

Minutes of a Meeting of the Pension Fund Board held in the John Meikle Room, The Deane House, Belvedere Road, Taunton TA1 1HE, on Friday, 12 January 2024 at 10.00 am

Present:

Anne Hills (Chair)

Rod Bryant

Antony White

Rachel Ellins

In attendance:

Anton Sweet

Other Members present remotely:

Nigel Behan

21 Apologies for Absence - Agenda Item 1

Apologies were received from Councillor Simon Carwell.

22 Declarations of Interest - Agenda Item 2

The following declarations were made:

Nigel Behan - Member of the Local Government Pension Scheme

Rod Bryant - Recipient of the Local Government Pension

Rachel Ellins - Member of the Local Government Pension Scheme

Antony White - Member of the Local Government Pension Scheme

23 Minutes from the Previous Meeting - Agenda Item 3

The Pension Fund Board Resolved that the minutes of the meeting held on 6 October 2024 were confirmed to be a true record of the meeting.

24 Public Question Time - Agenda Item 4

The following question was put to the Board by Mr Sigurd Reimers:

At the last meeting of the Pension Fund Board (6th October 2023) I asked what part the Board plays in examining the possibility of serious failure in the fund if the Climate Scenarios on which its investment decisions relied turned out to be over-optimistic. This possibility is something about which climate scientists are increasingly worried; it is not a fanciful matter.

I very properly received the reply to my question that investment decisions are made by the Pension Fund Committee, not by the Board. However, there is a wider governance issue here as well, and that does fall within the remit of the Pension Fund Board.

I am always appreciative of the time and trouble our Pension Fund Investment Manager takes in replying to my questions, but I am still no wiser about what the Board itself thinks about the possibility of our Pension Fund failing because of adopting a traditional (perhaps unquestioning?) reliance on outdated climate scenarios, in preference to the scientific evidence which is constantly being updated. Presumably the Board accepts the way that climate risk is currently being handled?

This issue could of course be passed on to Brunel Pension Partnership, whose expertise is considerable. However, there are already some Member Organizations within the Brunel Scheme (eg Wiltshire and Avon) that have themselves recently decided to address the issue of climate scenarios in greater detail.

It was explained that the Board had considered the question and is content that Brunel, and the third-party fund managers they employ, are aware of the full range of latest scientific evidence and climate scenarios and are managing the Fund's investment exposure to climate risk in an appropriate manner. At this stage we do not believe commissioning additional climate scenario work at the expense of the fund represents good value for money. The Somerset Pension Fund remains committed to decarbonising its investment portfolio and supporting the move of the global economy to net zero.

The Chair confirmed that the Board rely on the expertise provided by Brunell and their investment manager all of whom considered the latest scientific evidence by commissioning a great deal of work on climate scenarios that could occur and the Board would be duplicating this work. The Pension Board's role was to provide Governance and oversight to ensure that they get good value for money.

25 Review of Pensions Committee Papers - Agenda Item 5

The Board received a summary of the Pension Committee meeting held on the 15 December 2023, with updates, and the following points were highlighted:

Investment performance

- The fund effectively broke even. There was no real return.
- This masked volatility as during that quarter & 2023 as a whole stock markets did move up and down a lot.
- It was not a good quarter in terms of Brunel's performance relative to their benchmarks, particularly on the equity side.
- Brunel's underperformance was due to being underweight in oil and gas related stocks and due to a structural underweight to the so called "magnificent seven", which were the 7 stocks that dominated the US Stock Market and they continued to outperform. The "magnificent seven" are:
 - Amazon
 - Apple
 - Alphabet (Google)
 - Tesla
 - Nvidia
 - Meta Platforms Inc (Facebook)
 - Microsoft
- The period around the initial invasion of Ukraine by Russia impacted the return and this has meant we have not kept up with the returns anticipated by the actuary as part of the triannual valuation.. This is likely to impact the funding at the next valuation.

Administrative performance

The Board received a summary on the Pension Committee meeting held on 15 December 2023, which was related to work up until the end of September 2023 and was in line with the disclosure regulations.

The following points were highlighted:

- There was 92% achievement rate with 94% high priority.
- Deaths were at 79%, and delays here were as a result of communications with the families' solicitors who were waiting on probate.
- Information in relation to complaints was also added as requested by the board and Peninsula have received some compliments in this regard.
- The longer-term performance was added showing that there were 2,257 outstanding cases which were able to be actioned.
- There was a slight decrease in the amount of work received this year compared to last year.
- The team have moved forward positively with McCloud and system developments were closer to being finalised.
- The annual benefits statements were mostly going out electronically and only a small percentage were sent out by post.
- HMRC changes were complex to implement and took time.

Business plan

- Government gave a response on the consultation regarding the next steps on investment in the Local Government Pension Scheme (LGPS), which included provisions to invest 5% "locally" and 10% in private equity. Despite significant feedback from the LGPS community to the consultation the Government has indicated it will still take these points forward, probably on a comply or explain basis rather than full regulatory compulsion.
- In response to questions it was confirmed that the current financial situation at Somerset Council would not impact on the Pension fund due to the fact that all monies in the fund are kept completely separate.

26 Review of Pension Fund Risk Register - Agenda Item 6

- The Board noted that following an informal joint meeting of Committee and Board, 2 additional risks had been added, PF Gov 3 (accounting) and PF Admin 7 (data protection). The current risk score around cyber security had been increased to reflect the constant threat in this area.
- Some minor changes to other information around risks and mitigation were made.

27 Business Plan Update - Agenda Item 7

- Board dates have been agreed with a general pattern of Board meetings taking place 1 month after Pensions Committee meetings.

- The Board should indicate what they would like to consider at meetings during 2024 beyond standard items.

28 Review of Pension Fund Administration Strategy - Agenda Item 8

The Board received a verbal update from Peninsula Pensions as the consultation of for the strategy ceased on 31 December 2023.

Currently they were going through the responses received and would address:

ways in which the strategy could be revised;

ways in which Peninsula Pensions could provide a response if they did not agree that the strategy should be changed;

ways that they could change some of their processes to allow both parties to move forward in a positive way in order to meet disclosure regulation deadlines.

The main updates to the strategy encompassed:

the implementation of a new communications policy which would run alongside the fund communication policy which the Service Manager, Investments would look after.

The introduction of a charging structure for underperformance of employers which was permitted within the LGPS regulations. It was confirmed that training and support which was provided was not charged for and that the charging was merely for employers outside of the time scales.

12,017 cases were outstanding with employers from the Somerset Fund, across 141 employers. This meant that they were not going to be able to meet the targets set for the disclosure regulations so were subject to certain fines. However, the revised strategy would be in time for the disclosure regulations.

It was confirmed that this would not formally come back to the Pension Board until after it had been to Pension Committee for formal adoption. This will also continue to be alignment with the Devon Fund's administration strategy and so comments received from Devon employers could be represented in the Somerset Administration Strategy.

29 Any Other Business of Urgency - Agenda Item 9

There was none.

(The meeting ended at 12.07 pm)

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CHAIR