
Update on Performance of the Somerset County Council Pension Fund

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1. Summary

- 1.1 This report acts as a summary of the Annual Report and Financial Statements for the Fund. The Annual Report contains details of the many policies adopted by the Pensions Committee to set a framework for the running of the fund along with the Committee’s activity during the financial year and details of the fund’s financial performance for the year.

2. Background

- 2.1 The Somerset County Council Pension Fund has a pool of invested assets that will be utilised to meet the pension liabilities of Somerset County Council and 204 other employers, including the Somerset district councils, Avon & Somerset Police and local colleges and academies. The scheme covers all employees excluding police officers and teachers, who have separate pension arrangements. For a number of these employers (including the County Council) they must offer their employees the scheme under statute with a range of guaranteed benefits to employees. The benefits package and employee contribution rates are set by central government. The current scheme implemented from April 2014 is based on career average salary and normal pension age is synchronised with state retirement age. The Fund has 67,000 members made up of 21,000 currently contributing, 17,000 pensioners 27,000 deferred members and 2,000 undecided leavers.
- 2.2 The scheme is administered by Somerset County Council on behalf of all of the participating employers, and the Council has delegated this function to the Pensions Committee. The Committee for the financial year ended 31 March 2019 was as follows:

Cllr Graham Noel (Chairman), representing Somerset County Council;
Cllr Mandy Chilcott, representing Somerset County Council;
Cllr Simon Coles, representing Somerset County Council;
Cllr James Hunt, representing Somerset County Council;
Cllr Richard Parrish, a Taunton Deane BC Councillor representing the five district councils;
Mark Simmonds, , Chief Financial Officer for the Police and Crime Commissioner for Avon & Somerset representing Avon & Somerset Police;
Gordon Bryant, Head of Finance and Operations at Exmoor National Parks

Authority, representing admitted bodies and the smaller scheduled employers; and Sarah Payne, nominated by UNISON representing the members (active employees, deferred members and pensioners).

The committee is also attended by:

Caroline Burton, independent Advisor; and officers as required.

- 2.3 The Pensions Committee ensures the Fund is managed in accordance with a range of statutory and regulatory requirements together with industry and professional best practice. It has in place a forward-looking business plan, which is reviewed and updated quarterly. The current plan can be found with the rest of the Committee's papers on the Somerset County Council website.
- 2.4 To ensure that the Fund is of sufficient size to meet its liabilities it is required by statute to undertake an independent actuarial valuation on a tri-annual basis. Following this exercise the actuary sets the employer contribution rates for the next 3 years. The last valuation was undertaken as at 31st March 2019 and the draft results indicated that the fund was 86% funded and the actuary anticipates setting an average employer contribution rate of 20.4% of pensionable pay for the period from April 2020 to March 2023.

3. Pooling of Investments

- 3.1 Since 2015, we have been working with nine other Administering Authorities to implement the Government's requirement to pool the management and investment of our assets with other Local Government Pension Scheme (LGPS) Funds.
- 3.2 We established the Brunel Pension Partnership in conjunction with the nine other LGPS Funds to meet this Government guidance and the requirements of the LGPS (Management and Investment of Funds) Regulations 2016. We launched our pooling delivery operator, the Brunel Pension Partnership Ltd (Brunel Ltd) on 18 July 2017 as a new company wholly owned by the ten Administering Authorities, including Somerset County Council Pension Fund. We own a 1/10th shareholding in Brunel Ltd.. Brunel Ltd obtained authorisation from the Financial Conduct Authority (FCA) in March 2018.
- 3.3 Since March 2018 we have been working with Brunel and the other Funds to transition our investment assets from the historical arrangements we had to substantially all of the Fund being invested via Brunel. Progress remains on track with 60% of assets now managed by Brunel and an anticipation that the transition process will be substantially complete by the end of financial 2020-21.
- 3.4 Further details regarding Brunel are included within the Fund's Annual Report and Financial Statements.

- 3.5 All costs and benefits of the pooling will be met by the Pension Fund and therefore there is no direct impact on the County Council's budget. In time the expected benefits of pooling in terms of lower costs of investment and potentially better investment returns should lead to the County Council having to make lower contributions to the Fund than would otherwise be the case.

4. 2018-2019 Performance

- 4.1 Investment performance for the 2018-19 financial year was positive and in line with the levels required in the longer term with a return of 5.4%. This represented a return slightly below the Fund's own benchmark and below the average Local Authority Fund for the year. A surplus of £4.2m was the outcome for the year from net contributions after the payment of benefits and expenses

5. Consultations undertaken

- 5.1 The Pensions Committee and Pension Board of Somerset County Council have been consulted throughout the process since July 2015. Representatives of the Pensions Committee have attended meetings of the Brunel Shadow Oversight Board.

6. Implications

- 6.1 This report is for information only.

7. Background papers

- 7.1 Somerset County Council Pension Fund Annual Report and Financial Statements 2018/19.

Note For sight of individual background papers please contact the report author