

# Somerset Pensions Board

Minutes of a meeting of the Pensions Board held at County Hall, Taunton on Friday 20 January 2023 at 10:00 am.

**Present:**

Cllr A Hills (Chair), Mr Roderick Bryant, Mr A White, Ms R Ellins, Mr N Behan – UNITE  
Cllr S Coles, Mr S Reimers (public).

**Officers Present:**

Mr A Sweet - Funds & Investment Manager, SCC  
Ms Shirley Cuthbert – Peninsula Pensions (online)  
Mr S Morton – Strategy Manager for Pensions Management (online)

**135 Apologies for absence - Agenda Item 1**

Apologies were received from Cllr Liz Leyshon.

**136 Declarations of interest - Agenda Item 2**

The Chair noted that there is a standing declaration of interest for all Board members. There were no new declarations.

**137 Minutes of the Meeting held on 21 October 2022 - Agenda Item 3**

The minutes of the meeting held on 21 October 2022 were accepted and signed as an accurate record.

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

There were no public questions received.

**139 Review of Pensions Committee Papers - Agenda Item 5**

The Funds and Investments Manager went through each of the reports presented at the Pensions Committee meeting on 16 December 2022.

**Somerset Unitary (item 5):** Terms of Reference for Pensions Committee and Pensions Board have been considered by the Constitution and Governance Committee ahead of recommendation for approval by Full Council. A small change was suggested by Constitution and Governance Committee in that the Chair does not have to be present to ensure quoracy. The District representative on the Pensions Committee will be replaced by a Somerset Council representative. A review of other authorities' pensions governance arrangements suggested the need for larger pensions committees which was incorporated subject to approval. There were no questions.

**Independent Advisor Report (item 6):** Report was given to the meeting.

**Review of Investment Performance (item 7):** It was reported that the quarter to September 2022 saw a small loss (0.5%) which was however less than expected. It was explained that markets are currently 'bumpy' with a general downwards direction of travel since March 2022 at approximately minus 5% to the end of December 2022. There was discussion about training needs. It was explained the Brunel are able to bridge the gap in members knowledge and advise. The Fund Manager is also able to challenge Brunel on behalf of the Board to provide further information on decisions with assurance from the Fund Manager that Brunel are operating competently. A member asked how the - 0.5% performance compared to other authorities. The Fund Manager explained the longer term 4.9% absolute return and the general upward trend since lockdown. There was discussion about benchmarks and the Pensions Committee request to name the benchmark portfolio used going forward. The threat of high inflation; the flexibility of Brunel Fund Managers was highlighted; widespread effect of inflation; and the expected significant decrease in inflation in the coming months were discussed.

**Review of Administration Performance (item 8):** It was reported that the Head of Pensions, Rachel Lamb shared a report on performance based on disclosure regulations for the quarter July 2022 to end September 2022 including internal targets and review of targets. Employees and partners will be consulted to ensure targets are realistic for employer estimates for instance and other tasks. The self-service portal function for employer access is discontinuing from 1<sup>st</sup> March with estimates being created manually within a shorter timeframe than the prescribed 10 days. A member asked the reason for this change. It was explained that this function was discontinued by the provider, Hayward. Brunel have spoken to Haywards about employee direct access at a suitable subscription price. Rearranging targets allows better deployment of resources to meet priorities. It was asked if there would be a members vote on the change from 10 to 30 days response. Consultation will be undertaken and feedback given with a wider remit of employers stating areas for prioritisation. Peninsula Pensions will consult employers on the administration strategy. The Administration Strategy will then be presented to the Board for review and approval, before adoption by the Committee. It was reported that Somerset County Council shows a high level of engagement in this process. Unions are also invited to engage in the consultation process. A member asked about the communication policy update review that was previously requested by the Committee. This will be presented to the March meeting of the Committee. There were no further questions.

**Business Plan Update (item 9):** It was reported that the Business Plan audit was largely completed by mid-December, subject to inclusion of the Auditors comments. and reported to the Committee and presented to the Audit Committee in January. This will in turn be added to the Annual Report although

publication of this information with the September meeting papers has fulfilled this regulatory obligation. Awaiting government consultation on climate disclosures as well as pooling guidance. Pension dashboard information is also awaited in conjunction with Haywards for data transfer onto a secure platform. It was asked if Pension Dashboards are expected to lead to better engagement. This is the expectation particularly with harder to reach groups such as younger employees and new starters. There were no further questions.

**Finance and Membership Statistics Update (item 10):** It was reported that the scheme now exceeds 70,000 members and 20,000 claiming members for the first time. Investment income is lower than expected in the move from higher to lower yielding funds however otherwise broadly on-track.

**Review of Pension Risk Register (item 11):** The Committee noted a suggestion to change from covid risk to general risk which has subsequently been made.

**Preliminary Results of the 2022 Actuarial Variation (item 12):** The Committee received a presentation about comparison of assets and liabilities. Actuary, Barnett Waddingham, is required by legislation to provide a valuation every three years. The valuation will determine the value of assets and how that compares to the value of liabilities. Contributions rates for following three years are then calculated to produce an adjustment certificate which is legally binding on the employer. No right under regulation to make comment to actuary and no legal right if reply from employer, however informal conversations do take place. Liability is the financial promise of pension or lump sum (assets) in the future. Primary rate (contribution rate) is the cost of additional years' service, often expressed as a lump sum rather than percentage of payroll, and the secondary rate is the is how any deficit it made up. Prudence allowance may then be added to smooth short term measures. Pooling serves to simplify and protect from anomalies. Pension holidays were discussed. These are not available from primary rate contributions. If there is a surplus of primary contributions, no secondary rate is required. Future pension holiday seems unlikely as it has a long-term consequence of potential under-payment. Annual inflationary increase of 1% above inflation in the longer-term is expected plus pay progression potentially of apprentice to management. Mortality assumptions have changed with decreasing life expectancy in retirement has a cumulative positive effect on pension funding. 2019 valuation was 86% funded with deficit of £360m. Currently 95% funded. Improvement is due to better investment returns and demographic changes. 2% average payroll increase across all employers. Upward pressure on primary rates and generally reducing secondary rates across all employers. Reduction on secondary rate broadly outweighs or matches income. Average of the five authorities joining at unitary to be considered. New combined rate is 20.1% with deficits significantly reduced. Combined payments are £16m for 2022-23 and an increase on secondary contributions above inflation for greater prudence.

**Knowledge and Skills (item 13):** New questionnaire in conjunction with Barnett Waddingham which should take approximately 45 minutes to complete based on current knowledge, will be distributed soon. Training will also be implemented for any new members including the two additional members.

**The Board noted the Committee papers.**

**140 Review of Pension Fund Risk Register – Agenda Item 6**

There has been a request by the Board for PF7 to be redefined as a general contingency risk. No other changes to Risk Register. It was stated that if funding rose to 95% then the risk would be 'amber' and at 97% 'green'. It was proposed to undertake a joint Board and Committee review of the register in the early summer which may generate some changes. There were no further questions or comments.

**141 Business Plan Update - Agenda Item 7**

The Chair suggested that the June/July meeting could consider the Brunel carbon metric report as this was not reviewed last year due to its production after the last Board meeting to focus understanding of the data. The April meeting would cover the review of investment, performance calculation and a first draft of a revised funding strategy statement. Communication Strategy to be considered by the Committee at a future meeting. Items for inclusion on the Business Plan were invited. A member requested access to the Pension Dashboard. The Investment Manager stated that Brunel officers will attend by invitation only. Annual fee increases were suggested for inclusion, with the annual report and audit committee papers. It was confirmed that Grant Thornton have been reappointed as auditors for the next five years from 2023-24 to 2027-28. There were no further questions or comments.

**142 Any Other Business of Urgency – Agenda Item 8**

There were no other urgent items of business.

The Chair thanked all members for attending.

**The meeting ended at 12:02 pm**