

**SOMERSET PENSIONS BOARD
(VIRTUAL MEETINGS FROM JUNE 2020
DUE TO CORONAVIRUS)**



Friday 5 June 2020

**12.00 pm Taunton Library Meeting Room,
Paul Street, Taunton, TA1 3XZ**

To: The members of the Somerset Pensions Board (virtual meetings from June 2020 due to Coronavirus)

Cllr M Healey and Paul Deal

All Somerset County Council Members are invited to attend.

Issued By Scott Wooldridge, Strategic Manager - Governance and Democratic Services - 28 May 2020

For further information about the meeting, please contact Peter Stiles on 01823 357628 or pstiles@somerset.gov.uk or Michael Bryant on 01823 359048 or mbryant@somerset.gov.uk

Guidance about procedures at the meeting follows the printed agenda and is available at [\(LINK\)](#)

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 Somerset Pensions Board (virtual meetings from June 2020 due to Coronavirus) -
12.00 pm Friday 5 June 2020

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

1 **Apologies for absence**

2 **Declarations of Interest**

3 **Appointment of a Chair**

For the Board to agree the Chair for the ensuing year. Under the Terms of Reference adopted by the Board the position of Chair is to be reappointed annually.

4 **Minutes from the previous meeting held on 6th Feb 2019** (Pages 5 - 14)

The Committee is asked to confirm the minutes are accurate.

5 **Public Question Time**

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

6 **Business Plan Update** (Pages 15 - 18)

To consider this report from the Funds & Investments Manager.

7 **Review of Pensions Fund Risk Register** (Pages 19 - 24)

To consider this report from the Funds & Investments Manager.

8 **Review of Pensions Committee Papers**

To consider the pensions committee papers, which have been circulated separately.

9 **Public Question Time**

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

Guidance notes for the meeting

1. Inspection of Papers

Any person wishing to inspect Minutes, reports, or the background papers for any item on the Agenda should contact the Committee Administrator for the meeting – Neil Milne on Tel (01823) 359045 or 357628; Fax (01823) 355529 or Email: ndmilne@somerset.gov.uk
They can also be accessed via the council's website on www.somerset.gov.uk/agendasandpapers

2. Members' Code of Conduct requirements

When considering the declaration of interests and their actions as a councillor, Members are reminded of the requirements of the Members' Code of Conduct and the underpinning Principles of Public Life: Honesty; Integrity; Selflessness; Objectivity; Accountability; Openness; Leadership. The Code of Conduct can be viewed at: <http://www.somerset.gov.uk/organisation/key-documents/the-councils-constitution/>

3. Minutes of the Meeting

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

4. Public Question Time

If you wish to speak, please tell Neil Milne, the Committee's Administrator, by 12 noon the (working) day before the meeting.

At the Chairman's invitation you may ask questions and/or make statements or comments about any matter on the Committee's agenda – providing you have given the required notice. You may also present a petition on any matter within the Committee's remit. The length of public question time will be no more than 30 minutes in total.

A slot for Public Question Time is set aside near the beginning of the meeting, after the minutes of the previous meeting have been signed. However, questions or statements about any matter on the Agenda for this meeting may be taken at the time when each matter is considered.

You must direct your questions and comments through the Chairman. You may not take direct part in the debate. The Chairman will decide when public participation is to finish.

If there are many people present at the meeting for one particular item, the 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. Committee Rooms & Council Chamber and hearing aid users

To assist hearing aid users the following Committee meeting rooms have infra-red audio transmission systems (Luttrell room, Wyndham room, Hobhouse room). To use this facility we need to provide a small personal receiver that will work with a hearing aid set to the T position. Please request a personal receiver from the Committee's Administrator and return it at the end of the meeting.

7. Recording of meetings

The Council supports the principles of openness and transparency. It allows filming, recording and taking photographs at its meetings that are open to the public - providing this is done in a non-disruptive manner. Members of the public may use Facebook and Twitter or other forms of social media to report on proceedings and a designated area will be provided for anyone wishing to film part or all of the proceedings. No filming or recording may take place when the press and public are excluded for that part of the meeting. As a matter of courtesy to the public, anyone wishing to film or record proceedings is asked to provide reasonable notice to the Committee Administrator so that the relevant Chairman can inform those present at the start of the meeting.

We would ask that, as far as possible, members of the public aren't filmed unless they are playing an active role such as speaking within a meeting and there may be occasions when speaking members of the public request not to be filmed.

The Council will be undertaking audio recording of some of its meetings in County Hall as part of its investigation into a business case for the recording and potential webcasting of meetings in the future.

A copy of the Council's Recording of Meetings Protocol should be on display at the meeting for inspection, alternatively contact the Committee Administrator for the meeting in advance.

Pensions Board

Minutes of a meeting of the Pensions Board held in the Quantock Room, Shire Hall, Taunton on Wednesday 6 February 2019 at 10:00.

Present

Cllr M Healey (Chairman)

Mr Paul Deal

Mr Nigel Behan

Officers Present:

Anton Sweet - Funds & Investment Manager, SCC

Shirley Cuthbert - Employer and Communications Manager, Peninsula Pensions

79 Apologies for absence - agenda item 1

None

80 Declarations of interest - agenda item 2

Mr Deal and Mr Behan declared personal interests as members of the Local Government Pension Scheme.

81 Minutes of the Meeting held on 24 July 2018 - agenda item 3

The minutes of the meeting held on 24 July 2018 were accepted as being accurate and were signed by the Chairman.

82 Public Question Time - agenda item 4

There were no members of the public present and no questions were asked, statements/comments made or petitions presented.

83 Business Plan Update - agenda item 5

The Board considered the report of the Funds and Investments Manager setting out a Workplan of items of business for its meetings over the next year.

It was noted that, as requested by the Board, future Board meetings would be held on the same day as, and follow, Pensions Committee meetings.

The Funds and Investments Manager invited Board members to identify further topics for consideration at future meetings.

In responding to issues raised by Board members, the Funds and

Investments Manager and the Peninsula Pensions' representative pointed out that:

- the review of Peninsula Pension's administrative performance would remain as a six-monthly report as preparing it on a three-monthly basis had been found to be impractical; however, improvements in the information therein and its presentation were being considered
- the External Auditor's report on the Fund's Annual Report and Accounts for 2018/19 would be considered at the September rather than June Board meeting
- through the practice of sending Board members a full set of Pensions Committee papers, Board members could see the latest copies of reports on Peninsula Pensions' administrative performance being submitted to the Pensions Committee and it would be open to them, if they wished, to ask for other matters to be covered or more information provided etc when the report came before the Board.

The Board noted the report.

84 LGPS Pooling of Investments - agenda item 6

The Board considered the report of the Funds and Investments Manager which gave an update on progress with the transition of the Pension Fund's investment assets to Brunel Pension Partnership Ltd under work involving the pooling of the Fund's investment assets with other Funds in the South West.

Progress had included:

- the transfer of £507.8m of passive assets and £436.5m of active UK equity assets
- the establishment of a private markets team
- preparations were being made for the move of property assets and the Emerging Market portfolio.

While the Ministry of Housing, Communities and Local Government had issued draft revised guidance on the pooling of LGPS funds, no significant changes would need to be made if it was introduced in its current form.

The Funds and Investments Manager drew attention to the consideration by the Somerset Pensions Committee at its meeting on 7 December 2018 of a Special Reserve Matter relating to Brunel Partnership's Business Plan, its revenue budget for 2019/20 and related matters (the SRM to approve the budget was an annual requirement of the Shareholder's agreement that governed Brunel and the ten Shareholder funds). After considering the SRM, the Pensions Committee had passed the following resolution:

“(a) to approve the revised budget for 2019/20 and the projected additional expenditure for the current financial year (2018/19);

(b) not to approve the proposed movement of the budget between years, as the 5% contingency already gave sufficient provision for such movement;

(c) to convey to Brunel the Committee's disappointment and concern regarding the Special Reserve Matter, the need for improved financial monitoring and control and for a new formula that limited the contingency to a reasonable previously agreed fixed sum; and to point out that given the authority's very difficult financial position future overspends or significant increases in budget were unlikely to be supported."

A discussion ensued, with the Funds and Investments Manager responding to issues and concerns raised by Board members.

The Board RESOLVED to place on record that it fully shared the concern expressed by the Pensions Committee about the unsatisfactory nature of Brunel's budget process last year; its frustration at the lack of powers available to the Board in response to the situation; and its concern about long-term savings arising from the transfer to Brunel being eroded.

85 Review of Pension Fund Risk Register - agenda item 7

The Board considered the report of the Funds and Investments Manager reviewing the Pension Fund's risk register.

The Funds and Investments Manager pointed out that a more comprehensive review of the risk register would be undertaken shortly in response to new CIPFA guidance.

The Funds and Investments Manager provided an overview of each risk and the mitigating actions and control measures, responding to questions and comments from Board members on PF2, PF10 and other risks.

The Board noted the report, expressing support for a joint informal session with Pensions Committee members to take forward the proposed fuller review of the risk register.

86 Update on Fair Deal - agenda item 8

The Board considered the report of the Head of Peninsula Pensions on a further consultation by the Ministry of Housing, Communities and Local Government on proposals under the Government's Fair Deal initiative which were intended to strengthen the pensions protections that applied following an outsourcing.

The further consultation, which took into account some of the concerns raised in response to the original consultation, proposed changes including:

- service providers being required to offer LGPS membership to

individuals who had been compulsorily transferred from an LGPS employer, removing the option of a broadly comparable scheme

- automatic transfer of LGPS assets and liabilities when employers in the scheme were involved in a merger or takeover
- All LGPS scheme employers would be considered as Fair Deal employers with the exception of further/higher education corporations and admission bodies.

The LGPS Scheme Advisory Board would issue guidance to help employers with Fair Deal.

The Peninsula Pensions representative responded to queries and comments from Board members on matters including the application of the new protection provisions to retendered outsource contracts, and referred to Pensions Line, the employers e-zine newsletter which provided updates on changes in pensions legislation.

The Board noted the report.

87 Proposed Changes to LGPS Regulations - agenda item 9

The Board considered the report of the Head of Peninsula Pensions on proposed improvements to LGPS following the Government Actuary Department's determination that the costs of the Scheme were now below the target rate.

The proposals included: removal of Tier 3 ill health; minimum death-in-Service lump sum of £75,000; enhanced early retirement factors; and revised member contribution rates and bandings.

The proposals took into consideration the change in the annual revaluation of CARE (Career Average Revalued Earnings) benefits to Consumer Price Index including owner occupiers' housing costs (CPIH) as opposed to CPI. They were expected to result in an increase to the average employer future service rate across the Scheme of approximately 0.9% of payroll costs, although the impact on individual employers would vary and depend on the 2019 valuation process.

The Funds and Investments Manager referred to the implications for LGPS of the recent successful outcome of legal cases brought by judges and firefighters against the Government on the grounds that changes to their pensions schemes were discriminatory, and the associated delay in implementing proposed changes to the Scheme which were originally due to take effect on 1 April 2019.

The Board noted the report and the update given.

88 Any Other Urgent Business

None.

(The meeting ended at 12.12pm)

**Mark Healey
Chairman - Pensions Board**

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Somerset County Council
Pension Board

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 Board's forward work-plan and agree topics for consideration at future meetings.

2. Issues for consideration

2.1 Board should note that meeting dates are in line with Pensions Committee dates where possible as requested by the Board.

2.2 The Board should indicate what they would like to consider at meetings during 2020 beyond standard items, specifically for the September 2020 meeting.

3. Background

3.1 To help manage the workload of the Board and allow officers to properly plan for and produce the necessary papers it is a practical necessity for the Board to adopt and populate a work-plan.

4. Consultations undertaken

None

5. Financial Implications

None

6. Background Papers

None

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

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SOMERSET COUNTY COUNCIL PENSION FUND

PENSION BOARD

MEETING WORKPLAN - 2020 to 2021

Date	Proposed Items of Business	Lead Officer
17-Sep-20	<p><u>FORMAL MEETING</u></p> <p>1. Business Plan Update To consider progress against the Board's approved work-plan.</p> <p>2. Review of Pension Fund Risk Register To review the risks within the fund and form an appropriate risk register for the fund.</p> <p>3. Review of Pensions Committee papers To consider the most recent pensions committee papers and any arising matters</p> <p>4. Analysis of Receipt of Contributions from Employers To consider the process and timeliness of the collection of contributions from employers</p> <p>5. External Audit 2020 To consider the report of the External Auditor on the Fund's Annual Report and Accounts for 2019/2020.</p>	<p>AS</p> <p>AS</p> <p>AS</p> <p>AS</p> <p>GT</p>
Autumn 2020 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

PENSION BOARD

MEETING WORKPLAN - 2020 to 2021

Date	Proposed Items of Business	Lead Officer
Autumn 2020 TBC	<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>	
04-Dec-20	<p><u>FORMAL MEETING</u></p> <p>1. Business Plan Update To consider progress against the Board's approved work-plan.</p> <p>2. Review of Pension Fund Risk Register To review the risks within the fund and form an appropriate risk register for the fund.</p> <p>3. Review of Pensions Committee papers To consider the most recent pensions committee papers and any arising matters</p>	<p>AS</p> <p>AS</p> <p>AS</p>
12-Mar-21	<p><u>FORMAL MEETING</u></p> <p>1. Business Plan Update To consider progress against the Board's approved work-plan.</p> <p>2. Review of Pension Fund Risk Register To review the risks within the fund and form an appropriate risk register for the fund.</p> <p>3. Review of Pensions Committee papers To consider the most recent pensions committee papers and any arising matters</p>	<p>AS</p> <p>AS</p> <p>AS</p>
11-Jun-21	<p><u>FORMAL MEETING</u></p> <p>1. Business Plan Update To consider progress against the Board's approved work-plan.</p> <p>2. Review of Pension Fund Risk Register To review the risks within the fund and form an appropriate risk register for the fund.</p> <p>3. Review of Pensions Committee papers To consider the most recent pensions committee papers and any arising matters</p>	<p>AS</p> <p>AS</p> <p>AS</p>

Review of Pension Fund Risk Register

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 In response to CIPFA guidance recommending the adoption and monitoring of a risk register for LGPS funds the Pension Board 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 The risk score for risk PF2 has been re-assessed in light of the results of the 2019 valuation exercise. The improvement in funding level from 77% to 86% is deemed insufficient to allow for a lowering of the likelihood assessment of the risk score.
- 3.1 Following the addition of cyber security as a stand-alone risk at the last meeting we have now explored the mitigation and controls in place within Peninsula Pensions and reduced the risk score accordingly.
- 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.
- 4.4 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 - June 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 21	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		'Hot Spots' refers to employers whose benefits in payment exceed their contributions in a given period.
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 - June 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	3	6		on-going with quarterly review		Shared service with Devon makes this less of an issue with respect to benefits administration IT. Pooling will also remove the need for some systems.
1. PF6 2. Pensions Committee Page 22	Risk of Regulatory change: - Implementation of change risks - Consequences of change risks	Continuous engagement with MHCLG and other interested stakeholders	4	4	16		2	3	6		on-going with quarterly review		The dictated change to pooling of investment arrangements and implementation of this presents a significant risk to the scheme.
1. PF7 2. Stephen Morton	Failure of Benefits Administration to perform their tasks, specifically leading to incorrect or untimely benefits payment.	Internal audit coverage Annual report to committee with feedback from stakeholders Internal procedures and checks	3	3	9		2	3	6		on-going with quarterly review		The greater resilience gained from the Peninsula Pensions shared service has been balanced by greater complexity coming into the scheme benefits.
1. PF8 2. Pensions Committee	Failure of Pensions Committee to manage the fund effectively	Policies and procedures adopted by pensions committee, specifically the committee training policy	3	4	12		2	4	8		on-going with quarterly review	Updated June 2017 to reflect turnover of Committee following County Council elections	

Somerset County Council Pension Fund Risk Register - June 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

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