

Pensions Committee

Friday 16 December 2022

10.00 am Luttrell Room - County Hall,
Taunton



To: The Members of the Pensions Committee

Cllr S Coles (Chair), Cllr H Farbahi, Cllr J Cook-Woodman, Cllr P Seib, Sarah Payne, Paul Butler, Cllr Ross Henley and Sarah Williams

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 - 8 December 2022

For further information about the meeting, please contact Neil Milne on 01823 357628 or neil.milne@somerset.gov.uk or Sarah Wright on 01823 357628 or sarah.wright@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 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 - 10.00 am Friday 16 December 2022

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

1 Apologies for absence

To receive 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 on 16 September 2022 (Pages 7 - 14)

The Committee is asked to confirm the minutes are accurate.

4 Public Question Time

The Chair 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 Somerset Unitary

To receive a verbal update on implications of the Unitary process on the pension fund from the Funds & Investments Manager.

6 Independent Investment Advisor's Report

To receive a verbal update on developments in financial markets.

7 Review of Investment Performance (Pages 15 - 42)

To consider this report from the Funds & Investments Manager.

8 Review of Administration Performance (Pages 43 - 50)

To consider this report from the Head of Peninsula Pensions.

Item Pensions Committee - 10.00 am Friday 16 December 2022

9 **Business Plan Update** (Pages 51 - 58)

To consider this report from the Funds & Investments Manager.

10 **Finance and Membership Statistics Update** (Pages 59 - 62)

To consider this report from the Funds & Investments Manager.

11 **Review of Pension Fund Risk Register** (Pages 63 - 68)

To consider this report from the Funds & Investments Manager.

12 **Preliminary Results of the 2022 Actuarial Valuation**

To receive a presentation from Barnett Waddingham, the Fund's appointed actuary.

13 **Knowledge and Skills**

To receive a verbal update on plans for undertaking an assessment of the Committee and Board's knowledge and skills.

14 **Any other urgent items of business**

The Chair 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 – Peter Stiles on Tel (01823) 357628; Fax (01823) 355529 or Email: pstiles@somerset.gov.uk or Michael Bryant on 01283 359048 or mbryant@somerset.gov.uk

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

2. Members' Code of Conduct requirements

When considering the declaration of interests and their actions as a councillor, Members are reminded of the requirements of the Members' Code of Conduct and the underpinning Principles of Public Life: Honesty; Integrity; Selflessness; Objectivity; Accountability; Openness; Leadership. The Code of Conduct can be viewed at:

<http://www.somerset.gov.uk/organisation/key-documents/the-councils-constitution/>

3. Minutes of the Meeting

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

4. Public Question Time

If you wish to speak, please tell Peter Stiles, the Committee's Administrator, by 5.00pm three clear working days before the meeting.

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 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 Chair. You may not take 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, 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. 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 the Pensions Committee meeting held on Friday 16 September 2022 at 10.00am in County Hall, Taunton.

Committee Members Present: Cllr S Coles (Chair), Cllr J Cook-Woodman, Cllr P Seib, Mr P Butler, Ms S Williams.

Committee Members attending virtually: Ms S Payne,

Others in Attendance: Mr A Sweet, Ms C Burton, Mr A White, Rod Bryant, Cllr A Kendall, Mr S Morton (online) Ms A Hills (online), Cllr L Leyshon (online), Cllr M Dunk (online), Cllr A Sully (online), Cllr P Clayton (online), Ms R Ellins online), Mr N Behan (online).

The meeting was delayed by 15 minutes to ensure the meeting was quorate.

All present were invited to stand to observe a minute's silence following the death of the Queen Elizabeth II.

1 **Apologies for Absence**

Apologies were received Cllr R Henley, Cllr Farbahi.

2 **Declarations of Interest -**

No new Declarations of Interest were reported.

3 **Minutes of the Previous Meeting -**

The Committee agreed and the Chair signed the minutes of the meeting held on 1 July 2022 as an accurate record.

4 **Public Question Time**

The Chair welcomed Mr Sigurd Reimers and invited him to read a statement and put questions to the Committee. The Chair then asked Mr Reimers, as a regular speaker at meetings of the Committee, whether he would welcome a meeting with Service Manager – Funds and Investments, Anton Sweet. Mr Reimers replied that this had already been offered and whilst grateful, he was interested in the view of the Committee as a whole, rather than that of a single advisor.

The Chair invited the Officer to respond. On behalf of the Committee, the Officer stated that he would, as usual, email a reply to the question posed and continued to explain that Brunel Pension Partnership and the 10 client/owner funds are closely monitored as constituent parts of the portfolios Brunel manage including performance and performance objectives, progress towards net zero and measuring the level of impact on transitioning the global economy to net zero.

Mr Reimers asked the Chair for a response to his question about the views of the Committee. The Chair replied that his view had not changed since the last meeting in that as an island nation, due regard should be given to environmental considerations and that if suitable schemes for investment exist, these should be considered as part of the overall investment strategy. Mr Reimers stated that he was gratified by that response and urged the Committee to identify with the urgency for change.

5 **Local Government Reorganisation Update**

The Funds and Investments Manager reported that there was no further update; that this item will remain as a standing item until April 2023 to allow members to ask additional questions; and that a paper will be presented to the Constitution and Governance Committee later in Autumn 2022 regarding changes to the Terms of Reference for both this Committee and the Executive Committee.

The Chair invited questions. No questions were raised, and the Committee noted the verbal update.

6 **LGPS Pooling of Investments**

The Funds and Investments Manager presented the report, noting that it is a standing item on the agenda and that in future this item will be merged into the General Investment Performance Report when the transition is complete.

The Chair invited questions. A member asked about the net cost of the transactions to move funds into a single fund and it was explained that this was outlined in the annual report and the cost of transitioning assets was £6m.

7 **Independent Investment Advisor's Report**

The Independent Investment Adviser – Caroline Burton, gave a verbal update. It was reported that Carbon intensity in the portfolio may increase in the short-term as putting in place low carbon infrastructure is often quite carbon intensive. Globally, with the exception of Japan, central banks are making monetary policies more restrictive to tackle inflation. Governments are mostly being fiscally loose, and many are talking about further loosening. Whereas such fiscal stimulus is usually inflationary, it is uncertain what the effect of these two competing elements will now be. The post-covid loss from the workforce particularly of employees in their 50s who have actively decided to stop working, is leading to workforce shortages particularly in service industries. It is uncertain if this is a temporary or more permanent change. With a falling birth rate in many countries, it is uncertain where future workforces will come from. Recent performance from portfolios has been influenced by the decision to reduce investment in the

energy sector. Moving forward, equities will need to withstand high inflation. Property investments will need to be carefully selected with city offices expected to fare well in comparison to secondary, smaller offices. Industrial property is likely to decline with an excess of warehousing space available, Amazon, for example, have indicated they have a surplus of space. There is a need for Brunel to be very selective and patient before signs of improvement.

It was asked how long the period of downturn would last and in response Members heard it remained unclear but it was stressed that investment decisions should be made with a longer term view. There were no further questions.

The Chair summarized that the situation remained very fluid and uncertain, and that poor results in October were likely. The Chair thanked the Advisor and her colleagues. The Committee accepted the verbal update.

8 **Review of Investment Performance**

The Funds and Investments Manager presented the report and highlighted the following:

- Whole fund return for quarter to June was -6.8%, a significant reduction which included the period where markets were adjusting to impacts of the Russian invasion of Ukraine.
- The return matched benchmarking, which was also the quarter when changes, agreed by this Committee, were made to the investment strategy which have broadly had no noticeable effect on performance.
- First half of calendar year 2022 were negative as are one year returns. Longer term returns are reasonable and positive.

A Member asked if there was a known underlying reason for the negative returns and it was explained that there were always a number of factors affecting performance against benchmark such as where asset allocation between the various asset classes differs for the benchmark weight and the performance of fund managers. During the six months in question, most of the underperformance does relate to being underweight energy companies.

The Chair summarized the discussion:

- the need for a long-term strategy and communication with fund managers.
- the current unique global situation and the impact of this on market; and
- inclusion of 10- and 20-year figures.

The Committee accepted the report.

9 **Review of Administration Performance-**

The Head of Peninsula Pensions - Rachel Lamb was invited to introduce her report and she noted that suggestions from Members on the reporting format would be welcomed.

The following points were highlighted from the Review of Administration Performance:

- Performance is measured in two ways, firstly by internal targets with the aim to complete 90% of work in 10 working days, and secondly against statutory targets for occupational and personal pensions.
- Summary of quarterly statistics from April to June 2022 shows 87% achieved on target and 96% in high priority areas which include survivors' pensions following a death and payout on retirement.
- Between January 2020 and the end of June 2022, there was a peak in contacts in March 2022 due to a push for access via online self-service.
- No new admitted bodies and no new academies.

A Member asked about the dip in performance shown around medium priority procedures and around the deferred benefit calculations in particular, with regard to employees considering options in relation to LGR. The Officer replied that amalgamation of records, deferred benefit calculations and employer queries were all affected, and plans are in place to address these. Employer queries impact on performance when correct information is not received promptly so employers are informed of the impact this has on members. A project team work specifically on deferred benefit calculations and amalgamations to ensure members receive information within the required time limits ahead of the pension dashboard launch in October.

A Member asked if a surge of enquiries is expected leading into LGR and if any provision is being made for that and it was noted that the Project and Support Team would assist in peak times as well as additional resourcing that will be considered as necessary. It was asked if trend data on performance for high and medium priority cases could be included and it was agreed to bring this to the next meeting. It was asked about capacity of the team to meet workload and whether this could be tracked. The Officer agreed to include this in future to show improvement or otherwise.

More information was requested regarding communication with scheme members and it was stated that there were different timescales for different

requests, some due to complexity for example. A link would be circulated to show this information.

The Chair summarized the discussion:

- the need for a long-term strategy and communication with fund managers.
- the current unique global situation and the impact of this on market; and
- inclusion of 10- and 20-year figures.

The Committee accepted the report.

10 **Business Plan Update**

The Fund and Investment Manager was invited to present the report.

The following points were highlighted from the Business Plan Update report outlining the business that will be considered over the next 12 months.

- A considerable number of central government consultations were expected. The new Secretary of State and the new Minister for Local Government appointed by Liz Truss do have prior experience of the LGPS and this should help things not get delayed.
- Consultation on climate disclosures for LGPS was launched on 1 September which match the recommendations of the Task Force for Climate-related Financial Disclosure (TCFD). It is proposed that from 2023-24, an annual climate report for LGPS pension funds is produced, which Brunel are already producing the majority of the necessary data. It is proposed that there is also a requirement to state the degrees of warming that current investments are consistent with. Discussions with Brunel indicate this will not be 1.5%.
- Carbon Metrics report will follow from Brunel.
- A Member asked if the report includes carbon offset. The Officer was not clear but thought this would not be included but carbon production would be included.
- The Officer explained that sanctions associated with carbon intensity were likely to be implemented in the mid-term as directed by central government. The internal target of net zero by 2040 remains and is thought to be achievable and realistic. It was noted that this authority is committed to the ecological crisis regardless of government direction.
- Valuation work has continued, and fund results are expected in early October. The actuary will attend the December meeting.
- External audit work is largely complete with findings reported to the Audit Committee next week.
- A request has been received by the Pensions Board to review the Funds Communication Policy Statement. This was welcomed by the Chair,

-
The Committee noted the report. The Officer was thanked

11 **Finance and Membership Statistics Update**

The Fund and Investment Manager presented the report on the position of the Pension Fund's provisional end of quarter 1 financial position at 30 June 2022.

The following points were highlighted:

- It was better to reflect on long-term trends rather than quarterly changes.
- Number of pensioners gradually increasing the number of deferred and active members is broadly static.
- Month 3 not expected to vary from expected.
- Contributions is the main variance. It is expected this will rise subject to the pay award.
- September inflation figure of 9-10% will affect pension contributions from April 2023.
- A committee member asked if pension payments would rise by the same rate of inflation as the pension contributions. It was confirmed that this would be the case. State pensions may not receive the inflationary rise in the same way as the LGPS and other private pensions.
- A committee member raised concerns about the quarterly budget figure for management expenses and a high variance. The Officer explained that Devon CC invoice Somerset CC in arrears after the quarter end which accounts for this apparent overspend.
- There were no further questions.

The Committee accepted the report.

12 **Review of Pensions Fund Risk Register**

The Fund and Investment Manager presented the report to monitor risks contained on the risk register and approve any amendments.

The following points were highlighted:

- No major changes to the Risk Register.
- Register to be reviewed in early 2023 as two years since the last significant review in January 2021.

A committee member asked that if the council were to be subject to any energy restrictions such as rolling blackouts, what would the impact for business continuity be. It was stated that blackouts would likely be short and not impact our ability to meet our regulatory requirements. Employee output would be affected with power outage affecting Wi-Fi. It was

questioned whether the Business Continuity Plan could meet this need and if contingency plans are robust. It was suggested the committee seek assurances from directors that the pension system could survive power outages and the use of emergency generators at key sites like County Hall.

The Committee accepted the report.

13 **Pension Fund Annual Report 2021-22**

The Fund and Investment Manager presented the report to monitor risks contained on the risk register and approve any amendments.

The following points were highlighted:

- An annual report is a requirement of the LGPS regulations required by 1 December each year.
- Report contains policies and statements previously agreed by this committee.
- A committee member acknowledged a very comprehensive report with readily accessible information and queried the national and international listings and the difference in exposure to market factors. The Officer highlighted the broad nature of the fund which takes a holistic view of the world economy. Therefore, fluctuations in the domestic economy are diluted by international markets. There is a general acceptance of spreading risk.

The Committee voted to approve the Fund's Annual Report subject to the addition of the external Auditor's opinions. In the event of the external Auditor requiring changes to the accounts prior to their final opinion, it was further agreed that the Chair be given the ability to approve those amendments on behalf of the Committee.

14 **Knowledge and Skills**

The Fund and Investment Manager gave a verbal update on plans for undertaking an assessment of the Committee and Board's knowledge and skills.

- A skills assessment has been produced by an external consultant, Barnett Waddingham.
- Training will be targeted on any identified elements for Committee and Board Members.
- The assessment will be emailed to members ahead of the next Committee meeting and should take approx. 20-30 minutes to complete.
- Those results would then be considered collectively.

- All Members agreed to undertake the assessment

15 **Any Other Business of Urgency**

After ascertaining there were no other items of business, the Chair thanked all Officers for attending and presenting their reports and Committee Members for attending and asking questions and closed the meeting.

The meeting ended at 11.48am

END

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 2022 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 2022

1. Brunel - LGIM (Passive Global Equity)

1.1 The performance for the quarter to 30th September 2022 is summarised in the following table:

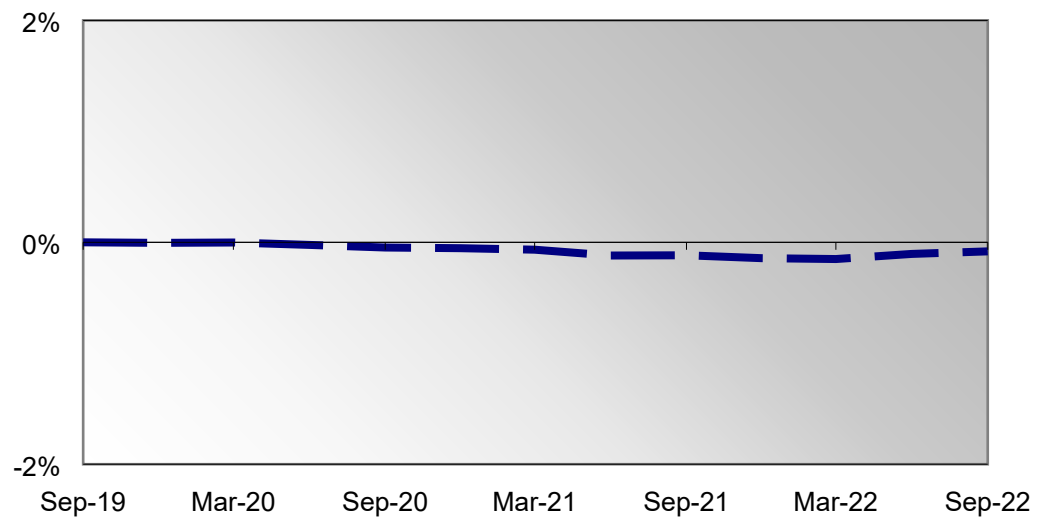
Quarter to 30 September 2022			
Value as at 30 Sept £m	Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
541.0	Global equities	1.6	1.5
			+0.1

1.2 During the quarter to 30th June 2022 passive equity was switched from the standard FTSE Developed Equity benchmark to the Paris aligned FTSE Carbon Transition Benchmark (CTB) in accordance with the new Investment Strategy Statement approved by the Committee at its March 2022 meeting.

1.3 The portfolio marginally outperformed the benchmark during the quarter. Absolute performance was positive.

1.3

Brunel (LGIM) performance Vs Benchmark



1.4

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	-3.3	-3.6	+0.3
3 year	8.2	8.1	+0.1
5 years	Initial investment in July 2018		

2. Brunel - (Global High Alpha Equity)

2.1 The performance for the quarter to 30th September 2022 is summarised in the following table:

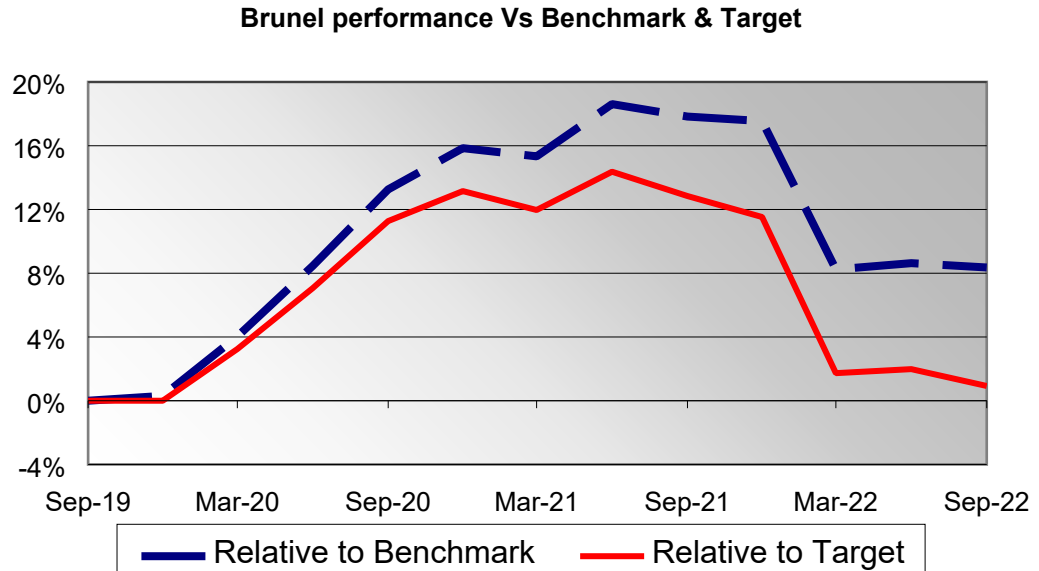
Quarter to 30 September 2022			
Value as at 30 Sept £m	Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
724.2 Global equities	1.8	2.2	-0.4

2.2 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.

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

2.4

The Brunel GHA portfolio's target is to outperform the benchmark by an annualised return of 2%-3% over continuous three to five-year periods after fees have been deducted. The graph below shows performance against 2%.



2.5

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	-8.6	-2.5	-6.1
3 years	Initial investment in November 2019		

3. Aberdeen Standard Investments (UK Equities)

3.1 The performance for the quarter to 30th September 2022 is summarised in the following table:

Quarter to 30 September 2022			
Value as at 30 Sept £m	Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
9.1 UK	-14.6	-3.5	-11.1

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 very poor quarter relative to their benchmark. Absolute returns were strongly negative. Smaller companies underperformed during the quarter, and the Aberdeen Standard fund underperformed the smaller companies' benchmark.

4. Brunel (UK Equities)

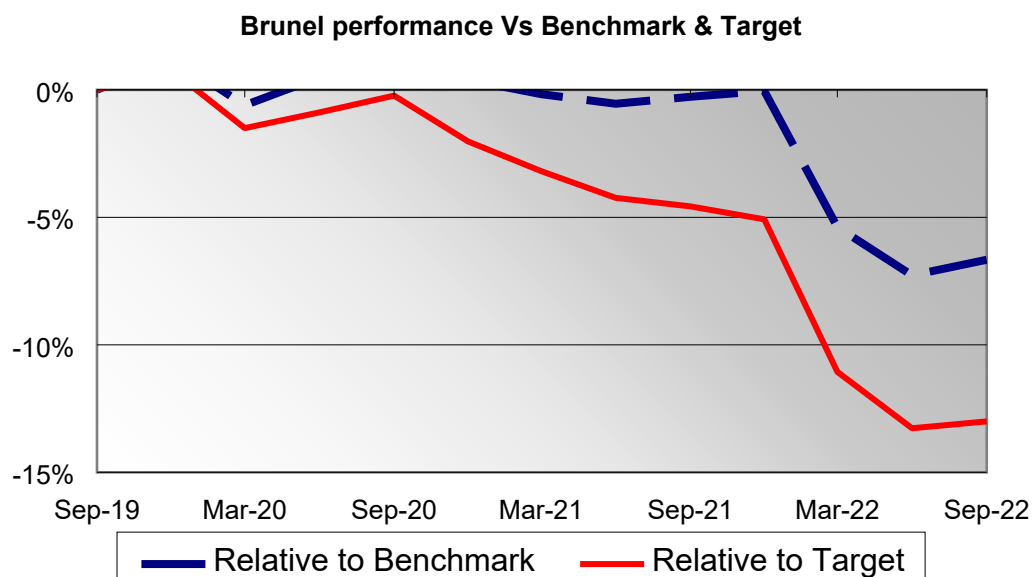
4.1 The performance for the quarter to 30th September 2022 is summarised in the following table:

Quarter to 30 September 2022			
Value as at 30 Sept £m	Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
283.1 UK	-3.4	-3.6	+0.2

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

4.3 The portfolio outperformed the benchmark during the quarter. Absolute performance was negative.

4.4 The Brunel UK portfolio's target is to outperform the benchmark by an annualised return of 2% over continuous three to five-year periods after fees have been deducted.



4.5 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	-9.0	-3.0	-6.0
3 years	-1.1	1.1	-2.2
5 years	Initial investment in November 2018		

5. Brunel (Global Smaller Companies Equity)

5.1 The performance for the quarter to 30th September 2022 is summarised in the following table:

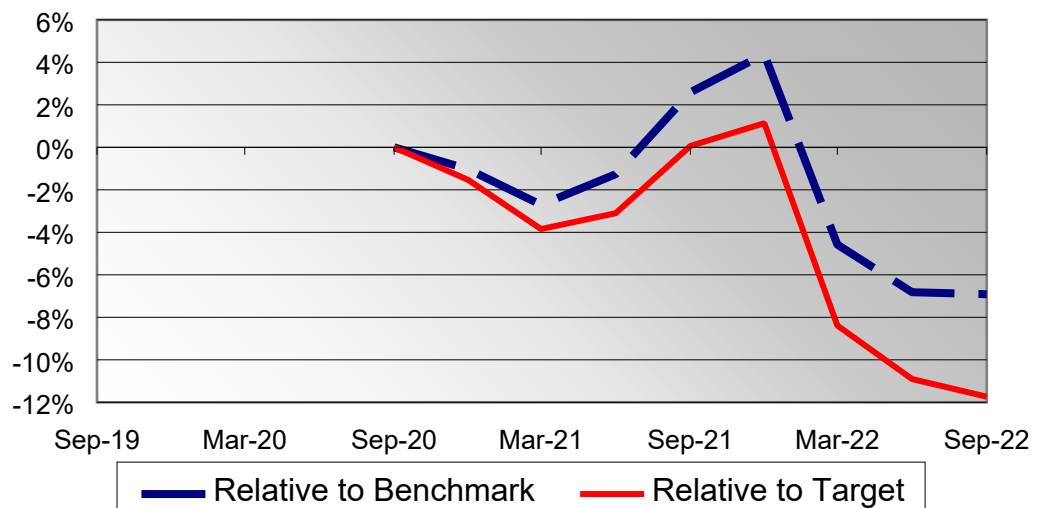
Quarter to 30 September 2022			
Value as at 30 Sept £m	Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
171.0	Smaller Companies	3.2	3.1
			+0.1

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

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

5.4 The Brunel Smaller Companies portfolio's target is to outperform the benchmark by an annualised return of 2% over continuous three to five-year periods after fees have been deducted.

Brunel performance Vs Benchmark & Target



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	-16.2	-9.4	-6.8
3 years	Initial investment in September 2020		

6. Brunel (Emerging Market Equity)

6.1 The performance for the quarter to 30th September 2022 is summarised in the following table:

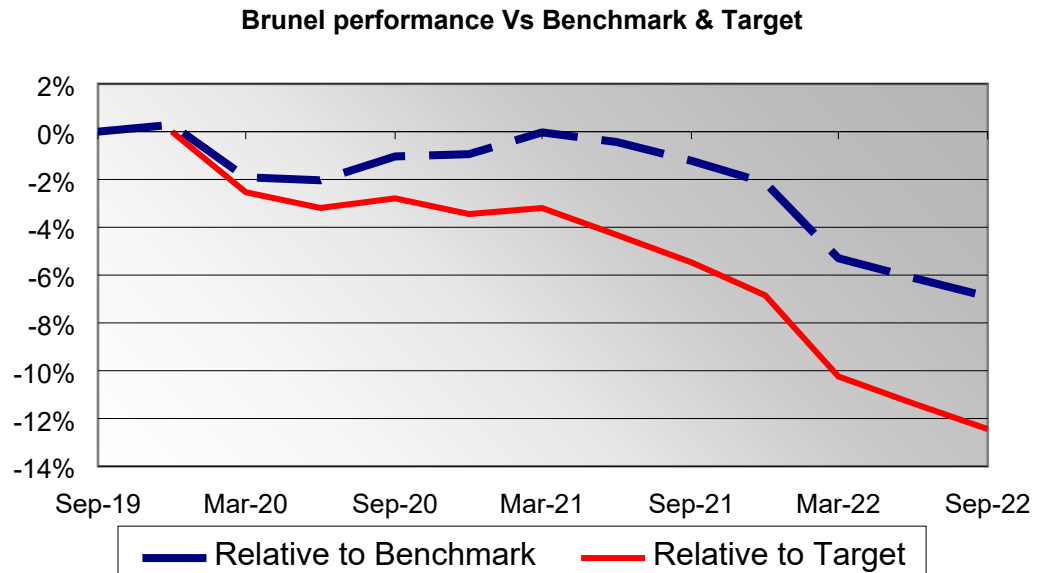
Quarter to 30 September 2022			
Value as at 30 Sept £m	Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
97.8 Emerging Market	-4.8	-3.8	-1.0

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

6.3 The Brunel portfolio underperformed during the quarter. Absolute performance was strongly negative.

6.4

The Brunel Emerging Market portfolio's target is to outperform the benchmark by an annualised return of 2%-3% over continuous three to five-year periods after fees have been deducted. The graph below shows performance against 2%.



6.5

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	-18.1	-13.2	-4.9
3 years	Initial investment in October 2019		

7. Brunel (Passive Gilts)

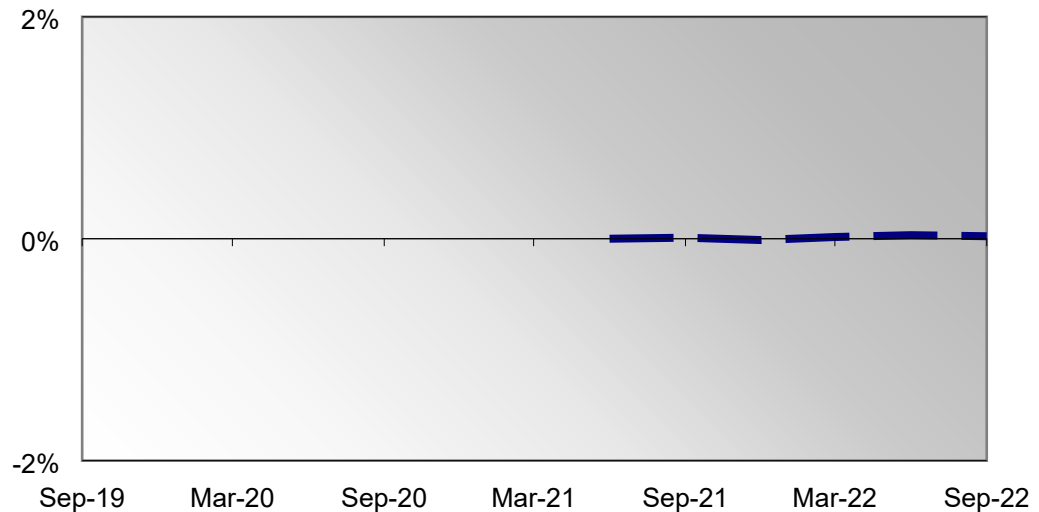
7.1 The performance for the quarter to 30th September 2022 is summarised in the following table:

Quarter to 30 September 2022			
Value as at 30 Sept £m	Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
43.4 UK Gilts	-18.8	-18.8	+0.0

7.2 The Blackrock managed passive UK Gilts Fund matched the performance of the benchmark for the quarter. Absolute performance was hugely negative.

7.3

Brunel (Blackrock) performance Vs Benchmark



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	-35.5	-35.5	+0.0
3 years	Initial investment in June 2021		

8. Brunel (Passive (index-Linked Gilts))

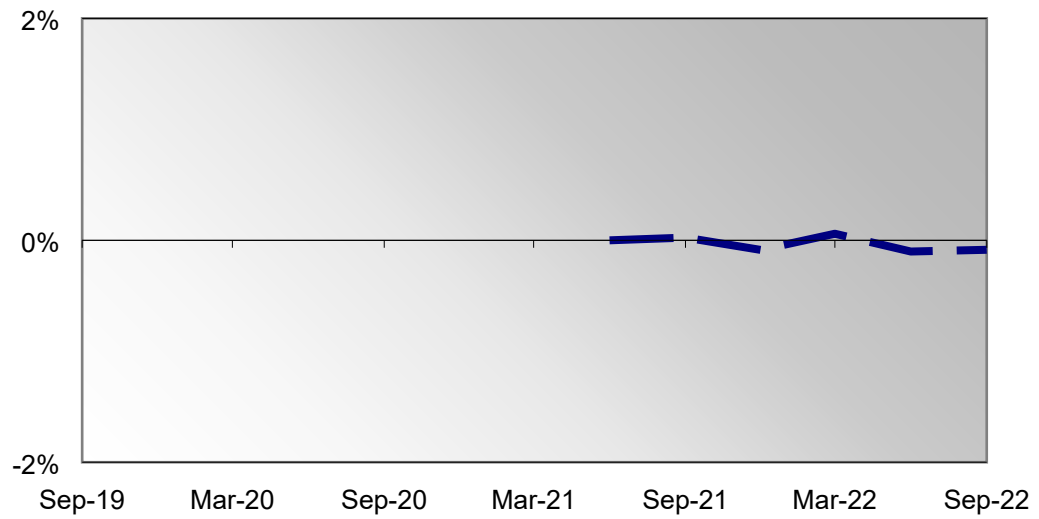
8.1 The performance for the quarter to 30th September 2022 is summarised in the following table:

Quarter to 30 September 2022				
Value as at 30 Sept £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
57.9	UK Index-Linked Gilts	-10.6	-10.6	+0.0

8.2 The Blackrock managed passive UK Index-Linked Gilts Fund matched the benchmark for the quarter. Absolute performance was strongly negative.

8.3

Brunel (Blackrock) performance Vs Benchmark



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	-29.4	-29.3	-0.1
3 years	Initial investment in June 2021		

9. Brunel (Sterling Corporate Bonds)

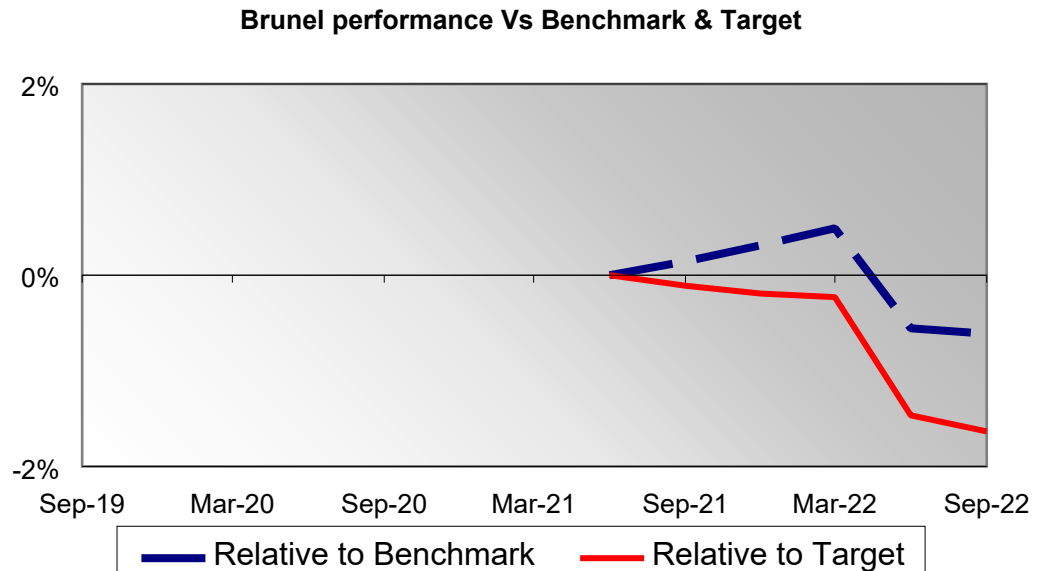
9.1 The performance for the quarter to 30th September 2022 is summarised in the following table:

Quarter to 30 September 2022			
Value as at 30 Sept £m	Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
161.3	£ Corporate Bonds	-11.1	-10.9
			-0.2

9.2 The Brunel Sterling Corporate Bond portfolio is managed by Royal London Asset Management.

9.3 The portfolio underperformed the benchmark during the quarter. Absolute performance was strongly negative.

9.4 The Brunel Sterling Corporate Bond portfolio's target is to outperform the benchmark by an annualised return of 1% over continuous three to five-year periods after fees have been deducted.



9.5 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	-22.5	-21.8	-0.7
3 years	Initial investment in July 2021		

10. Brunel (Multi Asset Credit)

10.1 The performance for the quarter to 30th September 2022 is summarised in the following table:

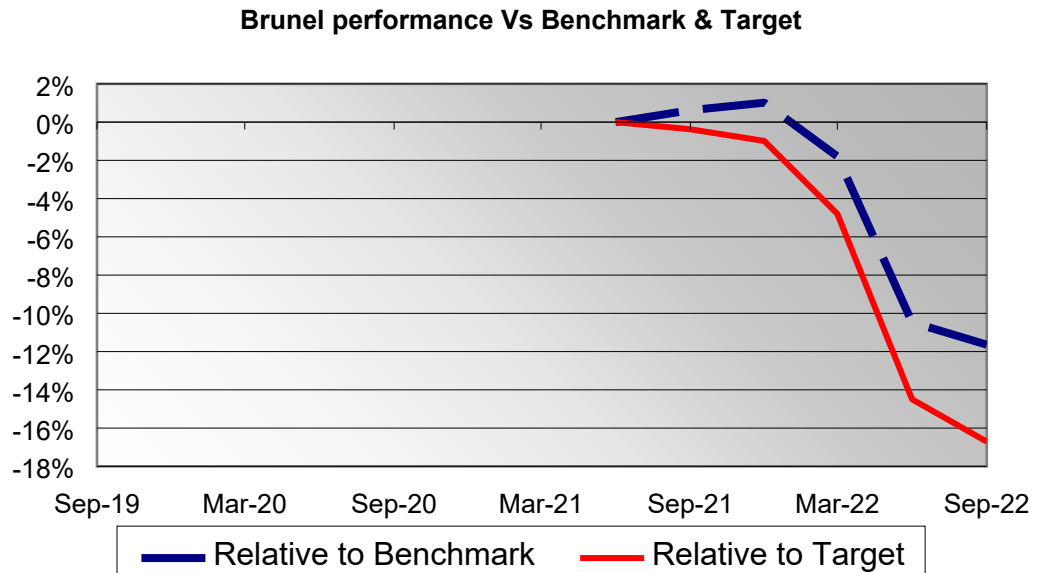
Quarter to 30 September 2022			
Value as at 30 Sept £m	Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
70.4 Multi Asset Credit	-0.9	0.4	-1.3

10.2 The Brunel Sterling Corporate Bond portfolio is managed by a combination of CQS, Neuberger Berman and Oaktree.

10.3 The portfolio underperformed the benchmark during the quarter. Absolute performance was negative.

10.4

The Brunel Multi Asset Credit portfolio's target is to outperform the benchmark by an annualised return of 4% to 5% over continuous three to five-year periods after fees have been deducted. The graph below shows performance against 4%.



10.5

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	-11.5	0.7	-12.2
3 years	Initial investment in June 2021		

11. LaSalle/Brunel (Property Fund of Funds)

11.1 The performance for the quarter to 30th September 2022 is summarised in the following table:

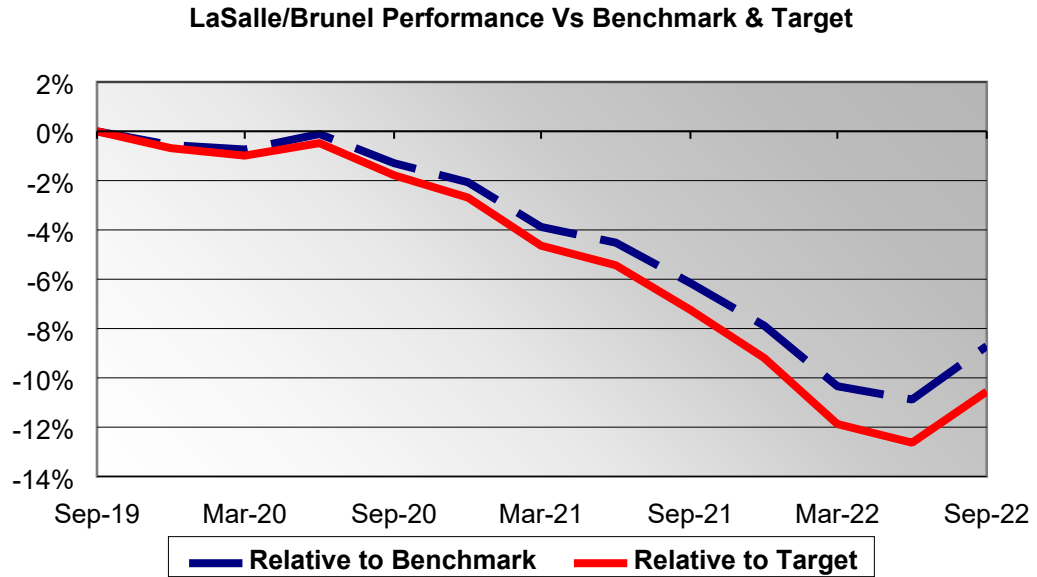
Quarter to 30 September 2022				
Value as at 30 Sept £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
238.1	UK Property	-2.6	-4.0	+1.4
12.6	Cash			
250.7	Total	-2.5	-4.0	+1.5

11.2 Management of the property portfolio moved from LaSalle to Brunel on 1st November 2020. Unlike other asset classes Brunel simply took over management with no underlying change in holdings. Going forward performance records will report the full history of this portfolio.

11.3 The portfolio outperformed the benchmark for the quarter. Absolute performance was negative.

11.4

Brunel’s target is to outperform the benchmark by an annualised return of 0.5% over continuous five to seven year periods after all fees have been deducted.



11.5

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	11.7	13.3	-1.6
3 years	5.1	7.6	-2.6
5 years	5.0	6.7	-1.7
10 years	6.3	8.1	-1.8

12. Neuberger Berman (Global Private Equity)

12.1 The performance for the quarter to 30th September 2022 is summarised in the following table:

Quarter to 30 September 2022			
Value as at 30 Sept £m	Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
92.3 Private Equity	30.6	0.4	+30.2

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 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.

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	41.9	-3.6	+45.5
3 years	27.1	8.1	+19.0
5 years	24.0	9.4	+14.6
10 years	20.1	12.5	+7.6

13. Brunel (Global private equity)

13.1 The performance for the quarter to 30th September 2022 is summarised in the following table:

Quarter to 30 September 2022			
Value as at 30 Sept £m	Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
15.4 Private Equity	-4.0	0.4	-4.4

13.2 Brunel have invested in a number of private equity funds on the Fund's behalf and just over 23.9% of our cycle 2 commitment has been drawn. The portfolio is still very immature but appears to be making good progress at generating positive returns.

13.3 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	25.4	-3.6	+29.0
3 years	Initial investment in December 2020		

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 2022 is summarised in the following table:

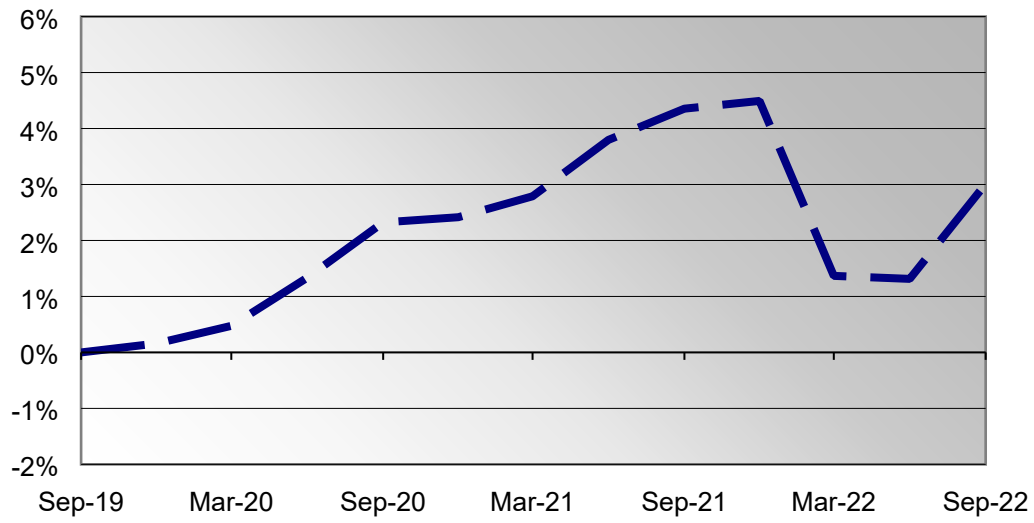
Quarter to 30 September 2022				
Value as at 30 Sept £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
541.0	Brunel (Passive GI Eq)	1.6	1.5	+0.1
724.2	Brunel (GHA Eq)	1.8	2.2	-0.4
9.1	ASI (UK Eq)	-14.6	-3.5	-11.1
283.1	Brunel (UK Eq)	-3.4	-3.6	+0.2
171.0	Brunel (Small Cap Eq)	3.2	3.1	+0.1
97.8	Brunel (EM Eq)	-4.8	-3.8	-1.0
43.4	Brunel (Passive Gilts)	-18.8	-18.8	+0.0
57.9	Brunel (Passive I-L)	-10.6	-10.6	+0.0
161.3	Brunel (£ Corporate)	-11.1	-10.9	-0.2
70.4	Brunel (MAC)	-0.9	0.4	-1.3
250.7	Brunel (Property)	-2.5	-4.0	+1.5
1.6	SWRVF	0.0	0.4	-0.4
92.3	Neuberger Berman	30.6	0.4	+30.2
15.4	Brunel (Private Eq)	-4.0	0.4	-4.4
0.8	Brunel (holding in Co)	0.0	0.0	+0.0
117.5	Cash	0.4	0.4	+0.0
2,637.5	Whole Fund	-0.5	-2.0	+1.5

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

15.3 Both asset allocation and fund manager performance was positive for the quarter.

15.4

Whole Fund Performance Vs Benchmark



15.5

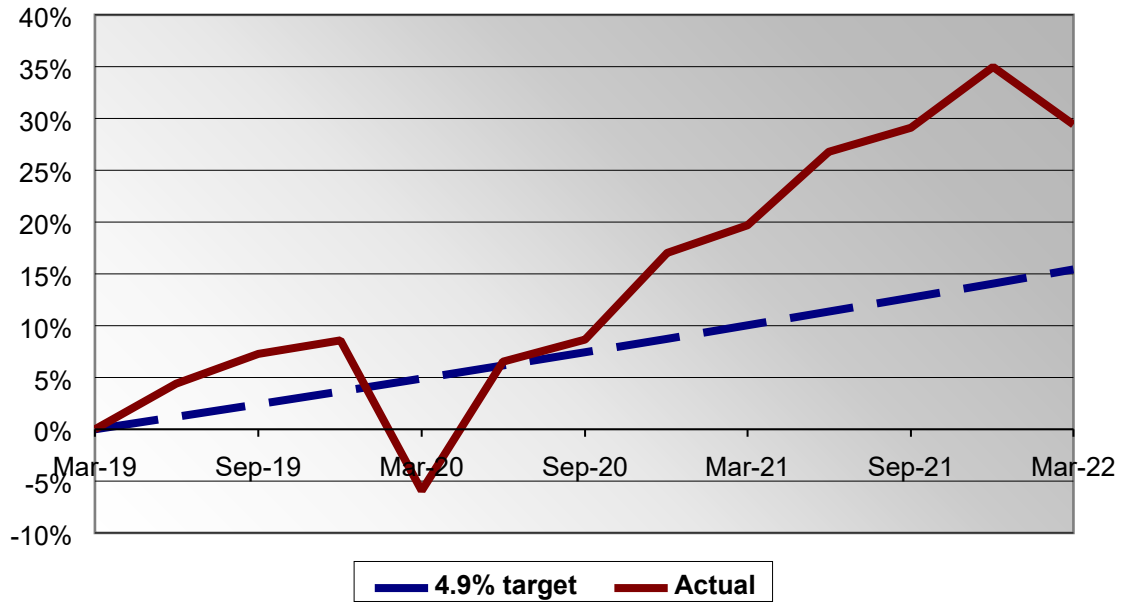
The table below shows annualised performance over a range of time periods:

	Fund % p.a.	Benchmark % p.a.	Relative to Benchmark % p.a.
1 year	-6.9	-6.0	-0.9
3 years	3.9	2.9	+1.0
5 years	5.0	4.6	+0.4
10 years	8.3	7.8	+0.4

15.6

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.

Performance of Fund Vs. 4.9% absolute return target



15.7 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
Brunel (Passive GI Eq)	532.7	20	541.0	21	20
Brunel (GHA Eq)	711.1	27	724.2	27	25
ASI (UK Eq)	10.7	0	9.1	0	0
Brunel (UK Eq)	292.6	11	283.1	11	10
Brunel (Small Cap Eq)	165.8	6	171.0	6	5
Brunel (EM Eq)	102.7	4	97.8	4	5
Brunel (Passive Gilts)	53.4	2	43.4	2	4
Brunel (Passive I-L)	64.7	2	57.9	2	4
Brunel (Corp bonds)	181.4	7	161.3	6	8
Brunel (MAC)	71.0	3	70.4	3	3
Brunel/LaSalle (Prop)	254.8	10	250.7	10	10
SWRVF	1.6	0	1.6	0	0
Neuberger Berman	72.5	3	92.3	3	0
Brunel (Private Eq)	14.6	1	15.4	1	5
Brunel (holding in Co)	0.8	0	0.8	0	0
Cash	114.3	4	117.5	4	1
Whole Fund	2,644.7	100	2,637.5	100	100

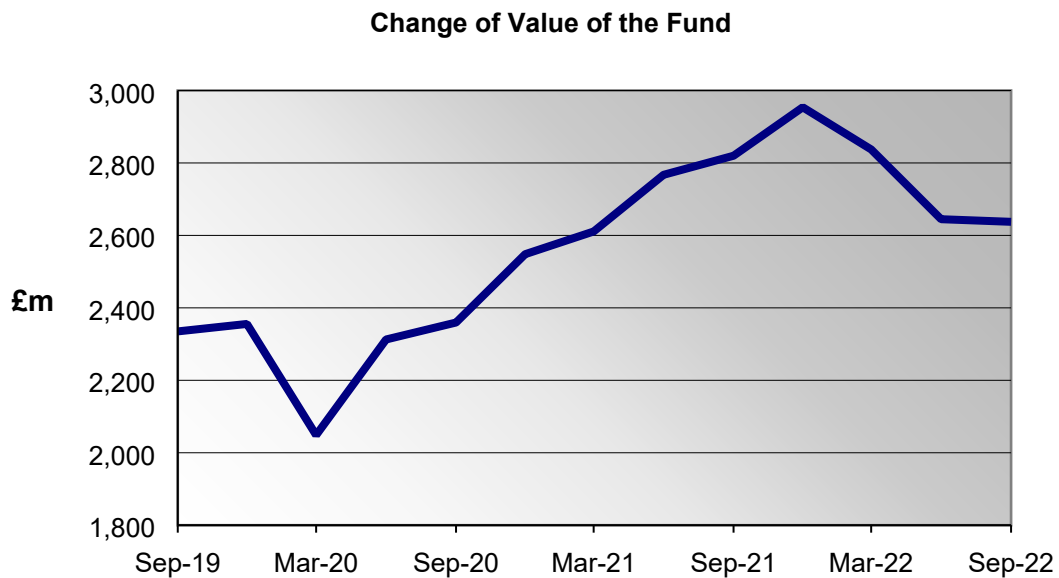
15.8

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

- £0.2m was withdrawn from the Brunel global high alpha equity portfolio. This represents surplus cash from the transitions undertaken in the previous quarter.
- £1.0m was added to the Brunel UK property fund to cover cash flow requirements.
- £1.8m was withdrawn from the Neuberger Berman's Private equity mandate as cash was returned to us by these funds.
- £1.4m was added to the Brunel private equity fund as the underlying investments continued to drawdown on commitments.

15.9

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



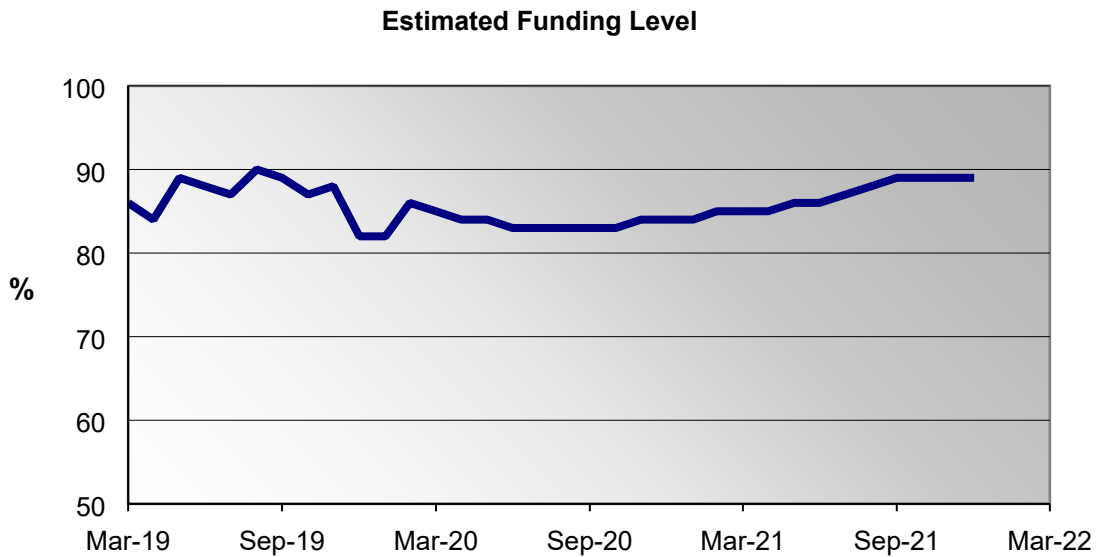
15.11

The Fund's Actuary, Barnett Waddingham, provided the following update to December 2021. We would not expect a further update until the valuation results are provided to committee in the autumn.

"The results of our assessment indicate that:

- The current projection of the smoothed funding level as at 31 December 2021 is 89.0% and the average required employer contribution would be 28.5% 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.

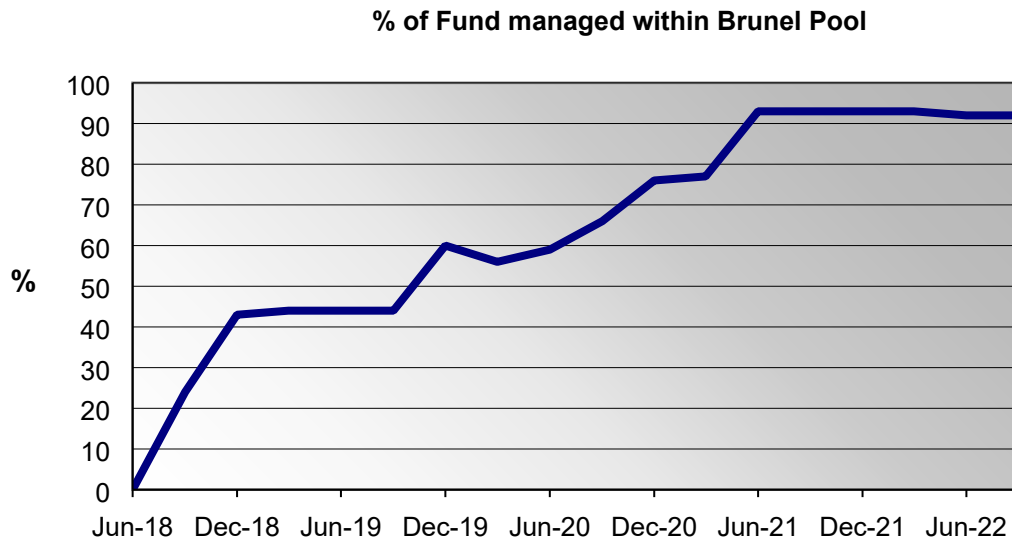
It should be borne in mind that the nature of the calculations is approximate and so the results are only indicative of the underlying position."



Pooling Update

- 16.1 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.
- 16.2 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).
- 16.3 Somerset largely completed its transition of assets to Brunel in summer 2021, with only some legacy private equity investments and cash not invested via the poll. 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	2,444.8	92	2,416.2	92
Retained assets	199.9	8	221.3	8
Whole Fund	2,644.7	100	2,637.5	100



Somerset County Council
Pensions Committee

Review of Administration Performance

Lead Officer: Jason Vaughan: Director of Finance
Author: Rachel Lamb: Head of Peninsula Pensions
Contact Details: (01392) 383000
Rachel.lamb@devon.gov.uk
Executive Portfolio Holder: Not applicable
Division and Local Member: Not applicable

1. Background

- 1.1 Peninsula Pensions monitors performance against the [Occupational and Personal Pension Schemes \(Disclosure of Information\) Regulations 2013](#), which set out the statutory requirements regarding the disclosure of pension information.

Peninsula Pensions' will be reviewing the [Pension Administration Strategy](#) and targets included within it in the new 2023 year, which includes the internal target for Peninsula Pensions and expected performance requirements from individual Fund employers. The information provided within this report is therefore based around the statutory targets as outlined above.

- 1.2 Performance targets are monitored on a monthly basis via a task management system and reporting tool within the pension database.
- 1.3 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 the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 for the quarter ending 30th September 2022 was 86% (93% for High Priority procedures).
- 3.2 During the quarter, the team received 20 compliments.
- 3.3 Appendix 1 of the report provides a detailed breakdown of administration performance relating to the Somerset Pension Fund only for the quarter ending 30th September 2022 against the statutory Disclosure Regulations. It

also includes a new graph which shows the monthly trend analysis on the percentage of high, medium, and low priority cases completed within timescales for the current financial year.

- 3.4 Appendix 2 of the report highlights the longer-term performance of Peninsula Pensions (Somerset Fund only) from 1st October 2021 to 30th September 2022. The bottom chart shows how many of the 'remaining' tasks outstanding to be actioned are awaiting information from another third party (member/employer) and therefore are on 'reply due'.
- 3.5 Appendix 3 of the report highlights the amount of work received over both the quarter, and the previous 12 month rolling period, compared to the same periods in the previous year. Both charts are currently showing an increase in demand.

4. Employer updates

4.1 New Admitted Bodies:

- None

Academies:

- Lydeard St Lawrence Community Primary School joined Bath & Wells with effect from 1/9/2022

5. Background Papers / Other updates

- 5.1 The annual benefit statement deadline of 31st August 2022 was achieved in advance for both active and deferred members as below:

Active Members: 19664 issued (of which 940 had paper copies) – a further 18 were issued later (pending Admission Agreement finalisation)

Deferred Members: 26953 issued (of which 1852 had paper copies)

Administration Performance – 1st July 2022 – 30th September 2022Performance Summary

	Total Cases	Performance (Disc Regs)
High Priority Procedures	1662	93%
Medium Priority Procedures	2839	83%
Low Priority Procedures	975	81%
TOTAL	5476	86%

High Priority Cases

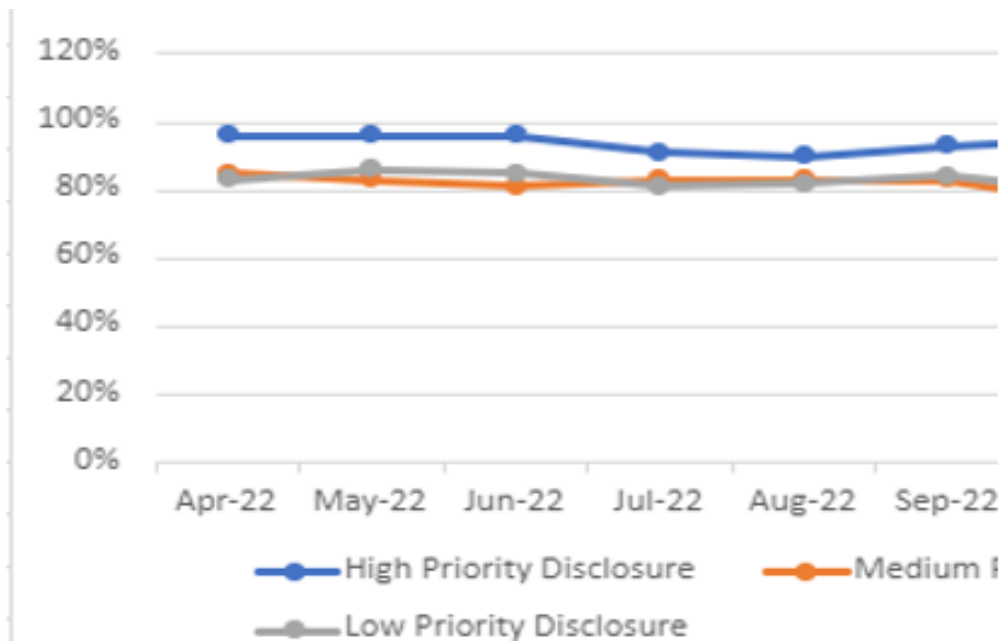
	Total Cases	Performance (Disc Regs)
Changes	305	99.02%
Complaints (Member)	21	100.00%
Complaints (Employer)	1	100.00%
Deaths	157	75.16%
Deferred (over 55)	151	82.12%
Payroll	380	93.16%
Refunds	62	100.00%
Retirements (Active)	206	92.68%
Retirements (Deferred)	379	92.35%
TOTAL	1662	93.00%

Medium Priority Cases

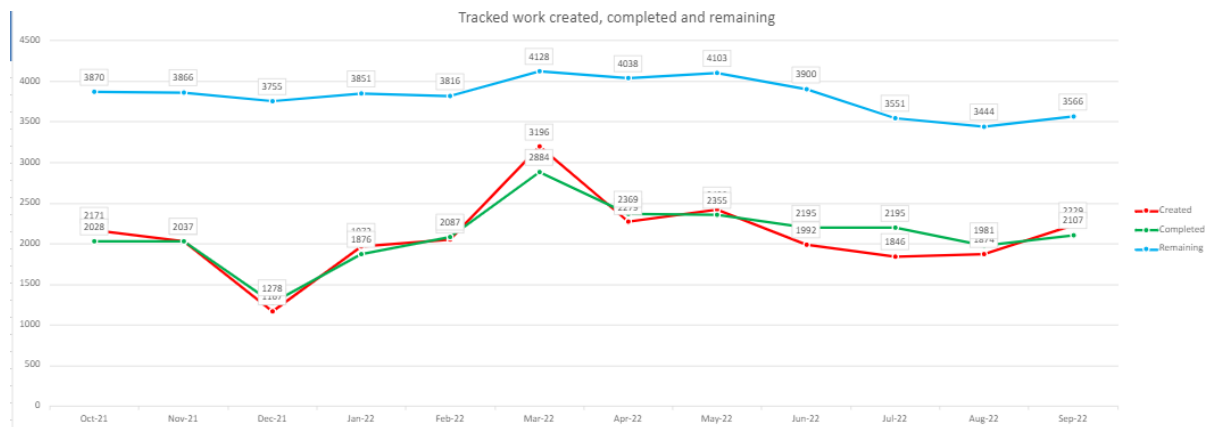
	Total Cases	Performance (Disc Regs)
Amalgamation of Records	537	53.95%
Deferred Benefit Calculations	797	59.44%
Divorce Calculations	51	92.16%
Employer Queries	296	52.90%
Estimates (Bulk)	0	-
Estimates (Employer)	4	100.00%
Estimates (Member)	35	88.57%
General	342	100.00%
HMRC	18	100.00%
Member Self-Service	759	100.00%
TOTAL	2839	83%

Low Priority Cases

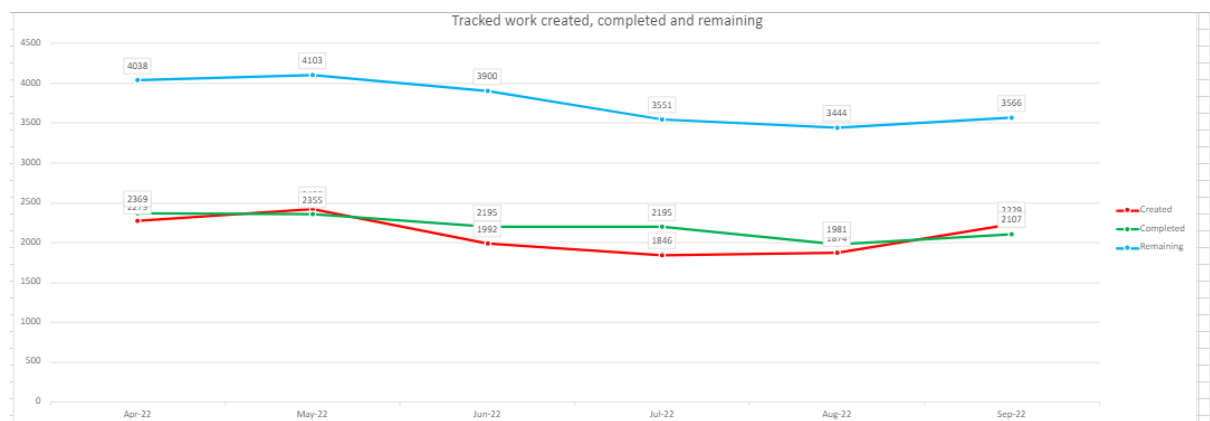
	Total Cases	Performance (Disc Regs)
Estimates (Other)	75	72.00%
GMP Queries	0	-
Interfund Transfers In	109	56.48%
Interfund Transfers Out	122	64.75%
Pension Top Ups	41	100.00%
Frozen Refunds	414	87.92%
New Starters	0	-
Pension Transfers In	98	98.98%
Pension Transfers Out	116	84.48%
TOTAL	975	81.00%



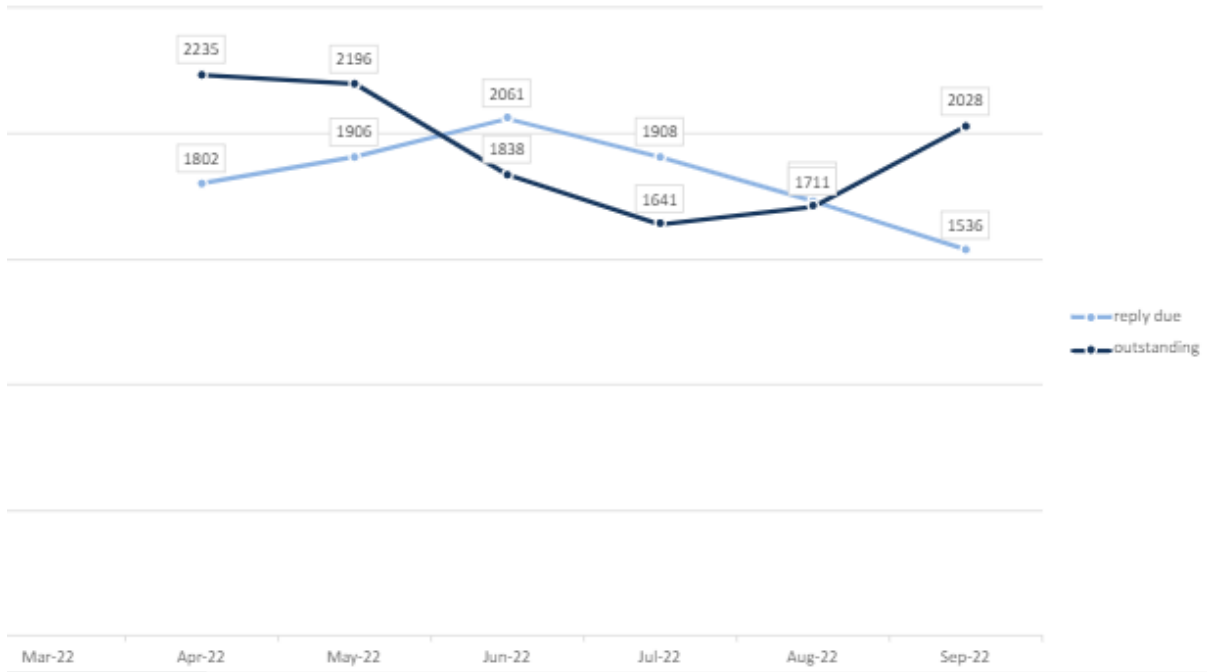
Administration Performance 1st October 2021 – 30th September 2022



1st April 2022 – 30th September 2022



Remaining work status



APPENDIX 3

**Work received 1st July 2022 – 30th September 2022
(against same period for previous financial year)**



**Work received 12 month rolling period 1st October 2021 – 30th September 2022
(against same period for previous financial year)**

from	to	Work Created	Work Completed	Average Monthly Work Remaining
01/10/2020	30/09/2021	22556	21859	3537
01/10/2021	30/09/2022	25231	25392	3824



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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. Also to update Committee on relevant developments to the LGPS in general.

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 Officers continue to monitor legal and regulatory developments in relation to McCloud, Goodwin, the 95k cap, LGPS and levelling up and other matters. DLUHC did issue a consultation on Climate disclosure for the LGPS on 1st September. There has been no further formal updates from Government on any of these matters.
- 4.2 The valuation process is largely complete. There remains some work to communicate the results to each of the employers within the Fund.
- 4.3 The accounts and financial statements of the Fund and the annual report have been completed. Grant Thornton's Audit Findings Report has been considered by the SCC Audit Committee. Grant Thornton will release their formal opinions on the Pension Fund audit only when they complete their audit of SCC.
- 4.4 A review of the Communication Strategy is on the workplan for the March meeting.

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 2022 - 2023

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	Review Investment Strategy Statement	Medium	Summer 2021		New ISS adopted at March 2022 Committee meeting
Fund Governance	Review of risk register	Medium	Early 2021		Fully revised register adopted at March 2021 committee meeting
Fund Governance	Review of investment strategy and allocations to Brunel Portfolios	Medium	Spring 2021		New ISS adopted at March 2022 Committee meeting
Fund Governance	Review of ESG investment	High	Spring 2021		New ISS adopted at March 2022 Committee meeting
Fund Governance	Review of Committee and Board structures in advance of move to Unitary authority	Medium	Spring 2022		Comments from Committee and Board received at March meetings.
Fund Governance	Re-approve all Strategies and policies post election	Medium	Ongoing		Policies re-approved at July 2022 meeting
Fund Governance	Review of CIPFA knowledge and skills framework for members	Medium	By end of 2022		Verbal update is part of meeting agenda

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SOMERSET COUNTY COUNCIL PENSION FUND

PENSIONS COMMITTEE

MEETING WORKPLAN 2023

Date	Proposed Items of Business	Lead Officer
January 2022 TBC	<p><u>ANNUAL EMPLOYERS MEETING</u></p> <p>Annual Employers' Meeting of the Pension Fund To include provision of preliminary 2022 valuation results from the actuary</p>	
March 2023 - TBC	<p><u>FORMAL MEETING</u></p> <p>1. Somerset Unitary To consider any emerging issues for the Pensions Fund from the unitary process including a review of Committee and Board structures.</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 2022.</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 2022.</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. 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 2023-2024 financial year and review the overall performance target for 2022 to 2025.</p> <p>9. Review of cash management arrangements To review the management arrangements for the cash resources held by the fund.</p> <p>10. Review of Pension Fund Communication Policy To review and where necessary update the fund's policies and documents.</p>	<p>AS</p> <p>AS</p> <p>RL</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 2023

Date	Proposed Items of Business	Lead Officer
June 2023 - TBC	<p data-bbox="229 371 459 403"><u>FORMAL MEETING</u></p> <p data-bbox="229 479 472 510">1. Somerset Unitary To consider any emerging issues for the Pensions Fund from the unitary process</p> <p data-bbox="229 586 628 618">2. Independent Advisor's Report To receive a verbal update on market issues and events from the independent advisor.</p> <p data-bbox="229 694 689 725">3. Review of Investment Performance Report to provide an update of the Fund's performance for the quarter period to 31 March 2022.</p> <p data-bbox="229 801 735 833">4. Review of Administration Performance To review the performance of Peninsula Pensions in delivering the administration service to employers and members.</p> <p data-bbox="229 936 520 967">5. Business Plan Update To consider progress against the Committees approved business plan.</p> <p data-bbox="229 1043 778 1075">6. Finance and Membership Statistics Update Report to provide an update of the Fund's position for the quarter period to 31 March 2022.</p> <p data-bbox="229 1151 718 1182">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 data-bbox="229 1258 421 1290">8. Fund Policies To review and where necessary update the fund's policies and documents.</p>	<p data-bbox="1453 510 1489 542">AS</p> <p data-bbox="1453 725 1489 757">AS</p> <p data-bbox="1453 833 1489 864">RL</p> <p data-bbox="1453 972 1489 1003">AS</p> <p data-bbox="1453 1079 1489 1111">AS</p> <p data-bbox="1453 1187 1489 1218">AS</p> <p data-bbox="1453 1294 1489 1326">AS</p>

SOMERSET COUNTY COUNCIL PENSION FUND

PENSIONS COMMITTEE

MEETING WORKPLAN 2023

Date	Proposed Items of Business	Lead Officer
Sept 2023 - TBC	<p data-bbox="229 371 459 403"><u>FORMAL MEETING</u></p> <p data-bbox="229 479 628 510">1. Independent Advisor's Report To receive a verbal update on market issues and events from the independent advisor.</p> <p data-bbox="229 586 689 618">2. Review of Investment Performance Report to provide an update of the Fund's performance for the quarter period to 30 June 2023.</p> <p data-bbox="229 694 737 725">3. Review of Administration Performance To review the performance of Peninsula Pensions in delivering the administration service to employers and members.</p> <p data-bbox="229 833 520 864">4. Business Plan Update To consider progress against the Committees approved business plan.</p> <p data-bbox="229 940 778 972">5. Finance and Membership Statistics Update Report to provide an update of the Fund's position for the quarter period to 30 June 2023.</p> <p data-bbox="229 1048 718 1079">6. Review of Pension Fund Risk Register To review the risks within the fund and form an appropriate risk register for the fund.</p> <p data-bbox="229 1155 967 1187">7. Annual Accounts and Investment Performance 2022/2023 To consider the accounts and investment performance for the year to 31 March 2023.</p>	<p data-bbox="1453 618 1490 649">AS</p> <p data-bbox="1453 725 1490 757">RL</p> <p data-bbox="1453 864 1490 896">AS</p> <p data-bbox="1453 972 1490 1003">AS</p> <p data-bbox="1453 1079 1490 1111">AS</p> <p data-bbox="1453 1187 1490 1218">AS</p>

SOMERSET COUNTY COUNCIL PENSION FUND

PENSIONS COMMITTEE

MEETING WORKPLAN 2023

Date	Proposed Items of Business	Lead Officer
16th December 2022	<p data-bbox="229 376 459 407"><u>FORMAL MEETING</u></p> <p data-bbox="229 517 628 548">1. Independent Advisor's Report To receive a verbal update on market issues and events from the independent advisor.</p> <p data-bbox="229 622 689 654">2. Review of Investment Performance Report to provide an update of the Fund's performance for the quarter period to 30 September 2023.</p> <p data-bbox="229 763 735 795">3. Review of Administration Performance To review the performance of Peninsula Pensions in delivering the administration service to employers and members.</p> <p data-bbox="229 904 520 936">4. Business Plan Update To consider progress against the Committees approved business plan.</p> <p data-bbox="229 1010 780 1041">5. Finance and Membership Statistics Update Report to provide an update of the Fund's position for the quarter period to 30 September 2022.</p> <p data-bbox="229 1115 719 1146">6. Review of Pension Fund Risk Register To review the risks within the fund and form an appropriate risk register for the fund.</p>	<p data-bbox="1453 658 1489 689">AS</p> <p data-bbox="1453 799 1489 831">RL</p> <p data-bbox="1453 940 1489 972">AS</p> <p data-bbox="1453 1046 1489 1077">AS</p> <p data-bbox="1453 1151 1489 1182">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
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<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 provisional end of quarter 1 financial position at 30 June 2022 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

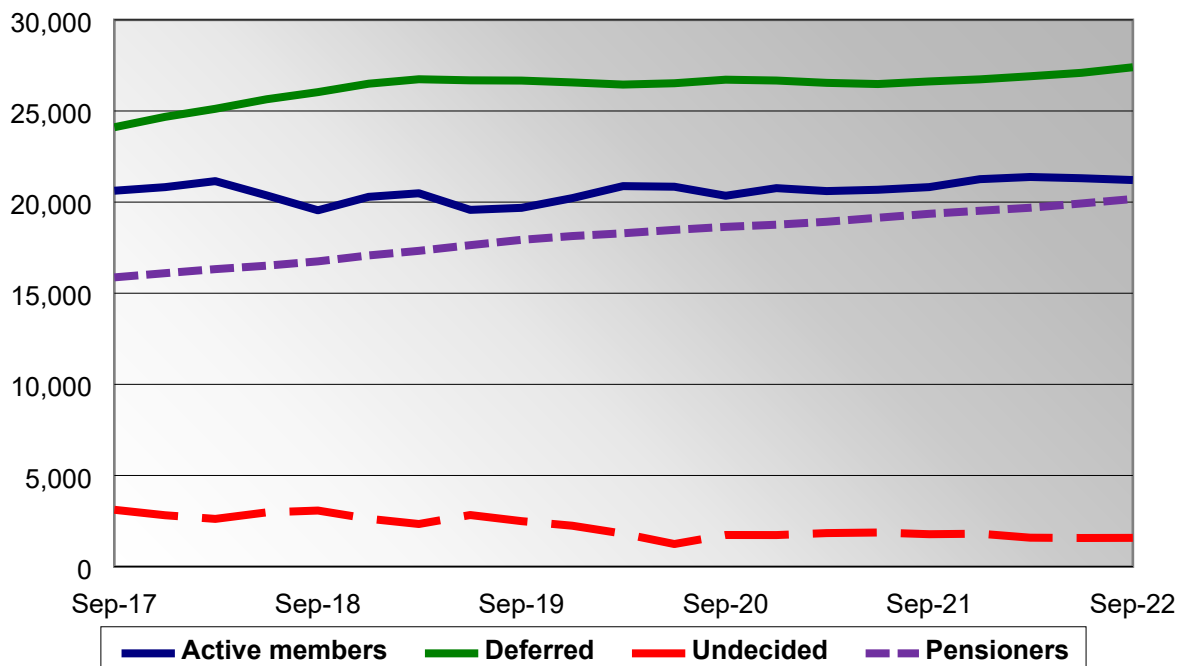
- 3.1 The outturn position for the first half of financial 2022-2023 year to 30th September 2022 against the original forecast is shown in appendix A.

4. Membership Statistics

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

	30 June	30 Sept	Change
Active members	21,310	21,210	-100
Deferred	27,094	27,400	+306
Undecided	1,569	1,577	+8
Pensioners	19,926	20,170	+244
Total	69,899	70,357	+458

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



5. Background Papers

None

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

Pension Fund Financial Projection

2022 - 2023

	2021-2022 Full Year	2022-2023 March to September			2022-2023 Full Year		
	Actual (a) £m	Budget (b) £m	Actual (c) £m	Variance (d) £m	Original Projection (e) £m	Projected Outturn (f) £m	Variance (g) £m
Contributions and other income							
Contributions	117.959	46.000	56.089	10.089	122.000	122.000	0.000
Recoveries from employers	2.728	1.050	0.496	-0.554	2.100	2.100	0.000
Transfer values received	11.494	4.500	3.030	-1.470	9.000	9.000	0.000
	132.181	51.550	59.615	8.065	133.100	133.100	0.000
Less benefits and other payments							
Recurring pensions	-87.162	-45.000	-44.623	0.377	-90.000	-90.000	0.000
Lump sum on retirement	-13.189	-7.500	-7.022	0.478	-15.000	-15.000	0.000
Lump sum on death	-1.994	-1.200	-0.925	0.275	-2.500	-2.500	0.000
Transfer values paid	-9.115	-5.000	-4.214	0.786	-10.000	-10.000	0.000
Contribution refunds	-0.320	-0.300	-0.216	0.084	-0.600	-0.600	0.000
Employer exit credit	0.000	0.000	-0.354	-0.354	0.000	-0.400	-0.400
	-111.780	-59.000	-57.354	1.646	-118.100	-118.500	-0.400
Contributions after payments	20.401	-7.450	2.261	9.711	15.000	14.600	-0.400
Management Expenses							
Administrative expenses	-1.363	-0.550	-0.628	-0.078	-1.550	-1.550	0.000
Investment management expenses	-8.511	-1.200	-0.722	0.478	-8.000	-8.000	0.000
Oversight and governance expenses	-0.583	-0.170	-0.107	0.063	-0.675	-0.675	0.000
	-10.457	-1.920	-1.457	0.463	-10.225	-10.225	0.000
Investment Income							
Investment income	15.601	5.800	2.831	-2.969	9.750	7.000	-2.750
Net Increase / Decrease (-) in fund	25.545	-3.570	3.635	7.205	14.525	11.375	-3.150

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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.

3. Changes since last meeting

- 3.1 Following comments from the Pension Board at their October meeting PF – Admin 7, which was COVID19, has been amended to a civil contingencies event as a way of capturing a number of possible risks such as electrical grid blackouts etc. as well as possible future pandemics.

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 2022

1. Risk Ref No: 2. Senior Risk Owner:	Description of Risk	Control measures already in place	Current Risk Score (with known controls)		Combined score	Additional mitigating actions/control measurers 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. PF - Gov 1 2. Pensions Committee	Failure of Pensions Committee to manage the fund effectively, particularly as a result of insufficient knowledge and skills	Policies and procedures adopted by pensions committee, specifically the committee training policy	3	4	12	Undertake a review of Committee Knowledge and Skills Ensure Pension Board vacancies are filled and regular meetings take place to provide additional review of Committee decisions	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 over the last 4 years.
1. PF - Gov 2 2. Pensions Committee	Risk of Regulatory change: - Implementation of change risks - Consequences of change risks	Continuous engagement with MHCLG and other interested stakeholders	4	3	12		4	3	12		on-going with quarterly review	Current score reduced from 15 as inception of pooling is no longer a high risk	The dictated change to pooling of investment arrangements and implementation of this presents a significant risk to the scheme. The frequency of new regulation and the relatively new role of the Pensions Regulator are also factors.
1. PF - Inv1 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. PF - Inv2 2. Pensions Committee	The pension fund has insufficient available assets to meet its long term liabilities.	Funding Strategy Statement Investment Strategy Statement Regular reporting of current position to Committee	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

Somerset County Council Pension Fund Risk Register - December 2022

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			L	I			L	I					
1. PF - Inv3 2. Pensions Committee	Under performance of pension investments due to ESG factors, including climate change.	ESG Policy within Investment Strategy Statement requiring ESG factors to be considered in all investment decisions.	2	4	8		2	4	8		on-going with quarterly review		Moving all assets to the management of Brunel, which has a greater focus on ESG and climate change than the majority of our legacy investment managers, has considerably improved our management of these risks. Additional provision is within the draft of the new ISS .
1. PF - Inv4 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		
1. PF - Inv5 2. Anton Sweet	Insolvency of the fund's Global Custodian	Fund's assets held in client accounts not as assets of the custodian Additional oversight of custodian provided by Brunel for the assets they manage 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.

Somerset County Council Pension Fund Risk Register - December 2022

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			L	I			L	I					
1. PF - Admin1 2. Stephen Morton	Failure of Benefits Administration to perform their tasks, specifically leading to incorrect or untimely benefits payment.	Regular reporting to Committee Internal processes and procedures Regular review by Internal and External audit	2	3	6		2	3	6		on-going with quarterly review		The greater resilience gained from the Peninsula Pensions shaed service has been balanced by greater complexity coming into the sceme benefits.
1. PF - Admin2 2. Stephen Morton	Legal challenge to fund, particularly in respect of the payment of pension benefits	Internal processes and procedures Regular review by Internal and External audit	3	3	9	Receipt of revised regulations in respect of the exit cap, McCloud and Goodwin	2	3	6		on-going with quarterly review		The introduction and then revocation of the exit payment regulations has significantly increased the short term risk of legal challenge
1. PF - Admin3 2. Stephen Morton	Fraud, corruption, or error either within investment assets or benefits administration	Internal controls and processes Regular review of controls, processes and outputs by internal and external audit	2	4	8		2	4	8		on-going with quarterly review		Brunel provides an extra layer of scrutiny and control with respect to the activities of external fund managers and related third parties
1. PF - Admin4 2. Stephen Morton	The insolvency of an employer places additional liabilities on the fund and ultimately the remaining employers.	Admission agreements Guarantee bonds or other similar security	2	3	6		2	3	6		on-going with quarterly review		To ensure the on-going suitability of the guarantees in place a review should be undertaken after each formal valuation. Review of guarentee bonds currently underway, September 2020

Somerset County Council Pension Fund Risk Register - December 2022

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			L	I			L	I					
1. PF - Admin5 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	2	3	6		2	3	6		on-going with quarterly review		Size and depth of staff resources at Peninsula Pensions helps to mitigate the risk Brunel provides some extra mitigation with respect to investment asset management Additional use of consultants and advisors could be used to manage loss of internal staff
1. PF - Admin6 2. SCC Section 151 Officer	Resilience of IT including a breach of cyber security	SCC and DCC internal IT security measures Additional cyber security and resilience provided by hosting of benefits administration database and investment accounting database by outside parties	2	4	8		2	4	8		on-going with quarterly review		
1. PF - Admin7 2. SCC Section 151 Officer	Civil Contingency Event	SCC and Peninsula would follow their established business continuity plans	3	2	6		3	2	6		on-going with quarterly review		Amended from COVID risk December 2022 at Board's request.