

Somerset Pensions Advisory Board

Friday 18 February 2022

10.00 am Virtual meeting held using MS Teams



To: The Members of the Somerset Pensions Advisory Board

Nigel Behan, Roderick Bryant, Rachel Ellins, Cllr Mark Healey, Anne Hills (Chair), and Antony White.

Issued By Scott Wooldridge, Strategic Manager - Governance and Risk - 10 February 2022

For further information about the meeting, please contact Neil Milne on 01823 359045 or ndmilne@somerset.gov.uk or

Guidance about procedures at the meeting follows the printed agenda.

This meeting will be open to the public and press, subject to the passing of any resolution under Section 100A (4) of the Local Government Act 1972.

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



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AGENDA

Item Somerset Pensions Advisory Board - 10.00 am Friday 18 February 2022

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

1 **Apologies for absence**

2 **Declarations of Interest**

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

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

3 **Minutes from the previous meeting** (Pages 7 - 10)

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 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.

5 **Review of Pensions Committee Papers**

An opportunity for Pensions Board members to comment on the papers provided to the Pensions Committee at their meeting of 7 January 2022.

6 **Review of Pension Fund Risk Register** (Pages 11 - 16)

To consider this report from the Funds & Investments Manager.

7 **Business Plan Update** (Pages 17 - 20)

To consider this report from the Funds & Investments Manager.

8 **Review of Pension Board Terms of Reference** (Pages 21 - 32)

To consider this report from the Funds & Investments Manager.

9 **Fees & Charges** (Pages 33 - 38)

To consider this report from the Funds & Investments Manager.

10 **Any Other Business of Urgency**

The Chairman may raise any items of urgent business.

Item Somerset Pensions Advisory Board - 10.00 am Friday 18 February 2022

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General Guidance notes for Somerset County Council advisory virtual meetings

1. Advisory Virtual Council Public Meetings

Please be advised that this is an Advisory Board meeting and as a consultative meeting without any decisions to be made. It is not a meeting as defined under the Local Government Act 1972 or Local Government Act 2000 and therefore can take place virtually.

2. Inspection of Papers

Any person wishing to inspect minutes, reports, or the background papers for any item on the agenda should contact Democratic Services at democraticservices@somerset.gov.uk or telephone 01823 357628. They can also be accessed via the council's website on www.somerset.gov.uk/agendasandpapers.

3. Members' Code of Conduct requirements

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

4. Minutes of the Meeting

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

5. Public Question Time

If you wish to speak, please contact Democratic Services by 5pm 3 clear working days before the meeting. Email democraticservices@somerset.gov.uk or telephone 01823 357628.

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

At the Chair's invitation you may ask questions and/or make statements or comments about any matter on the Board's agenda – providing you have given the required notice. You may also present a petition on any matter within the Board's remit. The length of public question time will be no more than 20 minutes in total.

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

If there are many people present at the meeting for one particular item, the Chair may adjourn the meeting to allow views to be expressed more freely. If an item on the agenda is contentious, with a large number of people attending the meeting, a representative should be nominated to present the views of a group.

An issue will not be deferred just because you cannot be present for the meeting. Remember that the amount of time you speak will be restricted to three minutes only.

In line with the council's procedural rules, if any member of the public interrupts a meeting the Chair will warn them accordingly. If that person continues to interrupt or disrupt proceedings the Chair can ask the Democratic Services Officer to remove them as a participant from the meeting.

6. Meeting Etiquette

- Mute your microphone when you are not talking.
- Switch off video if you are not speaking.
- Only speak when invited to do so by the Chair.
- Speak clearly (if you are not using video then please state your name)
- If you're referring to a specific page, mention the page number.
- Switch off your video and microphone after you have spoken.
- There is a facility in Microsoft Teams under the ellipsis button called turn on live captions which provides subtitles on the screen.

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. 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 Meeting Administrator so that the relevant Chair can inform those present at the start of the meeting.

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

Advisory Board meetings are not recorded by the Council as they are not formal meetings.

Pensions Board

Minutes of a meeting of the Pensions Board held in the Luttrell Room, County Hall, Taunton on Tuesday 23 November 2021 at 12.30pm.

Present

Cllr M Healey
Mr N Behan

Cllr A Hills and Mrs R Ellins
(Newly appointed Employer Representatives)

Officers Present:

Anton Sweet - Funds & Investment Manager, SCC
Shirley Cuthbert - Employer and Communications Manager, Peninsula Pensions
Stephen Morton – Strategy Manager for Pensions Management
Neil Milne – Governance Specialist and Carol James – Clerk.

89 **Apologies for absence** - agenda item 1

None

90 **Declarations of interest** - agenda item 2

Cllr Hills and Mr Behan both declared personal interests as members of the Local Government Pension Scheme.

91 **Minutes of the Meeting held on 6 February 2019** - agenda item 3

The minutes of the meeting held on 6 February 2019 were accepted as being accurate and were signed by the Chair of the Board for that meeting Cllr Healey.

92 **Election of a Chair of the Pension Board** - agenda item 4

The Governance Specialist called for nominations for the position of Chair of the Pensions Board. The Board agreed to appoint Cllr Hills to be Chair for the ensuing year.

93 Public Question Time - agenda item 5

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

94 Review of Investment Strategy Statement - agenda item 6

The Chair invited the Funds and Investments Manager to introduce his report and he began by noting that the Fund was required under section 7 of the LGPS (Management and Investment of Funds) Regulations 2016 to publish and maintain an Investment Strategy Statement (ISS). The ISS sets out the Somerset Fund's strategy for investing funds not immediately required to pay pensions, covering areas such as strategic asset allocation, ESG and pooling.

He explained that the current version of the ISS was adopted in June 2017, the regulations suggest this should be revisited at least every 3 years however it was always the Fund's intention to revisit the ISS and update as appropriate at the end of the initial transition process into the Brunel pool. It was expected this would fit within the 3-year window, but the COVID pandemic led to some delays.

It was noted that following a number of informal sessions attended by both Pensions Committee and Board members a draft had been produced of a revised ISS for formal consideration.

The Funds and Investment manager provided an overview of the changes that had been made to the current Investment Strategy Statement:

- Section 1 was largely unchanged.
- Section 2 had a revised strategic allocation to reflect the new position of the Fund's investments being almost exclusively managed via Brunel.
- Section 3 had been significantly re-written to provide much more detail around the investment risks facing the Fund.
- Section 4 had been significantly re-written to describe pooling in its post transition set-up, (the previous ISS had been written before Brunel was Launched).
- Section 5 had a specific 2-page section on climate change, which has been added since the previous version.
- Section 6 on Stewardship had been completely rewritten and significantly enhanced to reflect the greater expectations now placed on Stewardship.
- Sections 7 and 8 were largely unchanged.

Consulting the Pension Board was add key part of the consultation being undertaken before the new ISS would be considered by the Pension Committee

and the Board had a discussion about the revised ISS.

Cllr Hills requested that the words 'or sooner' be inserted regarding net zero investment, and the last bullet point of section 2 about active management, include the words 'after charges'

The Board accepted the revised Investment Strategy Statement.

95 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. He stated that the risk register had been significantly refreshed since the last Board meeting with most risks having some level of amendment. This had followed an in-depth discussion of the risk register at an informal meeting of Committee & Board members and risks had been relabelled and sorted to provide greater clarity.

There was a discussion of the report and Cllr Healey asked the one red alert on the risk register that related to the pension fund having insufficient assets to meet its long term liabilities. The Funds and Investments Manager explained that the Fund was capable of meeting its cash flow needs each month to pay pensions, and that regularly we will pay lump sums to beneficiaries as they retire. In terms of meeting that cash requirement, we are absolutely on it so there were no problems with the benefits being paid every month. The Fund held assets that make up 86% of long-term liabilities, meaning it was 14% short and that was a problem but was common amongst LGPS pension funds. Work to address was ongoing to ensure the Fund was closer to being 100% funded over the next 19 years.

On the subject of local government reorganisation in Somerset it was noted that as the Council would be a continuing authority at this time there was not anything to change.

The Board accepted and noted the report.

96 Business Plan Update – agenda item 8

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

The Board discussed their future meeting dates and agreed that they would

hold meetings a few weeks after the Pensions Committee had met. The Board indicated they would like to hold a meeting in February or March 2022.

The Board accepted and noted the report.

97 Any Other Urgent Business

The Chair after ascertaining there were no other items of business, thanked all those present for attending and closed the meeting.

(The meeting ended at 13.46pm)

Mrs Anne Hills
Chair - Pensions Board

Review of Pension Fund Risk Register

<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 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.

3. Changes since last meeting

- 3.1 There have been no changes to the risk register since the last meeting of the Pension Board.

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 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 - February 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 measures planned to achieve target score	Target Risk 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	Anton sweet	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 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 - February 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 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. 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 within the ISS will be considered as part of planned review in 2021.
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 - February 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 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. 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 - February 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 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. 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	Impact of COVID-19 crisis	Staff of Peninsula Pensions and SCC finance are working remotely without significant impact on performance. There are possible knock on consequences for other risks on the risk register	3	2	6		3	2	6		on-going with quarterly review		Added as per Committee request at June 2020 meeting.

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 dates for 2022 have been agreed with a general pattern of Board meetings taking place 1 month after Pensions Committee meetings.
2.2 The Board should indicate what they would like to consider at meetings during 2022 beyond standard items, specifically for the April 2022 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 - 2022 to 2023

Date	Proposed Items of Business	Lead Officer
8th April 22	<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>
8th July 22	<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>

SOMERSET COUNTY COUNCIL PENSION FUND

PENSION BOARD

MEETING WORKPLAN - 2022 to 2023

Date	Proposed Items of Business	Lead Officer
14th October 22	<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>
20th January 23	<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 Board Terms of Reference

<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 Pension Board is asked to review its Terms of Reference with a view to recommending any changes for the new Somerset Council Unitary's Constitution Committee to consider later in 2022.

2. Issues for consideration

- 2.1 The Current Terms of Reference as attached as appendix A

4. Background

- 4.1 It was a new requirement of the Public Service Pensions Act 2013 and the LGPS Regulations 2013 to set up a Pension Board. Following on from this a set of Terms of Reference were drafted in consultation with the Unions and the SCC Constitution Committee. The Terms of Reference were formally adopted by full Council in April 2015 and in turn by the original Pension Board.
- 4.2 With all constitutional and governance arrangements being reviewed ahead of the new unitary Council vesting in April 2023 it is agreed that this would be a good opportunity to review the Boards Terms of Reference.
- 4.3 Board's views are sought to feed into the review of the Constitution Committee and ultimately the full Council of the new Unitary.
- 4.4 Board are free to comment on any element of the Terms of Reference but officers would specifically like their views on:
- Number of members (there must be equal numbers of employee and member representatives)
 - Whether they would advocate independent members
 - Quoracy requirements

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.

**PENSION BOARD OF THE SOMERSET COUNTY COUNCIL PENSION FUND
TERMS OF REFERENCE**

1. Introduction

- 1.1 This document sets out the terms of reference of the Pension Board of Somerset County Council. The Pension Board is established under Section 5 of the Public Service Pensions Act 2013 and regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).
- 1.2 The Board is established by Somerset County Council in its capacity as the Administering Authority of the Somerset County Council Pension Fund and operates independently of the Pensions Committee.
- 1.3 The terms of reference will be formally approved by the Council as the Administering Authority and by the Board itself at its first meeting.
- 1.4 These terms of reference shall be reviewed by the Council on the advice of the Board and on an annual basis to ensure that they remain fit for purpose and in accordance with any regulations and guidance issued by the Secretary of State. Any revisions will be agreed by the Council and by the Board.

2. Definitions

- the Fund - Somerset County Council Pension Fund.
- the Board – The Pensions Board of Somerset County Council.
- the Pensions Committee – The Pensions Committee of Somerset County Council.
- LGPS – The Local Government Pension Scheme

3. Purpose and functions of the Board

- 3.1 The regulations state that the role of the Board is to assist the Administration Authority to:
- (a) secure compliance with:
 - the LGPS Regulations;
 - any other legislation relating to the governance and administration of the LGPS; and
 - the requirements imposed by the Pensions Regulator in relation to the LGPS, and
 - (b) ensure the effective and efficient governance and administration of the LGPS.
- 3.2 The Board will assist the Administering Authority by making recommendations about compliance, process and governance. The Board does not have a decision making role with regard to strategy or policy and can only challenge decisions made by the Pensions Committee where the Board considers a decision to be in breach of the relevant Regulations (or overriding legislation). The Board's role is to have oversight of the governance process for making decisions and agreeing policy.
- 3.3 In discharging its role, the Board's remit shall cover all aspects of governance and administration of the LGPS, including funding and investments. The Board must have regard to advice issued by the Scheme Advisory Board in accordance with section 7(3) of the Public Service Pensions Act 2013.

3.4 The Board will exercise its duties in the following areas:

- (a) monitor compliance with the relevant legislation and Codes of Practice set by The Pensions Regulator;
- (b) review and ensure compliance of the Fund's:
 - (i) governance compliance statement
 - (ii) funding strategy statement
 - (iii) pension administration strategy statement
 - (iv) discretionary policy statement
 - (v) communications policy statement
 - (vi) statement of investment principles
 - (vii) annual report and accounts
- (c) review and scrutinise the performance of the Fund in relation to its governance and administration, policy objectives and performance targets;
- (d) ensure policies and processes are in place so that employers comply with their obligations under the regulations;
- (e) review the processes for setting strategy, policy and decision-making and ensure they are robust;
- (f) agree the annual internal audit plan for the Fund;
- (g) consider the output of any internal audit work carried out on the Fund;
- (h) consider the external audit report on the Fund's Annual Report and Statement of Accounts;
- (i) review the Fund's risk register;
- (j) monitor the Fund's Internal Dispute Resolution Procedures;
- (k) from time to time the administering authority may consult the Board or ask assistance on specific issues.

3.5 Under Regulation 106(8) the Board has the general power to do anything which is calculated to facilitate or is conducive or incidental to, the discharge of its functions.

3.6 The Board must always act within its Terms of Reference.

4. Membership of the Board

4.1 The Board shall consist of 6 members and be constituted as follows:

(a) Three employer representatives

- (i) one employer representative will be a county councillor who is not a member of the Pension Committee and will be selected by the Administering Authority having taken account of their relevant experience, their capacity to represent other scheme employers and their knowledge and understanding of the Local Government Pension Scheme;
- (ii) two employer representatives to be nominated by the employers having demonstrated their capacity to represent other scheme employers, their relevant experience and their knowledge and understanding of the LGPS. In the event of there being more than one nomination, the Administering Authority will carry out a selection process.

(b) Three scheme member representatives

- i) two members representatives will be nominated by the recognised trade unions having demonstrated their capacity to represent other scheme employers, their relevant experience and their knowledge and understanding of the LGPS;
- ii) one members representative will be open to all scheme members. The administering authority shall contact scheme members advising them of the role and seeking nominations and asking them to demonstrate their capacity to represent other scheme members, their relevant experience and their knowledge and understanding of the LGPS. In the event of there being more than one nomination, the Administering Authority will carry out a selection process.

4.2 Due to the specialist knowledge requirements of Board members, substitutes to the appointed members of the Board are not permitted.

5. Responsibilities of the Chair

- 5.1 The Chair is responsible for:
- (a) ensuring the Board delivers its purpose as set out in the Board's terms of reference;
 - (b) the arrangements for meetings of the Board;
 - (c) ensuring that Board meetings are productive and effective and that opportunity is provided for the views of all Board members to be expressed and considered;
 - (d) seeking to achieve the consensus of all Board members on the business presented to the Board and ensure that decisions are properly put to a vote when that cannot be reached.
- 5.2 The Chair will be appointed annually by Board. The Chair will be rotated around the 6 members of the Board.

6. Conflicts of interest

- 6.1 All members of the Board must declare on appointment and at any such time as their circumstances change any potential conflict of interest arising as a result of their position on the Board.
- 6.2 On appointment to the Board and following any subsequent declaration of potential conflict the conflict must be managed in line with the Board's policy on conflicts of interest, the internal procedures of Somerset County Council, the requirements of the Public Service Pensions Act 2013 and the requirements of the Pensions Regulator's codes of practice on conflict of interest for Board members.
- 6.3 The Council's Monitoring Officer shall include interests registered by all members of the Board in the published Members' and Co-opted Members' Register of Interests. All such interests are to be registered with the Monitoring Officer within 28 days of appointment to the Board.

7. Knowledge and understanding including training

- 7.1 All new members must follow an induction training plan and all members of the Board will be expected to attend the training provided to ensure that they have the requisite knowledge and understanding to fulfil their role.
- 7.2 All members must be prepared to participate in such regular personal training needs analysis or other processes as are put in place to ensure that they maintain the required level of knowledge and understanding to carry out their role.
- 7.3 Failure to attend training or participate in the processes referred to above may lead to removal from the Board.

8. Term of office and removal from office

- 8.1 The members of the Board serve for a four year term, subject to the following:
- (a) the representatives of the administering authority shall be appointed annually by the Somerset County Council Annual Council Meeting, but with a view to maintaining stability of membership;
 - (b) the two union nominated member representatives can be amended at any time by the unions, but with a view to maintaining stability of membership.
- 8.2 Members of the Board will be expected to attend all meetings and training sessions. This will be recorded and published. The membership of any member who fails to attend for two consecutive meetings or two consecutive training events shall be reviewed by the Board and shall be terminated in the absence of mitigating factors

- 8.3 Subject to 8.4 below, a Board member can be removed from the Board in the following circumstances (but not limited to):
- (a) A poor attendance record;
 - (b) if a member does not undertake training as requested by the administering authority;
 - (c) if a member is In breach of Council's Code of Conduct / Declarations policy;
 - (d) if a member has a conflict of interest that cannot be managed in accordance with the Board's conflicts policy;
 - (e) if a representative member ceases to represent his constituency e.g. leaves the employer so no longer has the capacity to represent the Fund's employers.
- 8.4 Other than by ceasing to be eligible for appointment to the Board, Board members may only be removed from office during their term of appointment by the unanimous agreement of all of the other members of the Board at a meeting of the Board where this is specified as an agenda item or with the agreement of the Council at a Full Council meeting.
- 8.5 Arrangements shall be made for the replacement of Board members in line with the procedures for their original appointment.

9. Meetings

- 9.1 The frequency of meetings is to be determined by the Board once it has agreed a workplan, with a minimum of two meetings annually. In addition to this, training sessions will be held as necessary to ensure that Board members have sufficient knowledge and skills to undertake the role.
- 9.2 The Chair of the Board may call additional meetings with the consent of other members of the Board. Urgent business of the Board between meetings may, in exceptional circumstances, be conducted via communications between members of the Board including telephone conferencing and emails.
- 9.3 The Board will meet at the Council's main offices, or another location to be agreed by the Chair. Meetings will be held during normal working hours at times to be agreed by the Chair.
- 9.4 As a committee of the Council, the Rules of Procedure in Section 6 of the Council's constitution apply to meetings of the Board. Board meetings will be held in open session with closed sessions where appropriate. The agenda papers will be circulated to members of the Board and published in advance of meeting in line with Council policy. The minutes of meetings will be recorded and published in line with Council policy.

10. Quorum

- 10.1 The quorum of the Board shall be 3 to include the Chair. The quorum must include one employer representative and one member representative.

11. Voting rights

- 11.1 Each of the 6 members of the committee will have voting rights. In the event of a tied vote the Chair has the option of having a final casting vote.

12. Code of Conduct

- 12.1 All members of the Board will be required to formally sign up to comply with the Somerset County Council Code of Conduct set out at Part 2, Section C of the Council's constitution.

13. Allowances and Expenses

- 13.1 Any councillor of the Council appointed to the Board will be entitled to receive allowances in accordance with Part 2, Section D of the Council's constitution (Scheme of Members' Allowances).
- 13.2 Reimbursement of expenses for all members of the Board will be claimable in line with Somerset County Council's agreed expenses rates.

14. Budget

- 14.1 All costs arising from accommodation and administrative support to conduct its meetings and other business, and the training needs of the Board will be met by the Fund.
- 14.2 The Council's Community Governance Team will provide the secretariat services to the Board, the cost of which will be met by the Fund.
- 14.3 The Board will have open access to all officers involved in the running of the Fund and any advisors already employed by the Fund (e.g. the Fund's Actuary).
- 14.4 The Board may make requests to the Section 151 Officer to approve any additional expenditure required to fulfil its obligations which will then be charged to the Fund. This would include any officer resources not already employed by the Fund.

15. Accountability and reporting

- 15.1 The Board is accountable solely to the County Council for the effective operation of its functions.
- 15.2 The Board shall report to the Pensions Committee as often as the Board deems necessary and at least annually on:
- (a) a summary of the work undertaken;
 - (b) the work plan for the next 12 months;
 - (c) areas raised to the Board to be investigated and how they were dealt with;
 - (d) any risks or other areas of potential concern it wishes to raise;
 - (e) details of training received and planned; and
 - (f) details of any conflicts of interest and how they were dealt with.
- 15.3 The Board shall report annually to Full Council on its work. It will also and as necessary from time to time report to Full Council any breach in compliance, or other significant issue, which has not been resolved to the satisfaction of the Board within a reasonable time of being reported to the Pensions Committee.
- 15.4 The Board shall report to the Scheme Advisory Board:
- (a) any areas of persistent non-compliance;
 - (b) any areas of non-compliance with the LGPS Regulations that have been reported to the Pensions Committee and full council but persist to be of a material concern.
- 15.5 The Board shall report to the Pensions Regulator all material breaches of the Pensions Regulator regulatory guidance, following notification to full council and the Pensions Committee.

16. Data protection and Freedom of Information

- 16.1 For legal purposes the Board is considered a committee of and part of the administering authority legal entity. Therefore the Board must comply with the Council's Data Protection and Freedom of Information policies.

Review of Fees and Charges

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<i>Executive Portfolio Holder:</i>	Not applicable
<i>Division and Local Member:</i>	Not applicable

1. Summary

- 1.1 The Pension Fund pays fees and charges to a range of providers including Somerset CC and Devon CC for officer resources, Brunel and third-party fund managers. Some of these costs are invoiced for and some are taken from within investment funds.

2. Issues for consideration

- 2.1 This item is for information only.

3. Review of costs as disclosed in the 2020-21 annual report

3.1 Those items of cost that are explicitly accounted for, which includes all of the directly invoiced charges, and some costs that are taken from investment funds. Are shown in notes 7, 8 and 9 to the accounts. There have been no changes to the risk register since the last meeting of the Pension Board. The tables showing these are shown below.

3.2 Administration costs

2019/2020 £ millions		2020/2021 £ millions
0.000	Benefits administration costs charged by Somerset CC	0.000
<u>-1.273</u>	Benefits administration costs charged by Devon CC	<u>-1.262</u>
-1.273		-1.262
0.000	Legal advice costs charged by Somerset CC	0.000
<u>-0.012</u>	External legal advice	<u>-0.008</u>
-0.012		-0.008
0.000	Other expenses	0.000
<u>-1.285</u>		<u>-1.270</u>

3.3 Investment Costs

2019/2020
£ millions

2020/2021
£ millions

Fund manager fees

-0.339	LaSalle	-0.184
-1.102	Jupiter*	0.000
-0.171	Maple-Brown Abbott*	-0.049
-0.135	Amundi	0.000
-0.041	Somerset County Council	-0.043
-0.590	Aberdeen Standard	-0.634
-0.855	Other fund managers	-0.558
-3.233		-1.468
Other expenses		
-0.094	Transaction costs	-0.073
-0.039	Custody fees	-0.035
-0.402	Property unit trust managers' fees	0.000
-0.535		-0.108
Pooling		
-0.979	Brunel Fees	-0.991
-1.429	3rd Party Fund Manager Fees	-3.143
0.000	Property unit trust managers' fees	-1.086
-0.048	Custody fees	-0.164
-0.004	Other costs	-0.223
-2.460		-5.607
-6.228		-7.183

3.4 Governance & Oversight Costs

2019/2020 £ millions		2020/2021 £ millions
-0.010	Committee services costs charged by Somerset CC	-0.010
<u>-0.223</u>	Investments administration costs charged by Somerset CC	<u>-0.232</u>
-0.233		-0.242
-0.177	Actuary's fees	-0.142
<u>0.067</u>	Recharge of Actuary's fees to employers	<u>0.057</u>
-0.110		-0.085
-0.027	External audit fees	-0.022
0.002	Refund	0.000
<u>0.007</u>	Recharge of audit fees to employers	<u>0.000</u>
-0.018		-0.022
0.000	Internal audit costs charged by South West Audit Partnership	0.000
-0.081	Professional services and subscriptions	-0.078
-0.171	IT systems	-0.209
0.000	Performance measurement fees	0.000
0.000	External legal advice	0.000
-0.026	Voting advice fees	-0.022
-0.018	Pooling costs	-0.018
-0.005	Other expenses	-0.005
<u>-0.662</u>		<u>-0.681</u>

3.5 CIPFA have included a requirement for more detailed analysis of investment costs to be shown in the annual report that includes additional costs taken from within investment funds. In this table the items shown as "Direct" match those taken through the accounts and shown in the tables above. The "indirect" cost are additional costs taken from within Funds. The requirement is also to split these between costs within the Brunel asset pool and those outside.

	Brunel asset pool				Non-asset pool				Whole fund	
	Direct £ m	Indirect £ m	Total £ m	bps	Direct £ m	Indirect £ m	Total £ m	bps	Total £ m	bps
Management fees										
Ad valorem	4.229		4.229	26.5	1.468		1.468	18.9	5.697	24.0
Performance			0.000	0.0			0.000	0.0	0.000	0.0
Research			0.000	0.0			0.000	0.0	0.000	0.0
Other charges	0.223		0.223	1.4			0.000	0.0	0.223	0.9
Asset pool shared costs	0.991		0.991	6.2			0.000	0.0	0.991	4.2
Transaction costs										
Taxes and stamp duty		0.267	0.267	1.7	0.033		0.033	0.4	0.300	1.3
Broker commission		0.183	0.183	1.1	0.040		0.040	0.5	0.223	0.9
Implicit costs		1.587	1.587	9.9			0.000	0.0	1.587	6.7
Entry/exit charges			0.000	0.0			0.000	0.0	0.000	0.0
Indirect transaction costs		0.729	0.729	4.6			0.000	0.0	0.729	3.1
Custody	0.164		0.164	1.0	0.035		0.035	0.5	0.199	0.8
Other										
Stock lending			0.000	0.0	-0.059		-0.059	-0.8	-0.059	-0.2
Other costs		0.224	0.224	1.4			0.000	0.0	0.224	0.9
Total	<u>5.607</u>	<u>2.990</u>	<u>8.597</u>	<u>53.8</u>	<u>1.517</u>	<u>0.000</u>	<u>1.517</u>	<u>19.6</u>	<u>10.114</u>	<u>42.6</u>

3.6 Officers do have significant granular detail on the breakdown of all costs and on balance feel they are fair, reasonable and, where comparators are available, costs are generally below average.

4. Consultations undertaken

None

5. Financial Implications

5.1 There is a direct link between the costs of running the Pension Fund and the contributions required of employers.

6. Background Papers

None

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