

Minutes of a Meeting of the Pension Fund Committee held in the Sedgemoor Room, Bridgwater House, King Square, Bridgwater, TA6 3AR, on Friday, 13 September 2024 at 10.00 am

**Present:**

Cllr Simon Coles (Chair)

Cllr John Cook-Woodman  
Cllr Peter Seib  
Paul Butler

Cllr Habib Farbahi  
Cllr David Fothergill  
Sarah Williams

**Other Members present remotely:**

Cllr Mike Hewitson  
Cllr Liz Leyshon

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

Apologies were received from Councillor Michael Dunk.

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

There were none.

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

The minutes of the previous meeting held on 14 June 2024 were proposed by Councillor Peter Seib and seconded by Councillor Habib Farbahi and were unanimously agreed as an accurate record of the meeting.

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

There were none.

**73 Independent Investment Advisor's report - Agenda Item 5**

The Independent Investment Advisor, Caroline Burton gave a verbal update on developments in financial markets.

She highlighted that the United States (US) economy continued to expand and the federal reserve would lower interest rates sooner rather than later and inflation had come down. She indicated that it was quite possible to be comfortable about the US.

The Independent Advisor reported that Europe's economy was a bit more

problematical and it was very slow. The European Central Bank cut rates.

She further reported that Germany's economy was in a real mess. It had a declining population and had stayed with industries that are now old fashioned and had not digitised very much. Their infrastructure was such a mess that the Swiss banned German trains from crossing the border because they were coming in so late it was ruining the regularity of Swiss rail.

However, she maintained, that Europe would stagger along and not go into a major bear market.

The particularly difficult market was China which was doing nothing at all to sort out an overcrowded housing market. Their housing market had fallen and youth unemployment was quite high. They also had the same issues as Germany with a declining population. There is also no social security structure in China. Investors have decided that the political interference in the core in corporate life has got to a point that you don't know what you are buying into.

After further deliberations surrounding the emerging market economy in India and the effects of the wars in the Middle East and Ukraine, the Committee noted the verbal update.

#### **74 Review of investment performance - Agenda Item 6**

The Funds and Investments Manager presented his report on the performance of the Pension Fund's investments for the quarter ended 30 June 2024 and related matters.

He highlighted that:

- Combined Fund results were acceptable and on target with what the actuary assumed.
- Markets were volatile in October but there should not be too much disruption until the next actuary valuation in March which would give a more accurate projection.
- The Pension Fund's investments underperformed against the MSCI World Index benchmark.
- Of most importance was Brunel's Global High Alpha Portfolio as this had the most notable impact on the investments as it was the largest exposure.
- There are 5 underlying fund managers within this, namely Alliance Bernstein, Baillie Gifford, Fiera Capital, Harris Associates and Royal London Asset Management.
  - Alliance Bernstein have not been doing very well.
  - RLAM on the other hand have performed very well.
  - The other three have also performed reasonably well.
- The one-year overall performance was very good at 12.7% which was on target.
- The new Government said that they would like to see pension funds used in alternative ways which raised the concern that the fund may have to have yet another reorganisation.
- The Committee were informed that Councillor Peter Seib wished to step down

from being Somerset Council Pension Fund's representative on the Brunel Oversight Board.

- It was explained that the Brunel Oversight Board was a non-decision making body that played a key role in the control and oversight of Brunel and typically met quarterly.

Councillor Simon Coles was nominated to be appointed as the new representative for the Fund on the Brunel Oversight Board.

Resolved

Having been duly proposed and seconded the Pension Fund Committee appointed Councillor Simon Coles to be the new representative for the Fund on the Brunel Oversight Board.

(Unanimous)

## **75 Review of administration performance - Agenda Item 7**

Alex Thompson from Peninsula Pensions presented the quarterly performance report and updated the committee on performance targets which were monitored via a task management system used on internal reporting provided by Heywood pension technologies.

He reported that:

- The total performance against the Occupational and Personal Pension Schemes Regulations 2013 was 91%.
- The team received 27 compliments. The compliments outnumbered the complaints (11 received. 10 were about administration).
- He went through the newly admitted employers, the new academies who had joined and reported that Aster Communities had ceased.
- The total number of days from member retirement to the date of payment processed is 40 days
- They were continuing to work on the implementation of McCloud and would provide further detail around the current status of the project with the next report at Quarter 2 with regards to the number of members impacted/workflow actioned to date.
- The data scores submitted for the Pension Regulator Annual Returns was 96.79%, which was good.
- A cyber security event had been arranged on 25 Septembers where representatives from Heywood, and Devon County Council would be present to provide reassurances and answer further questions relating to this.

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

## **76 Business plan update - Agenda Item 8**

The Funds & Investments Manager presented his report and updated everyone on

the progress and amendments to the Committee's business plan and relevant developments to the LGPS since the last report, highlighting that:

- Government had been relatively quiet since the last meeting.
- Good progress was being made on the external audit of the Pension Funds' 2023/2024 accounts and it was expected that the auditors would produce their findings report for Audit Committee meeting on 30 September 2024.
  - There were some findings in this report such as the implementation of Microsoft Dynamics as the pension funds main general Ledger, similar to the main Somerset Council.
  - There were a number of adjusting items to the accounts, a certain number of those were typos, errors, etc.
  - There was only one substantive redraft.
- A new consultation was launched by government which ended on 25<sup>th</sup> September.

The committee noted the progress on the business plan and the Funds & Investments Manager would draft a response regarding reorganisation on behalf of the Somerset Fund to Government.

## **77 Finance and membership statistics update - Agenda Item 9**

The Funds & Investments Manager presented his report and updated the Committee on the position of the Pension Fund's provisional end of quarter 1 financial position at 20 June 2024 highlighting that:

- An eye would be kept on the active membership as Somerset Council moved through its reorganisation programme through the rest of this year. Depending on what metric you use to measure it Somerset Council make up about 60% of the Fund.
- There have been a high level of lump sums on retirement claimed, which was unexpected and not budgeted for. This was consistent with employees changing jobs or retiring as a result of the Council's Voluntary Redundancy programme.
- The investment expenses were higher and would continue to be. This was linked to Brunel's levels of expenditure, but most of it was linked to the fact that Fund Managers charge a percentage of the funds under management and the fund has grown more quickly than forecast. Investment income was expected to be higher as well.
- The Fund was obtaining a slightly higher level of base rate than what was forecast.
- There was slightly more income from the property unit trusts than expected.

The pension fund committee noted the report and that there will be a more comprehensive updated report provided at the next meeting.

## **78 Review of pension fund risk register - Agenda Item 10**

The Funds & Investments Manager presented the report and the Committee noted the report and agreed to continue to monitor the risks contained on the risk register

and approve any amendments.

**79 Communication policy statement - Agenda Item 11**

The Funds & Investments Manager presented his report and updated the Committee that after they had agreed at the June meeting that he draft a response, there was a discussion with the Pension Fund Board, and thereafter a draft was sent to employers for comment.

He further reported that there were no specific amendments.

Councillor Simon Coles proposed to formally adopt the Communication Strategy as attached at Appendix A which was duly seconded by Councillor Peter Seib.

Resolved:

To formally adopt the Communication Strategy as attached at Appendix A.

(Unanimous)

**80 Pension Fund annual report 2023/2024 (report to follow) - Agenda Item 12**

The Funds & Investments Manager presented his report and updated the Committee that the full annual report, attached as Appendix A, was a draft and the final finished version would appear on the Somerset Council website following the formal adoption by the Committee and Pension Fund Board and the issue of the consistency opinion by the external auditor.

He further reported that the auditors could not publish their audit opinion until they had completed the audit for Somerset Council. This should be completed by 28 February 2025.

The Chair proposed to formally adopt the report and delegate to the Chair for minor updates which was duly seconded by Councillor Peter Seib.

Resolved:

To formally adopt the report and delegation given to the chair for minor updates.

(Unanimous)

**81 Any other business of urgency - Agenda Item 13**

There was none.

**(The meeting ended at 12.09 pm)**

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**CHAIR**