

Pensions Committee
Friday 13 December 2019
2.00 pm Mendip Room, Shire Hall,
Taunton



To: The Members of the Pensions Committee

Cllr G Noel (Chair), Cllr James Hunt, Cllr L Leyshon, Cllr J Parham, Bryant, Richard Parrish, Sarah Payne and Mark Simmonds

Issued By Scott Wooldridge, Strategic Manager - Governance and Risk and Monitoring Officer-
5 December 2019

For further information about the meeting, please contact Peter Stiles 01823 357628 or
Pstiles@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
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AGENDA

Item Pensions Committee - 2.00 pm Friday 13 December 2019

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

1 **Minutes of the Previous Meeting** (Pages 7 - 14)

The Committee is asked to confirm the minutes are accurate.

2 **Apologies for Absence**

3 **Declarations of Interest**

Details of all Members' interests in District, Town and Parish Councils will be displayed in the meeting room. The Statutory Register of Member's Interests can be inspected via the Community Governance team.

4 **Public Question Time**

The Chairman will allow members of the public to present a petition on any matter within the Committee'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.

5 **Report of the Actuary**

To receive a presentation from Barnett Waddingham, the Fund's appointed firm of actuaries.

6 **LGPS Pooling of Investments** (Pages 15 - 18)

To consider this report from the Funds and Investments Manager.

7 **Independent Investment Advisor's Report**

O receive a verbal update on developments in financial markets.

8 **Review of Investment Performance** (Pages 19 - 46)

To consider this report from the Funds and Investments manager.

9 **Review of Administration Performance** (Pages 47 - 52)

To consider this report from the Head of Peninsula Pensions.

10 **Business Plan Update** (Pages 53 - 64)

To consider this report from the Funds and Investments Manager.

11 **Budget and Membership Statistics Update** (Pages 65 - 70)

To consider this report from the Funds and Investments Manager.

Item Pensions Committee - 2.00 pm Friday 13 December 2019

12 **Review of Pension Fund Risk Register** (Pages 71 - 76)

To consider this report from the Funds and Investments Manager.

13 **Administration Strategy** (Pages 77 - 98)

To consider a new Administration Strategy for adoption by the Committee.

14 **Any other urgent items of business**

The Chairman may raise any items of urgent business.

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Guidance notes for the Pension Committee 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 – Neil Milne on Tel (01823) 359045 or 357628; Fax (01823) 355529 or Email: ndmilne@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 Neil Milne, 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 COMMITTEE

Minutes of a Meeting of the Pensions Committee held in the Taunton Library Meeting Room, on Friday 7 June 2019 at 10.00 am

Present: Cllr G Noel (Chair), Cllr James Hunt, Cllr J Parham, Gordon Bryant and Sarah Payne.

Other Members present:

Apologies for absence: Cllr S Coles, Richard Parrish and Mark Simmonds

1 Declarations of Interest - Agenda Item 2

Mrs Payne and Mr. Bryant declared personal interests as members of the Local Government Pensions Scheme in respect of agenda item 7.

2 Apologies for Absence - Agenda Item

3 Minutes from the Previous Meeting - Agenda Item 3

The Committee agreed that the minutes of the last meeting were correct and the Chair signed them.

4 Public Question Time - Agenda Item 4

The Chair welcomed those Members of the public who were present and invited those who had registered to speak to address the Committee.

Mr Reimers said thank you for sight of the draft response to my question for the meeting of the Pensions Committee on 8 March 2019 which was cancelled. He noted if the reference in the draft response stating that the Pensions Committee was not tied in its investment decisions, to the policies of Somerset County Council.

He wondered whether, three months on, there is now greater clarity about how Somerset County Council Pensions Committee, with due regard to its fiduciary duties, is taking the declaration by the County Council of a climate emergency on 20th February this year into account when deciding on its investments, despite its independence from the County Council itself

Most, if not all, of the other West Country Councils (as well as the Environment Agency), whose Pensions Committees are members of Brunel Pension Partnership have also declared a climate emergency. To date have any such declarations played a part in the investment decisions being made by Brunel Pension Partnership?

The Funds and Investment Manager thanked Mr Reimers for his statement and on-going interest in the work of the Pensions Committee and responded to the main points raised as follows:

It is not possible for the Committee to change its approach to any matter of policy outside of the formal decision making of Committee meetings, as the

Committee has not met the position has not changed. You will note that the matter is not on the Agenda for today's meeting but there will be a discussion regarding the future meeting workplan.

The Brunel Pension Partnership has been tasked by the founding Funds with delivering a range of investment portfolios which individual funds then get to choose from. No fund has made a formal request for a change in the portfolios offered by Brunel to meet climate considerations. Officers of Somerset CC are not aware of any informal discussions but it is possible these have taken place.

Mr Dunk made a statement about the potential future dangers of investing in fossil fuels in light of the current climate emergency and in summary he asked 3 questions of the Committee:

1. Would the Committee immediately resolve to transfer some investments to the Brunel Pension Partnership's Passive Low Carbon Equities Portfolio and look into the possibility of also investing in the Active Sustainable Equity Portfolio?
2. Would the Committee commit to phasing out pension fund investments in fossil fuels (including companies that provide services for fossil fuel extraction and delivery systems) over the next 5 years?
3. Would the Committee work with the Brunel Pension Partnership to ensure that the above target was met and work with the other Pension Fund holders in the Brunel Pension Partnership to reach a common approach to fossil fuel divestment as it would manifestly speed up the process and give Brunel the information it needed to tailor its portfolios accordingly?

The Funds and Investment Manager thanked Mr Dunk for his statement and responded to the main points raised as follows:

Q1. The Committee chose not to revisit this decision at this time. The process of moving assets to Brunel over a 2 to 3 year period is a very complex and potentially expensive undertaking. When the Committee chose the investments, it wishes to make with Brunel it also noted the complexity and potential costs and recognised that changing the investment strategy within the transition window would bring significant additional risks. The investment strategy is a key piece of committee work and will be reconsidered regularly in the future.

Q2. The Committee has not committed to the phasing out of investments in fossil fuels. ESG considerations are an important consideration within the investment strategy and the Committee will review this after the Brunel transition window and regularly thereafter.

Q3. The Committee will only seek to change Brunel activity when it does not meet the Funds agreed policies and needs, this is currently not the case. No other fund has formally asked Brunel to revisit the agreed policy of not divesting.

The Chair of the Committee thanked both members of the public for attending the meeting and asking questions. He noted that the Committee regularly

considered its investment strategy and explained that taking a decision to disinvest in fossil fuels investments or with companies that were 'ecologically sound' was not as straight forward as it seemed, as it required a judgement that would be finely balanced and quite subjective.

He reiterated that the Committee regularly reviewed its investments and was mindful of its fiduciary duties and minimising potential future risks associated with some investments. He also confirmed that the Committee, as it was currently transferring assets to the Brunel Partnership, would not discuss the issue of fossil fuels investments further at the meeting.

5 LGPS Pooling of Investments - Agenda Item 5

The Committee considered this report that provided an update on the Council's work to adhere to the "Local Government Pension Scheme (LGPS): Investment Reform Criteria and Guidance" published in November 2015 which required the pooling of the Fund's investment assets with other LGPS funds from April last year.

Members were reminded that for the purposes of pooling the Council had aligned itself with 9 other funds in South West England and was working with those funds to create an FCA regulated investment Company, Brunel Pension Partnership Ltd, (BPP).

It was reported that £507.8m of passive assets were transferred from management by the internal team to Brunel (sub-managed by LGIM) last July and £436.5m of active UK equity assets were transferred from management by Aberdeen Standard Investments to Brunel (sub-managed by Aberdeen Standard Investments, Baillie Gifford and Investec) last November.

It was also noted that the Private Markets team was now fully established and had taken some initial commitments from funds, but not Somerset at this stage. Preparations for the move of the Fund's property assets from LaSalle to Brunel were also underway.

In response to a question it was stated that it was anticipated that the Brunel Pensions Partnership would allow the fund to make significant savings over time with the Pension Fund estimated to make savings of £27.8m in the period to 2036, after costs. A significant portion of the likely costs were front loaded, and it was anticipated that the Fund would breakeven in 2024.

The report and update were accepted.

6 Independent Investment Advisor's Report - Agenda Item 6

The Committee's Independent Advisor provided a verbal overview of the financial situation in the United Kingdom (UK) and Over-seas.

Members briefly discussed the points raised during the overview, including: the overall downward trajectory of the economic position; the U.K. interest rates; difficulties in the global motor industry as both diesel and petrol engine

production continued to fall sharply; the possibility of a Brexit dividend and the impacts of a further extension to the date of the U.K.'s departure from the European Union.

The Independent Advisors update was accepted.

7 Review of Investment Performance - Agenda Item 7

The Committee considered this report on the performance of the pension fund investments for the quarter ended 31 March 2019 and related matters.

The Funds & Investments Manager provided an overview of the report, including the performance of the individual fund managers against benchmarked performance. It was noted that at the end of the quarter the value of the Fund stood at £2.170bn.

The Committee agreed to accept the report.

8 Review of Administrative Performance - Agenda Item 8

The Committee considered this report from the Head of Peninsula Pensions detailing a review of the Administration's performance. The Committee were informed of: the overall improvement in performance; the remaining backlog of work; the recent Peninsula staffing recruitment and restructure.

There was a brief discussion of the report and the Committee noted the variance of performance against some existing targets and it was stated that the team was currently looking at benchmarking against other pension administration teams to help inform its review of target setting.

The report was accepted, and it was requested that the next report provide an update on the review of target setting.

9 Business Plan Update - Agenda Item 9

The Committee considered this report that provided Members with a business plan of topics to ensure the Committee met its responsibilities and considered all necessary issues, and a meeting work plan of proposed items of business.

It was noted that work on the LGPS pooling work within the Brunel Pension Partnership continued and would be highlighted in a separate report. Following year end, at 31 March, Officers have completed the production of the draft accounts by the required 31 May deadline and external Audit work has commenced.

It was also noted a full review of the Fund's risk register had been scheduled for later in the year and added to the business plan. Attention was also drawn to an item added to the business plan to reflect the previously agreed position of reviewing Ethical, Social and Governance (ESG) investment issues following the completion of the transfer of listed assets to Brunel, this was envisaged to be during the second half of 2020.

The report and attached business plan and meeting workplan were accepted.

10 **Budget and Membership Statistics Update** - Agenda Item 10

The Committee considered this report about the position of the pension fund budget at 31 March 2019 and related matters. Members also considered the outturn position for the full year of the financial year to 31 March 2019 against budget, as set out in Appendix A to the report.

The Funds and Investments Manager highlighted: the changes in the membership statistics; and the Surplus of £50m in the full year accounts.

The Committee agreed to accept the report.

11 **Review of Pension Fund Risk Register** - Agenda Item 11

The Committee considered and discussed the Pension Fund's risk register. Members acknowledged the importance of considering the register at every meeting to allow them to review and monitor each risk and approve changes as necessary.

It was noted that a more thorough review of the risk register had been suggested, with the Committee working with the Pension Board to review all the risks currently on the register and consider risks not currently covered and this had been added to the workplan for the end of 2019.

There was a brief discussion about PF2 and it was explained that an actuarial valuation was currently being undertaken and it was thought this might see a change from the last valuation when the Fund was 77% funded to a new valuation of around 90%.

The report was accepted.

12 **Voting and Engagement Report** - Agenda Item 12

The Committee considered a report which provided information about the voting and engagement activity of the Fund's investment managers for the six-month period to 31 March 2019.

There was a brief discussion about PIRC advice and executive remuneration and remuneration voting details provided in the report were noted. It was noted that following the movement of the passive global equity portfolio last July and the UK active equity portfolio in November 2018, the Brunel partnership was now responsible for voting on a significant proportion of the Fund's equity assets, and Brunel's stewardship policy and voting records could be found on their website.

The Committee accepted the report and the Funds and Investments Manager noted that as more assets were pooled he would consider the most appropriate way of providing this information.

13 **Proposed Changes to LGPS Regulations - Agenda Item 13**

The Committee considered this report presented by the Funds and Investments Manager that provided an update on proposed new regulations at various stages of development or implementation within the Local Government Pension Scheme (LGPS).

A recent review by the Government Actuary Department (GAD) had determined that the costs of the LGPS were now below the target rate. To address this, the Scheme Advisory Board had proposed the following improvements to the Scheme, which had been implemented on 1 April 2019:

- Removal of Tier 3 Ill Health;
- Minimum Death-in-Service lump sum of £75,000 per member (not employment);
- Enhanced Early Retirement factors for all active members from 1st April 2019 to be applied to all service;
- Revised member contribution rates and bandings, which take account of varying tax relief:
 - a) a 2.75% contribution rate for salaries between £0 and £12,850;
 - b) an expansion of Band 2, which will now include salaries between £12,501 and £22,500, and a contribution rate reduction from 5.8% to 4.4%;
 - c) an expansion of the 6.8% contribution band from £45,200 to £53,500.

Members attention turned to the 3 main areas highlighted in the report for consideration, those being: the period review of the cost of public sector pensions; the review of the Fair Deal provisions that govern the protections afforded to staff when they 'TUPE' between employers; and the review of the length of the actuarial cycle and related changes.

There was a discussion of the proposed changes and the Funds and Investments Manager answered questions and provided more information. It was noted that the actual cost of benefits against the projected cost of benefits had resulted in the scheme being 'cheaper' to employers than projected. It was also proposed to extend the period between actuarial valuations from every 3 years to 4 years, although there would be flexibility to do an interim valuation if required.

The Committee accepted the report, noting proposed changes to exit payments and Further Education establishments.

14 **Resources Review, Budget Setting and Committee Objective Setting - Agenda Item 14**

The Committee considered a report that asked Members to consider the set objectives for the fund, the resources necessary to attain those objectives and a definition or measurement mechanism for success.

There was a discussion of the report and the Committee agreed the proposed budget and to maintain the absolute return target for the fund at 5.4%, and that the current resources were adequate.

The report was accepted.

15 Cash Management Strategy - Agenda Item 15

The Committee considered this report that sought approval for the management of the Fund's cash and the strategy and counter party strategy. It was noted that since 1 April 2010 the pension fund cash had been managed by the Council's investments team on a completely segregated basis.

During the discussion Members considered the Cash Management Strategy attached as Appendix A to the report and the revised Counterparty criteria for the investment of sterling cash balances attached as Appendix B to the report.

There was a discussion and the Committee agreed to:

Adopt the Cash Management Strategy;

Adopt the revised Counterparty strategy for the investment of sterling cash balances;

Re-appoint the in-house team to manage the cash balances on a segregated basis.

16 2020 Meeting Dates - Agenda Item 16

The Committee considered this report and agreed the following dates for meetings in 2020.

- Friday 6 March 2020 at 10.00 am at County Hall, Taunton;
- Friday 5 June 2020 at 10.00 am at County Hall, Taunton;
- Thursday 17 September 2020 at 2 pm at County Hall, Taunton;
- Friday 4 December 2020 at 10.00 am at County Hall, Taunton.

It was noted that meetings were currently being held in the Taunton Library meeting room, due to County Hall being refurbished, and the location of next year's meetings would be confirmed in due course.

17 Policies and Statements - Agenda Item 17

The Funds and Investments Manager advised Members that he had reviewed this topic and had agreed with the Chair of the Committee to defer this item to a future meeting.

18 Exclusion of Press and Public - Agenda Item 18

The Committee agreed to pass a resolution under Section 100A (4) of the Local Government Act, 1972 that the press and public be excluded from the remainder of the meeting on the basis that if they were present during the

business to be transacted there would be a likelihood of disclosure to them of exempt information of the following description:

The amount of any expenditure proposed to be incurred by the authority under any particular contract for the acquisition of property or the supply of goods or services.

Also the Committee agreed that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

19 Review of Independent Investment Advisor - Agenda Item 19

Members considered this report regarding the continuing arrangements to employ an Independent Advisor (IA) for the Committee. It was reported that since her initial appointment in 2002 the IA had attended all Committee meetings, providing advice to the Committee as requested. The mid-term of each Council quadrennium had been selected to the review arrangements, and this was the third formal review of the contract.

An Internal Audit report on the Fund's governance arrangements in 2009 recommended that the role of the independent advisor be reviewed by this committee at least once every 4 years. The contract is open ended and it was confirmed that 3 months' notice would be required, on either side, to terminate the arrangement.

Members confirmed they were happy with the regular agenda item when the IA provided the Committee with a report and an overview of the financial situation in the United Kingdom and abroad and this had continued to be well received at each meeting.

It was suggested that Officers and the IA review the arrangement once the Committee's interaction with the Brunel partnership had become clearer after assets had been transferred. It was also thought that it would be helpful if the IA be involved when considering future arrangements.

The Committee was agreed that the IA had fulfilled the role as requested and that the contract should be renewed.

20 Any other urgent items of business - Agenda Item 20

There were no other items of business.

(The meeting ended at 11.37 am)

CHAIRMAN

LGPS Pooling of Investments

<i>Lead Officer:</i>	Sheila Collins: Interim Director of Finance
<i>Author:</i>	Anton Sweet: Funds and Investments Manager
<i>Contact Details:</i>	(01823) 359584 asweet@somerset.gov.uk
<i>Executive Portfolio Holder:</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 Committee is asked to approve a commitment of £50m to the Brunel Private Equity cycle beginning 1st April 2020.
- 2.2 The remainder of the report is for information only unless the committee deems that action is necessary having reviewed the report.

3. Progress in transition of assets to Brunel

- 3.1 £507.8m of passive equity assets were transferred from management by the internal team to Brunel (sub-managed by LGIM) on 11th July 2018.
- 3.2 £436.5m of active UK equity assets were transferred from management by Aberdeen Standard Investments to Brunel (sub-managed by Aberdeen Standard Investments, Baillie Gifford and Investec) on 21st November 2018.

- 3.3 The Private Markets team is now fully established and has taken some initial commitments from funds, but not Somerset at this stage. The next cycle of commitments to private markets portfolios is being sought by Brunel for investment from 1st April 2020. As part of the allocations decided on at the June 2018 committee meeting there is an intention to allocate 5% of the total fund to Private Equity in the long-term. Based on the current overall size of the fund and the frequency of commitment windows from Brunel a commitment of £50m is suggested by officers as being consistent with this long-term strategic allocation. Due to the illiquid nature of private markets allocations Committee are requested to formally approve this allocation.
- 3.4 Preparations for the move of our Property assets from LaSalle to Brunel are underway.
- 3.5 £83.7m of emerging market equity were transferred from management by Amundi to Brunel (sub-managed by Genesis Investment Management, Wellington and Investec) on the 9th October.
- 3.6 Following the Emerging Market equity portfolio will be the Global High Alpha Developed equity portfolio. This portfolio is due to transition in Q4 of 2019.
- 3.7 The final equity portfolio we are due to invest in is the Global Small Cap equity portfolio. Brunel opened the search for managers for this portfolio at the start of September. This portfolio is due to transition in Q2 or Q3 of 2020.

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. This now includes consultation with Committee and Board whenever SCC utilises its shareholder voting powers in relation to Brunel.
- 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.

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Review of Investment Performance

<i>Lead Officer:</i>	Sheila Collins: Interim Director of Finance
<i>Author:</i>	Anton Sweet: Funds and Investments Manager
<i>Contact Details:</i>	(01823) 359584 asweet@somerset.gov.uk
<i>Executive Portfolio Holder:</i>	Not applicable
<i>Division and Local Member:</i>	Not applicable

1. Summary

- 1.1 The report attached as appendix A is to inform the committee about the performance of the Pension Fund's investments for the quarter ended 30 September 2019 and related matters.

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. Background

None

4. Consultations undertaken

None

5. Financial Implications

- 5.1 Over time the performance of the pension fund investments will impact the amount that the County Council and other sponsoring employers have to pay into the fund to meet their liabilities. The fund actuary calculates these amounts every three years and sets payments for the intervening periods.

6. Background Papers

None

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

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Review of Investment Performance **for the Quarter to 30th September 2019**

1. Somerset County Council (Global Equity)

1.1 The performance for the quarter to 30th September 2019 is summarised in the following table:

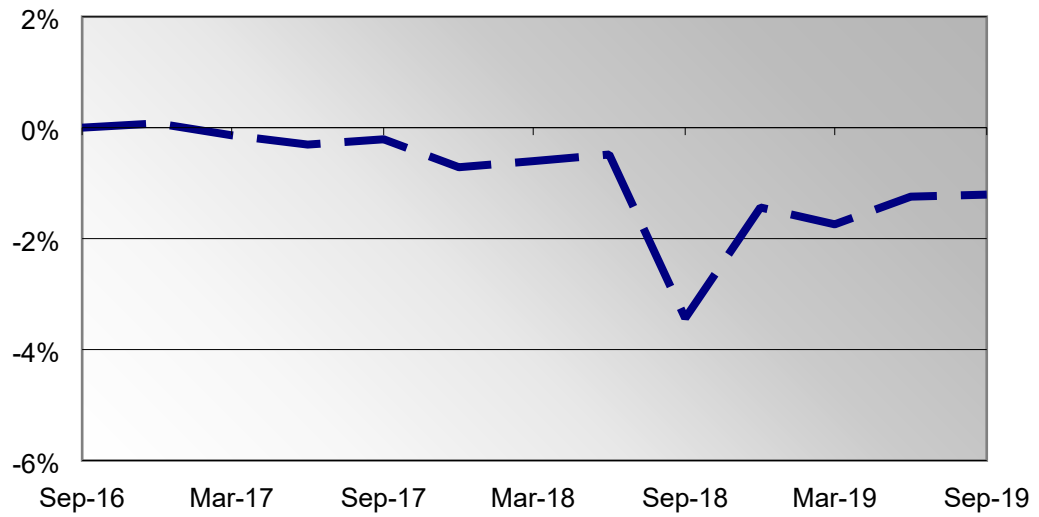
Quarter to 30 September 2019				
Value as at 30 Sept £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
33.4	Global equities	4.1	3.9	+0.2
0.0	Cash			
33.4	Total	4.0	3.9	+0.1

1.2 The majority of the stock was transferred to a LGIM managed passive pooled fund in July 2018. The LGIM funds are the pooled solution chosen by Brunel. We have held on to a small residual position to use as a source of cash in the short term and to help manage the overall transition to Brunel managed funds.

1.3 The fund outperformed the benchmark during the quarter. As part of significantly reducing the size of the portfolio we have reduced the number of assets held and this may give rise to greater volatility of relative returns.

1.4 Absolute returns for the quarter were strongly positive.

In-House Fund performance Vs Benchmark



1.5

The table below shows annualised performance over a range of time periods:

	Fund % p.a.	Benchmark % p.a.	Relative to Benchmark % p.a.
1 year	9.9	7.9	+2.0
3 years	12.3	12.6	-0.3
5 years	13.5	13.8	-0.3
10 years	12.3	12.4	-0.1

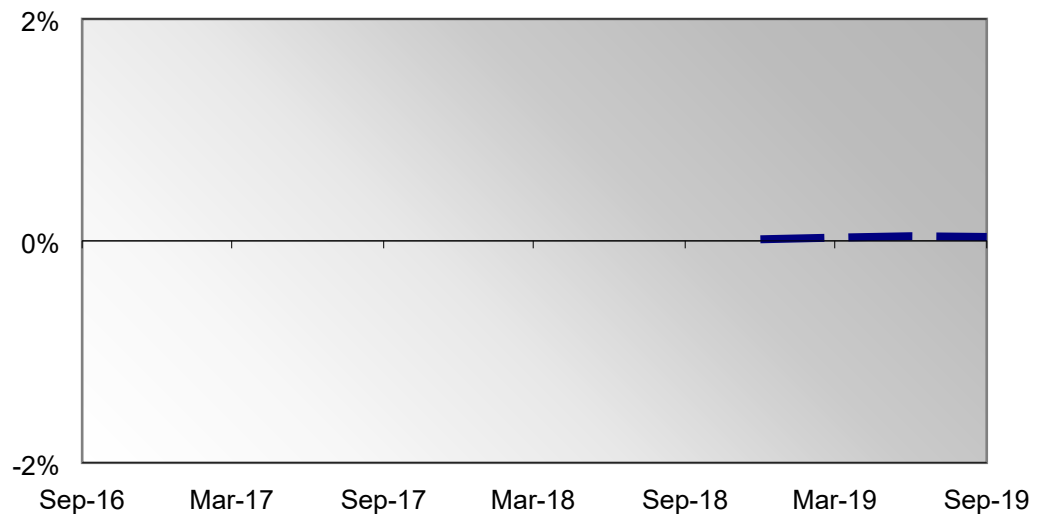
2. Brunel - LGIM (Global Equity)

2.1 The performance for the quarter to 30th September 2019 is summarised in the following table:

Quarter to 30 September 2019			
Value as at 30 Sept £m	Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
572.4 Global equities	3.9	3.9	+0.0

2.2 The LGIM passive fund matched the performance of the benchmark for the quarter. Absolute performance was strongly positive.

Brunel performance Vs Benchmark



2.3 The table below shows annualised performance over a range of time periods:

	Fund % p.a.	Benchmark % p.a.	Relative to Benchmark % p.a.
1 year	7.9	7.9	+0.0
3 years	Initial investment in September 2018		

3. Aberdeen Standard Investments (UK Equities)

3.1 The performance for the quarter to 30th September 2019 is summarised in the following table:

Quarter to 30 September 2019				
Value as at 30 Sept £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
9.6 UK		-3.7	1.3	-5.0

3.2 The transfer of the majority of this mandate to the equivalent Brunel offering took place in November 2018. The residual holding is in a smaller companies fund and will be used as a source of cash as necessary.

3.3 Aberdeen Standard had a poor quarter relative to their benchmark. Absolute returns were negative. Smaller companies significantly under performed during the quarter and the Aberdeen Standard fund underperformed the smaller companies benchmark.

4. Brunel (UK Equities)

4.1 The performance for the quarter to 30th September 2019 is summarised in the following table:

Quarter to 30 September 2019			
Value as at 30 Sept £m	Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
456.7 UK	0.3	1.3	-1.0

4.2 The Brunel UK portfolio is managed by a combination of Invesco, Baillie Gifford and Aberdeen Standard.

4.3 The portfolio underperformed the benchmark during the quarter. Absolute performance was marginally positive

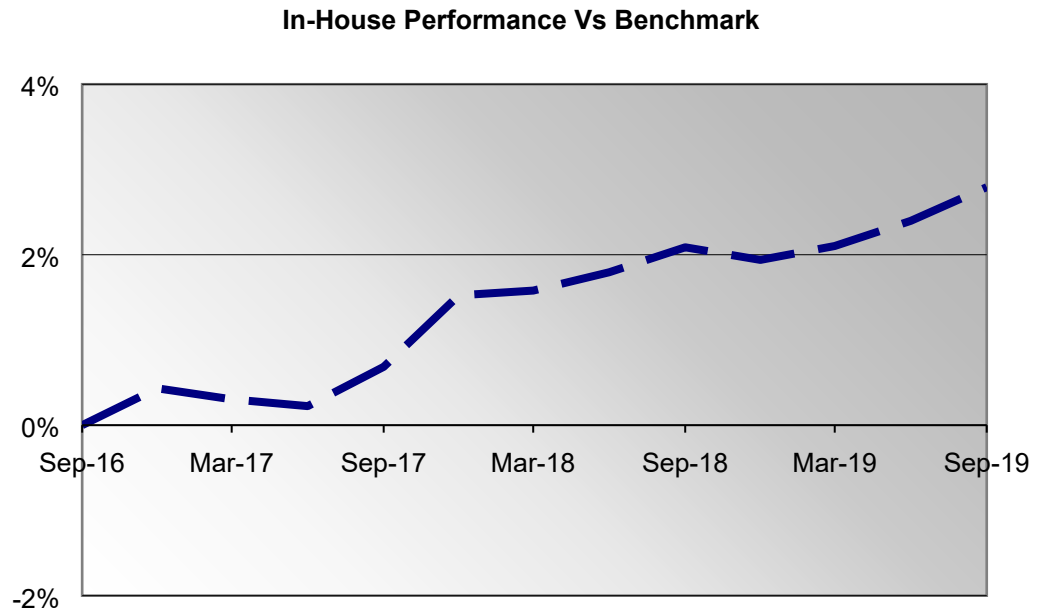
5. Somerset County Council (North American Equities)

5.1 The performance for the quarter to 30th September 2019 is summarised in the following table:

Quarter to 30 September 2019				
Value as at 30 Sept £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
127.8	North America	5.2	5.0	+0.2
0.0	Cash			
127.8	Total	5.2	5.0	+0.2

5.2 The in-house fund marginally outperformed the benchmark for the quarter.

5.3 Absolute levels of performance during the quarter were strongly positive.



5.4 The table below shows annualised performance over a range of time periods:

	Fund % p.a.	Benchmark % p.a.	Relative to Benchmark % p.a.
1 year	10.7	10.3	+0.4
3 years	16.1	15.4	+0.7
5 years	17.5	17.1	+0.4
10 years	Initial investment in December 2011		

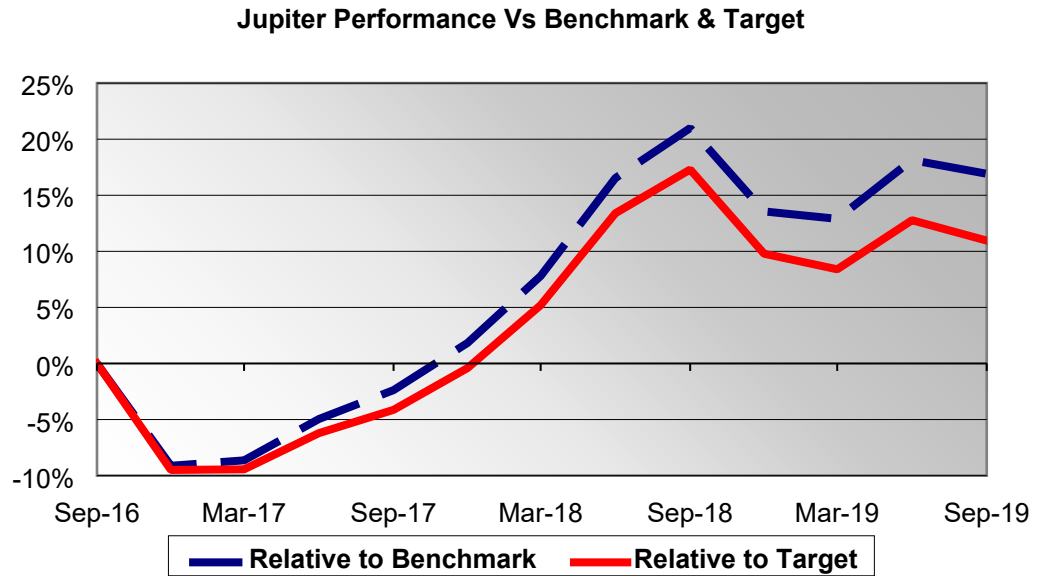
6. Jupiter (Continental European Equities)

6.1 The performance for the quarter to 30th September 2019 is summarised in the following table:

Quarter to 30 September 2019				
Value as at 30 Sept £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
170.3	Europe	0.7	1.6	-0.9
3.0	Cash			
173.3	Total	0.7	1.6	-0.9

6.2 Jupiter had a poor quarter relative to the benchmark, with underperformance of 0.9%. Absolute performance was positive. Performance relative to benchmark continues to be very volatile from one month to the next.

6.3 Jupiter's target is to outperform the benchmark by an annualised return of 1.5% over continuous three-year periods after their fees have been deducted.



6.4 The table below shows annualised performance over a range of time periods:

	Fund % p.a.	Benchmark % p.a.	Relative to Benchmark % p.a.
1 year	2.7	6.4	-3.7
3 years	14.5	10.0	+4.5
5 years	16.2	9.8	+6.4
10 years	13.9	7.9	+6.0

7. Maple-Brown Abbott (Far-East Equities ex-Japan)

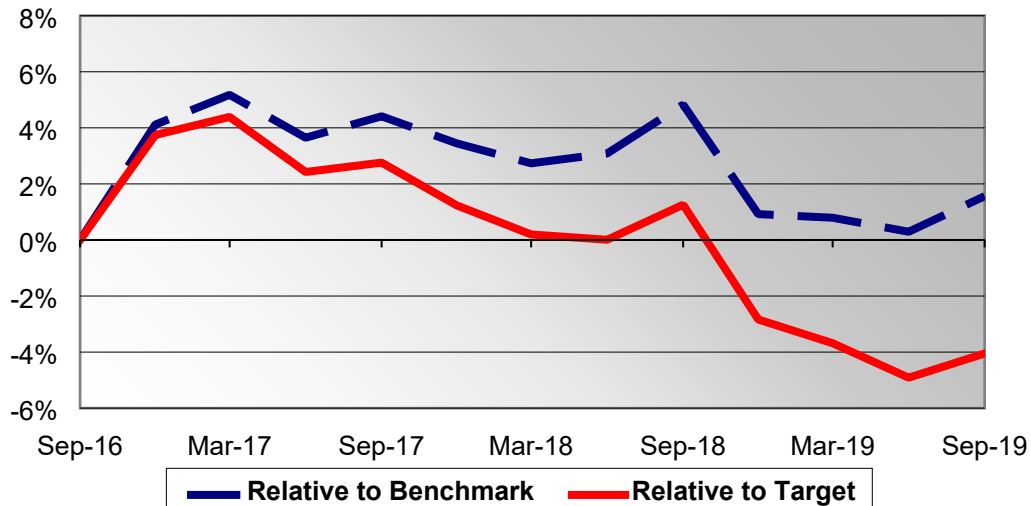
7.1 The performance for the quarter to 30th September 2019 is summarised in the following table:

Quarter to 30 September 2019				
Value as at 30 Sept £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
65.0	Pacific (ex Japan)	-0.6	-1.6	+1.0
0.7	Cash			
65.7	Total	-0.7	-1.6	+0.9

7.2 Maple-Brown Abbott had a good quarter relative to their benchmark. Absolute returns were slightly negative. The outperformance was due to good stock selection in Hong Kong.

7.3 Maple-Brown Abbott’s target is to outperform the benchmark by an annualised return of 1.5% over continuous three-year periods after their fees have been deducted.

Maple-Brown Abbott Performance Vs Benchmark & Target



7.4 The table below shows annualised performance over a range of time periods:

	Fund % p.a.	Benchmark % p.a.	Relative to Benchmark % p.a.
1 year	1.0	3.7	-2.7
3 years	8.5	8.1	+0.4
5 years	8.7	9.5	-0.8
10 years	Initial investment in July 2014		

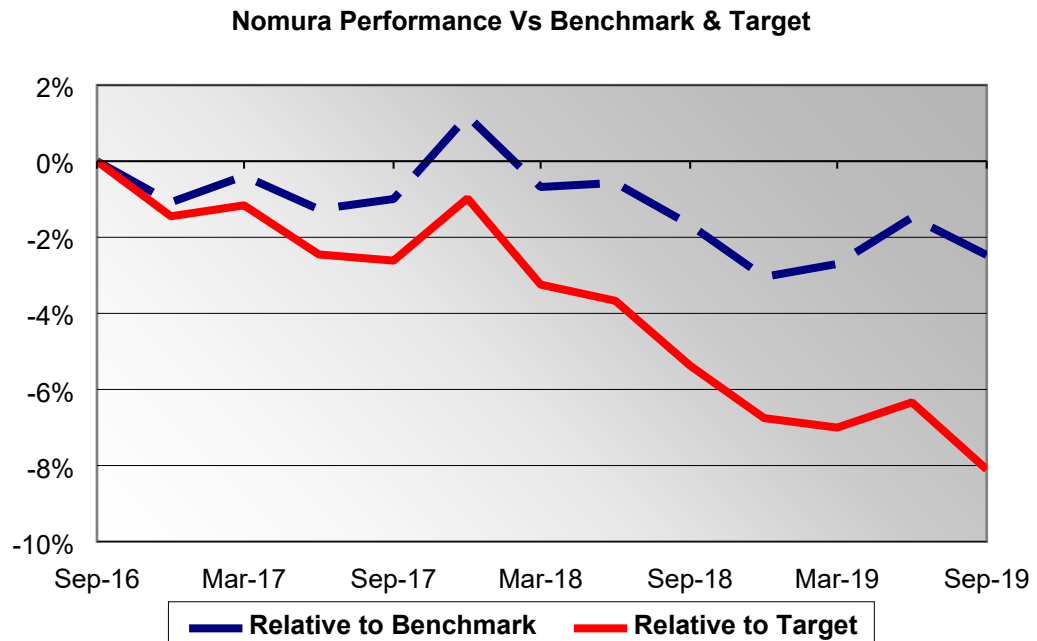
8. Nomura (Japanese Equity)

8.1 The performance for the quarter to 30th September 2019 is summarised in the following table:

Quarter to 30 September 2019				
Value as at 30 Sept £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
69.3	Japan	5.7	6.5	-0.8

8.2 Absolute performance was strongly positive. Relative performance was negative. Poor stock selection in Financials (Banks, Insurance, etc.) was a significant contributor to the underperformance.

8.3 Nomura's target is to outperform the benchmark by an annualised return of 1.5% over continuous three-year periods after their fees have been deducted.



8.4 The table below shows annualised performance over a range of time periods:

	Fund % p.a.	Benchmark % p.a.	Relative to Benchmark % p.a.
1 year	-0.9	-0.6	-0.3
3 years	7.6	8.2	-0.7
5 years	10.6	12.2	-1.6
10 years	Initial investment in March 2010		

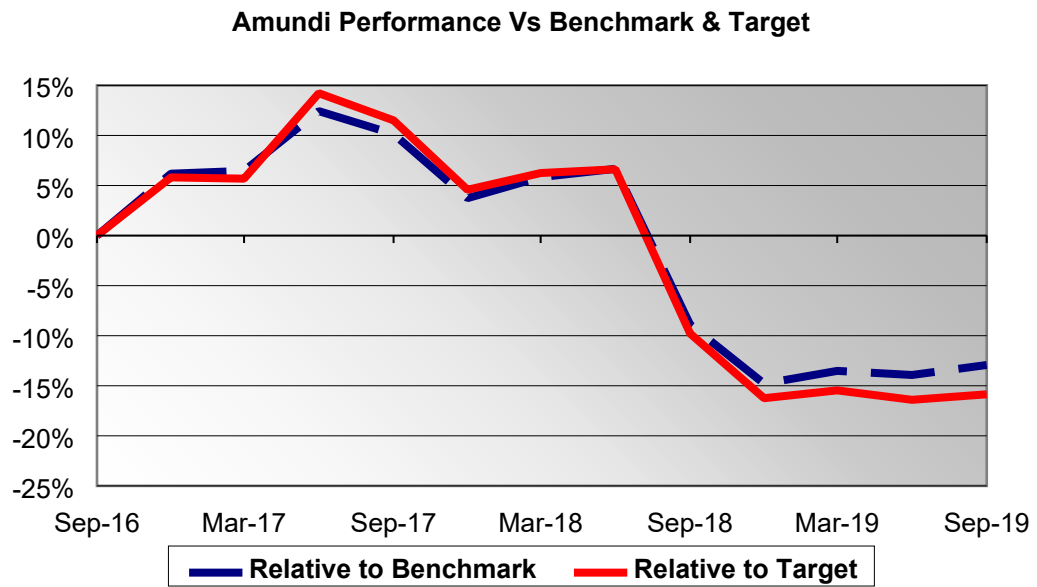
9. Amundi (Emerging Market Equity)

9.1 The performance for the quarter to 30th September 2019 is summarised in the following table:

Quarter to 30 September 2019				
Value as at 30 Sept £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
83.8	Emerging Market	-0.4	-1.1	+0.7

9.2 Relative performance for the quarter was good, absolute returns were slightly negative.

9.3 Amundi’s target is to outperform the benchmark by an annualised return of 1.5% over continuous three-year periods after their fees have been deducted.



9.4

The table below shows annualised performance over a range of time periods:

	Fund % p.a.	Benchmark % p.a.	Relative to Benchmark % p.a.
1 year	0.4	3.7	-3.3
3 years	4.0	7.8	-3.8
5 years	3.9	8.1	-4.2
10 years	2.5	6.1	-3.6

10. Aberdeen Standard Investments (Fixed Interest)

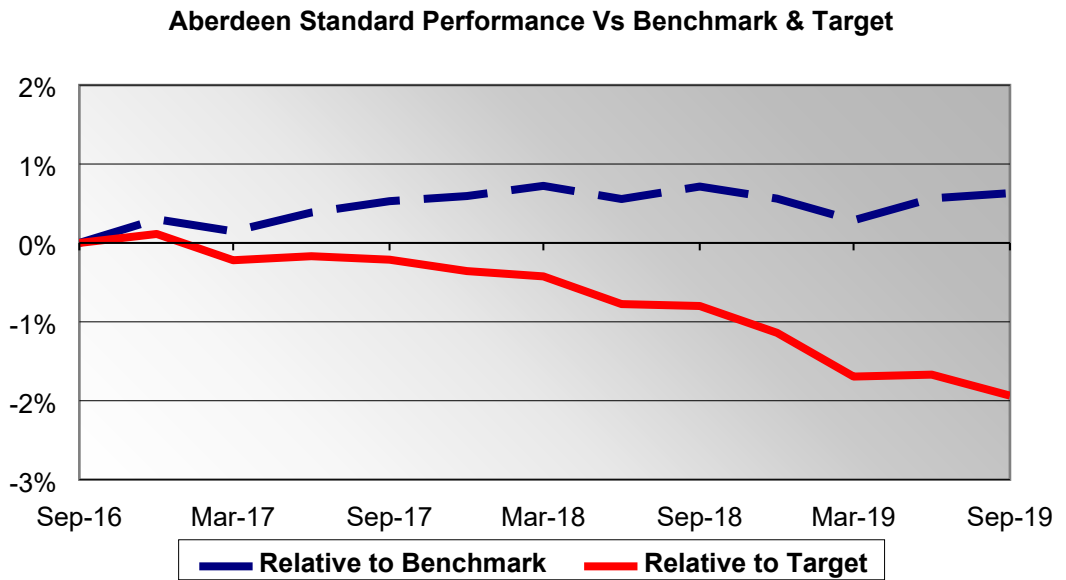
10.1 The performance for the quarter to 30th September 2019 is summarised in the following table:

Quarter to 30 September 2019				
Value as at 30 Sept £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
62.4	UK Gilts	6.5	6.2	+0.3
79.6	Index Linked	7.4	7.8	-0.4
179.8	Corporate Bonds	6.3	6.5	-0.2
38.7	High Yield Debt	1.3	0.0	+1.3
0.6	Foreign Gov't Bonds			
4.0	F Gov't Index Linked			
0.0	Currency Instruments			
8.9	Cash			
374.0	Total	5.9	5.9	+0.0

10.2 Aberdeen Standard outperformed their benchmark for the quarter. Absolute returns were strongly positive. Outperformance in the high yield area and being overweight index linked bonds and corporate bonds were positive contributors to performance.

10.3

Aberdeen Standard's target is to outperform the benchmark by an annualised return of 0.75% over continuous three-year periods after their fees have been deducted.



10.4

The table below shows annualised performance over a range of time periods:

	Fund % p.a.	Benchmark % p.a.	Relative to Benchmark % p.a.
1 year	14.6	14.8	-0.2
3 years	4.7	4.5	+0.2
5 years	7.7	7.5	+0.2
10 years	7.8	7.9	-0.1

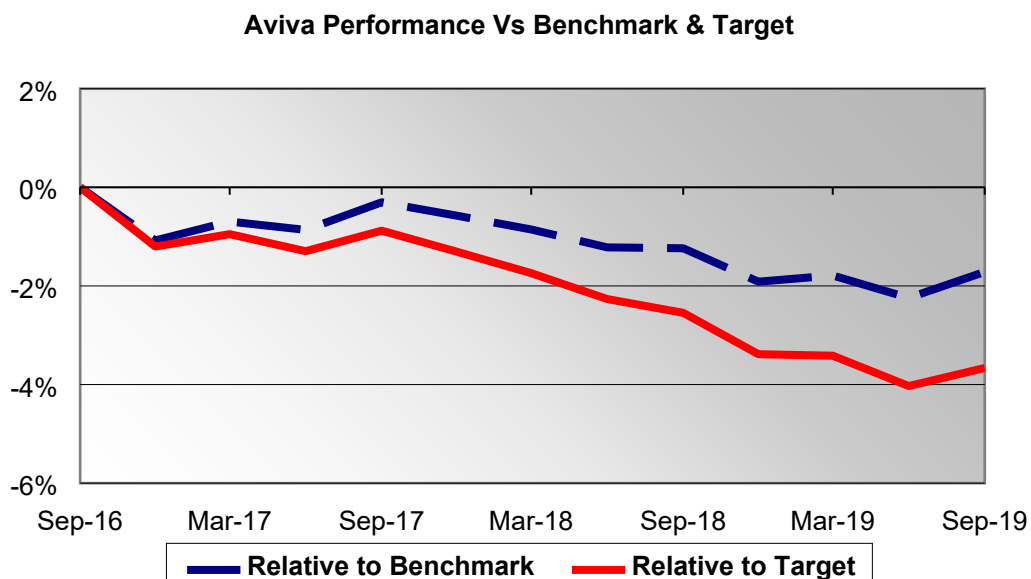
11. LaSalle (Property Fund of Funds)

11.1 The performance for the quarter to 30th September 2019 is summarised in the following table:

Quarter to 30 September 2019				
Value as at 30 Sept £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
203.9	UK Property	0.9	0.4	+0.5
0.1	European Property	-3.2		
0.0	Currency Instruments			
11.3	Cash			
215.3	Total	0.8	0.4	+0.4

11.2 Property returns from the UK market were just positive for the quarter. The fund outperformed relative to the benchmark.

11.3 LaSalle’s target is to outperform the benchmark by an annualised return of 0.5% over continuous three-year periods after their fees have been deducted.



11.4

The table below shows annualised performance over a range of time periods:

	Fund % p.a.	Benchmark % p.a.	Relative to Benchmark % p.a.
1 year	1.8	2.2	-0.4
3 years	6.2	6.7	-0.5
5 years	6.2	7.5	-1.3
10 years	7.5	8.7	-1.2

12. Neuberger Berman (Global Private Equity)

12.1 The performance for the quarter to 30th September 2019 is summarised in the following table:

Quarter to 30 September 2019			
Value as at 30 Sept £m	Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
50.4 Private Equity	12.3	0.2	+12.1

12.2 The return indicated above is significantly affected by currency movements, specifically the change in the value of the US dollar against GBP.

12.3 The 2010 fund continues to make good progress. The underlying return on this fund for the quarter, excluding currency movements, was 38.1%.

12.4 The Neuberger Berman Crossroads XX fund is also making good progress. The underlying return on this fund for the quarter, excluding currency movements, was 6.9%.

12.5 The Crossroads XXI fund is also making good progress. The underlying return on this fund for the quarter, excluding currency movements, was 5.8%.

12.6 The Crossroads XXII fund is still very young. The return for the quarter, excluding currency movements, was 4.8%. The fund is showing a profit overall.

12.4 The table below shows annualised performance over a range of time periods, unlike in the table above a broad global equity index has been used as the benchmark as over long time periods this is more appropriate:

	Fund % p.a.	Benchmark % p.a.	Relative to Benchmark % p.a.
1 year	21.7	7.9	+13.8
3 years	15.2	12.6	+2.6
5 years	16.8	13.8	+3.0
10 years	Initial investment in March 2010		

13. South West Ventures Fund

13.1 The fund continues to make reasonable progress.

14. Combined Fund

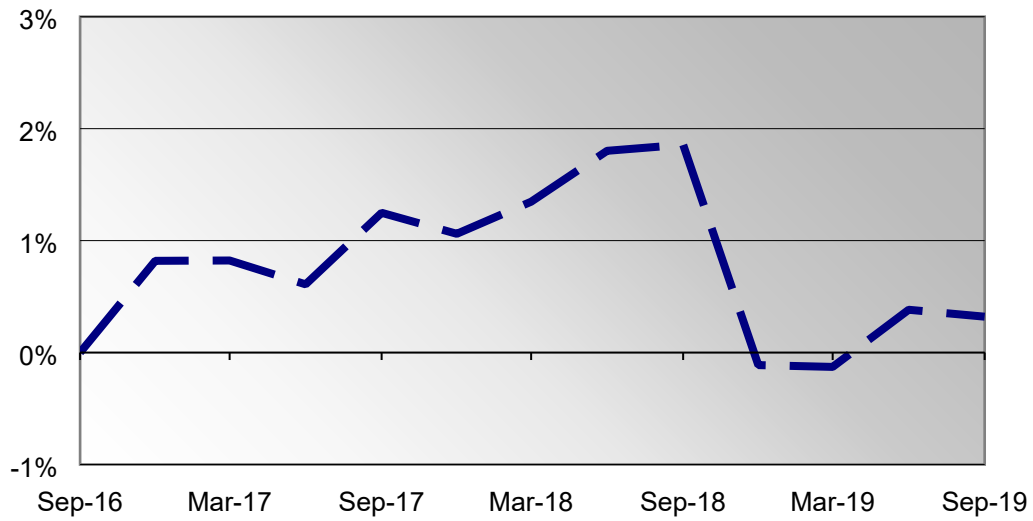
14.1 The performance for the quarter to 30th September 2019 is summarised in the following table:

Quarter to 30 September 2019				
Value as at 30 Sept £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
33.4	In-House (Global Eq)	4.0	3.9	+0.1
572.4	Brunel (Global Eq)	3.9	3.9	+0.0
9.6	ASI (UK Eq)	-3.7	1.3	-5.0
456.7	Brunel (UK Eq)	0.3	1.3	-1.0
127.8	In-House (US Eq)	5.2	5.0	+0.2
173.3	Jupiter	0.7	1.6	-0.9
65.7	Maple-Brown Abbott	-0.7	-1.6	+0.9
69.3	Nomura	5.7	6.5	-0.8
83.8	Amundi	-0.4	-1.1	+0.7
374.0	ASI (FI)	5.9	5.9	+0.0
215.3	LaSalle	0.8	0.4	+0.4
1.6	SWRVF	0.0	0.2	-0.2
50.4	Neuberger Berman	12.3	0.2	+12.1
0.8	Brunel	0.0	0.0	+0.0
100.9	Cash	0.2	0.2	+0.0
2,335.0	Whole Fund	2.7	2.8	-0.1

14.2 The fund, as a whole, underperformed its benchmark during the quarter. The level of absolute return was positive. Maple-Brown Abbott, Amundi and LaSalle produced performance ahead of their targets for the quarter.

14.3 Outperformance was generated by good stock selection by the managers within the fund. Within asset allocation the overweight to cash and underweight of fixed income were the key contributors to underperformance.

Whole Fund Performance Vs Benchmark



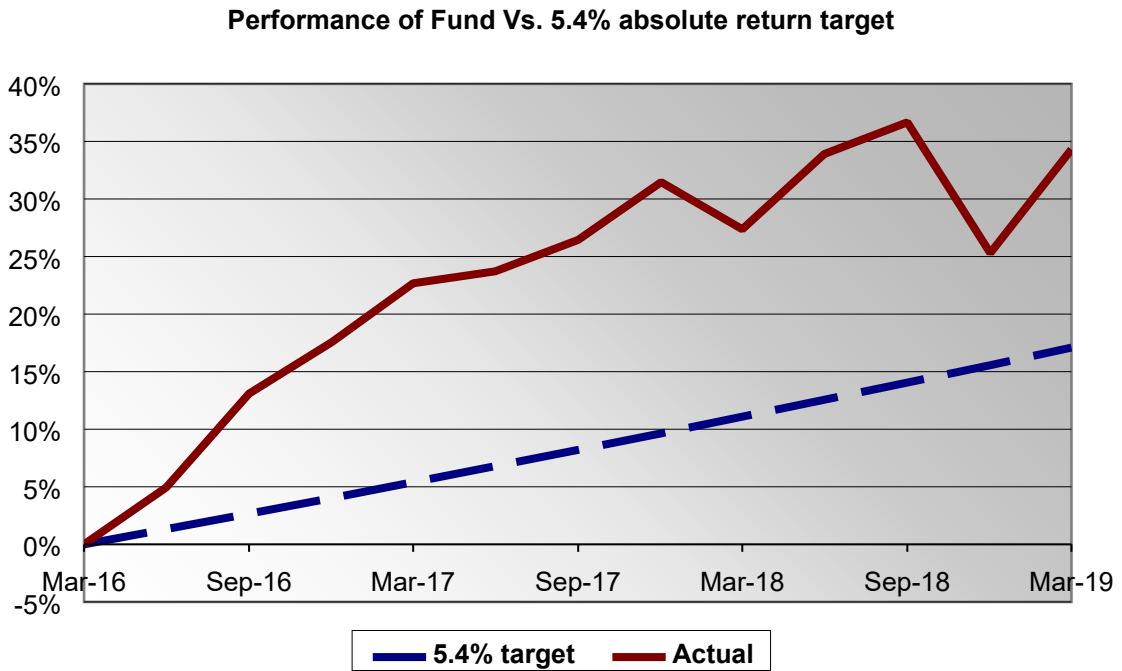
14.4

The table below shows annualised performance over a range of time periods:

	Fund % p.a.	Benchmark % p.a.	Relative to Benchmark % p.a.
1 year	5.4	6.8	-1.4
3 years	8.4	8.3	+0.1
5 years	9.4	9.5	-0.1
10 years	9.4	9.3	+0.1

14.5

At the March 2017 committee meeting the committee adopted an absolute return target of 5.4% for the fund as this is consistent with the fund becoming fully funded within the timescales indicated by the actuary as part of the 2016 valuation. Progress against this target for the 2016 to 2019 actuarial cycle is shown in the graph below.



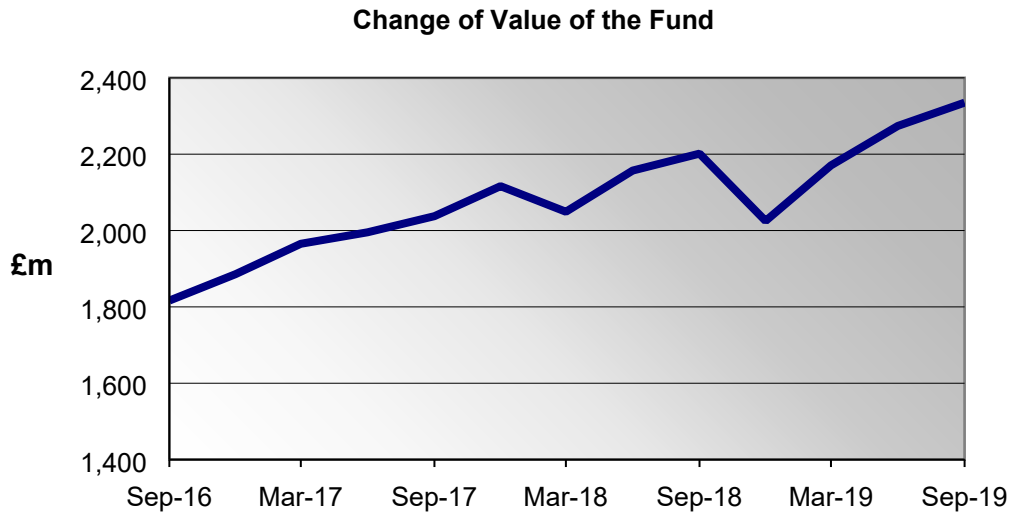
14.6 The movement in the value of the fund over the quarter is summarised in the table below.

	Value as at 30 June		Value as at 30 Sept		Strategic
	£m	%	£m	%	Weighting
In-House (Global Eq)	32.6	1	33.4	1	0
Brunel (Global Eq)	550.8	24	572.4	25	23
ASI (UK Eq)	10.0	0	9.6	0	0
Brunel (UK Eq)	455.4	20	456.7	20	23
In-House (US Eq)	122.1	5	127.8	6	5
Jupiter	172.2	8	173.3	7	5
M-BA (Pac Eq)	66.2	3	65.7	3	3
Nomura	65.6	3	69.3	3	3
Amundi	84.0	4	83.8	4	5
ASI (FI)	352.7	16	374.0	16	19
Aviva	213.7	10	215.3	9	10
SWRVF	1.6	0	1.6	0	0
Neuberger Berman	45.6	2	50.4	2	3
Brunel	0.8	0	0.8	0	0
Cash	100.6	4	100.9	4	1
Whole Fund	2,273.9	100	2,335.0	100	100

14.7 During the quarter the following movements of cash between funds took place:

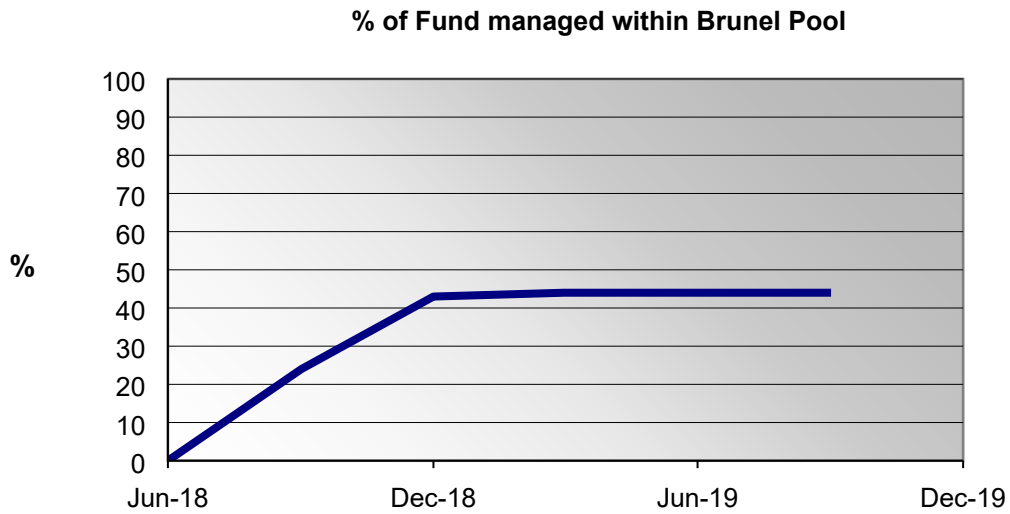
- £0.6m was withdrawn from the in-house global equity fund during the quarter. This broadly represents dividend income on this fund during the quarter.
- £0.7m was withdrawn from the in-house US equity fund during the quarter. This broadly represents dividend income on this fund during the quarter.
- £0.7m was withdrawn from Neuberger Berman's Private equity mandate as funds returned capital.

14.8 The change in the value of the investment fund over the last three years can be seen in the graph below.



14.9 Progress on moving to pooling can be seen in the table and graph below

	Value as at 30 June		Value as at 30 Sept	
	£m	%	£m	%
Pooled assets	1,006.2	44	1029.1	44
Retained assets	1,267.7	56	1305.9	56
Whole Fund	2,273.9	100	2,335.0	100



14.10

The Fund's Actuary, Barnett Waddingham, does not provide an update of funding during the period of calculating the results of a formal valuation.

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Review of Administration Performance

Lead Officer: Sheila Collins: Interim Director of Finance

Author: Dan Harris: Head of Peninsula Pensions

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Executive Portfolio Holder: Not applicable

Division and Local Not applicable

Member:

1. Background

- 1.1 Peninsula Pensions' internal service standard target is to complete 90% of work within 10 working days from the date that all necessary information has been received.
- 1.2 In addition to the internal targets, Peninsula Pensions also monitors performance against the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, which set out the minimum requirements regarding the disclosure of pension information. This additional reporting element was introduced in 1st January 2019.
- 1.3 Performance targets are monitored on a monthly basis via a task management system and reporting tool within the pension database.
- 1.4 This report also encompasses an update on employer bodies covered by the Fund.

2. Issues for consideration

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

3. Administration team performance

- 3.1 At the previous meeting of the Committee, we reported that the administration performance for quarter ending 30th June 2019 against internal targets was 88% (compared with 76% for 2017/18 and 82% for 2018/19).
- 3.2 Performance for the most recent quarter, ending 30th September 2019, has dropped slightly to 86% against our internal targets, bringing the total performance for the financial year to date to 87%.

- 3.3 Following a change to reporting methods, we are now able to monitor our performance against the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013. Our performance against the Disclosure Regulations for the financial year to date is 94%.
- 3.4 With continued training, streamlining of processes and improved communications with employers we are seeing a significant reduction in the number of outstanding cases. At the time of writing this report, the total number of Somerset cases on the system stands at approximately 4,100 which is the lowest on record since June 2015. To put this in perspective, there were over 6,200 cases on the system as at October 2018. This is particularly encouraging considering that the team was under-resourced for large periods of 2018/19, in addition to implementing new ways of working and recruiting and training new team members of the team.
- 3.5 Appendix 1 of the report shows a detailed breakdown of administration performance relating to the Somerset Pension Fund only for the quarter ending 30th September 2019 and for the financial year to date against Peninsula Pensions' internal targets and against the Disclosure Regulations.
- 3.6 Appendix 2 of the report highlights the longer-term performance of Peninsula Pensions (Somerset Fund only) from 1st January 2018 to 31st October 2019.

4. Employer updates

- 4.1 Frome Steiner Academy joined the Avanti Schools Trust on 1st November 2019

Stanchester Academy joined the Bridgwater College Trust on 1st December 2019

5. Background Papers

- 5.1 None

Appendix 1

Administration Performance – 1st July 2019 to 30th September 2019

Performance Summary

	Total Cases	Q2 2019		Year to date	
		Performance (Internal)	Performance (Disc Regs)	Performance (Internal)	Performance (Disc Regs)
High Priority Procedures	2,544	84%	87%	86%	89%
Medium Priority Procedures	2,876	90%	96%	90%	97%
Low Priority Procedures	660	73%	90%	77%	93%
TOTAL	6,080	86%	91%	87%	94%

High Priority Cases

	Total Cases	Q2 2019		Year to date	
		Performance (Internal)	Performance (Disc Regs)	Performance (Internal)	Performance (Disc Regs)
Changes	880	100%	100%	100%	100%
Complaints (Member)	8	100%	100%	100%	100%
Complaints (Employer)	-	-	-	-	-
Deaths	179	77%	86%	63%	77%
Payroll	497	96%	97%	98%	98%
Refunds	168	100%	100%	100%	100%
Retirements (Active)	374	55%	63%	58%	68%
Retirements (Deferred)	438	81%	82%	82%	84%
TOTAL	2,544	84%	87%	86%	89%

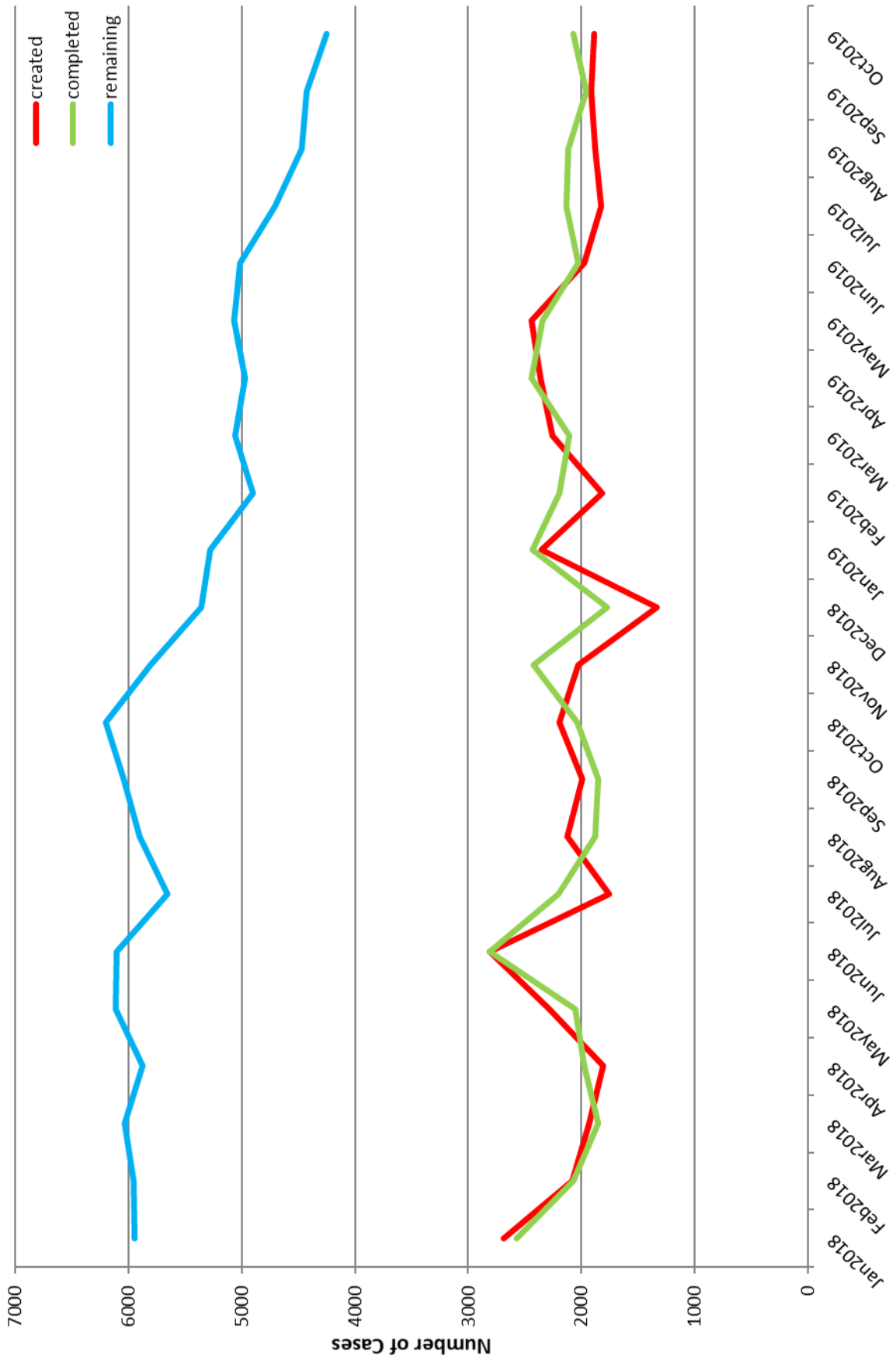
Medium Priority Cases

	Total Cases	Q2 2019		Year to date	
		Performance (Internal)	Performance (Disc Regs)	Performance (Internal)	Performance (Disc Regs)
Amalgamation of Records	305	70%	91%	71%	94%
Deferred Benefit Calculations	484	82%	89%	86%	93%
Divorce Calculations	42	93%	93%	96%	96%
Employer Queries	459	90%	96%	83%	97%
Estimates (Bulk)	-	-	-	-	-
Estimates (Employer)	74	100%	100%	100%	100%
Estimates (Member)	154	98%	98%	97%	98%
General	382	99%	99%	99%	100%
HMRC	13	100%	100%	82%	91%
Member Self-Service	963	100%	100%	100%	100%
TOTAL	2,876	90%	96%	90%	97%

Low Priority Cases

	Total Cases	Q2 2019		Year to date	
		Performance (Internal)	Performance (Disc Regs)	Performance (Internal)	Performance (Disc Regs)
Estimates (Other)	35	69%	69%	73%	78%
GMP Queries	2	100%	100%	100%	100%
Interfund Transfers In	28	37%	86%	33%	91%
Interfund Transfers Out	41	34%	82%	30%	88%
Pension Top Ups	114	96%	96%	95%	97%
Frozen Refunds	243	90%	90%	92%	92%
New Starters	13	100%	100%	100%	100%
Pension Transfers In	99	71%	92%	69%	95%
Pension Transfers Out	85	87%	90%	85%	95%
TOTAL	660	73%	90%	77%	93%

Appendix 2**Administration Performance (Jan 2018 – October 2019)**



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Business Plan Update

Lead Officer: Sheila Collins: Interim Director of Finance
Author: Anton Sweet: Funds and Investments Manager
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Executive Portfolio Holder: Not applicable
Division and Local Member: Not applicable

1. Summary

1.1 To update the Committee with progress on and amendments to the Committee's business plan as agreed.

2. Issues for consideration

2.1 To note progress on the business plan and approve any amendments.

3. Background

3.1 The Somerset County Council Pension Fund (the Fund) is a statutory scheme with Somerset County Council acting as the 'administering authority' in accordance with the relevant legislation. This means that the County Council is responsible for taking all the executive decisions in respect of the Fund.

3.2 To meet its responsibilities in this respect the County Council has delegated executive decision making powers for the Fund to the Pensions Committee. A business plan has been produced to help ensure that the Pensions Committee meet their responsibilities and consider all necessary issues. Under the Scheme of Delegation put in place by the Committee day to day running of the fund has been largely delegated to officers.

3.3 Attached as appendix A is the business plan. Progress is shown in the final column followed by a colour coded key.

3.4 Attached as appendix B is a committee workplan, which indicates which items will come before each Committee meeting over the next 12 months.

4. Progress since last report

- 4.1 Work on the LGPS pooling work within the Brunel Pension Partnership continues and is covered in a separate paper.
- 4.2 Following the production of the accounts the external audit work was completed in July. The accounts received an unqualified opinion. The production of the Fund's annual report was completed in time for the September meeting of Committee but as this meeting was not quorate it was not possible for it to be approved at this meeting. Following advice from Committee services it was agreed that the Annual Report could be approved by an e-mail ballot of Committee members. The e-mail ballot resulted in 5 Committee members approving the Annual Report and 3 abstentions. The Annual Report was published on the SCC website ahead of the 1st December statutory deadline.
- 4.3 Work on the triannual valuation is progressing well. The actuary will present the results to Committee as part of their presentation. Officers are now working to disseminate results to the employers and field any queries from employers.
- 4.4 Officers continue to monitor legal and regulatory developments such as the conclusion of the courts' consideration of the McCloud case and its implications for the LGPS and the SAB governance review project.
- 4.5 Committee was due to receive its usual six monthly report on voting activity at this meeting. Officers are working on how to ensure this report remains relevant in a pooling context and would welcome Committee's views.
- 4.6 Committee was also due to receive the annual review of performance of Fund managers. Much of this information is covered in the standard quarterly review of Investment Performance. In addition, with the transition to pooling continuing on time many of the managers that we would review will be terminated in due course as part of transition.
- 4.7 As we move into 2020 it will be necessary to refresh a number of the Funds policies and statements due to revised legislation and guidance or as a standard part of the actuarial cycle.

5. Consultations undertaken

None

6. Financial Implications

None

7. Background Papers

None

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

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Pensions Committee Business Plan for 2020 to 2021

Key:

Change since last time

Completed

Not yet due

In progress and on time

In progress but late

Overdue

Topic Area		Training needs	Timing	Implementation Timing	Progress
Regulations	Consultation and implementation on new regulations as they arise	Medium	Unknown - Determined by Central Gov't		
Fund Governance	Re-approve all Strategies and policies post election	Medium	Ongoing		Agreed at June 2017 meeting
Review of Independent Advisor	Following an internal Audit review of the Fund's governance it was agreed that the role and performance of the Independent Advisor should be reviewed by Committee at least once every 4 years	Low	Summer 2019	Unknown	Incumbent will continue at least until transfer of assets to Brunel is substantially complete
Fund Governance	Review Investment Strategy Statement	Medium	Summer 2019		Delayed to allow for further progress on pooling and possible regulatory change. Anticipated for Summer 2020
Fund Governance	Review of CIPFA knowledge and skills framework for members	Medium	By end of 2019		
Fund Governance	Review of risk register	Medium	By end of 2019		
1 year Review of Asset manager	Review of In-house funds	Medium	Autumn 2019	N/A - Funds will move to Brunel in time	
	Review of LaSalle's mandate for Property	Medium			
	Review of Aberdeen Standard's mandate for Fixed Income	Medium			
	Review of Jupiter's mandate for European Equity	Medium			
	Review of Amundi's mandate for Emerging Market Equity	Medium			
	Review of Nomura's mandate for Japanese Equity	Medium			
Fund Governance	Review of ESG investment	High	Autumn 2020		

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SOMERSET COUNTY COUNCIL PENSION FUND**PENSIONS COMMITTEE****MEETING WORKPLAN 2020**

Date	Proposed Items of Business	Lead Officer
January 2020 TBC	<p data-bbox="229 427 619 456"><u>ANNUAL EMPLOYERS MEETING</u></p> <p data-bbox="229 539 820 568">Annual Employers' Meeting of the Pension Fund</p> <p data-bbox="229 575 357 604">Venue TBC</p>	
Early 2020 TBC	<p data-bbox="229 692 624 721"><u>Informal/Training Session - Risk</u></p>	

SOMERSET COUNTY COUNCIL PENSION FUND

PENSIONS COMMITTEE

MEETING WORKPLAN 2020

Date	Proposed Items of Business	Lead Officer
06-Mar-20	<p><u>FORMAL MEETING</u></p> <p>1. LGPS Pooling of Investments Report to provide an update on progress on pooling of investments as per government guidance.</p> <p>2. Independent Advisor's Report To receive a verbal update on market issues and events from the independent advisor.</p> <p>3. Review of Investment Performance Report to provide an update of the Fund's performance for the quarter period to 31 December 2019.</p> <p>4. Review of Administration Performance To review the performance of Peninsula Pensions in delivering the administration service to employers and members.</p> <p>5. Business Plan Update To consider progress against the Committees approved business plan.</p> <p>6. Budget and Membership Statistics Update Report to provide an update of the Fund's position for the quarter period to 31 December 2019.</p> <p>7. Review of Pension Fund Risk Register To review the risks within the fund and form an appropriate risk register for the fund.</p> <p>8. Review of Committee Knowledge & Skills To agree a framework for assessing Committees Knowledge and Skills and a training programme</p> <p>9. Resources review, budget setting and committee objectives setting To conduct a review of the resources available to the fund and to adopt a budget, committee performance objectives for the 2020-2021 financial year and review the overall performance target for 2020 to 2023.</p> <p>10. Review of cash management arrangements To review the management arrangements for the cash resources held by the fund.</p> <p>11. Future Meetings To agree meeting dates for 2021</p>	<p>AS</p> <p>AS</p> <p>DH</p> <p>AS</p> <p>AS</p> <p>AS</p> <p>AS/SM</p> <p>AS</p> <p>AS</p>

SOMERSET COUNTY COUNCIL PENSION FUND

PENSIONS COMMITTEE

MEETING WORKPLAN 2020

Date	Proposed Items of Business	Lead Officer
05-Jun-20	<p><u>FORMAL MEETING</u></p> <p>1. LGPS Pooling of Investments Report to provide an update on progress on pooling of investments as per government guidance.</p> <p>2. Independent Advisor's Report To receive a verbal update on market issues and events from the independent advisor.</p> <p>3. Review of Investment Performance Report to provide an update of the Fund's performance for the quarter period to 31 March 2020.</p> <p>4. Review of Administration Performance To review the performance of Peninsula Pensions in delivering the administration service to employers and members.</p> <p>5. Business Plan Update To consider progress against the Committees approved business plan.</p> <p>6. Budget and Membership Statistics Update Report to provide an update of the Fund's position for the quarter period to 31 March 2020.</p> <p>7. Review of Pension Fund Risk Register To review the risks within the fund and form an appropriate risk register for the fund.</p> <p>8. Voting and Engagement Report Report to provide an update of the Fund's voting and engagements activities for the half year to 31 March 2020.</p> <p>9. Fund Policies To review and where necessary update the fund's policies and documents.</p>	<p>AS</p> <p>AS</p> <p>DH</p> <p>AS</p> <p>AS</p> <p>AS</p> <p>AS</p> <p>AS</p>

SOMERSET COUNTY COUNCIL PENSION FUND

PENSIONS COMMITTEE

MEETING WORKPLAN 2020

Date	Proposed Items of Business	Lead Officer
17-Sep-20	<p><u>FORMAL MEETING</u></p> <p>1. LGPS Pooling of Investments Report to provide an update on progress on pooling of investments as per government guidance.</p> <p>2. Independent Advisor's Report To receive a verbal update on market issues and events from the independent advisor.</p> <p>3. Review of Investment Performance Report to provide an update of the Fund's performance for the quarter period to 30 June 2020.</p> <p>4. Review of Administration Performance To review the performance of Peninsula Pensions in delivering the administration service to employers and members.</p> <p>5. Business Plan Update To consider progress against the Committees approved business plan.</p> <p>6. Budget and Membership Statistics Update Report to provide an update of the Fund's position for the quarter period to 30 June 2020.</p> <p>7. Review of Pension Fund Risk Register To review the risks within the fund and form an appropriate risk register for the fund.</p> <p>8. Annual Accounts and Investment Performance 2019/2020 To consider the accounts and investment performance for the year to 31 March 2020.</p> <p>9. Actuarial Update To consider the Report of the Fund's Actuary Barnett Waddingham.</p>	<p>AS</p> <p>AS</p> <p>DH</p> <p>AS</p> <p>AS</p> <p>AS</p> <p>AS</p> <p>BW</p>
September 2020 TBC	<p><u>ANNUAL EMPLOYERS MEETING</u></p> <p>Annual Employers' Meeting of the Pension Fund Venue TBC</p>	

SOMERSET COUNTY COUNCIL PENSION FUND

PENSIONS COMMITTEE

MEETING WORKPLAN 2020

Date	Proposed Items of Business	Lead Officer
04-Dec-20	<p><u>FORMAL MEETING</u></p> <p>1. LGPS Pooling of Investments Report to provide an update on progress on pooling of investments as per government guidance.</p> <p>2. Independent Advisor's Report To receive a verbal update on market issues and events from the independent advisor.</p> <p>3. Review of Investment Performance Report to provide an update of the Fund's performance for the quarter period to 30 September 2020.</p> <p>4. Review of Administration Performance To review the performance of Peninsula Pensions in delivering the administration service to employers and members.</p> <p>5. Business Plan Update To consider progress against the Committees approved business plan.</p> <p>6. Budget and Membership Statistics Update Report to provide an update of the Fund's position for the quarter period to 30 September 2020.</p> <p>7. Review of Pension Fund Risk Register To review the risks within the fund and form an appropriate risk register for the fund.</p> <p>9. Voting and Engagement Report Report to provide an update of the Fund's voting and engagements activities for the half year to 30 September 2020.</p> <p>10. Review of Committee Knowledge & Skills To agree a framework for assessing Committees Knowledge and Skills and a training programme</p>	<p>AS</p> <p>AS</p> <p>DH</p> <p>AS</p> <p>AS</p> <p>AS</p> <p>AS</p> <p>AS</p>

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Budget And Membership Statistics Update

<i>Lead Officer:</i>	Sheila Collins: Interim Director of Finance
<i>Author:</i>	Anton Sweet: Funds and Investments Manager
<i>Contact Details:</i>	(01823) 359584 asweet@somerset.gov.uk
<i>Executive Portfolio Holder:</i>	Not applicable
<i>Division and Local Member:</i>	Not applicable

1. Summary

- 1.1 This report updates the committee on the position of the Pension Fund budget at 30th September 2019 and related matters. This is a standard item of committee business.

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. Budget

- 3.1 The outturn position for the 2nd quarter of the financial year to 31st March 2020 against budget is shown in appendix A.

4. Transaction costs

4.1 Transaction costs for the quarter for segregated mandates were as follows:

Manager	Asset Class	Fund Size £m
In-House	Global equity	33.4
ASI	UK equity	9.6
In-House	US equity	127.8
Jupiter	European equity	173.3
M-BA	Pacific equity	65.7
ASI	Bonds	374.0

Manager	Asset Class	Purchases		Sales		Total £
		Commission £	Expenses £	Commission £	Expenses £	
In-House	Global equity	262	282	235	14	794
ASI	UK equity	0	0	0	0	0
In-House	US equity	687	0	627	81	1,396
Jupiter	European equity	637	0	1,278	0	1,915
M-BA	Pacific equity	4,732	2,012	3,572	354	10,669
ASI	Bonds	0	0	0	0	0
Total		6,318	2,294	5,712	449	14,773

Total Transaction Costs

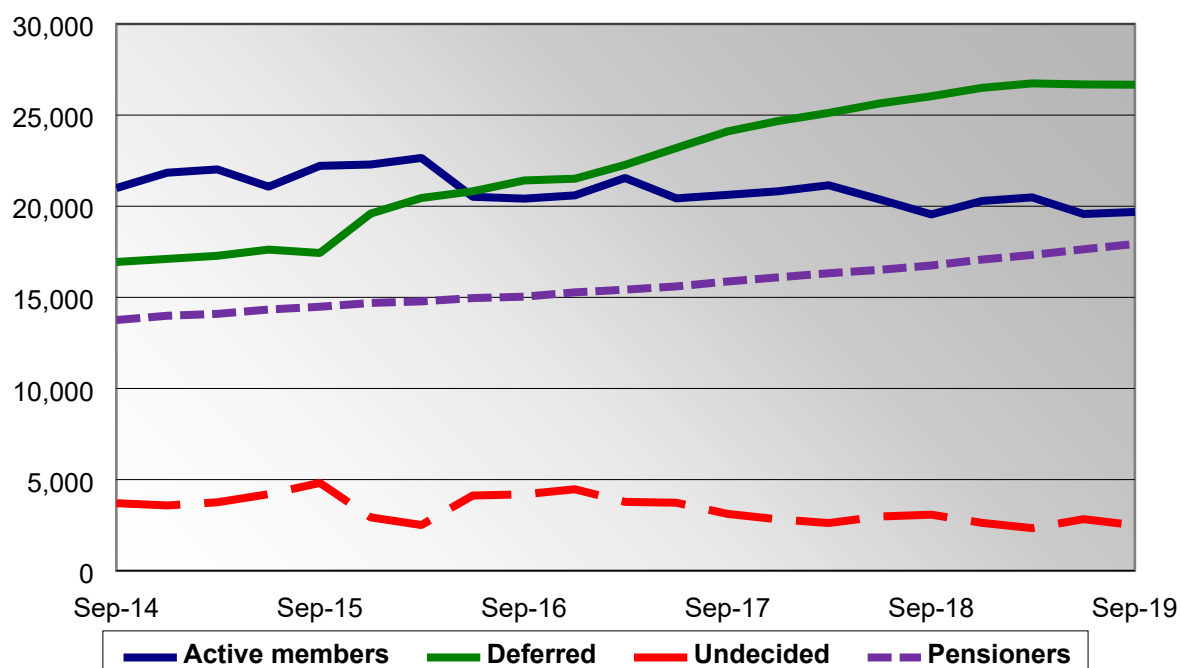


5. Membership Statistics

5.1 The change in membership statistics for the quarter is as follows:

	30 June	30 Sept	Change
Active members	19,574	19,685	+111
Deferred	26,682	26,668	-14
Undecided	2,829	2,494	-335
Pensioners	17,637	17,930	+293
Total	66,722	66,777	+55

5.2 The change in membership statistics for the last 5 years is shown in the graph below:



6. Background Papers

None

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

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Pension Fund Financial Projection

2019-2020

	2018-2019 Full Year	April 2019 - September 2019			2019-2020 Full Year		
	Actual (a) £m	Budget (b) £m	Actual (c) £m	Variance (d) £m	Original Budget (e) £m	Projected Outturn (f) £m	Variance (g) £m
Contributions and other income							
Contributions	105.980	50.000	52.435	2.435	100.000	100.000	0.000
Recoveries from employers	2.699	1.000	0.596	-0.404	2.100	2.100	0.000
Transfer values received	5.672	2.400	11.567	9.167	4.500	12.000	7.500
	114.351	53.400	64.598	11.198	106.600	114.100	7.500
Less benefits and other payments							
Recurring pensions	-76.008	-40.000	-40.457	-0.457	-81.000	-81.000	0.000
Lump sum on retirement	-17.761	-9.000	-9.520	-0.520	-18.000	-18.000	0.000
Lump sum on death	-2.088	-1.200	-1.387	-0.187	-2.500	-2.500	0.000
Transfer values paid	-5.951	-3.000	-4.248	-1.248	-6.000	-7.500	-1.500
Contribution refunds	-0.383	-0.200	-0.191	0.009	-0.400	-0.400	0.000
	-102.191	-53.400	-55.803	-2.403	-107.900	-109.400	-1.500
Contributions after payments	12.160	0.000	8.795	8.795	-1.300	4.700	6.000
Management Expenses							
Administrative expenses	-1.170	-0.400	-0.668	-0.268	-1.300	-1.300	0.000
Investment management expenses	-6.178	-2.000	-1.474	0.526	-5.500	-5.500	0.000
Oversight and governance expenses	-0.608	-0.200	-0.105	0.095	-0.775	-0.775	0.000
	-7.956	-2.600	-2.247	0.353	-7.575	-7.575	0.000
Investment Income							
Investment income	45.712	14.500	18.229	3.729	25.000	27.000	2.000
Net Increase / Decrease (-) in fund	49.916	11.900	24.777	12.877	16.125	24.125	8.000

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Review of Pension Fund Risk Register

Lead Officer: Sheila Collins: Interim Director of Finance
Author: Anton Sweet: Funds and Investments Manager
Contact Details: (01823) 359584
asweet@somerset.gov.uk
Executive Portfolio Holder: Not applicable
Division and Local Member: Not applicable

1. Summary

1.1 In response to CIPFA guidance recommending the adoption and monitoring of a risk register for LGPS funds the Pensions Committee 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 To monitor the risks contained on the risk register and approve any amendments.
- 2.2 It is suggested that a more thorough review of the risk register should be undertaken by Committee with the help of the Pension Board with a full review of the risks currently on the register and consideration of risks which are not currently covered. This has been added to the workplan for the end of 2019.

3. Changes since last meeting

- 3.1 Following interest from the Pensions Regulator around Cyber Security we have added this to the risk register. At the current time we have not fully explored the extent of our risk or mitigating actions that are already in place. As such we have awarded a high-end risk score that we would expect to be reduced once fully assessed.
- 3.2 There have been no further changes to the risk register.

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 Following on from CIPFA's guidance the Committee has indicated that it wishes to adopt a risk register. The Committee have agreed that rather than have a static register that is reviewed periodically that the register should be discussed at every meeting and changes agreed and implemented as necessary.
- 4.4 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 2019

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 Page 73	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.

Somerset County Council Pension Fund Risk Register - December 2019

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. PF4 2. SCC Section 151 Officer	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
1. PF5 2. SCC Section 151 Officer Page 74	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. Pooling will also remove the need for some systems.
1. PF6 2. Pensions Committee	Risk of Regulatory change: - Implementation of change risks - Consequences of change risks	Continuous engagement with MHCLG 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		The greater resilience gained from the Peninsula Pensions shared service has been balanced by greater complexity coming into the scheme benefits.

Somerset County Council Pension Fund Risk Register - December 2019

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. 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 Review of credit worthiness and inherent business risk of custodian at tender phase	2	4	8		2	4	8		on-going with quarterly review		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. 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		Added as per Committee request at September 2017 meeting.
1. PF11 2. SCC Section 151 Officer	A breach of cyber security	To be assessed	4	4	16		2	4	8		on-going with quarterly review		Added December 2019

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Pension Administration Strategy

Lead Officer: Sheila Collins: Interim Director of Finance

Author: Dan Harris: Head of Peninsula Pensions

Contact Details: (01392) 383000
daniel.harris@devon.gov.uk

Executive Portfolio Holder: Not applicable

Division and Local Not applicable

Member:

1. Background

- 1.1 Pension Administration Strategies (PAS) were first introduced into the LGPS regulations in 2008, and now fall under Regulation 59 of the LGPS 2013 Regulations.
- 1.2 Although they are not a legal requirement, a PAS provides a mechanism to formulate a service level agreement between the administering authority and the scheme employers. They cover a number of areas including procedures for liaison and communication, and set out the performance standards and expectations for employers and the administering authority.
- 1.3 A PAS also helps to improve governance arrangements, ensuring that scheme employers and Peninsula Pensions work together to ensure compliance with The Pensions Regulator Code of Practice.
- 1.4 Peninsula Pensions introduced a PAS in April 2015, following review and approval from the Devon and Somerset Investment and Pension Fund Committees.
- 1.5 Regulation 59 states that the strategy must be kept under review and revised as appropriate. An administering authority must consult with its scheme employers and such other persons as it considers appropriate during this process.

2. Issues for consideration

- 2.1 The Committee is asked to note the revised Pension Administration Strategy (attached at Appendix 1) and to consider whether it wishes to make any comments prior to consultation with Fund Employers

3. Strategy Revision

- 3.1 The review of the PAS follows the restructure of Peninsula Pensions and reflects the growth in membership and demands of Scheme members and employers, changes to LGPS regulations, advances in technology and improvements to performance monitoring.
- 3.2 The PAS formulates the administrative arrangements between the pension fund and the participating employing authorities. It recognises that fund employers and Peninsula Pensions have a shared role in delivering an efficient and effective pension service to scheme members and that this can only be achieved by co-operation.
- 3.3 The strategy document sets out in detail how we will achieve our key focus points stated below:
- setting out the quality and performance standards required of the Fund and scheme employers
 - promoting good working relationships and improving efficiency between the Fund and its scheme employers for the benefit of scheme members
 - enhancing the flow of data by having clear channels of communication in place, so that each authority is fully aware of its role and responsibilities within this process
 - providing a framework to enable administration costs relating to significant employer underperformance to be met directly by the employer responsible, rather than shared across all the employers in the Fund
- 3.4 Once in place the PAS will support Peninsula Pensions, the Somerset Investment Team and Scheme Employers in exercising their duties and responsibilities for the benefit of the scheme members and the Somerset Pension Fund.

4. Next Steps

- 4.1 The next stage will be to launch a consultation with Fund employers. It is anticipated that the consultation will run through January 2020. Employers will be invited to review and comment on the revised PAS.
- 4.2 Once any comments have been received, a further report will be brought to the Committee, outlining any suggested revisions, and the Committee will be asked to approve the revised PAS.

4.3 It is anticipated that the PAS will be brought into effect from April 2020.

5. Background Papers

5.1 None

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LOCAL GOVERNMENT PENSION SCHEME

Somerset Pension Fund Administration Strategy



April 2020

DRAFT

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1. Introduction

Peninsula Pensions was formed in 2013 as a shared pension administration service, with Devon County Council acting as lead authority, for the provision of the Local Government Pension Scheme (LGPS) administration for Devon and Somerset administering authorities.

The Devon and Somerset Pension Funds, Investment and Pension Fund Committees and Pension Boards remain independent from each other with each Administering Authority retaining investment and governance responsibility.

Although not a statutory requirement, a Pension Administration Strategy (PAS) was introduced in April 2015, following approval by the Devon and Somerset Investment and Pension Fund Committees. Although there is a separate PAS in place for each Fund, the content is identical in order to ensure a fair and consistent approach is maintained for all stakeholders.

The legal context for this Strategy is [Regulation 59 of The Local Government Pension Scheme Regulations 2013](#) which allows Funds the opportunity to prepare and review a Pensions Administration Strategy. The PAS also has regard to [the Occupational and Personal Pension Schemes \(Disclosure of Information\) Regulations 2013](#) and [The Pension Regulator Public Sector Code of Practice 14](#).

The PAS sets out the performance standards and expectations of the Administering Authority and the employing authorities, defining clear roles and responsibilities, and aims to ensure the delivery of a high quality service for all stakeholders.

The revision to the PAS, effective from April 2020, reflects the growth in membership and demands of Scheme members and employers, changes to LGPS regulations and advances in technology.

The PAS is linked to the following statutory documents of the Fund which are located within the Somerset Pension Fund annual report, available on the SCC website:

- Governance Policy and Compliance Statement
- Communications Strategy
- Funding Strategy Statement
- Investment Strategy Statement

Under no circumstances does the PAS override any provision or requirement of the LGPS regulations nor is it intended to replace the more extensive commentary provided by the Employers' Guide and website for day-to-day operations.

2. Key Administration Strategy focus

This strategy formulates the administrative arrangements between the pension fund and the participating employing authorities. It recognises that fund employers and Peninsula Pensions have a shared role in delivering an efficient and effective pension service to scheme members and that this can only be achieved by co-operation.

The strategy document sets out in detail how we will achieve our key focus points stated below:

- setting out the quality and performance standards required of the Fund and scheme employers
- promoting good working relationships and improving efficiency between the Fund and its scheme employers for the benefit of scheme members
- enhancing the flow of data by having clear channels of communication in place, so that each authority is fully aware of its role and responsibilities within this process
- providing a framework to enable administration costs relating to significant employer underperformance to be met directly by the employer responsible, rather than shared across all the employers in the Fund*

(* [Regulation 70 of the 2013 LGPS Regulations](#) permits the recovery of additional costs from an employer where unsatisfactory performance levels have incurred additional costs to the Fund)

An annual report will be issued by Peninsula Pensions to illustrate the extent to which the performance standards established under this strategy have been achieved and such other matters arising from the strategy as appropriate.

3. Record keeping

Record-keeping is a fundamental part of managing a scheme such as the LGPS. Funds and employers have a legal obligation to collate and maintain accurate data records.

Peninsula Pensions must be able to demonstrate that records are accurate and up to date, within the parameters of data protection legislation, in order to govern and administer the pension scheme efficiently and effectively for scheme members.

Employers (and their delegated payroll providers) are responsible for providing the core data required by the Fund. Employers need to ensure that legal obligations regarding the provision of timely and accurate information to the scheme are met.

The Fund has a legal duty to provide scheme members with accurate and timely information regarding their benefits. The use of electronic processes aides all parties to do this in a timely and efficient manner.

A strong working partnership between the Fund and employers is key in delivering a successful administration service. This document describes how the Fund provides support to employers in meeting their responsibilities.

If employers have concerns about the data required, they should contact Peninsula Pensions without delay. This will allow Peninsula Pensions to work with employers to resolve any issues and enable both parties to meet their requirements for the benefit of scheme members.

Where an employer does not actively engage with the Fund to resolve issues and/or consistently fails to meet its responsibilities under the LGPS Regulations, the Fund (or stakeholders such as the Pension Board) has a statutory duty to report any breach to The Pensions Regulator. If deemed to be materially significant, The Pensions Regulator has the authority to take prompt and effective action to investigate and correct the breach and its causes, and, where appropriate, to notify any members whose benefits have been affected.

More information about the work of The Pensions Regulator can be found via the following link: <https://www.thepensionsregulator.gov.uk/en>

4. Roles and Responsibilities

The key focus of the strategy set out in Section 2 will be achieved by:

- Clearly defining the respective roles of Scheme Employers and the Administering Authority
- Setting clear and achievable standards of service levels for the functions carried out by Scheme Employers and the Administering Authority
- Setting out clear procedural guidance for the secure and effective exchange of information between Scheme Employers and the Administering Authority
- Monitoring service delivery, identifying poor performance and establishing a platform for the provision of support to improve performance where required
- Continuous development of resources via the use of digital technology and staff training for both the Fund and its employers
- Applying charges where an employer consistently fails to meet deadlines to ensure the resulting additional administrative strain is not a burden on all employers

The Employer's Roles and Responsibilities

The key responsibilities for the Employer are to:

- Communicate the LGPS to eligible staff
- Ensure the correct level of monthly pension contributions are collected and paid by the 7th of the following month, and no later than the 19th
- Report information and data to the Pension Fund as set out in this Strategy
- Keep up to date with Peninsula Pension Communications
- Provide a prompt response to information requests

The Administering Authority's Roles and Responsibilities

The key responsibilities for the Administering Authority are to:

- Administer the LGPS in respect of all scheme members (Active, Deferred and Pensioner members) in accordance with this Strategy
- Maintain and review the Fund's Statements, Policies and Reports and all other matters relating to the Governance of the scheme
- Communicate and engage with employers on LGPS matters
- Provide support/training to scheme employers
- Maintain and develop an effective web presence for the benefit of members and scheme employers

A guide to the roles and responsibilities of employers and the Administering Authority are set out in Appendix A. The guides include a summary of duties, defining the main functions, which enable the Pension Fund to deliver an efficient, accurate and high-quality pension service to scheme members.

Any breaches of duty will be recorded on our breaches register, which will be reviewed by the Pension Board on a quarterly basis. Individual breaches will be reported to The Pensions Regulator as required.

5. Performance Monitoring

The strategy recognises that there is a shared responsibility for ensuring compliance with the LGPS regulations and the PAS. Below we have set out the ways in which performance and compliance will be monitored;

- The Fund and scheme employers must aim to ensure that all functions and tasks are carried out to the agreed quality standards set out in this Strategy
- The Fund will regularly monitor, measure and report on compliance with the agreed service standards outlined in this document
- The Fund will undertake a formal review of performance against this strategy on an annual basis and liaise with employers in relation to any concerns on performance
- The Fund monitors its own performance against internal key performance indicators and the Disclosure Regulations 2013. Formal monitoring is carried out on a monthly basis, and is reported to the Pension Board on a quarterly basis
- The performance of scheme employers against the standards set out in this document will be reported to the Investment and Pension Fund Committee and Pension Board, as appropriate, and will include data quality
- The Fund will also regularly report to employers regarding individual performance, identifying any areas for improvement including outstanding data items

Underperformance Fees

The LGPS regulations provide pension funds with the authority to recover any administration costs incurred as a result of the underperformance of a scheme employer, from the employer responsible for the underperformance. To date the Fund has not recovered these additional costs, and has taken the decision to work with employers to improve service delivery. However, we reserve the right to pass on these costs to the employer.

From April 2020 Peninsula Pensions will monitor any additional costs incurred in the administration of the scheme as a direct result of underperformance, with a view to recovering these costs from the responsible employer.

A breaches report will be presented to the Pension Board on a quarterly basis. This report will include the nature of the breach, the party responsible for the breach and details of any action taken to address the breach. The report will also include a recommendation for the Board to consider whether a breach is significant enough to warrant reporting to The Pensions Regulator.

In the event of a levy being issued to the Fund by The Pensions Regulator, the levy will be passed on to the relevant employer where it can be demonstrated that the employer's action or inaction are responsible for the levy. Any disagreement regarding the amount of the levy will be decided by the Secretary of State who will have regard to:

- the provisions of the pension administration strategy that are relevant to the case, and
- the extent to which the pension fund and the employing authority have complied with those provisions in carrying out their functions under these regulations.

Interest on late payments

In accordance with LGPS regulations, interest will be charged on any outstanding amount overdue from an employing authority by more than one month. Interest will be calculated at 1% above the base rate on a day-to-day basis from the payment due date and will be compounded with three-monthly rests.

The employer will be reported to The Pensions Regulator where contributions are received late in accordance with The Pensions Regulator Code of Practice.

Feedback from Employers

Peninsula Pensions is also accountable for its performance and we welcome feedback from our Employers regarding the performance of the Fund against the standards in this administration strategy, as set out in Appendix A.

Comments should be sent to peninsulaemployers@devon.gov.uk or to the Employer and Communications Manager. Any feedback received will be incorporated into the quarterly reports provided to the Pension Board.

6. Liaison and Communication

The delivery of a high quality, cost-effective administration service is not only the responsibility of the Administering Authority but it also depends on the Administering Authority working with a number of individuals in different organisations to ensure that members and other interested parties receive the appropriate level of service and that statutory requirements are met.

Peninsula Pensions has a dedicated Employer & Communications Team who will work with employers to ensure they are equipped to meet their responsibilities in line with the LGPS Regulations.

Every employer will have access to a dedicated Member Services Team who will assist employers with queries relating to individual members.

Each employing authority will designate a named individual(s) to act as a **Pension Liaison Officer**, who will serve as the primary contact regarding any aspect of administering the LGPS. The Pension Liaison Officer(s) will be provided with a user name and password to access the employer section of the Peninsula Pensions website

Peninsula Pensions will employ a multi-channel approach in liaising and communicating with employing authorities to ensure that all requirements are consistently met.

The various channels of communication employed by the fund include:

1. The **Peninsula Pensions website** is the main communication tool for both employers and scheme members.
 - **Employers** – a dedicated and secure employer section where employers can access procedure guides, information on courses run by the Fund, access back copies of the Pensions Line, access Employer Self Service and Interface information. All employers are required to provide data through the Employer Self Service Portal and/or Interfaces.
 - **Scheme members** – access to up-to-date information about all aspects of the LGPS and the Member Self Service area where members can update personal details, review annual benefit statements, complete their own pensions estimates and access online tutorials.
 - **Contact Details** – Peninsula Pension staff roles and contact information are available on the website, together with contact details for the Investment Team, Investment and Pension Fund Committee and Pension Board.
2. **Scheme members** who have chosen to opt out of the Member Self Service will continue to receive postal communication. They will still be able to access up-to-date information about all aspects of the LGPS via our website.

3. **Periodic newsletters** are issued to scheme members and all employing authorities and published on the Peninsula Pensions website.
4. **Induction and pre-retirement workshops** undertaken upon request to develop both employer and scheme member understanding (minimum of attendees 10 required per workshop)
5. **Pension surgeries** held for scheme members upon employer request to resolve any individual or collective issues that members may have.
6. **Regular E-zine** sent directly to employer representatives to provide notification of any scheme / administrative updates and developments.
7. **Employer seminars and training groups** held at least annually to review scheme developments, and/or to resolve any training needs that employers may have.
8. **Annual Consultative Meeting** held to review investment and administrative performance during the preceding 12 months, and to consider future plans and challenges.
9. **Employer representatives** distribute information supplied by the pension fund to scheme members within their organisation, such as scheme guides and factsheets.

For further information regarding our methods of communication, please see our Communications Policy which is located within the Statutory Statements section of our [website](#)

Note: Peninsula Pensions are 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. This responsibility rests with the employer.

Payroll providers – for employers who have delegated the responsibility to a payroll provider, for the provision of information direct to Peninsula Pensions, a delegation form will need to be completed confirming the areas for which they are permitted to act on your behalf. If information received from the payroll provider results in incorrect information being issued or incorrect benefits being paid to scheme members, the responsibilities under the Local Government Pension Regulations lie with the Employer.

An actuarial valuation is conducted by the Pension Fund's actuary, as appropriate. The actuary determines the Fund's assets and liabilities in respect of each employer and calculates the appropriate contribution rate to be applied for the subsequent three year period.

The costs associated with the administration of the scheme are charged directly to the pension fund, and the actuary takes these costs into account in assessing the employers' contribution rates.

In the event that an employer elects to outsource a service, the actuary is required to produce a report in respect of those scheme members involved in the outsourcing. The outsourcing employer will be liable for the cost of producing this report.

An employer may also commission the fund actuary to undertake additional work, the costs of which will be charged to the employer. Please note that these costs will also include an element of the cost of any administration work involved in liaising with the actuary.

Somerset Pension & Investment Committee
Somerset County Council

Date.....



The delivery of an efficient and cost-effective administration is dependent upon a successful joint working partnership between the Pension Fund and key individuals within or representing the scheme employer.

Performance standards are expressed as targets (i.e. the level of performance expected in normal circumstances). It is accepted that there may be occasions where it may not be possible to achieve the target indicated and a pragmatic approach will be adopted, subject to employers using their best endeavours to meet expected standards wherever possible.

1. Communication

Function/Role	Performance Target
Primary contacts - Nominate and keep under review named contacts including main contact and HR and payroll links.	Within 1 month of employer joining fund or change to nominated representative
Stage 1 Appeals (IDRP) Officer - Appoint a person to consider appeals under Stage 1 of the Applications for the Adjudication of Disagreements Procedure (AADP) and provide full, up to date contact details to the Fund.	Within 1 month of becoming a scheme employer or within 1 month of a change in Appeals Officer
Independent Registered Medical Practitioner (IRMP) - Appoint an IRMP qualified in occupational health medicine, or arrange with a third party, and seek approval of the appointment from the Fund, for the consideration of all ill-health retirement applications from active and deferred members.	Within 1 month of becoming a scheme employer or within 1 month of a change in IRMP(s)
Employer Discretions - Formulate and publish policies in relation to all areas where the employer may exercise a discretion within the LGPS (including providing a copy of the policy document to the Fund).	Initial policy and subsequent revisions to be provided within 1 month of publishing
LGPS content in Contracts - Ensure Fund- approved LGPS content is included in all contract / appointment / adjustment communications for LGPS-eligible positions including direction to Peninsula Pensions website .	Review LGPS content annually or within 1 month following receipt of information regarding adjustment to Fund approved wording
Distribute any information provided by the Fund to scheme members/potential scheme members.	Within timeframe set out by Fund
Refer new / prospective scheme members to the Fund's website.	Within 1 month of commencement of employment or change in contractual conditions
Outsourcing - Notify the Fund of contracting out of services which will involve a TUPE transfer of LGPS eligible staff to another organisation to enable LGPS information to be provided to potential contractors.	At the point of deciding to tender a service

Work with Peninsula Pensions to arrange for the admission of a contractor as a new employer in the Fund.	A minimum of 2 months in advance of the date of contract
Notify Peninsula Pensions of changes / extension / cessation of arrangements with a contractor.	Within 5 working days of decision being made
Assist Peninsula Pensions in ensuring that the terms of the contractor's admission as a scheme employer (Admission Agreement) are complied with.	Notify the Pension Fund if the terms of the Admission Agreement have been breached
Respond to enquiries from Peninsula Pensions and Fund representatives.	Within 2 weeks from receipt of the enquiry
Respond to enquiries from Peninsula Pensions and Fund representatives relating to Breaches of the Law.	Within 1 week of the request

2. Payments to the Fund

Function/Role	Performance Target
The Employer's Rate - Apply the employer contribution rate and deficit sum agreed with the Fund on becoming a scheme employer and adjust as instructed by the Fund from a date determined by the Fund.	Within 5 working days of receipt of information from the Fund effective from a date determined by the Fund following advice from the scheme actuary
The Employee's Rate - Calculate and review the correct employee contribution rate for all members at commencement and on 1st April each year. Also, to be reviewed at intervals during the year at the employer's discretion.	Within 5 working days of commencement, on 1st April each year and as per the employer's discretionary policy on adjusting the employee's contribution rate at intervals during the year
Assumed Pensionable Pay (APP) - Ensure the correct application of APP during periods of reduced/nil pay in accordance with the LGA's HR & Payroll Guides.	Review of eligibility for APP immediately upon a member moving to reduced/nil pay
Monthly Payment to the Fund - Remit Employee, Employer and any Additional contributions and submit the online Contributions Form to the Fund.	By the 19th of the month after deduction from pay or date specified by Fund
Payment of AVCs - Remit Additional Voluntary Contributions (AVCs) to the AVC provider(s).	By the 19th of the month following the deduction from pay

Make strain/shortfall payments to the Fund in respect of early payment of benefits from flexible retirement, redundancy or business efficiency retirement or where a member retires early with employer's consent.	Within 5 working days of receipt of invoice from Peninsula Pensions
Remit recharge payments in respect of pension members – e.g. Discretionary Compensation/Enhancement.	Within 5 working days of receipt of invoice from Peninsula Pensions
Payments in respect of FRS102 and IAS19 work carried out on behalf of Employers by the Fund and the Fund Actuary.	Within 5 working days of receipt of invoice from Peninsula Pensions
Payments in respect of all other work carried out on behalf of the Employer by the Fund's Actuary and connected data quality assurance undertaken by the Fund.	Within 5 working days of receipt of invoice from Peninsula Pensions
Prompt payment of invoices issued by the Fund for specific services provided e.g. admission agreement work.	Within 5 working days of receipt of invoice from Peninsula Pensions
Make payment of additional costs to the Fund associated with non-compliance with performance standards of the scheme employer.	Within 5 working days of receipt of invoice from Peninsula Pensions

3. Year-End Return

Function/Role	Performance Target
Completing the Year-End Return - Provide a fully reconciled and completed Year-End Return to the Fund in the format stipulated in the instructions issued each February.	By 19th April following the year-end unless employers are notified of an alternative date by the Fund
To resolve all queries returned from the Year-End Return.	To respond fully to all queries from the Fund within 3 weeks of receipt of the query. In circumstances where an employer submits a late year-end return limiting the Fund's time to complete its duties, the timescales may be reduced, as advised by the Fund

4. Scheme Members Information

Function/Role	Performance Target
To notify Peninsula Pensions of all new scheme members, changes in personal details, e.g. name, working hours via Interface or Employer Self Service.	1 month
<p>On cessation of membership determine the reason for retirement, final pay for calculating pre 2014 benefits and CARE pay for post 2014 benefits as appropriate.</p> <p>NB Where an employee is suffering from a Terminal Illness and limited life expectancy, employers should contact Peninsula Pensions for guidance without delay.</p>	<p>For members in receipt of regular pay, where the employer can accurately project pay to the date of retirement, up to 1 month prior, or within 1 week following final pay period.</p> <p>Leavers under age 55 within 1 month following final payday</p>
<p>Apply a scheme members election to opt out of the LGPS to the member's payroll record.</p> <p>Notify Peninsula Pensions in line with the process for leavers, as stated above.</p>	<p>Election applies from the 1st of the month for the next available payroll, except where an opt-out is made within 3 months of an employee joining the scheme. In such cases the opt-out is backdated to the joining date and all contributions refunded directly.</p>
Where a member dies in service - determine final pay for calculating pre 2014 benefits and CARE pay for post 2014 benefits as appropriate.	Within 1 week of final pay period
Provide monthly CARE data within required format.	Within 2 weeks of pay run
Ensure members are notified of the option to pay Additional Pension Contributions following absences not covered by APP.	Within 2 weeks of the return to work
Apply/adjust/cease the deduction of Additional Pension Contributions following an APC application from a scheme member and forward information via Interface or ESS to Peninsula Pensions.	In the month following receipt of election from scheme member or notification from the Fund
Notify Peninsula Pensions of periods of unpaid absence not covered by Assumed Pensionable Pay (APP).	Within 1 month
Arrange for the deduction of AVCs from scheme member's pay following election.	Commence deduction of AVCs in month following the month of election, as advised by AVC Provider
Provide end-of-year data within required format.	By date specified by

	Fund January each year
In line with General Data Protection Regulations (GDPR) an employer will protect information relating to a member contained in any item issued by Peninsula Pensions from improper disclosure. They will only use information supplied or made available by Peninsula Pensions for the LGPS.	Ongoing requirement

5. Peninsula Pensions

To complete cases in-line with the Disclosure Regulations, with at least 90% of cases completed within the internal targets.

Peninsula Pensions Responsibility	Disclosure regulations / Legal Requirement	Internal Targets
To accurately record and update member records on pension administration systems.	Within 3 months of effective date of change	2 weeks
To produce a statutory notification and forward to member's home address, together with information relating to the LGPS including how to request a transfer, inform us of previous service, and complete an expression of wish form.	Within 2 months of joining the scheme or within 2 months of request being made	1 month
To process employer year-end contribution returns and provide consolidated and grouped error reports for action by employers.	n/a	3 months
To produce annual benefit statements for all active members as at the preceding 31 March and notify electronically or by post to member's home address.	31 st August	31 st July
To produce annual benefit statements for all preserved members, as at the preceding 31 March, and notify electronically or by post to member's home address.	31 st August	30 th June
To provide information and quotations to scheme member about additional voluntary contribution (AVC) options.	Within 2 months of request being made	Within 10 working days
To provide information and quotations to a scheme member on the option of making Additional Pension Contributions (APCs).	Within 2 months of request being made	Within 10 working days
To produce retirement estimates for employers, once in receipt of all the necessary information.	Within 2 months of request being made	Within 10 working days
To accurately record and update	Within 2 months of	Within 1 month

member records on pension administration systems for those members leaving the scheme, without entitlement to immediate payment of benefits. Provide them with the options available and deferred benefit entitlement.	receiving notification that pensionable service has ended or within 2 months of a request	
To accurately calculate and inform the member of the options available to them upon retirement.	Within 1 month following date benefit becomes payable (2 months if retiring before normal pension age)	10 working days from receiving all information from employer
Upon receipt of members completed retirement forms finalise pension records and authorise payment of lump sum and set up of payroll record.	n/a	Within 10 working days
Under the General Data Protection Regulations 2018 Peninsula Pensions will protect information relating to a member contained on any item issued by them or received by them from improper disclosure.	n/a	Ongoing requirement, online security within databases regularly reviewed
Each Administering Authority is responsible for exercising the discretionary powers given to it by the regulations. The Administering Authority is also responsible for publishing its policy to its members in respect of the key discretions as required by the regulations.		Peninsula Pensions will maintain links to these discretions on their website
Notification of Pension Fund Triennial Valuation results including contribution rates.		Assuming information provided by Actuaries provisional results December following valuation, with final results the following March

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