

Somerset Pensions Advisory

Board

Friday 8 April 2022

10.00 am Virtual meeting via Microsoft Teams



To: The Members of the Somerset Pensions Advisory Board

Cllr M Healey, N Behan, R Ellins, A Hills (Chair), R Bryant, A White

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

Issued By Scott Wooldridge, Monitoring Officer and Strategic Manager - Governance and Democratic Services - 31 March 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 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 Advisory Board - 10.00 am Friday 8 April 2022

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

1 **Apologies for absence**

To receive any apologies from Members of the Board.

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 will be displayed in the meeting room (where relevant).

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

3 **Minutes from the previous meeting held on 18th February 2022** (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**

To consider the papers provided to the Pensions Committee at their meeting of 18th March 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 **Any Other Business of Urgency**

The Chairman may raise any items of urgent business.

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.

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Pensions Board

Minutes of a meeting of the Pensions Board held virtually via Microsoft Teams on Friday 18 February 2022 at 10am.

Present:

Cllr A Hills (Chair), Mr N Behan, Mrs R Ellins, Mr A White and Mr R Bryant.

Officers Present:

Mr A Sweet - Funds & Investment Manager, SCC

Mr D Harris - Employer and Communications Manager, Peninsula Pensions

Mr S Morton – Strategy Manager for Pensions Management

Mr N Milne – Governance Specialist

Carol James – Clerk.

98 Apologies for absence - agenda item 1

Cllr M Healey was not present, so apologies were notes.

99 Declarations of interest - agenda item 2

Mrs R Elliins, Rod Bryant, Antony White and Mr N Behan express an interest in the LG Pension scheme.

100 Minutes of the Meeting held on 14 November 2021 - agenda item 3

The minutes of the meeting held on 14 November 2021 were accepted as being accurate and were signed by the Chair of the Board.

One correction was noted in that the express on interest mentioned was for Mrs R Ellins and not Cllr A Hills.

101 Public Question Time - agenda item 4

Sigurd Reimers read out a statement regarding Fossil Fuel Investments and Climate Change which Anton read out a response to as per below.

The Board notes and shares your concerns regarding climate change. However, we feel that the steps included in the proposed new Investment Strategy Statement regarding climate change, together with our continuing support of the industry leading work of Brunel in reducing the carbon intensity of its portfolios,

demonstrate that the Fund is taking climate change seriously.

102 Review of Pensions Committee Papers - agenda item 5

Anton gave a brief outline of the Pensions Committee papers explaining the investment process and Brunel. Cllr Hills asked the question if the Committee could make decisions virtually. Anton explained that the officers will make the decision after voting has been taken, under the new rule agreed by Full Council until May 2022. The May elections will only affect Cllr Healey, depending on if he is elected and if not a new member will be appointed. Anton mentioned there is likely to be a number of Committee members who are stand downing so new members will need to be found. Mrs Ellins raised the issue of further consideration of the pensions fund administration performance and how information could be provided and reported at future meetings. It was agreed that Mr D Harris, Cllr Hills, Mrs R Ellins and Mr Morton would meet to discuss a way forward to address this.

The Board noted the update.

103 Review of Pension Fund Risk Register - agenda item 6

The Board considered the report of the Funds and Investments Manager reviewing the Pension Fund's risk register. The register has not changed since the last meeting. The revision of the Funding Strategy Statement will take place possibly in late 2023, after consulting with employers. There was a mention for reassurance around cyber security which is always being looked at. The report will be compared to last year's and ask for more in-depth information from Brunel. Mr Harris gave an update from Peninsula's perspective and mentioned that they are mainly still working from home, are managing to keep on top of workloads and do regularly monitor their security to ensure things are secure.

The Board accepted and noted the report.

104 Business Plan Update - agenda item 7

The Board considered the report of the Funds and Investments Manager and a suggestion was made that a training session should be held just before the next meeting to have a look at risk of Investment to Climate Change and how Brunel is looking at reduce their carbon intensity of its portfolio, so that issues

can be discussed and brought to the Board. We will look at Investment Report at the June meeting, admin performance piece at the April meeting and ESG Piece at the July meeting.

The Board noted the update.

105 Review of Pension Board Terms of Reference – agenda item 8

The Board considered the report of the Funds and Investments Manager that set out the Terms of Reference which were opted in 2015, however with LGR all Terms of Reference will be looked at. Point 3.4 was raised by Mrs Ellins who asked if this was robust enough? Anton agreed to rewrite to include the explicate wording discussed. Cllr Hills would like Members to be encouraged to be heard and have a voice, but understand the logistics make it difficult. A discussion took place and it was agreed that Members would be made more aware of the Board and encourage them to have an interest in their pension when any communication is being sent by Peninsular. The Chair asked that any public questions are not limited to 3 minutes and if this does become a problem that it will be reviewed. The request that the Chair has to be present to make a meeting quorate is to be removed, meaning that the Board can meet if the correct number of members are present.

The Board accepted and noted the report.

106 Fees & Charges – agenda item 9

The Chair raised this item and Mr Harris explained that they are holding a number of staff vacancies and are continuing to monitor costs to ensure there is value for money, including staff working from home. Cllr Hills explained that reassurance is required that we are getting value for money which is why this item was raised.

The Board noted the update.

107 Any Other Business of Urgency

The Chair after ascertaining there were no other items of business, thanked all those present for attending and closed the meeting. The date of 8 April 2022 at 10am is the next meeting to be held virtually via Teams.

(Pensions Advisory Board – 18/02/22)

(The meeting ended at 11.59 am)

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 - April 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 - April 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 - April 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 - April 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.

Business Plan Update

<i>Lead Officer:</i>	Jason Vaughan: Director of Finance
<i>Author:</i>	Anton Sweet: Funds and Investments Manager
<i>Contact Details:</i>	(01823) 359584 asweet@somerset.gov.uk
<i>Executive Portfolio Holder:</i>	Not applicable
<i>Division and Local Member:</i>	Not applicable

1. Summary

- 1.1 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.

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 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>4. Review of ESG Investing Arrangements To consider the arrangements in place to ensure all investing meets ESG best practice.</p>	<p>AS</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>4. Review of Investment Performance Reporting To consider how investment performance is reported and reviewed.</p>	<p>AS</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>
TBC April 2023	<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>