

Pensions Committee (virtual meetings from June 2020 due to Coronavirus)

Friday 18 December 2020

10.00 am



To: The Members of the Pensions Committee (virtual meetings from June 2020 due to Coronavirus)

Cllr J Thorne (Chair), Cllr G Noel, Cllr S Coles, Cllr J Parham, Cllr Ross Henley, Gordon Bryant, Sarah Payne and Paul Butler

All Somerset County Council Members are invited to attend meetings of the Cabinet and Scrutiny Committees.

Issued By Scott Wooldridge, Strategic Manager - Governance and Risk and Monitoring Officer - 10 December 2020

For further information about the meeting, please contact Peter Stiles on democraticservices@somerset.gov.uk or 01823 357628

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 Regulation 4 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

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

www.somerset.gov.uk/agendasandpapers



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AGENDA

Item Pensions Committee (virtual meetings from June 2020 due to Coronavirus) - 10.00 am Friday 18 December 2020

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

1 Apologies for absence

2 Declarations of Interest

Details of all Members' interests in District, Town and Parish Councils can be viewed on the Council Website at [County Councillors membership of Town, City, Parish or District Councils](#) and this will be displayed in the meeting room (Where relevant).

The Statutory Register of Member's Interests can be inspected via request to the Democratic Service Team.

3 Minutes from the previous meeting (Pages 9 - 14)

The Committee is asked to confirm the minutes are accurate.

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 LGPS Pooling of Investments (Pages 15 - 18)

To consider the report from the Funds & Investments Manager.

6 Independent Investment Advisor's Report

To consider a verbal update on developments in financial markets.

7 Review of Investment Performance (Pages 19 - 40)

To consider the report from the Funds & Investments Manager.

8 Review of Administration Performance (Pages 41 - 46)

To consider the report from the Head of Peninsula Pensions.

9 Business Plan Update (Pages 47 - 54)

To consider the report from the Funds & Investments Manager.

Item Pensions Committee (virtual meetings from June 2020 due to Coronavirus) - 10.00 am Friday 18 December 2020

10 **Finance and Membership Statistics Update** (Pages 55 - 60)

To consider the report from the Funds & Investments Manager.

11 **Review of Pension Fund Risk Register** (Pages 61 - 66)

To consider the report from the Funds & Investments Manager.

12 **Any other urgent items of business**

The Chairman may raise any items of urgent business.

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Guidance notes for the Scrutiny – Policies and Place meeting

1. **Council Public Meetings**

The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 have given local authorities new powers to hold public meetings virtually by using video or telephone conferencing technology.

2. **Inspection of Papers**

Any person wishing to inspect minutes, reports, or the background papers for any item on the agenda should contact Democratic Services at democraticservices@somerset.gov.uk or telephone 07790577336/ 07811 313837/ 07790577232

They can also be accessed via the council's website on www.somerset.gov.uk/agendasandpapers.

Printed copies will not be available for inspection at the Council's offices and this requirement was removed by the Regulations.

3. **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: [Code of Conduct](#)

4. **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.

5. **Public Question Time**

If you wish to speak, please contact Democratic Services by 5pm 3 clear working days before the meeting. Email democraticservices@somerset.gov.uk or telephone 07790577336/ 07811 313837/ 07790577232.

At the Chair'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 agreed. 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 Chair. You may not take a direct part in the debate. The Chair will decide when public participation is to finish.

If there are many people present at the meeting for one particular item, the Chair 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, to three minutes only.

In line with the council's procedural rules, if any member of the public interrupts a meeting the Chair will warn them accordingly.

If that person continues to interrupt or disrupt proceedings the Chair can ask the Democratic Services Officer to remove them as a participant from the meeting.

6. **Meeting Etiquette**

- Mute your microphone when you are not talking.
- Switch off video if you are not speaking.
- Only speak when invited to do so by the Chair.
- Speak clearly (if you are not using video then please state your name)
- If you're referring to a specific page, mention the page number.
- Switch off your video and microphone after you have spoken.

7. **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.

If there are members of the public and press listening to the open part of the meeting, then the Democratic Services Officer will, at the appropriate time,

remove the participant from the meeting.

8. **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. 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 Chair 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.

A copy of the Council's Recording of Meetings Protocol is available from the Committee Administrator for the meeting.

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Pensions Committee

Minutes of a virtual meeting (under Coronavirus Regulations 2020) of the Pensions Committee held on Friday 18th September at 10.00am.

Present:

Cllr G Noel - Chair
Cllr S Coles
Cllr J Hunt
Cllr J Parham
Mr. P Butler
Mr. G Bryant
Mrs. C Burton (Independent Advisor)
Mrs. S Payne

Other members present: Cllr T Munt

1 Apologies for Absence - agenda item 2

No apologies recorded.

2 Declarations of Interest - agenda item 3

Mr. G Bryant, Mr. P Butler and Mrs. S Payne declared a personal interest by virtue of being a member of the LGPS.

3 Minutes of the Previous Meeting - agenda item 1

The Committee agreed and the Chair signed the Minutes of the meeting held on 5 June 2020 as a correct record. The Chair requested that the work of Mr. Mark Simmonds be acknowledged and asked that Officers send a letter of thanks.

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.

The Committee heard from Cllr Anne Hills, Leader of Frome Council, who raised a number of points regarding the analysis and management of SCC (Somerset County Council)

portfolio investments and specific risks of Climate Change in the risk register.

At the Chairs invitation, The Funds and Investment Manager, Anton Sweet, thanked Cllr Anne Hills for her question and it was noted that a full written response had been provided.

5 LGPS Pooling of Investments Report- agenda item 5

The Funds and Investments Manager, Anton Sweet, addressed the Committee noting: the progress with the portfolio transition process, advised of the agreement with Brunel Pension Partnership (BPP) and clients, to pause the transition process during the early part of lockdown but the pause had now been removed and the process is likely to complete in spring 2021; BPP / member funds review of governance, as in-depth process to refresh the governance arrangements now the partnership is three years old; with late 2020 / early 2021 Officer communication of voting matters and engagement expectation of Somerset Pension Committee Members.

The Committee noted the report and unanimously **RESOLVED** that Cllr Graham Noel represent Somerset Pension Committee on the Brunel Oversight Board.

6 Independent Investment Advisor's Report - agenda item 6

The Independent Advisor, Mrs. C Burton provided a verbal update.

The Committee posed a number of questions to the Independent Advisor, including; FTSE index fluctuational levels and the increase in the Dow Jones index; US presidential election and the impact on global finances should the election fail to have a conclusive winner; Covid-19 effect on emerging markets and the European/Brexit situation.

The Independent Advisor responded to the points raised, noting the FTSE and Dow stock volatility differ due to the mix of indices (UK dominated by energy resource companies and banks and the US driven by technology) having varied amounts of success; Democrats historically vote by post much more than republicans therefore uncertainty over a few days with possibility of volatility in markets; emerging markets currently a mixed picture, room for emerging markets to come back in to favour as they are cheaply valued, however, currently too early to see the impact of Covid-19; Government and banks trying to keep economies moving ahead.

The Independent Advisors update was accepted.

7 Review of Investment Performance- agenda item 7

The Funds and Investments Manager, Anton Sweet, addressed the Committee noting: returns in the quarter ending 30th June 20 had strong performances, overall fund return 13.2% with markets tending to be positive despite Covid-19.

The Committee posed a number of questions to the Funds and Investments Manager, including; achievable benchmarks and targets of Aberdeen Standard.

The Funds and Investments Manager responded to the points raised, noting that the mandate should be looked over a long period of time with the current transition leading to mandates being changed and refreshed. The Investment Advisor further added that the targets were realistic and set to make the managers work, had the BPP transition not happened, action would have more likely been taken.

The Committee noted the report.

8 Review of Administration Performance- agenda item 8

The Committee considered a report from Rachel Lamb of Peninsula Pensions, which detailed a review of the administration's performance. Highlights included: period covered April – June 2020; Lockdown enforced a big change for the team, however adapted well and overall performance was maintained while working from home; internal and disclosure targets maintained at 87% internal targets; 91% disclosure regulations; lockdown key focus has been on retirement and survivor benefits, 95% success rate; additional key area training for staff taken place to maintain standards.

The Committee asked a number of questions, including; wording of recommendations; survivor benefits; timescales relevant to notification of deaths; dispute resolution procedure requests.

Rachel Lamb responded to points explaining that survivor benefits were generally more involved due to lengthy calculations and sometimes the number of people impacted, more training scheduled on survivor benefits in October to ensure improvement in this area and provide a continuity plan.

Action: Rachel Lamb to investigate and provide 12-month figures on timescales relevant to notification of deaths; dispute resolution procedure requests.

The Committee noted the report.

9 **Business Plan Update**- agenda item 9

The Funds and Investments Manager, Anton Sweet addressed the committee, highlighting; work towards transitions of assets to BPP (Brunel Pension Partnership); movement in various legal and regulatory issues such as McCloud and Goodwin; new regulation from MHCLG on exit payments and deferred debt arrangements; MHCLG consultation on £95,000 cap payment to officers on leaving employment.

The Committee posed a number of questions to the Funds and Investments Manager, including; areas of outstanding work process; Unitary and the cost impact of redundancy; conflicts of legislation regarding £95K limit.

The Funds and Investments Manager acknowledged that outstanding areas of work needs to be progressed; and further responded that Officers would look to engage with members about additional sessions before the next committee meeting.

Action: The Fund Investment Manager to contact Committee members about diary availability to take some of the outstanding items forwards.

The Committee noted the report.

10 **Finance and Membership Statistic Update**- agenda item 10

The Committee considered a quarterly report by the Funds and Investment Manager which highlighted; report change of transaction costs; transfer value balance difference quarter year / full year; investment income and funds transfer to BPP.

The Chair asked a question regarding receipt and payments of contributions.

The Funds and Investments Manager responded that the transfer value paid and received difference is marginal with cash resource to manage.

The Committee noted the report.

11 **Review of Pension Fund Risk Register**- agenda item 11

The Committee considered a report by the Funds and Investments Manager, Anton Sweet, reviewing the Pension Fund's risk register, noting; Covid-19 risk added- PF12; restrictions to online meetings and engagement with the Committee being the biggest impact; an employers' meeting to discuss valuation and investment returns is not planned for this year; Peninsula Pensions continuing engagement with employers; PF3 guarantee bonds standard post valuation review underway.

The Committee posed a number of questions to the Funds and Investments Manager, including; PF3 report; target risk scores on the risk register and rational for reduced target score.

The Funds and Investments Manager responded to questions, noting; not usual to provide a specific PF3 report to the Committee as it is an ongoing process, further acknowledging that target risk scores to be picked up when a review is undertaken, alternatively, correction of timescales before 18th December 2020.

The Committee noted the report.

12 **Annual Report Including the accounts and Investment performance** - agenda item 12

The Committee considered a report by the Funds and Investments Manager, Anton Sweet, highlighting the report is required for regulation purposes and to be published by 1st December 2020; advised changes to be made to the document before publication.

The Committee discussed the points raised and unanimously agreed to approve the draft report and **RESOLVED** to delegate any minor changes necessary, be made by the Funds and Investments Manager, subject to consultation with the Chair.

13 **Funding Strategy Statement-** agenda item 13

The Funds and Investments Manager, Anton Sweet, addressed the Committee stating that new regulations and fresh guidance is due to be issued from MHCLG and asked the Committee to agree to defer the formal adoption of the Funding Strategy Statement report to 18th December, once the redraft is written in line with new guidance.

The Committee **RESOLVED** to accept the deferment of the Funding Strategy Statement report and receive the report at the 18th December meeting.

14 **Any Other Business** - agenda item 14

There was none.

(The meeting ended at 11.25am)

CHAIR

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LGPS Pooling of Investments

<i>Lead Officer:</i>	Jason Vaughan: 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 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 £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 2019.
- 3.4 £268.7m of equity assets were transferred from a number of legacy mandates to the Brunel Global High Alpha fund. (sub-managed by Alliance Bernstein, Baillie Gifford, Fiera Capital, Harris Associates and Royal London Asset Management) on the 18th November 2019.

- 3.5 £151.0m of equity assets were transferred from a number of legacy mandates to the Brunel Global Smaller Companies fund (sub-managed by Montanaro Asset Management, American Century and Kempen Capital Management) on the 17th September 2020..
- 3.6 As agreed by Committee at the December 2019 meeting the Fund has committed £50m to the private equity cycle starting 1st April 2020. None of this commitment has been drawn to date.
- 3.7 Officially the transition of the £206.9m property portfolio from LaSalle to Brunel took place on 2nd November, however unlike the equity portfolios the transfer process of property unit trusts is a slow process and so it could be a number of months before this process is completed. Brunel will not significantly alter this portfolio in the near future. A small holding in one fund that is expected to liquidate shortly has remained with LaSalle.

4. Governance review

- 4.1 Brunel is now over three years old and it has become clear that some areas of the governance model set up at the outset of the pooling project are no longer meeting the needs of the partnership. A governance review is now underway. It is likely that this will result in a number of votes for shareholders on reserve matters.

5. Appointments update

- 5.1 Following the departure of Mark Mansley from the Chief Investment Officer post earlier in the year Brunel have undertaken a thorough recruitment exercise and have announced that David Vickers will take up this post in the new year.
- 5.2 Faith Ward, Brunel's Chief Responsible Investment Officer, has recently been appointed the Chair of the Institutional Investor Group on Climate Change (IIGCC). The IIGCC is the largest global investor body focusing specifically on climate change, with some 275 members across 15 countries and representing £33 trillion of investment assets. Faith will fit this new role around her ongoing commitments at Brunel.

6. Consultations undertaken

- 6.1 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.
- 6.2 An overview briefing on the project was provided to the Fund's Employers meeting in September 2016.
- 6.3 The Full Somerset County Council meeting received a paper on the pooling at its meeting on 30th November 2016.

7. Financial Implications

- 7.1 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.
- 7.2 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.

8. Background Papers

- 8.1 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>	Jason Vaughan: 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 2020 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 2020

1. Somerset County Council (Passive Global Equity)

1.1 The performance for the quarter to 30th September 2020 is summarised in the following table:

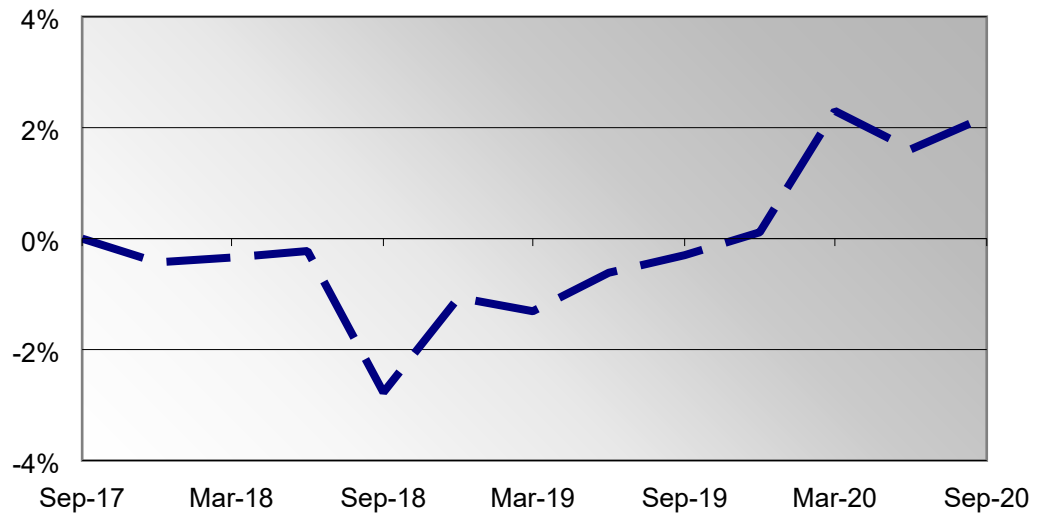
Quarter to 30 September 2020				
Value as at 30 Sept £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
34.7	Global equities	3.7	3.3	+0.4
0.1	Cash			
34.8	Total	3.7	3.3	+0.4

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	7.9	5.8	+2.1
3 years	10.0	9.4	+0.6
5 years	15.0	14.6	+0.4
10 years	12.3	12.0	+0.3

2. Brunel - LGIM (Passive Global Equity)

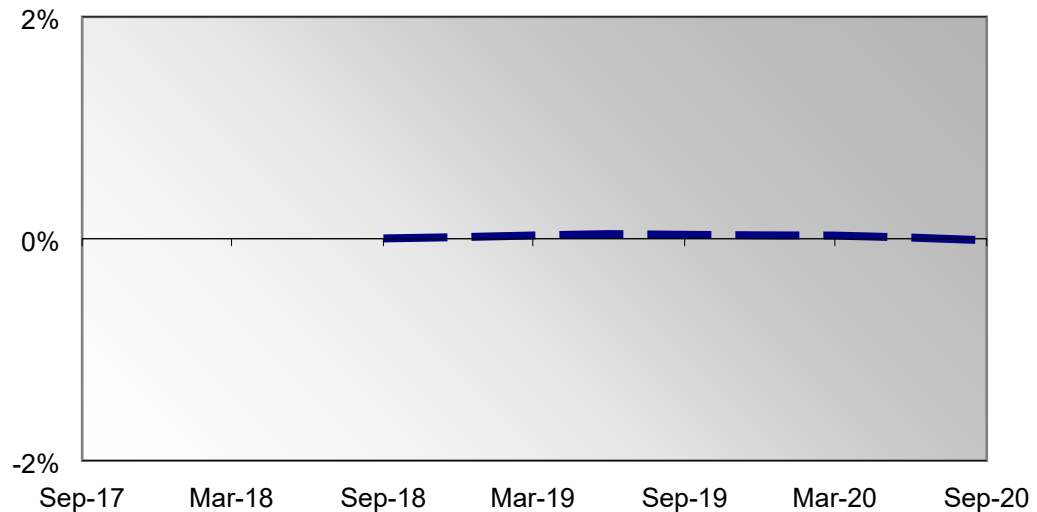
2.1 The performance for the quarter to 30th September 2020 is summarised in the following table:

Quarter to 30 September 2020			
Value as at 30 Sept £m	Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
605.5 Global equities	3.3	3.3	+0.0

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

2.3

Brunel performance Vs Benchmark



2.4 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	5.8	5.8	+0.0
3 years	Initial investment in July 2018		

3. Brunel - (Global High Alpha Equity)

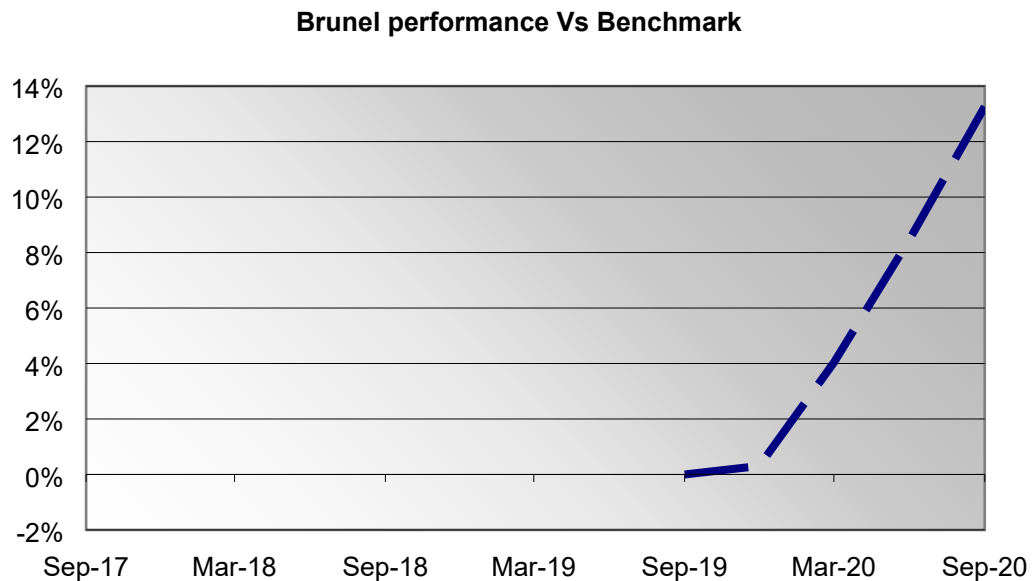
3.1 The performance for the quarter to 30th September 2020 is summarised in the following table:

Quarter to 30 September 2020			
Value as at 30 Sept £m	Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
320.4 Global equities	7.4	3.3	+4.1

3.2 The Brunel Global High Alpha portfolio is managed by a combination of Alliance Bernstein, Baillie Gifford, Fiera Capital, Harris Associates and Royal London Asset Management.

3.3 The fund significantly outperformed during the quarter. Absolute returns were strongly Positive.

3.4



4. Aberdeen Standard Investments (UK Equities)

4.1 The performance for the quarter to 30th September 2020 is summarised in the following table:

Quarter to 30 September 2020			
Value as at 30 Sept £m	Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
10.1 UK	7.1	-2.9	+10.0

4.2 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.

4.3 Aberdeen Standard had an excellent quarter relative to their benchmark. Absolute returns were strongly positive. Smaller companies significantly outperformed during the quarter and the Aberdeen Standard fund outperformed the smaller companies benchmark.

5. Brunel (UK Equities)

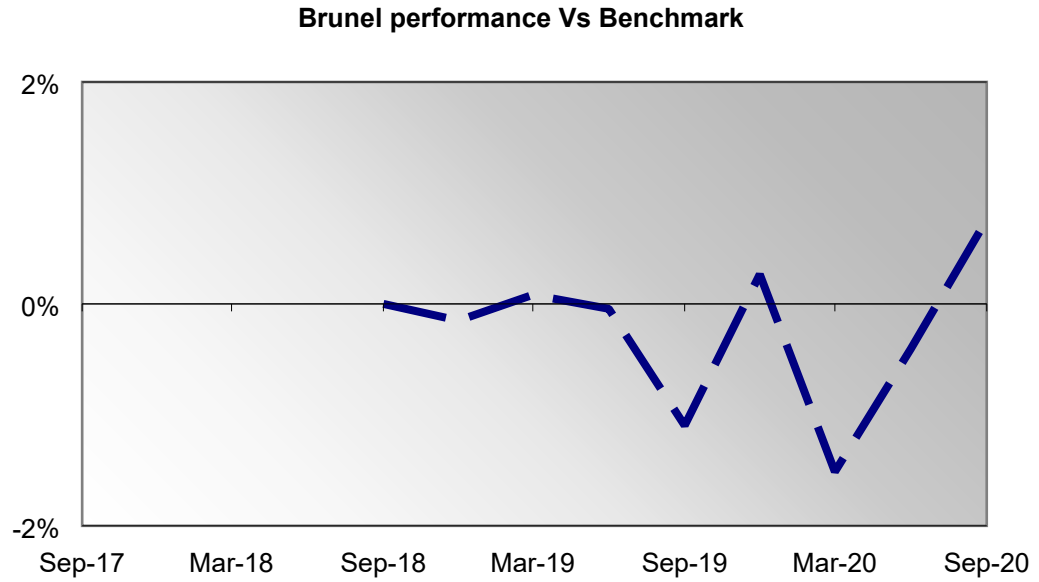
5.1 The performance for the quarter to 30th September 2020 is summarised in the following table:

Quarter to 30 September 2020			
Value as at 30 Sept £m	Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
388.0 UK	-1.7	-2.9	+1.2

5.2 The Brunel UK portfolio is managed by a combination of Invesco and Baillie Gifford.

5.3 The portfolio outperformed the benchmark during the quarter. Absolute performance was strongly positive.

5.4



5.5 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	-15.1	-16.6	+1.5
3 years	Initial investment in November 2018		

6. Somerset County Council (North American Equities)

6.1 This fund was liquidated during the quarter as part of the transition to the Brunel global smaller companies fund.

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

7.1 This fund was liquidated during the quarter as part of the transition to the Brunel global smaller companies fund.

8. Nomura (Japanese Equity)

8.1 This fund was liquidated during the quarter as part of the transition to the Brunel global smaller companies fund.

9. Brunel (Global Smaller Companies Equity)

9.1 The performance for the quarter to 30th September 2020 is summarised in the following table:

Quarter to 30 September 2020			
Value as at 30 Sept £m	Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
148.9	Smaller Companies		

9.2 The Brunel Smaller Companies Market portfolio is managed by a combination of Montanaro Asset Management, American Century and Kempen Capital Management.

9.3 As the portfolio was transitioned in late September no performance figures are shown.

10. Brunel (Emerging Market Equity)

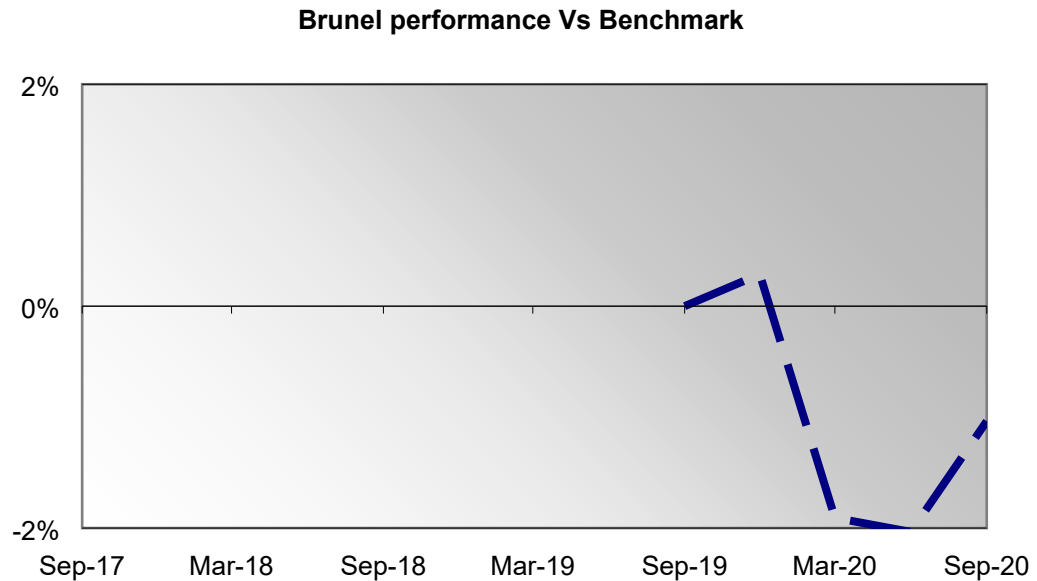
10.1 The performance for the quarter to 30th September 2020 is summarised in the following table:

Quarter to 30 September 2020			
Value as at 30 Sept £m	Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
86.9 Emerging Market	5.8	4.7	+1.1

10.2 The Brunel Emerging Market portfolio is managed by a combination of Genesis Investment Management, Wellington Management and Investec Asset Management.

10.3 The Brunel portfolio outperformed during the quarter. Absolute performance was strongly positive.

10.4



11. Aberdeen Standard Investments (Fixed Interest)

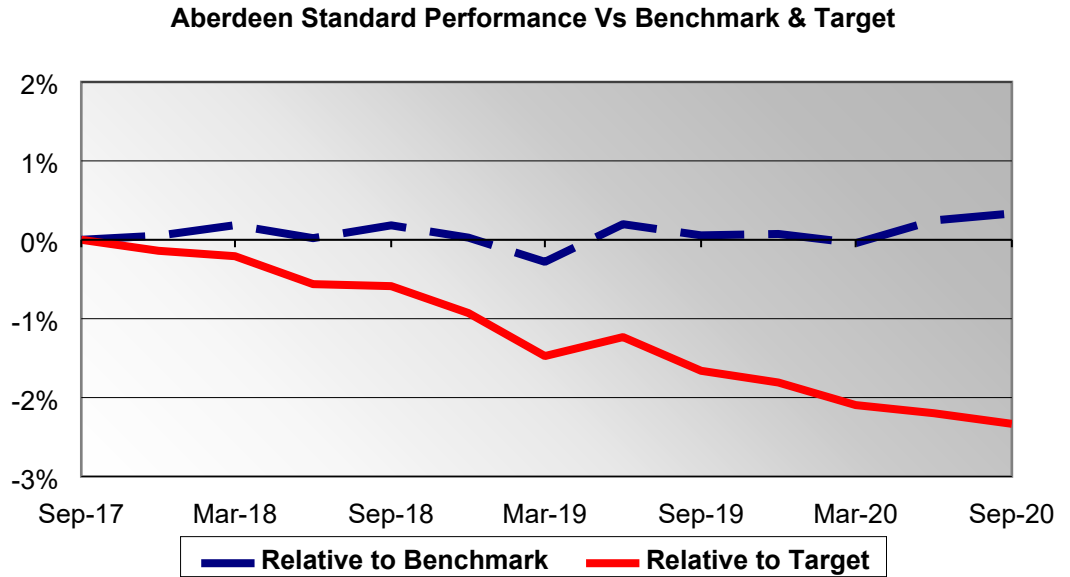
11.1 The performance for the quarter to 30th September 2020 is summarised in the following table:

Quarter to 30 September 2020				
Value as at 30 Sept £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
74.6	UK Gilts	-1.3	-1.2	-0.1
75.7	Index Linked	-2.4	-2.2	-0.2
194.1	Corporate Bonds	1.0	0.9	+0.1
49.2	High Yield Debt	2.1	2.3	-0.2
1.2	Foreign Gov't Bonds	0.2		
6.7	F Gov't Index Linked	-1.0		
0.9	Currency Instruments	0.3		
10.2	Cash			
412.6	Total	0.2	0.1	+0.1

11.2 Aberdeen Standard outperformed their benchmark for the quarter. Absolute returns were slightly positive. The outperformance mainly came from overweighting corporate bonds verses gilts.

11.3

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.



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	3.7	3.4	+0.3
3 years	6.2	6.1	+0.1
5 years	7.0	6.9	+0.1
10 years	7.0	7.1	-0.1

12. LaSalle (Property Fund of Funds)

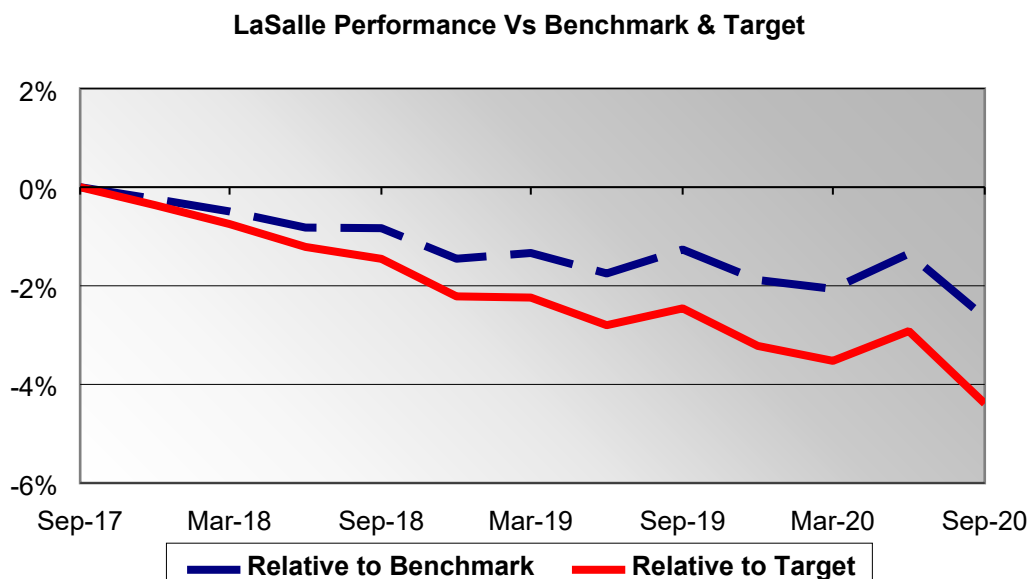
12.1 The performance for the quarter to 30th September 2020 is summarised in the following table:

Quarter to 30 September 2020				
Value as at 30 Sept £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
167.1	UK Property	-1.2	0.2	-1.4
0.0	European Property	-4.7		
39.1	Cash			
206.2	Total	-1.1	0.2	-1.3

12.2 Property returns from the UK market were slightly positive for the quarter. The fund underperformed relative to the benchmark.

12.3 The underperformance was broadly caused by the sale of units in the Schroders UK property fund as a discount to the June price.

12.4 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.



12.5 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	-4.1	-2.8	-1.3
3 years	1.7	2.6	-0.9
5 years	3.1	4.1	-1.0
10 years	5.2	6.5	-1.3

13. Neuberger Berman (Global Private Equity)

13.1 The performance for the quarter to 30th September 2020 is summarised in the following table:

Quarter to 30 September 2020			
Value as at 30 Sept £m	Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
60.8 Private Equity	1.4	0.0	+1.4

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

13.3 There is a delay in the reporting of returns on private equity of about a quarter and this needs to be considered when looking at returns on individual funds.

13.4 The 2010 fund continues to make good progress. The underlying return on this fund for the quarter, excluding currency movements, was 54%.

13.5 The Neuberger Berman Crossroads XX fund is also making good progress. The underlying return on this fund for the quarter, excluding currency movements, was 8.1%.

13.6 The Crossroads XXI fund is also making good progress. The underlying return on this fund for the quarter, excluding currency movements, was 6.7%.

13.7 The Crossroads XXII fund is still very young. The return for the quarter, excluding currency movements, was 11.4%.

13.8 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	1.6	5.8	-4.2
3 years	13.2	9.4	+3.8
5 years	13.6	14.6	-1.0
10 years	9.1	12.0	-2.9

14. South West Ventures Fund

14.1 The fund continues to make reasonable progress.

15. Combined Fund

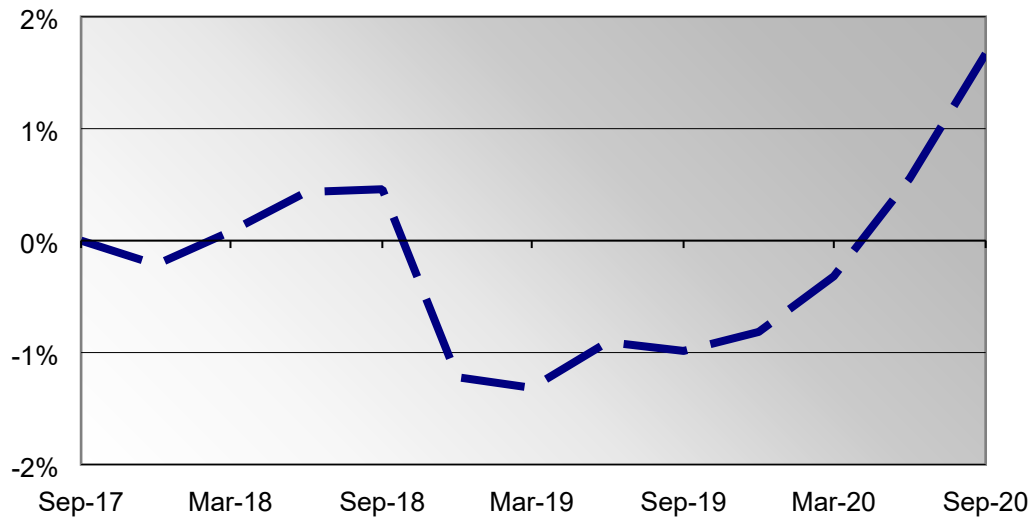
15.1 The performance for the quarter to 30th September 2020 is summarised in the following table:

Quarter to 30 September 2020				
Value as at 30 Sept £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
34.8	In-House (Global Eq)	3.7	3.3	+0.4
605.5	Brunel (Passive GI Eq)	3.3	3.3	+0.0
320.4	Brunel (GHA Eq)	7.4	3.3	+4.1
10.1	ASI (UK Eq)	7.1	-2.9	+10.0
388.0	Brunel (UK Eq)	-1.7	-2.9	+1.2
148.9	Brunel (Small Cap Eq)			
86.9	Brunel (EM Eq)	5.8	4.7	+1.1
412.6	ASI (FI)	0.2	0.1	+0.1
206.2	LaSalle	-1.1	0.2	-1.3
1.6	SWRVF	0.0	0.0	+0.0
60.8	Neuberger Berman	1.4	0.0	+1.4
0.8	Brunel	0.0	0.0	+0.0
82.9	Cash	0.2	0.0	+0.2
2,359.5	Whole Fund	2.0	1.0	+1.0

15.2 The fund, as a whole, outperformed its benchmark during the quarter. The level of absolute return was positive.

15.3 Outperformance was generated by a positive from asset allocation, being overweight equity overall but underweight UK. Overall stock selection by managers was a strong positive with all but one mandate outperforming.

Whole Fund Performance Vs Benchmark



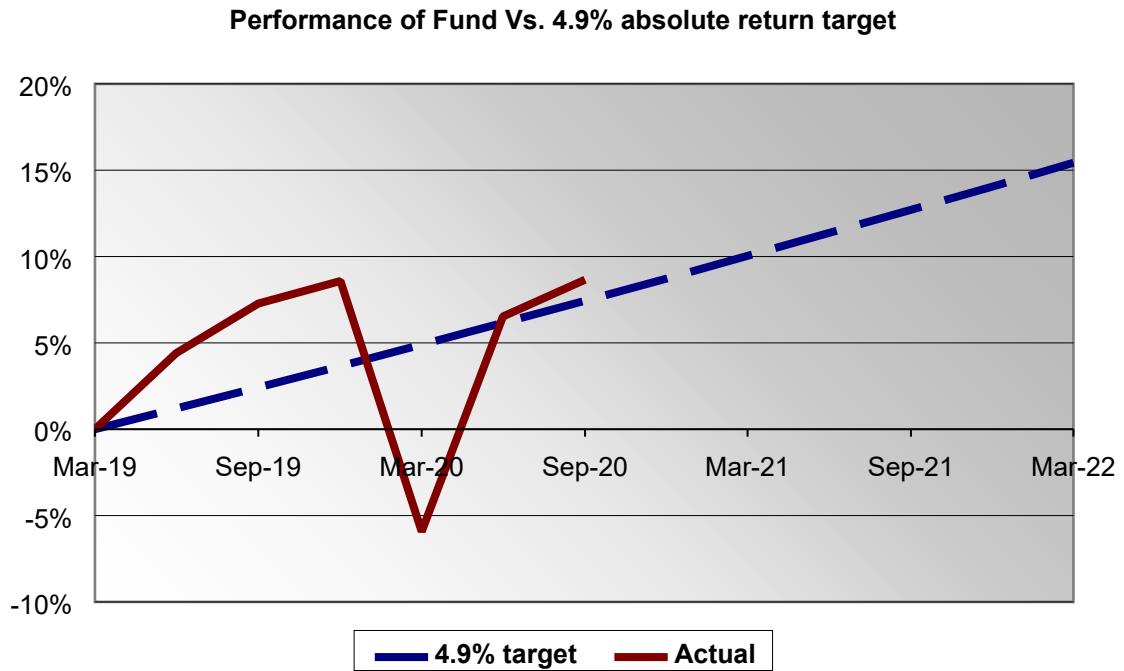
15.4

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	1.3	-1.0	+2.3
3 years	4.9	4.4	+0.5
5 years	9.1	8.8	+0.3
10 years	8.4	8.1	+0.3

15.5

At the June 2020 committee meeting the committee adopted an absolute return target of 4.9% for the fund as this is consistent with the fund becoming fully funded within the timescales indicated by the actuary as part of the 2019 valuation. Progress against this target for the 2019 to 2022 actuarial cycle is shown in the graph below.



15.6 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)	33.8	1	34.8	1	0
Brunel (Passive GI Eq)	586.3	25	605.5	26	25
Brunel (GHA Eq)	298.4	13	320.4	14	10
ASI (UK Eq)	9.5	0	10.1	0	0
Brunel (UK Eq)	394.6	17	388.0	16	20
In-House (US Eq)	87.9	4	0.0	0	0
Maple-Brown Abbott	30.4	1	0.0	0	0
Nomura	35.9	2	0.0	0	0
Brunel (Small Cap Eq)	0.0		148.9	6	5
Brunel (EM Eq)	82.2	4	86.9	4	5
ASI (FI)	387.2	17	412.6	17	19
LaSalle	208.3	9	206.2	9	10
SWRVF	1.6	0	1.6	0	0
Neuberger Berman	61.6	3	60.8	3	5
Brunel	0.8	0	0.8	0	0
Cash	94.2	4	82.9	4	1
Whole Fund	2,312.7	100	2,359.5	100	100

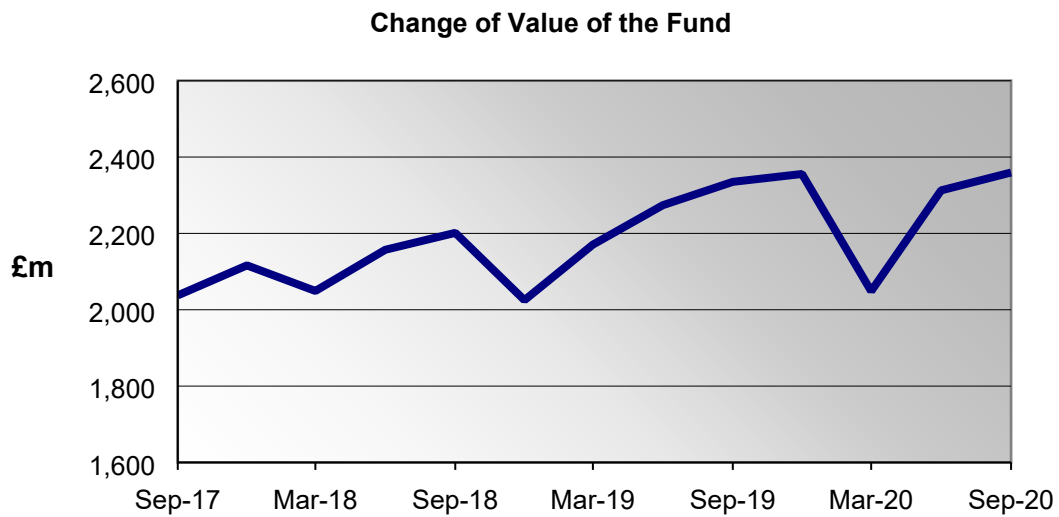
15.7 During the quarter the following movements of cash between funds took place:

- £0.2m was withdrawn from the in-house global equity fund during the quarter. This broadly represents dividend income on this fund during the quarter.
- £92.6m was withdrawn from the in-house US equity fund during the quarter to close the portfolio.
- £31.6m was withdrawn from the Maple-Brown Abbott Far East equity fund during the quarter to close the portfolio.

- £25m was added to the Aberdeen Standard Fixed Income portfolio to reduce the underweight.
- £37.8m was withdrawn from the Nomura Japanese equity fund during the quarter to close the portfolio.
- £1.5m was withdrawn from the Neuberger Berman's Private equity mandate as funds returned capital.
- £151.0m was added to the Brunel Smaller Companies equity fund as SCC's portion of the transition for this fund.

15.8

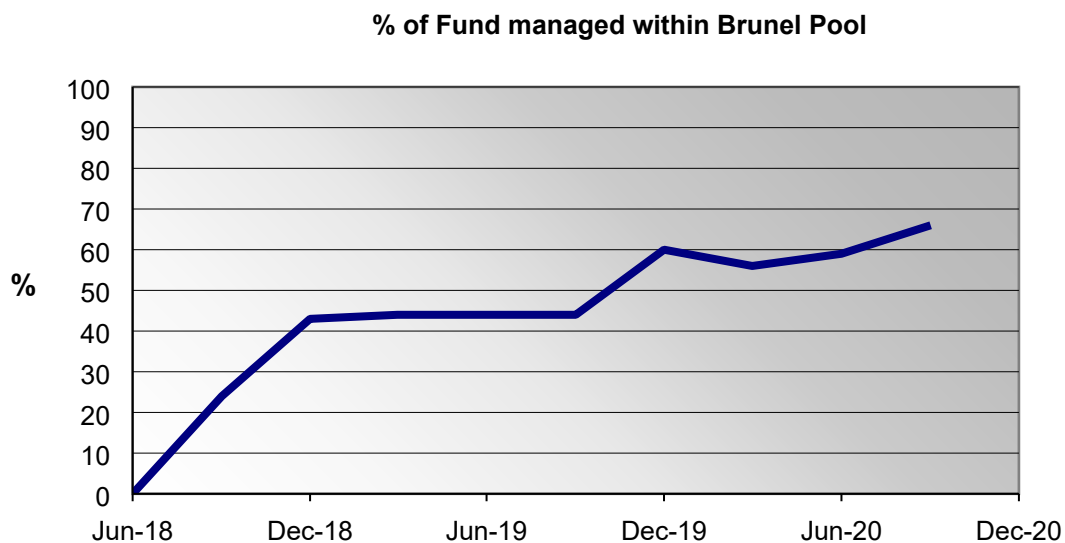
The change in the value of the investment fund over the last three years can be seen in the graph below.



15.9

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	1,361.5	59	1,549.7	66
Retained assets	951.2	41	809.8	34
Whole Fund	2,312.7	100	2,359.5	100



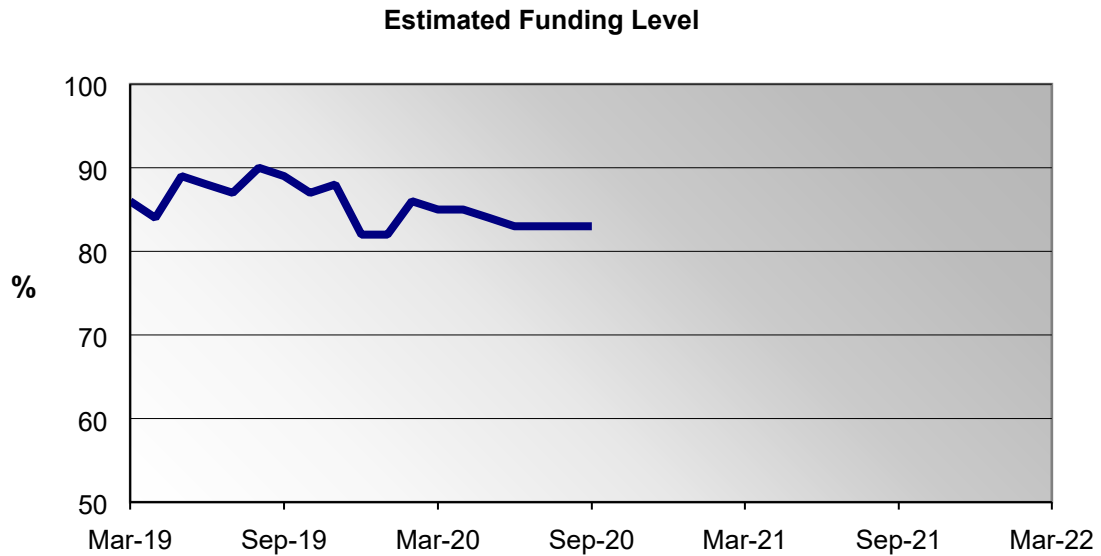
15.10

The Fund's Actuary, Barnett Waddingham, have provided the following update.

"The results of our assessment indicate that:

- The current projection of the smoothed funding level as at 30 September 2020 is 82.6% and the average required employer contribution would be 29.6% of payroll assuming the deficit is to be paid by 2039.
- This compares with the reported (smoothed) funding level of 85.7% and average required employer contribution of 24.3% of payroll at the 2019 funding valuation.

It should be borne in mind that the nature of the calculations is approximate and so the results are only indicative of the underlying position."



Review of Administration Performance

<i>Lead Officer:</i>	Jason Vaughan: Director of Finance
<i>Author:</i>	Dan Harris: Head of Peninsula Pensions
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<i>Executive Portfolio Holder:</i>	Not applicable
<i>Division and Local Member:</i>	Not applicable

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.
- 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 Total performance against internal targets for the quarter ending 30th September 2020 was 91% (compared with 87% for the previous quarter), despite the continued impact of COVID19. The team were also able to maintain performance for High Priority procedures at 96% (compared with 95% for the previous quarter).
- 3.2 Total performance against the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 for the quarter ending 30th

September 2020 was 93% (96% for High Priority procedures).

3.3 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 2020 and for the financial year to date against Peninsula Pensions' internal targets and against the Disclosure Regulations.

3.4 Appendix 2 of the report highlights the longer-term performance of Peninsula Pensions (Somerset Fund only) from 1st January 2019 to 30th September 2020.

4. Employer updates

4.1 New Admitted Bodies:

- Glenn Cleaning was awarded the cleaning contract for The Castle Partnership Trust with effect from 1st August 2020, under a closed agreement.

Academies:

- Isambard Kingdom Brunel Primary School joined The Castle Partnership Trust on 1st September 2020

5. Background Papers

5.1 None

Administration Performance – 1st April 2020 – 30th September 2020Performance Summary

	Total Cases	01/04/2020 – 30/09/2020		Q2 2020/21	
		Performance (Internal)	Performance (Disc Regs)	Performance (Internal)	Performance (Disc Regs)
High Priority Procedures	2,936	95%	96%	96%	96%
Medium Priority Procedures	6,899	87%	90%	90%	92%
Low Priority Procedures	1,373	88%	91%	88%	92%
TOTAL	11,208	89%	92%	91%	93%

High Priority Cases

	Total Cases	01/04/2020 – 30/09/2020		Q2 2020/21	
		Performance (Internal)	Performance (Disc Regs)	Performance (Internal)	Performance (Disc Regs)
Changes	469	99%	100%	100%	100%
Complaints (Member)	19	100%	100%	100%	100%
Complaints (Employer)	0	-	-	-	-
Deaths	353	93%	93%	97%	97%
Payroll	878	99%	99%	99%	99%
Refunds	184	99%	99%	100%	100%
Retirements (Active)	331	85%	86%	81%	81%
Retirements (Deferred)	702	92%	92%	95%	95%
TOTAL	2,936	95%	96%	96%	96%

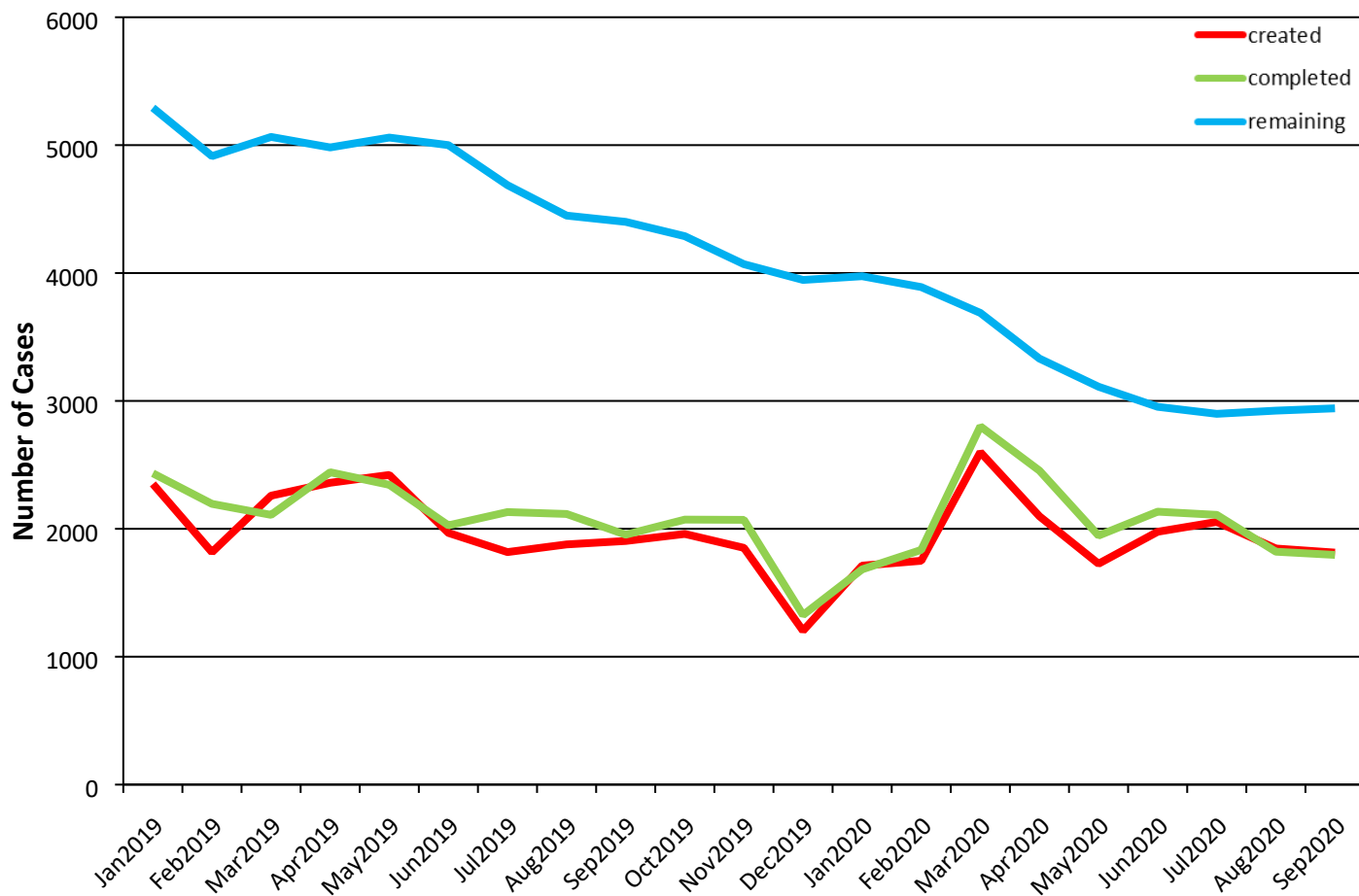
Medium Priority Cases

	Total Cases	01/04/2020 – 30/09/2020		Q2 2020/21	
		Performance (Internal)	Performance (Disc Regs)	Performance (Internal)	Performance (Disc Regs)
Amalgamations	1,033	81%	91%	89%	95%
Deferred Benefits	1,414	62%	65%	66%	67%
Divorce Calculations	86	83%	83%	100%	100%
Employer Queries	310	52%	82%	59%	83%
Estimates (Bulk)	0	-	-	-	-
Estimates (Employer)	22	100%	100%	100%	100%
Estimates (Member)	143	98%	98%	97%	97%
General	2,507	100%	100%	100%	100%
HMRC	19	89%	89%	94%	94%
Member Self-Service	1,365	100%	100%	100%	100%
TOTAL	6,899	87%	90%	90%	92%

Low Priority Cases

	Total Cases	01/04/2020 – 30/09/2020		Q2 2020/21	
		Performance (Internal)	Performance (Disc Regs)	Performance (Internal)	Performance (Disc Regs)
Estimates (Other)	77	99%	99%	96%	96%
GMP Queries	6	100%	100%	100%	100%
Interfund Transfers In	168	65%	80%	67%	81%
Interfund Transfers Out	195	71%	80%	64%	74%
Pension Top Ups	86	97%	97%	91%	91%
Frozen Refunds	568	97%	97%	98%	98%
New Starters	0	-	-	-	-
Pension Transfers In	101	97%	97%	96%	96%
Pension Transfers Out	172	86%	86%	97%	97%
TOTAL	1,373	88%	91%	88%	92%

Administration Performance (1st Jan 2019 – 30th September 2020)



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Business Plan Update

Lead Officer: Jason Vaughan: 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 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. It should be noted all dates are provisional.

4. Progress since last report

- 4.1 Work on the LGPS pooling work within the Brunel Pension Partnership continues. There is currently a strong focus around the governance review. As reported elsewhere the Small Cap transition was completed in September and the transition of property assets is currently underway.
- 4.2 Officers continue to monitor legal and regulatory developments in relation to McCloud and Goodwin. The government have laid regulations with respect to the £95k exit cap for staff.
- 4.3 A wider review of Committee's skills and Knowledge and the structure of Committee meetings is due. We will need to consider how feasible this would be done remotely.
- 4.4 The annual report has not yet been published. No amendments have been made to the version approved by the Committee at the September meeting, but we are still awaiting final audit opinions from Grant Thornton. They have indicated they will not issue their opinions until work on Somerset County Council's audit is complete. The Pension Fund work is complete. We have missed the 1st December publication date required in the regulations as we have the majority of LGPS funds.
- 4.5 Preparation work for the re-tender of the actuary contract is underway. The current contract with Barnett Waddingham expires on 31 March 2021.

5. Consultations undertaken

None

6. Financial Implications

None

7. Background Papers

None

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

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
Page 49 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 2021		Delayed to allow for further progress on pooling and possible regulatory change. Anticipated for Summer 2021
Fund Governance	Review of CIPFA knowledge and skills framework for members	Medium	By end of 2021		
Fund Governance	Review of risk register	Medium	Early 2021		
Fund Governance	Review of investment strategy and allocations to Brunel Portfolios	Medium	Spring 2021		Delayed due to transition being extended as a result of the COVID-19 crisis
Fund Governance	Review of ESG investment	High	Spring 2021		Delayed due to transition being extended as a result of the COVID-19 crisis

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SOMERSET COUNTY COUNCIL PENSION FUND

PENSIONS COMMITTEE

MEETING WORKPLAN 2021

Date	Proposed Items of Business	Lead Officer
<p>January 2021 TBC</p>	<p><u>Informal/Training Session</u></p> <ul style="list-style-type: none"> - Risk - Knowledge & Skills <p>This event may be postponed or cancelled depending on the Government Covid warning level at the time.</p>	
<p>12-Mar-21</p>	<p>FORMAL MEETING</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 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. Finance and Membership Statistics Update Report to provide an update of the Fund's position for the quarter period to 31 December 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. Review of Committee Knowledge & Skills To agree a framework for assessing Committees Knowledge and Skills and a training programme</p> <p>11. Resources review, Financial target setting and committee objectives setting To conduct a review of the resources available to the fund and to adopt a financial forecast, committee performance objectives for the 2020-2021 financial year and review the overall performance target for 2020 to 2023.</p> <p>12. Review of cash management arrangements To review the management arrangements for the cash resources held by the fund.</p>	<p>AS</p> <p>AS</p> <p>DH</p> <p>AS</p> <p>AS</p> <p>AS</p> <p>AS</p> <p>AS/SM</p> <p>AS</p>

SOMERSET COUNTY COUNCIL PENSION FUND

PENSIONS COMMITTEE

MEETING WORKPLAN 2021

Date	Proposed Items of Business	Lead Officer
11-Jun-21	<p>FORMAL MEETING</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 2021.</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. Finance and Membership Statistics Update Report to provide an update of the Fund's position for the quarter period to 31 March 2021.</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. Fund Policies To review and where necessary update the fund's policies and documents.</p> <p>9. Review of Investment Strategy To review the Brunel portfolios that the Fund invests in and whether they remain the preferred mix going forward.</p> <p>10. Review of Ethical, Social and Governance Investment Policy To review the Fund's policy on ESG.</p>	<p align="center">AS</p> <p align="center">AS</p> <p align="center">DH</p> <p align="center">AS</p> <p align="center">AS</p> <p align="center">AS</p> <p align="center">AS</p> <p align="center">AS</p>

SOMERSET COUNTY COUNCIL PENSION FUND

PENSIONS COMMITTEE

MEETING WORKPLAN 2021

Date	Proposed Items of Business	Lead Officer
17-Sep-20	<p>FORMAL MEETING</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 2021.</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. Finance and Membership Statistics Update Report to provide an update of the Fund's position for the quarter period to 30 June 2021.</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 2020/2021 To consider the accounts and investment performance for the year to 31 March 2021.</p>	<p align="center">AS</p> <p align="center">AS</p> <p align="center">DH</p> <p align="center">AS</p> <p align="center">AS</p> <p align="center">AS</p> <p align="center">AS</p>
Autumn 2021 TBC	<p><u>ANNUAL EMPLOYERS MEETING</u></p> <p>Annual Employers' Meeting of the Pension Fund This event may be postponed or cancelled depending on the Government Covid warning level at the time.</p>	

SOMERSET COUNTY COUNCIL PENSION FUND

PENSIONS COMMITTEE

MEETING WORKPLAN 2021

Date	Proposed Items of Business	Lead Officer
17-Dec-20	<p>FORMAL MEETING</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 2021.</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. Finance and Membership Statistics Update Report to provide an update of the Fund's position for the quarter period to 31 December 2021.</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 align="center">AS</p> <p align="center">AS</p> <p align="center">DH</p> <p align="center">AS</p> <p align="center">AS</p> <p align="center">AS</p>

Finance and Membership Statistics Update

<i>Lead Officer:</i>	Jason Vaughan: 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's year to date financial position at 30 September 2020 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. Financial position

- 3.1 The outturn position for the 2nd quarter of the financial year to 31st March 2021 against the original forecast 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	34.8
In-House	US equity	0.0
M-BA	Pacific equity	0.0
ASI	Bonds	412.6

Manager	Asset Class	Purchases		Sales		Total £
		Commission £	Expenses £	Commission £	Expenses £	
In-House	Global equity	910	1,395	879	198	3,382
In-House	US equity	0	0	0	0	0
M-BA	Pacific equity	2,932	569	21,563	24,607	49,670
ASI	Bonds	0	0	0	0	0
Total		3,842	1,964	22,442	24,805	53,052

Total Transaction Costs

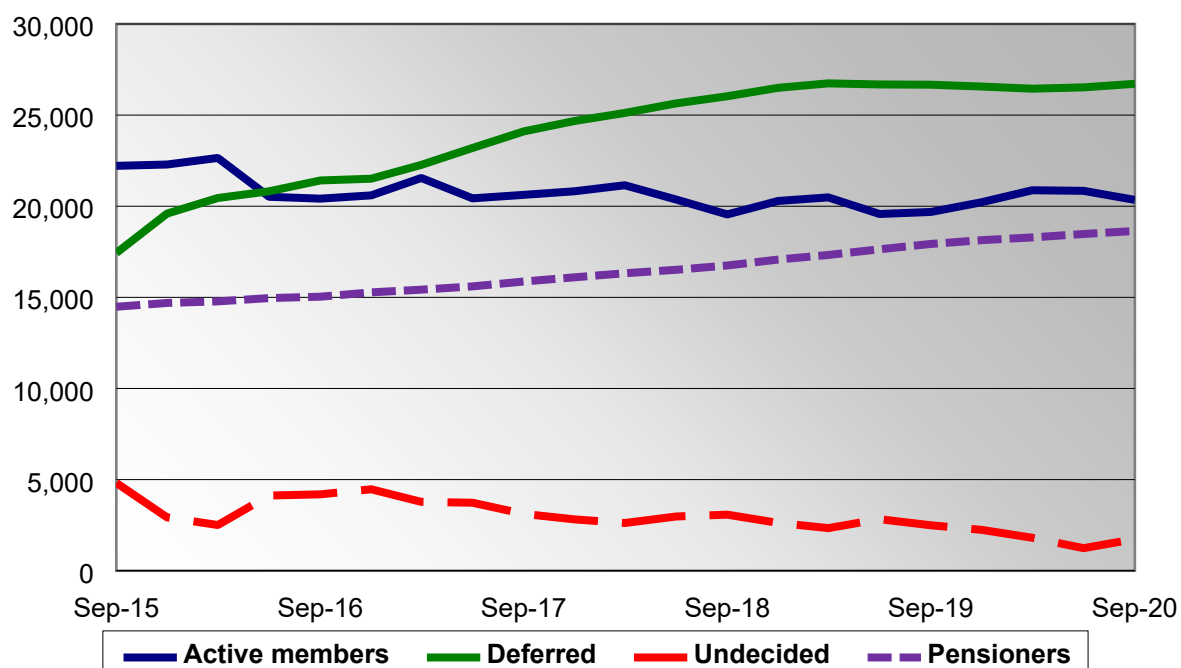


5. Membership Statistics

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

	30 June	30 Sept	Change
Active members	20,844	20,348	-496
Deferred	26,522	26,717	+195
Undecided	1,238	1,734	+496
Pensioners	18,477	18,642	+165
Total	67,081	67,441	+360

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

2020 - 2021

	2019-2020 Full Year	April 2020 - September 2020			2020-2021 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	103.318	51.000	47.237	-3.763	102.000	102.000	0.000
Recoveries from employers	3.301	1.000	0.486	-0.514	2.100	2.100	0.000
Transfer values received	16.017	2.400	3.673	1.273	4.500	4.500	0.000
	122.636	54.400	51.396	-3.004	108.600	108.600	0.000
Less benefits and other payments							
Recurring pensions	-81.657	-42.000	-41.767	0.233	-85.000	-85.000	0.000
Lump sum on retirement	-15.654	-9.000	-5.572	3.428	-18.000	-18.000	0.000
Lump sum on death	-2.515	-1.200	-1.271	-0.071	-2.500	-2.500	0.000
Transfer values paid	-11.386	-4.000	-13.423	-9.423	-15.000	-17.000	-2.000
Contribution refunds	-0.304	-0.200	-0.131	0.069	-0.400	-0.400	0.000
	-111.516	-56.400	-62.164	-5.764	-120.900	-122.900	-2.000
Contributions after payments	11.120	-2.000	-10.768	-8.768	-12.300	-14.300	-2.000
Management Expenses							
Administrative expenses	-1.285	-0.500	-0.512	-0.012	-1.300	-1.300	0.000
Investment management expenses	-6.228	-2.000	-1.423	0.577	-5.700	-5.700	0.000
Oversight and governance expenses	-0.662	-0.200	-0.103	0.097	-0.750	-0.750	0.000
	-8.175	-2.700	-2.038	0.662	-7.750	-7.750	0.000
Investment Income							
Investment income	33.203	11.500	9.584	-1.916	12.000	16.000	4.000
Net Increase / Decrease (-) in fund	36.148	6.800	-3.222	-10.022	-8.050	-6.050	2.000

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Review of Pension Fund Risk Register

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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 2020.

3. Changes since last meeting

- 3.1 At the September 2020 Committee meeting there was a discussion regarding the intrinsic incompatibility of target scores with no mitigation to facilitate moving to that score. Officers have considered this and adjusted the target scores for PF5 and PF6 to reflect this reality. It is anticipated the Risk register will be reviewed in full at a informal Committee meeting in January and it is anticipated more changes will result from this.
- 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 2020

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 63	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 19 years The current risk score partly reflects that the fund was 86% 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 - 2022		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		Review of guarantee bonds currently underway, September 2020
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

Somerset County Council Pension Fund Risk Register - December 2020

1. Risk Ref No: 2. Senior Risk Owner:	Description of Risk	Control measures already in place	Current Risk Score (with known controls in place)		Combined score	Additional mitigating actions/control measures planned to achieve target score	Target Risk score		combined score	Additional Control measure owner	Target Date	commentary following review, inc. date	Additional Information and explanation
			L	I			L	I					
1. PF5 2. SCC Section 151 Officer	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	4	8		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 Page 64	Risk of Regulatory change: - Implementation of change risks - Consequences of change risks	Continuous engagement with MHCLG and other interested stakeholders	4	4	16		4	3	12		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.
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		Current score is influenced by the collective experience and consistency of the Pensions Committee, which has had a number of changes relatively recently

Somerset County Council Pension Fund Risk Register - December 2020

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. 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	Peninsula Pensions have assessed that relevant administrators and service providers have measures in place to avoid cyber security breaches and have adequate back up and business continuity plans.	3	4	12		2	4	8		on-going with quarterly review		Added December 2019
1. PF12 2. SCC Section 151 Officer	Impact of COVID-19 crisis	Staff of Peninsula Pensions and SCC finance are working remotely without significant impact on performance. There are possible knock on consequences for PF2, PF3 and PF4 above.	3	2	6		3	2	6		on-going with quarterly review		Added as per Committee request at June 2020 meeting.

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