

Minutes of a Meeting of the Pension Fund Committee held in the Luttrell Room -
County Hall, on Friday, 16 June 2023 at 10.00 am

Present:

Cllr Simon Coles (Chair)

Cllr John Cook-Woodman
Cllr Peter Seib

Cllr Habib Farbahi

Others present remotely:

Cllr Mike Hewitson
Cllr Andy Kendall
Rod Bryant

Cllr Councillor Anne Hills
Cllr Liz Leyshon
Town Cllr Anne Hills

1 Apologies for Absence - Agenda Item 1

Apologies were received from Councillors Michael Dunk, David Fothergill and Mike Hewitson (attending virtually).

Apologies were also received from Sarah Payne (Unison) and Paul Butler (Avon & Somerset Police & Crime Commissioner).

2 Minutes from the Previous Meeting - Agenda Item 2

Resolved that the minutes of the Somerset County Council Pensions Committee held on 10 March 2023 be confirmed as a correct record.

The Chair wished to express the Committee's gratitude and thanks to Sarah Payne, the UNISON representative, who had been involved with the Committee and pensions since 2004.

3 Declarations of Interest - Agenda Item 3

There were no additional declarations of interest made.

4 Public Question Time - Agenda Item 4

No members of public had registered to speak.

5 Independent Investment Advisor's Report - Agenda Item 5

The Advisor explained that whilst she believed interest rates would go up she was reasonably optimistic over the long term and made the following points:

- China's underperformance, which accounted for about 40% of the emerging markets index, was due to bad debt linked to property and that people's money sat unused.
- There had been a short run in Japan – which had been cheap for many years
- The property market was segmented and split with a lot of empty retail properties. Businesses that had downsized during Covid were now realising it was a mistake with staff returning to the office.

In response to a question about what the right product was in the high street, she explained that at the moment it was generally more service based or goods such as luxury foods, perfumes and coffee shops rather than heavy retail.

6 Review of Investment Performance - Agenda Item 6

The Funds and Investment Manager presented his Investment Performance report and pointed out that, in respect of the Combined Fund, the returns for the quarter were quite reasonable and that they had slightly outperformed their benchmark. He explained that inflation and interest rates were still dominating and that whilst there were signs that it might have peaked in the USA, it still had not yet done so in the UK.

In response to questions he confirmed:

- If investment returns were below target it is likely that it would affect the employer's contribution, which was recalculated by the Actuary every three years. He did not feel that the current situation was so severe that it merited a special recalculation.
- The current issues facing the housing market were unlikely to have an impact as 90% of the investments made were in commercial properties, for which, the market appeared to have bottomed out and property funds were now relatively stable.

7 Review of Administration Performance - Agenda Item 7

The Head of Peninsula Pensions presented her report on Administrative

Performance and highlighted:

- For the quarter ending 31 March 2023:
 - 92% of work was within target.
 - 92% of the high priority work was within target.
- For the last 12 months:
 - 89% of work was within target.
 - 94% of the high priority work was within target.
- They had received 10 compliments during the 3 months.
- Details of the McCloud case remedy had been sent out to all members.
- They had now recruited staff for all of their 7 vacancies (out of a total of 71 full time equivalents) and they would be starting at the end of June and in July.

8 Business Plan Update - Agenda Item 8

Members noted the update on progress since the last meeting.

In response to a question on how the Committee could be re-assured that all of its responsibilities, including delegated functions, were being complied with, the Investments Manager confirmed that, for the Committee's December meeting, he would include an agenda item to look at each item within the terms of reference and explain how it was addressed.

It was also confirmed that Grant Thornton's audit of the pension fund would be going to the Audit Committee as part of the formal sign off of the Council's accounts and it suggested that the Chairs of the two Committees and the Investment Manager meet to discuss the matter.

9 Finance and Membership Statistics Update - Appendix A to follow - Agenda Item 9

The Committee noted that Appendix A had not yet been completed and that this item would be brought back to the September meeting.

10 Review of Pension Fund Risk Register - Agenda Item 10

Members considered the Pension Fund Risk Register and noted that risk PF - Admin 5 had been amended following concerns raised by the Pension Fund Board over recruitment and retention at both Peninsula and Brunel.

The Committee was advised that an informal meeting with the Pension Fund Board to go through all of the risks was planned for the Autumn.

11 Policies and Statements - Agenda Item 11

The Committee reviewed the draft Funding Strategy Statement and, subject to some amendments to the tenses when referring to the McCloud judgement and the hyperlink on page 12 being shown in the form of the URL, they were happy with the draft.

Members then considered the Committee's terms of reference and scheme of delegation and unanimously agreed their adoption.

Resolved

1. To approve that amended draft Funding Strategy Statement be put out to consultation with the employers.
2. To adopt the Pension Fund Committee of Somerset Council Pension Fund Terms of Reference.
3. To adopt the Pension Fund Scheme of Delegation.

12 Brunel Update - Agenda Item 12

The Committee were updated on progress at Brunel and that the new remuneration policy had been passed by shareholders. A wider review of governance, specifically areas that shareholders vote on, is ongoing.

A wider discussion took place around the general direction of travel of the governance review and committee indicated they were comfortable with what was currently being considered. Ultimately any changes will require approval from Somerset via a vote signed off by the Section 151 officer. As previously agreed, Committee will be consulted but that will be outside of formal meetings.

The Committee then discussed the need for a replacement member on the Brunel Oversight Board following the resignation of the Committee's Unison representative, who was Somerset's previous representative.

Cllr Seib confirmed that he would be happy to be the representative on the Board although he would willingly step down if a new Somerset union representative was interested in the role once appointed to Committee.

Committee asked about progress on a new UNISON representative being appointed

Committee and it was confirmed that we had not received any contact. The Investment Manager will chase

Resolved

- 1. To note that the Investment Manager will continue discussions on Brunel’s review of governance.
- 2. To appoint Cllr Peter Seib as the Committee’s representative on the Brunel Oversight Board.

13 Knowledge and Skills - Agenda Item 13

The Committee heard that training had provided to the new members Cllr Dunk, Fothergill and Hewitt.

They were advised that hopefully there would be some capacity for training in the Autumn and this could be discussed further at the September meeting.

14 Any Other Business of Urgency - Agenda Item 14

None.

(The meeting ended at 11.59 am)

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CHAIR