

Somerset Pensions Board
Thursday 21 December 2017
10.00 am Luttrell Room - County Hall,
Taunton



To: The Members of the Somerset Pensions Board

Cllr M Healey and Paul Deal and Nigel Behan

Issued By Julian Gale, Strategic Manager - Governance and Risk - 13 December 2017

For further information about the meeting, please contact Mike Bryant on 01823 359048 or mbryant@somerset.gov.uk

Guidance about procedures at the meeting follows the printed agenda.

This meeting will be open to the public and press, subject to the passing of any resolution under Section 100A (4) of the Local Government Act 1972.

This agenda and the attached reports and background papers are available on request prior to the meeting in large print, Braille, audio tape & disc and can be translated into different languages. They can also be accessed via the council's website on www.somerset.gov.uk/agendasandpapers



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AGENDA

Item Somerset Pensions Board - 10.00 am Thursday 21 December 2017

*** Public Guidance notes contained in agenda annexe ***

1 **Apologies for absence**

2 **Declarations of Interest**

3 **Minutes from the previous meeting held on 16 March 2017** (Pages 7 - 10)

The Committee is asked to confirm the minutes are accurate.

4 **Appointment of a Chair**

For the Board to agree the Chair for the ensuing year. Under the Terms of Reference adopted by the Board the position of Chair is to be reappointed annually

5 **Public Question Time**

The Chairman will allow members of the public to present a petition on any matter within the Board's remit. Questions or statements about any matter on the agenda for this meeting will be taken at the time when each matter is considered.

6 **Business Plan Update** (Pages 11 - 16)

To consider this report from the Funds & Investments Manager

7 **LGPS Pooling of Investments** (Pages 17 - 18)

To consider this report from the Funds & Investments Manager

8 **Analysis of Receipt of Contributions from Employers from 2016/17** (Pages 19 - 20)

To consider this report from the Funds & Investments Manager

9 **Review of Pension Fund Risk Register** (Pages 21 - 26)

To consider this report from the Funds & Investments Manager

10 **Review of Administration Performance** (Pages 27 - 32)

To consider this report from the Funds & Investments Manager

11 **Review of Pensions Committee Papers**

To consider the Pensions Committee papers which have been circulated separately

12 **Any Other Business of Urgency**

Item Somerset Pensions Board - 10.00 am Thursday 21 December 2017

The Chairman may raise any items of urgent business

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Guidance notes for the meeting

1. Inspection of Papers

Any person wishing to inspect Minutes, reports, or the background papers for any item on the Agenda should contact the Committee Administrator for the meeting – Mike Bryant on Tel (01823) 359045 or 357628; Fax (01823) 355529 or Email: mbryant@somerset.gov.uk
They can also be accessed via the council's website on www.somerset.gov.uk/agendasandpapers

2. Members' Code of Conduct requirements

When considering the declaration of interests and their actions as a councillor, Members are reminded of the requirements of the Members' Code of Conduct and the underpinning Principles of Public Life: Honesty; Integrity; Selflessness; Objectivity; Accountability; Openness; Leadership. The Code of Conduct can be viewed at: <http://www.somerset.gov.uk/organisation/key-documents/the-councils-constitution/>

3. Minutes of the Meeting

Details of the issues discussed and recommendations made at the meeting will be set out in the Minutes, which the Committee will be asked to approve as a correct record at its next meeting.

4. Public Question Time

If you wish to speak, please tell Mike Bryant, the Committee's Administrator, by 12 noon the (working) day before the meeting.

At the Chairman's invitation you may ask questions and/or make statements or comments about any matter on the Committee's agenda – providing you have given the required notice. You may also present a petition on any matter within the Committee's remit. The length of public question time will be no more than 30 minutes in total.

A slot for Public Question Time is set aside near the beginning of the meeting, after the minutes of the previous meeting have been signed. However, questions or statements about any matter on the Agenda for this meeting may be taken at the time when each matter is considered.

You must direct your questions and comments through the Chairman. You may not take direct part in the debate. The Chairman will decide when public participation is to finish.

If there are many people present at the meeting for one particular item, the Chairman may adjourn the meeting to allow views to be expressed more freely. If an item on the Agenda is contentious, with a large number of people attending the meeting, a representative should be nominated to present the views of a group.

An issue will not be deferred just because you cannot be present for the meeting. Remember that the amount of time you speak will be restricted, normally to two minutes only.

5. Exclusion of Press & Public

If when considering an item on the Agenda, the Committee may consider it appropriate to pass a resolution under Section 100A (4) Schedule 12A of the Local Government Act 1972 that the press and public be excluded from the meeting on the basis that if they were present during the business to be transacted there would be a likelihood of disclosure of exempt information, as defined under the terms of the Act.

6. Committee Rooms & Council Chamber and hearing aid users

To assist hearing aid users the following Committee meeting rooms have infra-red audio transmission systems (Luttrell room, Wyndham room, Hobhouse room). To use this facility we need to provide a small personal receiver that will work with a hearing aid set to the T position. Please request a personal receiver from the Committee's Administrator and return it at the end of the meeting.

7. Recording of meetings

The Council supports the principles of openness and transparency. It allows filming, recording and taking photographs at its meetings that are open to the public - providing this is done in a non-disruptive manner. Members of the public may use Facebook and Twitter or other forms of social media to report on proceedings and a designated area will be provided for anyone wishing to film part or all of the proceedings. No filming or recording may take place when the press and public are excluded for that part of the meeting. As a matter of courtesy to the public, anyone wishing to film or record proceedings is asked to provide reasonable notice to the Committee Administrator so that the relevant Chairman can inform those present at the start of the meeting.

We would ask that, as far as possible, members of the public aren't filmed unless they are playing an active role such as speaking within a meeting and there may be occasions when speaking members of the public request not to be filmed.

The Council will be undertaking audio recording of some of its meetings in County Hall as part of its investigation into a business case for the recording and potential webcasting of meetings in the future.

A copy of the Council's Recording of Meetings Protocol should be on display at the meeting for inspection, alternatively contact the Committee Administrator for the meeting in advance.

Pensions Board

Minutes of a meeting of the Pensions Board held in the Luttrell Room, County Hall, Taunton on Thursday 16 March 2017 at 10:00.

Present

Cllr M Healey (Chairman)

Mr Paul Deal
Mr J Gilbody

Mrs P Rowe

Apologies:

Mr T O'Connor

Officers present:

Stephen Morton – Finance Technical;
Anton Sweet – Funds & Investment Manager;
Catherine Brown – External Auditor;
Rachel Lamb & Charlotte Thompson – Peninsula Pensions.

Also present:

56 Apologies for absence – agenda item 1

Apologies had been received from Mr O'Connor.

57 Declarations of interest – agenda item 2

Mr Deal, Mr Gilbody and Mrs Rowe declared personal interests as members of the Local Government Pension Scheme.

58 Minutes of the meeting held on 22 July 2016 – agenda item 3

The minutes of the meeting held on 22 July 2016 were accepted as being accurate and were signed by the Chairman.

59 Public Question Time – agenda item 4

There were no members of the public present and no questions were asked, statements/comments made or petitions presented.

60 Business Plan Update – agenda item 5

The Board considered its Business Plan for the coming year and made the following adjustments and additions:

- To arrange for training for Board members (the Fund & Investment Manager to action, possibly in connection with training for new

councillors following the May 2017 elections). Grant Thornton agreed to give a short presentation when required;

- It was noted that the next meeting would be held on 25 July;
- It was noted that the Actuary would be invited to attend the Board meetings in September and December
- To include performance statistics from Peninsula Pensions; Ms Thompson agreed to provide monthly reports to highlight monthly data.

61 LGPS Pooling of Investments – agenda item 6

The Board considered a report by the Fund & Investment Manager which gave an update on the work towards the pooling of the Fund's investment assets with other LGPS funds with pooling beginning in April 2018. It was noted that a full business case (FBC) had been produced by the Brunel Project Office and agreed by the Pensions Committee at its meeting in December 2016 and all the other 9 Funds involved in the Brunel project had agreed the full business case.

It was also reported that the various project officers were now focussed on establishing the FCA regulated company and transition of assets from April 2018. The first tangible evidence of this had been the advert for a non-executive Chair for the Brunel Company and non-executive directors, which was placed in the Sunday times last January. Interviews with candidates for the Chair position were taking place and it was hoped a preferred candidate would be identified shortly. Once the Chair was in place they would lead the processes for the recruitment for the other non-executive directors and the CEO of the company.

The Board heard that Pensions Committee, at its meeting on 3 March had recommended to the Council that the Fund's position on the oversight board (separate to the Brunel Company board) should be included in the specification for the role of the Chairman of the Pensions Committee and that they would hold the shareholders rights for the Somerset Fund which they would use in consultation with the Pensions Committee.

The report was accepted and it was noted that considerable work was underway on drafting various legal documents in order to form the Brunel Company.

62 Review of Pension Fund Risk Register – agenda item 7

The Board considered this report that provided an update on the risk register since the last meeting. The risk register, attached to the report as Appendix A, was discussed and the Funds and Investments Manager provided an overview of each risk and the mitigating actions and control measures.

There was a question about how often the risk register was refreshed and/or

updated and it was explained that this was undertaken on a monthly basis with Officers checking to ensure that the control measures already in place were adequate. There were brief discussions about PF2, PF3 and PF8 and the report was accepted.

63 Review of Administration Performance – agenda item 8

The Board received a paper that provided the requested bi-annual update on the performance of Peninsula Pensions, the shared service that provided benefits administration to the Somerset and Devon Pension Funds.

It was noted that overall the report presented a positive overview of performance and for 2014/15 88% of work had been within defined targets, although backlogs of work in some areas were building up. It was reported that in 2015/16 the team had issued 71% of work within target however the backlog of Deferred Benefit calculations had also increased in that period.

Attention turned to performance to date for 2017/17 and it was noted it stood at 76% and with the exception of 4 areas all processes had seen an improvement on last year. Members considered Annex A of the report that provided details of performance relating to the Somerset Fund only.

The Board commended the team for all their hard work over this period. It was requested that interim reports on performance be circulated outside of formal Board meetings and the report was accepted.

64 Pension Fund 2016/17 Audit Plan – agenda item 9

The Board considered this report from the External Auditors. The Board heard from the External Auditor who provided a thorough overview of the planned Audit of the Somerset Pension Fund. It was reported that in planning the Audit the External Auditors would plan so that they had an understanding of the challenges and opportunities facing the Pension Fund and those included: Pooling of Investments; Governance arrangements; and the earlier close down of accounts by the 2017/18 financial year.

It was also stated that the Auditors would consider the impact of key developments in the sector and take account of national audit requirements. The report also identified the significant risks that would be addressed and results of interim audit work were noted. The Board also received an explanation of the concept of materiality in planning and performing an audit and what this meant in real monetary terms.

There was a brief discussion of the report with the External Auditor providing answers to questions. The report was accepted.

65 Review of Pension Committee papers – agenda item 10

The Board considered the agenda and reports from the 3 March 2017 meeting of the Pensions Committee, with the Funds and Investments Manager providing an overview of the reports. The following topics were covered in discussion:

- Analysis of Performance: the Board was pleased to note that most targets had been met and the overall value of the Fund continued to rise.
- Budget and Membership Statistics Update: the Board noted that membership had increased and that the financial year was progressing as expected.
- Employer Body Update: Ms Thompson gave a brief update, including the fact that an increasing number of Town and Parish Councils were joining the Fund.

66 Future Board meeting dates – agenda item 11

The Board considered this report that proposed meeting dates for the forthcoming year. Members noted the report and agreed the following dates for 2018:

- Thursday 15 March 2018 at 10.00 am at County Hall, Taunton;
- Tuesday 24 July 2018 at 10.00 am at County Hall, Taunton;
- Thursday 27 September 2018 at 10.00 am at County Hall, Taunton;
- Thursday 20 December 2018 at 10.00 am at County Hall, Taunton.

In addition it was noted that the Pension Fund AGM in 2017 would be held on the morning of Friday 22 September 2017, at a venue to be confirmed and Pension Board Members were welcome to attend.

67 Any Other Urgent Business – agenda item 12

None.

(The meeting ended at 11.45 am)

**Mark Healey
Chairman – Pensions Board**

Business Plan Update

Lead Officer: Kevin Nacey: Director of Finance and Performance

Author: Anton Sweet: Funds and Investments Manager

Contact Details: (01823) 359584
asweet@somerset.gov.uk

Cabinet Member: Not applicable

Division and Local Member: Not applicable

1. Summary

1.1 To update the Board's forward work-plan and agree topics for consideration at future meetings.

2. Issues for consideration

2.1 The Board should indicate what they would like to consider at meetings during 2017 beyond standard items, specifically for the March 2018 meeting.

3. Background

3.1 To help manage the workload of the Board and allow officers to properly plan for and produce the necessary papers it is a practical necessity for the Board to adopt and populate a work-plan.

4. Consultations undertaken

None

5. Financial Implications

None

6. Background Papers

None

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

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SOMERSET COUNTY COUNCIL PENSION FUND

PENSION BOARD

MEETING WORKPLAN - 2017 to 2018

Date	Proposed Items of Business	Lead Officer
15-Mar-18	<p><u>FORMAL MEETING</u></p> <p>1. Business Plan Update To consider progress against the Board's approved work-plan.</p> <p>2. LGPS Pooling of Investments Report to provide an update on progress on pooling of investments as per government guidance.</p> <p>3. Review of Pension Fund Risk Register To review the risks within the fund and form an appropriate risk register for the fund.</p> <p>4. Review of Pensions Committee papers To consider the most recent pensions committee papers and any arising matters</p> <p>5. Review of Benefit Administration Performance To consider the performance of Peninsula Pensions.</p> <p>6. Pension Fund Audit Plan for 2017/2018 To consider the Audit Plan as drafted by the Fund's External Auditor</p>	<p>AS</p> <p>AS</p> <p>AS</p> <p>AS</p> <p>CT/RL</p> <p>GT</p>

SOMERSET COUNTY COUNCIL PENSION FUND

PENSION BOARD

MEETING WORKPLAN - 2017 to 2018

Date	Proposed Items of Business	Lead Officer
24-Jul-18	<p><u>FORMAL MEETING</u></p> <p>1. Business Plan Update To consider progress against the Board's approved work-plan.</p> <p>2. LGPS Pooling of Investments Report to provide an update on progress on pooling of investments as per government guidance.</p> <p>3. Review of Pension Fund Risk Register To review the risks within the fund and form an appropriate risk register for the fund.</p> <p>4. Review of Pensions Committee papers To consider the most recent pensions committee papers and any arising matters</p> <p>5. Analysis of Receipt of Contributions from Employers To consider the process and timeliness of the collection of contributions from</p> <p>6. External Audit 2018 To consider the report of the External Auditor on the Fund's Annual Report and Accounts for 2017/2018.</p>	<p>AS</p> <p>AS</p> <p>AS</p> <p>AS</p> <p>AS</p> <p>GT</p>
21-Sep-18	<p><u>ANNUAL MEETING</u></p> <p>Annual Employers Meeting of the Pension Fund at Dillington</p>	

SOMERSET COUNTY COUNCIL PENSION FUND

PENSION BOARD

MEETING WORKPLAN - 2017 to 2018

Date	Proposed Items of Business	Lead Officer
27-Sep-18	<p><u>FORMAL MEETING</u></p> <p>1. Business Plan Update To consider progress against the Board's approved work-plan.</p> <p>2. LGPS Pooling of Investments Report to provide an update on progress on pooling of investments as per government guidance.</p> <p>3. Review of Pension Fund Risk Register To review the risks within the fund and form an appropriate risk register for the fund.</p> <p>4. Review of Pensions Committee papers To consider the most recent pensions committee papers and any arising matters</p> <p>5. Review of Benefit Administration Performance To consider the performance of Peninsula Pensions.</p>	<p>AS</p> <p>AS</p> <p>AS</p> <p>AS</p> <p>CT/RL</p>
20-Dec-18	<p><u>FORMAL MEETING</u></p> <p>1. Business Plan Update To consider progress against the Board's approved work-plan.</p> <p>2. LGPS Pooling of Investments Report to provide an update on progress on pooling of investments as per government guidance.</p> <p>3. Review of Pension Fund Risk Register To review the risks within the fund and form an appropriate risk register for the fund.</p> <p>4. Review of Pensions Committee papers To consider the most recent pensions committee papers and any arising matters</p>	<p>AS</p> <p>AS</p> <p>AS</p> <p>AS</p>

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LGPS Pooling of Investments

<i>Lead Officer:</i>	Kevin Nacey: Director of Finance and Performance
<i>Author:</i>	Anton Sweet: Funds and Investments Manager
<i>Contact Details:</i>	(01823) 359584 asweet@somerset.gov.uk
<i>Cabinet Member:</i>	Not applicable
<i>Division and Local Member:</i>	Not applicable

1. Summary

- 1.1 Under guidance published by the Government on “LGPS: Investment Reform Criteria and Guidance” in November 2015 we are required to work towards the pooling of the Fund’s investment assets with other LGPS funds with pooling beginning in April 2018.
- 1.2 For the purposes of pooling SCC has aligned itself with 9 other funds in South West England and is working with those funds to create an FCA regulated investment Company, Brunel Pension Partnership Ltd. (BPP).

2. Issues for consideration

- 2.1 The report is for information only unless the committee deems that action is necessary having reviewed the report.

3. Progress in Brunel company set-up

- 3.1 BPP moved into their offices at 101 Victoria Street Bristol on 9th October.
- 3.2 State Street Bank and Trust Company have been appointed as the administrator/custodian by BPP. One of the 10 partner funds has transitioned their custody assets to State Street and a second tranche of transfers are due in December.
- 3.3 BPP have agreed contracts for IT (TSG), HR support (Wiltshire Council) and external Audit (Grant Thornton). A number of other contracts, including contracts for building the IT system for the Internal Control Environment and internal audit are being worked on.
- 3.4 Recruitment continues with 9 members of staff recruited from the client funds and 4 external appointments. 13 appointments remain to be made to complete the staffing structure.
- 3.5 The process for obtaining FCA regulation is continuing.

3.6 Subject to successful FCA regulatory approval BPP remain on track to meet the Government's target of starting to manage client Fund's assets from spring 2018.

4. Consultations undertaken

4.1 Both the Pensions Committee and the Pensions Board have been consulted regularly as part of the project process of reaching this point

4.2 An overview briefing on the project was provided to the Fund's Employers meeting in September 2016.

4.3 The Full Somerset County Council meeting received a paper on the pooling at its meeting on 30th November 2016.

5. Financial Implications

5.1 It is anticipated that the Brunel Pensions Partnership will allow the fund to make significant saving over time with the Somerset County Council Pension Fund estimated to make savings of £27.8m in the period to 2036 after costs. A significant portion of the likely costs are front loaded and it is anticipated that the Somerset Fund will breakeven in 2024.

5.2 By definition these are forecasts and there are significant risk to their timing and delivery. They are based on a core set of assumptions and actual savings could be significantly greater or smaller over time.

6. Background Papers

6.1 None

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

Analysis of Receipt of Contributions from Employers for 2016/2017

<i>Lead Officer:</i>	Kevin Nacey: Director of Finance and Performance
<i>Author:</i>	Anton Sweet: Funds and Investments Manager
<i>Contact Details:</i>	(01823) 359584 asweet@somerset.gov.uk
<i>Cabinet Member:</i>	Not applicable
<i>Division and Local Member:</i>	Not applicable

1. Summary

- 1.1 To update the Board's on the effectiveness of the Fund in collecting pensions contributions from employers during the 2015/2016 financial year.

2. Issues for consideration

- 2.1 The Board is asked to note the information within the report and consider whether there has been any material failure to pay contributions by an employer that should be reported to The Pensions Regulator (TPR).

3. Background

- 3.1 Under the LGPS Regulations 2013 employers are required to pay to the Administration authority the contributions stated in the Fund Actuary's Rates and Adjustments Certificate as employer contributions and the employee contributions that have been deducted from members' pay. Typically contributions are due on or before the 19th of the following month to which the contributions are applicable. Under the Regulations the Administering Authority is entitled, but not required, to charge interest on late payments at 1 per-cent above base rate.
- 3.2 In TPR's Code of practice No. 14, "Governance and administration of public service pension schemes" it states "Where employer contributions are not paid on or before the date they are due under the scheme and the scheme manager has reasonable cause to believe that the failure is likely to be of material significance to the regulator in the exercise of any of its functions, the scheme manager must give a written report of the matter to the regulator as soon as reasonably practicable".

3.3 Within the guidance section of TPR's code it indicates that in deciding whether a failure to pay is likely to be of material significance to the Regulator the Administering Authority should consider:

- the cause and circumstances of the payment failure:
- what action the employer has taken as a result of the payment failure, and
- the wider implications or impact of the payment failure.

4. 2016/17 Results

4.1 During 2016/2017 financial year (prior year comparative in brackets) there were 140 (104) instances of late payment, making up 8.63% (6.74%) of payments due. The corresponding figures for more than 10 days beyond due date were 67 (48) instances and 4.13% (3.11%) of payments due.

4.2 Instances of failure to pay by the due date were spread over 55 (30) employers.

4.3 Based on average monthly contributions from employers it is estimated that by value 97.59% (99.66%) of contributions were received on or before due date.

4.4 All contributions due during the year have been received.

5. Consultations undertaken

None

6. Financial Implications

5.1 Significant instances of late payment could have a knock on impact to the Fund's cash flow and investment returns.

7. Background Papers

None

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

Review of Pension Fund Risk Register

Lead Officer: Kevin Nacey: Director of Finance and Performance

Author: Anton Sweet: Funds and Investments Manager

Contact Details: (01823) 359584
asweet@somerset.gov.uk

Cabinet Member: Not applicable

Division and Local Member: Not applicable

1. Summary

1.1 The Pension Board have requested that a review of the risk register is a standing item on the agenda for each meeting.

2. Issues for consideration

2.1 The paper is for information only.

3. Changes since last meeting

3.1 A new risk, PF 9, regarding risks associated with the ability of pooling to deliver the cost savings indicated in the business case and maintain investment performance has been added to the risk register following a request from Pensions Committee at its September 2017 meeting.

4. Background

4.1 Risk management is central to the management of the Pension Fund as reflected by the coverage of risk in key documents such as the Funding Strategy Statement and the Statement of Investment Principals. The risk register allows for consideration of all of the fund's risks in a single document.

4.2 Guidance issued by CIPFA on the application of the Myner's Principles in the LGPS in 2010 indicated that the creation and adoption by Pensions Committees of a risk register was best practice.

4.3 The current risk register is attached as appendix A and has been prepared using the Somerset County Council risk framework and scoring methodology

5. Consultations undertaken

None

6. Financial Implications

6.1 No direct implications

7. Background Papers

None

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

Somerset County Council Pension Fund Risk Register - December 2017

1. Risk Ref No: 2. Senior Risk Owner:	Description of Risk	Control measures already in place	Current Risk Score (with known controls in place)		Combined score	Additional mitigating actions/control measures planned to achieve target score	Target Risk score		combined score	Additional Control measure owner	Target Date	commentary following review, inc. date	Additional Information and explanation
			L	I			L	I					
1. PF1 2. Anton Sweet	The pension fund has insufficient available cash to meet its immediate (next 6 months) liabilities.	Cash flow forecasting of TM function. Monthly review of asset allocation and cash levels	2	4	8		2	4	8		on-going with quarterly review		
1. PF2 2. Pensions Committee	The pension fund has insufficient available assets to meet its long term liabilities.	Funding Strategy Statement Investment Strategy Statement	3	5	15	The triennial valuation includes provision for restoring the fund to full funding over 25 years The current risk score partly reflects that the fund was 77% funded at the last valuation. An improvement in the funding level will reduce the likelihood of the risk occurring at some point in the future	2	5	10		Review again at next Valuation - 2019		This risk encapsulates the purpose of the fund in trying to always have sufficient assets to meet uncertain future liabilities with a pool of assets with uncertain future investment performance. There is also the need to balance the funding needs of the fund with the desire to keep contributions as low and constant as possible.
1. PF3 2. Stephen Morton	The insolvency of an employer places additional liabilities on the fund and ultimately the remaining employers.	Admission agreements Guarantee bonds	3	3	9	Ensure the on-going suitability of the guarantees in place with a review after each formal valuation Review of actuarial results to consider employer specific funding ratios and employer 'Hot Spots'	2	2	4	Stephen Morton	on-going with quarterly review		Hot Spots' refers to employers whose benefits in payment exceed their contributions in a given period. Review of employer positions and guarantee bonds planned for 2017
1. PF4 2. Kevin Nacey	Vulnerability to long-term staff sickness and staff turn-over, especially for higher graded posts.	None, other than experience of other staff within the sections	3	3	9		2	3	6		on-going with quarterly review	Updated to include positive impact of pooling September 2016	Shared service with Devon makes this less of an issue with respect to benefits administration staff. The move to pooling of investments should make the fund less reliant on a small number of internal officers

Somerset County Council Pension Fund Risk Register - December 2017

1. Risk Ref No: 2. Senior Risk Owner:	Description of Risk	Control measures already in place	Current Risk Score (with known controls in place)		Combined score	Additional mitigating actions/control measures planned to achieve target score	Target Risk score		combined score	Additional Control measure owner	Target Date	commentary following review, inc. date	Additional Information and explanation
			L	I			L	I					
1. PF5 2. Kevin Nacey	Reliance on bespoke IT, which is exacerbated by a lack of experience of these bespoke systems within SCC IT support	As IT systems are refreshed or replaced build in support mechanisms	3	4	12		2	3	6		on-going with quarterly review		Shared service with Devon makes this less of an issue with respect to benefits administration IT
1. PF6 2. Pensions Committee	Risk of Regulatory change: - Implementation of change risks - Consequences of change risks	Continuous engagement with CLG and other interested stakeholders	4	4	16		2	3	6		on-going with quarterly review		The dictated change to pooling of investment arrangements and implementation of this presents a significant risk to the scheme.
1. PF7 2. Stephen Morton	Failure of Benefits Administration to perform their tasks, specifically leading to incorrect or untimely benefits payment.	Internal audit coverage Annual report to committee with feedback from stakeholders Internal procedures and checks	3	3	9		2	3	6		on-going with quarterly review		Long term the greater size of the shared service should see the likelihood of this risk reduce once the implementation phase is completed
1. PF8 2. Pensions Committee	Failure of Pensions Committee to manage the fund effectively	Policies and procedures adopted by pensions committee, specifically the committee training policy	3	4	12		2	4	8		on-going with quarterly review	Updated June 2017 to reflect turnover of Committee following County Council elections	
1. PF9 2. Anton Sweet	Insolvency of the fund's Global Custodian	Fund's assets held in client accounts not as assets of the custodian	2	4	8		2	4	8		on-going with quarterly		The designation of the fund's assets as client assets ensures that they cannot be appropriated by creditors of the Custodian bank in the case of that entity going into administration.

Somerset County Council Pension Fund Risk Register - December 2017

1. Risk Ref No: 2. Senior Risk Owner:	Description of Risk	Control measures already in place	Current Risk Score (with known controls in place)		Combined score	Additional mitigating actions/control measures planned to achieve target score	Target Risk score		combined score	Additional Control measure owner	Target Date	commentary following review, inc. date	Additional Information and explanation
			L	I			L	I					
		Review of credit worthiness and inherent business risk of custodian at tender phase			8						quarterly review		As a result we should be able to recover substantially all of the assets of the fund held in custody but there would be considerable administrative and liquidity disruption
1. PF10 2. Pensions Committee	Failure of Brunel to deliver either Fee savings or investment performance	Representation on the Brunel Client Group and Oversight Board.	2	4	8			2	4	8		on-going with quarterly review	New risk as per Committee request at September 2017 meeting.

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Review of Administration Performance

<i>Lead Officer:</i>	Kevin Nacey: Director of Finance and Performance
<i>Author:</i>	Charlotte Thompson: Head of Peninsula Pensions
<i>Contact Details:</i>	(01392) 383000 charlotte.thompson@devon.gov.uk
<i>Cabinet Member:</i>	Not applicable
<i>Division and Local Member:</i>	Not applicable

1. Background

- 1.1 In February 2014 the shared service began in earnest when staff moved into one main office, using one database with staff learning new skills and many took on new roles.
- 1.2 The LGPS changed on 1 April 2014 and brought with it its own challenges, not helped with the late regulation changes which impacted on the development of the pension database.
- 1.3 Our main service standard is to complete 90% of work within 10 working days once all necessary information has been received. This is monitored every month through our task management system which is an in-house performance tool within our pension database.
- 1.4 We also participate in the CIPFA Benchmarking Club which provides a yearly comparison of performance with other LGPS administration services. Approximately 50 LGPS Funds take part each year.

2. Issues for consideration

- 2.1 The Board note the report and actions being undertaken by officers to ensure compliance and best practice.

3. Administration team performance

- 3.1 As a whole the Team for 2016/17 issued 76% of work within target. For this financial year to date the team has issued 65% in target. The backlog of outstanding work has decreased by 10% since April 2017.
- 3.2 Performance for the Somerset fund has followed a similar trend with percentage in target reducing from 73% (April 16 – January 17) to 66% since February. The outstanding backlog has reduced over the same period by approximately 29%.

4. CIPFA Benchmarking

- 4.1 Data is collected annually in various areas including membership analysis, Employer analysis, quotations and charges, costs and administration performance.
- 4.2 This enables informed comparisons to be made of the net cost per member, payroll cost per pensioner, number of members per admin FTE and also highlights differences of approach.
- 4.3 In December 2016 we received the draft report for 2015/16 year. The key performance indicator that we obtain from this report is the cost per member. This year it has come out at £16.37 compared to the average of £18.55. We are currently waiting for the 2016/17 report.
- 4.4 Our CIPFA performance results for 2016/17 have much improved compared to 2015/16 as the table below shows.

Process	Target	Our achievement 2015/16	Our achievement 2016/17
Transfer in	10 days	76.0%	93.4%
Transfer out	10 days	83.3%	93.4%
Letter notifying actual retirement benefits	5 days	86.4%	98.4%
Letter notifying estimated retirement benefits	10 days	93.0%	93.8%
Letter acknowledging death	5 days	100%	100%
Refunds	5 days	93.2%	97.0%
Letter notifying dependants benefits	5 days	82.0%	95.3%
Deferred	10 days	39.1%	82.4%

5. Financial Implications

- 5.1 Additional team resource approved in Autumn 2015 has been extended until 31st March 2018. Three vacancies have arisen in the team since end of May which we have now had approval to fill.
- 5.2 A new Benefits Manager was appointed following the early retirement of the previous post holder. Natalie Taylor joins the team with over 20 years experience with Friends Life where she was a senior manager. New workflow tools have been introduced along with focusing the team's efforts initially on getting all priority work up to date. All outstanding priority work is now within 10 days old.

5.3 The Performance review is underway which is looking at a number of key areas, resource levels and efficiency of processes. This is a very comprehensive review which is being undertaken with the assistance of Business Analysts.

6. Background Papers

6.1 None

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

Annexe A

Summary of completed work April 2016 to January 2017

	Within Target	Over Target	Total	Success Rate
Priority Procedures	1865	1091	2956	63%
Non-Priority Procedures	7507	3801	11308	66%
Priority				
	Within Target	Over Target	Total	Success Rate
Death	190	100	290	66%
Employer Estimates	255	67	322	79%
Priority General	896	577	1473	61%
LGPS Retirements	291	250	541	54%
Deferred Benefit retirements	233	97	330	71%
	1865	1091	2956	63%
Non-Priority				
	Within Target	Over Target	Total	Success Rate
Amalgamation of records	218	176	394	55%
Additional Voluntary Contribution calculations	442	62	504	88%
Deferred Benefit calculations (including recalculations)	882	1772	2654	33%
Divorce calculations	117	30	147	80%
Frozen Refunds	272	229	501	54%
Non Priority General work	4124	876	5000	82%
Payroll	804	27	831	97%
Actual Refunds	84	17	101	97%
Retirement estimates (includes member and other estimates)	460	356	816	56%
Starters	31	4	35	89%
Transfer Values In	22	129	151	15%
Transfer Values Out	51	123	174	29%
	7507	3801	11308	66%

Outstanding Work

Priority

	Total	Reply due	Outstanding
Death	1	0	1
Employer Estimates	0	0	0
Priority General post	4	3	1
Deferred Benefit retirements	3	1	2
LGPS Retirements	16	4	12
	24	8	16

Non Priority

	Total	Reply due	Outstanding
Additional Voluntary Contribution calculations	145	15	130
Amalgamation of records	1505	177	1328
Deferred Benefit calculations(including recalculations)	576	20	556
Divorce calculations	0	0	0
Non Priority General post	312	133	179
Payroll adjustments	4	2	2
Actual Refunds	0	0	0
Frozen Refunds	345	41	304
Retirement estimates (includes member and other estimates)	148	23	125
New Starters	0	0	0
Transfer Values In	206	48	158
Transfer Values Out	183	38	145
	3424	497	2927

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