension Fund website.

APPENDIX B - Roles and responsibilities

B1. The administering authority

1. operates the fund and follows all Local Government Pension Scheme (LGPS) regulations
2. manages any conflicts of interest from its dual role as administering authority and a fund employer
3. collects employer and employee contributions, investment income and other amounts due
4. ensures cash is available to meet benefit payments when due
5. pays all benefits and entitlements
6. invests surplus money like contributions and income which isn't needed to pay immediate benefits, in line with regulation and the investment strategy
7. communicates with employers so they understand their obligations
8. safeguards the fund against employer default
9. works with the fund actuary to manage the valuation process
10. provides information to the Government Actuary's Department so they can carry out their statutory obligations
11. consults on, prepares and maintains the funding and investment strategy statements
12. tells the actuary about changes which could affect funding
13. monitors the fund's performance and funding, amending the strategy statements as necessary
14. enables the local pension board to review the valuation process.

B2. Individual employers

1. deduct the correct contributions from employees' pay
2. pay all contributions by the due date
3. have appropriate policies in place to work within the regulatory framework
4. make additional contributions as agreed, for example to augment scheme benefits or early retirement strain
5. tell the administering authority promptly about any changes to circumstances, prospects or membership which could affect future funding.
6. make any required exit payments when leaving the fund.

B3. The fund actuary

1. prepares valuations, including setting employers' contribution rates, agreeing assumptions, working within FSS and LGPS regulations and appropriately targeting fund solvency and long-term cost efficiency
2. provides information to the Government Actuary Department so they can carry out their statutory obligations
3. advises on fund employers, including giving advice about and monitoring bonds or other security
4. prepares advice and calculations around bulk transfers and individual benefits
5. assists the administering authority to consider changes to employer contributions between formal valuations
6. advises on terminating employers' participation in the fund
7. fully reflects actuarial professional guidance and requirements in all advice.

B4. Other parties

1. internal and external investment advisers ensure the investment strategy statement (ISS) is consistent with the funding strategy statement
2. investment managers, custodians and bankers play their part in the effective investment and dis-investment of fund assets in line with the ISS
3. auditors comply with standards, ensure fund compliance with requirements, monitor and advise on fraud detection, and sign-off annual reports and financial statements
4. governance advisers may be asked to advise the administering authority on processes and working methods
5. internal and external legal advisers ensure the fund complies with all regulations and broader local government requirements, including the administering authority's own procedures
6. the Department for Levelling Up, Housing and Communities, assisted by the Government Actuary's Department and the Scheme Advisory Board, work with LGPS funds to meet Section 13 requirements.

APPENDIX C - Risks and controls

C1. Managing risks

The administering authority has a risk management programme to control financial, demographic, regulatory and governance risks.

Details of the fund-specific risks and controls are taken to every Pension Committee meeting and Pension Board meeting. The Fund's risk management framework is available on the Pension Fund website.

The role of the Pensions Committee and the local pension board are defined in the Governance Policy Statement.

C2. Employer covenant assessment and monitoring

Many of the employers participating in the fund, such as admitted bodies (including TABs and CABs), have no local tax-raising powers. The fund assesses and monitors the long-term financial health of these employers to assess an appropriate level of risk for each employer's funding strategy.

TYPE OF EMPLOYER	ASSESSMENT	MONITORING
LOCAL AUTHORITIES AND POLICE	Tax-raising or government-backed, no individual assessment required	n/a
COLLEGES & UNIVERSITIES	Engagement with employers in this group occurs at each formal valuation.	Position is reassessed at each formal valuation
ACADEMIES	Government-backed, covered by DfE guarantee in event of MAT failure	Check that DfE guarantee continues, after regular scheduled DfE review
ADMISSION BODIES (INCLUDING TABS & CABS)	Covenant assessment is responsibility of the awarding authority who guarantee the contract. The Fund regularly engages with closed employers with no guarantor.	Position is reassessed at each formal valuation
DESIGNATING EMPLOYERS	No individual assessment is carried out due to small size of liabilities and pooling approach to setting contributions.	Position is reassessed at each formal valuation

C3. Climate risk and TCFD reporting

The fund has considered climate-related risks when setting the funding strategy. The fund included climate scenario stress testing in the contribution modelling exercise for the local authority employers at the 2022 valuation. The modelling results under the stress tests were slightly worse than the core results but were still within risk tolerance levels, particularly given the severity of the stresses applied. The results provide assurance that the modelling approach does not significantly underestimate the potential impact of climate change and that the funding strategy is resilient to climate risks. The results of these stress tests may be used in future to assist with disclosures prepared in line with Task Force on Climate-Related Financial Disclosures (TCFD) principles.

The same stress tests were not applied to the funding strategy modelling for smaller employers. However, given that the same underlying model is used for all employers and that the local authority employers make up the vast majority of the fund's assets and liabilities, applying the stress tests to all employers was not deemed proportionate at this stage and would not be expected to result in any changes to the agreed contribution plans.

APPENDIX D - Actuarial assumptions

D1. What are assumptions?

Assumptions are used to estimate the benefits due to be paid to members. Financial assumptions determine the amount of benefit to be paid to each member, and the expected investment return on the assets held to meet those benefits. Demographic assumptions are used to work out when benefit payments are made and for how long.

The funding target is the money the fund aims to hold to meet the benefits earned to date.

Any change in the assumptions will affect the funding target and contribution rate, but different assumptions don't affect the actual benefits the fund will pay in future.

D2. What assumptions are used to set the contribution rate?

The fund doesn't rely on a single set of assumptions when setting contribution rates, instead using Hymans Robertson's Economic Scenario Service (ESS) to project each employer's assets, benefits and cashflows to the end of the funding time horizon.

ESS projects future benefit payments, contributions and investment returns under 5,000 possible economic scenarios, using variables for future inflation and investment returns for each asset class, rather than a single fixed value.

For any projection, the fund actuary can assess if the funding target is satisfied at the end of the time horizon.

D3. What financial assumptions are used?

Future investment return and discount rate

The fund uses a risk-based approach to generate assumptions about future investment returns over the funding time horizon, based on the investment strategy.

The discount rate is the annual rate of future investment return assumed to be earned on assets after the end of the funding time horizon. The discount rate assumption is set as a margin above the risk-free rate.

Assumptions for future investment returns depend on the funding objective.

Discount rate (for funding level calculation only)

For the purpose of calculating a funding level on an ongoing basis, a prudent estimate of investment returns is calculated. This is the level of investment returns that the fund is expected to achieve with a 75% likelihood for the 20 years following the valuation date.

To assess the funding level on a low-risk exit basis, the level of investment returns is calculated with reference to a 90% likelihood of success.

Pension increases and CARE revaluation

Deferment and payment increases to pensions and revaluation of CARE benefits are in line with the Consumer Price Index (CPI) and determined by the regulations.

The CPI assumption is based on the median value of CPI from the ESS model.

Salary growth

The salary increase assumption at the latest valuation has been set to 0.3% above CPI pa plus a promotional salary scale.

	EMPLOYER TYPE	MARGIN ABOVE RISK-FREE RATE
ONGOING BASIS	All employers except existing transferee admission bodies and closed community admission bodies	1.8%
LOW-RISK EXIT BASIS	Community admission bodies closed to new entrants	Consistent with a level of investment return with likelihood of success of 90%
CONTRACTOR EXIT BASIS	Transferee admission bodies	Will be calculated in a consistent way with the method used to allocate assets to the employer on joining the fund

D4. What demographic assumptions were used?

Demographic assumptions are best estimates of future experience. The fund uses advice from Club Vita to set demographic assumptions, as well as analysis and judgement based on the fund's experience.

Demographic assumptions vary by type of member, so each employer's own membership profile is reflected in their results.

Life expectancy

The longevity assumptions are a bespoke set of VitaCurves produced by detailed analysis and tailored to fit the fund's membership profile.

Allowance has been made for future improvements to mortality, in line with the 2021 version of the continuous mortality investigation (CMI) published by the actuarial profession. The starting point has been adjusted by +0.25% to reflect the difference between the population-wide data used in the CMI and LGPS membership. A long-term rate of improvement has been applied, with a 1.5% pa minimum underpin to future improvements in mortality.

The smoothing parameter used in the CMI model is 7.0. There is little evidence currently available on the long-term effect of Covid-19 on life expectancies. To avoid an undue impact from recently mortality experience on long-term assumptions, no weighting has been placed on data from 2020 and 2021 in the CMI.

OTHER DEMOGRAPHIC ASSUMPTIONS

RETIREMENT IN NORMAL HEALTH	Members are assumed to retire at the earliest age possible with no pension reduction
PROMOTIONAL SALARY INCREASES	Sample increases below
DEATH IN SERVICE	Sample rates below
WITHDRAWALS	Sample rates below
RETIREMENT IN ILL HEALTH	Sample rates below
FAMILY DETAILS	A varying proportion of members are assumed to have a dependant partner at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Males are assumed to be 3 years older than females, and partner dependants are assumed to be opposite sex to members.
COMMUTATION	50% of maximum tax-free cash
50:50 OPTION	0% of members will choose the 50:50 option

INCIDENCE PER 100 ACTIVE MEMBERS PER YEAR (MALES)

AGE	SALARY SCALE	DEATH BEFORE RETIREMENT	WITHDRAWALS		ILL-HEALTH TIER 1		ILL-HEALTH TIER 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.17	404.31	934.96	0.00	0.00	0.00	0.00
25	117	0.17	267.06	617.58	0.00	0.00	0.00	0.00
30	131	0.20	189.49	438.12	0.00	0.00	0.00	0.00
35	144	0.24	148.05	342.27	0.10	0.07	0.02	0.01
40	150	0.41	119.20	275.48	0.16	0.12	0.03	0.02
45	157	0.68	111.96	258.70	0.35	0.27	0.07	0.05
50	162	1.09	92.29	213.01	0.90	0.68	0.23	0.17
55	162	1.70	72.68	167.83	3.54	2.65	0.51	0.38
60	162	3.06	64.78	149.52	6.23	4.67	0.44	0.33
65	162	5.10	0.00	0.00	11.83	8.87	0.00	0.00

INCIDENCE PER 100 ACTIVE MEMBERS PER YEAR (FEMALES)								
AGE	SALARY SCALE	DEATH BEFORE RETIREMENT	WITHDRAWALS		ILL-HEALTH TIER 1		ILL-HEALTH TIER 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.10	317.18	397.27	0.00	0.00	0.00	0.00
25	117	0.10	231.42	267.27	0.10	0.07	0.02	0.01
30	131	0.14	178.90	224.01	0.13	0.10	0.03	0.02
35	144	0.24	154.41	193.27	0.26	0.19	0.05	0.04
40	150	0.38	128.51	160.80	0.39	0.29	0.08	0.06
45	157	0.62	119.93	150.03	0.52	0.39	0.10	0.08
50	162	0.90	101.11	126.35	0.97	0.73	0.24	0.18
55	162	1.19	75.44	94.38	3.59	2.69	0.52	0.39
60	162	1.52	60.80	75.96	5.71	4.28	0.54	0.40
65	162	1.95	0.00	0.00	10.26	7.69	0.00	0.00

D5. What assumptions apply in a cessation valuation following an employer's exit from the fund?

Low-risk exit basis

Where there is no guarantor, the low-risk exit basis will apply.

The financial and demographic assumptions underlying the low-risk exit basis are explained below:

- + For the purpose of calculating a funding level on the low-risk exit basis, a more prudent estimate of investment returns is calculated. This is the level of investment returns that the fund is expected to achieve with a 90% likelihood for the 20 years following the valuation date.
- + The CPI assumption is based on the median value of CPI from Hymans Robertson's ESS model.
- + Life expectancy assumptions are those used to set contribution rates, with one adjustment. A higher long-term rate of mortality improvements of 1.75% pa is assumed.

Contractor exit basis

Where there is a guarantor (e.g. in the case of contractors where the local authority guarantees the contractor's admission in the fund), the contractor exit basis will apply.

The financial and demographic assumptions underlying the contractor exit basis are equal to those set for calculating contributions rates. Specifically, the discount rate is set equal to the risk-free rate at the cessation date, plus a margin equal to that set to allocate assets to the employer on joining the fund.

14

INVESTMENT STRATEGY STATEMENT

14

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 in conjunction with the 2022 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, infrastructure 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 2022 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, infrastructure and the introduction of Social/Affordable housing. 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	TARGET STRATEGIC ASSET ALLOCATION	TARGET STRATEGIC ASSET ALLOCATION RANGE (+/-)
EQUITIES	53.0%	3.0%
ALTERNATIVES	30.0%	2.0%
FIXED INTEREST	17.0%	2.0%
TOTAL	100.0%	

As at April 2022, the forecast return on the target portfolio over the long-term was 4.5% 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	TARGET STRATEGIC ASSET ALLOCATION	TARGET ASSET ALLOCATION RANGE (+/-)
EQUITIES		53.0%	3.0%
UK ACTIVE EQUITIES	FTSE All Share (excluding investment trusts)	10.0%	2.0%
GLOBAL HIGH ALPHA	MSCI World	13.5%	2.0%
EMERGING MARKET	MSCI Emerging Markets	6.5%	1.5%
SUSTAINABLE	MSCI All Country World (ACWI)	13.0%	2.0%
PARIS ALIGNED PASSIVE EQUITIES	FTSE Developed World PAB	10.0%	2.0%
FIXED INTEREST	-	17.0%	2.0%
UK INVESTMENT GRADE	Iboxx Sterling Non-Gilt All Maturities Bond Index	10.0%	1.5%
MULTI ASSET CREDIT	GBP SONIA	7.0%	1.0%
ALTERNATIVES	-	30.0%	2.0%
DIVERSIFIED RETURNS	GBP SONIA	0.0%	10.0%
UK PROPERTY	MSCI/AREF UK Quarterly Property Fund Index	7.5%	2.0%
INTERNATIONAL PROPERTY	Global Real Estate Fund Index	2.5%	2.0%
INFRASTRUCTURE	Consumer Prices Index (CPI)	7.0%	2.0%
PRIVATE EQUITY	MSCI ACWI	3.0%	2.0%
PRIVATE DEBT	GBP SONIA	5.0%	2.0%
SOCIAL/AFFORDABLE HOUSING	4.2% p.a.	5.0%	2.0%
CASH	-	0.0%	0.5%
TOTAL		100.0%	

The intention is to continue to move towards 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 of 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 2022 actuarial review. 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
- + Illiquidity – 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 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, imbedding 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 2022 the majority of all of the Fund's assets are being managed by Brunel. 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 Department for Levelling Up, Housing and Communities (DLUHC) 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 considered 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 futureproofing 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.

December 2022

15

COMMUNICATIONS POLICY STATEMENT

COMMUNICATIONS POLICY STATEMENT

COMMUNICATIONS POLICY

The following Communications Policy Statement outlines how the Fund communicates with scheme members, their representatives and employers.

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 the 2022/2023 year, the Communications Policy was followed apart from the following exceptions:

- + The annual meeting took place in March rather than December as stated in the policy
- + Employer Forums were not held due to work constraints.

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.

16

SUMMARY OF FUND BENEFITS

16

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
 - CARE 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 an option to exchange up to 25% 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 an option to exchange up to 25% 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 25% 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 of £7,579 (2023/24 limit).
 - making additional voluntary contributions to Prudential's in-house AVC arrangement to provide an additional pension benefit at retirement.

17

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 115.

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.