

Public Agenda Pack



Notice of Meeting of

PENSION FUND BOARD

Friday, 17 January 2025 at 10.00 am

**Council Chamber, Council Offices, Cannards
Grave Road, Shepton Mallet BA4 5BT**

To: The members of the Pension Fund Board

Chair: Anne Hills

Councillor Simon Carswell
Nigel Behan
Alison Wyatt

Rod Bryant
Antony White

For further information about the meeting, including how to join the meeting virtually, please contact Democratic Services – see contact details below.

Requests to speak at the meeting about a planning application must be made to the Democratic Services Team no later than **12noon on Monday, 13 January 2025** by email to democraticservicesteam@somerset.gov.uk . Further information on the public speaking arrangements at Planning Committee is provided in the Public Guidance Notes near the front of this agenda pack.

The meeting will be recorded and then uploaded to YouTube following the meeting.

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.

Issued by Alyn Jones (the Proper Officer) on Thursday, 9 January 2025.

AGENDA

Pension Fund Board - 10.00 am Friday, 17 January 2025

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

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

1 Apologies for Absence

To receive any apologies for absence.

2 Minutes from the Previous Meeting (to follow)

To approve the minutes from the previous meeting.

3 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](#)).

4 Public Question Time

The Chair will allow members of the public to present a petition on any matter within the Board's remit. Questions or statements about any matter on the agenda for this meeting will be taken at the time when each matter is considered.

The Chair to advise the Board 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 Review of Pension Fund Committee's Papers

To consider the papers provided to the Pension Fund Committee at their meeting of 13th December 2024.

6 Review of Pension Fund Risk Register (Pages 9 - 16)

To consider this report from the Funds & Investments Manager.

7 Business Plan Update (Pages 17 - 20)

To consider this report from the Funds & Investments Manager.

8 Any other business of urgency

The Chair may raise any items of urgent business.

Guidance notes for the meeting

Council Public Meetings

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

Inspection of Papers

Any person wishing to inspect minutes, reports, or the background papers for any item on the agenda should contact Democratic Services at democraticserviceteam@somerset.gov.uk or telephone 01823 357628.

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

Members' Code of Conduct requirements

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

Minutes of the Meeting

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

Public Question Time

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

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

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

You must direct your questions and comments through the Chair. You may not take a direct part in the debate. The Chair will decide when public participation is to finish. If an item on the agenda is contentious, with many people wishing to attend the meeting, a representative should be nominated to present the views of a group.

Meeting Etiquette for participants

Only speak when invited to do so by the Chair.

Mute your microphone when you are not talking.

Switch off video if you are not speaking.

Speak clearly (if you are not using video then please state your name)

If you're referring to a specific page, mention the page number.

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

Exclusion of Press & Public

If when considering an item on the agenda, the Committee may consider it appropriate to pass a resolution under Section 100A (4) Schedule 12A of the Local Government Act 1972 that the press and public be excluded from the meeting on the basis that if they were present during the business to be transacted there would be a likelihood of disclosure of exempt information, as defined under the terms of the Act.

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

Recording of meetings

The Council supports the principles of openness and transparency. It allows filming, recording, and taking photographs at its meetings that are open to the public - providing this is done in a non-disruptive manner. Members of the public may use Facebook and Twitter or other forms of social media to report on proceedings. No filming or recording may take place when the press and public are excluded for that part of the meeting.

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Review of Pension Fund Risk Register

Lead Officer: Maria G. Christofi: Interim Chief Finance Officer (Section 151 Officer)

Author: Anton Sweet: Funds and Investments Manager

Contact Details: (01823) 359584
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 Pension Board have requested that a review of the risk register is a standing item on the agenda for each meeting.

2. Recommendations

2.1 To monitor the risks contained on the risk register.

3. Changes since last meeting

3.1 As discussed at the last Pension Fund Board meeting the target scores on risks PF admin 6 and 7 have been increased to match the current scores as it has been agreed that all reasonable mitigation is being taken.

3.2 Following on from Stephen Morton (Strategic Manager – Pensions) leaving the Council at the end of October the risks that were assigned to him have been re-assigned to Anton Sweet (Funds & Investments Manager). This effect risks PF Admin 1, 2, 3 and 4. The assigning of all risks will be reviewed again following the likely legislating by Government for each LGPS administration authority to appoint a “Senior LGPS Officer” and the exact implementation of that by Somerset Council.

4. Background

4.1 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.

4.2 The current risk register is attached as appendix A.

5. Consultations undertaken

5.1 No consultation was needed for this quarterly update paper.

6. Financial and risk implications

6.1 A number of the risks covered on the Risk Register have direct financial implications for the Fund, but this report has no financial implications.

6.2 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 the fund's most significant risks in a single document.

7. Legal implications

7.1 A number of the risks covered by the Risk Register have legal implications for the Fund, but this report has no legal implications.

8. Background papers

8.1 None

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

Report assurance checklist ahead of report publication

	Officer Name	Date Completed
Finance & Procurement	Nicola Hix	18/12/24
Executive Director	Maria G Christofi	30/12/24

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	Review Frequency	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 Page 11	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	

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			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	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		Review again at next Valuation - 2025	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
					Amber				Amber			
1. PF - Inv3 2. Pension Fund Committee	Under performance of pension investments due to ESG factors, including climate change.	ESG Policy within Investment Strategy Statement requiring ESG factors to be considered in all investment decisions.	2	4	8		2	4	8		on-going with quarterly review	Moving all assets to the management of Brunel, which has a greater focus on ESG and climate change than the majority of our legacy investment managers, has considerably improved our management of these risks.
					Green				Green			
1. PF - Inv4 2. Pension Fund Committee	Failure of Brunel to deliver either Fee savings or investment performance	Representation on the Brunel Client Group and Oversight Board	2	4	8		2	4	8		on-going with quarterly review	
					Green				Green			

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			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		2	4	8		on-going with quarterly review	The designation of the fund's assets as client assets ensures that they cannot be appropriated by creditors of the Custodian bank in the case of that entity going into administration. As a result we should be able to recover substantially all of the assets of the fund held in custody but there would be considerable administrative and liquidity disruption.
					Green				Green			
1. PF - Admin1 2. Anton Sweet	Failure of Benefits Administration to perform their tasks, specifically leading to incorrect or untimely benefits payment.	Regular reporting to Committee Internal processes and procedures Regular review by Internal and External audit	2	3	6		2	3	6		on-going with quarterly review	The greater resilience gained from the Peninsula Pensions shared service has been balanced by greater complexity coming into the scheme benefits.
					Green				Green			
1. PF - Admin2 2. Anton Sweet	Legal challenge to fund, particularly in respect of the payment of pension benefits	Internal processes and procedures Regular review by Internal and External audit	3	3	9	Receipt of revised regulations in respect of the exit cap, McCloud and Goodwin	2	3	6		on-going with quarterly review	
					Amber				Green			
1. PF - Admin3 2. Anton Sweet	Fraud, corruption, or error either within investment assets or benefits administration	Internal controls and processes Regular review of controls, processes and outputs by internal and external audit	2	4	8		2	4	8		on-going with quarterly review	Brunel provides an extra layer of scrutiny and control with respect to the activities of external fund managers and related third parties
					Green				Green			

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			L	I			L	I				
1. PF - Admin4 2. Anton Sweet	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. PF - Admin5 2. SC Section 151 Officer Page 14	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	4	3	12 Amber	The staffing levels provided by SC is being reviewed as part of the overall SC structure review with the outcomes likely to be known in early 2025.	2	3	6 Green		on-going with quarterly review	Size and depth of staff resources at Peninsula Pensions helps to mitigate the risk Brunel provides some extra mitigation with respect to investment asset management Additional use of consultants and advisors could be used to manage loss of internal staff
1. PF - Admin6 2. SC Section 151 Officer	Resilience of IT including a breach of cyber security	SC 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		3	4	12 Amber		on-going with quarterly review	

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			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		3	4	12		on-going with quarterly review	
					Amber				Amber			
1. PF - Admin8 2. SC Section 151 Officer	Civil Contingency Event	SC and Peninsula would follow their established business continuity plans	3	2	6		3	2	6		on-going with quarterly review	Amended from COVID risk December 2022 at Board's request.
					Green				Green			

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Business Plan Update

Lead Officer: Maria G. Christofi: Interim Chief Finance Officer (Section 151 Officer)

Author: Anton Sweet: Funds and Investments Manager

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

1. Summary

- 1.1 To update the Board's forward work-plan and agree topics for consideration at future meetings.
- 1.2 Board dates have been agreed with a general pattern of Board meetings taking place 1 month after Pensions Committee meetings.

2. Recommendations

- 2.1 To note progress and approve the forward work plan update.

3. Background

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

4. Consultations undertaken

- 4.1 None

5. Financial and risk implications

- 5.1 There are no specific financial implications associated with this report.
- 5.2 The risk register is a key part of the ongoing workplan and is scheduled to be discussed at every meeting. There are no specific risks associated with this report.

6. Legal implications

- 6.1 There are no specific legal implications associated with this report.

7. Background papers

7.1 None

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

Report assurance checklist ahead of report publication

	Officer Name	Date Completed
Finance & Procurement	Nicola Hix	18/12/24
Executive Director	Maria G Christofi	30/12/24

SOMERSET COUNCIL PENSION FUND

PENSION FUND BOARD

MEETING WORKPLAN - 2025

Date	Proposed Items of Business	Lead Officer
11 April 2025	<p><u>FORMAL MEETING</u></p> <p>1. Review of Pensions Committee papers To consider the most recent pensions committee papers and any arising matters</p> <p>2. Review of Pension Fund Risk Register To review the risks within the fund and form an appropriate risk register for the fund.</p> <p>3. Business Plan Update To consider progress against the Board's approved work-plan.</p>	<p>AS</p> <p>AS</p> <p>AS</p>
July 2025 - TBC	<p><u>FORMAL MEETING</u></p> <p>1. Review of Pensions Committee papers To consider the most recent pensions committee papers and any arising matters</p> <p>2. Review of Pension Fund Risk Register To review the risks within the fund and form an appropriate risk register for the fund.</p> <p>3. Business Plan Update To consider progress against the Board's approved work-plan.</p>	<p>AS</p> <p>AS</p> <p>AS</p>

SOMERSET COUNCIL PENSION FUND

PENSION FUND BOARD

MEETING WORKPLAN - 2025

Date	Proposed Items of Business	Lead Officer
October 2025 - TBC	<p><u>FORMAL MEETING</u></p> <p>1. Electection of a Chair of the Pension Board</p> <p>2. Review of Pensions Committee papers To consider the most recent pensions committee papers and any arising matters</p> <p>3. Review of Pension Fund Risk Register To review the risks within the fund and form an appropriate risk register for the fund.</p> <p>4. Business Plan Update To consider progress against the Board's approved work-plan.</p> <p>5. Review of the Pension Fund Annual Report To consider a draft of the 2024-25 Pension Fund annual report</p>	<p>AS</p> <p>AS</p> <p>AS</p> <p>AS</p>
January 2026 - TBC	<p><u>FORMAL MEETING</u></p> <p>1. Review of Pensions Committee papers To consider the most recent pensions committee papers and any arising matters</p> <p>2. Review of Pension Fund Risk Register To review the risks within the fund and form an appropriate risk register for the fund.</p> <p>3. Business Plan Update To consider progress against the Board's approved work-plan.</p>	<p>AS</p> <p>AS</p> <p>AS</p>