

Public Agenda Pack



Notice of Meeting of

PENSION FUND BOARD

Friday, 6 October 2023 at 10.00 am

Luttrell Room - County Hall, Taunton TA1 4DY

To: The members of the Pension Fund Board

Chair: Councillor Anne Hills

Councillor Simon Carswell
Nigel Behan
Anthony White

Rod Bryant
Rachel Ellins

For further information about the meeting, including how to join the meeting virtually, please contact Democratic Services democraticserviceteam@somerset.gov.uk.

All members of the public are welcome to attend our meetings and ask questions or make a statement **by giving advance notice** in writing or by e-mail to the Monitoring Officer at email: democraticserviceteam@somerset.gov.uk by **5pm on Monday, 2 October 2023**.

This meeting will be open to the public and press, subject to the passing of any resolution under the Local Government Act 1972, Schedule 12A: Access to Information.

The meeting will be webcast and a recording made.

Issued by (the Proper Officer) on Thursday, 28 September 2023

AGENDA

Pension Fund Board - 10.00 am Friday, 6 October 2023

Public Guidance Notes contained in Agenda Annexe (Pages 5 - 6)

Click here to join the online meeting (Pages 7 - 8)

1 Apologies for Absence

To receive any apologies for absence.

2 Minutes from the Previous Meeting (Pages 9 - 12)

To approve the minutes from the previous meeting held on 28 April 2023 as a correct record.

3 Declarations of Interest

To receive and note any declarations of interests in respect of any matters included on the agenda for consideration at this meeting.

(The other registrable interests of Councillors of Somerset Council, arising from membership of City, Town or Parish Councils and other Local Authorities will automatically be recorded in the minutes: [City, Town & Parish Twin Hatters - Somerset Councillors 2023](#))

4 Election of a Chair of the Pension Fund Board

For the Board to appoint a Chair for the ensuing year.

Under the Terms of Reference the Chair will be appointed annually by Board. The Chair will be rotated around the 6 members of the Board.

5 Public Question Time

The Chair to advise the Committee of any items on which members of the public have requested to speak and advise those members of the public present of the details of the Council's public participation scheme.

For those members of the public who have submitted any questions or statements, please note, a three minute time limit applies to each speaker and you will be asked to speak before Councillors debate the issue.

We are now live webcasting most of our committee meetings and you are welcome to view and listen to the discussion. The link to each webcast will be available on the meeting webpage, please see details under 'click here to join online meeting'.

6 Brunel Chief Investment Officer

A question and answer session with David Vickers, Chief Investment Officer of Brunel PP Ltd..

7 Review of Pensions Committee Papers

To consider the papers provided to the Pensions Committee at their meeting of 15th September 2023.

The papers are available at: [Pension Fund Committee 15th September 2023](#)

8 Review of Pension Fund Risk Register (Pages 13 - 18)

To consider a report from the Funds & Investments Manager.

9 Business Plan Update (Pages 19 - 22)

To consider a report from the Funds & Investments Manager.

10 Any Other Business of Urgency

The Chair may raise any items of urgent business.

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Guidance notes for the meeting

Council Public Meetings

The legislation that governs Council meetings requires that committee meetings are held face-to-face. The requirement is for members of the committee and key supporting officers (report authors and statutory officers) to attend in person, along with some provision for any public speakers. Provision will be made wherever possible for those who do not need to attend in person including the public and press who wish to view the meeting to be able to do so virtually.

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 democraticserviceteam@somerset.gov.uk or telephone 01823 357628.

They can also be accessed via the council's website on [Committee structure - Modern Council \(somerset.gov.uk\)](#)

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: [Code of Conduct](#)

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.

Public Question Time

If you wish to speak or ask a question about any matter on the Committee's agenda please contact Democratic Services by 5pm providing 3 clear working days before the meeting. (for example, for a meeting being held on a Wednesday, the deadline will be 5pm on the Thursday prior to the meeting) Email democraticserviceteam@somerset.gov.uk or telephone 01823 357628.

Members of public wishing to speak or ask a question will need to attend in person or if unable can submit their question or statement in writing for an officer to read out, or alternatively can attend the meeting online.

A 20-minute time slot for Public Question Time is set aside near the beginning of the meeting, after the minutes of the previous meeting have been agreed. Each speaker will have 3 minutes to address the committee.

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 an item on the agenda is contentious, with many people wishing to attend the meeting, a representative should be nominated to present the views of a group.

Meeting Etiquette for participants

Only speak when invited to do so by the Chair.

Mute your microphone when you are not talking.

Switch off video if you are not speaking.

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.

There is a facility in Microsoft Teams under the ellipsis button called turn on live captions which provides subtitles on the screen.

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.

If there are members of the public and press listening to the open part of the meeting, then the Democratic Services Officer will, at the appropriate time, ask participants to leave the meeting when any exempt or confidential information is about to be discussed.

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.

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Minutes of a Meeting of the Pension Fund Board held in the Luttrell Room - County Hall, Taunton TA1 4DY, on Friday, 28 April 2023 at 10.00 am

Present:

Cllr Councillor Anne Hills (Chair)

Cllr Simon Carswell
Nigel Behan
Rachel Ellins (virtually)

Rod Bryant
Anthony White

In attendance:

Anton Sweet
Shirley Cuthbert

Funds & Investment Manager
Peninsula Pensions (virtually)

1 Apologies for Absence - Agenda Item 1

None.

2 Declarations of Interest - Agenda Item 2

Cllr Simon Carswell declared that he was in receipt of a Somerset Council pension.

3 Minutes from the Previous Meeting - Agenda Item 3

Resolved that the minutes of the Somerset Pensions Board held on 20 January 2023 be confirmed as a correct record subject to the replacement of '*variation*' with '*valuation*' in minute no. 139.

4 Public Question Time - Agenda Item 4

No members of the public had registered to speak.

5 Review of Pensions Committee Papers - Agenda Item 5

The Board received a summary of the Pension Committee meeting on the 10 March 2023, with updates, and the following points were highlighted:

- The terms of reference for the new Pension Fund Committee had been agreed and the Committee membership had been increased from 8 to 10.
- The pension fund had been moved from the SAP system to Microsoft 365.
- The reduction in staff due to the formation of the unitary council was unlikely to have an impact on the pension fund.
- Investment performance had been reviewed.
- Admin performance had been reviewed and staff recruitment was a major topic. Peninsula Pensions currently interviewing for 7 vacancies, approximately 10% of their workforce.
- The Communications Strategy was being worked upon.
- Nothing had been received regarding the financial climate related disclosure reporting requirements for local government pension schemes.
- They were still awaiting the outcome of the McCloud case.
- Nothing formal had been received on changes to the pooling guidance or pooling regulations.
- The Annual Employers meeting would now likely be taking place in the Summer or Autumn.
- Whilst Brunel had approved their strategic objectives and budget there was currently an impasse over a proposed new remuneration policy that the majority believed was necessary to overcome their recruitment and retention issues. Consequently, their governance structure and voting requirements was being looked at.

6 Review of Pension Fund Risk Register - Agenda Item 6

The Board was advised that an informal joint session, involving members of both the Board and the Committee, was planned for later in the year to have an in-depth discussion on each risk and to see if the current scoring was appropriate.

In response to concerns raised by the Board it was agreed that tweaks would be made to the following risks:

- **PF - Admin5** – to reflect an increase in likelihood.
- **PF - Inv4** – to reflect the specific recruitment issues that they faced.

7 Business Plan Update - Agenda Item 7

The Board considered their business plan and agreed to add a review of Brunel's new Climate Change Strategy to the July 2023 meeting as it aligned with the already planned review of Brunel's Carbon Metrics Report.

The Chair also reminded everyone that at the October meeting there would be an election of a Chair for the Pension Board, and that after having served for two terms, she would be looking for another member to step up.

8 Review of Funding Strategy Statement - Agenda Item 8

The Board considered the Funding Strategy Statement and in response to questions about the RPI assumption of 3.2% it was explained that whilst inflation was currently running at a much higher rate, they were looking at what was expected over a 20 year period. In response to concerns that it was not just inflation but a succession of issues one after another, and whether there was anything pre-emptive that could be done the Officer confirmed that, as a fund, the only lever that they had was to request a fresh actuarial valuation as at the 31 March 2023 and that would take a year to do.

Whilst Somerset Council could put additional monies into the fund, it was highly unlikely considering the financial pressures that it was under. Cllr Liz Leyshon (Deputy Leader of the Council and Lead Member for Resources and Performance) confirmed that that was a fair summation and that putting more funding into the pension scheme was unlikely to find favour at the current time. The Board was advised that it was probably reasonable to wait until the next valuation.

In respect of the Funding Strategy Statement Members noted that the new proposed methodology would give a more prudent outcome over time and that it would be considered by the Committee before going out to the employers.

9 Review of Investment Performance Calculation and Monitoring - Agenda Item 9

The Board received an overview of investment performance and, after discussing a number of points, felt that it would be helpful to know how the various Brunel funds were performing against each other. They requested that Brunel's General Performance Report to be included within the Pension Board's papers.

10 Any Other Business of Urgency - Agenda Item 10

None.

(The meeting ended at 12.11 pm)

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CHAIR

Review of Pension Fund Risk Register

<i>Lead Officer:</i>	Jason Vaughan: Executive Director – Resources and Corporate Services (Section 151 Officer)
<i>Author:</i>	Anton Sweet: Funds and Investments Manager
<i>Contact Details:</i>	(01823) 359584 anton.sweet@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 since the last Board meeting.
- 3.3 It is anticipated that a more in depth review of the risk register will take place in autumn 2023, probably with a joint informal meeting of Board and Committee as part of that process.

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.

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. PF - Gov 1 2. Pension Fund Committee	Failure of Pension Fund Committee to manage the fund effectively, particularly as a result of insufficient knowledge and skills	Policies and procedures adopted by Pension Fund Committee, specifically the committee training policy and skills	3	4	12 Amber	Undertake a review of Committee Knowledge and Skills. Follow up on Findings with revised training plan	2	4	8 Green		on-going with quarterly review		Current score is influenced by the collective experience and consistency of the Pension Fund Committee, which has had a number of changes over the last 4 years.
1. PF - Gov 2 2. Pension Fund Committee	Risk of Regulatory change: - Implementation of change risks - Consequences of change risks	Continuous engagement with DLUHC and other interested stakeholders	4	3	12 Amber		4	3	12 Amber		on-going with quarterly review		The dictated change to pooling of investment arrangements and implementation of this presents a significant risk to the scheme. The frequency of new regulation and the relatively new role of the Pensions Regulator are also factors.
1. PF - Inv1 2. Anton Sweet	The pension fund has insufficient available cash to meet its immediate (next 6 months) liabilities.	Cash flow forecasting of TM function Monthly review of asset allocation and cash levels	2	4	8 Green		2	4	8 Green		on-going with quarterly review		
1. PF - Inv2 2. Pension Fund 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	2	5	10 Amber	The triennial 2022 valuation includes provision for restoring the fund to full funding over 16 years. The current risk score partly reflects that the fund was 95% 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 Amber		Review again at next Valuation - 2025	Likelihood score reduced to reflect the better funding level reported as part of the 2022 valuation.	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. 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. PF - Inv3 2. Pension Fund 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.
					Green				Green				
1. PF - Inv4 2. Pension Fund 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	There was a proposal at April Pension Fund Board meeting to increase the score of this but due to subsequent developments this is no longer necessary.	
					Green				Green				
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.
					Green				Green				

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. 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 Green		2	3	6 Green		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. 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 Amber	Receipt of revised regulations in respect of the exit cap, McCloud and Goodwin	2	3	6 Green		on-going with quarterly review		
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 Green		2	4	8 Green		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 Green		2	3	6 Green		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.

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. PF - Admin5 2. SC Section 151 Officer	Vulnerability to long-term staff sickness and/or retention and recruitment issues, especially for higher graded posts, within Somerset Council and Peninsula Pensions.	None, other than experience of other staff within the sections	3	3	9 Amber		2	3	6 Green		on-going with quarterly review	Risk clarified and likelihood score increased following discussion at April Pension Fund Board meeting.	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. SC 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 Green		2	4	8 Green		on-going with quarterly review		
1. PF - Admin7 2. SC Section 151 Officer	Civil Contingency Event	SCC and Peninsula would follow their established business continuity plans	3	2	6 Green		3	2	6 Green		on-going with quarterly review		Amended from COVID risk December 2022 at Board's request.

Business Plan Update

<i>Lead Officer:</i>	Jason Vaughan: Executive Director – Resources and Corporate Services (Section 151 Officer)
<i>Author:</i>	Anton Sweet: Funds and Investments Manager
<i>Contact Details:</i>	(01823) 359584 anton.sweet@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 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 2024 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 COUNCIL PENSION FUND

PENSION FUND BOARD

MEETING WORKPLAN - 2024

Date	Proposed Items of Business	Lead Officer
12th January 2024	<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>
12th April 2024	<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 COUNCIL PENSION FUND

PENSION FUND BOARD

MEETING WORKPLAN - 2024

Date	Proposed Items of Business	Lead Officer
July 2024 TBC	<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>
October 2024 TBC	<p><u>FORMAL MEETING</u></p> <p>1. Electection of a Chair of the Pension Board</p> <p>2. Business Plan Update To consider progress against the Board's approved work-plan.</p> <p>3. Review of Pension Fund Risk Register To review the risks within the fund and form an appropriate risk register for the fund.</p> <p>4. 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>