

Minutes of Meeting of Pension Fund Committee Held in the Council Chamber, Shepton Mallet, BA4 5BT on Friday, 13 December 2024 at 10.00 AM

**Present:**

Councillor Simon Coles (Chair)

Councillor John Cook-Woodman  
Councillor Habib Farbahi  
Councillor Mike Hewitson  
Councillor Michael Dunk  
Paul Butler  
Sarah Williams  
Caroline Burton

Councillor Simon Coles and Councillor Habib Farbahi arrived at 10:17.

Caroline Burton left the meeting 12:04

**Present remotely:**

Councillor Liz Leyshon

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**1 Apologies for Absence**

Apologies were received from Councillor David Fothergill and Councillor Peter Seib

**2 Declarations of Interest**

There were none.

**3 Minutes from the previous meeting on 13 September 2024.**

The minutes of the previous meeting held on 13 September 2024 were proposed by Councillor Michael Dunk and seconded by Paul Butler and were unanimously agreed as an accurate record of the meeting.

**4 Public Question Time**

There was a question put to the Committee by Mr Sigurd Reimers where he queried the Government plans to create a revised LGPS pension scheme next year. It is understood that would involve transferring all the (remaining) assets of the individual

Administering Authorities into their respective Pension Pools. For Somerset's own AA this seemed to involve relatively small changes, as Somerset's AA had already transferred the vast majority of its assets to the Pension Pool, Brunel Pension Partnership. There had been numerous references in the recent consultation document ([Local Government Pension Scheme \(England and Wales\): Fit for the future - GOV.UK](#)) and he queried whether the Pension Fund Committee and/or its Councillors individually were planning to submit their response to this consultation?

Mr Reimers also queried if Somerset's own LGPS would be left holding the accountability for its investments, but have less influence? Would the Pension Fund Board have a stronger oversight (as well as supportive) role?

**Answer:**

The Pension Fund Committee intended to formally respond to the Government consultation on behalf of Somerset Council in its capacity as an Administering Authority of an LGPS Pension Fund. A draft of that response forms part of the pack of reports for this meeting. It is not for this Committee to comment on whether Somerset Council intends to respond in another capacity or individual Councillors intend to respond.

There is much detail to be filled in by Government with respect to the proposed changes to the workings of the LGPS and discussions will be needed between Brunel Pension Partnership Ltd., as our pool company, and all of the owner client LGPS funds associated with the Brunel pool as to how precisely we will implement those changes. However, it is our current belief that Brunel's leading focus on ESG matters will remain a core part of the pool.

There is nothing in the consultation to suggest the roles of Pension Fund Committee and Pension Fund Board will be materially changed beyond the specific changes to the production of Investment Strategy Statements.

## 5 Review of administration performance

This agenda item was moved up on the agenda to accommodate the Head of Peninsula Pensions, who had to leave early.

She went through the report and highlighted the report for Quarter 2, ending September 30, 2024:

- **Overall Performance:** 87%, with high-priority areas (retirements and survivors' benefits) at 92%. This is lower than previous quarters due to staff changes and training needs.
- **Staff Changes:** Loss of a pension team led to a temporary drop in performance. New recruits were being trained, expected to improve next quarter.
- **Compliments:** 16 recorded compliments for the team.
- **Performance Summary:** On the detailed breakdown of performance percentages, it showed a performance drop in lower priority cases due to training focus on simpler calculations.
- **Annual Benefit Statements:** Issued by August 31 for active and deferred members, primarily online.
- **Pension Dashboard:** Testing for the national pension dashboard connection, due October 31, 2025, was progressing well.
- **Complaints:** Breakdown of complaint types provided in the appendices.

- **Outstanding Work:** Chart in Appendix 2 showed work outstanding as of September 30<sup>th</sup>, with details on pending replies from members or employers.
- **Employer Cooperation:** Encouraging employers to return information promptly has been successful.
- **Appendix 3:** Monitoring incoming work on a rolling 12-month basis showed an increase from October to September compared to the previous year.
- **Resource Monitoring:** Ongoing discussions about resource levels with increasing work, ensuring staffing was adequate.

After further deliberations by the Committee, the report and actions being undertaken by officers to ensure compliance and best practice was noted.

## 6 Independent Investment Advisor's report

Caroline Burton asked if anyone had any questions on the report which she circulated.

After discussions the Pension Fund Committee noted the report.

## 7 Review of Investment Performance

The Funds & Investment Manager went through the report and highlighted:

- **Fund Performance:** The fund's return was reasonable, aligning with the target of 4.6% per year, achieving 1.1% for the quarter.
- **Market Activity:** The summer was quiet, but November saw strong returns, particularly due to a positive market reaction to Trump's election.
- **Quarterly Performance:** The quarter's performance was satisfactory but not exceptional.
- **20-Year Average:** The fund has averaged 11.1% per annum over 20 years, which was commendable. This period included the post-dotcom bubble rally and the global financial crisis, with only one significant drawdown.
- **Market Comparison:** The fund's return was a blend of various assets, not just equities. The estimated stock market performance was around 13-15%, with bonds likely around 3.5%.
- **Performance Against Target:** The fund's performance was slightly above the absolute target embedded in the actuarial evaluation cycle. It was expected to remain on target by March next year.
- **Funding Level:** Currently, the fund was about 1% behind the previous valuation's funding level. Primary rate contributions were likely to be slightly lower than before.
- **Deficit Recovery:** Due to the slightly lower funding level, there might be a small increase in deficit recovery, but overall costs to employers were expected to remain similar post-valuation.
- **Employer Variability:** Large employers like Somerset Council would see stable results, while smaller employers would experience more volatility due to their smaller member base.
- **Full Funding Timeline:** The fund was working towards a 25-year deficit recovery plan initiated in 2010, aiming for full funding by 2035. Achieving this goal was considered reasonable, given the current funding level of approximately 95%.
- **Market Impact:** Market fluctuations meant that reaching and maintaining 100% funding was uncertain, but the current position did not significantly impact the fund's ability to manage liabilities.

The Pension Fund Committee noted the report

## 8 Business plan update

The Funds & Investments Manager went through the report and highlighted:

- **McCloud:** Ongoing work on McCloud initiatives, with close monitoring of government updates.
- **External Audit:** The audit of the pension funds for the 2023-24 accounts was completed. Grant Thornton presented an audit findings report indicating an unqualified opinion for the pension fund. The final report would be released after Somerset Council's accounts were completed.
- **Pension Fund External Audit Opinion:** The pension fund's opinion would not be affected by the Council's account status.
- **Somerset Council's Year End Accounts:** Somerset Council's accounts were expected to be finalised by February 28, with an emergency audit committee meeting likely on February 27 or 28.
- **Investment Strategy Statement:** Due to upcoming government regulations and guidance, it was suggested to pause the work on the new investment strategy statement until the new guidance was available. The current statement was deemed fit for purpose until then.

The Committee noted the progress and approved the business plan update with no alterations.

## 9 Finance and membership statistics update

The Funds & Investments Manager presented his report and highlighted:

- **Membership Statistics:** Trends showed a gradual increase in deferred members and pensioners, with a noticeable decrease in active members around the creation of the Unitary Council, remaining broadly flat since then.
- **Data Timeliness:** Issues with data timeliness and extraction from the new system appear to be resolved. The actual figures are closely aligned with the budget projections.
- **Year Projection:** The only adjustment to the full-year projection is for investment income, which is higher than anticipated. Despite expecting lower cash returns in the second half of the year, the year-end projection was broadly double the current amount.
- **Data Management:** Increased confidence in the figures due to improved data management and direct oversight since April.
- **Contributions:** The unallocated figure for contributions was around six weeks, which was expected given the typical three-week lag for contributions and reconciliation.

The Committee noted the report.

## 10 Review of pension fund risk register

The Funds & Investments Manager presented his report and highlighted:

- **Risk Register Changes:** Two cybersecurity risks (PF admin six and seven) had

different current and target scores without suggested mitigations. This was addressed by aligning the long-term risk with the current position, acknowledging that the long-term target was overly optimistic.

- **Cybersecurity Review:** After discussions with cybersecurity experts and board review, it was agreed that the current cybersecurity measures were reasonable, balancing data security and accessibility.
- **Reassignment of Risks:** Following Stephen Morton's voluntary redundancy, his assigned risks were temporarily reassigned to the Fund & Investment Manager. Future assignments would be reviewed in light of new government proposals for a senior LGPS officer and council structure reviews.

The Committee noted the report and approved the risks contained on the Risk Register.

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## **11 Government LGPS “fit for the future” consultation**

The Funds & Investments Manager had circulated his drafted response and he went through what it contained.

The Committee approved the draft response on behalf of the Somerset Council Pension Fund, with the caveat that any further comments or revisions would be reviewed by the Chair and the Fund and Investment Manager, who would then circulate it for feedback.

## **12 Any other business of urgency**

There was none.