

## Pensions Committee

Minutes of the Pensions Committee meeting held on Friday 16 December 2022 at 10.00am in County Hall, Taunton.

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

**Absent:** Cllr R Henley.

**Others in Attendance:** Mr N Behan, Mr R Bryant, Ms C Burton, Ms S Cuthbert, Ms M Durrant, Ms R Ellins, Mr A Sweet.

### Apologies for Absence

Apologies were received from Ms S Williams

#### 1 **Declarations of Interest -**

Cllr Coles and Cllr Farbahi declared that they are members of the Shadow Taunton Town Council.

#### 2 **Minutes of the Previous Meeting -**

The Committee agreed and the Chair signed the minutes of the meeting held on 16 September 2022 as an accurate record.

#### 3 **Public Question Time**

The Committee Manager read a question that was received in advance of the meeting from Mr Sigurd Reimers who was not present at the meeting:

*“Cornwall County Pension Fund has, with the help of Brunel Pension Partnership, recently launched a local impact portfolio to channel investment into local infrastructure, such as affordable private rental housing and renewables in the county.*

*I know that this Committee takes its fiduciary duties seriously, and it would not want to pursue an investment policy that was not financially secure. Indeed, David Vickers, Chief Investment Officer at Brunel Pension Partnership, recently said he did not take well to Government attempts to steer Brunel in the direction of specific types of investments, such as infrastructure. On the other hand, Laura Chappell, Chief Executive Officer at Brunel, said: “It is a proud moment for Brunel to design and launch the first multi-asset local impact fund across LGPS pools”.*

*My question: **Is the Pensions Committee discussing any similar infrastructure proposals amongst itself, given the possible benefits of such an investment stream to County and Planet?”***

Cllr P Seib entered the meeting. 10.05am

A response will be sent to Mr Reimers to state that the Committee has not had any conversations regarding anything similar to Cornwall's approach and that through Brunel's standard UK Property Offering, Somerset County Council already invest in an Affordable Housing Fund and a Social and Environmental Impact Fund.

## 5 **Somerset Unitary**

The Funds and Investments Manager reported that the Terms of Reference of the Pensions Committee had been recently approved for recommendation to Full Council by the Constitution and Governance Committee. Following discussion with the Monitoring Officer and benchmarking against similar unitary authorities, the Committee will comprise seven Councillors, an increase from the current five Councillors (four from SCC and one from the district councils). This proposal will be considered by Full Council and then return to this Committee for adoption later in 2023.

There were no questions.

## 6 **Independent Investment Advisor's Report**

The Independent Investment Advisor – Caroline Burton, referred to information recently circulated regarding interest rates and invited questions.

- A member asked that in the light of the divergence of interest rates and inflation, whether the previous link between these has been broken and if so, what affect this would have on markets in the future. The Officer stated that there is a move towards a return to the usual relationship although this could take two or so years to revert.
- A member asked about the inflationary fiscal stimulus alongside workforce shortages in service industries and the affect this may have on investment performance. The Officer stated that labour shortages are a global issue post-covid with large numbers of workers in their 50s and 60s leaving or changing employment goals, as well as changes in work patterns from some younger employee. However early research from the UK and US show some of these early retirees are returning to the workforce. The affect on investments may be that bonds are considered more attractive in investment terms.

The Committee noted the verbal update.

## 7 **Review of Investment Performance**

The Funds and Investment Manager – Anton Sweet presented the fund results highlighting the following:

- Small quarterly loss following losses in July and slight recovery in August/September.
- Significant affect of US dollar.
- Divested from Aberdeen Standard UK Fund from early December 2022.

Questions were invited:

- A member praised the report and asked for future clarification of benchmarks and why each was selected. The Officer explained that 3-5 year progress would be benchmarked closely against target for passive funds. The benchmarking process within the Brunel Group was outlined and that these alter in a very small and nuanced way with minimal impact. Additional benchmarking information will be made in future reports.
- A member asked the time period of investments which show poor performance. The Officer explained that with the exception of private equity, there are no investment ties and that funds could be withdrawn from Brunel at any time with the agreement of the Committee which would take approximately a calendar quarter to enact, however this should only be done as part of a longer-term discussion about strategic asset allocation. Fund manager performance is monitored. Bond funds are generally expected to be less volatile than equity fund returns. The Committee discussed strategic asset allocation throughout 2021 and set a revised allocation at the beginning of 2022, that will be revisited within 3 years. It was stated that new fund managers would typically be given 2 -3 years to establish a track record and it would be unusual to remove them within this period. The Independent Investment Adviser was in agreement.
- There was discussion about turnover of investment managers.

The Committee noted the report.

## 8 **Review of Administration Performance**

The Head of Peninsula Pensions - Rachel Lamb presented the report and highlighted the following:

- Performance is measured against statutory requirements.
- 86% achieved within target and 93% against disclosure regulations where areas are prioritised, for example retirement or death of a policy holder.
- Compliments are also recorded as well as complaints. Requests outstanding, including those awaiting additional information, were outlined.
- 31 August deadline of issuing annual benefits statements to contributing members and those with deferred benefits, was met.
- One new primary school has been admitted.

Questions were invited.

- A member asked if the move away from paper copies would be enforced considering the older age demographic of those currently claiming their pension. The Officer stated that those who have already opted out of electronic copies are still able to receive paper copies but going forward, under legislation all copies will be received electronically for efficiency savings and data security reasons however requests can be made by those who have difficulties accessing information electronically.
- A member asked for clarification of the change from reporting against internal targets to statutory requirements and settlement targets. The Officer stated that the internal target of 10-days was unrealistic and equally the statutory target of two months is unworkable for policy holders requiring information for settlement or voluntary redundancy for example, hence prioritization of these requests over a transfer of funds request. The internal target of 10 days will remain for all cases, particularly priority cases where this is realistic. The Officer stated that there is variance in some information due to the impact of staffing absence, recruitment and retention difficulties in the wider industry which are being addressed through a new recruitment strategy to make the industry more attractive.
- A member asked what measures are being taken to investigate hardship for the 7% of policy holders who do not receive their pension within the two-month limit. The Officer confirmed that this figure includes all requests and within all requests received, retirees and widows pensions are prioritised, and these groups would not therefore feature in the 7%.
- A member asked if the upward monthly trajectory mirror the trend in previous years of 2020 and 2021. The Officer stated that peaks do occur, particularly from March to August annually which ties in with school holidays, but that requests were lower around Covid and have been rising steadily since that date.

The Committee noted the report.

## 9 **Business Plan Update**

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

- Administration Strategy will be presented at a future meeting for formal approval.
- Still awaiting information from government not helped by change of ministers and secretaries.
- Valuation process largely complete.
- Accounts and Financial Statement have been considered by the Audit Committee. External audit findings are awaited from Grant Thornton.

- Annual report will be published when pending audit findings are published which means regulatory deadline of 1 December set by government has again been missed.
- March meeting will consider objective setting and a Communications Policy. June meeting should consider the review of draft administration strategy and review of the funding strategy statement. Additional items for consideration were welcomed.
  - The Chair stated that they had attended a recent Brunel stakeholders meeting and highlighted that Brunel have written to Michael Gove in relating to the new regulations.
  - A member expressed that there is a huge amount of frustration nationally regarding the audit situation as this is delaying a significant number of public sector accounts and that this may take a considerable time to be resolved, to the detriment of local authorities.

The Committee noted the report.

#### 10 **Finance and Membership Statistics Update**

The Fund and Investment Manager presented the report and highlighted the following:

- This quarter marks a milestone of 20,000 plus pensioners and 70,000 members.
- We are likely to end up above the £122m of projected contributions due to the recently received pay award, but not by as much as the current data suggests.
- Employer exit credits are now included to reflect change in government regulations.
- Investment income will be lower than predicted.

Questions and comments were invited.

- A member stated that sizeable transfers out are inevitable with staff changes due to LGR which could take two to three years to feed through into the reported figures.

The Committee accepted the report.

#### 11 **Review of Pension 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:

- Informal briefing session on risk for members to follow in 2023.

- Following the request for information at last meeting on civil contingencies, a change has been made to the covid risk. Questions were invited.
- A member asked if the environmental, social and governance (ESG) risks was just related to performance or volatility. The Officer stated he is not aware of any research indicating that ESG focused investment is inherently more volatile. The point with ESG risks is that if they are well managed this should improve investment returns in the long term.

The Committee noted the report.

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

The Chair welcomed Melanie Durrant from Barnett Waddingham to present the report. The following points were highlighted:

- Key outcomes is future payout which is unknown and contribution rates which are known.
- Prudence allowance covers for some additional risk in assumptions used.
- Employers pay a primary rate/future service contribution dependent on number and age of active members which varies between employers. Some employers will pay a secondary rate if the fund is in deficit when reviewed on a three-yearly basis. These figures feed into a formal valuation report to be signed off by March. Some employer contribution rates, academies for example, are pooled.
- Funding Strategy Statement to be reviewed annually by employer.
- Three basic assumptions: financial assumptions of investment returns and inflation as main drivers; demographic assumptions; and pension increase assumption linked to inflation and salary increases.
- Expectations of future life expectancy have changed since last valuation in 2019. The average male retiring at 65 has a life expectancy in retirement decreasing from 23.5 years in 2019 to 23.1 years in 2022.
- Whole fund valuation in 2019 was 86% i.e. 14% underfunded or £0.36m. This has improved to 95%.
- Performance has risen since 2019 which is in part offset by rising inflation.
- Average cost of employer primary rate has increased approximately 2% from 17.8% in 2019 to match shortfall.
- Cost of living effects not fully fed into current figures which will show in future figures along with impact workforce changes post-covid.
- Possibility of employer forum in 2023. Questions were invited.

- A member praised the clarity of the presentation to explain a complicated issue and welcomed the circulation of the information presented.

The Committee accepted the report.

Cllr Cook-Woodman left the meeting.

### 13 **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.

- As reported at the previous meeting, a knowledge and skills questionnaire has now been completed in conjunction with Barnett Waddingham, external consultant which will be issued in due course.
- Collective, not individual, assessments will be shared.

There were no questions.

The Committee noted the update.

### 14 **Any Other Business of Urgency**

The Committee agreed to pass a resolution having been duly proposed and seconded under Schedule 12A of the Local Government Act, 1972 that the press and public be excluded during the remainder of the meeting on the basis that if they were present during the business to be transacted there would be a likelihood of disclosure to them of exempt information of the following description:

- Information relating to the financial or business affairs of any particular person (including the authority holding that information).

The Committee received an overview from the Fund and Investment Manager about a Brunel investment opportunity in relation to solar assets. There was a discussion and further information was requested and the proposal would be considered again.

The meeting ended at 1.20pm.

**END**