

# Public Agenda Pack



Notice of Meeting of

## **PENSION FUND COMMITTEE**

**Friday, 15 March 2024 at 10.00 am**

**John Meikle Room, The Deane House, Belvedere Road, Taunton TA1 1HE**

To: The members of the Pension Fund Committee

Chair: Councillor Simon Coles

Vice-chair:

Councillor John Cook-  
Woodman

Councillor Michael Dunk

Councillor Habib Farbahi

Councillor David Fothergill  
Paul Butler

Councillor Mike Hewitson  
Sarah Williams

Councillor Peter Seib  
Vacancy

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For further information about the meeting, including how to join the meeting virtually, please contact Democratic Services [democraticservicesteam@somerset.gov.uk](mailto:democraticservicesteam@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: [democraticservicesteam@somerset.gov.uk](mailto:democraticservicesteam@somerset.gov.uk) by **5pm on Monday, 11 March 2024**.

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 an audio recording made.

Issued by (the Proper Officer) on Thursday, 7 March 2024

# AGENDA

Pension Fund Committee - 10.00 am Friday, 15 March 2024

**Public Guidance Notes contained in Agenda Annexe** 7 - 8

**Click here to join the online meeting** 9 - 10

## **1 Apologies for Absence**

To receive any apologies for absence.

## **2 Declarations of Interest**

Details of all Members' interests in District, Town and Parish Councils will be displayed in the meeting room. The Statutory Register of Member's Interests can be inspected via the Community Governance team.

(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](#) )

## **3 Minutes from the Previous Meeting (Pages 11 - 16)**

To approve the minutes from the previous meeting.

#### **4 Public Question Time**

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

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'.

#### **5 Independent Investment Advisor's report**

To receive a verbal update on developments in financial markets.

#### **6 Review of Investment performance (Pages 17 - 36)**

To consider this report from the Funds & Investments Manager.

#### **7 Review of administration performance (Pages 37 - 44)**

To consider this report from the Head of Peninsula Pensions.

#### **8 Business plan update (Pages 45 - 52)**

To consider this report from the Funds & Investments Manager.

#### **9 Finance and membership statistics update (Pages 53 - 56)**

To consider this report from the Funds & Investments Manager.



**10 Review of pension fund risk register (Pages 57 - 64)**

To consider this report from the Funds & Investments Manager.

**11 Administration strategy statement (Pages 65 - 120)**

To consider this report from the Head of Peninsula Pensions.

**12 Resource review, financial forecast setting and committee objective setting (Pages 121 - 126)**

To consider this report from the Funds & Investments Manager.

**13 Cash management strategy (Pages 127 - 134)**

To consider this report from the Funds & Investments Manager.

**14 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](mailto: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](mailto: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 Committee held in the John Meikle Room, The Deane House, Belvedere Road, Taunton TA1 1HE, on Friday, 15 December 2023 at 10.00 am

**Present:**

Cllr Simon Coles (Chair)

Cllr Habib Farbahi

Cllr David Fothergill

Paul Butler

Sarah Williams

**Other Members present remotely:**

Cllr Mike Hewitson

Cllr Michael Dunk

Cllr Liz Leyshon

Caroline Burton

Non-Committee Member

Independent Advisor

**29 Apologies for Absence - Agenda Item 1**

Apologies were received from Cllr Peter Seib

**30 Declarations of Interest - Agenda Item 2**

There were none.

**31 Minutes from the Previous Meeting - Agenda Item 3**

The minutes of the previous meeting held on 15 September 2023 were proposed by Cllr Habib Farbahi and seconded by Cllr Simon Coles and carried unanimously.

**32 Public Question Time - Agenda Item 4**

The following statement was put to the Committee by Mr Sigurd Reimers which was

an excerpt from an online article regarding Wiltshire's plans to divest from fossil fuels by 2030. The article can be found at: [Wiltshire Pension Fund to divest all fossil fuel assets by 2030 - Net Zero Investor](#).

The Committee considered the article.

### **33 Independent Investment Advisor's Report - Agenda Item 5**

The Independent Investment Advisor gave an update in which she highlighted the movement on the markets stating that in December the markets were up a bit as a result of rumours regarding rate cuts which would probably be in effect by late spring.

She further stated that inflation rates could slacken in the new year and that February was not really a good month for markets.

### **34 Review of Investment Performance - Agenda Item 6**

The Funds and Investment Manager presented his Investment Performance report and pointed out:

- Despite skittish markets, UK equities and corporate bonds performed quite strongly. UK Government debt has had another really poor quarter. Overall returns were a small positive.
- The fund continues struggle to keep up with the actuarial target for this three year cycle and that it was more likely to underperform on that target than outperform it for the three years.

The Fund has a strategic target to invest 5% in private equity and the Pension Committee made a commitment to every two years to an amount to a cycle, which then takes up to 10 years to invest and return that money. As each new commitment comes up Committee are requested to confirm their consent There is an officer recommendation of a £70m commitment to this Brunel cycle as this is consistent with the 5% target In the long run.

Cllr Simon Coles proposed the consideration to approve the commitment of £70 million to the Brunel private equity cycle beginning the 1st of April 2024 which was seconded by Cllr David Fothergill.



Having been duly proposed and seconded the Pension Fund Committee **RESOLVED** to approve the consideration.

### **35 Review of Administration Performance - Agenda Item 7**

The Head of Peninsula Pensions presented her report on Administrative Performance and highlighted:

- During the quarter ending the end of September 2023, total performance in Target was 92% with 94% against the higher priorities and additional details have been included in relation to the complaints that are mentioned and are within that quarter, as requested by the Somerset Board.
- The amount of work received over the previous 12 months compared to the previous year which showed a slight decrease in work and which is different to the recent trend.
- McLeod remedies were now moving forward that the regulations were in place from the 1st of October, but because they were only approved in September nationally, the database providers have had some issues however, this should be in operation by January. This has meant some of the work has to have been done on a manual basis by the team and this has allowed others to continue with the business as usual cases to keep the workflow running smoothly.
- Peninsula Pensions have been reviewing the pension administration strategy and were consulting with employers at the moment which should be finished at the end of December.
- They spoke with employers at the November meetings about the changes that they were looking at making and the strategy considerations, disclosure regulations and the internal targets for peninsula and the expected performance of individual employers. They shared a link with everyone which pointed out the key changes they were looking at making. The most contentious one being that they have strengthened their section with regard to charging for underperformance and lack of engagement.
- Currently for the Somerset fund there are 141 employers that have outstanding cases and which have been outstanding longer than a month. In total there was over 1200 Members that cannot be finalised because the information needed had not be provided.
- Peninsula has been able to provide the annual benefit statements within the

statutory deadline of the 31st of August.

The Pension Fund Committee noted the report and actions being undertaken by officers to ensure compliance and best practice.

**36 Business Plan Update - Agenda Item 8**

The Funds and Investment Manager updated the Committee on the ongoing discussions with Brunel.

He mentioned that they were currently in the process of tendering the actuary contract jointly with Devon County Council as it was inherently inefficient and awkward for peninsula pensions in running two pension funds for them to have different actuaries because actuaries have slightly different ways of working and different web portals.

The Funds and Investment Manager explained that they would appoint the same company, but would sign separate contracts. This meant that it would be 2 contracts, but one company appointed. The current contract will come to an end on 31<sup>st</sup> March.

In response to a question about whether changing actuaries would see a change in funding levels etc, the Investments Manager confirmed that may be the case.

Next the Fund and Investment Manager discussed the Government's response to the consultation that was discussed at previous meeting. He affirmed that, despite, significant negative feedback to the Government they were going to go ahead with all of their recommendations.

The Pension Fund Committee noted the progress on the business plan.

**37 Finance and Membership Statistics Update - Agenda Item 9**

The Committee considered the finance and membership statistics update and noted the report.

**38 Review of Pension Fund Risk Register - Agenda Item 10**

The Fund and Investment Manager presented the report noting that, after an offline session with the Pension Committee and Pension Board together, there had been a number of changes and amendments to the risk register.

After some deliberations surrounding these issues, the Committee noted the report and agreed to continue to monitor the risks contained on the risk register and approve any amendments.

**39 Knowledge and Skills - Agenda Item 11**

The Fund and Investment Manager gave a verbal update on plans for training of the Committee.

He highlighted that he encouraged all members to verify an email which contained links to a portal where they would be able to demonstrate their expertise.

He further affirmed that next year the focus of the training will be around building up to the decision round investment strategy.

**40 Any Other Business of Urgency - Agenda Item 12**

There was none.

**(The meeting ended at 12:00)**

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**CHAIR**

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## **Pension Fund Committee**

Agenda Item 6

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## **Review of investment performance**

Lead Officer: Jason Vaughan: Executive Director – Resources and Corporate Services (Section 151 Officer)

Author: Anton Sweet: Funds and Investments Manager

Contact Details: (01823) 359584  
[anton.sweet@somerset.gov.uk](mailto:anton.sweet@somerset.gov.uk)

### **1. Summary**

1.1 This report is to inform the committee about the performance of the Pension Fund’s investments for the quarter ended 31 December 2023 and related matters.

### **2. Issues for consideration**

2.1 The report is for information only unless the committee deems that action is necessary having reviewed the report.

### **3. Brunel - LGIM (Passive Global Equity)**

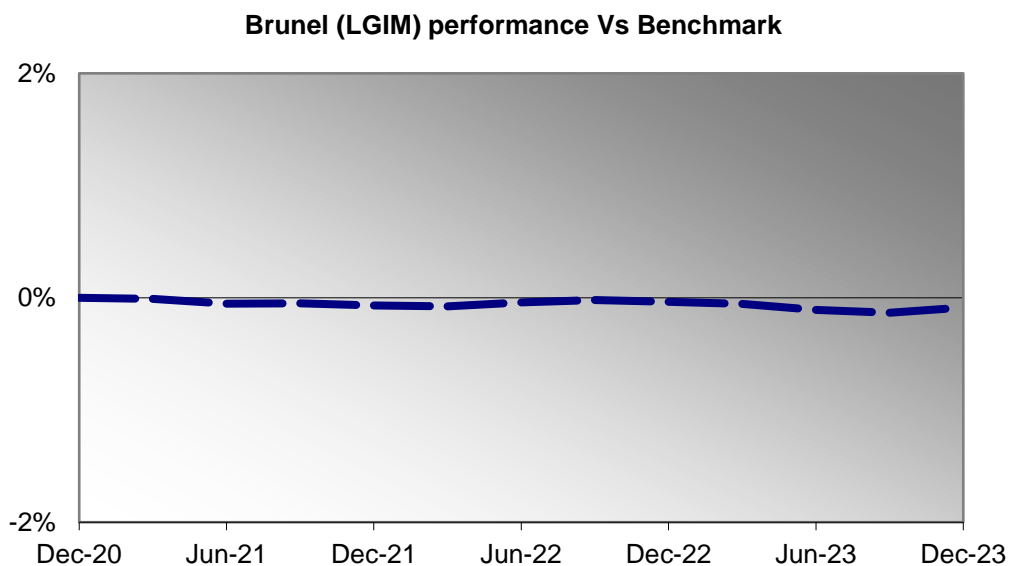
3.1 The performance for the quarter to 31st December 2023 is summarised in the following table:

<b>Quarter to 31 December 2023</b>				
<b>Value as at 31 Dec £m</b>	<b>Fund for quarter %</b>	<b>Performance Benchmark for quarter %</b>	<b>Relative to Benchmark %</b>	
<b>662.1</b>	<b>Global equities</b>	<b>6.7</b>	<b>6.6</b>	<b>+0.1</b>

3.2 During the quarter to 30<sup>th</sup> June 2022 passive equity was switched from the standard FTSE Developed Equity benchmark to the Paris aligned FTSE Carbon Transition Benchmark (CTB) in accordance with the new Investment Strategy Statement approved by the Committee at its March 2022 meeting.

3.3 The portfolio matched the performance of the benchmark during the quarter. Absolute performance was strongly positive.

3.4



3.5 The table below shows annualised performance over a range of time periods:

	<b>Fund</b> <b>% p.a.</b>	<b>Benchmark</b> <b>% p.a.</b>	<b>Relative to</b> <b>Benchmark</b> <b>% p.a.</b>
<b>1 year</b>	<b>20.3</b>	<b>20.3</b>	<b>+0.0</b>
<b>3 year</b>	<b>10.6</b>	<b>10.6</b>	<b>+0.0</b>
<b>5 years</b>	<b>13.5</b>	<b>13.5</b>	<b>+0.0</b>
<b>10 year</b>	Initial investment in July 2018		

#### 4. Brunel - (Global High Alpha Equity)

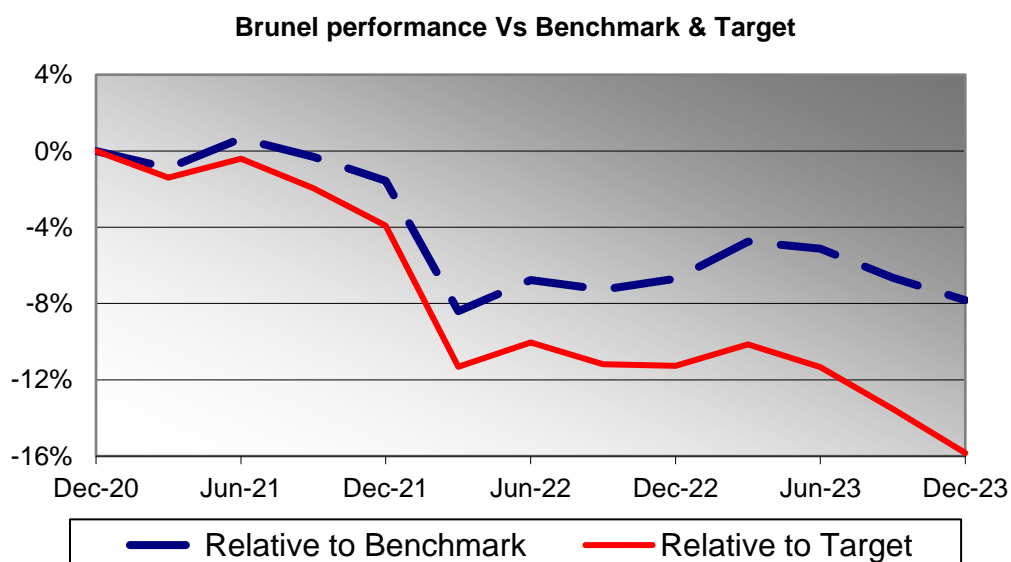
4.1 The performance for the quarter to 31st December 2023 is summarised in the following table:

Quarter to 31 December 2023				
Value as at 31 Dec £m	Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %	
<b>873.4</b>	<b>Global equities</b>	<b>6.2</b>	<b>6.8</b>	<b>-0.6</b>

4.2 The Brunel Global High Alpha portfolio is managed by a combination of Alliance Bernstein, Baillie Gifford, Fiera Capital, Harris Associates and Royal London Asset Management. The benchmark for the portfolio is the MSCI World Index.

4.3 The portfolio underperformed the benchmark during the quarter. Absolute performance was strongly positive.

4.4 The Brunel GHA portfolio's target is to outperform the benchmark by an annualised return of 2%-3% over continuous three to five-year periods after fees have been deducted. The graph below shows performance against 2%.



4.5 The table below shows annualised performance over a range of time periods:

	<b>Fund</b> <b>% p.a.</b>	<b>Benchmark</b> <b>% p.a.</b>	<b>Relative to</b> <b>Benchmark</b> <b>% p.a.</b>
<b>1 year</b>	<b>17.5</b>	<b>17.4</b>	<b>+0.1</b>
<b>3 years</b>	<b>8.1</b>	<b>10.3</b>	<b>-2.2</b>
<b>5 years</b>	Initial investment in November 2019		

## 5. Brunel (UK Equities)

5.1 The performance for the quarter to 31st December 2023 is summarised in the following table:

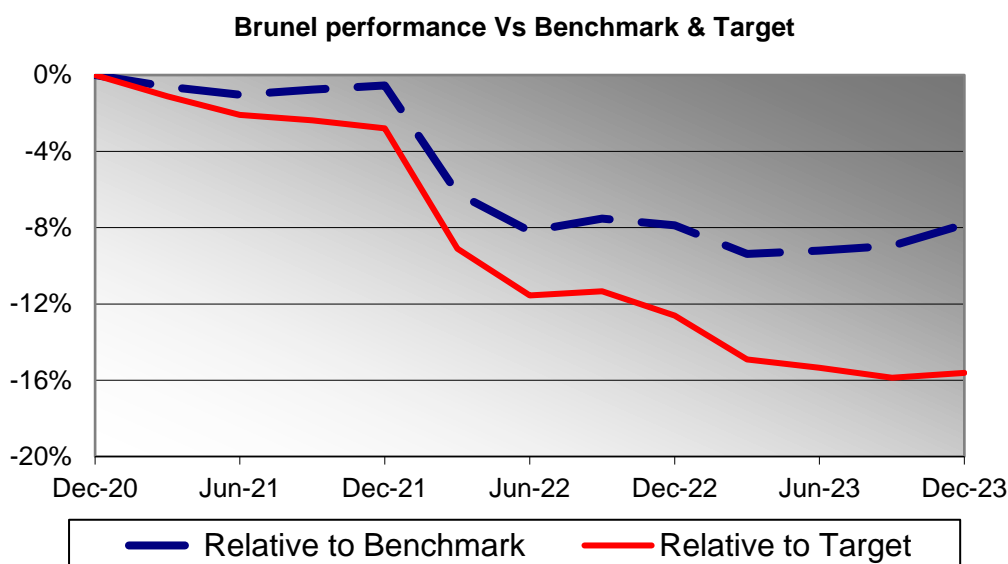
<b>Quarter to 31 December 2023</b>				
<b>Value as</b> <b>at 31 Dec</b> <b>£m</b>		<b>Fund for</b> <b>quarter</b> <b>%</b>	<b>Performance</b> <b>Benchmark</b> <b>for quarter</b> <b>%</b>	<b>Relative to</b> <b>Benchmark</b> <b>%</b>
<b>337.2 UK</b>		<b>4.1</b>	<b>2.9</b>	<b>+1.2</b>

5.2 The Brunel UK portfolio is managed by a combination of Invesco and Baillie Gifford. The benchmark for the portfolio is the FTSE All-Share excluding Investment Companies Index.

5.3 The portfolio outperformed the benchmark during the quarter. Absolute performance was positive.

5.4 The Brunel UK portfolio's target is to outperform the benchmark by an annualised return of 2% over continuous three to five-year periods after fees have been deducted.





5.5 The table below shows annualised performance over a range of time periods:

	<b>Fund % p.a.</b>	<b>Benchmark % p.a.</b>	<b>Relative to Benchmark % p.a.</b>
<b>1 year</b>	<b>8.7</b>	<b>8.1</b>	<b>+0.6</b>
<b>3 years</b>	<b>6.9</b>	<b>9.1</b>	<b>-2.2</b>
<b>5 years</b>	Initial investment in November 2018		

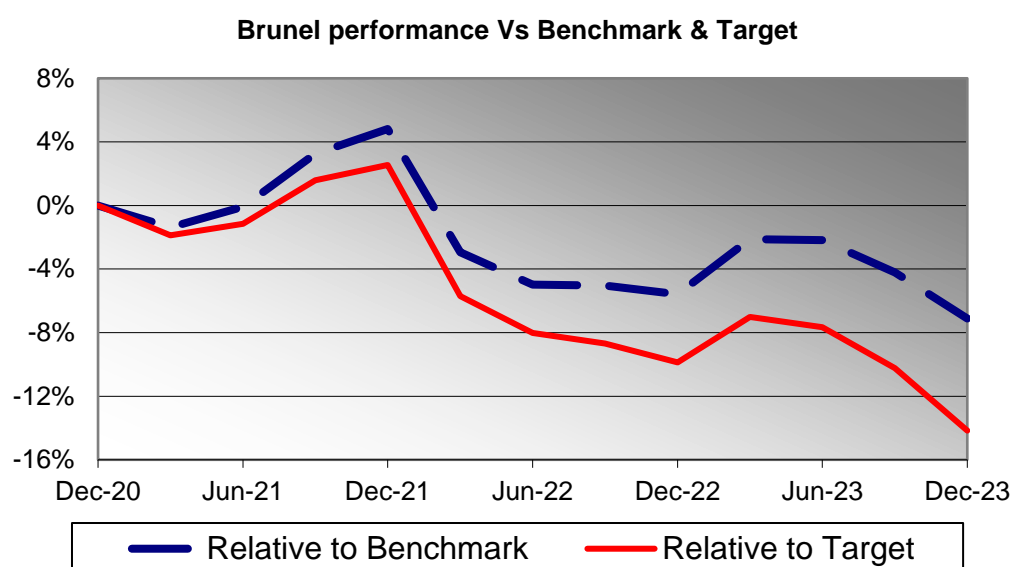
## 6. Brunel (Global Smaller Companies Equity)

6.1 The performance for the quarter to 31st December 2023 is summarised in the following table:

<b>Quarter to 31 December 2023</b>				
<b>Value as at 31 Dec £m</b>		<b>Fund for quarter %</b>	<b>Performance Benchmark for quarter %</b>	<b>Relative to Benchmark %</b>
<b>189.5</b>	<b>Smaller Companies</b>	<b>5.2</b>	<b>7.7</b>	<b>-2.5</b>

6.2 The Brunel Smaller Companies Market portfolio is managed by a combination of Montanaro Asset Management, American Century and Kempen Capital Management. The benchmark is the MSCI World Small Cap Index

- 6.3 The portfolio underperformed the benchmark during the quarter. Absolute performance was strongly positive.
- 6.4 The Brunel Smaller Companies portfolio's target is to outperform the benchmark by an annualised return of 2% over continuous three to five-year periods after fees have been deducted.



- 6.5 The table below shows annualised performance over a range of time periods:

	<b>Fund % p.a.</b>	<b>Benchmark % p.a.</b>	<b>Relative to Benchmark % p.a.</b>
<b>1 year</b>	<b>8.2</b>	<b>9.2</b>	<b>-1.0</b>
<b>3 years</b>	<b>3.1</b>	<b>5.3</b>	<b>-2.2</b>
<b>5 years</b>	Initial investment in September 2020		

## 7. Brunel (Emerging Market Equity)

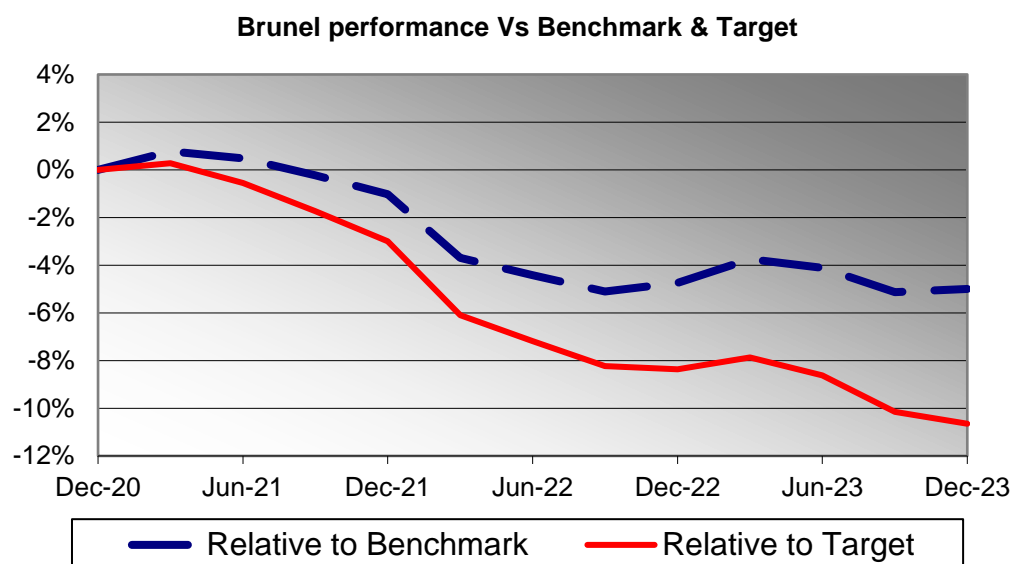
- 7.1 The performance for the quarter to 31st December 2023 is summarised in the following table:

<b>Quarter to 31 December 2023</b>			
<b>Value as at 31 Dec £m</b>	<b>Fund for quarter %</b>	<b>Performance Benchmark for quarter %</b>	<b>Relative to Benchmark %</b>
<b>103.7</b>	<b>Emerging Market</b>	<b>Page 223.6</b>	<b>3.3</b>
			<b>+0.3</b>

7.2 The Brunel Emerging Market portfolio is managed by a combination of Genesis Investment Management, Wellington Management and Investec Asset Management. The benchmark is the MSCI Emerging Markets Index.

7.3 The Brunel portfolio outperformed during the quarter. Absolute performance was positive.

7.4 The Brunel Emerging Market portfolio’s target is to outperform the benchmark by an annualised return of 2%-3% over continuous three to five-year periods after fees have been deducted. The graph below shows performance against 2%.



7.5 The table below shows annualised performance over a range of time periods:

	<b>Fund % p.a.</b>	<b>Benchmark % p.a.</b>	<b>Relative to Benchmark % p.a.</b>
<b>1 year</b>	<b>3.5</b>	<b>3.6</b>	<b>-0.1</b>
<b>3 years</b>	<b>-4.6</b>	<b>-2.8</b>	<b>-1.8</b>
<b>5 years</b>	Initial investment in October 2019		

## 8. Brunel (Passive Gilts)

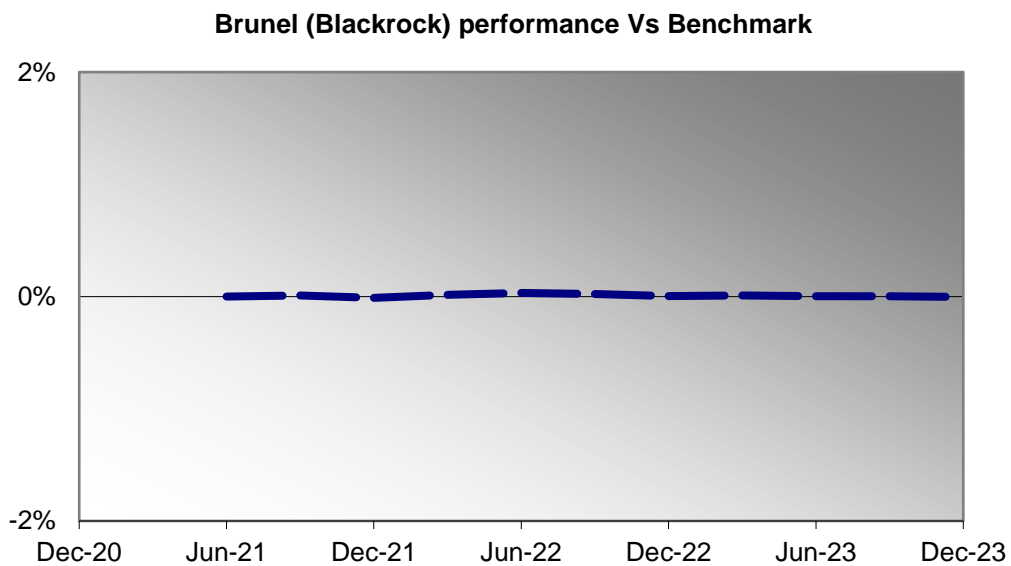
8.1 The performance for the quarter to 31st December 2023 is summarised in the following table:

<b>Quarter to 31 December 2023</b>
<b>Page 23                      Performance</b>

<b>Value as at 31 Dec £m</b>	<b>Fund for quarter %</b>	<b>Benchmark for quarter %</b>	<b>Relative to Benchmark %</b>
<b>43.3 UK Gilts</b>	<b>14.4</b>	<b>14.4</b>	<b>+0.0</b>

8.2 The Blackrock managed passive UK Gilts Fund matched the performance of the benchmark for the quarter. The benchmark is FTSE Actuaries UK Gilts over 15 years index. Absolute performance was strongly positive.

8.3



8.4 The table below shows annualised performance over a range of time periods:

	<b>Fund % p.a.</b>	<b>Benchmark % p.a.</b>	<b>Relative to Benchmark % p.a.</b>
<b>1 year</b>	<b>1.7</b>	<b>1.6</b>	<b>+0.1</b>
<b>3 years</b>	Initial investment in June 2021		

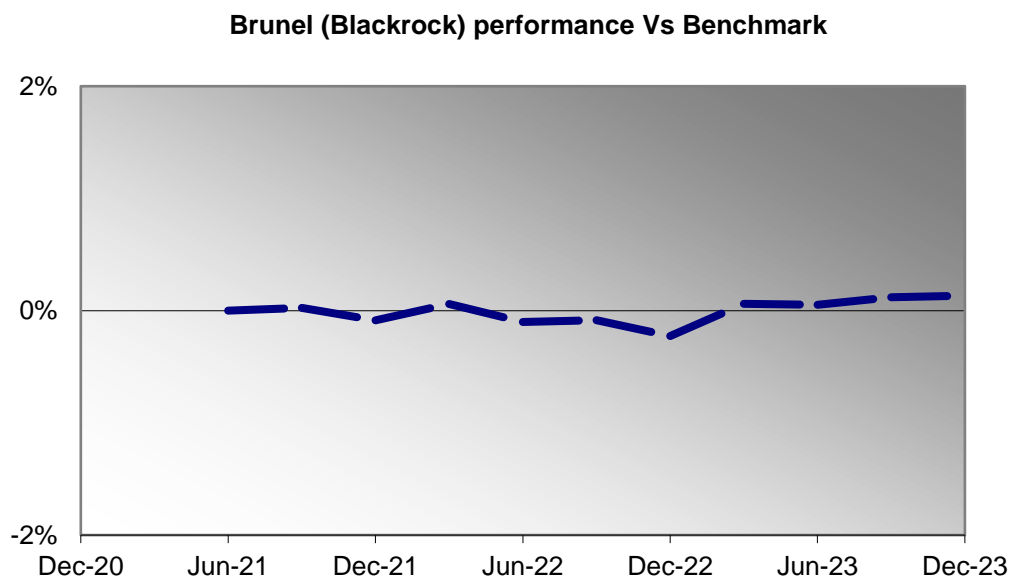
## 9. Brunel (Passive (index-Linked Gilts))

9.1 The performance for the quarter to 31st December 2023 is summarised in the following table:

Quarter to 31 December 2023				
Value as at 31 Dec £m		Fund for quarter %	Performance Benchmark for quarter %	Relative to Benchmark %
53.8	UK Index-Linked Gilts	10.5	10.5	+0.0

9.2 The Blackrock managed passive UK Index-Linked Gilts Fund matched the performance of the benchmark for the quarter. The benchmark is FTSE Actuaries UK Index Linked Gilts over 5 years index. Absolute performance was strongly positive.

9.3



The table below shows annualised performance over a range of time periods:

	Fund % p.a.	Benchmark % p.a.	Relative to Benchmark % p.a.
1 year	0.7	0.2	+0.5
3 years	Initial investment in June 2021		

**10. Brunel (Sterling Corporate Bonds)**

10.1 The performance for the quarter to 31st December 2023 is summarised in the following table:

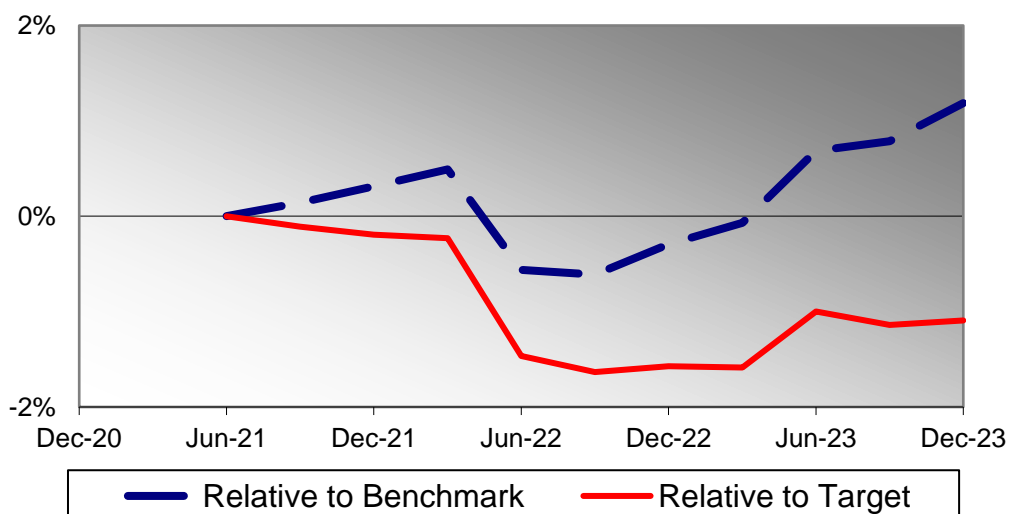
<b>Quarter to 31 December 2023</b>				
<b>Value as at 30 Sept</b>		<b>Fund for quarter</b>	<b>Performance Benchmark for quarter</b>	<b>Relative to Benchmark</b>
<b>£m</b>		<b>%</b>	<b>%</b>	<b>%</b>
<b>210.7</b>	<b>£ Corporate Bonds</b>	<b>7.8</b>	<b>7.4</b>	<b>+0.4</b>

10.2 The Brunel Sterling Corporate Bond portfolio is managed by Royal London Asset Management. The benchmark is iBoxx Sterling Non-Government bonds index.

10.3 The portfolio outperformed the benchmark during the quarter. Absolute performance was strongly positive.

10.4 The Brunel Sterling Corporate Bond portfolio’s target is to outperform the benchmark by an annualised return of 1% over continuous three to five-year periods after fees have been deducted.

**Brunel performance Vs Benchmark & Target**



10.5 The table below shows annualised performance over a range of time periods:

<b>Fund</b>	<b>Benchmark</b>	<b>Relative to Benchmark</b>
<b>% p.a.</b>	<b>% p.a.</b>	<b>% p.a.</b>
<b>Page 26</b>		

<b>1 year</b>	<b>10.4</b>	<b>8.6</b>	<b>+1.8</b>
<b>3 years</b>	Initial investment in July 2021		

**11. Brunel (Multi Asset Credit)**

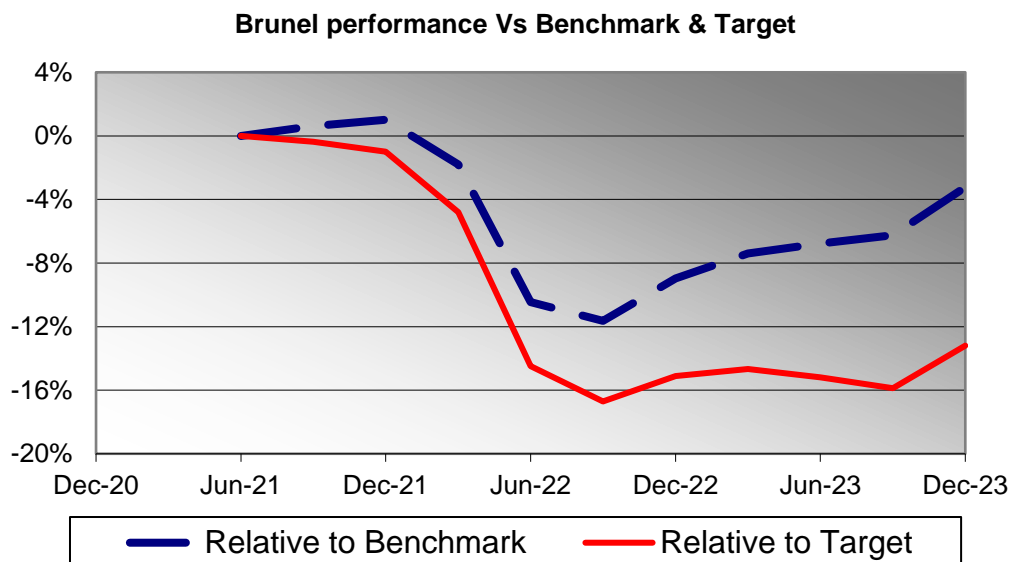
11.1 The performance for the quarter to 31st December 2023 is summarised in the following table:

<b>Quarter to 31 December 2023</b>				
<b>Value as at 31 Dec £m</b>		<b>Fund for quarter %</b>	<b>Performance Benchmark for quarter %</b>	<b>Relative to Benchmark %</b>
<b>103.8</b>	<b>Multi Asset Credit</b>	<b>5.4</b>	<b>1.3</b>	<b>+4.1</b>

11.2 The Brunel Sterling Corporate Bond portfolio is managed by a combination of CQS, Neuberger Berman and Oaktree. The Benchmark is Cash (SONIA).

11.3 The portfolio outperformed the benchmark during the quarter. Absolute performance was strongly positive.

11.4 The Brunel Multi Asset Credit portfolio’s target is to outperform the benchmark by an annualised return of 4% to 5% over continuous three to five-year periods after fees have been deducted. The graph below shows performance against 4%.



11.5 The table below shows annualised performance over a range of time periods:

	<b>Fund % p.a.</b>	<b>Benchmark % p.a.</b>	<b>Relative to Benchmark % p.a.</b>
<b>1 year</b>	<b>12.3</b>	<b>4.7</b>	<b>+7.6</b>
<b>3 years</b>	Initial investment in June 2021		

## 12. LaSalle/Brunel (Property Fund of Funds)

12.1 The performance for the quarter to 31st December 2023 is summarised in the following table:

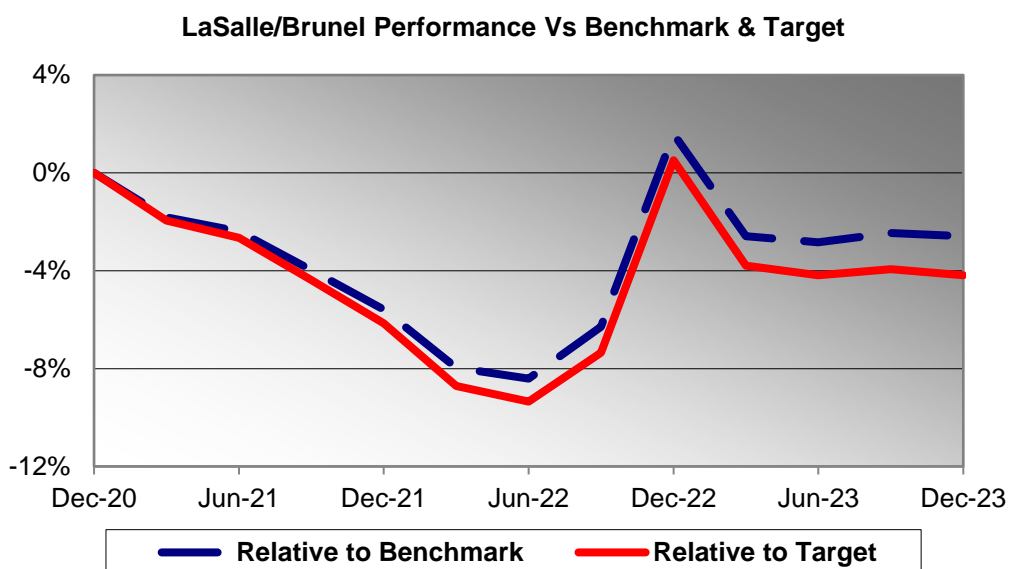
<b>Quarter to 31 December 2023</b>				
<b>Value as at 31 Dec £m</b>		<b>Fund for quarter %</b>	<b>Performance Benchmark for quarter %</b>	<b>Relative to Benchmark %</b>
<b>224.9</b>	<b>UK Property</b>	<b>-1.4</b>	<b>-1.2</b>	<b>-0.2</b>
<b>0.1</b>	<b>Cash</b>			
<b>225.0</b>	<b>Total</b>	<b>-1.3</b>	<b>-1.2</b>	<b>-0.1</b>

12.2 Management of the property portfolio moved from LaSalle to Brunel on 1st November 2020. Unlike other asset classes Brunel simply took over management with no underlying change in holdings. Going forward performance records will report the full history of this portfolio. The benchmark is MSCI/AREF All balanced funds index.

12.3 The portfolio underperformed the benchmark for the quarter. Absolute performance was negative.

12.4 Brunel's target is to outperform the benchmark by an annualised return of 0.5% over continuous five to seven year periods after all fees have been deducted.





12.5 The table below shows annualised performance over a range of time periods:

	<b>Fund % p.a.</b>	<b>Benchmark % p.a.</b>	<b>Relative to Benchmark % p.a.</b>
<b>1 year</b>	<b>-5.2</b>	<b>-1.4</b>	<b>-3.8</b>
<b>3 years</b>	<b>1.2</b>	<b>2.1</b>	<b>-0.9</b>
<b>5 years</b>	<b>0.5</b>	<b>1.3</b>	<b>-0.8</b>
<b>10 years</b>	<b>4.2</b>	<b>5.4</b>	<b>-1.2</b>

### 13. Neuberger Berman (Global Private Equity)

13.1 The performance for the quarter to 31st December 2023 is summarised in the following table:

<b>Quarter to 31 December 2023</b>			
<b>Value as at 31 Dec £m</b>	<b>Fund for quarter %</b>	<b>Performance Benchmark for quarter %</b>	<b>Relative to Benchmark %</b>
<b>77.5 Private Equity</b>	<b>-4.4</b>	<b>1.3</b>	<b>-5.7</b>

13.2 The return indicated above is significantly affected by currency movements, specifically the change in the value of the US dollar against GBP. The benchmark is Cash (Bank of England Base Rate)

13.3 There is a delay in the reporting of returns on private equity of about a quarter and this needs to be considered when looking at returns.

13.4 The table below shows annualised performance over a range of time periods, unlike in the table above a broad global equity index has been used as the benchmark as over long time periods this is more appropriate:

	<b>Fund</b> <b>% p.a.</b>	<b>Benchmark</b> <b>% p.a.</b>	<b>Relative to</b> <b>Benchmark</b> <b>% p.a.</b>
<b>1 year</b>	<b>1.5</b>	<b>20.3</b>	<b>-18.8</b>
<b>3 years</b>	<b>21.4</b>	<b>10.6</b>	<b>+10.8</b>
<b>5 years</b>	<b>18.0</b>	<b>13.5</b>	<b>+4.5</b>
<b>10 years</b>	<b>16.9</b>	<b>12.1</b>	<b>+4.8</b>

14. Brunel (Global private equity)

14.1 The performance for the quarter to 31st December 2023 is summarised in the following table:

<b>Quarter to 31 December 2023</b>				
<b>Value as</b>		<b>Fund for</b>	<b>Performance</b>	<b>Relative to</b>
<b>at 31 Dec</b>		<b>quarter</b>	<b>Benchmark</b>	<b>Benchmark</b>
<b>£m</b>		<b>%</b>	<b>for quarter</b>	<b>%</b>
			<b>%</b>	<b>%</b>
<b>29.0</b>	<b>Private Equity</b>	<b>-4.3</b>	<b>1.3</b>	<b>-5.6</b>

14.2 Brunel have invested in a number of private equity funds on the Fund's behalf. The portfolio is still very immature but appears to be making good progress at generating positive returns. The benchmark is Cash (Bank of England Base Rate).

14.3 The table below shows annualised performance over a range of time periods, unlike in the table above a broad global equity index has been used as the benchmark as over long time periods this is more appropriate:

	<b>Fund</b> <b>% p.a.</b>	<b>Benchmark</b> <b>% p.a.</b>	<b>Relative to</b> <b>Benchmark</b> <b>% p.a.</b>
<b>1 year</b>	<b>-2.4</b>	<b>20.3</b>	<b>-22.7</b>
<b>3 years</b>	Initial investment in December 2020		

15. South West Ventures Fund

15.1 The fund continues to make reasonable progress.

16. Combined Fund

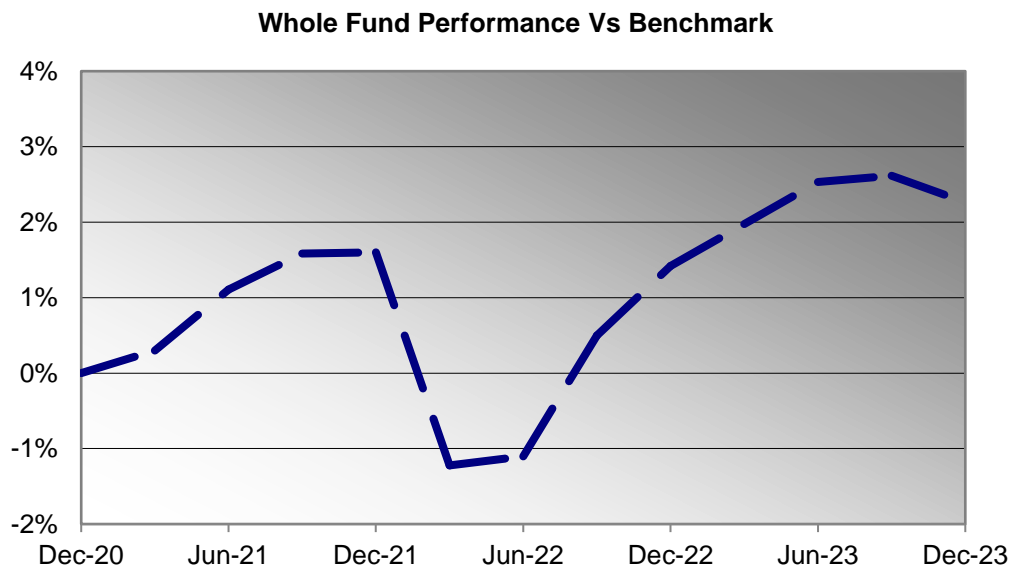
16.1 The performance for the quarter to 31st December 2023 is summarised in the following table:

<b>Quarter to 31 December 2023</b>				
<b>Value as at 31 Dec £m</b>		<b>Fund for quarter %</b>	<b>Performance Benchmark for quarter %</b>	<b>Relative to Benchmark %</b>
662.1	Brunel (Passive Gl Eq)	6.7	6.6	+0.1
873.4	Brunel (GHA Eq)	6.2	6.8	-0.6
337.2	Brunel (UK Eq)	4.1	2.9	+1.2
189.5	Brunel (Small Cap Eq)	5.2	7.7	-2.5
103.7	Brunel (EM Eq)	3.6	3.3	+0.3
43.3	Brunel (Passive Gilts)	14.4	14.4	+0.0
53.8	Brunel (Passive I-L)	10.5	10.5	+0.0
210.7	Brunel (£ Corporate)	7.8	7.4	+0.4
103.8	Brunel (MAC)	5.4	1.3	+4.1
225.0	Brunel (Property)	-1.3	-1.2	-0.1
1.5	SWRVF	0.0	1.3	-1.3
77.5	Neuberger Berman	-4.4	1.3	-5.7
29.0	Brunel (Private Eq)	-4.3	1.3	-5.6
0.8	Brunel (holding in Co)	0.0	0.0	+0.0
86.4	Cash	1.4	1.3	+0.1
<b>2,997.7</b>	<b>Whole Fund</b>	<b>5.0</b>	<b>5.5</b>	<b>-0.5</b>

16.2 The fund, as a whole, underperformed its benchmark during the quarter. The level of absolute return was strongly positive.

16.3 Asset allocation was negative for the quarter, this was compounded by the impact of underperformance from fund managers.

16.4

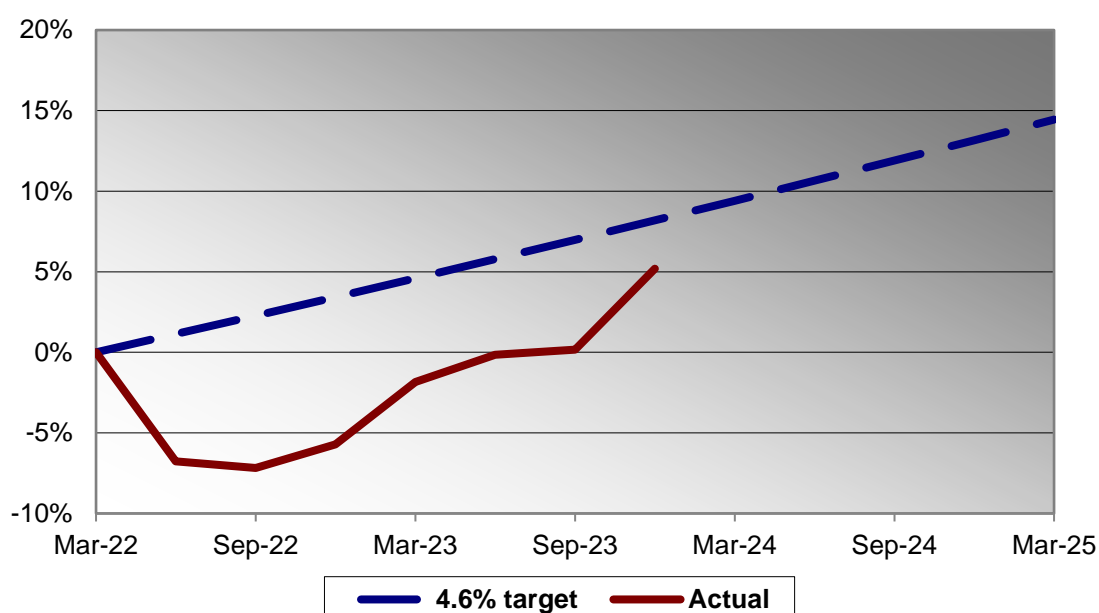


16.5 The table below shows annualised performance over a range of time periods:

	<b>Fund</b> <b>% p.a.</b>	<b>Benchmark</b> <b>% p.a.</b>	<b>Relative to</b> <b>Benchmark</b> <b>% p.a.</b>
<b>1 year</b>	<b>11.6</b>	<b>10.9</b>	<b>+0.7</b>
<b>3 years</b>	<b>5.2</b>	<b>4.5</b>	<b>+0.7</b>
<b>5 years</b>	<b>7.9</b>	<b>6.9</b>	<b>+1.0</b>
<b>10 years</b>	<b>7.6</b>	<b>7.3</b>	<b>+0.3</b>

16.6 At the March 2023 committee meeting the committee adopted an absolute return target of 4.6% for the fund as this is consistent with the fund becoming fully funded within the timescales indicated by the actuary as part of the 2022 valuation. Progress against this target for the 2022 to 2025 actuarial cycle is shown in the graph below.

Performance of Fund Vs. 4.6% absolute return target



16.7 The movement in the value of the fund over the quarter is summarised in the table below.

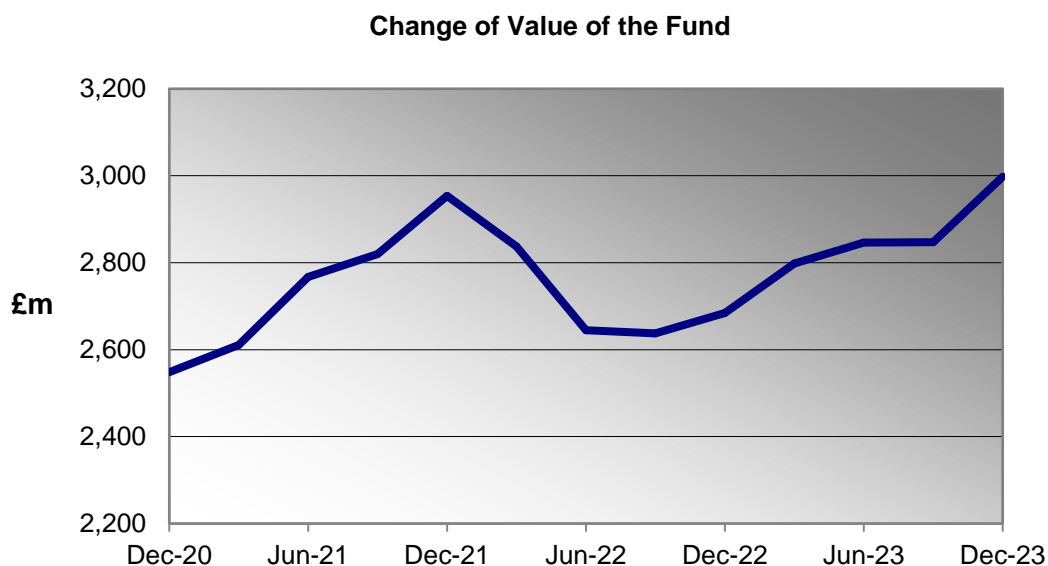
	Value as at 30 Sept		Value as at 31 Dec		Strategic Weighting
	£m	%	£m	%	%
<b>Brunel (Passive Gl Eq)</b>	<b>620.7</b>	22	<b>662.1</b>	22	<b>20</b>
<b>Brunel (GHA Eq)</b>	<b>822.5</b>	29	<b>873.4</b>	29	<b>25</b>
<b>Brunel (UK Eq)</b>	<b>324.0</b>	11	<b>337.2</b>	11	<b>10</b>
<b>Brunel (Small Cap Eq)</b>	<b>180.1</b>	6	<b>189.5</b>	6	<b>5</b>
<b>Brunel (EM Eq)</b>	<b>100.0</b>	4	<b>103.7</b>	4	<b>5</b>
<b>Brunel (Passive Gilts)</b>	<b>37.8</b>	1	<b>43.3</b>	1	<b>4</b>
<b>Brunel (Passive I-L)</b>	<b>48.6</b>	2	<b>53.8</b>	2	<b>4</b>
<b>Brunel (Corp bonds)</b>	<b>195.4</b>	7	<b>210.7</b>	7	<b>8</b>
<b>Brunel (MAC)</b>	<b>98.5</b>	3	<b>103.8</b>	3	<b>3</b>
<b>Brunel/LaSalle (Prop)</b>	<b>228.0</b>	8	<b>225.0</b>	8	<b>10</b>
<b>SWRVF</b>	<b>1.6</b>	0	<b>1.5</b>	0	<b>0</b>
<b>Neuberger Berman</b>	<b>81.8</b>	3	<b>77.5</b>	3	<b>0</b>
<b>Brunel (Private Eq)</b>	<b>25.6</b>	1	<b>29.0</b>	1	<b>5</b>
<b>Brunel (holding in Co)</b>	<b>0.8</b>	0	<b>0.8</b>	0	<b>0</b>

	Value as at 30 Sept		Value as at 31 Dec		Strategic Weighting
<b>Cash</b>	<b>81.8</b>	3	<b>86.4</b>	3	<b>1</b>
<b>Whole Fund</b>	<b>2,847.2</b>	100	<b>2,997.7</b>	100	<b>100</b>

16.8 During the quarter the following movements of cash between funds took place:

- £0.2m was distributed by SWRVF.
- £0.7m was withdrawn from Neuberger Berman private equity.
- £4.7m was added to the Brunel private equity fund as the underlying investments continued to drawdown on commitments.

16.9 The change in the value of the investment fund over the last three years can be seen in the graph below.

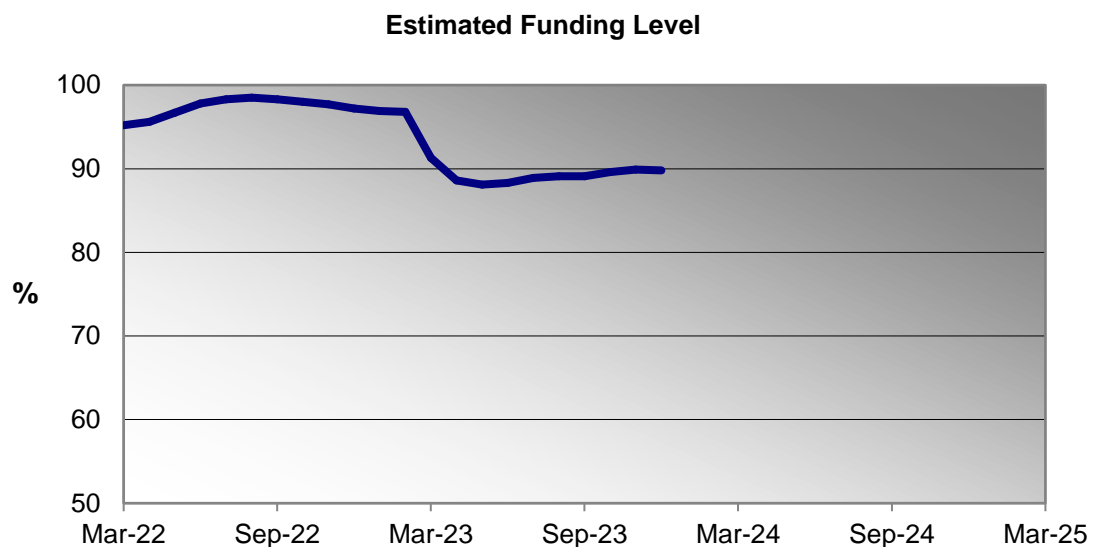


16.10 The Fund's Actuary, Barnett Waddingham, have provided the following update.

"The results of our assessment indicate that:

- The current projection of the smoothed funding level as at 31 December 2023 is 89.8%
- This compares with the reported (smoothed) funding level of 95.2% at the 2022 funding valuation.

It should be borne in mind that the nature of the calculations is approximate and so the results are only indicative of the underlying position.”

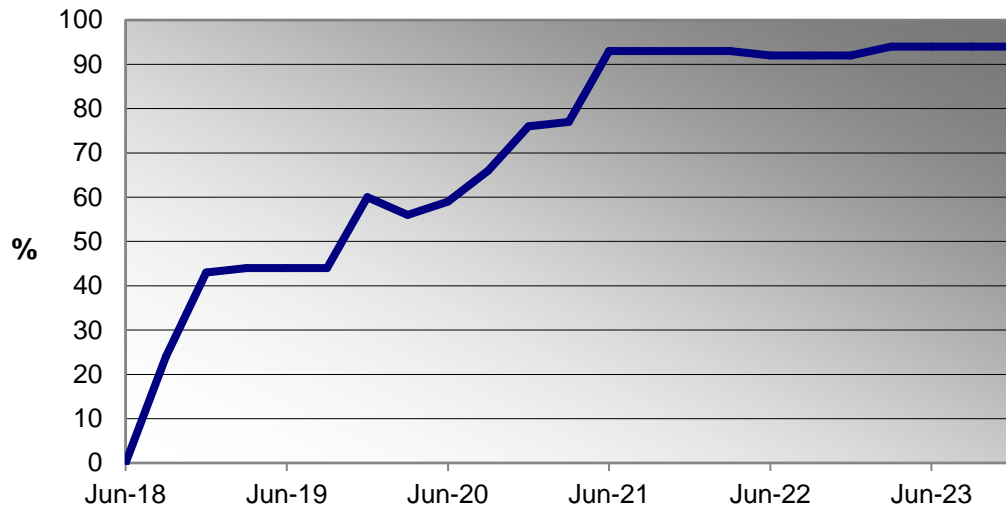


## 17. Pooling Update

- 17.1 Under guidance published by the Government on “LGPS: Investment Reform Criteria and Guidance” in November 2015 we are required to work towards the pooling of the Fund’s investment assets with other LGPS funds with pooling beginning in April 2018.
- 17.2 For the purposes of pooling Somerset Council has aligned itself with 9 other funds in South West England and worked with those funds to create an FCA regulated investment Company, Brunel Pension Partnership Ltd. (BPP).
- 17.3 Somerset largely completed its transition of assets to Brunel in summer 2021, with only some legacy private equity investments and cash not invested via the pool. Progress on moving to pooling can be seen in the table and graph below.

	Value as at 30 Sept		Value as at 31 Dec	
	£m	%	£m	%
<b>Pooled assets</b>	<b>2,681.2</b>	94	<b>2,831.5</b>	94
<b>Retained assets</b>	<b>166.0</b>	6	<b>166.2</b>	6
<b>Whole Fund</b>	<b>2,847.2</b>	100	<b>2,997.7</b>	100

**% of Fund managed within Brunel Pool**



**18. Consultations undertaken**

18.1 None

**19. Financial implications**

19.1 Over time the performance of the pension fund investments will impact the amount that Somerset Council and other sponsoring employers have to pay into the fund to meet their liabilities. The fund actuary calculates these amounts every three years and sets payments for the intervening periods.

**20. Background papers**

20.1 None

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



## **Pension Fund Committee**

### Agenda Item 7

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#### **Review of administration performance**

Lead Officer: Jason Vaughan: Executive Director – Resources and Corporate Services  
(Section 151 Officer)

Author: Rachel Lamb, Head of Peninsula Pensions

Contact Details: (01392) 383000  
Rachel.lamb@devon.gov.uk

#### **1. Summary**

1.1 Administration quarterly performance report.

#### **2. Issues for consideration**

2.1 The Committee note the report and actions being undertaken by officers to ensure compliance and best practice.

#### **3. Background**

3.1 Peninsula Pensions monitors performance against the [Occupational and Personal Pension Schemes \(Disclosure of Information\) Regulations 2013](#), which set out the statutory requirements regarding the disclosure of pension information. The information provided within this report is based around the statutory targets only, as outlined above.

3.2 Performance targets are monitored via a task management system and reporting tool within the pension database.

3.3 This report also encompasses an update on employer bodies covered by the Fund.

#### **4. Administration team performance**

4.1 Total performance against the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 for the quarter ending 31<sup>st</sup> December 2023 was 93% (94% for High Priority procedures).

- 4.2 During the quarter, the team received 26 compliments.
- 4.3 Appendix 1 of the report provides a detailed breakdown of administration performance relating to the Somerset Pension Fund only for the quarter ending 31<sup>st</sup> December 2023, against the statutory Disclosure Regulations. It also includes a graph which shows the monthly trend analysis on the percentage of high, medium, and low priority cases completed within timescales since April 2022.
- 4.4 Appendix 2 of the report highlights the longer-term performance of Peninsula Pensions (Somerset Fund only) from 1<sup>st</sup> January 2023 to 31<sup>st</sup> December 2023. The bottom chart shows how many of the 'remaining' tasks outstanding to be actioned are awaiting information from another third party (member/employer) and therefore are on 'reply due'.
- 4.5 Appendix 3 of the report highlights the amount of work received over the previous 12 month rolling period, compared to the same period in the previous year. The chart currently is showing an increase in demand.

## **5. Employer updates**

### **5.1 New Employers**

On 11 December 2023 Old Cleve Parish Council has become an employer within the Somerset Pension Fund. It will offer the LGPS to Clerk and Responsible Financial Officer.

### **Academies**

On 1 September 2023 Blackdown Education Partnership set up BEP Central staff to recognise that some staff will cover all academies.

On 1 December 2023 Stoke St Gregory Primary School became an academy and became part of Oak Partnership Trust.

On 1 December 2023 Castle Cary Community Primary School converted to an academy and joined The Academy For Character And Excellence (ACE). ACE now have academies in both the Somerset and Devon Pension Funds.

On 1 December 2023 Heathfield Community School converted to an Academy and Joined The Cabot Learning Federation. They have then renamed themselves Monkton Wood Academy.

### **Cessations**

None

## 6. Background papers

### 6.1 McCloud:

[The McCloud Remedy :: LGPS \(lgpsmember.org\)](http://lgpsmember.org)

Peninsula Pensions continue to work on the implementation of the remedy accordingly and liaise with software providers as required.

Review of Pension Administration Strategy:

Please see separate Paper.

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

## Administration Performance – 1<sup>st</sup> October 2023 – 31<sup>st</sup> December 2023

(Somerset Pension Fund)

### Performance Summary

	Total Cases	Performance (Disc Regs)
High Priority Procedures	1683	94%
Medium Priority Procedures	2668	95%
Low Priority Procedures	772	82%
<b>TOTAL</b>	<b>5123</b>	<b>93%</b>

### High Priority Cases

	Total Cases	Performance (Disc Regs)
CHANGES	134	96%
COMPLAINTS (FIRST INSTANCE)*	8	100%
COMPLAINTS (STAGE 1 IDR P)*	2	100%
COMPLAINTS (STAGE 2 IDR P)*	1	100%
DEATHS	171	82%
DEFERRED (OVER 55)	216	98%
PAYROLL	324	96%
REFUNDS	12	92%
RETIREMENTS (ACTIVE)	306	96%
RETIREMENTS (DEFERRED)	509	94%
<b>TOTAL</b>	<b>1683</b>	<b>94%</b>

\* **Complaints:** These are broken down into 3 categories:

First instance complaints – these are ‘informal’ member complaints with the aim of resolving prior to Internal Dispute Resolution Procedure (IDRP).

These complaints are generally raised through the Member Self Service portal. Out of the 8 complaints received in the quarter, only 3 of them were actual complaints. The 5 others were

general enquiries where the member had selected ‘complaint’ option in error. Overview of the 3 complaints:

- Delay with provision of divorce quotations – originated with revised factors pending guidance from the Government Actuary – clarification reaffirmed regarding the reasons for delay.
- Clarification provided relating to transfer of pension benefits from Teachers Pensions Scheme to LGPS, with regards to differences in ‘normal pension age’ of schemes.
- Delay in processing calculations and providing documentation– clarification provided that information provided within statutory timescales and communication letter had been provided.

IDRP stage 1 (administrative or employer decisions)

- Member refund complaint – clarification on statutory options available provided.
- Transfer delay impacting on annual allowance – upheld and compensation offered to member.

IDRP Stage 2 Panel

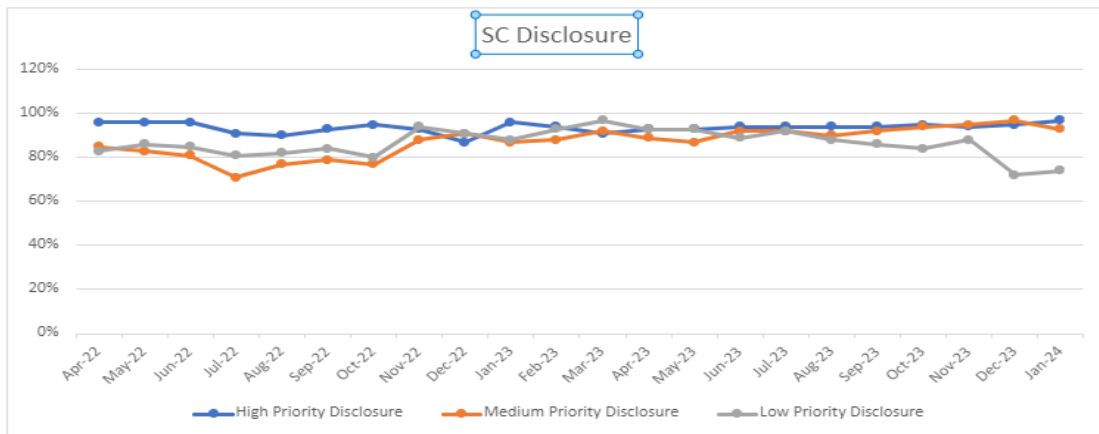
- Refund requested – upheld – letter not received/address query – ‘benefit of doubt given’ and refund awarded.

<b>Medium Priority Cases</b>		
	<b>Total Cases</b>	<b>Performance (Disc Regs)</b>
<b>AMALGAMATION OF RECORDS</b>	392	78%
<b>DEFERRED BENEFIT CALCULATIONS</b>	806	95%
<b>DIVORCE CALCULATIONS</b>	27	93%
<b>EMPLOYER QUERIES</b>	52	96%
<b>ESTIMATES (BULK)</b>	0	-
<b>ESTIMATES (EMPLOYER)</b>	51	100%
<b>ESTIMATES (MEMBER)</b>	32	97%
GENERAL	509	99%
<b>HMRC</b>	83	98%
<b>MEMBER SELF SERVICE</b>	716	100%
<b>TOTAL</b>	<b>2668</b>	<b>95%</b>

Total Cases	Performance (Disc Regs)
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**Low Priority Cases**

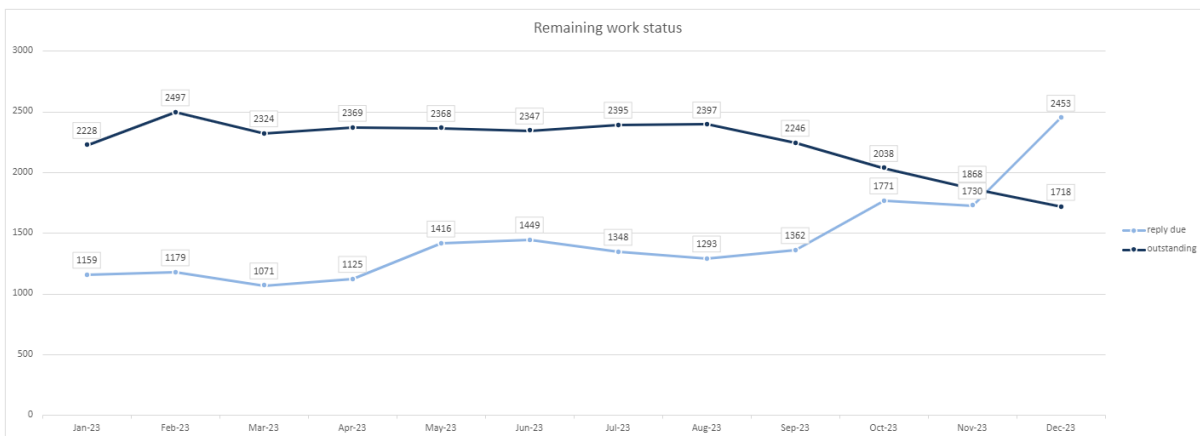
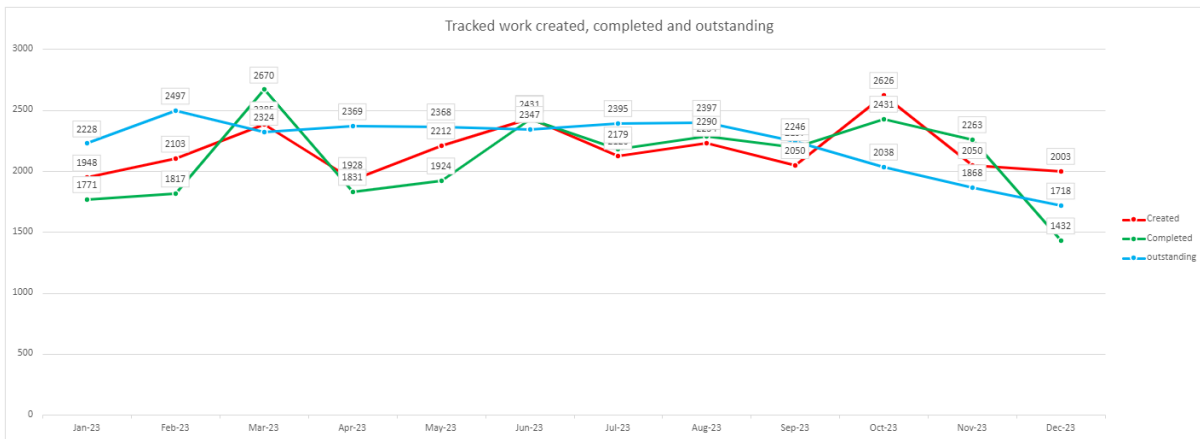
<b>ESTIMATES (OTHER)</b>	45	84%
<b>GMP QUERIES</b>	8	100%
<b>INTERFUND TRANSFERS IN</b>	38	74%
<b>INTERFUND TRANSFERS OUT</b>	88	78%
<b>PENSION TOP UPS</b>	85	95%
<b>FROZEN REFUNDS</b>	419	78%
<b>NEW STARTERS</b>	0	-
<b>PENSION TRANSFERS IN</b>	50	86%
<b>PENSION TRANSFERS OUT</b>	39	100%
<b>TOTAL</b>	<b>772</b>	<b>82%</b>



Administration Performance

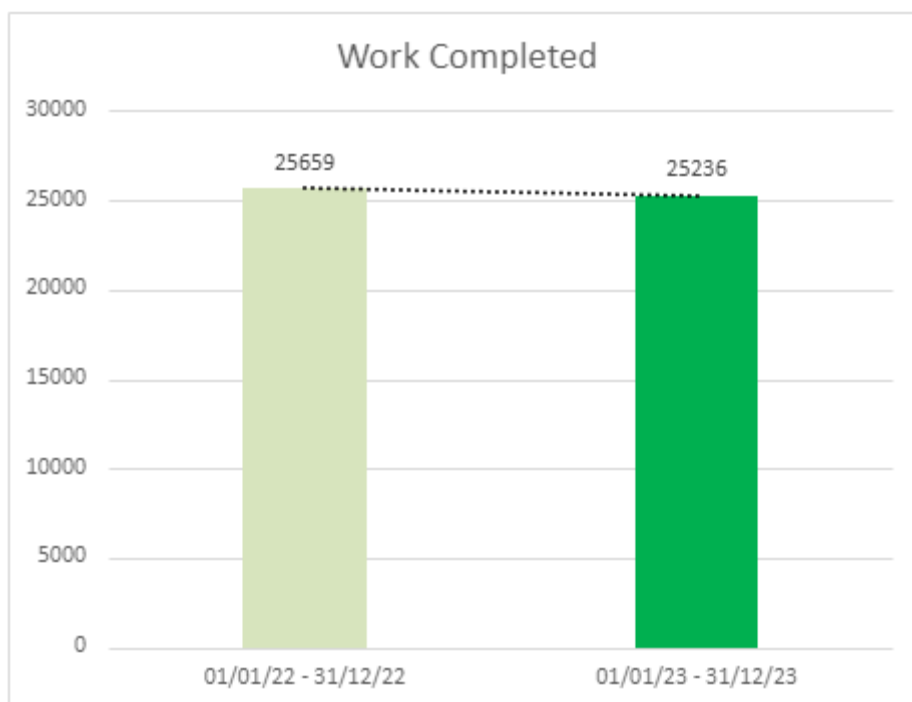
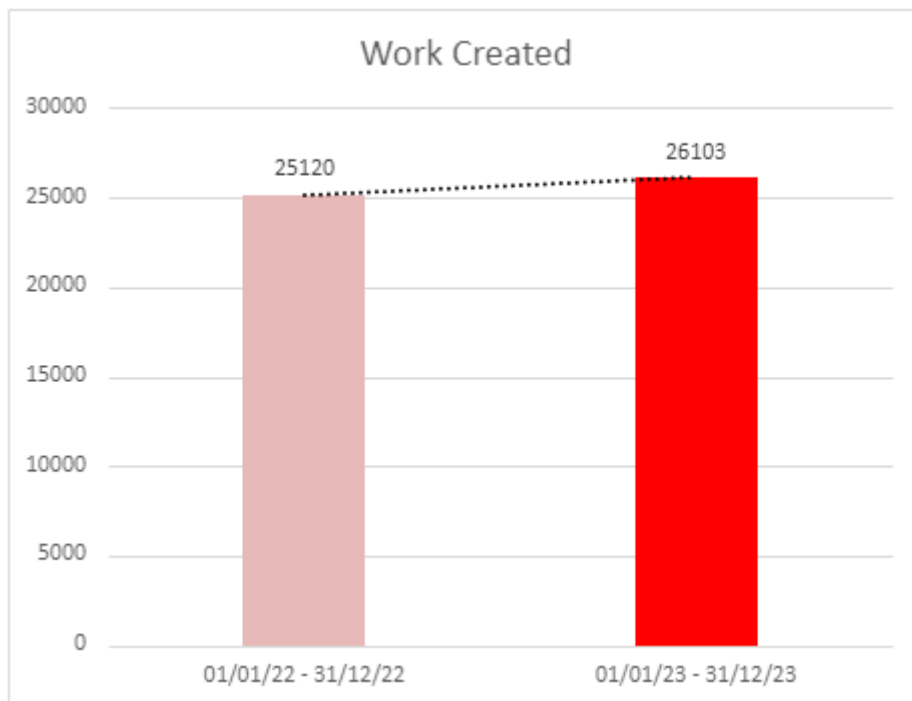
1<sup>st</sup> January 2023 – 31<sup>st</sup> December 2023

Month	Created	Completed	completion rate	Remaining	reply due	outstanding
Dec-23	2003	1432	71.49%	4171	2453	1718



**Work received 12 month rolling period 1<sup>st</sup> January 2023 – 31<sup>st</sup> December 2023  
(against same period for previous financial year)**

from	to	Work Created	Work Completed	Average Monthly Work Remaining
01/01/2022	31/12/2022	25120	25659	3790
01/01/2023	31/12/2023	26103	25236	3737





## **Pension Fund Committee**

### Agenda Item 8

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#### **Business plan update**

Lead Officer: Jason Vaughan: Executive Director – Resources and Corporate Services  
(Section 151 Officer)

Author: Anton Sweet: Funds and Investments Manager

Contact Details: (01823) 359584  
[anton.sweet@somerset.gov.uk](mailto:anton.sweet@somerset.gov.uk)

#### **1. Summary**

1.1 To update the Committee with progress on and amendments to the Committee's business plan as agreed. Also to update Committee on relevant developments to the LGPS in general.

#### **2. Issues for consideration**

2.1 To note progress on the business plan and approve any amendments.

2.2 To consider any Government consultations and whether the Fund should enter a formal response.

#### **3. Background**

3.1 The Somerset Council Pension Fund (the Fund) is a statutory scheme with Somerset Council acting as the 'administering authority' in accordance with the relevant legislation. This means that the Council is responsible for taking all the executive decisions in respect of the Fund.

3.2 To meet its responsibilities in this respect the Council has delegated executive decision making powers for the Fund to the Pension Fund Committee. A business plan has been produced to help ensure that the Pension Fund Committee meet their responsibilities and consider all necessary issues. Under the Scheme of Delegation put in place by the Committee, day to day running of the fund has been largely delegated to officers.

3.3 Attached as appendix A is the business plan. Progress is shown in the final column followed by a colour coded key.

3.4 Attached as appendix B is a committee workplan, which indicates which items will come before each Committee meeting over the next 12 months. It should be noted all dates are provisional.

#### **4. Progress since last report**

4.1 Officers continue to monitor legal and regulatory developments in relation to McCloud, Goodwin, the 95k cap, LGPS and levelling up and other matters.

4.2 Nothing further has been released by the Government with respect to their consultation on “LGPS: Next Steps on Investment”. It is currently unclear as to whether the government will look to put new regulations or guidance in place before the General Election.

4.3 The Scheme Advisory Board and CIPFA have revised the statutory guidance for the contents of LGPS Fund Annual Reports. It is expected that the minister will approve the new guidance soon and it will be published in early April. It is expected Funds will comply on a best endeavours basis for the 2023-24 report and then fully in 2024-25.

4.4 Following the completion of the external audit work following the Council’s January audit committee meeting Grant Thornton formally issued their auditor opinions to the Pension Fund allowing the publication of the finalised 2022-23 annual report on 30<sup>th</sup> January 2024. Interim work for the 2023-24 audit has already begun.

4.5 Shortly a request will be circulated to Committee and Board members for availability for a first informal session leading towards a refresh of the Investment Strategy Statement planned for final sign off in March 2025.

#### **5. Consultations undertaken**

5.1 None

#### **6. Financial implications**

6.1 None

#### **7. Background papers**

7.1 None

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

### Pensions Committee Business Plan for 2024 - 2025

**Key:**

- Change since last time
- Completed
- Not yet due
- In progress and on time
- In progress but late
- Overdue

Topic Area		Training needs	Timing	Implementation Timing	Progress
Regulations	Consultation and implementation on new regulations as they arise	Medium	<b>Unknown - Determined by Central Gov't</b>		
Fund Governance	Review of ESG investment	High	<b>Spring 2021</b>		New ISS adopted at March 2022 Committee meeting
Fund Governance	Review of Committee and Board structures in advance of move to Unitary authority	Medium	<b>Spring 2022</b>		New Terms of reference adopted at June 2023 Committee meeting
Fund Governance	Re-approve all Strategies and policies post election	Medium	<b>Ongoing</b>		Policies re-approved at July 2022 meeting
Fund Governance	Review Funding Strategy Statement	Medium	<b>Summer 2023</b>		Revised version approved at September 2023 Committee meeting
Fund Governance	Review of risk register	Medium	<b>Autumn 2023</b>		Updated risk register included in the December 2023 papers
Fund Governance	Review of Administration Strategy	Medium	<b>Spring 2024</b>		Draft for approval included in meeting papers
Fund Governance	Review Communication Strategy	Medium	<b>Sumer 2024</b>		Postponed to Summer to allow for consideration of the Administration Strategy first
Fund Governance	Review Investment Strategy Statement	Medium	<b>Summer 2024</b>	Refreshed ISS due by March 2025	

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## SOMERSET COUNTY COUNCIL PENSION FUND

## PENSIONS COMMITTEE

## MEETING WORKPLAN 2024 - 2025

Date	Proposed Items of Business	Lead Officer
14th June 2024	<p><b><u>FORMAL MEETING</u></b></p> <p><b>1. Independent Advisor's Report</b> To receive a verbal update on market issues and events from the independent advisor.</p> <p><b>2. Review of Investment Performance</b> Report to provide an update of the Fund's performance for the quarter period to 31 March 2024.</p> <p><b>3. Review of Administration Performance</b> To review the performance of Peninsula Pensions in delivering the administration service to employers and members.</p> <p><b>4. Business Plan Update</b> To consider progress against the Committees approved business plan.</p> <p><b>5. Finance and Membership Statistics Update</b> Report to provide an update of the Fund's position for the quarter period to 31 March 2024.</p> <p><b>6. Review of Pension Fund Risk Register</b> To review the risks within the fund and form an appropriate risk register for the fund.</p> <p><b>7. Fund Policies</b> To review and where necessary update the fund's policies and documents.</p>	<p></p> <p><b>AS</b></p> <p><b>RL</b></p> <p><b>AS</b></p> <p><b>AS</b></p> <p><b>AS</b></p> <p><b>AS</b></p>

## SOMERSET COUNTY COUNCIL PENSION FUND

## PENSIONS COMMITTEE

## MEETING WORKPLAN 2024 - 2025

Date	Proposed Items of Business	Lead Officer
13th Sept 2024	<p><b><u>FORMAL MEETING</u></b></p> <p><b>1. Independent Advisor's Report</b> To receive a verbal update on market issues and events from the independent advisor.</p> <p><b>2. Review of Investment Performance</b> Report to provide an update of the Fund's performance for the quarter period to 30 June 2024.</p> <p><b>3. Review of Administration Performance</b> To review the performance of Peninsula Pensions in delivering the administration service to employers and members.</p> <p><b>4. Business Plan Update</b> To consider progress against the Committees approved business plan.</p> <p><b>5. Finance and Membership Statistics Update</b> Report to provide an update of the Fund's position for the quarter period to 30 June 2024.</p> <p><b>6. Review of Pension Fund Risk Register</b> To review the risks within the fund and form an appropriate risk register for the fund.</p> <p><b>7. Pension Fund Annual Report 2023/2024</b> To consider the annual report for the year to 31 March 2024.</p>	<p></p> <p><b>AS</b></p> <p><b>RL</b></p> <p><b>AS</b></p> <p><b>AS</b></p> <p><b>AS</b></p> <p><b>AS</b></p>

## SOMERSET COUNTY COUNCIL PENSION FUND

## PENSIONS COMMITTEE

## MEETING WORKPLAN 2024 - 2025

Date	Proposed Items of Business	Lead Officer
13th Dec 2024	<p><b><u>FORMAL MEETING</u></b></p> <p><b>1. Independent Advisor's Report</b> To receive a verbal update on market issues and events from the independent advisor.</p> <p><b>2. Review of Investment Performance</b> Report to provide an update of the Fund's performance for the quarter period to 30 September 2024.</p> <p><b>3. Review of Administration Performance</b> To review the performance of Peninsula Pensions in delivering the administration service to employers and members.</p> <p><b>4. Business Plan Update</b> To consider progress against the Committees approved business plan.</p> <p><b>5. Finance and Membership Statistics Update</b> Report to provide an update of the Fund's position for the quarter period to 30 September 2024.</p> <p><b>6. Review of Pension Fund Risk Register</b> To review the risks within the fund and form an appropriate risk register for the fund.</p>	<p></p> <p><b>AS</b></p> <p><b>RL</b></p> <p><b>AS</b></p> <p><b>AS</b></p> <p><b>AS</b></p>

## SOMERSET COUNTY COUNCIL PENSION FUND

## PENSIONS COMMITTEE

## MEETING WORKPLAN 2024 - 2025

Date	Proposed Items of Business	Lead Officer
14th March 2025	<p><b><u>FORMAL MEETING</u></b></p> <p><b>1. Independent Advisor's Report</b> To receive a verbal update on market issues and events from the independent advisor.</p> <p><b>2. Review of Investment Performance</b> Report to provide an update of the Fund's performance for the quarter period to 31 December 2024.</p> <p><b>3. Review of Administration Performance</b> To review the performance of Peninsula Pensions in delivering the administration service to employers and members.</p> <p><b>4. Business Plan Update</b> To consider progress against the Committees approved business plan.</p> <p><b>5. Finance and Membership Statistics Update</b> Report to provide an update of the Fund's position for the quarter period to 31 December 2024.</p> <p><b>6. Review of Pension Fund Risk Register</b> To review the risks within the fund and form an appropriate risk register for the fund.</p> <p><b>7. Review of Administration Strategy</b> To review a revised administration strategy</p> <p><b>8. Resources review, Financial target setting and committee objectives setting</b> To conduct a review of the resources available to the fund and to adopt a financial forecast, committee performance objectives for the 2025-2026 financial year and review the overall performance target for 2022 to 2025.</p> <p><b>9. Review of cash management arrangements</b> To review the management arrangements for the cash resources held by the fund.</p>	<p></p> <p>AS</p> <p>RL</p> <p>AS</p> <p>AS</p> <p>AS</p> <p>RL</p> <p>AS/SM</p> <p>AS</p>



## **Pension Fund Committee**

Agenda Item 9

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### **Finance and membership statistics update**

Lead Officer: Jason Vaughan: Executive Director – Resources and Corporate Services  
(Section 151 Officer)

Author: Anton Sweet: Funds and Investments Manager

Contact Details: (01823) 359584  
[anton.sweet@somerset.gov.uk](mailto:anton.sweet@somerset.gov.uk)

#### **1. Summary**

1.1 This report updates the committee on the position of the Pension Fund's provisional end of quarter 3 financial position at 31 December 2023 and related matters. This is a standard item of committee business.

#### **2. Issues for consideration**

2.1 The report is for information only unless the committee deems that action is necessary having reviewed the report.

#### **3. Financial position**

3.1 The outturn position for the three quarters of financial 2023-2024 year to 31st December 2023 against the original forecast is shown in appendix A.

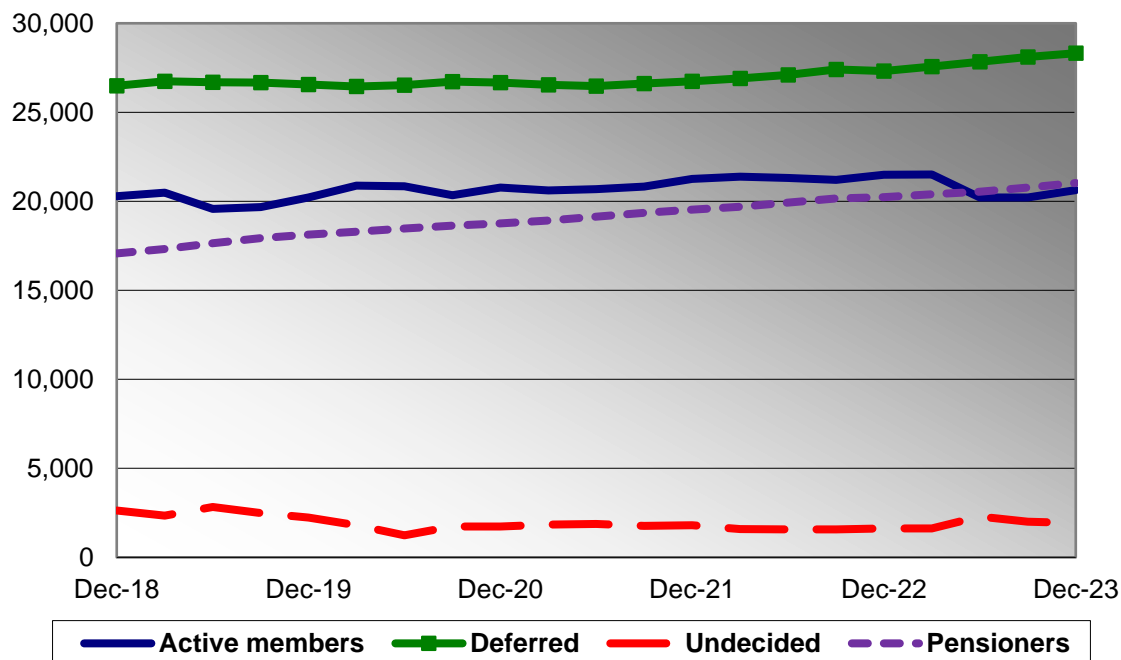
#### **4. Membership statistics**

4.1 The change in membership statistics for the quarter is as follows:

	<b>30 Sept</b>	<b>31 Dec</b>	<b>Change</b>
Active members	20,209	20,634	<b>+425</b>
Deferred	28,109	28,319	<b>+210</b>
Undecided	1,995	1,938	<b>-57</b>

	<b>30 Sept</b>	<b>31 Dec</b>	<b>Change</b>
Pensioners	20,766	21,030	<b>+264</b>
<b>Total</b>	<b>71,079</b>	<b>71,921</b>	<b>+842</b>

4.2 The change in membership statistics for the last 5 years is shown in the graph below:



## 5. Background papers

5.1 None

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

# Pension Fund Financial Projection

# Item 9 Appendix A

2023 - 2024

	2022-2023 Full Year	2023-2024 March to December			2023-2024 Full Year		
	Actual (a) £m	Budget (b) £m	Actual (c) £m	Variance (d) £m	Original Projection (e) £m	Projected Outturn (f) £m	Variance (g) £m
<b>Contributions and other income</b>							
Contributions	122.706	75.000	82.451	7.451	120.000	120.000	0.000
Recoveries from employers	2.486	1.600	8.092	6.492	2.100	2.100	0.000
Transfer values received	9.175	6.750	7.910	1.160	9.000	9.000	0.000
	<b>134.367</b>	<b>83.350</b>	<b>98.453</b>	<b>15.103</b>	<b>131.100</b>	<b>131.100</b>	<b>0.000</b>
<b>Less benefits and other payments</b>							
Recurring pensions	-90.903	-73.000	-84.733	-11.733	-98.500	-98.500	0.000
Lump sum on retirement	-13.473	-11.250	-3.266	7.984	-15.000	-15.000	0.000
Lump sum on death	-2.073	-1.350	-0.425	0.925	-2.000	-2.000	0.000
Transfer values paid	-11.761	-7.500	-3.332	4.168	-10.000	-10.000	0.000
Contribution refunds	-0.373	-0.200	-0.006	0.194	-0.600	-0.600	0.000
Employer exit credit	-0.355	-0.800	0.000	0.800	-1.200	-1.200	0.000
	<b>-118.938</b>	<b>-94.100</b>	<b>-91.762</b>	<b>2.338</b>	<b>-127.300</b>	<b>-127.300</b>	<b>0.000</b>
<b>Contributions after payments</b>	<b>15.429</b>	<b>-10.750</b>	<b>6.691</b>	<b>17.441</b>	<b>3.800</b>	<b>3.800</b>	<b>0.000</b>
<b>Management Expenses</b>							
Administrative expenses	-1.443	-0.900	-1.219	-0.319	-1.700	-1.700	0.000
Investment management expenses	-9.768	-1.700	-1.153	0.547	-8.000	-8.000	0.000
Oversight and governance expenses	-0.653	-0.250	-0.260	-0.010	-0.700	-0.700	0.000
	<b>-11.864</b>	<b>-2.850</b>	<b>-2.632</b>	<b>0.218</b>	<b>-10.400</b>	<b>-10.400</b>	<b>0.000</b>
<b>Investment Income</b>							
Investment income	10.914	4.500	8.084	3.584	6.000	6.000	0.000
<b>Net Increase / Decrease (-) in fund</b>	<b>14.479</b>	<b>-9.100</b>	<b>12.143</b>	<b>21.243</b>	<b>-0.600</b>	<b>-0.600</b>	<b>0.000</b>

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## **Pension Fund Committee**

Agenda Item 10

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### **Review of pension fund risk register**

Lead Officer: Jason Vaughan: Executive Director – Resources and Corporate Services  
(Section 151 Officer)

Author: Anton Sweet: Funds and Investments Manager

Contact Details: (01823) 359584  
[anton.sweet@somerset.gov.uk](mailto:anton.sweet@somerset.gov.uk)

#### **1. Summary**

1.1 In response to CIPFA guidance recommending the adoption and monitoring of a risk register for LGPS funds the Pensions Fund Committee have requested that a review of the risk register is a standing item on the agenda for each meeting.

#### **2. Issues for consideration**

2.1 To monitor the risks contained on the risk register and approve any amendments.

#### **3. Changes since last meeting**

3.1 There have been no changes to the risk register since the last Committee meeting.

#### **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 Following on from CIPFA's guidance the Committee has indicated that it wishes to adopt a risk register. The Committee have agreed that rather than have a static

register that is reviewed periodically that the register should be discussed at every meeting and changes agreed and implemented as necessary.

4.4 The current risk register is attached as appendix A and has been prepared using the Somerset Council risk framework and scoring methodology.

4.5 With many of the risks a failure could also lead to considerable damage to the reputation of the fund and the trust placed in it by members and employers.

## **5. Consultations undertaken**

5.1 None.

## **6. Financial implications**

6.1 No direct implications.

## **7. Background papers**

7.1 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	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 - Gov 3 2. Anton Sweet	Failure to produce accurate and timely accounts leading to qualification of the accounts by external audit.	Regular reconciliations between the accounting records and other sources of information such as custody records.  Training and professional standards of staff involved in production of the accounts.  Engagement with CIPFA standards and requirements of the code.	2	4	8 Green		2	4	8 Green		Annual on receipt of the external auditors findings.		
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. 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 - 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. 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 Green		2	4	8 Green		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.
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 Green		2	4	8 Green		on-going with quarterly review		



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 - 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 Green		2	4	8 Green		on-going with quarterly review		The designation of the fund's assets as client assets ensures that they cannot be appropriated by creditors of the Custodian bank in the case of that entity going into administration. As a result we should be able to recover substantially all of the assets of the fund held in custody but there would be considerable administrative and liquidity disruption.
1. PF - Admin1 2. Stephen Morton Page 61	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 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 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 or other significant change in circumstances 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	3	4	12 Amber		2	4	8 Green		on-going with quarterly review		

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 - Admin7 2. SC Section 151 Officer	Breach of Data security or related data protection / GDPR issue	DCC internal IT security measures  Additional cyber security and resilience provided by hosting of benefits administration database and investment accounting database by outside parties	3	4	12 Amber		2	4	8 Green		on-going with quarterly review		
1. PF - Admin8 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.

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## **Pension Fund Committee**

Agenda Item 11

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### **Administration Strategy Statement**

Lead Officer: Jason Vaughan: Executive Director – Resources and Corporate Services  
(Section 151 Officer)

Author: Rachel Lamb: Head of Peninsula Pensions

Contact Details: (01392) 383000  
[Rachel.lamb@devon.gov.uk](mailto:Rachel.lamb@devon.gov.uk)

#### **1. Summary**

- 1.1 The pension fund is required to maintain a significant number of policies and statements in accordance with the LGPS regulations. Peninsula Pensions are seeking to update the Administration Strategy.

#### **2. Issues for consideration**

- 2.1 The Committee is asked to formally adopt the draft Administration Strategy Statement (attached at appendix C).

#### **3. Background**

- 3.1 Peninsula Pensions (PP) collaborates with Employers to provide an excellent administration service for all scheme members. The Employer & Communication team's key role within PP is to offer training, support, and guidance to all employers to ensure that they are fully aware of their responsibilities and can meet them. Despite this, there are some employers that fail to engage with the team, resulting in numerous requests being made for information. This impacts both on the resource required by PP to deal with these requests, and the quality of service provided to scheme members.
- 3.2 The current pension administration strategy(PAS) sets out the timescales for provision of information from employers to the administration team, in addition to the statutory timescales relating to provision of information to scheme members from PP within the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013.

<https://devoncc.sharepoint.com/:w:/s/PublicDocs/Corporate/EVO6f1PDXjVEmI4ICBwwwOgBAxLjOgqmsmlg3DMY1HKUeg?e=DpBjOr>

They also include the ability to charge fees where an employer is underperforming, which to date has not been put into practice.

- 3.3 Peninsula Pensions has considered other administering authority Pension Administration Strategies and contacted them for further discussion. From these discussions, it is apparent that usually one fine is sufficient for providers to improve their overall performance and engagement and prevent future breaches occurring. It is also apparent that employers (and their payroll providers) prioritise the submission of pension information to administrators that enforce charges, ahead of those who do not charge for late submissions.

#### **4. Key revisions to the Pension Administration Strategy document**

- 4.1 The intention is to introduce a revised Pension Administration Strategy from 1st April 2024 and approval is sought from both the Devon and Somerset Committees accordingly. Peninsula Pensions has made amendments to the Pension Administration Strategy and consulted with employers accordingly for both the Devon and Somerset LGPS Funds. The consultation period ran from 16th November 2023 to 31st December 2023 and feedback received has been included at Appendix A. The feedback table also includes the responses from Peninsula Pensions.
- 4.2 The revised Pension Administration Strategy, which is attached as Appendix C, has taken account of feedback received, and includes some key additions and changes to improve understanding in relation to support, expectations, and a move to instigate fines for individual employers. The latter will avoid all employers essentially covering the additional administrations costs for under performance of the minority. The key changes included are:
- Introduction of Employer fees for underperformance/lack of engagement.
  - Peninsula Pensions Communication Policy Paper (Appendix A of the Pension Administration Strategy)
  - Introduction of Audits on individual employers and their responsibilities
- 4.3 Peninsula Pensions where possible, wish to encourage employers to produce the information relating to members that have left the scheme, prior to the date that they leave the scheme, in line with the Pension Administration Strategy. This will enable the team to calculate pension benefits and arrange payments due in a timelier manner to ease transition of members from employment to retirement

without delay. Appendix B provides examples with regards to suggested timescales within the Strategy.

- 4.4 Peninsula Pensions are working with Audit colleagues to strengthen the new process and provide assurance around both the quality and timeliness of data provision from individual employers. The aim will be to have a database in place which stores the data that Employers provide, highlighting performance within the prescribed parameters. When completed, the summary dashboard from the database, and reports relating to the new internal administration targets agreed, will form part of the report delivered to the Pension Board in future.

## **5. Summary**

- 5.1 It should be noted that the intention of these amendments is to ultimately improve the service that scheme members receive, allowing for timely administration of their pension benefits in line with the statutory timescales. The Pension Fund should not be funding the additional administration costs caused by lack of engagement by certain individual employers. The charges will be used to purely cover the additional administration work that Peninsula Pensions has undertaken, as opposed to benefiting from them financially. The implementation of the charges is a last resort, where an employer has either failed to engage, or continues to underperform with their responsibilities.

## **6. Consultations undertaken**

- 6.1 Employers have been consulted on the draft Administration Strategy and a summary of the feedback received is contained in Appendix A.

## **7. Background papers**

- 6.1 None

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

**Feedback to consultation:**

In total 29 responses across both Devon and Somerset LGPS Funds were received, this included 4 of the employers who offer payroll services to other Fund employers. The feedback has been considered and adjustments made to the Pension Administration Strategy where indicated below. Peninsula Pensions are grateful to those Employers that have interacted with the Consultation and provided the feedback.

<b>FEEDBACK FROM ALL EMPLOYERS</b>	<b>RESPONSE / CHANGE (if applicable)</b>	<b>Change made to PAS (Y/N)</b>
<b>Record Keeping</b>		
No particular comments except that the aim should be to clearly state to MINIMISE the admin necessary for Employers. Stop asking us to send information that you can copy across internally from the EAS5 forms to the CARE spreadsheet.	Whilst understanding the viewpoint of this employer, with one member in the Fund, this situation is not common. Where there is more than one member with an employer, the position would be different, and the proposal would not work. This will however be noted as an area to be considered further in future for smaller employers.	N



<p>I am very concerned by the whole tone of the document which comes across as confrontational and punitive rather than focused on building relationships, knowledge and understanding. My comments will be very similar for each section but in particular the level of charges proposed are, to be frank, ridiculous between one publicly funded body and another. Fees escalating by £100 per day are out of all proportion and unjustifiable, taking resources away from children's education. I ask you to reconsider and amend.</p> <p>It is in all our interests that the data held is accurate and updated in a timely manner but this is just one of many complex and time critical tasks undertaken by schools and inevitably there will be times when deadlines are not fully met - flexibility and working together to resolve is what is required in these circumstances not an immediate threat of exorbitant charges.</p> <p>Many of the data requirements in this document, relating to tasks that could be chargeable if notification is delayed, are notified to Peninsula Pensions by our managed service payroll provider, Somerset Council. Whilst we as the employer understand our responsibilities, we ask you to refer to the Council's response to the draft strategy in respect of pages 11 to 13. We support their comments.</p> <p>A number of the requests are not practical. An example is notifying Peninsula Pensions of new starters within one month of their start date. Whilst this would always be our expectation there will be circumstances where a starter in the latter days of a month may not be added</p>	<p>The draft document is intended to clearly state the roles and responsibilities of both the Employer and Administrator to ensure that together the scheme member is provided with the best service possible and in line with the statutory requirements.</p> <p>The main intention is to continue to engage, work with and support employers, which we will emphasise further within the document. However, tools need to be in place to implement charges where appropriate for both lack of engagement and underperformance. Whilst appreciating that resources are difficult across all areas of public sector, the fees escalating by £100 per day are associated with information affecting large numbers of LGPS active scheme members, and in order that they are looked after correctly considering both statutory timescales and good practice, it is imperative this information is received on time.</p> <p>Where employers are having difficulty with provision of information, then by contacting the team without delay, they can work with employers to reduce or stop future fees occurring. There will be a</p>	<p>Y</p>
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<p>to the payroll until the following month because our HR/Finance Officer was not aware or the employee delays providing you with necessary information to set up their payroll record. A second example is an employee with a start date of the very early part of the current month could be in post more than a month by the time the report is produced and sent, even though we do it as soon as possible after the payroll has been closed.</p>	<p>formal document provided for completion for this purpose.</p>	
<p>Employer data is not always actioned following submissions sent to the Administering Authority, sometimes it takes over 3 months even though the submission has been made in the month the payroll is run. I have Members on a regular basis complaining that their data has not been updated by the Administering Authority and this is frustrating when they wish to transfer another pension or view their records. New starters find this particularly frustrating as they are waiting for a significant time before they are added to the scheme.</p>	<p>All new members joining the LGPS should receive a welcome pack from PP within 2 months as set out in the Disclosure Regulations. If a member contacts employers with this complaint, please let PP know so that this can be investigated further.</p>	<p>N</p>
<p>Do the penalties work against PP as well as the employer</p>	<p>PP performance is monitored regularly by Officers within both Funds, and in addition, is</p>	<p>N</p>

	<p>reviewed quarterly by the Fund's Pension Board and Committee. Any breaches are recorded, and where considered to be 'significant', are reported to The Pension Regulator which may result in fines being issued. The ultimate review is the direct feedback from scheme members, and where they believe there has been maladministration, they are able to progress complaints via the Internal Dispute Resolution Procedure, or further to The Pension Ombudsman.</p>	
<b>Communication and Liaison</b>		
<p>Some communication with the Employer and Communications team can be frustrating when different team members advise different rules or requirements for the same requests they send to the employer, which leads to confusion. Communication is not always in good time which puts added pressure on resources for employers to respond. Teams do not always respond promptly to queries.</p>	<p>The Employer guidance section of our website is intended to provide the information required to enable Employers to meet their responsibilities. If the information required is not available, and a problem with communication occurs as outlined, then the Employer &amp; Communications Team Manager should be contacted to resolve the issue and avoid any further future problems. Expected response times will be added to the strategy accordingly.</p>	Y
<p>No designated person from PP but demanding one from the employer?</p>	<p>There is a designated employer and communication team whose primary work is to support, guide and train employers. Our Member Services teams are employer specific and can help with member queries accordingly.</p>	Y

	These details are held within the <a href="#">about us</a> pages on our website and will be made clear on the document.	
Please can you direct me to the Fund approved wording for Contracts?	The website is currently being updated to provide clearer messaging for new scheme members to assist with meeting the statutory timescales for provision of information. A link will be provided once finalised.	N
<b>Fund &amp; Employer Responsibilities</b>		
As well as monitoring and applying charges to employers for failing to meet deadlines, (I feel this is acceptable for those employers who are non-compliant) however, it is also rather unfair when the Administering Authority do not always update and administer records in a timely manner. With Members having to constantly chase for their pensions or records. I have had occasions where I have submitted Members details and when the Member contacts Peninsula they are told that the employer has not submitted their details when clearly we have. The Administering Authority needs to also monitor their own deadlines and give out correct information to Members rather than just blaming the employer.	Work processed within PP is monitored daily to ensure scheme members are responded to as soon as possible and within the statutory timescales. It is difficult to respond in relation to incorrect information being provided to members without knowing the context, however, should this occur in future, please contact the Employer & Communication team, who will investigate the position further.	N

<p>I think employer performance targets for notification of new starters and leavers (under age 55) should be increased from 1 month to 6 weeks.</p> <p>I would suggest a slight change to the wording of the last bullet point so it reads as follows: 'Applying charges where an employer consistently fails to engage with the Fund to ensure scheme members are not disadvantaged'.</p> <p>I do not think conscientious employers should be charged for consistently providing data and engaging with the Fund. There are anomaly cases which may slip the deadlines such as the late notification of a starter/leaver.</p>	<p>When setting timescales for both employers and PP, the disclosure timescales are considered which must be adhered to, unfortunately the suggested increase in timescales would not permit time for the administrative work by PP to be finalised within the statutory timescale.</p>	<p>N</p>
<p>Notify Peninsula Pensions of periods of unpaid absence not covered by Assumed Pensionable Pay (APP).</p> <p>Performance target is within 1 month, when is this counted from, please?</p>	<p>Within 1 month of return to work.</p>	<p>Y</p>
<p>Provide monthly CARE data within required format.</p> <p>What is your definition of pay run? I understand the interface deadline to be 14th of the following month.</p>	<p>The content has been altered to make it clear that information is expected within 2 weeks of the pay period that it is paid in.</p>	<p>Y</p>
<p><b>Audit</b></p>		
<p>Suitable timescales for our response should be agreed in advance.</p>	<p>Agreed</p>	<p>N</p>
<p><b>Outsourcing</b></p>		
<p>5% charge is once again disproportionate and unjustifiable.</p>	<p>This charge has been removed. Instead, there will be updates to our outsourcing processes to ensure smoother transfer of staff and onboarding of new admission bodies.</p>	<p>Y</p>

Underperformance Fees		
<p>How have the fees/penalties been calculated. Regulation 70 of the LGPS Regulations 2013 allows '.....where costs have been incurred'. What are you including in your calculations? I think that you need to show why the frequency of subsequent charges ie Annual Allowance pay data is daily.</p> <p>Failure to notify PP of new starters joining within 1 month should be 2 months - If a starter joins on 20th of the Month and they are paid on 31st of the following month - they may not be on the return of the month they joined but on the second return.</p> <p>Both any retirement type, death in service notifications and resale member queries need to be longer timescales. In our small organisation I am the only one who completes forms and if I am on leave for 3 weeks then the proposed timescales will never be met.</p> <p>Estimate requests in excess of 1 per member in a rolling year - if a member makes 2 requests does this mean as an employer I have to say no?</p>	<p>This response takes into consideration all feedback relating to underperformance fees and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013.</p> <p>The fees/penalties have considered the additional time and resource required. The daily rate across staff grades has been averaged, whilst also considering other south west administrators charge and ensuring consistency. If considered on an individual basis, it is likely that the charges would be higher.</p> <p>In relation to new starter members, it has been proposed that PP set up a specific new starter website page to satisfy the disclosure requirements. Employers can then link to this when roles offered, as part of the documentation provided with contracts. Where employers share this information with members, a fee will not be invoked, assuming full starter information is received by PP within 2 months of the start date. (Ideally this would be received within 1 month, to enable PP to add the scheme</p>	<p>Y</p>

	<p>member record to our database and allow them access to the online portal).</p> <p>The fee for estimates relates to employer led retirements e.g. ill health, redundancy. One estimate for each type of specific 'retirement reason for leaving' will be provided.</p> <p>Scheme members are advised to use the Member Self Service online portal to calculate their pension entitlement.</p> <p>For information, a 'strain' cost only report for a group of scheme members is not included as an estimate request and can be obtained by contacting the Employer &amp; Communications team accordingly.</p> <p>Retirements and deaths are the highest priority work type for PP and have set regulatory timescales. There is a duty to provide benefit information relating to these areas as quickly as possible to enable members to make future financial decisions/make the change from salary to pension as smooth as possible.</p> <p>To enable employers to automate information via their payroll system following their 'final pay period', in addition to</p>	
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	<p>satisfying the regulatory timescales as administrators, a compromise is suggested whereby the timescale is adjusted in line with the aforementioned, provided that earlier notification of basic leaver information is given by the employer, to enable PP to provide key information to scheme members ahead of their leaving date.</p> <p>Alternatively, if employers can action interim 'payroll runs' as opposed to one single monthly pay run, information could potentially be automated earlier for provision to PP in line with timescales.</p> <p>Timescales for all types of Leavers, and responses to enquiries have been adjusted accordingly to make consistent.</p> <p>The statutory timescales are quoted in 'months'. The timescales within the Strategy are therefore now quoted as either 'months' when relating to statutory requirements, or a period of 'time' when relating to either Peninsula Pensions or Employer internal timescales for ease/clarity as opposed to 'working days'.</p>	
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<p>If staff leave start of month, processed end of month (in line with payroll date) this may not be processed within month of leaving. We pay staff retrospectively, so if they left end of a month the final pay wouldn't be processed until next payroll. This would be more fair to be within two months of leaving date or within 15 days of last pay period. To send an estimate then follow up with adjusted form, makes more work for us and LGPS.</p> <p>If staff are casual (e.g. invigilators), we review anyone who has not been paid within last 3 months and make them leavers as of last payment date, therefore this would be outside of the month timeline.</p>		
<p>I am very concerned by the whole tone of the document which comes across as confrontational and punitive rather than focused on building relationships, knowledge and understanding. My comments will be very similar for each section but in particular the level of charges proposed are, to be frank, ridiculous between one publicly funded body and another. Fees escalating by £100 per day are out of all proportion and unjustifiable, taking resources away from children's education. I ask you to reconsider and amend.</p> <p>It is in all our interests that the data held is accurate and updated in a timely manner but this is just one of many complex and time critical tasks undertaken by schools and inevitably there will be times when deadlines are not fully met - flexibility and working together to resolve is what is required in these circumstances not an immediate threat of exorbitant charges.</p> <p>Many of the data requirements in this</p>		

<p>document, relating to tasks that could be chargeable if notification is delayed, are notified to Peninsula Pensions by our managed service payroll provider, Somerset Council. Whilst we as the employer understand our responsibilities, we ask you to refer to the Council's response to the draft strategy in respect of pages 11 to 13. We support their comments.</p> <p>A number of the requests are not practical. An example is notifying Peninsula Pensions of new starters within one month of their start date. Whilst this would always be our expectation there will be circumstances where a starter in the latter days of a month may not be added to the payroll until the following month because our HR/Finance Officer was not aware or the employee delays providing you with necessary information to set up their payroll record. A second example is an employee with a start date of the very early part of the current month could be in post more than a month by the time the report is produced and sent, even though we do it as soon as possible after the payroll has been closed.</p>		
<p>As stated we understand the charging of fees for non-compliance or under performance, however these should only be charged after extensive discussion with the employer as to why the non-compliance has occurred. Non-compliance could occur for a variety of reasons and is not always willful or negligent. As mentioned communication with the Administering Authority can be difficult and the lack of availability of a team or lack of internal communication can be frustrating.</p>		

<p>Additional charges need to be on a lesser timescale as these are too short</p>		
<p>The member has up to 30 days from returning from unpaid absence to decide whether to apply for additional pensions to cover, so the 1 month period of notification would not be possible.</p>		
<p>Failure to notify Peninsula Pensions of a member leaving the LGPS (as opposed to retirement – relating to either termination of employment or opting out) within 1 month £50.00 per member. This would not be possible for claims-based members as we leave the payroll record open for 8 weeks following the actual leave date in order to late or outstanding claims. This decision to delay PAYE closure was in conjunction with LGPS at that time.</p>		
<p>Failure to notify Peninsula Pensions of any retirement type within 15 days of retirement date £200.00 per member. We are not sure how we could meet this lead time. Usually, retirement actions are negotiated around business and personal needs and our first notification of an intention to retire would be via a trigger workflow. By which time and given most LGPS members are subject to one month’s notice – we would have missed the 15 days deadline.</p>		
<p>Failure to respond to requests to resolve member queries (for example queries related to annual returns or leaver forms) within 10 working days of request £50 per member request plus an additional £50 per member for each subsequent month late</p> <p>Small organisations, such as ourselves, may only have one member of staff that deals with pensions. If that member of</p>		

<p>staff takes a two-week holiday they would be away for 10 working days. Therefore, to enable small organisations to achieve, rather than set them up to fail and be fined, could we please request that this 'Description of Failure' is amended to within 12 working days of request?</p>		
<p>Failure to notify Peninsula Pensions of any retirement type within 15 days of retirement date  £200 per member plus an additional £200 per member for each subsequent month late</p> <p>If an employee were to retire at the beginning of the month, they would still receive salary on 25th of that month for the days worked. Therefore, to allow for action after 25th of the month, could we please request that this 'Description of Failure' is amended to within 20 working days of retirement date?</p>		

<p>There is no context the monetary amounts quoted for the charges and why some are higher than others.</p> <ul style="list-style-type: none"> <li>• The timescales proposed will result in employees at the Council duplicating work in order to ensure we receive no charge</li> <li>• The timescales proposed will limit the holiday an employee can take, or alternatively, result in us needing to train and potential pay an employee more money, to cover in the absence of the employee normally processing our pensions</li> <li>• We have no alternative provider to go to. Given we are all in this together, would it not be more effective to report on a regular basis any delays, then use this information to target specific employers that cause delays rather than all employers?</li> </ul> <p>Overall, whilst it is appreciated that consultation is happening, the proposed changes are not to the benefit of the Council and could result in us facing significant cost. We have at times, had delays in you as a provider responding to queries and whilst this may cause an element of frustration we would not consider charging you. It is for this reason we are not supportive of the proposed charges. I should also note that because of your Christmas shut down the consultation in essence ends earlier and not on 31st December (assuming consultation is a two way process until the end date).</p>		
<p>Starters are reported to Pensions via Altair reports on the 23rd of the month. We are only able to report once they have been set up on the payroll, unable to</p>		

<p>report if not set up on the payroll. Therefore potential fines for late starters. Would we still be fined?</p>		
<p>changes are reported via Altair reports for changes that have happened during that pay run. If for example, a manager does not change the hours on iTrent for one of their staff at the correct time, we are unable to report the hours change until it has been updated on iTrent and run through the payroll. This would create a potential fine. Would we still be fined?</p>		
<p>Our Auto Rem process will fit this criteria, the Rems are run and produced on the 23rd of each month (for employees that are made a leaver during that pay run).</p> <p>However any late leavers that we receive would potentially incorporate a fine and also Casual employees (Including bulk leavers where we do an exercise to remove casuals that haven't been paid for a year therefore high numbers). It would not always be possible to produce a Rem for a casual employee within 1 month of their leaving date.</p> <p>Manual Intervention are now completed by the end of the month. However if we had a complex Rem to complete, if we kept pensions informed would they be able to waive the fee?</p>		
<p>If the leaver is at the beginning of the month will it still incur a fee as this will be produced as part of the auto rem. If it will then we will have to do a manual rem when processing the leaver. The Auto Rem will still be produced and need to be checked to ensure that the figures are the same as the manual rem that we would have done in advance. This is a</p>		

<p>duplication of work. Is there any leeway with this?</p>		
<p>Due to the large volume of queries, we receive we may struggle with this so will there be any leeway if there is evidence that we are trying to keep on top of these? Presumably, fees will just be for new queries after April and not for outstanding queries although we hope to clear all of these by then</p>	<p>For pre- April 2024 cases, fees will apply if they remain outstanding, but will only be applied from 1 April 2024.</p>	
<p>Do you mean estimates that apply to retirement and redundancy estimates where we ask for strain costs?</p>	<p>Please see earlier response.</p>	<p>Y</p>
<p>I assume this relates to employer led estimates (redundancy, flexible etc)? What if they are completely different types - e.g. employer looking at redundancy in April but member not selected for redundancy and then member interested in Flexible Retirement in December? It doesn't seem fair to be penalised for unpredictable situations within a year.</p>	<p>Please see earlier response.</p>	<p>Y</p>

<p>The timescales given in a number of the “failures” in Appendix C are also of concern to us. Examples are, but not limited to:</p> <p>Schools may not be available or know in a timely manner of a death in service to enable notification within 10 days, during a long school holiday period. This could also apply to a small employer with one administrator who is on holiday or other absence.</p> <p>New starters to be returned within one month of start date – this is not practical. Somerset Council and many of its employers have a pay date of the last working day of the month. A new employee with a start date near the end of the previous month or very early in the current month, is unlikely to be reported in time. Somerset Council payroll is finalised just a few days before payday. We have multiple processes to complete in the next week or so and it is unlikely that our pension returns will be completed in the timescales listed. This would also apply to many of our client payrolls.</p> <p>New starters with a payroll paid earlier in the month are also likely to be later than one month from start date in many circumstances. We have insufficient resource to stop our other payroll work to produce pension returns for individual payrolls. Our process is to do this for all at a similar time.</p> <p>To support our request for this deadline to be extended, we also note for new member records, Peninsula Pensions have 3 months to update their records</p>		
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<p>and you will do this on receipt of the interface. We therefore do not see why the employer timescale should be within a month and what costs are incurred by the Administering Authority if it is later.</p> <p>We suggest that the request for Annual Allowance data should have a date quoted.</p> <p>A charge for a non-quantified event is unreasonable. All charges should have a specified non-compliance.</p> <p>We suggest that you explain the transfer of fines, and when this may happen, in more detail.</p> <p>The final charge appears to be a catch all which may include “failures” detailed above and for which there is little or no quantifiable time.</p> <p>We do understand that a comment was made to one of our representatives at the meeting that the charging schedule isn’t being aimed at us (Somerset Council) but being instigated to target poor performers, but this does not remove the fact that the strategy states that all employers are responsible for meeting the unreasonable timescales given and we do support multiple fund employers.</p>		
<p>Failure to notify PP of other changes relating to an active member. As with new starters, this is not practical and needs to be a period after the pay day that this change takes effect from in the Payroll system as this will then also allow for retrospective changes and the change to appear on monthly payroll reports.</p>		

<p>With the on-line system being removed we are no longer able to do our own estimates and dates can shift – with the removal of the facility to do the estimates ourselves, we believe this number should be increased significantly.</p>	<p>1 estimate per year per employer led retirement type should provide the required information in relation to strain cost for an employer to decide regarding retirement. There is also the strain calculation report for employers which can be provided by PP, to help when looking at potential costs. The members benefits should only increase, assuming follow up estimates will be using a later date.</p>	<p>Y</p>
<p><b>Other comments</b></p>		
<p>Why isn't the aim of your Administration Strategy clearly stated to MINIMISE the admin necessary for Employers. Stop asking us to send information that you can copy across internally from the EAS5 forms to the CARE spreadsheet. And please stop using EGRESS as a 'secure' email process. If you can confirm the very confidential EAS5 information you can send other missives without making employers log on to another process just to view emails. Using a third party platform runs the additional risk of data leaks, losses or ransomware of the external organisation and is simply over-bureaucratic.</p>	<p>Devon County Council Data Protection and Cyber Security officers advise all staff to use Egress in their day-to-day business to safeguard information and reduce the threat of data leaks etc mentioned.</p>	<p>N</p>
<p>This proposal completely undermines the good working relationship built up over many years with Peninsula and seems to be a fundamental change in the organisation's culture and approach. Is this really what you are seeking to achieve?</p>	<p>The aim is to always work with employers for the benefit of scheme members in a timely manner and in line with the <a href="#">Occupational and Personal Pension Schemes (Disclosure of Information) Regulations</a>. However, where underperformance has arisen</p>	<p>N</p>

	<p>and there is lack of engagement, charges will be implemented to employers as set out below.</p>	
<p>The proposed Administration Strategy does set out clear guidelines for Employers and the Administering Authority, however it does put a lot of emphasis on the Employer meeting all the requirements whilst we feel that there are issues with the timescales for the Administering Authority who are quick to blame employers for not submitting information. Concern is therefore raised in these case where fees could be imposed.</p> <p>I sincerely hope that pragmatism and understanding is applied for employers who provide information on a consistent basis, not the administration of fines. Missing deadlines for certain scheme members will happen unfortunately and sometimes this is purely down to timing. New starters or leavers can sometimes be omitted from the monthly reports as this may be the timing of a manager completing the leaver process, the timing of an employee completing their new starter process or the time the monthly report is run.</p> <p>I completely understand the need for a cost-effective, inclusive and high-quality pension administration service requiring the joint working of both Fund and Employer but not at the expense of co-operating employers who sometime miss performance target levels.</p>	<p>Where information is not provided within statutory timescales, then members will be advised that this is pending from the employer.</p> <p>If an employer and PP are working together to move a case forward within an agreed timescale, then there will be a discretion which can potentially be used to not impose the fee, and a form provided for completion for this to be considered.</p>	

<p>We are understanding of the need of performance targets that are enforceable and agree with the general aims of the strategy. Understandably, the strategy is from the perspective of the administration of the scheme but whilst employers may need change some things to fit in with the requirements, there does need to be some understanding of how employers operate in reality.</p> <p>With regards to the performance standards and additional charges, there does need to be clear guidance on how the determination on failures will be made and consistently applied, how and when they will be notified, and what the appeals process is. There is the possibility that the employer could be fined multiple times for the same failure (initial fee, fine from external organisation, additional staff charges and interest). This could potentially be deemed as excessive.</p> <p>There are inconsistencies in time measurements throughout the performance standards and additional charges. For example, in some cases a period of time is used (days/weeks/months), and other cases it is working days. Also, the terms pay run, final pay day, final pay period are used but they do have different meanings. It would be good to have some clarity on why different measurements and terms are used in different cases.</p>	<p>The successful administration of the Fund relies on all parties understanding their roles and responsibilities and working together to achieve this. The strategy sets out performance targets to ensure regulatory timescales are also met.</p> <p>Documentation has been produced to ensure discussions involving any failures follow the same format and processes are being developed to be implemented from 1 April 2024 to ensure consistency. This will include an appeals process.</p> <p>The strategy has been adjusted to incorporate weeks and months only.</p>	<p>Y</p>
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The timescales for provision of information from employers included in the Pension Administration Strategy, are directly linked to the statutory disclosure timescales, to allow the administration team sufficient time to adhere to these accordingly. Please see examples below:

<p><b><u>Disclosure timescales</u></b> (Total time to achieve task)</p>	<p><b>Employer timescales</b></p>	<p><b>Peninsula Pension (PP) timescales resulting</b></p>
<p><u>Retirements</u></p> <p>To accurately calculate and inform the member of the options available to them upon retirement.</p> <p>Within 1 month following date benefit becomes payable (2 months if retiring before normal pension age)</p>	<p>For members in receipt of regular pay, where the employer can accurately project pay to the date of retirement, up to 1 month prior, or within 1 week following final pay period (provided basic leaver information is received in advance of this, or an interim pay run is arranged).</p>	<p><u>Normal Pension age</u></p> <p>= 1 month less time employer takes to provide information</p> <p><u>Best case scenario:</u> If provided in advance = <b>1 month</b> resulting for PP action</p> <p><u>Worst case scenario:</u> If provided after final pay period – potentially would be 1 month after member has left = <b>zero time</b> resulting for PP action (Hence request of basic leaver information in advance)</p> <p><u>Before Normal Pension age</u></p>

		<p>= 2 months less time employer takes to provide information</p> <p><u>Best case scenario:</u> If provided in advance = <b>2 months</b> resulting for PP action</p> <p><u>Worst case scenario:</u> If provided after final pay period – potentially would be 1 month after member has left = <b>1 month</b> resulting for PP action</p>
<p><u>Leavers (not retirements)</u></p> <p>To accurately record and update member records on pension administration systems for those members leaving the scheme, without entitlement to immediate payment of benefits. Provide them with the options available and deferred benefit entitlement.</p> <p>Within 2 months of receiving notification that pensionable service has ended</p>	<p>For members in receipt of regular pay, where the employer can accurately project pay to the date of retirement, up to 1 month prior, or within 1 week following final pay period (provided basic leaver information is received in advance of this).</p>	<p><u>Best case scenario:</u> If provided in advance = <b>2 months</b> resulting for PP action</p> <p><u>Worst case scenario:</u> If provided after final pay period – potentially would be 1 month after member has left = <b>1 month</b> resulting for PP action</p>
<p><u>New Starters</u></p>		

<p>To produce a statutory notification and forward to member's home address, together with information relating to the LGPS including how to request a transfer, form relating to previous service, and link to expression of wish form.</p> <p>Within 2 months of joining the scheme or within 2 months of request being made</p>	<p>Provision of new member information within 1 month of joining the scheme</p>	<p>If provided within one month by Employer – PP have <b>1 month</b> to provide the notification to the member.</p> <p>Internal reports of new scheme members are arranged for printing on a 2-week cycle to ensure this target is met.</p>
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# Somerset Pension Administration Strategy

April 2024

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[Appendix A](#) – Peninsula Pensions Communications Policy

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## Introduction

Peninsula Pensions is the operational name for the shared administration service of the Local Government Pension Scheme (LGPS) on behalf of the Devon and Somerset Administering Authorities.

Somerset Pension Fund (*"the Fund"*) is responsible for the administration of the Local Government Pension Scheme (*"LGPS"*) within the geographical area of Somerset. The service is carried out by Peninsula Pensions on behalf of Somerset Council (*"the administering authority"*) on behalf of qualifying employers and ultimately the LGPS members.

This document is the Pensions Administration Strategy statement outlining the policies and performance standards towards providing a cost-effective, inclusive, and high-quality pension administration service.

Delivery of such an administration service is not the responsibility of one person or one organisation. It is the joint working of a number of different stakeholders, which between them are responsible for delivering the pensions administration service to meet the diverse needs of the membership. As the cost of this service is borne by the Fund, and effectively recharged pro-rata to each employer via the contribution rate, it is in everyone's interests to ensure an efficient cost-effective provision.

## Compliance

Developed in consultation with employers within the Fund, this statement seeks to promote good working relationships, improve efficiency, and ensure agreed standards of quality in delivery of the pension administration service amongst the employers and the Fund.

A copy of this strategy is issued to each of the relevant employers. The undertakings set out within this Pension Administration Strategy will be regularly reviewed by the Fund. In no circumstances does this strategy override any provision or requirement of the Regulations set out below, nor is it intended to replace the information provided in the Employers' Guide on the Peninsula Pensions [website](#).

## Review

Peninsula Pensions and The Fund will review this policy statement and make revisions as appropriate following a material change in its policies in relation to

any of the matters contained in the strategy. Employers will be consulted and informed of the changes.

The administration strategy is linked to the following statutory documents of the Administering Authority which are located on the Somerset Pension Fund [website](#):

- Governance Policy and Compliance Statement
- Communications Strategy
- Funding Strategy Statement
- Investment Strategy Statement

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## Regulatory Framework

Regulation 59 of the LGPS Regulations 2013 enables an LGPS administering authority to prepare a document (*“the pension administration strategy”*) detailing administrative standards, performance measures, data flows and communication with employers.

Regulation 70 of the LGPS Regulations 2013 allows an administering authority to recover costs from an employing authority where costs have been incurred because of that employing authority's level of performance in carrying out its functions under these Regulations.

Regulation 71 of the LGPS Regulations 2013 allows an administering authority to apply interest to late payment of scheme contributions.

Regulation 72 of the LGPS Regulations 2013 sets out who is responsible for the decisions relating to a scheme member's rights and liabilities in the LGPS.

Regulations 79 of the LGPS Regulations 2013 permit the Administering Authority to appeal to the Secretary of State against an employer's decision or lack of decision.

This document has been presented, considered, and approved by the Somerset Pension Fund Board and the Pension Fund Committee and, as such, the contents of which apply to all existing and future employers of Somerset Pension Fund from 1 April 2024.

## Record Keeping

Record-keeping is a fundamental part of managing a scheme such as the LGPS. Administering Authorities and employers have a legal obligation to collate and maintain accurate data records.

Each party shall duly observe all its obligations under all applicable laws which apply to the handling of personal data, including the General Data Protection Regulation (Regulation (EU) 2016/679) and the Data Protection Act 2018 as may be amended, extended, or replaced from time to time.

The Administering Authority and the employers agree to comply with the obligations set out in the 'Memorandum of Understanding' regarding Compliance with Data Protection Law between the Administering Authority and all employers within the Fund' (the "MOU"), a copy of which is published on the Peninsula Pensions [website](#). The Administering Authority reserves the right to amend, update or replace the MOU from time to time.

Peninsula Pensions must be able to demonstrate that records are accurate and up to date, within the parameters of data protection legislation, in order to govern and administer the pension scheme efficiently and effectively for scheme members.

Employers (and their delegated payroll providers) are responsible for providing the core data required by the Administering Authority. Employers need to ensure that legal obligations regarding the provision of timely and accurate information to the scheme are met. Please refer to link for more information [Pensions Line Special - August 2023 - Employer Duties \(govdelivery.com\)](#).

The Administering Authority has a legal duty to provide scheme members with accurate and timely information regarding their benefits. The use of electronic processes aides all parties to do this in a timely, secure, and efficient manner.

A strong working partnership between the Administering Authority and employers is key in delivering a successful administration service. This document describes how the Administering Authority provides support to employers in meeting their responsibilities.

Peninsula Pensions will notify employers in advance of any proposed changes in systems, processes, legislation, and data requirements, and will provide sufficient time, support and guidance for employers to implement any changes.

Full details covering the processes for employers, including the procedures for the escalation of outstanding requests for information, can be found within the employer's section of our website.

If employers have concerns about the data required, they should contact Peninsula Pensions without delay. This will allow Peninsula Pensions to work with employers to resolve any issues and enable both parties to meet their requirements for the benefit of scheme members.

Where an employer does not actively engage with Peninsula Pensions to resolve issues and/or consistently fails to meet its responsibilities under the

LGPS Regulations, the Administering Authority (or stakeholders such as the Pension Board) has a statutory duty to report any breach to The Pensions Regulator. Similarly, stakeholders (such as the Pension Board) may report Peninsula Pensions to The Pensions Regulator if it is believed that a breach has occurred in respect of its duty as scheme administrator.

If deemed to be materially significant, The Pensions Regulator has the authority to take prompt and effective action to investigate and correct the breach and its causes, and, where appropriate, to notify any members whose benefits have been affected.

The Pensions Regulator may impose a penalty under section 10 of the Pensions Act 1995. At the time of creating the PAS, the maximum amount of a penalty in relation to a breach is £5,000 in the case of an individual and up to £50,000 in any other case.

Penalties may be imposed on any party who has legal requirements or responsibilities relating to the management or administration of the scheme, and anyone else who could be subject to any of The Pensions Regulator's statutory powers of investigation and enforcement, such as employers and professional advisers.

The Pensions Regulator's compliance and enforcement policy for public service sector schemes can be accessed via the following link:

<https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/compliance-policy-public-service-pension.ashx>

More information about the work of The Pensions Regulator can be found via the following link:

<https://www.thepensionsregulator.gov.uk/en>

## Liaison and Communication

The delivery of a high quality, cost-effective administration service is not only the responsibility of the Administering Authority, but it also depends on them working with several individuals in different organisations to ensure that members and other interested parties receive the appropriate level of service and that statutory requirements are met.

Peninsula Pensions has a dedicated Employer & Communications Team who will work with employers to ensure they are equipped to meet their responsibilities in line with the LGPS Regulations.

Every employer will have access to a dedicated Member Services Team who will assist employers with queries relating to individual members.

Each employer will designate a named individual(s) to act as a **Pension Liaison Officer**, who will serve as the primary contact regarding any aspect of administering the LGPS.

Peninsula Pensions will employ a multi-channel approach in liaising and communicating with employers to ensure that all requirements are consistently met. This is set out in the Peninsula Pensions Communication Policy set out in [Appendix A](#).

### Employer Training / Meetings

Employer focus sessions are arranged throughout the year. They cover employer responsibilities including:

- Starter and leaver processes
- Final Pay
- LGPS Discretions
- End of Year requirements
- Internal Dispute Resolution Procedure

Peninsula Pensions hold annual Pension Liaison Officer Group (PLOG) meetings.

The Somerset Pension Fund holds an annual employers' meeting where officers provide information on Fund Finances, Investment Performance, and topical issues for the Fund.

Attendance to these meetings by each employer's main contacts and Senior Management is actively encouraged and will be recorded and form part of each Employers Performance Report to confirm active engagement.

### Employer Discretions Policy

Each employer is required to produce, publish and maintain a statement of policy regarding the exercise of certain discretionary functions available to them within the LGPS regulations. The policy statement must be kept under review and where revisions are made; the revised policy statement must be sent to the Fund and made readily available to all employees within the employing authority within one month of the effective date. Examples can be found on the Peninsula Pensions webpage [Employer discretions - Peninsula Pensions](#).

## Notification of employee's rights

Any decisions made by an employing authority affecting an employee's rights to membership or entitlement to benefits must be notified to the employee electronically or in writing.

## Internal Dispute Resolution Procedure

Each employing authority is required to nominate and name the person to whom applications under Stage 1 of the Internal Disputes Resolution Procedures should be made. The name, job title and contact details of this nominated person must be kept current with the Fund.

## Administering Authority and Employer Responsibilities

The LGPS Regulations identifies a number of responsibilities for the Fund and Employers which will enable us, together, to move forward for the benefit of the Fund and our Scheme members. We will achieve this by:

- Clearly defining the respective roles of employers and the Administering Authority
- Setting clear and achievable standards of service levels for the functions carried out by employers and the Administering Authority
- Setting out clear procedural guidance for the secure and effective exchange of information between employers and the Administering Authority
- Monitoring service delivery, identifying poor performance and establishing a platform for the provision of support to improve performance where required
- Continuous development of resources via the use of digital technology and staff training for both the Administering Authority and employers
- Applying charges where an employer consistently fails to meet deadlines to ensure that scheme members are not disadvantaged, and in addition, that the resulting additional administrative strain is not a burden on all employers.

**Note:** Peninsula Pensions are not responsible for verifying the accuracy of any information provided by the employer for the purpose of calculating benefits under the provisions of the Local Government Pension Scheme and the Discretionary Payments Regulations. This responsibility rests fully with the employer.

**Payroll providers** – for employers who have delegated the responsibility to a payroll provider, for the provision of information direct to Peninsula Pensions, a delegation form will need to be completed confirming the areas for which they are permitted to act on your behalf. If information, or lack of information,



received from the payroll provider results in incorrect or no information being issued, or incorrect, or no benefits being paid to scheme members, the responsibilities under the Local Government Pension Regulations lie fully with the employer.

A complete breakdown of responsibilities and expected performance levels can be found in [appendix B](#).

## Audit

The Fund is subject to an annual audit of its processes and internal controls. Employers are expected to fully comply with any requests for information from both internal and approved external auditors. Any subsequent recommendations will be considered and where appropriate implemented with Employing authority cooperation.

Part of the annual audit will also involve contact and visits with Employers, to ensure pension responsibilities including monthly data provided meets LGPS regulatory requirements.

## Performance Monitoring

The Strategy recognises that there is a shared responsibility for ensuring compliance with the LGPS regulations and the PAS. Below we have set out the ways in which performance and compliance will be monitored:

- The Administering Authority and employers must aim to ensure that all functions and tasks are carried out to the agreed quality standards set out in this Strategy.
- The Administering Authority will regularly monitor, measure and report on compliance with the agreed service standards outlined in this document.
- The Administering Authority will undertake a formal review of performance against this strategy on an annual basis and liaise with employers in relation to any concerns on performance.
- The Administering Authority monitors its own performance against internal key performance indicators and the Disclosure Regulations 2013. Formal monitoring is carried out on a monthly basis and is reported to the Pension Board on a quarterly basis.
- The performance of employers against the standards set out in this document will be reported to the Investment and Pension Fund Committee and Pension Board, as appropriate, and will include data quality.
- The Administering Authority will also regularly report to employers regarding individual performance, identifying any areas for improvement including outstanding data items.

## Under performance of Scheme Employer

Employers are responsible for the submission of accurate data and to pay the correct amount of pension contributions within the specified timescales. When there is **late or inaccurate submission of data or late payment** of contributions, the scheme member will likely be impacted, and the administering authority may subsequently be unable to perform their duties within the statutory timescales. In addition, consequent costs to the fund would be met from *all* employers' contributions.

Regulations 70 and 71 of the LGPS 2013 regulations gives administering authorities the ability to recover any administration costs incurred as a result of the underperformance of an employer, from the employer responsible for the underperformance.

In order to promote efficiency, reduce costs and better target the costs of non-compliance to those employers identified as underperforming, and who are unwilling to engage with Peninsula Pensions, the **additional** charges in [appendix C](#) will be applied,

From April 2024 Peninsula Pensions will use an employer database to monitor performance. Any additional costs incurred in the administration of the scheme as a direct result of individual underperformance, will be highlighted with a view to recovering these costs from the responsible employer.

Peninsula Pensions will:

- write to the employer, setting out area(s) of non-compliance with performance standards, offer support and, where applicable, request attendance at a training/coaching session
- where the underperformance is in respect of an admitted body, the originating employer will be informed and will be expected to work with Peninsula Pensions to resolve the issue(s)

If no improvement is seen within one month, or the employer is unwilling to attend a meeting to resolve the issue, Peninsula Pensions will issue a formal written notice, setting out:

- the area(s) of non-compliance that has/have been identified
- the steps taken to resolve this area(s)
- how the underperformance has contributed to the additional costs of administration and the amount of the additional cost incurred

Peninsula Pensions will also provide notice that the additional costs incurred as a direct result of the employer's poor performance will now be reclaimed.

A breaches report will be presented to the Pension Board on a quarterly basis. This report will include the nature of the breach, the party responsible for the breach and details of any action taken to address the breach.

The report will also include a recommendation for the Board to consider whether a breach is significant enough to warrant reporting to The Pensions Regulator.

In the event of a levy being issued to the Administering Authority by The Pensions Regulator, the levy will be passed on to the relevant employer where it can be demonstrated that the employer's action or inaction is responsible for the levy.

Any disagreement regarding the amount of the levy will be decided by the Secretary of State who will have regard to:

- the provisions of the pension administration strategy that are relevant to the case
- the extent to which the Administering Authority and the employer have complied with those provisions in carrying out their functions under these regulations

## Actuarial work

The Administering Authority will appoint an actuary, who will conduct a valuation of the pension fund, as appropriate. The actuary will determine the assets and liabilities in respect of each employer and will calculate the appropriate contribution rate to be applied for the subsequent three-year period.

The costs associated with the administration of the scheme are charged directly to the pension fund, and the actuary takes these costs into account in assessing the employers' contribution rates.

In the event that an employer elects to outsource a service, the actuary is required to produce a report in respect of those scheme members involved in the outsourcing. The outsourcing employer will be liable for any actuarial costs arising from the outsourcing of a service, including the production of the report.

Guidance regarding the outsourcing of a service is located within the employer's section of our website as below.

An employer may also commission the actuary to undertake additional work, the costs of which will be charged to the individual employer. Please note that these costs will also include an element of the cost of any administration work involved in liaising with the actuary.

### Outsourcing a service

Peninsula Pensions webpage TUPE [and admitted bodies - Peninsula Pensions](#) holds information to be followed in connection when an outsourcing is being considered and when it has occurred. This includes the requirement of a rates and adjustment actuarial certificate to be issued for the new admitted body. This provides the employer contribution rate and associated bond/guarantor amount.

*From the Transfer Date, the Administering Authority shall permit the Eligible Employees to be or to remain members of the Scheme and to participate as active members of the Fund. From that date the Admission Body shall operate as if it were an employing authority for the purpose of the Regulations and shall exercise the responsibilities provided for in the Regulations.*

**Please note** the Fund will expect contribution payments to be made *from the Transfer Date* even if the admission agreement has not been sealed and executed at Transfer Date. (The LGPS 2013 regulations do permit admission agreements to be completed after a TUPE has occurred).

If at the time of the outsourcing an employer rate is not known the outsourcing employer will work with Peninsula Pensions to expedite the actuarial certificate required by the admitted body. If contributions are not paid the fees for late payment as set out in appendix C will apply.

Pension Fund Committee  
Somerset County Council

Date.....

## Appendix A – Peninsula Pensions Communication Policy (to be viewed alongside the Somerset Pension Fund Policy)

### 1. Introduction

Peninsula Pensions (PP) was formed in 2013 as a shared pension administration service, with Devon County Council acting as lead authority, for the provision of the Local Government Pension Scheme (LGPS) administration for the Devon County Council and Somerset Council administering authorities.

Peninsula Pensions also administers the Police Pension Schemes for Avon and Somerset Police and the Firefighters Pension Schemes for Gloucestershire Fire and Rescue Service.

This communication policy outlines the guidelines and procedures for effective communication by PP with its stakeholders, including scheme members and employers, through its [online Scheme Member Self Service portal](#) and [website](#). The goal is to ensure transparent, timely, and reliable dissemination of information while safeguarding data privacy and security.

### 2. Objectives

The objectives of the communication policy are as follows:

- To provide accurate and up-to-date information on pension schemes administered by Peninsula Pensions.
- To enhance stakeholder engagement and satisfaction through responsive and user-friendly communication channels.
- To maintain data privacy and security in all communication processes and interactions.
- To comply with relevant laws, regulations, and best practices governing communication in the public sector.

### 3. Communication Channels

PP shall use the following communication channels to interact with stakeholders:

- **Online Portal:** Member Self Service (MSS)/Transformational Member Experience (TME) is the primary source of communication with members. It allows them to check information; produce their own estimates – including a wider financial projector; process certain benefits, for example refunds, transfer out quotations, and deferred retirement options; update personal information; upload documents; and ask us questions.

- **Website:** The website will hold information on all the pension schemes administered by PP. It will include details on latest updates, processes and timescales for the varying functions administrators carry out. There will also be details of how to contact PP and sign up to our Member Self Service portal.
- **Email:** Following Devon County Council's policy relating to emails, as required, secure and official email communication shall be employed for personalised and confidential interactions.
- **Member support team** – a dedicated team to help and support members with both telephone enquiries and responses to enquiries raised within the MSS/TME online portal in an understandable, efficient, and timely manner. Telephone calls may also be recorded for training purposes with the intention of constantly reviewing and improving the service provided through feedback.
- **Newsletters** – yearly updates to pensioners, and regular updates sent to both scheme members and employers.
- **Employer Meetings** – full employer meetings will occur annually, in addition to focus sessions and training events held throughout the year as required. These events can be online and / or in person events.
- **Member and scheme literature** – personal benefit statements, pensioner newsletters and P60s provided on a yearly basis. P60s are also available via MSS/TME online portal as are pensioner pay advices. When material changes occur, newsletters will be issued accordingly, and information placed on MSS/TME online portal and / or our website.

#### 4. Content Guidelines

- **Accuracy and Timeliness:** All information shared on the online portal and website must be accurate, kept up-to-date, and reviewed regularly to reflect any changes in regulations, policies, or procedures.
- **Clarity and Simplicity:** Communication content should be clear, concise, and easily understandable, avoiding technical jargon where possible.
- **Accessibility:** The online portal and website shall be designed to meet accessibility standards, enabling easy access for individuals with disabilities.

#### 5. Stakeholder Engagement

- **Feedback Mechanism:** The online portal and website include a feedback mechanism, enabling stakeholders to provide suggestions, report issues, and seek clarifications.
- **Response Time:** PP shall endeavour to respond to stakeholder enquiries and feedback promptly, setting specific service level standards for each type of communication.

## 6. Data Privacy and Security

- **Confidentiality:** PP shall handle all personal and sensitive data in strict confidence and comply with relevant data protection laws in line with our [privacy statements](#).
- **Secure Channels:** Communication channels that involve the transmission of sensitive information shall be encrypted and secured.
- **Authentication:** To ensure data security, stakeholders may be required to verify their identity through secure authentication methods when accessing certain information or services.

## 7. Review and Updates

The communication policy shall be reviewed annually or whenever there are significant changes in regulations, technology, or communication practices.

## 8. Policy Dissemination

This communication policy shall be made accessible to all employees, stakeholders, and the public through our website.

By adhering to this communication policy, PP aims to foster transparency, trust, and accountability while effectively serving its stakeholders in matters related to pensions and related services.



## Appendix B – Performance standards

Performance standards are expressed as targets (i.e. the level of performance expected in normal circumstances). It is accepted that there may be occasions where it may not be possible to achieve the target indicated and a pragmatic approach will be adopted, subject to employers using their best endeavours to meet expected standards wherever possible.

### Employer Responsibilities

#### 1. Communication

Function/Role	Performance Target
Primary contacts - Nominate and keep under review named contacts including main contact and HR and payroll links.	Within 1 month of employer joining the Pension Fund or change to nominated representative
Stage 1 Appeals (IDRP) Officer - Appoint a person to consider appeals under Stage 1 of the Applications for the Adjudication of Disagreements Procedure (AADP) and provide full, up to date contact details to Peninsula Pensions.	Within 1 month of employer joining the Pension Fund or 1 month of a change in Appeals Officer
Independent Registered Medical Practitioner (IRMP) - Appoint an IRMP qualified in occupational health medicine, or arrange with a third party, and seek approval of the appointment from Peninsula Pensions, for the consideration of all ill-health retirement applications from active and deferred members.	Within 1 month of employer joining the Pension Fund or within 1 month of a change in IRMP(s)
Employer Discretions - Formulate and publish policies in relation to all areas where the employer may exercise a discretion within the LGPS (including providing a copy of the policy document to Peninsula Pensions).	Initial policy and subsequent revisions to be provided within 1 month of publishing
LGPS content in Contracts – Ensure that Fund-approved LGPS content is included in all contract / appointment / adjustment communications for LGPS-eligible positions including direction to Peninsula Pensions <a href="#">website</a> .	Review LGPS content annually or within 1 month following receipt of information regarding adjustment to Fund approved wording
Communicate any information provided by Peninsula Pensions to scheme members/potential scheme members.	Within 1 month unless an alternate timeframe is set by Peninsula Pensions



	due to statutory requirements
Refer new / prospective scheme members to Peninsula Pensions' website.	Within 1 month of commencement of employment or change in contractual conditions
Outsourcing – Notify Peninsula Pensions of contracting out of services which will involve a TUPE transfer of LGPS eligible staff to another organisation to enable LGPS information to be provided to potential contractors.	Within 1 week following Committee approval
Work with Peninsula Pensions to arrange for the admission of a contractor as a new employer.	A minimum of 2 months in advance of the date of contract
Notify Peninsula Pensions of changes / extension / cessation of arrangements with a contractor.	Within 1 week of decision being made
Assist Peninsula Pensions in ensuring that the terms of the contractor's admission as an employer (Admission Agreement) are complied with.	Notify Peninsula Pensions immediately if the terms of the Admission Agreement have been breached
Respond to enquiries from Peninsula Pensions and representatives from the Administering Authority.	Within 2 weeks from receipt of the enquiry
Respond to enquiries from Peninsula Pensions and representatives from the Administering Authority in respect of Breaches of the Law.	Within 1 week of the request

## 2. Payments to the Fund

Function/Role	Performance Target
The Employer's Rate - Apply the employer contribution rate and deficit sum agreed with the Administering Authority on becoming an employer and adjust as instructed by the Administering Authority from a date determined by the Administering Authority.	Apply as instructed by the Administering Authority following advice from the scheme actuary
The Employee's Rate - Calculate and review the correct employee contribution rate for all members at commencement and on 1st April each year. Also, to be	On 1st April each year and as per the employer's

reviewed at intervals during the year at the employer's discretion.	discretionary policy on adjusting the employee's contribution rate at intervals during the year
Assumed Pensionable Pay (APP) - Ensure the correct application of APP during periods of reduced/nil pay in accordance with the LGA's HR & Payroll Guides.	Review of eligibility for APP immediately upon a member moving to reduced/nil pay
Monthly Payment to the Pension Fund - Remit employee, employer and any additional contributions and submit the online contributions form to the Administering Authority.	By the 19th of the month after deduction from pay or date specified by the Administering Authority.
Payment of AVCs - Remit Additional Voluntary Contributions (AVCs) to the AVC provider(s).	By the 19th of the month following the deduction from pay
Make strain/shortfall payments to the Administering Authority in respect of early payment of benefits from flexible retirement, redundancy, or business efficiency retirement, or where a member retires early with employer's consent.	Within 4 weeks of receipt of invoice from Peninsula Pensions or the Pension Fund
Remit recharge payments in respect of pension members – e.g. Discretionary Compensation/Enhancement.	Within 4 weeks of receipt of invoice from Peninsula Pensions or the Pension Fund
Payments in respect of FRS102 and IAS19 work carried out on behalf of employers by the Administering Authority and the Actuary.	Within 4 weeks of receipt of invoice from Peninsula Pensions or the Pension Fund
Payments in respect of all other work carried out on behalf of the employer by the Actuary and connected data quality assurance undertaken by the Administering Authority.	Within 4 weeks of receipt of invoice from Peninsula

	Pensions or the Pension Fund
Prompt payment of invoices issued by the Administering Authority for specific services provided e.g. admission agreement work.	Within 4 weeks of receipt of invoice from Peninsula Pensions or the Pension Fund
Make payment of additional costs to the Administering Authority associated with non-compliance with performance standards of the scheme employer.	Within 4 weeks of receipt of invoice from Peninsula Pensions or the Pension Fund

### 3. Year-End Return

Function/Role	Performance Target
Completing the Year-End Return - Provide a fully reconciled and completed Year-End Return to Peninsula Pensions in the format stipulated in the instructions issued each February.	By 30 April following the year-end
To resolve all queries returned from the Year-End Return.	To respond fully to all queries from Peninsula Pensions within 3 weeks of receipt of the query.  In circumstances where an employer submits a late year-end return, limiting the time that Peninsula Pensions must complete its duties, the timescales may be reduced, as

	advised by Peninsula Pensions
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#### 4. Scheme Members Information

Function/Role	Performance Target
<p>To notify Peninsula Pensions of all new scheme members, changes in personal details, e.g. name, working hours via Interface or Employer Self Service.</p> <p>* Where an employer provides employees with a link, (included as part of documentation provided with new contracts), to relevant PP website page, a fee will not be invoked at the 1-month date, assuming full starter information is received by PP within 2 months of the start date. The website page will include all information required to satisfy disclosure regulations.</p> <p>NB Ideally full details would be received within 1 month, to enable PP to add the scheme member record to our database and allow them access to the online portal.</p>	<p>1 month*</p>
<p>On cessation of membership determine the reason for leaving, final pay for calculating pre 2014 benefits and CARE pay for post 2014 benefits as appropriate.</p> <p><b>NB</b> Where an employee is suffering from a Terminal Illness and limited life expectancy, employers should contact Peninsula Pensions for guidance without delay.</p> <p><b>Final Pay Period – this is the pay period the scheme member was made a leaver on your payroll.</b></p> <p>** To enable employers to automate information via their payroll system following their ‘final pay period’, in addition to satisfying the regulatory timescales as administrators, a fee will not be invoked, provided that earlier notification of basic leaver information is given by the employer, to enable PP to provide key information to scheme members ahead of their leaving date.</p> <p>Alternatively, if employers can action interim ‘payroll runs’ as opposed to one single monthly pay run, information</p>	<p><u>Leavers under age 55</u> within 1 week following final pay period</p> <p><u>Leavers age 55+</u> For members in receipt of regular pay, where the employer can accurately project pay to the date of retirement, up to 1 month prior, or within 1 week following final pay period**</p>

could potentially be automated earlier for provision to PP in line with timescales.	
<p>Apply a scheme members election to opt out of the LGPS to the member's payroll record.</p> <p>Notify Peninsula Pensions in line with the process for leavers, as stated above.</p>	<p>Election applies from the 1st of the month for the next available payroll, except where an opt-out is made within 3 months of an employee joining the scheme. In such cases the opt-out is backdated to the joining date and all contributions refunded by employer's payroll</p>
Where a member dies in service - determine final pay for calculating pre 2014 benefits and CARE pay for post 2014 benefits as appropriate.	<p>Inform Peninsula pensions within 2 weeks of employer being notified.</p> <p>Provide full leavers notification within 1 week of final pay period.</p>
Provide monthly CARE data within required format.	Within 2 weeks of pay period it is paid in.
Ensure members are notified of the option to pay Additional Pension Contributions following absences not covered by APP.	Within 2 weeks of the return to work, or as set out in the employer's discretion policy
Apply/adjust/cease the deduction of Additional Pension Contributions following an APC application from a scheme member and forward information via Interface to Peninsula Pensions.	In the month following receipt of election from scheme member
Notify Peninsula Pensions of periods of unpaid absence not covered by Assumed Pensionable Pay (APP).	Within 1 month of return to work.
Arrange for the deduction of AVCs from scheme member's pay following election.	Commence deduction of AVCs in month following the month of

	election, as advised by AVC Provider
In line with General Data Protection Regulations (GDPR) an employer will protect information relating to a member contained in any item issued by Peninsula Pensions from improper disclosure. They will only use information supplied or made available by Peninsula Pensions for the LGPS	Ongoing requirement

### Administering Authority Responsibilities

#### 1. Peninsula Pensions

To complete cases in line with the [Occupational and Personal Pension Schemes \(Disclosure of Information\) Regulations](#), with at least 90% of cases completed within the statutory targets.

Peninsula Pensions Responsibility	Disclosure regulations / Legal Requirement	Internal Targets
To accurately record and update new member records on pension administration systems.	Within 2 months of effective date of change	On receipt of interface information from employer
To produce a <b>statutory notification and</b> forward to member's home address, together with information relating to the LGPS including how to request a transfer, inform us of previous service, and complete an expression of wish form.	Within 2 months of joining the scheme or within 2 months of request being made	To assist in meeting the statutory deadlines, data reports required for production of statutory notifications are scheduled to run every 2 weeks.
To process employer year-end contribution returns and provide consolidated and grouped error reports for action by employers.	Various timescales impacted – examples below:	To meet statutory deadlines relating to annual benefit statements /

	<ul style="list-style-type: none"> <li>- 31<sup>st</sup> August Annual benefit statements</li> <li>- 6<sup>th</sup> October Annual Allowance statements</li> </ul>	triennial Fund valuations/ annual allowance calculations
To produce annual benefit statements for all active members as at the preceding 31 <sup>st</sup> March and notify electronically or by post to member's home address.	31 <sup>st</sup> August	31 <sup>st</sup> July
To produce annual benefit statements for all deferred benefit members, as at the preceding 31 <sup>st</sup> March, and notify electronically or by post to member's home address.	31 <sup>st</sup> August	30 <sup>th</sup> June
To provide information and quotations to scheme member about additional voluntary contribution (AVC) options.	Within 2 months of request being made	
To provide information and quotations to a scheme member on the option of making Additional Pension Contributions (APCs).	Within 2 months of request being made	
To accurately record and update member records on pension administration systems for those members leaving the scheme, with entitlement to a 'frozen' refund of contributions as opposed to deferred benefits or immediate payment of benefits. Provide them with the options available and refund benefit entitlement.	Within 2 months of receiving notification that pensionable service has ended or within 2 months of a request	Within 2 weeks
To accurately record and update member records on pension	Within 2 months of receiving notification	

administration systems for those members leaving the scheme, with entitlement to deferred benefit as opposed to immediate payment of benefits. Provide them with the options available and deferred benefit entitlement.	that pensionable service has ended or within 2 months of a request	
To accurately calculate and inform the member of the options available to them upon retirement.	Within 1 month following date benefit becomes payable (2 months if retiring before normal pension age)	On receipt of information from employer within statutory timescales
Upon receipt of members completed payment option and other required retirement forms, finalise pension records and authorise payment of lump sum and set up of pensioner payroll record.	n/a	Within 2 weeks
Upon receipt of members completed documentation relating to refund of contributions, arrange payment of refund		Within 2 weeks
Upon receipt of a member general enquiry, including a first stage complaint, or enquiry relating to the member online portal, provide response		Within 2 weeks
Upon receipt of pensioner 'payroll' information relating to a member's pension in payment, update member record		Within 2 weeks or sooner if payroll pay run impacting
To produce retirement estimates for employers, once in receipt of all the necessary information.	Within 2 months of request being made	Within 2 weeks
Upon receipt of notification of change to existing member's personal details, update member record		Within 2 weeks



Upon receipt of members completed documentation relating to transfer of benefits, arrange payment		Within 2 weeks
Each Administering Authority is responsible for exercising the discretionary powers given to it by the regulations. The Administering Authority is also responsible for publishing its policy to its members in respect of the key discretions as required by the regulations.		Peninsula Pensions will maintain links to these discretions on their website and review every 3 years or sooner if required
Under the General Data Protection Regulations 2018 Peninsula Pensions will protect information relating to a member contained on any item issued by them or received by them from improper disclosure.	n/a	Ongoing requirement, online security within databases regularly reviewed
Notification of Pension Fund Triennial Valuation results including contribution rates – assuming information provided by Actuaries as agreed		Provisional results December following valuation, with final results the following March

## Appendix C

Our aim is to work with employers for the benefit of scheme members in a timely manner and in line with the [Occupational and Personal Pension Schemes \(Disclosure of Information\) Regulations](#). However, where underperformance has arisen and there is lack of engagement, we will look to charge employers as set out below.

Discretion for avoidance of charges will be limited, and only considered when full engagement with employer and Peninsula Pensions has taken place, and on completion of form of agreement confirming steps being taken and timetable agreed to correct the position.

Description of Failure	Fee
Failure to notify Peninsula Pensions with full information relating to new starters joining the LGPS within 1 month of their start date	£50 per member plus an additional £50 per member for each subsequent month late
Failure to notify Peninsula Pensions of other changes relating to an active member of the LGPS within 1 month of the change - this will include all changes outlined in the Pension Admin Strategy (for example, hour changes / additional pension contributions)	£50 per member plus an additional £50 per member for each subsequent month late
Failure to submit requested pay data relating to Annual Allowance by the 5 <sup>th</sup> July	£100 per day from date specified, up until the date the data is received
Failure to submit <b>monthly</b> data match files eg CARE pay by last day of the following month or, provide them outside of the Peninsula Pensions template	£100 per day from the day after the last day of the following month, up until the date return is received / received in correct format
Failure to notify Peninsula Pensions of member leaving the LGPS (as opposed to potential retirement - relating to either termination of employment or opting-out) within 1 month of the event	£50 per member plus an additional £50 per member for each subsequent month late
Failure to notify Peninsula Pensions of any retirement within 1 week following final pay period.	£200 per member plus an additional £200 per member for each subsequent month late
Whereas a result of the Employer's failure to notify Peninsula Pensions of a retirement, interest becomes payable on any lump sum or death grant paid, Peninsula Pensions will recharge the total amount of interest to the Employer (in addition to any late payment fees stated)	Interest calculated in accordance with Regulation 71 of the LGPS Regulations 2013
Failure to notify Peninsula Pensions of the death in service of a member within 2 weeks of the Employer receiving notification	£200 per member plus an additional £200 per member for each subsequent month late

Failure to pay over the monthly contributions to the Fund by the 19th of the month following deduction of the contributions	Interest calculated on a daily basis equal to the Bank of England Base Rate plus 1%
Failure to provide the monthly contribution forms	£50 per occasion plus an additional £50 per occasion for each subsequent month late
Failure to provide Peninsula Pensions with the End of Year return by 30th April	£100 per day from 1st May to date return is received
Failure to respond to requests to resolve member queries (for example queries related to annual returns or leaver forms) within 2 weeks of request	£50 per member request plus an additional £50 per member for each subsequent month late
1 estimate per year per employer led retirement 'type'  There is also the strain calculation report for employers which can be provided by PP, to help when looking at potential costs.	£100 per estimate request plus VAT per additional request (assuming same reason for leaving requested)
Failure to pay invoices from Peninsula Pensions within the prescribed payment period	Interest calculated on a daily basis equal to the Bank of England Base Rate plus 1%
Consistent failure to engage with Peninsula Pensions when contacted / to provide accurate data / or with attendance at training /focus sessions without advising/notice.	£50 per occasion plus an additional £50 per occasion for each subsequent month late
Any other failure to comply with the employer duties included in either the 'Communication' section, the 'payments to Fund' section, or the 'scheme members information section' of the Pension Administration Strategy within the prescribed timescales, where not specifically mentioned separately above.	£50 per occasion plus an additional £50 per occasion for each subsequent month late
Admission Agreements - We require contributions to be deducted from the TUPE date and paid across by 19th of following month. This applies even if admission agreement documentation not completed. If an actuarial report not requested/received at TUPE date,	Interest calculated on a daily basis equal to the Bank of England Base Rate plus 1%

contributions to be paid within 2 weeks of admitted body receiving report.	
Fines received by either Peninsula Pensions or the LGPS Fund from regulatory bodies eg HMRC, TPR, ICO due to an employer breach	Amount of the fine will be fully recharged
Additional ad-hoc work caused to Peninsula Pensions by late and/or inaccurate submissions of data due to underperformance of employer.	This work will be charged in line with the average staff daily rate of £200, <i>in addition</i> to relevant fee quoted above where appropriate.

### Notes to Charging Schedule

- Notifications of new starters, changes, absences, leavers, retirements, and death in service must give full and accurate information as detailed in the Employer's Guide.
- Regulation 71 of the LGPS Regulations 2013 states that interest must be calculated at one per cent above base rate on a day-to-day basis from the due date to the date of payment and compounded with three-monthly rests. If late payment of a lump sum or death grant occurs as a result of a failure by the scheme member or scheme member's representative to provide the information to the Fund, the Fund will be liable for the payment of any interest due.

## **Pension Fund Committee**

### Agenda Item 12

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#### **Resources review, financial projection setting and committee objective setting**

Lead Officer: Jason Vaughan: Executive Director – Resources and Corporate Services  
(Section 151 Officer)

Author: Anton Sweet: Funds and Investments Manager

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#### **1. Summary**

1.1 Best practice within LGPS funds is to annually set objectives for the fund, the agreeing of the resources necessary to attain those objectives and a definition or measurement mechanism for success.

#### **2. Issues for consideration**

2.1 Committee are required to set objectives for the 2023-24 financial year for the fund, agree the resources required to meet the objectives and agree criteria by which attainment of the objectives can be measured. To this end committee are asked to:

- Agree a fund financial projection for the 2024-25 financial year.
- Review the absolute return target for the investment return of the fund.
- Consider defining criteria for measuring the success in meeting the Committee's objectives for the year.
- Consider the resources Committee requires to meet their objectives for the year.

#### **3. Background**

3.1 It is generally considered good practice for LGPS Fund's to review their objectives regularly, both for the fund as a whole and for the activity of the Pension Fund Committee. The setting of objectives is included in the Committee's workplan as an annual item. In setting objectives the Committee need to consider the

necessary resources needed to reasonably meet those objectives and define how success is to be measured.

#### **4. Fund objectives**

4.1 The funds overall objectives are stated in the Funding Strategy Statement and are:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;
- enable primary contribution rates to be kept as nearly constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to all relevant parties (such as the taxpayers, scheduled, resolution and admitted bodies), while achieving and maintaining Fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the Fund and employers, and the risk appetite of the administering authority and employers alike; and
- seek returns on investment within reasonable risk parameters.

How each of these aims is to be achieved in broad terms is explained in the Funding Strategy Statement.

4.2 The delivery of constant employer rates and management of liabilities is undertaken in collaboration with the Fund's actuary and centres around the tri-annual valuation process.

4.3 In order to ensure that sufficient resources are available to meet all liabilities as they fall due over the next 12 months, and the costs associated with this aim and the running of the fund in general are managed, a draft financial projection has been produced for the 2024-25 financial year and is attached as appendix A. Committee is asked to review the draft financial projection and approve its adoption subject to any amendments they agree on.

4.4 The maximisation of investment return within reasonable risk is achieved through the management of the investment fund, principally through the creation of the Investment Strategy Statement. To measure the performance of the fund we have a fund specific benchmark that we aim to outperform. Performance of the fund relative to this benchmark is monitored and disclosed quarterly to the committee in the standard investment performance report, it is proposed that this continues. CIPFA's key themes also state that it is good practice for the fund to set an absolute return target for the fund. Since the discount rate utilised by the actuary is in effect the investment return needed by the fund to achieve the objective of full funding within the deficit recovery period it would be sensible to set an

absolute return target consistent with the discount rate. The discount rate used in the 2022 valuation results is 4.6% pa. The current adopted target is 4.6% agreed at the March 2023 meeting.

- 4.5 Officers recommend keeping the target in line with the discount rate within the 2022 valuation of 4.6%.

## **5. Committee objectives**

- 5.1 The committee's objectives for the forthcoming year are highlighted within the Committee business plan and forward work plan. As part of the business plan update committee will reaffirm the objectives set within the business plan.
- 5.2 Committee are asked to consider how it will assess its performance in meeting the objectives of the business plan. This may involve setting criteria against which success can be measured.

## **6. Resources**

- 6.1 Committee are asked to consider the resources that they as a committee require to meet the needs of the business plan and work plan. This assessment should include consideration of training needs, facilitation time and whether sufficient formal meeting time is available within the work plan to deliver the objectives.
- 6.2 The Committee is committed to 4 formal meetings a year. There is a presumption of at least one informal meeting or training session per year and officers believe they have the resources to support further meetings should Committee request them.
- 6.3 Benefits administration is provided by Peninsula Pensions, a shared service with Devon CC.
- 6.4 Within Somerset Council, the resources allocated to the administration of the Pension Fund have previously been split across two areas of Finance - the Investments Team and the Corporate Finance Team. As part of an interim structure change, all the administration will now take place within the Investments Team, with current post holders or vacant post budget moving across from Corporate Finance.
- 6.5 This means the investment team will have 4.3 full time equivalent (FTE) employees who will be charged to the fund to provide:
- investment administration and accounting for the fund,

- actuarial support and liaising with the actuary,
- the support of Committee and Pension Board, and
- accounting for benefits and contributions

This is an increase in resources of 1 FTE from current.

6.6 Whilst further revisions to the structure are likely as finance moves to a permanent structure, and may be subject to formal consultation, it is expected that all Pension Fund work undertaken by Somerset Council officers will stay within the investments team going forward and the level of resource will at least remain at this level.

## **7. Consultations undertaken**

7.1 None

## **8. Financial implications**

8.1 Over time the performance of the pension fund investments will impact the amount that Somerset Council and other sponsoring employers have to pay into the fund to meet their liabilities. The fund actuary calculates these amounts every three years and sets payments for the intervening periods.

## **9. Background papers**

9.1 None

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



# Pension Fund Financial Projection

# Item 12 Appendix A

## 2024-2025

	2022-2023 Full Year	2023-2024 Full Year			2024-2025 Full Year
	Actual (a)	Original Projection (e)	Projected Outturn (f)	Variance (g)	Proposed Projection (e)
	£m	£m	£m	£m	£m
<b>Contributions and other income</b>					
Contributions	122.706	120.000	120.000	0.000	113.000
Recoveries from employers	2.486	2.100	2.100	0.000	2.100
Transfer values received	9.175	9.000	9.000	0.000	6.000
	<b>134.367</b>	<b>131.100</b>	<b>131.100</b>	<b>0.000</b>	<b>121.100</b>
<b>Less benefits and other payments</b>					
Recurring pensions	-90.903	-98.500	-98.500	0.000	-109.000
Lump sum on retirement	-13.473	-15.000	-15.000	0.000	-15.000
Lump sum on death	-2.073	-2.000	-2.000	0.000	-2.000
Transfer values paid	-11.761	-10.000	-10.000	0.000	-12.000
Contribution refunds	-0.373	-0.600	-0.600	0.000	-0.600
Employer exit credit	-0.355	-1.200	-1.200	0.000	-1.200
	<b>-118.938</b>	<b>-127.300</b>	<b>-127.300</b>	<b>0.000</b>	<b>-139.800</b>
<b>Contributions after payments</b>	<b>15.429</b>	<b>3.800</b>	<b>3.800</b>	<b>0.000</b>	<b>-18.700</b>
<b>Management Expenses</b>					
Administrative expenses	-1.443	-1.700	-1.700	0.000	-1.800
Investment management expenses	-9.768	-8.000	-8.000	0.000	-10.500
Oversight and governance expenses	-0.653	-0.700	-0.700	0.000	-0.750
	<b>-11.864</b>	<b>-10.400</b>	<b>-10.400</b>	<b>0.000</b>	<b>-13.050</b>
<b>Investment Income</b>					
Investment income	10.914	6.000	6.000	0.000	4.500
<b>Net Increase / Decrease (-) in fund</b>	<b>14.479</b>	<b>-0.600</b>	<b>-0.600</b>	<b>0.000</b>	<b>-27.250</b>

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## **Pension Fund Committee**

Agenda Item 13

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### **Investment of pension fund cash**

Lead Officer: Jason Vaughan: Executive Director – Resources and Corporate Services  
(Section 151 Officer)

Author: Anton Sweet: Funds and Investments Manager

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#### **1. Summary**

- 1.1 The legal position regarding how the fund can invest cash was revised by the Government with the introduction of the LGPS (Management and Investment of Funds) Regulations 2009, which came into force from 1<sup>st</sup> January 2010. Since 1st April 2010 the pension fund cash has been managed by the Somerset Council's (formally SCC) investments team on a completely segregated basis.
- 1.2 As a matter of good governance the Committee is asked annually to review the arrangements for the management of the Fund's cash and approve the strategy and counterparty criteria.

#### **2. Issues for consideration**

- 2.1 Review the arrangements for the management of the Pension Fund sterling cash balances from the following options:
  1. Re-appoint the in-house team to manage these balances on a segregated basis.
  2. Appoint an external cash manager.

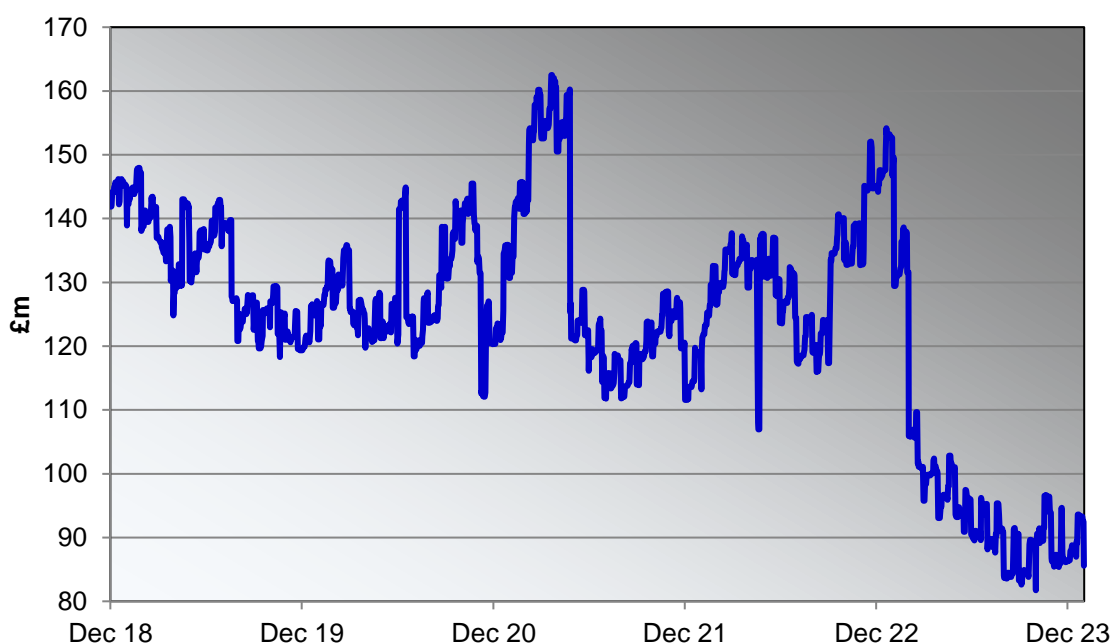
If the committee wish to appoint an external manager, the current in-house management arrangements would remain in place whilst a competitive tender process is undertaken.

- 2.2 Review and adopt a cash management strategy, the current strategy is attached as appendix A.

2.3 Adopt a revised counterparty criteria for the investment of sterling cash balances, a suggested criteria is attached as appendix B.

### 3. Background

3.1 The sterling balances of the Fund are managed with a periodic sweep undertaken with the Fund's custodian to clear sterling balances back to the fund's bank account. The balances are mostly balances of the fund that are being received monthly from employers and paid out to pensioners and cash awaiting investment. These balances do vary. A graph showing the daily value of cash balances since December 2018 is below.



3.2 The current practice of the Fund is to leave non-sterling balances in the bank accounts supplied to us by the Global Custodian (JP Morgan or State Street), these balances do earn interest but at very low rates. Since the transition to Brunel managed funds typically these balances are less than £1m in total.

3.3 Officers are proposing a similar counterparty policy to the one adopted for 2023-24 (attached as appendix B).

### 4. Consultations undertaken

4.1 None

## **5. Financial implications**

- 5.1 Over time the performance of the pension fund investments will impact the amount that Somerset Council and other sponsoring employers have to pay into the fund to meet their liabilities. The fund actuary calculates these amounts every three years and sets payments for the intervening periods.

## **6. Background papers**

- 6.1 None

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

## **Pension Fund Cash Management Strategy**

### **Introduction**

The following is the cash management strategy adopted by the Somerset Council Pension Fund as adopted by the Pensions Committee and sets a broad framework for the management of all cash positions of the fund.

### **Short-Term Borrowing**

The Pension Fund will maintain overdraft facilities on all cash accounts in all currencies at the Global Custodian (JP Morgan or State Street for Brunel holdings) and on its main sterling bank account (NatWest). These facilities are to be used to ensure the clearing of un-anticipated payments from time to time and all overdraft positions, however incurred, should be cleared at the earliest possible opportunity.

It is not envisaged that any borrowing will be required above the overdraft facilities highlighted above however it is prudent to allow the borrowing of funds via a broker from banks, building societies and other local authorities to provide flexibility if unexpected cash flows are incurred. Any borrowing will be limited to a maximum of 1 calendar month in duration and should be limited to a level no higher than cash deposits not instantly realisable (the fund should not incur a net negative cash position).

### **Investments**

Certain balances under the control of fund managers are left in various non-sterling currencies and these are deposited in the cash accounts of the Global Custodian (JP Morgan or State Street). The cash does attract interest in these accounts but at a low level.

All sterling funds in the cash accounts at the custodian are the subject of a regular sweep back to the Pension Fund's account with its main bank (NatWest). These funds will then be placed on deposit with counterparties in accordance with the counterparty criteria. The cash fund manager will maintain a list of acceptable counterparties, which meet the counterparty criteria and they intend to utilise, on an on-going basis.

In common with other local authority cash management best practice the emphasis when making deposits will be on security of the principal deposited and liquidity. Only once these criteria are met will the highest yield consistent with these priorities be sought.

Given that the vast majority of the cash funds of the Pension Fund could be required either by fund managers or to meet pension payments and transfers at relatively short notice it is anticipated that a significant level of cash at any time will be invested via time deposits with a short term (a month or less) or deposited in instant access call accounts or money market funds. Should cash flow be such that an amount of funds are identified that are not immediately required these can be deposited for periods up to a maximum of 1 year (370 days). Where time deposits are made these can be made via direct contact with the respective counterparty or via a broker.

The only allowable instruments for the investment of cash are time deposits with suitable counterparties, deposits in interest bearing bank and building society accounts, investments in appropriate Money Market Funds and investments in appropriate UK government bond funds.

### **Benchmark**

The cash investment portfolio will be benchmarked against Bank of England base rate.

## **Pension Fund Cash Lending Counterparty Criteria**

The following criteria will be used to manage counterparty risks to Somerset Council Pension Fund for cash deposits from 15th March 2024 (subject to adoption by the SC Pension Fund Committee).

### **Financial Institutions**

Any Financial Institution that is authorised by the Prudential Regulation Authority to accept deposits in the UK, or is a UK Building Society can be lent to, subject to the rating criteria below at the time of the deposit.

### **Rating of Counterparty**

The following long term ratings are the minimum acceptable level:

Fitch A-

S&P A-

Moody's A3

The maximum deposit amount for any authorised counterparty that has at least two out of the three ratings above will be £10m.

### **Operational Bank Accounts**

Amounts contained in operational bank accounts with the Pension Fund's main Bank (currently Nat West) will not count in the calculation of Nat West's limit as defined above. In the event of unexpected receipts after 2pm on any given working day, money may be placed in an instant access Nat West call account overnight, in breach of the above limits. Whenever this occurs the total lending to Nat West must be reduced to back within their limit on the following working day.

If the Pension Fund's main bank (currently Nat West) have their ratings downgraded below minimum criteria, the instant access Call Account facility may still be used for short-term liquidity requirements and business continuity arrangements.



## Public Sector Bodies

Any UK Local Authority or Public Body will have a limit of £10m. Any employer member of the fund may not be used.

The UK Government Debt Management Office (DMADF) will be unlimited.

The table below gives a definition and rough comparison of various ratings by the three main agencies: -

### Definitions of Rating Agency Ratings

	Fitch		Moody's		S&P	
Short-Term	<b>F1+</b>	Exceptionally strong	<b>P-1</b>	Superior	<b>A-1+</b>	Extremely strong
	<b>F1</b>	Highest quality			<b>A-1</b>	Strong
	<b>F2</b>	Good quality	<b>P-2</b>	Strong	<b>A-2</b>	Satisfactory
	<b>F3</b>	Fair quality	<b>P-3</b>	Acceptable	<b>A-3</b>	Adequate
	<b>B</b>	Speculative	<b>NP</b>	Questionable	<b>B and below</b>	Significant speculative characteristics
	<b>C</b>	High default risk				
	<b>(+) or (-)</b>		<b>(1,2, or 3)</b>		<b>(+) or (-)</b>	
Long-Term	<b>AAA</b>	Highest quality	<b>Aaa</b>	Exceptional	<b>AAA</b>	Extremely strong
	<b>AA</b>	V High quality	<b>Aa</b>	Excellent	<b>AA</b>	Very strong
	<b>A</b>	High quality	<b>A</b>	Good	<b>A</b>	Strong
	<b>BBB</b>	Good quality	<b>Baa</b>	Adequate	<b>BBB</b>	Adequate capacity
	<b>BB</b>	Speculative	<b>Ba</b>	Questionable	<b>BB and below</b>	Significant speculative characteristics
	<b>B</b>	Highly Speculative	<b>B</b>	Poor		
	<b>CCC</b>	High default risk	<b>Caa</b>	Extremely poor		

## Financial Groups

For Financial Groups (where two or more separate counterparties are owned by the same eventual parent company) a consolidated limit equal to the limit of a single counterparty (£10m) will apply to the group.

## Money Market Funds

Any Low Volatility Net Asset Value (LVNAV) Money Market Fund used must be rated by at least two of the main three ratings agency, and must have the following, (or equivalent LVNAV) ratings.

Fitch AAmmf

Moody's Aaa-mf

Standard & Poor's AAAM

UK Government bond funds and Sterling short dated investment grade corporate bond funds may also be used.

Subject to the above, deposits can be made with the following limits: -

The lower of £10m or 0.5% of the total value for individual Funds.

### **Diversification**

At least three counterparties/financial groups must be used if total funds invested are greater than £10m, with each having an investment of at least £1m. No more than 50% of total funds invested can be placed with any single counterparty/financial group.

### **Other Indicators**

The Fund will use a range of indicators, not just credit ratings. Among other indicators to be taken into account will be: -

- Credit Default Swaps and Government Bond Spreads.
- GDP, and Net Debt as a Percentage of GDP for sovereign countries.
- Likelihood and strength of Parental Support.
- Government Guarantees and Support, including ability to support.
- Share Price.
- Market information on corporate developments and market sentiment towards the counterparties and sovereigns.
- Other macroeconomic factors.