

# Agenda

Dorset County Council



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Meeting: Pension Fund Committee  
Time: 10.00 am  
Date: 24 November 2016  
Venue: Insight Investment's Offices, 160 Queen Victoria Street, London, EC4V 4LA

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John Beesley (Chairman)	Bournemouth Borough Council
Mike Byatt (Vice-Chairman)	Dorset County Council
Andy Canning	Dorset County Council
Ronald Coatsworth	Dorset County Council
May Haines	Borough of Poole
Mike Lovell	Dorset County Council
Peter Wharf	Dorset County Council
John Lofts	Dorset District Councils
Johnny Stephens	Scheme Member Representative

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## Notes:

- The reports with this agenda are available at [www.dorsetforyou.com/countycommittees](http://www.dorsetforyou.com/countycommittees) then click on the link "minutes, agendas and reports". Reports are normally available on this website within two working days of the agenda being sent out.
- We can provide this agenda and the reports as audio tape, CD, large print, Braille, or alternative languages on request.

- **Public Participation**

Guidance on public participation at County Council meetings is available on request or at <http://www.dorsetforyou.com/374629>.

### Public Speaking

Members of the public can ask questions and make statements at the meeting. The closing date for us to receive questions is 10.00am on 21 November 2016, and statements by midday the day before the meeting.

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**Debbie Ward**  
Chief Executive

Contact: Liz Eaton, Democratic Services Officer  
County Hall, Dorchester, DT1 1XJ  
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Date of Publication:  
Wednesday, 16 November  
2016

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## 1. **Apologies for Absence**

To receive any apologies for absence.

## 2. **Code of Conduct**

Councillors are required to comply with the requirements of the Localism Act 2011 regarding disclosable pecuniary interests.

- Check if there is an item of business on this agenda in which you or a relevant person has a disclosable pecuniary interest.
- Inform the Secretary to the Joint Committee in advance about your disclosable pecuniary interest and if necessary take advice.
- Check that you have notified your interest to your own Council's Monitoring Officer (in writing) and that it has been entered in your Council's Register (if not this must be done within 28 days and you are asked to use a notification form available from the clerk).
- Disclose the interest at the meeting and in the absence of a dispensation to speak and/or vote, withdraw from any consideration of the item.

Each Councils' Register of Interests is available on [Dorsetforyou.com](http://Dorsetforyou.com) and the list of disclosable pecuniary interests is set out on the reverse of the form.

## 3. **Minutes**

5 - 10

To confirm and sign the minutes of the meeting held on 12 September 2016.

## 4. **Public Participation**

### (a) **Public Speaking**

### (b) **Petitions**

## 5. **Pension Fund Annual Report 2015/16**

11 - 164

To receive the Pension Fund Annual Report for the year 2015/16.

## 6. **2016 Actuarial Valuation**

To receive a verbal update from the Fund's Actuary, Barnett Waddingham.

## 7. **Property Portfolio (CBRE)**

165 - 190

To receive the report of CBRE Global Investors.

## 8. **Liability Hedging Portfolio (Insight Investments)**

191 - 194

To receive the report of Insight Investments.

## 9. **Corporate Bond Portfolio (RLAM)**

195 - 218

To receive the report of Royal London Asset Management (RLAM).

## 10. **Global Equities Portfolio (Allianz)**

219 - 240

To receive the report of Allianz.

**11. Fund Administrator's Report** 241 - 270

To consider the report of the Pension Fund Administrator.

**12. Pensions Administration** 271 - 320

To consider a report by the Pension Fund Administrator on Pension Administration.

**13. Other Manager Reports** 321 - 362

To consider the following reports:

- (a) UK Equity Report
- (b) Global Equities Report

**14. Dates of Future Meetings for 2017**

To confirm the dates for the meeting of the Committee in 2017:-

1 March	-	County Hall, Dorchester
21 June	-	County Hall, Dorchester
7 September	-	County Hall, Dorchester
23 November	-	London (venue TBC)

**15. Questions**

To answer any questions received in writing by the Chief Executive by not later than 10.00 am on 21 November 2016.

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### Pension Fund Committee

Minutes of the meeting held at County Hall, Colliton Park, Dorchester, Dorset, DT1 1XJ on Monday, 12 September 2016

#### **Present:**

John Beesley (Chairman)

Mike Byatt, Andy Canning, Ronald Coatsworth, Mike Lovell, Peter Wharf, May Haines, John Lofts and Johnny Stephens (Scheme Member Representative).

Officer Attendance: Richard Bates (Chief Financial Officer), Tom Wilkinson (Children's Services Group Finance Manager), Anne Weldon (Pensions Benefits Manager) and David Wilkes (Finance Manager).

#### Manager and Advisor Attendance

Harry Mears (KPMG, Auditor), Graeme Muir (Barnett Waddingham, Actuary), Alan Saunders (Independent Adviser) and Peter Scales (Governance Adviser).

(Notes: These minutes have been prepared by officers as a record of the meeting and of any decisions reached. They are to be considered and confirmed at the next meeting of the Pension Fund Committee to be held on **Thursday, 24 November 2016.**)

#### **Apologies for Absence**

45 No apologies for absence were received.

#### **Code of Conduct**

46 There were no declarations by members of any disclosable pecuniary interests under the Code of Conduct.

#### **Minutes**

47 The minutes of the meeting held on 1 July 2016 were confirmed and signed.

#### **Matters Arising**

##### Minute 32 – Statement by the Chairman

The Fund Administrator updated the Committee on temporary management arrangements following the departure of the Chief Treasury and Pensions Manager in August 2016 and ahead of other changes expected shortly in the Chief Executive's Department. He informed the Committee that Tom Wilkinson, Group Finance Manager – Children's Services, would be acting as Interim Chief Treasury and Pensions Manager on a temporary basis for two days a week.

##### Minute 44 – Investment Reform and Pooling (Project Brunel)

The Fund Administrator told members that the temporary management arrangements would mean Dorset contributing less officer resource to Project Brunel but that this would be replaced by additional external project support.

A member raised a concern that the temporary management arrangements could result in the Fund losing influence over the final Project Brunel proposals. The Fund Administrator informed members that Dorset would continue to be represented on the three main project groups – Shadow Officer Group (SOG), Shadow Operations Board (SOB) and Finance, Legal and Governance (FLAG). The Chairman added that he

was one of the SOB's two vice-chairmen. The Interim Chief Treasury and Pensions Manager added that he also took part in a weekly project update conference call with officers from the other Project Brunel funds.

A member asked if the costs of Project Brunel were borne by the funds or the taxpayer. The Chairman confirmed that the costs were borne by the funds, and that details of the level of cost in establishing pools had been fed back to the government. The Fund Administrator added that there will be significant transition costs in establishing the pool, and a number of years before break-even but thereafter significant savings to the Fund were expected.

The Vice-Chairman asked if officers would be writing a report to County Council, and if yes, could it be shared with the Committee. The Fund Administrator replied that a Final Business Case report was being written by officers for approval by County Council and that this would be shared with the Committee. He explained that some elements of this report would be common to all Project Brunel funds and other parts would be specific to the Dorset Fund.

Members agreed that the Committee needed a formal standing agenda item for future meetings to discuss Project Brunel. The Chairman said that the next Project Brunel update newsletter would be issued very shortly. The Interim Chief Treasury and Pensions Manager added that there was a training/update event open to all members of each Project Brunel fund's Pension Fund Committees (or equivalents) and Local Pension Boards at Exeter Racecourse, 11am to 12.30pm Friday 7 October 2016.

#### **Public Participation**

##### 48 Public Speaking

There were no public questions received at the meeting in accordance with Standing Order 21(1).

There were no public questions received at the meeting in accordance with Standing Order 21(2).

##### Petitions

There were no petitions received at the meeting in accordance with the County Council's Petition Scheme.

#### **Report to those charges with Governance (ISA 260) 2015/16**

49 The Committee considered a report from Harry Mears, KPMG, the Fund's Auditor. The Auditor reported that the audit was very close to completion, no material issues had been identified, and it was anticipated that an unqualified audit opinion on the financial statements for 2015/16 would be issued.

The Chairman thanked the Finance Manager (Treasury and Pensions) and Charlotte Peach, Accountant (Treasury and Pensions), for their efforts in completing the accounting statements following the recent sad loss of Gus Stout, Pension Fund Accountant.

#### **Noted**

#### **2016 Actuarial Valuation**

50 The Committee received a presentation on the 2016 actuarial valuation from Graeme Muir, Barnett Waddingham, the Fund's Actuary. The Actuary shared indicative results of the valuation but said that the valuation was not yet complete and he explained how the introduction of Section 13 'comparator' valuations by the Government Actuaries Department (GAD) had added an extra challenge to the process. The Actuary said that the final results of the valuation would be available for the next meeting of the Committee, 24 November 2016.

## **Noted**

### **Pension Administration**

- 51 The Committee received a report by the Pension Fund Administrator on matters relating to the administration of the Fund.

The Pensions Benefits Manager highlighted the substantial improvement in performance over the quarter against the Key Performance Indicators (KPIs), and she confirmed that Annual Benefit Illustrations (ABIs) had been issued to all members by the deadline of 31 August 2016. She informed the Committee that the backlog of cases had however increased, largely because the Government had not yet issued the amendments to regulations required to deal with aggregation cases.

The Chairman thanked the Pensions Benefits Manager and her team for the significant uplift in completed cases and KPI performance since the last report.

## **Noted**

### **Voting Activity**

- 52 The Committee received a report by the Pension Fund Administrator on the Fund's voting activity in relation to the equities directly owned by the Fund and in pooled investments.

## **Noted**

### **Investment Management Arrangements**

- 53 The Committee received a report by the Pension Fund Administrator reviewing Fund Management arrangements. The Interim Chief Treasury and Pensions Manager explained that the Fund's managers were subject to formal triennial review by the Committee, and that the Fund's property manager, CBRE Global Investors, was the only fund manager due for review at this time.

The Independent Adviser commented that the performance of the manager had been good. A member added that he felt the strategy followed by CBRE had worked well for the Fund.

## **Resolved**

That CBRE be reappointed for review in three years' time.

### **Fund Administrator's Report**

- 54 The Committee considered a report by the Pension Fund Administrator on the allocation of assets and overall performance of the Fund up to 30 June 2016.

The Independent Adviser presented his report at Appendix 2 of the report and provided a commentary on the investment outlook, and how it was likely to affect each asset class. He commented that most markets had settled down since the immediate impact of the result of the EU referendum, but subsequent economic data had been mixed and a long period of protracted uncertainty was expected whilst the terms of exit were negotiated. He added that the Bank of England anticipated a reduction in UK GDP of about 1% annually over the next two years, and an increase in inflationary pressures as a result of the fall in the strength of sterling.

The Independent Adviser said that the bull market in Property appeared to be at an end but that there were signs that the bear market in Emerging Markets could be turning. His view was that there could be a weak set of investment returns over the next 12 months. A member commented that during this period of uncertainty and low expected returns, the Fund should take a more cautious approach to investment decisions including allowing cash balances to build up to higher levels than previously held.

A member asked the Independent Adviser about the impact of the currency hedging strategy post EU referendum result. The Independent Adviser replied that the Fund was 50% hedged against the value of equities held in foreign currencies (compared to the orthodox position of 75%), therefore whilst settlement of the currency hedges at 30 June were a significant draw on cash balances, overall the Fund had increased in valuation as a result of currency movements post EU referendum.

A member asked the Independent Adviser about the risks associated with the forthcoming US presidential elections. The Independent Adviser responded that markets were nervous about a win for Donald Trump because he was seen as favouring a more protectionist position for the US, with likely adverse consequences for world trade.

The Chairman asked the Independent Adviser what strategy the Fund should be following with its Property investments given the outlook for this asset class. The Independent Adviser replied that the Fund was currently slightly overweight in Property, and he suggested that the Fund should be actively looking for opportunities to dispose of any 'weak holds', but he felt it was unlikely the strategic allocation to Property of 10% would be changed.

The Chairman asked the Fund Administrator whether a review of the strategic allocation to asset classes was needed. The Fund Administrator replied that such a review would be undertaken shortly after the results of the triennial valuation were known. A member asked if the strategic review would look at other opportunities besides existing asset classes. The Independent Adviser replied that previous strategic reviews had led to allocations to new asset classes such as Private Equity and Infrastructure.

The Fund Administrator highlighted that the Fund had lost a useful performance comparator following State Street's decision to discontinue providing LGPS average return information. He said that LGPS National Frameworks had been asked to procure a replacement provider, but as an interim measure average returns across Project Brunel funds could be used.

#### **Resolved**

1. That the activity and overall performance of the Fund be noted.
2. That no changes to asset allocation be made at this time.

#### **Governance Compliance Update**

55 The Committee received the annual report from the Independent Governance Adviser. He reported that he was satisfied that since his last report June 2015 governance standards have been maintained and improved.

#### **Resolved**

1. That consideration is given to bringing forward the closing process for the Fund annual accounts.
2. That the information on the Fund's website relating to the Local Pension Board is kept up to date.
3. That the Scheme Advisory Board website is checked regularly for information published about the Fund and is updated as necessary.
4. That the CIPFA guidance on governance for the oversight of pools is reviewed when available.
5. That the revised investment regulations are reviewed as soon as they become available.

#### **Manager Reports**

56 (a) UK Equity Report

The Committee considered a report by the Finance Manager (Treasury and Pensions)

which highlighted the performance of the internally managed UK equities portfolio, the AXA Framlington Fund and the Schroders Small Cap Fund. The Finance Manager (Treasury and Pensions) highlighted the poor absolute and relative performance of AXA for the quarter, which in turn had adversely affected their long term performance figures. He explained that this had primarily been a result of the EU referendum, as AXA have a high mid cap bias relative to benchmark and were therefore adversely affected by the sell-off seen in the FTSE 250. He reported that the AXA fund had recovered significant ground in the two months to 31 August 2016.

(b) Allianz Global Investors

The Committee considered a report from Allianz Global Investors, who were appointed to the Smart Beta Global Equities mandate in December 2015. The Independent Adviser suggested that for future quarters, officers should produce a summary report for all Global Equities managers in replace of individual manager reports from Allianz, Investec and Wellington. Members and officers agreed to this suggestion.

(c) Investec Asset Management

The Committee considered a report from Investec Asset Management, who were appointed to the active Global Equities mandate in December 2015.

(d) Wellington Investment Management

The Committee considered a report from Wellington Investment Management, who were appointed to the active Global Equities mandate in December 2015.

(e) Royal London Asset Management (rlam)

The Committee considered a report from Royal London Asset Management (rlam) on the Corporate Bond portfolio.

(f) CBRE Global Investors

The Committee considered a report from CBRE Global Investors, the Fund's Property Manager. The Interim Chief Treasury and Pensions Manager highlighted the manager's comments that valuations as at 30 June were likely to be somewhat overstated because the impact of the EU referendum vote had not been fully factored in.

(g) Insight Investment

The Committee considered a report from Insight Investment, who had the mandate for the liability matching strategy.

**Noted**

**Dates of Future Meetings**

57 **Resolved**

That meetings be held on the following dates:

23/24 November 2016	Insight offices, London (to be confirmed)
1 March 2017	County Hall, Dorchester
20/21 June 2017	London (to be confirmed)
7 September 2017	County Hall, Dorchester
22/23 November 2017	London (to be confirmed)

**Questions**

58 No questions were asked by members under Standing Order 20 (2).

Meeting Duration: 10.00 am - 12.25 pm

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# Dorset County Pension Fund Annual Report 2015/16







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## Management Organisation

### Administering Authority

Dorset County Council, County Hall  
Dorchester, Dorset DT1 1XJ

### Pension Fund Committee

Representing Bournemouth  
Borough Council:

Mr J Beesley (Chairman)

Representing Borough of Poole Council:

Mrs M Haines

Representing Dorset County Council:

Mr M Byatt (Vice Chairman)

Mr A Canning

Mr R Coatsworth

Mr C Jamieson to November 2015

Mr M Lovell

Mr P Wharf from November 2015

Representing the District Councils  
of Dorset:

Capt J Lofts

Scheme Member Representative:

Mr J Stephens

Independent Adviser:

Mr A Saunders (Senior Adviser)

Allenbridge Epic Investment Advisers

Local Pensions Board:

With effect from 1 April 2015 Dorset  
County Pension Fund created a Local  
Pension Board.

Current Board Membership:

Employer Representative –  
Dorset County Council  
Councillor Andrew Cattaway (Chairman)

Scheme Member Representative –  
Self-Nominated Retired Scheme Member  
Mr Paul Kent (Vice-Chairman)

Employer Representative –  
Bournemouth Borough Council  
Mr Robin Ingleton

Employer Representative –  
Borough of Poole  
Mr Adam Richens

Scheme Member Representative –  
Nominated by Unison –  
Active Scheme Member  
Mr Robert Roriston

Scheme Member Representative –  
Nominated by Unison –  
Active Scheme Member  
Mr Jeff Morley

Actuary

Barnett Waddingham LLP

Auditors

KPMG LLP

Bankers

NatWest Bank – Main Bankers

Pictet et Cie Banquiers – Overseas Equities

HSBC Global Investor Services – UK

Equities and Bonds Custodian

AVC Providers

Prudential

### Fund Legal Advisors

Osborne Clarke

The Fund is a member of the National Association of Pension funds (NAPF) and the Local Authority Pension Fund Forum (LAPFF)

### Officers

Richard Bates – Fund Administrator

Nick Buckland – Chief Treasury and Pensions Manager

David Wilkes – Pension Fund Accountant

Anne Cheffey – Pensions Benefits Manager

### Further Information

For further information on any aspect of the fund please call the pensions helpline on: (01305) 224845 or email: [pensionshelpline@dorsetcc.gov.uk](mailto:pensionshelpline@dorsetcc.gov.uk)

## Chairman's Statement



### Pension Fund Committee

**Back row** (Left to right): May Haines, John Lofts, Peter Wharf, Johnny Stephens, Andy Canning, Mike Lovell, Ronald Coatsworth  
**Front row** (Left to right): Nick Buckland, Mike Byatt, John Beesley, Richard Bates, Alan Saunders

In Local Government Pension terms it has been a year dominated by pooling of investments. As I referred to in my statement in last year's report the Chancellor announced in July 2015 that he intended to work with the LGPS to ensure that all investments are pooled in order to reduce costs, whilst maintaining overall investment returns, and he invited local authorities to come forward with proposals. The proposals had to meet four key criteria that were published in November that year.

To address this pooling requirement the Dorset Fund joined with seven other South West Funds to initiate "Project Brunel". The eight South West based LGPS Funds; Avon, Cornwall, Devon, Dorset, The Environment Agency, Gloucestershire, Somerset and Wiltshire

have a long history of working together, and it seemed an obvious solution to all. Towards the end of 2015 the Buckinghamshire and Oxfordshire funds also decided to join Project Brunel, and they were welcomed to the group.

The Brunel pool of ten funds has total assets of more than £23 Billion, which was accepted by the government as being of a suitably ambitious size, after the initial submission which was made in February 2016. Project Brunel, or as it will ultimately be named, the Brunel Pension Partnership, is one of eight proposed pools across England and Wales. Each of the pools is continuing to work on their proposals, in particular ahead of a second more detailed proposal that was required by the Government in July.

I have been pleased to take an active part in the formation of the Brunel Pension Partnership as one of two Vice-Chairmen of the Shadow Oversight Board. The project has involved a significant amount of effort from all concerned, and with a deadline for implementation of 1 April 2018, there is no sign of any let-up.

On a more local level, the Dorset Fund's performance was ahead of the benchmark which returned -0.9% for the year, however the positive return for the year of 0.2% was low. This saw the Fund achieve performance in line with the average local authority over the twelve months. The Fund performance over three years continues to look healthy with a return of 6.5% which is well ahead of the benchmark return of 5.5%. More importantly, perhaps in an Actuarial Valuation year, the return is also ahead of the Actuary's target for the period. Over the five years to end of March the Fund returned 8.2% per annum. The three and five year returns continue to be ahead of the Local Authority averages which are 6.4% and 7.1% respectively.

If the pooling agenda was not enough for LGPS funds to be dealing with over the next few years, the result of the EU referendum in June this year will no doubt add more volatility to markets whilst the ongoing discussions take place. I feel that the Fund's investment strategy is well positioned to cope with the inevitably bumpy ride that is ahead of us but feel that we need to ensure that we remain flexible in our approach to continue to be successful.

I would like to welcome Councillor Peter Wharf to the Committee as a new representative of Dorset County Council. Peter joined the Committee in November

2015 replacing my deputy Chairman Colin Jamieson who stood down due to other commitments. Colin was replaced as Deputy Chairman of the Committee by Mike Byatt. I look forward to working with them in the future.

It would not be appropriate to conclude my comments this year without paying tribute to my predecessor as Chairman of the Pension Fund Committee; Councillor Neil Sorton who passed away after a long illness in December. Neil retired as a Councillor in May 2015 and prior to that served as Chairman of the Committee for six years. Neil will be very sadly missed by all those who knew him, including his many friends and colleagues within the Dorset Fund.



John Beesley  
Chairman  
August 2016

## Fund Background

**The Dorset Fund** provides the funding for the pensions of mainly government employees in Dorset. Separate arrangements are made for teachers, fire-fighters and police officers.

A committee of elected members, five County Councillors, two councillors representing Bournemouth and Poole Councils, one District Councillor, and one non-voting Scheme Member representative, are responsible for making investment policy, appointing managers and monitoring performance. Advice is taken from an investment management expert who is not involved in the management of the Fund's assets.

Sixteen managers are employed to manage the assets:

**Allianz Global Investors, Investec Asset Management Ltd and Wellington Investment Management** are the Overseas Equity Managers.

**CBRE Global Investors** are responsible for the property portfolio.

**Royal London Asset Management (rlam)** were appointed in 2007 and are responsible for managing the Fixed Interest portfolio.

**Standard Life, AXA Framlington and Schroders** are the three External UK Equity Managers.

**Standard Life and HarbourVest** are the Private Equity Managers.

**Baring Asset Management** manage the Diversified Growth Fund.

**Insight** manage the Liability Matching Bond portfolio.

**JPMorgan Asset Management** are the Emerging Markets Equity Manager.

**Hermes GPE** and **IFM Investors** are the new Infrastructure Managers.

**The Chief Executive's Treasury and Investments Team** manage the UK Equity portfolio and cash balances.



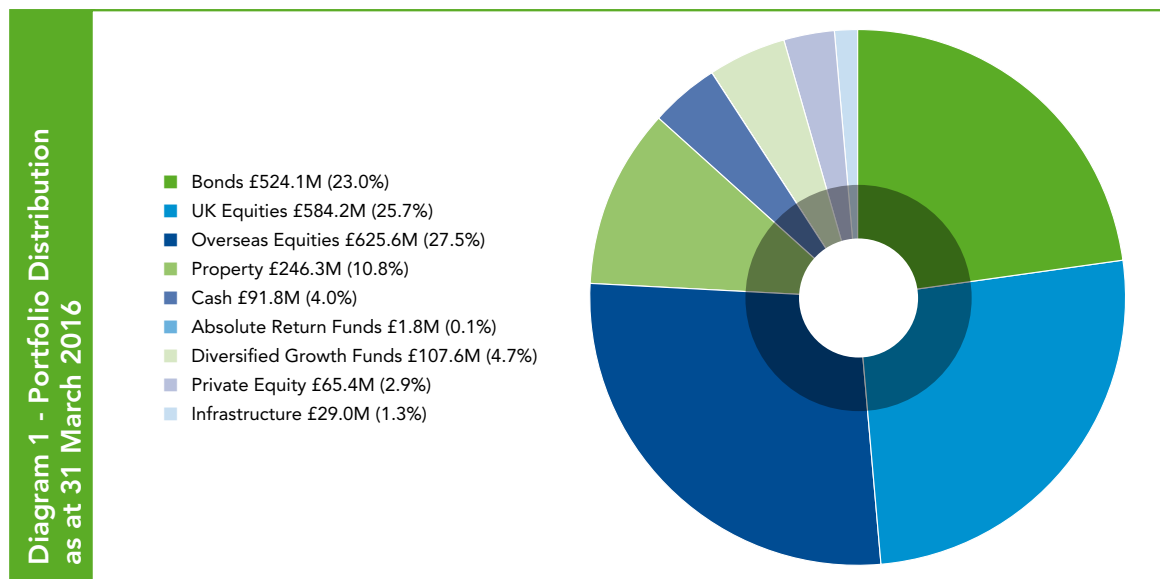
Dorset County Council's Treasury and Pensions Team



## Overall Performance

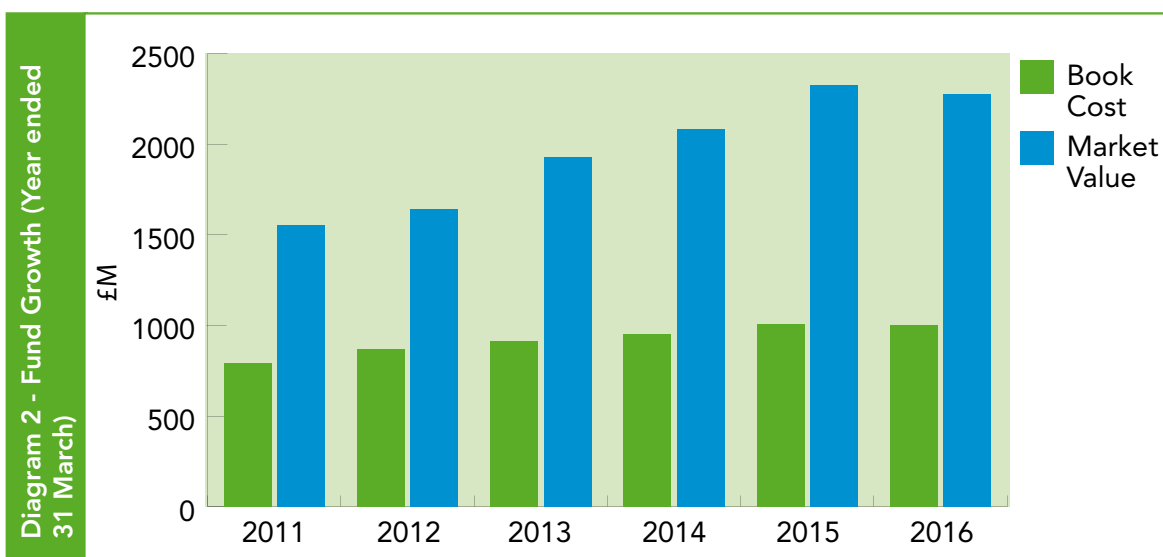
By the end of 2015/16 the value of the Fund's assets had fallen by 0.035M to £2,266.4Bn. £24.0M was added to the fund from new money\*, the rise in the value of investments was £24.0M. In 1974 when the Fund was established it was valued at £15M.

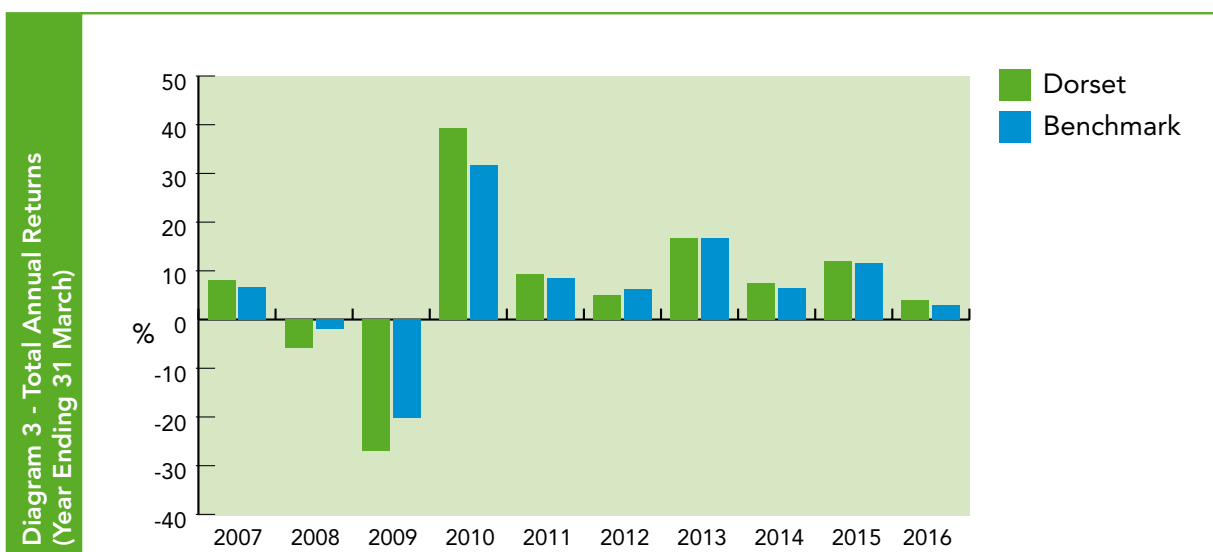
**Diagram one** shows the current distribution of these assets with market value and percentage of the portfolio as at 31 March 2016.



**Diagram two** shows the change in value of the Fund over the last six years as at 31 March and highlights the contribution made over time by the appreciation of assets (value less cost).

(\* New money is the difference between the income received by the Fund from employees, employers and investment earnings and benefits paid out and the costs of running the scheme.)





**Diagram three** shows the total return of the Fund compared with its benchmark for each of the last ten years as at 31 March. The benchmark was the WM Local Authority Average to 31 December 2003, and has been the Fund specific benchmark since then.

#### Rates of Return One Year Summary

During the year, the Fund outperformed its bespoke benchmark with a return of 0.1% compared to a return of -0.9%. Positives to performance have been attributable to mainly four managers. The two Private Equity managers, HarbourVest and Standard Life both outperformed their benchmarks by 27.6% and 26.3%, whilst UK Equity managers AXA Framlington and Schroders outperformed their benchmarks by 3.2% and 5.4% respectively.

The main detractors to performance were the Diversified Growth Fund manager, Baring Asset Management, who underperformed their benchmark by 8.2% and the UK Equity manager, Standard Life who underperformed their benchmark by 3.8%.

#### Rate of Return Three Year Summary

Over the three year period, the Fund returned 6.5% against its bespoke benchmark of 5.5%. Positives to performance included HarbourVest and Standard Life, the Private Equity manager who outperformed their benchmarks by 13.1% and 8.1% respectively.

The main detractors to performance were Baring Asset Management and JPMorgan Asset Management who underperformed their benchmarks by 2.4% and 0.7% respectively.

#### Rate of Return Five Year Summary

During the five year period, the Fund has outperformed its bespoke benchmark with a return of 8.2% compared to 7.8%. Positives to performance were HarbourVest who outperformed its benchmark by 10.4%, whilst Standard Life Private Equity and AXA Framlington outperformed their benchmarks by 5.6% and 3.2% respectively.

The main detractor to performance was UK manager, Standard Life who underperformed its benchmark by 0.8%.

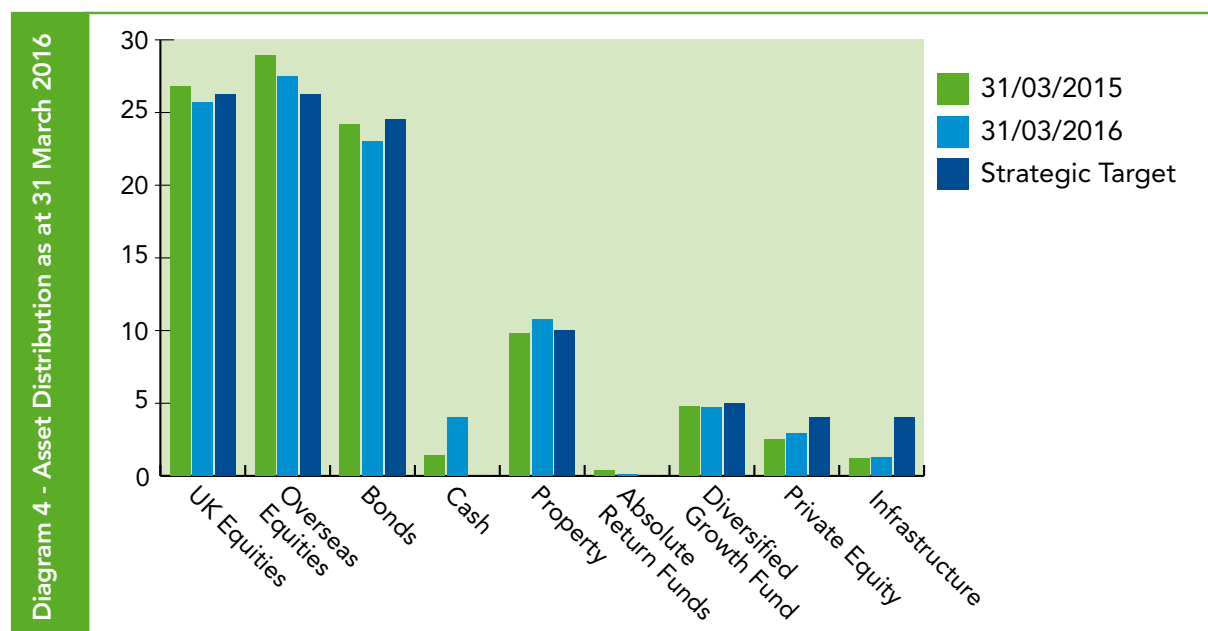


**Table one** sets out the returns for one, three and five years in each of the investment categories and enables comparison against the specific benchmarks.

Table One - Rates of Return for 1, 3 and 5 years						
	Dorset	Benchmark	Dorset	Benchmark	Dorset	Benchmark
	1 year		3 year		5 year	
	%	%	%	%	%	%
<b>UK Equities</b>						
Internally managed	-4.2	-4.1	3.6	3.5	5.6	5.6
AXA Framlington	-0.7	-3.9	6.9	3.7	8.9	5.7
Schroders	11.3	5.9	14.1	12.3	13.5	12.6
Standard Life	-7.7	-3.9	3.4	3.7	4.9	5.7
<b>Overseas Equities</b>						
Pictet (1)	8.8	6.3	14.0	14.1	8.8	9.1
Janus (1)	11.4	7.3	21.3	19.0	15.6	13.9
Allianz (2)	1.4	2.2	N/A	N/A	N/A	N/A
Investec (2)	0.0	2.2	N/A	N/A	N/A	N/A
Wellington (2)	-0.6	2.2	N/A	N/A	N/A	N/A
<b>Emerging Markets</b>						
JP Morgan	-8.4	-9.1	-3.4	-2.7	N/A	N/A
<b>Bonds</b>						
rlam	-0.1	0.1	6.8	5.8	11.6	11.5
<b>Absolute Return Funds</b>						
Gottex (3)	28.8	5.6	10.4	5.7	6.3	5.7
Pioneer (3)	-29.1	6.7	-3.0	6.7	2.9	6.8
IAM (3)	-41.6	7.4	-13.1	7.4	-8.0	7.4
<b>Private Equity</b>						
HarbourVest	23.7	-3.9	16.8	3.7	16.1	5.7
Standard Life	22.4	-3.9	11.8	3.7	11.3	5.7
<b>Property</b>						
CBRE Global Investors	12.5	11.3	15.4	13.9	11.4	10.2
<b>Diversified Growth Fund</b>						
Baring Asset Management (5)	-3.6	4.6	2.2	4.6	N/A	N/A
<b>Inflation Hedging Bonds</b>						
Insight	-13.9	-13.9	-5.5	-5.8	N/A	N/A
<b>Infrastructure</b>						
Hermes Fund (4)	5.1	2.4	8.1	7.7	N/A	N/A
<b>Total Assets</b>	<b>0.1</b>	<b>-0.9</b>	<b>6.5</b>	<b>5.5</b>	<b>8.2</b>	<b>7.8</b>

(1) Mandates terminated December 2015. (2) New mandates December 2015.  
(3) Divesting from the Fund. (4) Benchmarking since inception - 2015. (5) Appointed 2012.

The asset mix of the portfolio is shown in **Diagram four**.



\* Please note that there was no strategic target for cash.

		31-Mar-15		31-Mar-16		Target Allocation	
Asset Class	Manager	£M	%	£M	%	£M	%
Bonds	(Several)	562.6	24.2%	524.1	23.0%	557.6	24.50%
UK Equities	(Several)	623.5	26.8%	584.2	25.7%	597.4	26.25%
Overseas Equities	(Several)	628.7	27.0%	625.6	27.5%	597.4	26.25%
Property	(CBREi)	228.8	9.8%	246.3	10.8%	227.6	10.00%
Absolute Return Funds	(Several)	8.3	0.4%	1.8	0.1%	-	0.00%
Infrastructure	(Several)	26.8	1.2%	29.0	1.3%	91.0	4.00%
Private Equity	(Several)	59.2	2.6%	65.4	2.9%	91.0	4.00%
Diversified Growth	(Barings)	111.6	4.8%	107.6	4.7%	113.8	5.00%
Cash	(Internal)	75.5	3.2%	91.8	4.0%	-	0.00%
<b>Total</b>		<b>2,325.0</b>	<b>100.0%</b>	<b>2,275.8</b>	<b>100.0%</b>	<b>2,275.8</b>	<b>100.0%</b>



Henbury Building, Hope Park, Macclesfield – Purchased on 11 December 2015 for £2.8M

The table above shows that in most asset classes the Fund's allocation is now close to or slightly above target, with the exception of Private Equity and Infrastructure which will take a number of years to fully drawdown.

## Activity

**Table three** summarises the net investment activity across the major asset classes and makes a comparison with the previous year. The chart shows the tactical changes made to Fund's asset allocation, namely:

- Net sale of £3.3M in the UK Equities - Quoted
- Investment in the Property portfolio was increased by £1.1M
- Net purchase of Overseas Quoted of £107.8M
- Decrease of Pooled Investment Vehicles of £93.7M
- Increase in Cash of £16.3M
- Net sale in Private Equity of £5.8M
- Decrease in Absolute Return Funds of £4.0M

Table Three – Net Investment Transaction 2015/16 JB to do		
	2014/15	2015/16
	£M	£M
Cash	-78.9	16.3
Overseas Equities - Quoted	1.9	107.8
UK Equities - Quoted	26.5	-3.3
Pooled Investment Vehicles	121.4	-93.7
Property	28.6	1.1
Absolute Return (Hedge) Funds	-39.0	-4.0
Forward Foreign Exchange	-14.5	4.2
Private Equity	5.4	-5.8
<b>Total</b>	<b>51.4</b>	<b>22.6</b>

**Table four** shows the annual turnover of stocks (purchases added to sales) and shows the decreased volume in 2015/16 as a result of the continuing asset allocation changes made during the year.

Table Four	
Annual Turnover	
Financial year	£M
2009/10	446.4
2010/11	715.0
2011/12	460.2
2012/13	696.8
2013/14	245.1
2014/15	592.5
2015/16	1,190.5

Below and on page 11 are two photographs of properties owned by the Dorset County Pension Fund.



Refurbishments at Crawley, Woolborough Lane Unit D

## Scheme Membership and Benefits

### The Scheme

The scheme is governed by the statutory regulations made by the Secretary of State for the Environment under the Superannuation Act 1972.

The scheme is contained in the Local Government Pension Scheme 2013, which came into force from 1 April 2014. This replaced the Local Government Pension Scheme Regulations 2008. The scheme is a defined benefit pension scheme that is contracted-out of the State Second Pension Scheme (S2P) and is fully administered by Dorset County Council.

Employees' contributions range from 5.5% to 12.5% depending on their earnings. Employers are also required to contribute to the scheme at a rate assessed by the fund's Actuary (Barnett Waddingham). A valuation is carried out every three years. The last valuation was undertaken as at 31 March 2013 that sets out the employers' contribution rate for the three year period commencing 1 April 2014.

**Table five** below summarises the Dorset Fund Market Values – Comparative Figures

**Table five** shows the Employer – Scheduled Bodies and Admitted Bodies numbers and the Contribution Rates Paid.

Employer - Scheduled Bodies	Number of Contributors	Number of Pensioners	Contribution Rate %
Ad Astra Infants School (Teach Trust)	57	0	17.4
Alderholt Parish Council	2	0	16.5
Allenbourn Middle School	71	0	17.4
Ambitions Academies Trust	11	0	17.4
Arts Institute At Bournemouth	247	41	12.0
Avonbourne Academy	162	8	17.4
Avonbourne School	0	22	17.4
Avonwood Primary Academy	1	0	17.4
Beaucroft School	0	10	17.4
Bere Regis Parish Council	1	0	17.4
Bethany CE Junior School	39	0	17.4
Bishop Of Winchester Academy	94	7	17.4
Blandford Education Trust	127	3	17.4
Blandford Town Council	16	9	17.4
Borough Of Poole	3,045	2,008	17.4
Bourne Academy	69	6	17.4
Bournemouth and Poole Adult Learning	50	19	17.4
Bournemouth And Poole College	432	295	17.4
Bournemouth Bourough Council	3,282	2,778	17.4
Bournemouth Health	0	1	17.4
Bournemouth Hurn Airport	0	36	17.4
Bournemouth Motor Tax	0	1	17.4
Bournemouth Primary Trust	6	0	17.4
Bournemouth School	0	17	17.4
Bournemouth School Academy	48	3	17.4
Bournemouth School For Girls	0	12	17.4
Bournemouth School For Girls Academy	49	7	17.4
Bournemouth Transport	3	173	24.3
Bournemouth University	973	360	14.3
Bridport Town Council	13	4	16.5
Broadstone First Academy	44	0	17.4
Broadstone Middle Academy	31	0	17.4
Budmouth Technology College	136	25	21.0
Canford Heath Infants (Teach Trust)	46	0	17.4
Canford Heath Junior (Teach Trust)	53	0	17.4
Carter Community School	60	1	17.4
Castleman Academy Trust	2	0	17.4
Chickerell Primary Academy	50	2	17.4
Chickerell Town Council	2	0	16.5
Christchurch Borough Council	185	222	13.6
Colehill First School	30	3	17.4
Colehill Parish Council	1	2	19.6
Corfe Castle Primary	16	0	17.4
Corfe Hills Academy	83	11	17.4
Corfe Hills School	0	27	17.4
Corfe Mullen Parish Council	6	0	16.5
Crossways Parish Council	2	0	16.5
Dorchester Joint Burial Committee	0	1	16.5
Dorchester Middle School	65	2	17.4
Dorchester Town Council	32	22	16.5

Table five, continued

Employer - Scheduled Bodies	Number of Contributors	Number of Pensioners	Contribution Rate %
Dorset CC Health	0	2	13.9
Dorset County Council	8,483	6,793	13.9
Dorset Fire And Rescue Service	160	68	13.2
Dorset Magistrates Court	0	75	N/A
Dorset Police & Crime Commissioner	1,311	502	12.4
Dorset Studio School	12	0	17.4
Dorset Valuation Panel	0	1	N/A
East Dorset District Council	218	244	14.1
East Lulworth Parish Council	1	0	16.5
Elmrise Acadmey Leaf	30	0	17.4
Epiphany Academy	45	3	17.4
Ferndown Town Council	8	6	16.5
Frome Valley First School	21	0	17.4
Gillingham Town Council	8	3	16.5
Glenmoor School	21	0	17.4
Harewood College	0	3	17.4
Hayeswood School	25	1	17.4
Haymoor Junior School	51	1	17.4
Heath Academy Trust	136	0	17.4
Heathlands Primary School	41	0	17.4
Highcliffe Academy	66	9	17.4
Highcliffe Comprehensive	0	15	17.4
Highcliffe Junior School	0	2	17.4
Hillview Primary	3	0	17.4
IPACA	117	5	17.4
Jewell Academy	10	0	17.4
Kings Park School	81	1	17.4
Kingston Maurward College	185	67	13.1
Kinson Primary School	9	2	17.4
Larison Primary (Sentenary)	2	0	17.4
Longspee Academy	21	0	17.4
Lyme Regis Town Council	13	12	16.5
Lytchett Minster and Upton Town Council	5	1	16.5
Lytchett Minster School	71	12	21.0
Magna Academy	62	5	17.4
Malmesbury Park Primary School	7	3	17.4
Malmesbury Park School	2	0	17.4
Manorside Primary Academy	38	1	17.4
Marshwood Primary School	29	0	17.4
Merley First School	39	0	17.4
Milbourne St Andrew First School	12	0	17.4
Millbrook Healthcare Ltd (DCC)	2	0	18.1
Millbrook Healthcare Ltd (Weymouth & Portland Borough Council)	3	0	18.1
Montacute Academy	67	5	17.4
Montacute School	0	16	17.4
North Dorset District Council	5	180	14.8
Oakmead Academy Leaf	69	1	17.4
Ocean Learning Trust	3	0	17.4
Osmington Parish Council	1	0	16.5

Table five, continued

Employer - Scheduled Bodies	Number of Contributors	Number of Pensioners	Contribution Rate %
Parkstone Grammar School	0	12	17.4
Parkfield Free School	33	1	17.4
Parkstone Grammar Academy	70	5	17.4
Piddle Valley First School	23	0	17.4
Plymouth Cast - Bournemouth	114	1	17.4
Plymouth Cast - Dorset	207	4	17.4
Plymouth Cast - Poole	146	0	17.4
Pokesdown Academy	83	3	17.4
Poole Grammar Academy	72	4	17.4
Poole Grammar School	0	21	17.4
Poole High School	152	18	18.9
Poole Housing Partnership Limited	112	41	12.5
Portland Town Council	2	0	19.6
Puddletown First School	19	1	19.6
Purbeck District Council	146	141	14.3
Queen Elizabeth Academy	88	2	17.4
Queens Park Infant Academy	43	2	17.4
Queens Park Junior Academy	43	1	17.4
Saturn Education Trust	19	0	17.4
Shaftesbury Academy	184	9	17.4
Shaftesbury Town Council	8	2	16.5
Sherborne Town Council	17	18	16.5
Shillingstone County Primary School	17	5	21.0
Sir John Colfox Academy	53	0	17.4
St Aldhelms Academy	72	3	17.4
St Andrews CE VA First School	0	2	17.4
St Clements And St John's CE First School	35	4	17.4
St Gregory's School	3	1	21.0
St James' Academy	40	1	17.4
St John's First School Wimborne	29	1	17.4
St Luke's Ce Primary School	66	0	17.4
St Marks' Swanage	25	0	17.4
St Mary's Beaminster Academy	27	26	17.4
St Marys CE Middle School	81	1	17.4
St Michaels CE Primary School	4	5	17.4
St Michaels Middle School	47	0	17.4
St Osmunds CE Middle School	70	4	17.4
St Peter CVAT School	116	16	17.4
St Peter's School	0	25	17.4
St Walburgas R C Primary School	0	4	17.4
Stalbridge CE Primary School	0	1	17.4
Stalbridge Town Council	1	0	16.5
Stanley Green Academy	39	0	17.4
Stour Valley & Poole Partnership	107	6	17.4
Stourfield Infant Academy	46	0	17.4
Sturminster Newton Parish Council	0	2	17.4
Swanage Town Council	25	44	16.5
The Bicknell School	0	9	17.4
The Colliton Club	3	0	15.0
The Dunbury Academy	28	0	17.4



Table five, continued

The Gyphon Academy	121	16	17.4
The Quay Academy	24	2	17.4
The Studio Academy Leaf	26	0	17.4
The Swanage School	27	0	17.4
Thomas Hardy Academy	138	21	17.4
Tregonwell Academy	105	3	17.4
Tricuro	1,488	28	16.2
Twynham Academy	203	14	17.4
Verwood Town Council	3	0	16.5
Wareham Joint Burial Committee	0	2	16.5
Wareham St Martin Parish Council	0	5	16.5
Wareham St Mary Primary School	28	0	17.4
Wareham Town Council	7	5	16.5
WESS	31	3	16.1
West Dorset District Council	14	323	12.0
West Moors Parish Council	2	0	16.5
West Parley Parish Council	1	0	16.5
Westfield School	117	23	21.0
Wey Valley Academy	73	10	17.4
Weymouth And Portland Borough Council	605	452	12.4
Weymouth College	206	170	12.0
Wimborne Cemetery Jmc	0	1	19.6
Wimborne Minster Town Council	5	2	16.5
Wimborne Multi Academy Trust	2	0	16.5
Winton Arts & Media College	50	1	17.4
Witchampton School	14	0	17.4
Woodroffe School	49	930	21.0
Wool Parish Council	2	0	16.5
Wyvern Academy	93	6	17.4
<b>Total Scheduled Bodies</b>	<b>27,051</b>	<b>16,637</b>	

Employer - Admitted Bodies	Number of Contributors	Number of Pensioners	Contribution Rate %
1610 Limited	21	3	14.2
Abilities Limited	0	0	15.0
Action For Children	2	0	17.4
Addaction Limited	0	1	N/A
Age Concern Bournemouth	1	3	14.4
Anglo-European College	43	20	15.5
Ansbury	63	60	17.1
AP Chant Plumbing and Heating	0	1	14.5
AQS Homecare	10	2	22.2
Barnardo's	0	1	N/A
BH Live	186	22	14.5
Bournemouth Citizens Advice Bureau	0	5	N/A
Bridport Museum Trust	0	1	19.6
Care Quality Commission	1	0	14.4
Care South	85	297	16.6
Care Uk Plc	19	32	16.5
Churchills (Poole)	0	1	N/A
Churchills Bearwood	0	1	N/A
Churchills Cells Police	0	1	N/A



Table five, continued

Churchills Cleaning	2	0	22.2
Churchill's Purbeck School	0	0	N/A
Convex Leisure Limited	0	1	N/A
CSCI	0	13	N/A
DC Leisure Management Limited	0	4	13.0
Dorset Association of Parish and Town Councils	2	5	14.4
Dorset Community Action	3	22	14.4
Dorset County Museum	9	14	14.4
East Boro Housing Trust	68	1	18.7
East Dorset Housing Association	0	38	N/A
Healthy Living Wessex	1	0	15.6
Heath Academy Trust	136	0	17.4
Kinson Primary (Septenary)	2	0	17.4
Links4Learning	0	5	N/A
Lyme Arts Community Trust	0	1	N/A
Mack Trading	4	1	14.0
Magna Housing Association Limited	105	171	13.3
Magna Housing Group	11	21	16.7
Milborne St Andrew Parish Council	1	0	16.5
Mouchel	160	59	17.6
Muscliff Primary	1	0	17.4
Places For People	16	0	13.7
Poole Harbour Commissioners	0	2	N/A
Purbeck Housing Trust	0	15	N/A
SEC Contracting	0	1	N/A
Sequal Solutions Limited	0	1	N/A
Signpost Care Partnership	0	2	21.5
Signpost Housing Association Limited	0	40	N/A
Signpost Services Limited	0	0	N/A
SLM (Weymouth) Charitable Trust	8	1	12.0
SLM Community and Leisure Blandford	16	1	12.0
SLM Community Leisure Charity Trust	30	2	12.0
SLM Food And Beverage Limited	2	1	12.0
South Dorset Community Sports Trust	2	0	13.7
Sovereign Housing Group	4	36	16.5
Spectrum Housing Group	19	10	12.2
St Mark's Primary School	3	0	17.4
Stonewater Limited	2	22	15.3
Synergy Housing Group	59	23	14.7
The Arts Development Company	6	1	N/A
The Children's Society	7	0	14.9
Wessex Water Authority	0	3	N/A
Weyco Services Limited	8	1	12.0
Weymouth Port Health	5	10	14.4
Weymouth & Portland Housing Association	0	46	N/A
<b>Total Admitted Bodies</b>	<b>1,156</b>	<b>967</b>	
<b>Overall Total</b>	<b>28,207</b>	<b>17,604</b>	

## Benefits

Scheme members are guaranteed an annual pension and, depending on whether they have service prior to 31 March 2008, an automatic lump sum retirement grant. There is also the option to convert some pension into a lump sum retirement grant. The earliest age a member can retire and receive their benefits immediately is age 55. Members are allowed to remain in the scheme until the day before their 75th birthday. Any benefits accrued before 1 April 2014 are based on the length of scheme membership and the pensionable pay generally over the last year of service. Benefits accrued from 1 April 2014 increase each year, based on 49th of their actual pay for the year.

The basic benefits guaranteed by the scheme are:

- A secure pension
- The opportunity to give up pension to provide a tax free lump sum
- Ill health benefits
- Survivor's pension for spouse, civil partner or nominated cohabiting partner
- Children's pensions
- Death in service benefits
- Transferability if member leaves
- Options to pay additional benefits contribution flexibility
- Tax efficient savings and lower National Insurance contributions for most people

Pension benefits are affected annually to take into account rises in inflation.

The cost of living increase for 2016 was the negative figure of 0.1%. This was based on the Consumer Prices Index

(CPI) as at September 2015. Pensions already in payment were protected from the decrease and had a 0% increase.

Employees are able to increase their benefits by either purchasing Additional Pension Contributions (APCs) through the pension scheme, or by paying Additional Voluntary Contributions (AVCs) through an arrangement with the Prudential.

Further information on the scheme can be obtained by contacting the pension section:

**Tel:** 01305 224845

**Email:** [pensionshelpline@dorsetcc.gov.uk](mailto:pensionshelpline@dorsetcc.gov.uk)

**Address:**

Dorset County Pension Fund  
Dorset County Council  
County Hall

**Website:** [www.yourpension.org.uk/dorset](http://www.yourpension.org.uk/dorset)

## Membership

Entry to the LGPS is automatic for all employees under the age of 75 and with a contract of employment for more than 2 years. Any employees with a contract for less than 3 months are able to elect to join the scheme. Employees who do not wish to remain in the scheme can opt out; if this is done within 3 months of joining they can claim a refund of the contributions they have paid. Fire fighters and teachers, who have their own pension schemes, are not entitled to be members of the LGPS.

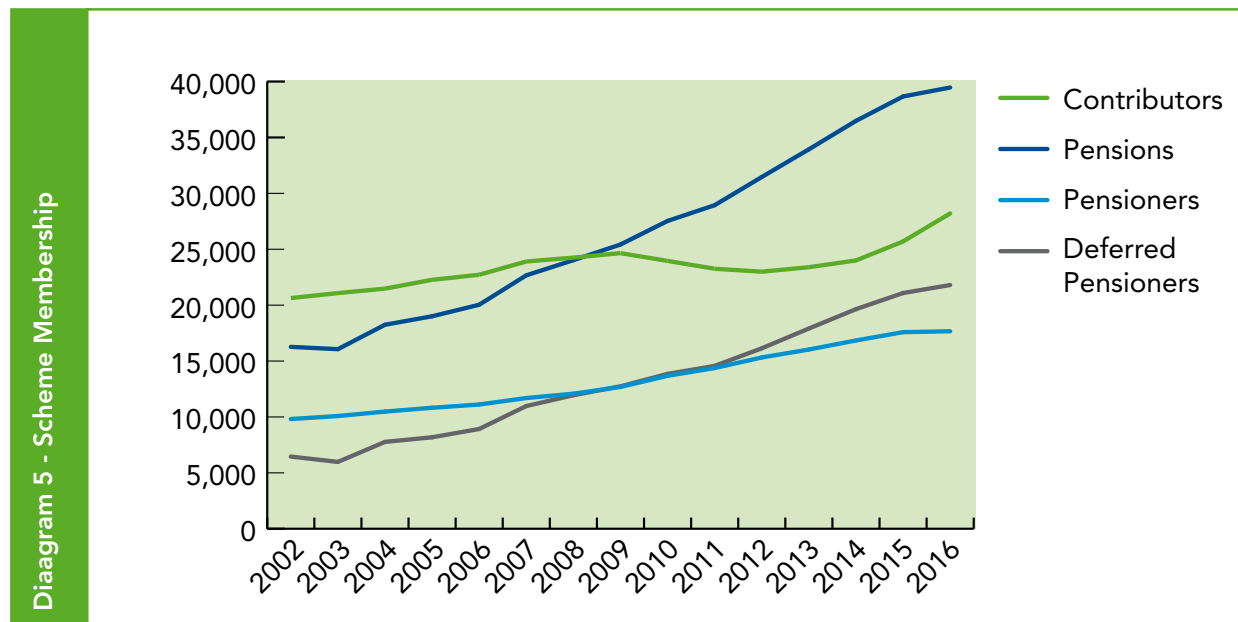
The employee contribution table for 2015/16 is shown below:

Actual Pensionable Pay	Contribution Rate %
Up to £13,600	5.5
£13,601 to £21,200	5.8
£21,201 to £34,400	6.5
£34,401 to £43,500	6.8
£43,501 to £60,700	8.5
£60,701 to £86,000	9.9
£86,001 to £101,200	10.5
£101,201 to £151,800	11.4
More than £151,800	12.5

## Further details

A booklet is available from the Pensions Section and at the website address on page 19, which provides further details offered by the scheme.

**Diagram five** shows the numbers of contributors and pensioners (current and deferred) of the Scheme, over the past fifteen years.



Financial Summary			
	2013/14 £'000s	2014/15 £'000s	2015/16 £'000s
Benefit and Expenses	101,397	147,601	118,705
Less Contributions	111,172	111,205	111,400
Net Income	9,775	-36,396	7,305
Investment Income	31,649	34,861	37,471
Net revenue surplus	41,424	-1,535	44,776
<b>Net assets at 31 March</b>	<b>2,091,827</b>	<b>2,301,132</b>	<b>2,266,446</b>

Membership Summary			
	31/03/14	31/03/15	31/03/16
Contributors	23,395	23,997	27,084
Pensions in payment	16,030	16,842	16,640
Deferred pensions	17,909	19,641	21,802

# Actuary's Statement 2013

## 1. Introduction and Summary

### Purpose of the Valuation

- 1.1. We have carried out an actuarial valuation of Dorset County Pension Fund ("the Fund") as at 31 March 2013, as requested by Dorset County Council. The Fund is part of the Local Government Pension Scheme ("LGPS").
- 1.2. The valuation was carried out in accordance with Regulation 36 of The Local Government Pension Scheme (Administration) Regulations 2008 ("the Regulations") as amended. The main purpose of the valuation is to review the financial position of the Fund and to set the level of future contributions for the employers in the Fund.
- 1.3. This report summarises the results of the valuation and is addressed to Dorset County Council as the Administering Authority to the Fund. It is not intended to assist any user other than the Administering Authority in making decisions. Neither we nor Barnett Waddingham LLP accepts any liability to third parties in respect of this report.
- 1.4. This advice is subject to and complies with Technical Actuarial Standards issued by the Financial Reporting Council (in particular, the Pensions TAS and the generic TASs relating to reporting, data and modelling).

### Results of the Valuation

- 1.5. The results of the valuation are that the past service funding level of the Fund as a whole has increased from 79% to 82% between 31 March 2010 and 31 March 2013, largely due to better than anticipated performance of the assets held by the Fund over the period, offset by the change in assumptions underlying the present value of liabilities, reflecting changes in market conditions.
- 1.6. At the same time, the contribution rate for the average employer, including payments to target full funding, has increased slightly from 18.5% to 18.6% of pensionable salaries, although the cost of providing benefits has decreased, falling payrolls mean that it takes a higher percentage of payroll to fund the now larger deficit in cash terms.
- 1.7. We would be pleased to discuss any aspect of this report in more detail.



Alison Hamilton FFA Partner



Anna Short FFA Associate

## 2. Valuation Data

### Data Sources

2.1. We have used the following items of data as provided by Dorset County Council.

- Membership extract as at 31 March 2013.
- Fund accounts and accounting information split by employer for the three years to 31 March 2013.
- The results of the previous actuarial valuation as at 31 March 2010.

2.2. The data has been checked for reasonableness and any missing or inconsistent data has been estimated where necessary. While this should not be seen as a full audit of the data, we are happy that the data is sufficiently accurate for the purposes of the valuation.

2.3. A summary of the data is set out in Appendix 1.

### Assets

2.4. The asset allocation of the Fund as at 31 March 2013 was as follows:

Asset Allocation of the Fund		
	31 March 2013	
	£000's	%
UK Equities	536,000	28
Overseas Equities	537,000	28
Corporate Bonds	189,000	10
Inflation Hedging	213,000	11
Property	162,000	8
Alternative Assets	234,000	12
Cash	65,000	3
<b>Total</b>	<b>1,936,000</b>	<b>100</b>

2.5. We estimate that the return on the assets in market value terms for the

three years to 31 March 2013 was approximately 9.7% per annum.

2.6. The current investment strategy is set out in a Statement of Investment Principles dated June 2012.

### Benefits

2.7. The valuation has been carried out in accordance with Regulation 36 of The Local Government Pension Scheme (Administration) Regulations 2008 ("the Regulations") as amended.

2.8. However from 1 April 2014, The Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014 will come into effect and replace the current regulations.

2.9. The benefits for service from 1 April 2014 will be based on the Local Government Pension Scheme Regulations 2013. The main changes are to move from a final salary pension scheme based on 60ths accrual and a retirement age of 65 to a career average revalued earnings pension scheme based on 49ths accrual and a retirement age equal to State Pension Age.

2.10. The Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014 serve the dual purpose of retaining the previous benefit structure for service up to 31 March 2014 and introducing new protections for members close to retirement to ensure that they are not disadvantaged by the benefit changes.

- 2.11. The benefits underlying the valuation are summarised in Appendix 6.
- 2.12. We have made no allowance for discretionary benefits awarded throughout the LGPS. Where employers grant discretionary benefits we would expect them to fund the capital value of those benefits at that point.
- 3.4. The market value of the assets at 31 March 2013 is then adjusted to also be smoothed over the same six month period so that a consistent comparison can be made with the liabilities. If the smoothed assets are greater than the past service liabilities, there is a surplus; if not, there is a deficit.
- 3.5. Using the same assumptions and a similar methodology we can also calculate the value of the liabilities expected to build up in the future after 31 March 2013 and we do this for each active member. This is then divided by the projected payroll to get a cost of future benefits expressed as a percentage of payroll. After deducting expected employee contributions, this is known as the future service cost and represents the employers' share of the cost of future benefits.

### 3. Actuarial Methods and Assumptions

#### General Valuation Approach

- 3.1. We first estimate the future cashflows which will be paid from the Fund for the benefits relating to service up to 31 March 2013 and we do this for all current members and their possible dependants.
- 3.2. We then discount these projected cashflows using the discount rate to get a single figure for the value of the past service liabilities. This figure is the amount of money which, if invested now, would be sufficient to make these payments in future provided that the future investment return was equal to at least the discount rate used.
- 3.3. Various assumptions are needed for the above calculations and these are summarised in Section 4. The financial assumptions such as future inflation and the discount rate are based on smoothed market indicators from around the valuation date, specifically over the six month period from 1 January 2013 to 30 June 2013.
- 3.6. As part of the valuation, we are required to calculate results on an overall Fund level but also for the individual employers.
- 3.7. For the Fund's future service cost, we consider the benefits accruing in the single year following the valuation date.
- 3.8. This is known as the Projected Unit Method and results in a stable, long-term contribution rate over time if the assumptions adopted are borne out in practice and there is a steady flow of new entrants to the Fund. If the admission of new entrants is such that the average age of the membership profile increases then

#### Multiple Calculations



the contribution rate calculated at future valuations would be expected to increase.

- 3.9. At individual employer level we use the Projected Unit Method for employers who still admit new employees into the Fund. For employers who do not, or do not appear to, allow new employees to join the Fund, we use a method known as the Attained Age Method which assesses the cost of future benefit accrual over all future years rather than just over the next year. This method generally produces a higher level of employer contribution than the Projected Unit Method but, for these closed employers, it should result in less revision in the future.
- 3.10. For closed limited-term employers such as some Transferee Admission Bodies, a modified version of the Projected Unit Method with a control period equal to the remaining term of the contract may be used and this usually gives results between the Projected Unit Method and the Attained Age Method.
- 3.11. The amounts that the employer then pays are a combination of the future service cost described above and any adjustments for the past service surplus or deficit. If there is a deficit, this adjustment will be specified as an additional contribution expressed as either a percentage of pay or as a cash amount to be paid in future.

#### Funding Strategy

- 3.12. Regulation 36 of the Local Government Pension Scheme

Administration (Regulations) 2008 states that the actuary must have regard to:

- The existing and prospective liabilities of the Fund arising from circumstances common to all those bodies;
- The desirability of maintaining as nearly a common a rate of contribution as possible; and
- The current version of the Administering Authority's Funding Strategy Statement.

- 3.13. We can confirm that, in our view, the methods and assumptions adopted meet this requirement.

## 4. Valuation Assumptions

- 4.1. As mentioned in the previous section, various assumptions are needed for this valuation.
- 4.2. The principal assumptions are:
- The discount rate - this is based on the expected investment return from the Fund's assets.
  - Pension increases and deferred revaluation - these are set by the Pension Increase Order which is laid by the Government each year and expected to be linked to the Consumer Prices Index. Benefits earned by active members after 1 April 2014 will also be linked to the Pension Increase Order.
  - Salary increases - active members' benefits for service before 31 March 2014 will continue to be linked to their final salary.

- Current and future rates of mortality - over the last decade life expectancies have increased more quickly than most predictions so it is important that any assumptions made are as accurate as possible.

4.3. The assumptions used for this valuation are based on the expected long-term cost of providing the benefits and we believe that these are suitable for setting the contribution amounts from employers. If an employer leaves the Fund, a different set of assumptions may apply to allow for the crystallisation of their funding obligations. Note that the funding assumptions are also not the same as those that would be used for statutory accounting purposes in employers' accounts.

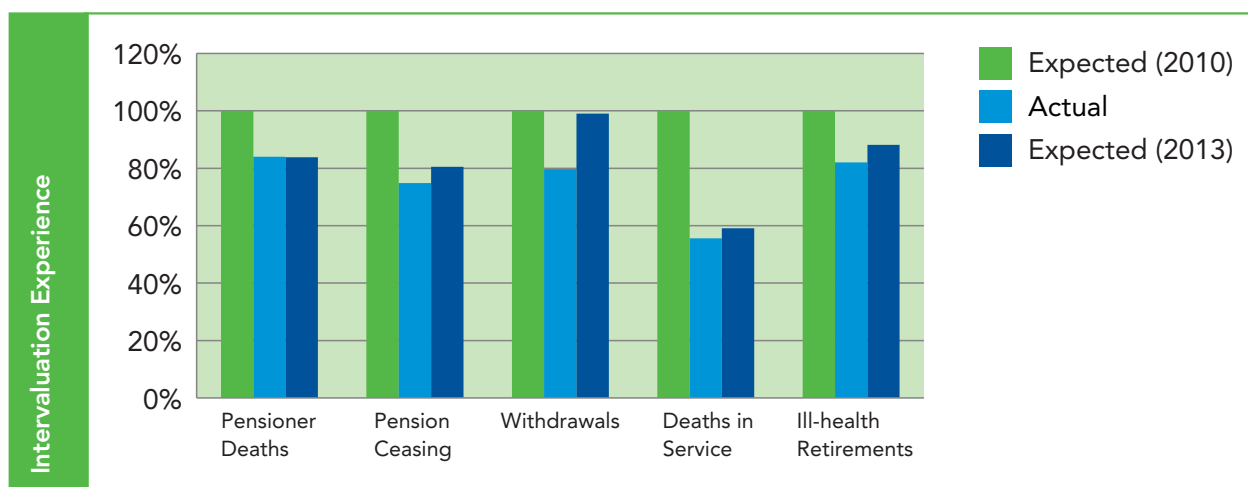
4.4. The assumptions and the rationale for them were discussed in our paper to the Administering Authority of 12 September 2013. The final assumptions have been adopted following discussion with the Administering Authority and

are set out in Appendix 2. We confirm that we believe that these are appropriate for the purposes of this valuation.

4.5. A comparison of the actual financial experience with the assumptions adopted at the previous valuation is summarised below.

Intervaluation Experience		
	Actual	Expected
Investment Return	9.7% pa	6.8% pa
Pay Increases	* 1.7% pa	2.4% pa
Pension Increases	3.5% pa	3.0% pa
* includes short term overlay		

4.6. A comparison of the actual demographic experience of members of the Fund over the intervaluation period, with that assumed by the assumptions adopted at the last valuation in 2010 is shown in the graph below. The graph also shows how the assumptions adopted for this valuation would have compared with those adopted at 2010.





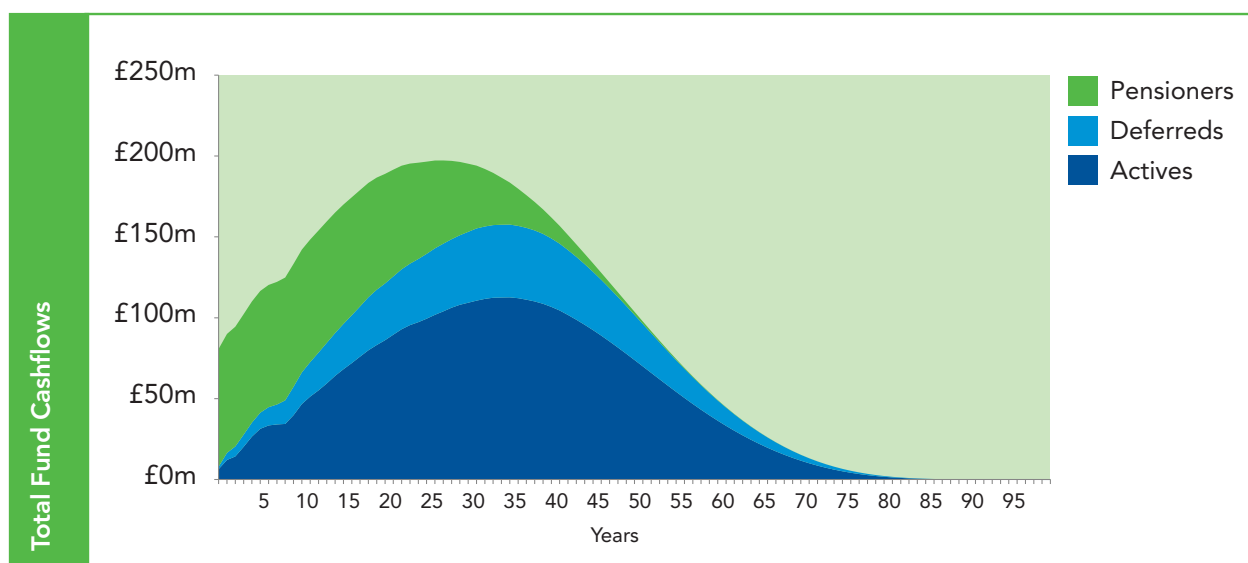
## 5. Valuation Results

### Previous Valuation

- 5.1. The last formal actuarial valuation of the Fund was carried out as at 31 March 2010 by Barnett Waddingham LLP and the results of that valuation were set out in the formal valuation report dated April 2011.
- 5.2. The results of the previous valuation indicated that the assets of the Fund represented 79% of the accrued liabilities of the Fund. The average employer contribution was calculated to be 18.5% of payroll which assumed that the past service funding level would be restored over a period of 25 years.

### Projected Cashflows

- 5.3. As mentioned above, the first stage is to project the expected cashflows in relation to past service, which can be charted as follows:



### Past Service Funding Position and Contribution Rates

- 5.4. The following table sets out the valuation results for the Fund as a whole. We show:
- The past service funding position
  - The required average ongoing employer contribution rate for future service benefits
  - The total employer contribution rate required to restore the funding position to 100% over the agreed 25 year period following the valuation date.

Past Service Funding Position	
31 March 2013	
£000's	
Asset Value	1,913,372
<b>Past Service Liabilities</b>	
Active Members	910,684
Deferred Members	360,746
Pensioner Members	1,055,136
<b>Total</b>	<b>2,326,566</b>
<b>Surplus/(Deficit)</b>	<b>(413,194)</b>
<b>Funding Level</b>	<b>82%</b>
<b>Contribution Rates</b>	<b>% of Pensionable Pay</b>
Future Service Cost	13.3%
Deficit Recovery over 25 years	5.3%
<b>Total</b>	<b>18.6%</b>

- 5.5. As we see, the funding level was 82% and the average required employer contribution to restore the funding position to 100% over the next 25 years is 18.6% of pensionable pay.
- 5.6. The contributions payable by each employer are set out in Appendices 4 and 5. These are either based on the employer's own membership and experience or they are the employer's share of the contributions payable within a pool of employers.

### Sensitivity Analysis

- 5.7. It is important to understand that these results indicate the expected cost of providing the benefits using the chosen method and assumptions. The actual cost of providing the benefits will depend on the future experience.
- 5.8. In order to illustrate this, a number of calculations have been carried out to highlight the sensitivity of the funding position to the assumptions adopted focusing on the assumptions to which the funding position is most sensitive, as shown below:

Assumption change	Effect on Deficit
Decreasing the discount rate by 0.5% per annum	Increased by £195m
Increasing the CPI assumption by 0.5% per annum	Increased by £165m
Increasing the long-term rate of salary increase by 0.5% per annum	Increased by £20m
From 1.5% to 1.75% per annum	Increased by £12m

### Projected Future Results

- 5.9. The progression of the funding level over time is influenced by a large number of factors including any changes in membership, the investment return achieved and the contributions paid.
- 5.10. We estimate that 3 years after the valuation date (i.e. at the next valuation) the funding position on the same basis will be 84%. This allows for contributions to be paid as certified and assumes that investment returns and other

experience over the next 3 years are in line with the assumptions described above.

### Neutral Estimate

- 5.11. We are also required to consider whether the assumptions used are neutral, that is "not deliberately either optimistic or pessimistic and does not incorporate adjustments to reflect the desired outcome".
- 5.12. Other than the discount rate, we consider all the assumptions used to be neutral.
- 5.13. We would consider a neutral discount rate to be 6.2% per annum rather than 6.0% per annum. The higher discount rate results from removing some prudence from the equity return assumption. As a consequence we expect that the future returns from the Fund's investment strategy will be higher than the valuation discount rate and so we believe that the contributions set for this valuation are more likely to be sufficient to meet the cost of providing the benefits than not.

### Valuation Reconciliation

- 5.14. The following table sets out the principal reasons for the change in the funding position since the last valuation:

Change in Past Service Position	£(000)	£(000)
<b>Surplus(Deficit) at 31 March 2010</b>		<b>(375,054)</b>
Benefits Accrued	(234,182)	
Early Retirements	(8,115)	
Contributions Paid	300,033	
<b>Deficit Funded (Use of Surplus)</b>	<b>57,736</b>	
Interest Cost	(75,626)	
Asset Gain/(Loss)	139,705	
Change in Market Conditions	(218,096)	
<b>Financial Gain/(Loss)</b>	<b>(154,017)</b>	
Salary Increases	18,430	
Pension Increases	(17,914)	
Membership Movements	8,982	
<b>Experience</b>	<b>9,497</b>	
<b>Change in Assumptions</b>	<b>48,644</b>	
<b>Surplus/(Deficit) at 31 March 2013</b>		<b>(413,194)</b>

- 5.15. As we can see, the main reason for the increase in the deficit is due to the change in assumptions and market conditions offset by the higher than expected investment returns.

## 6. Risk and Uncertainty

- 6.1. There are many factors that affect the financial position of the Fund, in particular:
- 6.2. Employer covenant risk – there is a risk to the Fund that any of the employing bodies may be unable to pay contributions or meet any cessation deficits as they fall due.
- 6.3. The Fund should monitor the strength of each employer in the Fund over time, so that any sudden changes in an employer's position can be mitigated.
- 6.4. Investment risk - allowance is made in the assumptions for the expected long-term performance of asset classes such as equities. There is a risk that these returns will not be achieved in practice which may result in further contributions being required. Further, the value of the Fund's assets may not move in line with the Fund's liabilities – mainly because the Fund invests in volatile assets whose value might fall or rise less than expected.
- 6.5. The sensitivity of the valuation results to changes in the investment return assumption is shown in 5.8 above. The Fund should regularly review the investment strategy to ensure the risks being taken are understood and that those risks are being appropriately managed.
- 6.6. Inflation - in projecting the expected future benefit payments, we make assumptions regarding future price inflation.
- 6.7. The sensitivity of the results to the choice of inflation assumptions is also shown above.
- 6.8. Mortality - it is not possible to predict with any certainty how long members of the Fund will live, and if members live longer than expected, additional contributions will be required and the Fund's funding position will deteriorate.
- 6.9. The sensitivity of the results to the choice of mortality assumptions is also shown above. The Fund should review their mortality assumptions at each valuation, taking into account all available evidence, to ensure they remain appropriate for the Fund.
- 6.10. Member options - certain benefit options may be exercised by members without the consent of the Fund or the Employer. For example, exchanging pension for cash at retirement or taking a transfer value. The value of the cash benefit is generally expected to be less than the value of the pension exchanged so the funding position would only deteriorate if fewer members than expected took this option. Individual transfer values can be higher or lower than the value of the

valuation liabilities, depending on the particular member and market conditions.

6.11. Legislative changes – there are a number of legislative risks to the Fund and the LGPS in general, including:

- All benefits relating to membership after 31 March 2014 will be linked to the individual's State Pension Age and the Chancellor of the Exchequer's Autumn 2013 Statement outlined plans to increase this for some individuals. This valuation is based on the current legislation so if these plans are enacted, some members will find the value of their future benefits reduced and this would be expected to reduce the cost of benefits.
- Contracting-out of the State Second Pension is due to end in 2016 and it is not yet clear what the effect on the LGPS will be.
- The potential effects of GMP equalisation between males and females, if implemented, are not yet known.
- As part of the changes to the LGPS from 1 April 2014, a cost control mechanism has been implemented so that if the future cost turns out to be higher or lower than expected when the reforms were made, a review of the benefits may be triggered.
- If the LGPS was to be discontinued in its current form it is not known what would happen to members' benefits.
- More generally, as a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the Government.

## Appendix 1

### Valuation Data

A1.1. A summary of the membership records submitted for the valuation is as follows.

Active Members			Actual Pensionable Pay		Average		This Valuation	
	Number		£ (000)		£		Average Age	Average Retirement Age
Full Time	2013	2010	2013	2010	2013	2010		
Males	4,567	5,126	125,274	138,245	27,430	26,969	46	64
Females	4,779	5,451	125,789	135,531	26,321	24,864	45	64
<b>Part Time</b>								
Males	1,432	1,414	15,363	14,458	10,728	10,225	48	65
Females	12,591	12,565	116,427	112,183	9,247	8,928	47	64
<b>Total</b>	<b>23,369</b>	<b>24,556</b>	<b>382,852</b>	<b>400,417</b>	<b>16,383</b>	<b>16,306</b>	<b>46</b>	<b>64</b>
			Actual Pensionable		Average		This Valuation	
	Number		£ (000)		£		Average Age	Average Retirement Age
Pensioners	2013	2010	2013	2010	2013	2010		
Males	6,293	5,608	45,043	35,877	7,158	6,397	72	n/a
Females	8,151	6,345	24,158	16,853	2,964	2,656	70	n/a
Dependants	2,301	2,081	6,466	4,156	2,810	1,997	73	n/a
<b>Total</b>	<b>16,745</b>	<b>14,034</b>	<b>75,667</b>	<b>56,886</b>	<b>4,519</b>	<b>4,053</b>	<b>71</b>	<b>n/a</b>
			Annual Pensions		Average		This Valuation	
	Number		£ (000)		£		Average Age	Average Retirement Age
Deferred Pensioners (including "undecideds")	2,013	2,010	2,013	2,010	2,013	2,010		
Males	6,482	5,662	9,907	8,012	1,528	1,415	44	63
Females	17,971	15,161	15,855	11,672	882	770	45	63
<b>Total</b>	<b>24,453</b>	<b>20,823</b>	<b>25,762</b>	<b>19,684</b>	<b>1,054</b>	<b>945</b>	<b>45</b>	<b>63</b>

#### Notes

- A1.2. The numbers relate to the number of records and so will include members in receipt of, or potentially in receipt of, more than one benefit.
- A1.3. Annual pensions are funded items only and include pension increases up to and including the 2013 Pension Increase Order.
- A1.4. Pensionable pay is actual earnings.

A1.5. A summary of the assets held by the Fund at the valuation date and the revenue account for the three years preceding the valuation date is as shown below.

<b>Revenue Accounts</b>					
	Year to	March 2013	March 2012	March 2011	TOTAL
		£ (000)	£ (000)	£ (000)	£ (000)
Expenditure	Retirement Pensions	70,789	64,587	58,538	193,914
	Retirement Lump Sums	17,615	19,194	18,178	54,987
	Death Benefits	2,090	1,944	1,773	5,807
	Leavers Benefits	4,654	5,276	9,062	18,992
	Expenses	1,443	1,248	1,402	4,093
	Other Expenditure	-	-	-	-
<b>Total Outgoings</b>		<b>96,591</b>	<b>92,249</b>	<b>88,953</b>	<b>277,793</b>
Income	Employees Contributions	24,535	24,956	26,471	75,962
	Employers Contributions	80,979	70,624	72,468	224,071
	Transfer Values	8,396	18,308	12,078	38,782
	Other Income	-	-	-	-
Investment Income		26,743	24,071	19,681	70,495
<b>Total Income</b>		<b>140,653</b>	<b>137,959</b>	<b>130,698</b>	<b>409,310</b>
New money for investment		17,319	21,639	22,064	61,022
<b>Fund Value</b>					
Assets at Start of Year		1,656,615	1,559,400	1,411,866	1,411,866
Cashflow		44,062	45,710	41,745	131,517
Change in Value		235,173	51,505	105,789	392,467
Assets at End of Year		1,935,850	1,656,615	1,559,400	1,935,850
<b>Annual Returns</b>					
Approx Rate of Return (per annum)		15.7%	4.8%	8.8%	9.7%



## Appendix 2

### Actuarial Assumptions

A2.1. A summary of the assumptions adopted in the valuation is as set out below:

Future Assumed Returns at 2013	% p.a.	Risk Adjusted Discount Rate Weighting %
Equities	7.2	55
Gilts	3.3	10
Bonds	3.9	10
Property	6.2	25
Expense allowance	0.1	-
Financial Assumptions	2013	2010
Discount Rate	6.0% per annum (as above)	6.8% per annum
Retail Price Inflation (RPI)	3.5% per annum (20 year point on the BoE Inflation Curve)	3.5% per annum
Consumer Price Inflation (CPI)	2.7% per annum (RPI less 0.8%)	3.0% per annum
Pension and Deferred Pension Increases	2.7% per annum (RPI less 0.8%)	3.0% per annum
Short Term Pay Increases	In line with the CPI assumption for the 2 years to 31 March 2015	Pay freeze for those earning over £21k for the 2 years to 31 March 2012
Long Term Pay Increases	4.2% per annum (CPI plus 1.5% per annum)	4.7% per annum
Statistical Assumptions	2013	2010
<b>Post Retirement Mortality</b>		
Current Mortality	S1PA tables	90% of the S1PA Heavy tables
Mortality Projection	2012 CMI Model with a long term rate of improvement of 1.5% per annum	CMI Medium Cohort with a 1% per annum underpin
Retirement Ages	Each member retires at their weighted average "tranche retirement age", i.e. for each tranche of benefit, the earliest age they could retire with unreduced benefits	For each tranche of benefit, active members retire 1 year later than entitled to retire and receive unreduced benefits. Deferred members retire at the earliest age they can receive unreduced benefits

Statistical Assumptions	2013	2010
	If the member is over this retirement age, then it is assumed they will retire at their oldest tranche retirement age. If over the oldest tranche retirement age, the member is assumed to have a 1/3 chance of retiring in each of the next 3 years, and it is assumed all members will be retired by age 75.	Active and deferred members over these respective ages are assumed to retire immediately.
Proportion Married	There is an 80%/70% chance that male/female members will, at retirement or earlier death, have a dependant who is eligible for death benefits.	90% of members are assumed to be married or have an eligible dependant at retirement or earlier death.
Partner Age Difference	Males are 3 years older than their spouse and Females are 3 years younger than their spouse.	Males are 3 years older than their spouse and Females are 3 years younger than their spouse.
Ill-health Tiers	50% of ill-health retirements will be eligible for benefits based on full prospective service and 50% will qualify for a service enhancement of 25% of prospective service.	50% of ill-health retirements will be eligible for benefits based on full prospective service and 50% will qualify for a service enhancement of 25% of prospective service.
Commutation	It is assumed that members at retirement will commute pension to provide a lump sum of 50% of the maximum allowed under HMRC rules and this will be at a rate of £12 lump sum of £1 of pension.	It is assumed that members at retirement will commute pension to provide a lump sum of 50% of the maximum allowed under HMRC rules and this will be at a rate of £12 lump sum of £1 of pension.
50/50 Scheme Allowance	It is assumed that 10% of active members will opt to pay 50% of contributions for 50% of benefits under the new scheme.	n/a
Other Statistical Assumptions	Same as used by Government Actuary's Department when LGPS reforms were designed and based on analysis of incidence of death, retirement and withdrawal for Local Authority Funds.  Sample rates shown below.	Based on our analysis of the incidence of pre-retirement death, retirement and withdrawal of our Local Authority client funds.

Incidence per 1000 active members per annum								
	Death		Ill Health Retirement		Withdrawal		Salary Scales	
Age	Males	Females	Males	Females	Males	Females	Males	Females
25	0.10	0.10	0.10	0.10	122.00	144.50	100	100
30	0.20	0.10	0.20	0.10	104.40	122.40	102	101
35	0.30	0.20	0.30	0.30	89.40	103.60	111	105
40	0.50	0.30	0.60	0.50	76.50	87.70	117	108
45	0.80	0.50	1.10	0.80	65.50	74.30	121	110
50	1.30	0.80	2.20	1.60	56.00	62.90	124	110
55	2.10	1.30	4.10	2.90	48.00	53.30	127	110
60	3.40	2.00	7.80	5.30	41.00	45.10	127	110
65	5.40	3.00	14.80	9.80	35.10	38.20	127	110

Employer Membership Data		Active Members			Deferred Members			Pensioner Members		
Code	Employer	No.	Actual Pay £000's	Average Age	No.	Deferred Pensions £000's	Average Age	No.	Pensions in Payment £000's	Average Age
800	Bournemouth Transport	10	206	56	30	80	57	210	1,228	72
801	Bournemouth International Airport	-	-	-	11	48	57	40	175	75
802	Quality Care Commission	-	-	-	6	24	51	13	130	64
803	Interclean	-	-	-	-	-	-	2	see note (1)	see note (1)
804	DC Leisure	18	202	49	26	12	41	3	see note (1)	see note (1)
805	Spectrum Housing Group	13	421	44	4	see note (1)	see note (1)	10	226	62
806	Signpost Care Partnership	2	see note (1)	see note (1)	3	see note (1)	see note (1)	2	see note (1)	see note (1)
807	Signpost Services	9	341	51	5	see note (1)	see note (1)	5	see note (1)	see note (1)
808	West Moors Parish Council	2	see note (1)	see note (1)	1	see note (1)	see note (1)	-	-	-
809	Churchill Contract Services	1	see note (1)	see note (1)	1	see note (1)	see note (1)	-	-	-
810	Crown Leisure	-	-	-	4	see note (1)	see note (1)	1	see note (1)	see note (1)
811	Alderholt Parish Council	2	see note (1)	see note (1)	-	-	-	-	-	-
812	Specialist Fleet Services	-	-	-	2	see note (1)	see note (1)	1	see note (1)	see note (1)
813	Care UK Ltd	51	597	53	33	25	44	17	30	65
814	Lytchett Minster School	52	659	47	23	10	42	9	13	66
815	SLM Food & Beverage (Poole)	1	see note (1)	see note (1)	2	see note (1)	see note (1)	1	see note (1)	see note (1)
816	SLM Fitness & Health (Poole)	1	see note (1)	see note (1)	-	-	-	-	-	-
817	SLM Community & Leisure Ltd (Poole)	29	444	44	26	27	35	2	see note (1)	see note (1)
818	Dorset Lighting	1	see note (1)	see note (1)	1	see note (1)	see note (1)	-	-	-
819	Wool Parish Council	1	see note (1)	see note (1)	-	-	-	-	-	-
820	Weyco Services	9	130	44	8	2	38	1	see note (1)	see note (1)
821	Openwide International Ltd	-	-	-	1	see note (1)	see note (1)	-	-	-
822	Gamegrid Ltd	-	-	-	1	see note (1)	see note (1)	-	-	-
824	Chickerell Town Council	2	see note (1)	see note (1)	-	-	-	-	-	-
825	Mack Trading	4	see note (1)	see note (1)	3	see note (1)	see note (1)	-	-	-

Employer Membership Data		Active Members			Deferred Members			Pensioner Members		
Code	Employer	No.	Actual Pay £000's	Average Age	No.	Deferred Pensions £000's	Average Age	No.	Pensions in Payment £000's	Average Age
826	SLM Community & Leisure (Weymouth)	7	136	45	5	see note (1)	see note (1)	1	see note (1)	see note (1)
827	SLM Fitness & Health (Weymouth)	1	see note (1)	see note (1)	1	see note (1)	see note (1)	-	-	-
828	South Dorset Community Sports Trust	2	see note (1)	see note (1)	2	see note (1)	see note (1)	-	-	-
829	Churchill Contract Services (Poole)	-	-	-	1	see note (1)	see note (1)	2	see note (1)	see note (1)
831	West Parley Parish Council	1	see note (1)	see note (1)	1	see note (1)	see note (1)	-	-	-
832	Portland Museum Trust	-	-	-	2	see note (1)	see note (1)	-	-	-
833	Churchill Contract Services (Bearwood)	-	-	-	3	see note (1)	see note (1)	1	see note (1)	see note (1)
834	A P Chant	2	see note (1)	see note (1)	1	see note (1)	see note (1)	-	-	-
835	Sequal Solutions	-	-	-	12	10	40	-	-	-
836	Healthy Living Wessex	1	see note (1)	see note (1)	4	see note (1)	see note (1)	-	-	-
837	Care Quality Commission	1	see note (1)	see note (1)	-	-	-	-	-	-
839	Churchill Contract Services (Canford Health)	-	-	-	1	see note (1)	see note (1)	-	-	-
840	BH Live	209	3,362	45	64	126	37	12	76	65
841	Churchill Cleaning	1	see note (1)	see note (1)	1	see note (1)	see note (1)	-	-	-
842	St Aldhelms Academy	43	741	46	16	24	43	1	see note (1)	see note (1)
843	Bourne Academy	43	720	41	23	24	41	2	see note (1)	see note (1)
844	Bishop of Winchester	53	683	46	10	23	42	2	see note (1)	see note (1)
845	East Lulworth Parish Council	1	see note (1)	see note (1)	-	-	-	-	-	-
846	Mouchel	254	5,803	47	45	182	42	29	150	63
847	SLM (Blandford Leisure Centre)	19	271	40	2	see note (1)	see note (1)	-	-	-
848	Twynham School	100	1,102	49	28	14	42	1	see note (1)	see note (1)
850	Parkstone Grammar School	55	700	48	11	1	35	2	see note (1)	see note (1)
851	Thomas Hardye School	146	1,522	45	18	4	39	6	23	64
852	Corfe Hills School	82	932	48	18	17	41	7	17	64
853	Addaction	-	-	-	-	-	-	1	see note (1)	see note (1)

Employer Membership Data		Active Members			Deferred Members			Pensioner Members		
Code	Employer	No.	Actual Pay £000's	Average Age	No.	Deferred Pensions £000's	Average Age	No.	Pensions in Payment £000's	Average Age
854	West Lulworth Parish Council	1	see note (1)	see note (1)	-	-	-	-	-	-
855	Milborne St Andrew Parish Council	1	see note (1)	see note (1)	1	see note (1)	see note (1)	-	-	-
856	Pokesdown Community School	50	383	47	23	17	46	-	-	-
857	Malmesbury Park School	73	562	49	25	17	43	2	see note (1)	see note (1)
858	Kinson Primary School	45	343	46	11	2	41	2	see note (1)	see note (1)
859	St Peters School	86	997	49	10	6	41	5	see note (1)	see note (1)
860	Bournemouth School for Boys	41	561	50	6	6	46	-	-	-
861	Montacute Grammar School	53	567	48	7	11	39	-	-	-
862	Poole Grammar School	57	604	48	10	2	37	2	see note (1)	see note (1)
863	Highcliffe Academy	56	714	45	12	13	45	3	see note (1)	see note (1)
864	Poole & Bournemouth Adult Learning	27	660	52	12	15	44	3	see note (1)	see note (1)
865	Action for Children	3	see note (1)	see note (1)	5	see note (1)	see note (1)	-	-	-
866	Harewood College	47	751	45	9	7	43	1	see note (1)	see note (1)
867	Bournemouth School for Girls	51	671	51	6	2	34	1	see note (1)	see note (1)
868	Abilities	3	see note (1)	see note (1)	-	-	-	-	-	-
869	Dorchester Middle School	59	459	45	3	see note (1)	see note (1)	-	-	-
870	St Mary's Middle School	31	217	48	4	see note (1)	see note (1)	1	see note (1)	see note (1)
871	St Osmund's Middle School	46	378	46	7	5	46	-	-	-
872	St Michael's Primary School	59	477	41	15	6	33	3	see note (1)	see note (1)
873	Avonbourne School	63	707	47	11	4	41	1	see note (1)	see note (1)
874	1610 Ltd	29	255	42	4	see note (1)	see note (1)	-	-	-
875	Epiphany Academy	44	301	49	3	see note (1)	see note (1)	-	-	-
876	Tregonwell Academy	57	713	41	11	3	33	2	see note (1)	see note (1)
877	Wey Valley Academy	75	893	48	2	see note (1)	see note (1)	-	-	-

Employer Membership Data		Active Members			Deferred Members			Pensioner Members		
Code	Employer	No.	Actual Pay £000's	Average Age	No.	Deferred Pensions £000's	Average Age	No.	Pensions in Payment £000's	Average Age
878	Gryphon School	106	1,456	46	4	see note (1)	see note (1)	1	see note (1)	see note (1)
879	AQS Homecare	10	99	57	-	-	-	2	see note (1)	see note (1)
880	IPACA Academy	135	1,348	48	9	5	48	-	-	-
881	Stourfield Infant Academy Trust	28	233	46	-	-	-	-	-	-
882	Wyvern School	81	982	41	11	2	27	1	see note (1)	see note (1)
883	Queens Park Junior School	30	276	46	5	see note (1)	see note (1)	-	-	-
884	Churchills Cell Police	1	see note (1)	see note (1)	-	-	-	-	-	-
885	Chickerell Primary School	50	319	44	-	-	-	-	-	-
886	Elmrise Primary School	28	241	49	1	see note (1)	see note (1)	-	-	-
887	Oakmead Academy LeAF	66	1,087	40	2	see note (1)	see note (1)	-	-	-
888	The Studio Academy	12	264	29	-	-	-	-	-	-
890	New Police	1,064	24,798	45	6	9	38	-	-	-
892	Blue Ribbon Facilities	1	see note (1)	see note (1)	-	-	-	-	-	-
893	Pokesdown Academy	1	see note (1)	see note (1)	-	-	-	-	-	-
900	Bournemouth Borough Council	3,048	56,861	46	4,027	4,780	45	2,884	13,413	71
901	Christchurch Borough Council	186	3,976	47	220	421	45	264	1,756	73
902	North Dorset District Council	128	3,215	48	211	296	43	196	1,195	73
903	Borough of Poole Council	3,001	48,467	47	3,148	3,613	45	1,910	8,709	70
904	Purbeck District Council	134	3,080	48	145	222	46	161	1,096	71
905	West Dorset District Council	89	1,545	43	400	634	44	427	2,677	73
906	Weymouth and Portland Borough Council	593	13,658	45	397	809	45	514	3,273	73
907	East Dorset District Council	237	5,173	47	274	499	43	263	1,489	73
908	Bournemouth Health	-	-	-	-	-	-	2	see note (1)	see note (1)
909	Bournemouth Motor Tax ( DVLA )	-	-	-	-	-	-	3	see note (1)	see note (1)
910	Blandford Town Council	12	201	45	11	18	48	11	17	73

Employer Membership Data		Active Members			Deferred Members			Pensioner Members		
Code	Employer	No.	Actual Pay £000's	Average Age	No.	Deferred Pensions £000's	Average Age	No.	Pensions in Payment £000's	Average Age
911	Bridport Town Council	12	243	52	5	see note (1)	see note (1)	6	16	79
912	Dorchester Town Council	20	351	50	11	14	47	21	56	75
913	Lyme Regis Town Council	8	139	52	6	14	46	15	73	75
914	Portland Town Council	2	see note (1)	see note (1)	1	see note (1)	see note (1)	1	see note (1)	see note (1)
915	Shaftesbury Town Council	8	153	52	12	11	43	1	see note (1)	see note (1)
916	Sherborne Town Council	11	203	52	9	22	50	21	68	72
917	Swanage Town Council	26	480	55	35	34	48	43	153	71
918	Wareham Town Council	5	see note (1)	see note (1)	4	see note (1)	see note (1)	5	see note (1)	see note (1)
919	Wimborne Minster Town Council	1	see note (1)	see note (1)	1	see note (1)	see note (1)	2	see note (1)	see note (1)
920	Gillingham Town Council	5	see note (1)	see note (1)	5	see note (1)	see note (1)	3	see note (1)	see note (1)
922	Bournemouth University	757	20,453	43	777	1,206	44	323	1,133	68
923	Bournemouth School	-	-	-	26	14	47	18	43	68
924	Woodroffe School	42	611	48	51	25	48	27	64	70
925	Age Concern Bournemouth	2	see note (1)	see note (1)	2	see note (1)	see note (1)	2	see note (1)	see note (1)
926	Corfe Mullen Parish Council	6	100	51	5	see note (1)	see note (1)	-	-	-
927	Poole High School	103	978	45	86	28	38	10	21	69
928	St Walburgas R.C. Primary School	-	-	-	5	see note (1)	see note (1)	5	see note (1)	see note (1)
929	Bradpole Parish Council	-	-	-	1	see note (1)	see note (1)	-	-	-
930	Budmouth Technology College	111	1,226	49	81	40	44	15	27	68
931	Sturminster Newton Parish Council	-	-	-	-	-	-	2	see note (1)	see note (1)
932	Ferndown Town Council	4	see note (1)	see note (1)	1	see note (1)	see note (1)	4	see note (1)	see note (1)
933	Raglan Housing Association	4	see note (1)	see note (1)	24	90	50	22	294	70
934	Lytchett Minster Town Council	4	see note (1)	see note (1)	-	-	-	1	see note (1)	see note (1)
935	Parkstone Grammar School	-	-	-	36	7	41	13	27	68
936	Avonbourne School	-	-	-	53	31	47	17	28	67
937	Colehill Parish Council	1	see note (1)	see note (1)	1	see note (1)	see note (1)	1	see note (1)	see note (1)



Employer Membership Data		Active Members			Deferred Members			Pensioner Members		
Code	Employer	No.	Actual Pay £000's	Average Age	No.	Deferred Pensions £000's	Average Age	No.	Pensions in Payment £000's	Average Age
938	Bournemouth School for Girls	-	-	-	45	5	45	13	63	66
939	Highcliffe Comprehensive School	-	-	-	28	10	46	17	27	66
940	Dorset Valuation	-	-	-	-	-	-	1	see note (1)	see note (1)
941	Arts University College at Bournemouth	150	3,866	42	152	181	41	36	172	65
942	Bournemouth & Poole College of Further Education	381	6,622	45	575	654	44	271	1,020	66
943	Kingston Maurward College	147	2,081	45	126	124	45	51	134	68
944	Weymouth College	190	3,351	43	328	361	45	130	425	67
945	Dorset Police & Crime Commissioner	3	see note (1)	see note (1)	567	930	44	434	1,960	68
946	St Peters School	-	-	-	39	18	48	24	51	67
947	Poole Grammer School	-	-	-	62	15	46	21	32	66
948	Dorset Association of Town and Parish Councils	3	see note (1)	see note (1)	1	see note (1)	see note (1)	4	see note (1)	see note (1)
949	Signpost Housing Association	1	see note (1)	see note (1)	29	84	49	43	140	69
950	Wessex Water	-	-	-	-	-	-	6	35	75
951	Poole Harbour Commissioners	-	-	-	1	see note (1)	see note (1)	9	81	84
952	Dorset County Museum	8	130	43	9	19	49	13	27	69
953	Weymouth Port Health Authority	8	82	53	-	-	-	14	11	77
954	East Dorset Housing Association	-	-	-	38	100	47	41	243	70
955	Wimborne Cemetery	1	see note (1)	see note (1)	-	-	-	-	-	-
956	Dorchester Joint Burial Committee	-	-	-	1	see note (1)	see note (1)	1	see note (1)	see note (1)
957	Sovereign Housing Association	7	220	54	36	135	50	33	205	67
958	Care South	110	1,658	52	458	347	47	286	728	69
959	Magna Housing Association	128	2,921	46	210	376	49	159	727	69
960	Dorset Magistrates' Courts Committee	-	-	-	57	173	49	101	644	75
961	Ansbury	55	1,392	45	120	307	43	55	379	63
962	Stalbridge Primary School	1	see note (1)	see note (1)	7	3	48	1	see note (1)	see note (1)

Employer Membership Data		Active Members			Deferred Members			Pensioner Members		
Code	Employer	No.	Actual Pay £000's	Average Age	No.	Deferred Pensions £000's	Average Age	No.	Pensions in Payment £000's	Average Age
963	Beaucroft School	-	-	-	19	11	47	9	24	66
964	Montacute School	-	-	-	46	25	39	16	42	68
965	Dorset Probation Trust	215	5,041	47	158	272	47	256	1,574	71
967	St Andrews Fontmell Magna School	-	-	-	2	see note (1)	see note (1)	1	see note (1)	see note (1)
968	Westfield School	90	1,049	48	68	24	44	11	16	63
969	Bicknell School	-	-	-	25	15	49	7	35	66
970	Anglo-European College of Chiropractic	35	580	48	20	29	50	17	30	68
971	Bournemouth Citizens Advice Bureau	-	-	-	5	see note (1)	see note (1)	4	see note (1)	see note (1)
972	Highcliffe St Marks Primary	-	-	-	16	3	50	2	see note (1)	see note (1)
973	Corfe Hills School	-	-	-	60	30	47	25	23	66
974	Shillingstone Primary School	12	93	49	12	5	49	4	see note (1)	see note (1)
976	Dorset Fire Authority	160	3,833	47	59	111	44	56	328	67
977	Wareham Joint Burial Committee	1	see note (1)	see note (1)	-	-	-	1	see note (1)	see note (1)
979	Wareham St Martin Parish Church	1	see note (1)	see note (1)	-	-	-	-	-	-
981	Weymouth and Portland Housing	-	-	-	39	115	49	46	266	66
982	Magna Housing Group	20	812	51	20	64	48	21	152	61
983	Verwood Town Council	2	see note (1)	see note (1)	-	-	-	-	-	-
984	Municipal Hire Services	-	-	-	1	see note (1)	see note (1)	-	-	-
985	Dorset Community Action	5	see note (1)	see note (1)	24	39	54	21	48	68
987	Links4Learning	-	-	-	1	see note (1)	see note (1)	1	see note (1)	see note (1)
988	Bridport Museum Trust	1	see note (1)	see note (1)	-	-	-	-	-	-
989	Golf for All	-	-	-	1	see note (1)	see note (1)	-	-	-
991	Dorset Health	-	-	-	-	-	-	5	see note (1)	see note (1)
992	Dorset Motor Tax	-	-	-	-	-	-	1	see note (1)	see note (1)
993	Dorset County Council	9,000	120,668	47	9,087	5,949	45	3,655	14,528	66

Employer Membership Data		Active Members			Deferred Members			Pensioner Members		
Code	Employer	No.	Actual Pay £000's	Average Age	No.	Deferred Pensions £000's	Average Age	No.	Pensions in Payment £000's	Average Age
994	Sherborne YR Centre	-	-	-	1	see note (1)	see note (1)	-	-	-
995	Lyme Arts Community Trust	-	-	-	-	-	-	1	see note (1)	see note (1)
996	Poole Housing Partnership	100	2,531	46	59	86	42	35	193	66
997	Purbeck Housing Trust	-	-	-	9	38	48	14	56	64
998	Synergy Housing Group	74	2,061	48	26	137	45	14	155	59
990	Dorset Pre-Organisation	1	see note (1)	see note (1)	1,038	1,087	54	3,131	12,997	79
999	Unknown	-	-	-	2	see note (1)	see note (1)	-	-	-
	<b>Totals</b>	<b>23,369</b>	<b>382,852</b>	<b>46</b>	<b>24,453</b>	<b>25,762</b>	<b>45</b>	<b>16,745</b>	<b>75,667</b>	<b>71</b>

### Notes

(1) Where employers have fewer than 5 members in any category the membership details have been omitted for privacy reasons.

## Appendix 4

### Rates and Adjustment Certificate

- A4.1. The Common Rate of Contribution as defined by Regulation 36 for the period 1 April 2014 to 31 March 2017 is 18.6% of pensionable payroll.
- A4.2. However, each employer pays contributions based on their particular circumstances and so individual adjustments are made. These give the following minimum total contributions as set out below.

Code	Employer	Employer contributions due as a % of salary for the year beginning			Additional employer contributions due as monetary amounts in the year beginning		
		01-Apr-14	01-Apr-15	01-Apr-16	01-Apr-14	01-Apr-15	01-Apr-16
<b>Dorset County Council</b>							
993	Dorset County Council	13.90%	13.90%	13.90%	£7,963,000	£8,297,000	£8,650,000
930	Budmouth Technology College	21.00%	21.00%	21.00%			
968	Westfield School	21.00%	21.00%	21.00%			
814	Lytchett Minster School	21.00%	21.00%	21.00%			
924	Woodroffe School	21.00%	21.00%	21.00%			
974	Shillingstone Primary School	21.00%	21.00%	21.00%			
962	Stalbridge Primary School	21.00%	21.00%	21.00%			
<b>Borough of Poole</b>							
903	Borough of Poole Council	13.60%	13.60%	13.60%	£2,388,000	£2,490,000	£2,592,000
927	Poole High School	18.90%	18.90%	18.90%			
<b>Bournemouth Borough Council</b>							
900	Bournemouth Borough Council	13.20%	13.20%	13.20%	£2,945,000	£3,581,000	£4,264,000
857	Malmesbury Park School	21.60%	21.60%	21.60%			
872	St Michael's Primary School	21.60%	21.60%	21.60%			
856	Pokesdown Community School	21.60%	21.60%	21.60%			
858	Kinson Primary School	21.60%	21.60%	21.60%			
907	East Dorset District Council	14.10%	14.10%	14.10%	£274,000	£285,000	£298,000
901	Christchurch Borough Council	13.60%	13.60%	13.60%	£278,000	£287,000	£305,000
904	Purbeck District Council	14.30%	14.30%	14.30%	£226,000	£236,000	£245,000
902	North Dorset District Council	14.80%	14.80%	14.80%	£137,000	£143,000	£150,000
905	West Dorset District Council (Non-Actives)	12.00%	12.00%	12.00%	£342,000	£356,000	£371,000
906	Weymouth and Portland Borough Council (Non-Actives)	12.40%	12.40%	12.40%	£548,000	£567,000	£595,000
	West Dorset District Council & Weymouth and Portland Borough Council - Actives Section	12.30%	12.30%	12.30%			
890	Dorset Police and Crime Commissioners	12.40%	12.40%	12.40%	£270,000	£280,000	£300,000
976	Dorset Fire Authority	13.20%	13.20%	13.20%	£126,000	£132,000	£137,000

Code	Employer	Employer contributions due as a % of salary for the year beginning			Additional employer contributions due as monetary amounts in the year beginning		
		01-Apr-14	01-Apr-15	01-Apr-16	01-Apr-14	01-Apr-15	01-Apr-16
<b>Colleges</b>							
922	Bournemouth University	12.00%	12.00%	12.00%	£470,000	£490,000	£511,000
942	Bournemouth & Poole College of Further Education	12.30%	12.30%	12.30%	£298,000	£311,000	£324,000
941	Arts University College at Bournemouth	12.00%	12.00%	12.00%	£79,000	£83,000	£85,000
943	Kingston Maurward College	13.10%	13.10%	13.10%	£10,000	£11,000	£11,000
970	Anglo-European College of Chiropractics	15.50%	15.50%	15.50%			
820	Weyco Services	12.00%	12.00%	12.00%	£5,300	£5,500	£5,800
944	Weymouth College	12.00%	12.00%	12.00%	£137,000	£143,000	£149,000
<b>Admitted Bodies</b>							
809	Churchill Contract Services	22.20%	22.20%	22.20%			
841	Churchill Cleaning	22.20%	22.20%	22.20%			
884	Churchills Cell Police	22.20%	22.20%	22.20%			
804	DC Leisure/Places for People Leisure Ltd	13.70%	13.70%	13.70%			
837	Care Quality Commission	14.40%	14.40%	14.40%	£1,500	£1,500	£1,600
805,806,807,949	Signpost Group	12.20%	12.20%	12.20%	£161,600	£168,400	£175,700
815	SLM Food & Beverage (Poole)	12.00%	12.00%	12.00%	£400	£400	£500
816	SLM Fitness & Health (Poole)	12.00%	12.00%	12.00%	£400	£400	£500
817	SLM Community & Leisure Ltd (Poole)	12.00%	12.00%	12.00%	£12,000	£12,500	£13,000
826	SLM Community & Leisure (Weymouth)	12.00%	12.00%	12.00%	£500	£600	£600
827	SLM Fitness & Health (Weymouth)	12.00%	12.00%	12.00%	£100	£100	£100
847	SLM (Blandford Leisure Centre)	12.00%	12.00%	12.00%			
998	Synergy Housing Group	14.70%	14.70%	14.70%	£95,000	£99,000	£103,000
846	Mouchel	17.60%	17.60%	17.60%			
965	Dorset Probation Trust	18.00%	18.00%	18.00%			
840	BH Live	14.50%	14.50%	14.50%			
959	Magna Housing Association	13.30%	13.30%	13.30%	£181,000	£189,000	£197,000
982	Magna Housing Group	16.70%	16.70%	16.70%	£58,400	£60,900	£63,500
958	Care South	16.60%	16.60%	16.60%	£166,000	£173,000	£180,000
996	Poole Housing Partnership	12.50%	12.50%	12.50%			
961	Ansbury	12.40%	12.40%	12.40%	£60,000	£63,000	£66,000
813	Care UK Ltd	17.20%	17.20%	17.20%			
874	1610 Ltd	14.20%	14.20%	14.20%			
864	Poole & Bournemouth Adult Learning	16.20%	16.20%	16.20%	£28,400	£29,600	£30,800
800	Bournemouth Transport	24.30%	24.30%	24.30%	£256,000	£257,000	£257,000
879	AQS Homecare	22.20%	22.20%	22.20%			

Code	Employer	Employer contributions due as a % of salary for the year beginning			Additional employer contributions due as monetary amounts in the year beginning		
		01-Apr-14	01-Apr-15	01-Apr-16	01-Apr-14	01-Apr-15	01-Apr-16
957	Sovereign Housing Association	16.50%	16.50%	16.50%	£100,000	£105,000	£110,000
825	Mack Trading	14.00%	14.00%	14.00%	£280	£290	£310
933	Raglan Housing Association	15.30%	15.30%	15.30%	£98,000	£102,000	£106,000
865	Action for Children	17.40%	17.40%	17.40%			
868	Abilities	15.00%	15.00%	15.00%			
828	South Dorset Community Sports Trust	13.70%	13.70%	13.70%	£360	£380	£390
834	A P Chant	15.10%	15.10%	15.10%	£260	£270	£280
818	Dorset Lighting	28.00%	28.00%	28.00%			
836	Healthy Living Wessex	15.60%	15.60%	15.60%	£690	£720	£750
892	Blue Ribbon Facilities	12.00%	12.00%	12.00%			
<b>Small Admitted Bodies</b>							
925	Age Concern Bournemouth	14.40%	14.40%	14.40%	£500	£500	£500
948	Dorset Association of Town and Parish Councils	14.40%	14.40%	14.40%	£2,700	£2,800	£2,900
952	Dorset County Museum	14.40%	14.40%	14.40%	£6,800	£7,100	£7,300
953	Weymouth Port Health Authority	14.40%	14.40%	14.40%	£4,600	£4,800	£5,000
985	Dorset Community Action	14.40%	14.40%	14.40%	£3,700	£3,900	£4,100
988	Bridport Museum Trust	14.40%	14.40%	14.40%	£600	£700	£700
<b>Small Scheduled Bodies</b>							
808	West Moors Parish Council	16.50%	16.50%	16.50%	£1,500	£1,600	£1,700
811	Alderholt Parish	16.50%	16.50%	16.50%	£1,000	£1,100	£1,100
819	Wool Parish Council	16.50%	16.50%	16.50%	£400	£400	£400
824	Chickerell Town Council	16.50%	16.50%	16.50%	£1,000	£1,100	£1,200
831	West Parley Parish Council	16.50%	16.50%	16.50%	£400	£500	£500
845	East Lulworth Parish Council	16.50%	16.50%	16.50%	£100	£100	£100
854	West Lulworth Parish Council	16.50%	16.50%	16.50%	£100	£100	£100
855	Milborne St Andrew Parish Council	16.50%	16.50%	16.50%	£100	£100	£100
910	Blandford Town Council	16.50%	16.50%	16.50%	£9,300	£9,800	£10,100
911	Bridport Town Council	16.50%	16.50%	16.50%	£12,200	£12,700	£13,200
912	Dorchester Town Council	16.50%	16.50%	16.50%	£16,400	£17,000	£17,700
913	Lyme Regis Town Council	16.50%	16.50%	16.50%	£6,900	£7,200	£7,500
914	Portland Town Council	16.50%	16.50%	16.50%	£800	£900	£900
915	Shaftesbury Town Council	16.50%	16.50%	16.50%	£7,600	£8,000	£8,300
916	Sherborne Town Council	16.50%	16.50%	16.50%	£9,500	£9,800	£10,300
917	Swanage Town Council	16.50%	16.50%	16.50%	£22,300	£23,200	£24,300
918	Wareham Town Council	16.50%	16.50%	16.50%	£3,700	£3,800	£4,000
919	Wimborne Minster Town Council	16.50%	16.50%	16.50%	£900	£1,000	£1,100
920	Gillingham Town Council	16.50%	16.50%	16.50%	£5,400	£5,600	£5,800
926	Corfe Mullen Parish Council	16.50%	16.50%	16.50%	£4,600	£4,800	£5,100
929	Bradpole Parish Council	16.50%	16.50%	16.50%			
931	Sturminster Newton Parish Council	16.50%	16.50%	16.50%			

Code	Employer	Employer contributions due as a % of salary for the year beginning			Additional employer contributions due as monetary amounts in the year beginning		
		01-Apr-14	01-Apr-15	01-Apr-16	01-Apr-14	01-Apr-15	01-Apr-16
932	Ferndown Town Council	16.50%	16.50%	16.50%	£4,700	£4,900	£5,100
934	Lytchett Minster Town Council	16.50%	16.50%	16.50%	£2,700	£2,800	£2,900
937	Colehill Parish Council	16.50%	16.50%	16.50%	£600	£700	£800
955	Wimborne Cemetery	16.50%	16.50%	16.50%	£800	£800	£900
956	Dorchester Joint Burial Committee	16.50%	16.50%	16.50%			
977	Wareham Joint Burial Committee	16.50%	16.50%	16.50%	£300	£300	£300
979	Wareham St Martin Parish Church	16.50%	16.50%	16.50%	£400	£400	£400
983	Verwood Town Council	16.50%	16.50%	16.50%	£2,100	£2,100	£2,200
<b>Academies</b>							
842	St Aldhelms	17.40%	17.40%	17.40%	-	-	-
843	Bourne Academy	17.40%	17.40%	17.40%	-	-	-
844	Bishop of Winchester	17.40%	17.40%	17.40%	-	-	-
848	Twynham School	17.40%	17.40%	17.40%	-	-	-
850	Parkstone Grammar School	17.40%	17.40%	17.40%	-	-	-
851	Thomas Hardye School	17.40%	17.40%	17.40%	-	-	-
852	Corfe Hills School	17.40%	17.40%	17.40%	-	-	-
859	St Peters	17.40%	17.40%	17.40%	-	-	-
860	Bournemouth School for Boys	17.40%	17.40%	17.40%	-	-	-
861	Montacute Grammar School	17.40%	17.40%	17.40%	-	-	-
862	Poole Grammar	17.40%	17.40%	17.40%	-	-	-
863	Highcliffe Academy	17.40%	17.40%	17.40%	-	-	-
866	Harewood	17.40%	17.40%	17.40%	-	-	-
867	Bournemouth School for Girls	17.40%	17.40%	17.40%	-	-	-
869	Dorchester Middle School	17.40%	17.40%	17.40%	-	-	-
870	St Mary's Middle School	17.40%	17.40%	17.40%	-	-	-
871	St Osmund's Middle School	17.40%	17.40%	17.40%	-	-	-
873	Avonbourne School	17.40%	17.40%	17.40%	-	-	-
875	Epiphany Academy	17.40%	17.40%	17.40%	-	-	-
876	Tregonwell	17.40%	17.40%	17.40%	-	-	-
877	The Wey Valley	17.40%	17.40%	17.40%	-	-	-
878	Gryphon School	17.40%	17.40%	17.40%	-	-	-
880	IPACA Academy	17.40%	17.40%	17.40%	-	-	-
881	Stourfield Infant Academy Trust	17.40%	17.40%	17.40%	-	-	-
882	Wyvern School	17.40%	17.40%	17.40%	-	-	-
883	Queens Park Junior School	17.40%	17.40%	17.40%	-	-	-
885	Chickerell Primary School	17.40%	17.40%	17.40%	-	-	-
886	Elmrise Primary School	17.40%	17.40%	17.40%	-	-	-
887	Oakmead College of Technology	17.40%	17.40%	17.40%	-	-	-
888	The Studio Academy	17.40%	17.40%	17.40%	-	-	-
893	Pokesdown	17.40%	17.40%	17.40%	-	-	-



## Notes

- A4.3. Further sums should be paid to the Fund to meet the costs of any early retirements using methods and assumptions discussed with us.
- A4.4. The certified contribution rates represent the minimum level of contributions to be paid. Employers may pay further amounts at any time and future periodic contributions, or the timing of contributions, may be adjusted on a basis approved by us.
- A4.5. Contributions should be paid monthly in arrears on or before the 19th of the following calendar month, after which the Fund is entitled to charge interest on any contributions outstanding. Lump sum prepayments are permitted prior to this and an actuarial adjustment will be made to reflect the payment profile chosen.

## Projected New Benefits

- A4.6. The following table shows the amount of new pension and lump sum benefits (excluding early retirement benefits due to redundancy) projected to come into payment during the period 1 April 2014 to 31 March 2017.

Year to	Retirement Benefits £(000)
31 March 2015	14,481
31 March 2016	16,346
31 March 2017	22,641

## Appendix 5

### New Employers

A5.1. The below employers have joined the Fund since 31 March 2013 and their rates were certified at their date of joining and will continue as set out until 1 April 2017 when they will be assessed as part of the next formal valuation.

Code	Employer	Employer contributions due as a % of salary for the year beginning			Additional employer contributions due as monetary amounts in the year beginning	
		01-Apr-14	01-Apr-15	01-Apr-16	01-Apr-15	01-Apr-16
838	Queens Park Infant Academy	17.40%	17.40%	17.40%	-	-
893	Pokesdown Community School (Academy)	17.40%	17.40%	17.40%	-	-
401	Longspee Academy	17.40%	17.40%	17.40%	-	-
403	Magna Academy	17.40%	17.40%	17.40%	-	-
406	Parkfield School (Free School)	17.40%	17.40%	17.40%	-	-
410	Winton Arts and Media College (Academy)	17.40%	17.40%	17.40%	-	-
411	Glenmoor School (Academy)	17.40%	17.40%	17.40%	-	-
896	The Swanage School (Free School)	17.40%	17.40%	17.40%	-	-
404	Beaminster St Marys Academy	17.40%	17.40%	17.40%	-	-
405	Dunbury Academy	17.40%	17.40%	17.40%	-	-
412	The Jewel Academy	17.40%	17.40%	17.40%	-	-
414	Stanley Green Infants Academy	17.40%	17.40%	17.40%	-	-
894	The Quay Academy	17.40%	17.40%	17.40%	-	-
895	Carter Community Academy	17.40%	17.40%	17.40%	-	-
415	East Boro Housing Trust	18.30%	18.30%	18.30%	-	-
402	Wessex Education Shared Services Ltd (WESS)	23.70%	23.70%	23.70%	-	-
407	Barnardo's	16.50%	16.50%	16.50%	-	-
408	The Children's Society	14.90%	14.90%	14.90%	-	-
409	Churchills Purbeck	22.20%	22.20%	22.20%	-	-

#### Notes

- A5.2. Further sums should be paid to the Fund to meet the costs of any early retirements using methods and assumptions discussed with us.
- A5.3. The certified contribution rates represent the minimum level of contributions to be paid. Employers may pay further amounts at any time and future periodic contributions, or the timing of contributions, may be adjusted on a basis approved by us.
- A5.4. Contributions should be paid monthly in arrears on or before the 19th of the following calendar month, after which the Fund is entitled to charge interest on any contributions outstanding. Lump sum prepayments are permitted prior to this and an actuarial adjustment will be made to reflect the payment profile chosen.

## Appendix 6

### LGPS Benefits

The benefit changes from 1 April 2014 involve the formation of a new scheme, referred to below as LGPS 2014. Transitional regulations are applied so that the benefits in the previous LGPS 2008 scheme are maintained.

LGPS Benefits	LGPS 2014	LGPS 2008
<b>Type of Scheme</b>	Career Average Revalued Earnings (CARE)	Final Salary
<b>Pension Benefit Accrual</b>	1/49th	1/60th for service after 1 April 2008. Benefits for service before 31 March 2008 were based on 1/80th accrual and an automatic lump sum of 3/80ths.
<b>Revaluation</b>	Consumer Prices Index (CPI)	Based on Final Salary
<b>Lump Sum</b>	By commutation 12:1 up to a maximum of 25% of lifetime allowance	
<b>Pensionable Pay</b>	Pay <b>including</b> non-contractual overtime and additional hours for part time staff  Banded Contributions based on <b>actual</b> pensionable pay	Pay <b>excluding</b> non-contractual overtime and non-pensionable additional hours  Banded Contributions based on <b>full time equivalent</b> pensionable pay

#### Members contributions

Range	Gross Rate %	Range	Gross Rate %
Up to £13,500	5.50	Up to £13,700	5.50
£13,501 to £21,000	5.80	£13,701 to £16,100	5.80
£21,001 to £34,000	6.50	£16,101 to £20,800	5.90
£34,001 to £43,000	6.80	£20,801 to £34,700	6.50
£43,001 to £60,000	8.50	£34,701 to £46,500	6.80
£60,001 to £85,000	9.90	£46,501 to £87,100	7.20
£85,001 to £100,000	10.50	More than £87,100	7.50
£100,001 to £150,000	11.40		
More than £150,000	12.50		

<b>Contribution Flexibility</b>	<b>Not Available</b> Member can pay 50% contributions for 50% of the pension benefit
<b>Normal Pension Age</b>	<b>Age 65</b> Linked to individual member's State Pension Age (minimum age 65)
<b>Death in Service Lump Sum</b>	3 x Pensionable Pay
<b>Death in Service Survivor Benefits</b>	1/160th accrual based on potential service to <b>Normal Pension Age</b>
<b>Ill Health Provision</b>	Tier 1 - Immediate payment with service enhanced to <b>Normal Pension Age</b>
	Tier 2 - Immediate payment with 25% service enhancement to <b>Normal Pension Age</b>
	Tier 3 - Temporary payment of pension for up to 3 years
<b>Post Retirement Revaluation</b>	Pension Increase Orders Across

	LGPS 2014	LGPS 2008
Vesting Period	2 years	3 months
<b>Early Payment - Reduction to Benefits (Rule of 85)</b>	<p>For members of the LGPS on 30 September 2006, some or all of their benefits paid early could be protected from reduction under what is called the Rule of 85.</p> <p>The Rule of 85 is satisfied if their age at the date they draw their benefits plus their scheme membership (each in whole years) add up to 85 or more.</p> <p>If they <b>could not satisfy the Rule of 85 by the time they are 65</b>, then all of their benefits are reduced, if they choose to retire before age 65.</p> <p>If they <b>will be age 60 or over by 31 March 2016</b> and choose to retire before age 65, then <b>provided they satisfy the Rule of 85 when they start to draw their pension</b>, the benefits they build up to 31 March 2016 will not be reduced.</p> <p>If they <b>will be under age 60 by 31 March 2016</b> and choose to retire before age 65, then <b>provided they satisfy the Rule of 85 when they start to draw their pension</b>, the benefits they have built up to 31 March 2008 will not be reduced. Also, if they will be aged 60 between 1 April 2016 and 31 March 2020 and meet the Rule of 85 by 31 March 2020, some or all of the benefits that they have built up between 1 April 2008 and 31 March 2020 will not have a full reduction.</p>	

## Policy Documents

### Introduction

The Fund has a number of key strategy and policy documents and these are summarised on the following pages. The full versions of the documents are in Appendix A and also published on the Fund's website [www.yourpension.org.uk/Dorset/Home.aspx](http://www.yourpension.org.uk/Dorset/Home.aspx)

### Statement of Investment Principles

#### Introduction

Regulations made by the Secretary of State (The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009) under powers contained in Section 7 of the Superannuation Act 1972 revised the requirement for administering authorities to prepare, maintain and publish a Statement of Investment Principles (SIP) and consult with persons they deem appropriate when drawing up their statements.

### Compliance with the updated Myners Principles – Detailed Statement

#### Introduction

Since the original Myners Review in 2001 established ten principles of investment for defined benefit schemes, the Dorset County Pension Fund has carried out a self-assessment of their position and implemented arrangements in order to comply with these principles. The Annual Report & Accounts for 2008-09 reported full compliance.

In October 2008, the Government published their response to consultation on updating the Myners review and restructured the original principles into

six new high level principles, providing guidance on recommended best practice for applying the principles, and identifying tools to provide practical help and support to trustees and their advisers.

The primary basis for the revised principles and guidance was focused on private sector schemes and the Investment Governance Group – LGPS Sub-Group considered how these might be suitably adapted for local government pension funds.

### Communications Policy Statement

#### Introduction

Under regulations published by the Office of the Deputy Prime Minister in November 2005, each pension fund administering authority is required to prepare and publish a policy statement setting out its approach to communications with its stakeholders.

In addition to explaining our existing communication activities, it describes our performance standards in relation to communications, and sets out some of our future plans for improving the way we engage with our stakeholders.

### Governance Policy and Compliance Statement

#### Introduction

All Local Government Pension Scheme (LGPS) Funds in England and Wales are required to publish a Statement by 1 April 2006, under the LGPS (Amendment) (No. 2) Regulations 2005 which came into force on 14 December 2005.

The statement reflects the current governance position for the Fund and as such has been prepared by the administering authority in consultation with appropriate interested persons.

## Funding Strategy Statement

### Introduction

The Funding Strategy Statement has been prepared in accordance with Regulation 35 of the Local Government Pension Scheme (Administration) Regulations 2007.

It should be read in conjunction with the Fund's Statement of Investment Principles.

## Voting Issues Policy

Voting action is an integral part of being an active and responsible investor. The Fund's policy in this respect is reviewed, revised and published in the SIP.

## Committee Training Policy

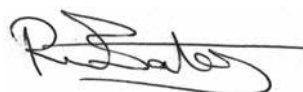
As an administering authority of the Local Government Pension Scheme, Dorset County Council has always recognised the importance of ensuring that all officers and members of the Pension Fund Committee charged with the financial management and decision making with regard to the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them. The Fund provides and arranges training for officers and members of the Pension Fund Committee to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

## Knowledge and Skills Policy Statement

Dorset County Pension Fund recognises the importance of ensuring that it has the necessary resources to discharge its pensions administration responsibilities and that all staff and members charged with the financial administration, governance and decision-making with regard to the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.

The Dorset County Pension Fund seeks to utilise individuals who are both capable and experienced and it will provide/arrange training for staff and members of the pensions decision-making and governance bodies to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

Training is arranged, monitored and reported to the Pension Fund Committee annually. Over the past twelve months, the Committee have had 6.5 days of full training made available and I can confirm that all members and staff of the Dorset County Pension Fund charged with the financial administration, governance and decision-making have the expertise, knowledge and skills to perform their duties effectively and training will be provided where required or needed.



Richard Bates  
Fund Administrator

# Statement of Investment Principles (SIP) – July 2016

## 1. The Statutory Requirements for a SIP

- Regulations made by the Secretary of State (The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009) under powers contained in Section 7 of the Superannuation Act 1972 revised the requirement for administering authorities to prepare, maintain and publish a SIP and consult with persons they deem appropriate when drawing up their statements. The revised statements must be published no later than 1 July, 2010. The regulations came into force on 1 January, 2010.
- A consultation on revised LGPS Investment Regulations was launched by the Government in 2015 as part of the wider structural reform of LGPS investments. It is likely that the revised regulations will come into force by 1 April 2017. It is also likely that these regulations will require Funds to produce an Investment Strategy Statement, which will effectively replace this document.
- The County Council have delegated all aspects of the management of the pension scheme to the Pension Fund Committee the minutes of which are reported to the County Council.
- This revised document was agreed by the Pension Fund Committee on 24 June 2015.

## 2. Committee Constitution

- The Pension Fund Committee is a Committee of the County Council which appoints five County Council members, with invitations to Bournemouth and Poole unitary authorities (one member each) and to the six Dorset district councils (one member in total). The scheme members are also represented on the Committee by one member, who is nominated by the Trade Unions.

## 3. Committee Responsibilities

- The Terms of Reference of the Pension Fund Committee are to exercise all functions of the Council as administering authority under the Local Government Superannuation Act and Regulations and to deal with all matter relating thereto. Such as:
  - Determining the overall investment strategy and strategic asset allocation of the Fund, and in doing so taking proper professional advice;
  - Overseeing the preparation of and regularly reviewing the Fund's key policy documents including the SIP, Funding Strategy Statement, Governance Policy and Compliance Statement, Business Plan and the Communications Strategy;
  - Appointing and reviewing the performance of all Fund Managers and other professional service providers;



- Reviewing all aspects of performance across the Pension Fund service;
- Deciding upon requests for admission of qualifying organisations wishing to join the Fund;
- Deciding upon key pension policy and discretions that are the responsibility of the Administering Authority;
- Ensuring that at all times that these responsibilities are discharged in the best interests of the Fund;
- Making appointments to the Pension Board of the Dorset County Pension Fund.

#### 4. Investment Policy

- The investment policy of the Pension Fund is intended to ensure that all statutory payments made from the fund are at the least possible cost to local taxpayers.
  - Investment returns are a key factor and achieving satisfactory returns will to a considerable degree reflect the risks taken. The Committee seeks to control risk, not eliminate it, and deals only with reputable service providers to minimise counterparty risk.
  - Consideration is given to the ongoing risks which may arise through a mismatch, over time, between assets of the Fund and its liabilities. These are looked at in greater detail within the Fund's Funding Strategy Statement. However, the major risks that the Fund has are the impact of Interest and Inflation Yields on the liabilities, which can lead to this mismatch.
- This was highlighted in a Strategic review of the Fund undertaken by JLT in June 2011. The Committee decided to begin a process to reduce the level of mismatch, but without significantly reducing the potential for return. As part of this review process a new strategic target allocation for the portfolio was agreed. This strategy was revised in 2014, and the new target allocation is shown below.
- Investment risk can be measured and managed in many other ways:
    - The absolute risk of a reduction in the value of assets through negative returns. Whilst this cannot be avoided entirely, it can be mitigated by positioning the assets of the Fund across a number of different types of assets and markets.
    - The risk of underperforming the benchmarks or relative risk. Our investment managers can, to a large extent, control relative risk by using statistical techniques to forecast how volatile their performance is likely to be relative to their benchmark or target. Each manager has a mandate specific benchmark and controls.
    - Different asset classes have different risk and return characteristics, e.g. equities. In setting the investment strategy, the Committee takes into account with the Fund actuary, the expected risks and returns of the various asset classes and the correlation between those returns to target or expected return within an acceptable level of risk.

- Other financially material risks such as corporate governance and environmental issues are required to be considered and managed by our investment managers in relation to all asset classes.
- The adoption of a asset allocation strategy and the detailed monitoring of performance and risks relative to the targets set, constrains the investment managers from deviating too far from the intended outcome, whilst at the same time allowing adequate flexibility to manage the portfolios in such a way as to enhance returns.
- Risks may also arise from a lack of suitable balance or diversification of the Fund's assets. The Committee believes that the asset allocation policy currently in place provides an appropriately diversified distribution of assets for this purpose.
- The key measure for the Fund will be the performance against its own unique benchmark which is derived from the asset allocation structure and the performance benchmarks set for each of the asset and manager categories. The strategic asset allocation of the Fund was revised at the Committee meeting in February 2014, with a target implementation date of 1 October 2014. This strategy was temporarily amended in September 2014 to reflect the concern over the Barings DGF mandate, and the decision to postpone the procurement of an additional DGF manager. The benchmark was amended again in March 2016 after the appointment of the new Global Equity managers, to equalise the target between UK and Global Equity

(including Emerging Markets). This is shown below:

Asset Class	Exposure
<b>Equities</b>	<b>%</b>
UK	26.25
Overseas (developed)	23.25
Emerging Markets	3.00
<b>Bonds</b>	
Corporate	12.50
Property	10.00
<b>Alternatives</b>	
Diversified Growth	5.00
Private Equity	4.00
Infrastructure	4.00
Liability Hedging Programme	12.00

**Note: There are flexibility bands of +/- 5% on UK and Overseas Equities, and +/- 2.5% on Bonds, Property and the Liability Hedging programme.**

- The Committee reviews asset allocation on at least a six monthly basis, and the individual manager's reports setting out activity and transactions are received quarterly.
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 set out certain restrictions to apply in managing investments including:
  - Not more than 10% of the Fund may be invested in unlisted company securities;
  - Not more than 10% to be invested in any one holding (excluding unit trusts, gilt edged stock and bank deposits);
  - Not more than 25% to be invested in unit trust schemes managed by one person, but not more than 10% in a single holding;

- Not more than 10% to be deposited with any one bank (excluding the National Savings Bank);
- Any loans, other than to the Government, may not exceed 10% of the Fund;
- Not more than 25% to be invested in insurance contracts;
- Not more than 25% of all securities to be transferred (or agreed to be transferred) by the Fund under stock lending arrangements;
- Not more than 15% in all sub-underwriting contracts, and not more than 1% in any single sub-underwriting contract;
- Not more than 8% invested in all partnerships, and not more than 5% in any single partnership.

Flexibility is given around some of these limits, under the Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 2003. On 26 June 2014 were recommended to make use of the headroom allowed for unlisted securities. The limit for all unlisted securities will now be 15%. The regulations require that the following information be included in the SIP:

Requirement	Statement
Take proper advice	From Fund Administrator, Independent Adviser and Legal Advisers
The description of investment to which it applies	Unlisted securities
The limit on the amount	Increase limit from 10% to 15%
The reason for that decision	To extend the Inflation hedging programme with Insight
The period for which the decision will apply	Until further notice
That the decision complies with the regulation	Confirmed
The decision must be published in the SIP before it takes effect	Revised SIP considered on 26 June 2014

In addition the County Council, as the administering local authority, must have regard to:

- The need for the diversification of investments (as described above)
- The suitability of investments
- Proper advice, obtained at regular intervals

The regulations also enable the County Council to vary the manner in which monies

are invested thus enabling the switching of monies from one investment to another.

The employment of external investment managers is expressly permitted subject to:

- Appropriate diversification between managers.
- Regular reviews of managers' performance, dealings and employment (which is terminable at not more than one month's notice).

- Their authorisation under the Financial Services Act for 1986 or for European Institutions similarly authorised by their home state and reasonably believed to be suitably qualified by ability and practical experience.

## 5. Investment Management Arrangements

- Dorset County Council is the administering authority for the Fund and has delegated its responsibilities to the Pension Fund Committee.
- The Chief Financial Officer is the Administrator of the Fund and has delegated responsibilities from the Council for the administration of the Pension Fund. These responsibilities are set out in paragraph six of this document. In carrying out these duties he and the Committee take advice from the Fund's independent adviser, Mr Alan Saunders from Allenbridge Epic Investment Advisers.
- The appointment of an appropriate number of managers for each major asset class, with different investment styles, helps provide an adequate level of diversification of manager risk.
- Two thirds of UK Equities are managed by staff in the Chief Executive's department, and the remainder by two specialist UK equity managers. In addition external managers are employed in specialist areas including Global Equities, Bonds, Property, Private Equity, Diversified Growth and Infrastructure. Managers are required to report on portfolio

management on a quarterly basis, they must comply with all instructions given to them by the authority (in accordance with the mandates agreed) and contracts can be terminated at one month's notice.

- **Global Equities**

Global developed Equities are currently managed by three different fund managers; Allianz Global Investors, Investec Asset Management and Wellington Management. The management arrangements were effective from 1 January 2016. Each of the managers has a target to outperform the MSCI Global Index and are all managing on an active basis. In addition to this the Fund has exposure to Global Emerging Markets equities with JP Morgan Asset Management who have been managing it on an active basis since 1 April 2012. The investment is in a pooled fund, which has a diversified strategy, with a target of outperforming the MSCI Emerging Markets Index by 2%.

- **Global Bonds**

Global bonds are presently managed by Royal London Asset Management (rlam) and Insight Investments. rlam were appointed with effect from 1 July 2007, and Insight 1 April 2012. rlam has 12.5% of the overall Fund under management, and Insight have 12%.

rlam use the iBoxx Non-Gilt Over 5 Year Index as their benchmark with an outperformance target of 0.75%. This is achieved by investing in the RLPPC Core Bond Fund. The Fund invests in a diversified portfolio of mainly UK

Bonds with an emphasis on the corporate sector.

Insight were appointed in 2012 to help the Fund manage its liability risks, with particular focus on inflation. The target is to reduce the Fund's exposure to Inflation by putting together a portfolio that moves in a similar way to the liabilities. This will be achieved initially by holding a portfolio of Index Linked Gilts. Over time and after setting of a series of key trigger points this will develop into a broader hedge of the Fund Inflation risks. This will be achieved by investing in a bespoke Qualifying Investor Fund (QIF), which will enable Insight to use a range of derivative instruments to further protect the Fund.

- **Property Investments**

CBRE Global Investors is presently the Fund's property advisers and managers. The Manager presents to the Committee for approval sectoral targets within the total approved and carries out acquisitions and disposals to achieve the distribution agreed. Performance of the portfolio is measured against an industry standard benchmark. The Fund also invests in a number of indirect property funds including; Hercules Unit Trust, the Lend Lease Retail Partnership (Jersey) Unit Trust, the ING Retail Fund Britannica and the ING UK Property Value Added Fund. The manager's target is to achieve a return on assets at least equal to the average IPD Quarterly Universe Portfolio Return for a rolling five year period. The performance against the WM Local Authority Universe is also noted.

- **UK Equities**

The majority of the UK equity portfolio is presently managed by staff in the Chief Executive's Department on a passive or index tracking basis. The target set is the FTSE 350 Index, with an annual deviation allowed of + 0.5%. No derivatives or financial gearing is permitted. The constituents of the FTSE 350 index are fully replicated by the in house team. The remaining 3% of the FTSE All share index not included in the FTSE 350 index is captured by a separate external fund managed by Schroders (w.e.f. 1 April 2006) in a fund specialising in Small Cap investments. Schroders have a target to outperform the FTSE Small Cap index by 2.5% per annum. This is managed in a pooled vehicle. In addition a proportion of the Fund is managed on an active basis. The manager for this part of the portfolio with effect from 1 April 2006 are AXA Framlington with a target of outperforming the FTSE All Share Index by 3.5% per annum. These Funds are invested in Pooled vehicles.

- **Private Equity Funds**

Since April 2006 the Fund has invested in Private Equity Fund of Funds. The Fund invests in Fund of Fund products managed by HarbourVest and Standard Life. HarbourVest specialise in the US, whereas Standard Life focus mainly on Europe, and both managers aim to outperform public equity markets by between 4-6% per annum over the life of the Fund (generally 10-15 years). The reasons for these investments is to potentially improve returns, and to improve Fund diversification.



- **Diversified Growth**

Since April 2012 the fund has invested with Baring Asset Management in their Dynamic Asset Allocation Fund. This pooled fund seeks to achieve equity like returns with lower risk, by investing in a range of asset classes and focussing on asset allocation. The Fund identifies an optimal long term strategic position, and makes dynamic asset allocation decisions around this. The target return is cash plus 4% with 70% of equity risk. The Fund will increase its allocation to DGF to 10% later in 2014, and this will either be way of an additional manager appointment, or allocating additional funds to Barings.

- **Infrastructure**

In 2014 the Fund appointed two Global Infrastructure managers; Hermes Investment Management and International Fund Management (IFM). The Hermes investments are mainly UK focussed, and IFM have a wider remit across the globe. Like Private Equity these funds will take some time to completely draw-down all of the committed capital, however once invested are intended to remain as long term holdings.

- **Socially Responsible Investments and Corporate Governance**

Funds are also required to include a statement on the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments and a summary of

the policy (if any) in relation to the exercise of rights (including voting rights) attaching to investments.

The Pension Fund Committee has decided to place no restrictions on investment managers in choosing individual investments in companies in either the UK or overseas markets. It is noted that emerging markets investments, are made in a wide range of developing countries where conditions of employment and standards of environmental protection are not the same as they are in the developed countries.

The Committee expects that the boards of companies in which the pension fund invests should pay due regard to environmental matters and thereby further the long-term financial interests of the shareholders. Ethical and environmental issues arise not only in board policy decisions but in daily operations. The Pension Fund Committee cannot become involved in those decisions and therefore looks to the directors of a company to manage that company's affairs taking proper account of the shareholders' long-term interests.

The Dorset Fund is a member of the Local Authority Pension Fund Forum (LAPFF). The LAPFF exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders while promoting corporate social responsibility and high standards of corporate governance among the companies in which they invest.

- **Corporate Governance**  
The Pension Fund Committee has in place a voting issues policy for UK and overseas equity investments. Advice on such issues is taken from the National Association of Pension Funds and the Fund's voting rights are used according to this advice and the agreed policy. LAPFF also advise the Fund on any contentious areas where voting differently to the agreed policy maybe considered.
- **The UK Stewardship Code**  
The Fund's compliance with the Seven Principles of the UK Stewardship Code was presented to the Committee on 12 September 2011. This document will be published separately. The Fund complies with each of the Principles, and has confirmed with each of its appointed Equity managers have taken action to comply with the Code. Each manager also publishes a Stewardship Policy.
- **Overseas Currency Exposure**  
The Fund aims to eliminate the exposure to non-sterling currency by fully hedging any exposures within the Bond and Hedge Fund portfolios. The Fund also has a permanent 50% currency hedge on its entire overseas equity portfolio. This has been in place since July 2005, and is not intended as a speculative decision, but is intended to return the Fund to a level of currency exposure it had before the increase in weight in overseas equities.
- **Stock Lending**  
The Committee permits the lending of UK equities, overseas equities and bonds. This is currently limited by the Fund to 25% of the value of the Fund. The Fund lends Global Equities and UK equities from the portfolios managed by Pictet Asset Management and the Internal manager respectively. The Fund's custodians HSBC and Pictet undertake the stocklending as an agent for the Fund. The custodians ensure that on a daily basis collateral (worth at least 105% of the value of the stock on loan) is collected from the counterparties. The Fund does not have a policy of recalling stock for voting reasons, and accepts that there may be occasion where voting rights are lost due to stocklending.
- **Pooling of Investments**  
In 2015 the Government announced its intentions to require the 89 English and Welsh Local Government Pension Funds to pool their investments to create economies of scale which would lead to efficiencies in the costs of administering Funds, and also potentially improve investment performance. A consultation was issued and Funds had to respond by February 2016 with proposals for pooling. The Dorset Fund has worked closely with the other seven South West funds for a number of years, and as it seemed logical to discuss pooling. "Project Brunel" was formed and with the addition of Oxfordshire and Buckinghamshire the pool totalled ten funds with assets in excess of £23 Billion. The initial proposal was accepted by the Government in February 2016, and work has been ongoing to meet the July deadline for detailed submissions.

## 6. Responsibilities of the Fund Administrator

The Fund Administrator is responsible for:

- Development of an asset allocation strategy in consultation with the Fund's Independent Adviser and Actuary, for approval by the Committee;
- Funding allocation decisions consistent with the asset allocation strategy agreed by the Committee;
- The provision of monitoring information (provided by HSBC) to the Committee on the performance of each manager and the Fund overall;
- The management of Fund Managers and other professional service providers and advising the Committee on terms of engagement;
- All other aspects of the management of the Fund.

## 7. Responsibilities of the Custodian

- Pictet & Cie, based in Geneva and HSBC Global Investor Services, based in London are presently the appointed custodians for all fund assets except for direct property holdings where title deeds are held in the Council's archives.
- The custodians safeguard assets, ensure that all associated income is collected and settle all transactions (purchases/sales and stock loans). The Fund is provided with statements of assets, cash flow and corporate actions which are reconciled by the Fund

Administrators staff to the reported actions of the managers.

- The Custodian will inform the Council of any areas of concern which arise in its dealings with managers.

## 8. Audit Responsibilities

- The Dorset County Pension Fund is subject to review by both the County Council's external auditors (KPMG) and the County Council's internal auditors (a service provided by the South West Audit Partnership).
- The external auditors are responsible for reporting on whether the Statement of Accounts presents fairly the income and expenditure for the year and the financial position of the Dorset County Pension Fund, for the year then ended. Their audit report to Dorset County Council is contained in the County Council's Annual Report and Accounts.
- The internal audit team carries out a programme of work designed to re-assure the Fund Administrator that Pension Fund investment systems and records are properly controlled to safeguard the Fund's assets.

## 9. Actuarial Responsibilities

- The Dorset County Pension Fund is subject to a full actuarial review every 3 years by the Fund's actuary, currently Barnett Waddingham. The last full review was at 31 March 2013 which reported an overall 82% funding level.



- The actuary is responsible for providing advice as to the maturity of the Fund and its funding level and to determine employers' contributions so as to maintain the Fund's ability to meet its liabilities.

## 10. Responsibilities of Independent Adviser

The Independent Adviser to the Committee is currently Alan Saunders from Allenbridge Epic, and is responsible for assisting the Fund Administrator and Committee:

- in the preparation and review of this document;
- in the development of an appropriate asset allocations strategy;
- in the regular monitoring of the investment managers' performance;
- in asset allocation decisions; and
- in the selection and appointment of investment managers and custodians.

## 11. Responsibilities of the Independent Professional Observer

The Department for Communities and Local Government (CLG) issued guidance to Local Government Pension Funds in 2008 recommending the participation of An Independent Professional Observer (IPO) in the governance arrangements of schemes. The IPO's role is outlined as undertaking independent assessment of compliance against the Myners' principles and other benchmarks, and to offer a practical approach to the management of risks. The

Fund has appointed Peter Scales of Allenbridge Epic to this position. The adviser reports annually to the Committee with his independent assessment on the Fund's work, and its compliance with governance and other principles.

Over time, this role has widened to become Governance adviser to the Fund, and since the creation of a Local Pension Board the adviser has assumed the role of adviser to the Board. This role includes helping to shape the agenda of the Board, and regular attendance to assist and train Board member on governance issues.

## 12. Compliance with Myners' Principles

Since the original Myners Review in 2001 established ten principles of investment for defined benefit schemes, the Dorset County Pension Fund has carried out a self-assessment of their position and implemented arrangements in order to comply with these principles. The Annual Report & Accounts for 2008-09 reported full compliance.

In October 2008, the Government published their response to consultation on updating the Myners review and restructured the original principles into six new high level principles, providing guidance on recommended best practice for applying the principles, and identifying tools to provide practical help and support to trustees and their advisers. The Investment Governance Group – LGPS Sub-Group has issued an adapted version for LGPS pension funds.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 require, inter alia, administering authorities to state in their Statement of Investment Principles, the extent to which they comply with the updated principles as contained in guidance issued by CIPFA. If an authority does not comply with that guidance in any respect, it should describe the relevant aspects of its practice and give the reasons for them.

Dorset County Pension Fund maintains a high level of compliance with the updated principles and guidance, as shown in the following table.

### Principle 1: Effective decision-making

#### Fully compliant

Dorset County Pension Fund has ensured that decisions are taken by those with the skills, knowledge, advice and resources necessary to make them effectively, that their implementation is regularly monitored, and that they have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

### Principle 2: Clear objectives

#### Fully compliant

Dorset County Pension Fund has set out an overall investment objective that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and has clearly communicated these to advisers and investment managers.

### Principle 3: Risk and liabilities

#### Fully compliant

In setting and reviewing their investment strategy, Dorset County Pension Fund has taken full and proper account of the form and structure of liabilities, including the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.

### Principle 4: Performance assessment

#### Fully compliant

Dorset County Pension Fund has made suitable arrangements for the formal measurement of performance of the investments, investment managers and advisers, and periodically makes a formal assessment of their own effectiveness as a decision-making body, reporting to scheme members each year.

### Principle 5: Responsible ownership

#### Fully compliant

Dorset County Pension Fund has included a statement of the fund's policy on responsible ownership in the Statement of Investment Principles and the discharge of such responsibilities is reported periodically to scheme members.

### Principle 6: Transparency and reporting

#### Fully compliant

Dorset County Pension Fund acts in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives, and reports regularly to scheme members.

## Compliance with the updated Myners Principles - Detailed statement - September 2010

Since the original Myners Review in 2001 established ten principles of investment for defined benefit schemes, the Dorset County Pension Fund has carried out a self-assessment of their position and implemented arrangements in order to comply with these principles. The Annual Report & Accounts for 2008-09 reported full compliance.

In October 2008, the Government published their response to consultation on updating the Myners review and restructured the original principles into six new high level principles, providing guidance on recommended best practice for applying the principles, and identifying tools to provide practical help and support to trustees and their advisers.

The primary basis for the revised principles and guidance was focused on private sector schemes and the Investment Governance Group – LGPS Sub-Group considered how these might be suitably adapted for local government pension funds.

In July 2009, the IGG issued adapted principles and described the framework for investment decision-making as follows:

### Principle

The high level principles will be the accepted code of practice applying to investment decision-making and investment governance in local government pension funds throughout the United Kingdom, including the Environment Agency. Administering authorities will be required or expected by the management of investment of funds regulations to report against these on a 'comply or explain' basis.

### Guidance on good practice

Guidance on good practice is intended to help funds to apply the principles effectively and they are not expected to implement every element. Rather administering authorities may use examples of good practice where appropriate to help demonstrate the extent to which the principles have been applied and whether compliance has been achieved.

### Good practice tools

Tools provide practical help and support to administering authorities and their advisers to enable them to apply the principles and ensure that standards of investment decision-making and governance continue to rise.

For LGPS funds, the disclosure of compliance with these principles is required by the investment regulations as an integral part of the Statement of Investment Principles (SIP), which is required to be published in the

annual report and accounts each year. This regulation was amended to reflect the updated principles by The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 [SI 2009/3093] which were laid before Parliament on 1 December 2009 and came into force on 1 January 2010.

The relevant regulation 12 refers to the Statement of Investment Principles and states, inter alia, that:

“(3) The statement must also state the extent to which the administering authority complies with guidance given by the Secretary of State, and, to the extent the authority does not so comply, the reasons for not complying.”

The guidance referred to in this regulation was subsequently issued by Communities and Local Government on 14 December 2009 and states:

“An administering authority should refer to the guidance published by the Chartered Institute of Public Finance and Accountancy (CIPFA) on 11 December 2009, called Investment Decision-Making and Disclosure in the Local Government Pension Scheme: A Guide to the Application of the Myners Principles (ISBN 978-1-84508-219-2).”

“This sets out, in a way that is appropriate for the Local Government Pension Scheme Funds, the six revised principles on investment decision-making for occupational pension schemes that were agreed in 2009 by the Investment Governance Group’s Local Government Pension Scheme (LGPS) sub-committee. CIPFA’s guidance was developed in consultation with the sub-committee.”

“A fund administering authority should report in its SIP on the extent to which it complies with the six principles, as set out in the abovementioned CIPFA guidance. In the interests of transparency, if an authority does not comply with that guidance in any respect, it should describe the relevant aspects of its practice and give the reasons for them.”

The following table sets out each principle, as adapted by the IGG, and provides a summary of the CIPFA guidance and the Dorset Fund’s current practice in that respect. A compliance rating is used in the table, as described below:

## Compliance rating

<b>Fully</b>	Complies fully with the principle and with all aspects of the CIPFA guidance.
<b>Mainly</b>	Complies fully with the principle and with most aspects of the CIPFA guidance.
<b>Partly</b>	Complies with part of the principle and with some aspects of the CIPFA guidance.
<b>Non-Compliant</b>	Does not comply with the principle or with any aspect of the CIPFA guidance

Principle 1: Effective decision-making	
Mainly Compliant	
<p>Administering authorities should ensure that</p> <ul style="list-style-type: none"> <li>• decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and</li> <li>• those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.</li> </ul>	
CIPFA guidance	Dorset practice
<ul style="list-style-type: none"> <li>• Designated committee appointed</li> </ul>	<ul style="list-style-type: none"> <li>✓ A representative Investment Committee, established by the County Council</li> </ul>
<ul style="list-style-type: none"> <li>• Officer roles clearly stated</li> </ul>	<ul style="list-style-type: none"> <li>✓ Officer roles are clearly stated and provision is made for the declaration of interests</li> </ul>
<ul style="list-style-type: none"> <li>• Governance compliance statement</li> </ul>	<ul style="list-style-type: none"> <li>✓ A Governance Compliance Statement is published in compliance with the regulations</li> </ul>
<ul style="list-style-type: none"> <li>• Basis of committee appointments</li> </ul>	<ul style="list-style-type: none"> <li>✓ Appointments are made with regard to relevant skills, experience and continuity</li> </ul>
<ul style="list-style-type: none"> <li>• Committee terms of reference</li> </ul>	<ul style="list-style-type: none"> <li>✓ All procedural matters are properly covered</li> </ul>
<ul style="list-style-type: none"> <li>• Delegation arrangements and roles</li> </ul>	<ul style="list-style-type: none"> <li>✓ Delegation arrangements for formally stated</li> </ul>
<ul style="list-style-type: none"> <li>• Skills and knowledge audit statement</li> </ul>	<ul style="list-style-type: none"> <li>✓ Skills and knowledge are reviewed as part of the training plan</li> </ul>
<ul style="list-style-type: none"> <li>• Structure review and handbook</li> </ul>	<ul style="list-style-type: none"> <li>✓ The Committee's structure has been reviewed and all members are provided with details of their responsibilities</li> </ul>
<ul style="list-style-type: none"> <li>• Sub-committees and panels</li> </ul>	<ul style="list-style-type: none"> <li>✓ Investment Committee acts in this respect</li> </ul>
<ul style="list-style-type: none"> <li>• Obtaining proper advice and resources</li> </ul>	<ul style="list-style-type: none"> <li>✓ Proper advice, including independent advice is available to the Committee, and resources have been reviewed</li> </ul>
<ul style="list-style-type: none"> <li>• Provision of Training Plan</li> </ul>	<ul style="list-style-type: none"> <li>✓ A Training Plan is in place</li> </ul>
<ul style="list-style-type: none"> <li>• Allowances paid and time off allowed</li> </ul>	<ul style="list-style-type: none"> <li>✓ The County Council has a formal policy on expenses for elected members and the member representative is allowed time off</li> </ul>
<ul style="list-style-type: none"> <li>• Clarity, completeness and timing of papers</li> </ul>	<ul style="list-style-type: none"> <li>✓ All papers are made as clear and comprehensive as possible, and circulated with adequate time for consideration</li> </ul>
<ul style="list-style-type: none"> <li>• Creation of a business plan</li> </ul>	<ul style="list-style-type: none"> <li>✗ A business plan is under consideration for 2011/12</li> </ul>
<ul style="list-style-type: none"> <li>• Strategy on employer relationships</li> </ul>	<ul style="list-style-type: none"> <li>✓ A strategy is in place for employer relationships</li> </ul>

Principle 2: Clear objectives	
Mainly Compliant	
<ul style="list-style-type: none"> <li>An overall investment objective(s) should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisers and investment managers.</li> </ul>	
CIPFA guidance	Dorset practice
<ul style="list-style-type: none"> <li>Scope of investment objective</li> </ul>	<ul style="list-style-type: none"> <li>✓ An investment objective has been set with regard to liabilities, funding level and maturity profile</li> </ul>
<ul style="list-style-type: none"> <li>Advice on returns against benchmark</li> </ul>	<ul style="list-style-type: none"> <li>✓ Appropriate independent advice is taken</li> </ul>
<ul style="list-style-type: none"> <li>Consideration of risk</li> </ul>	<ul style="list-style-type: none"> <li>✓ Appetite for risk is taken into account</li> </ul>
<ul style="list-style-type: none"> <li>Consideration of all asset classes</li> </ul>	<ul style="list-style-type: none"> <li>✓ All asset classes are considered</li> </ul>
<ul style="list-style-type: none"> <li>Use of peer group benchmarks</li> </ul>	<ul style="list-style-type: none"> <li>✓ The fund uses a bespoke benchmark</li> </ul>
<ul style="list-style-type: none"> <li>Achieving value for money/ efficiency</li> </ul>	<ul style="list-style-type: none"> <li>✓ The County Council has a general policy on value for money and efficiency</li> </ul>
<ul style="list-style-type: none"> <li>Impact on council tax levels</li> </ul>	<ul style="list-style-type: none"> <li>✓ Strategic impact of funding levels on contribution rates is reviewed with the Fund Actuary</li> </ul>
<ul style="list-style-type: none"> <li>Consideration of sub-funds</li> </ul>	<ul style="list-style-type: none"> <li>✓ Sub-funds are not considered appropriate</li> </ul>
<ul style="list-style-type: none"> <li>Use of asset/liability studies</li> </ul>	<ul style="list-style-type: none"> <li>✓ An asset/liability study has been undertaken and is reviewed</li> </ul>
<ul style="list-style-type: none"> <li>Asset allocation and diversification</li> </ul>	<ul style="list-style-type: none"> <li>✓ The Committee's approach to asset allocation, diversification and suitability of investments is described in the SIP</li> </ul>
<ul style="list-style-type: none"> <li>Appointment of advisers</li> </ul>	<ul style="list-style-type: none"> <li>✓ Independent advisers have been appointed on an appropriate basis</li> </ul>
<ul style="list-style-type: none"> <li>Understanding transaction related costs</li> </ul>	<ul style="list-style-type: none"> <li>✗ Transaction related costs are reported in the Pension Fund Annual Report</li> </ul>

Principle 3: Risk and liabilities	
<b>Mainly Compliant</b>	
<ul style="list-style-type: none"> <li>In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities.</li> <li>These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.</li> </ul>	
CIPFA guidance	Dorset practice
<ul style="list-style-type: none"> <li>Setting the investment objective with regard to liabilities and risk</li> </ul>	✓ Undertaken as part of the asset/liability study by the scheme actuary in 2008
<ul style="list-style-type: none"> <li>Policy on underperformance</li> </ul>	✗ Underperformance is closely monitored but there is no specific policy nor are tolerance parameters set, this will be considered as part of the strategic review
<ul style="list-style-type: none"> <li>Use of absolute return benchmarks</li> </ul>	✓ These are in use for hedge fund investments
<ul style="list-style-type: none"> <li>Risk assessment framework</li> </ul>	✓ Included in the SIP
<ul style="list-style-type: none"> <li>Scheme specific benchmark</li> </ul>	✓ A scheme specific benchmark is in use and takes account of risk
<ul style="list-style-type: none"> <li>Valuation risk assessments</li> </ul>	✓ Stated in the FSS and undertaken on a regular basis by the scheme actuary
<ul style="list-style-type: none"> <li>Standards of internal control</li> </ul>	✗ Audit reports are used to satisfy committee on internal controls
<ul style="list-style-type: none"> <li>Suitability of investment strategy</li> </ul>	✓ Covered by the review of investment strategy undertaken with the scheme actuary
<ul style="list-style-type: none"> <li>Cash flows and volatility</li> </ul>	✓ Covered by the actuary's review
<ul style="list-style-type: none"> <li>Reporting risk assessments</li> </ul>	✗ An overall risk assessment is not included in the annual report. This will be considered as part of the strategic review



<b>Principle 4: Performance assessment</b>	
<b>Mainly Compliant</b>	
<ul style="list-style-type: none"> <li>• Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisers.</li> <li>• Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members.</li> </ul>	
<b>CIPFA guidance</b>	<b>Dorset practice</b>
<ul style="list-style-type: none"> <li>• Suitability of index benchmarks</li> </ul>	<ul style="list-style-type: none"> <li>✓ Appropriate benchmarks for each manager have been set using suitable indices</li> </ul>
<ul style="list-style-type: none"> <li>• Benchmark parameters or constraints</li> </ul>	<ul style="list-style-type: none"> <li>✓ The bespoke benchmark contains appropriate flexibility</li> </ul>
<ul style="list-style-type: none"> <li>• Use of active or passive management</li> </ul>	<ul style="list-style-type: none"> <li>✓ In-house management is on a passive basis</li> </ul>
<ul style="list-style-type: none"> <li>• Belief in higher active returns</li> </ul>	<ul style="list-style-type: none"> <li>✓ The Committee believes that appropriate active management has the potential to achieve higher returns</li> </ul>
<ul style="list-style-type: none"> <li>• Structure of manager mandates</li> </ul>	<ul style="list-style-type: none"> <li>✓ Individual mandates are set with appropriate controls</li> </ul>
<ul style="list-style-type: none"> <li>• Use of peer group benchmarks</li> </ul>	<ul style="list-style-type: none"> <li>✓ Used only for historic comparison prior to implementing bespoke benchmark</li> </ul>
<ul style="list-style-type: none"> <li>• Performance monitoring over time and risk limits</li> </ul>	<ul style="list-style-type: none"> <li>✓ Performance is monitored over three year rolling periods and with due regard to risk</li> </ul>
<ul style="list-style-type: none"> <li>• Monitoring investment activity</li> </ul>	<ul style="list-style-type: none"> <li>✓ Investment activity is considered at each Committee meeting</li> </ul>
<ul style="list-style-type: none"> <li>• Measuring investment returns by asset class and over time</li> </ul>	<ul style="list-style-type: none"> <li>✓ Investment returns are measured and reported for each manager within each asset class over 1 and 3 years, and for the whole fund over 10 years</li> </ul>
<ul style="list-style-type: none"> <li>• Use of independent measurers</li> </ul>	<ul style="list-style-type: none"> <li>✓ HSBC is used to measure performance</li> </ul>
<ul style="list-style-type: none"> <li>• Performance attribution analysis</li> </ul>	<ul style="list-style-type: none"> <li>✓ HSBC provide attribution analysis</li> </ul>
<ul style="list-style-type: none"> <li>• Performance assessment of managers, advisers, actuaries and consultants</li> </ul>	<ul style="list-style-type: none"> <li>✓ Performance is assessed on a regular basis</li> </ul>
<ul style="list-style-type: none"> <li>• Committee performance self-assessment and reporting</li> </ul>	<ul style="list-style-type: none"> <li>✗ Self assessment is under consideration</li> </ul>



Principle 5: Responsible ownership	
Partly Compliant	
Administering authorities should: <ul style="list-style-type: none"> <li>• adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents,</li> <li>• include a statement of their policy on responsible ownership in the SIP; and</li> <li>• report periodically to scheme members on the discharge of such responsibilities.</li> </ul>	
CIPFA guidance	Dorset practice
• Disclosure of policies	✓ Policy disclosed in the SIP
• Incorporating long term responsible investing and ESG	✓ Stated in the SIP
• Selection and performance of managers	✓ No restriction are placed on managers
• Investment managers' strategy	✓ Individual manager strategies have been considered
• Adoption of ISC statement by consultants	✗ Not addressed, will be considered at the November 2010 committee meeting
• Awareness of ISC Code on the Responsibilities of Institutional Investors	✗ Not addressed, will be considered at the November 2010 committee meeting
• Ensuring policies not overridden by managers	✓ Not applicable as policy is not to restrict managers
• Separation of voting action	✓ The custodian votes in accordance with Dorset's voting policy
• Monitoring action taken	✓ Action is monitored periodically
• Collaboration with other investors	✓ The Dorset Pension Fund is a member of the LAPFF

Principle 6: Transparency and reporting	
Fully Compliant	
Administering authorities should <ul style="list-style-type: none"> <li>• act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives; and</li> <li>• provide regular communication to scheme members in the form they consider most appropriate.</li> </ul>	
CIPFA guidance	Dorset practice
<ul style="list-style-type: none"> <li>• Maintaining the Governance Compliance Statement</li> </ul>	<ul style="list-style-type: none"> <li>✓ The Statement is maintained and reported annually</li> </ul>
<ul style="list-style-type: none"> <li>• Content of Communication Statement</li> </ul>	<ul style="list-style-type: none"> <li>✓ The Statement is fully compliant and reported annually</li> </ul>
<ul style="list-style-type: none"> <li>• Interests and involvement of stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>✓ Reviewed in 2009</li> </ul>
<ul style="list-style-type: none"> <li>• Communication with stakeholders, and peer group review</li> </ul>	<ul style="list-style-type: none"> <li>✓ Communication is an integral part of the Committee's governance arrangements and is reviewed independently with reference to other funds</li> </ul>
<ul style="list-style-type: none"> <li>• Content of annual reports</li> </ul>	<ul style="list-style-type: none"> <li>✓ Independent review annually</li> </ul>
<ul style="list-style-type: none"> <li>• Disclosure of delegation arrangements, asset allocation assumptions, manager mandates, fee structures</li> </ul>	<ul style="list-style-type: none"> <li>✓ Disclosed in the published statements as required by regulation</li> </ul>
<ul style="list-style-type: none"> <li>• Availability of the SIP to members</li> </ul>	<ul style="list-style-type: none"> <li>✓ SIP published in annual report, available on request</li> </ul>
<ul style="list-style-type: none"> <li>• Compliance with governance guidance requirements</li> </ul>	<ul style="list-style-type: none"> <li>✓ The Governance Compliance Statement complies with CLG guidance</li> </ul>

## Communication Policy Statement - March 2015

### Introduction

The Dorset County Pension Fund currently has 199 scheme employers and 24,361 active members as at 31 March 2014. We are continuously looking at ways to improve communications with the various stakeholders in the Local Government Pension Scheme administered by Dorset County Council.

The Fund aims to use the most appropriate communication medium for the audiences receiving the information. This may involve using more than one method of communication.

This document explains our existing methods of communication and describes some of our future plans.

### Minimum Standards

**Under the Occupational and Personal Pension Schemes (Disclosure of Information Regulations) 2013, administrators of the Local Government Pension Scheme are required to:**

Provide a copy of the scheme regulations and any overriding legislation, on request, within two months of the request - either through providing a personal copy, a copy for inspection or details of how to obtain a copy; members, prospective members, their spouses, beneficiaries and recognised trade unions are entitled to this information.

Automatically provide basic information about the scheme to every prospective member before starting, or, if this is not practical, within two months of joining. This information must also be provided on request (unless issued within the previous

12 months) to current members, prospective members, spouses, beneficiaries and recognised trade unions within two months of receipt of a written request.

Notify any material changes to the LGPS to all members and beneficiaries (except excluded persons i.e. deferred pensioners whose present address is unknown) where possible before or as soon as possible after (and in any event within three months after) the change.

Compulsorily provide an annual benefit statement to all active, deferred and pension credit members.

This Communication Policy Statement will be reviewed annually and a revised version will be republished following any material change.

### Key Objectives

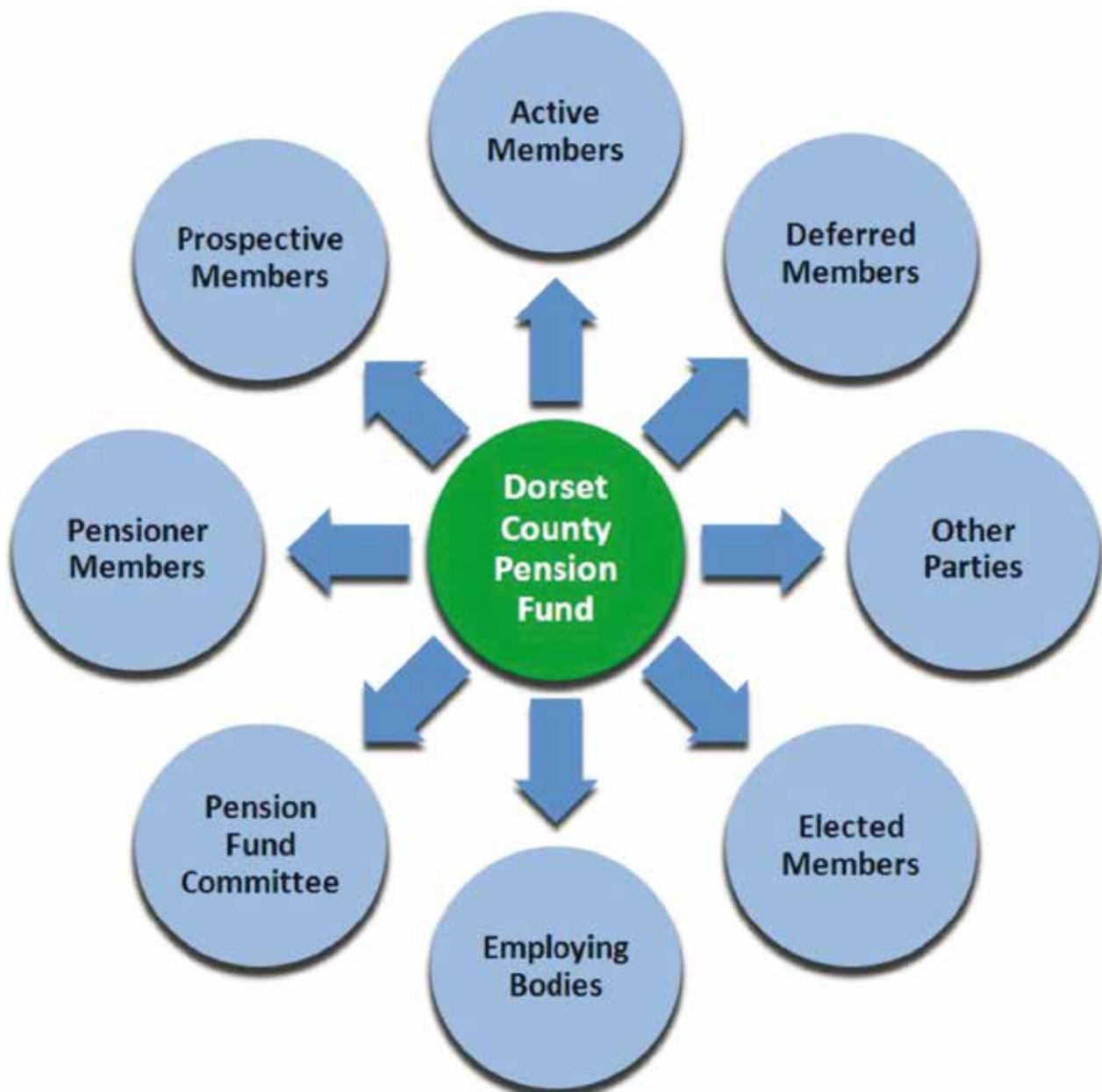
**To communicate Pensions Legislation and policies in a clear informative style to ensure that key stakeholders are well informed about current and future changes to the Local Government Pension Scheme.**

### Communication Objectives

- To use the most appropriate ways of communicating with stakeholders, and to seek continuous improvement in the way we communicate;
- To keep all stakeholders informed about the management and administration of the pension fund;
- To inform stakeholders to enable them to make the decisions they need to make regarding pensions and the pension fund;

- To promote the pension scheme as an important tool in recruitment and as a benefit to scheme members;
- To consult, where possible, with key stakeholders about proposed changes in policies and procedures, in relation to the administration of the Local Government Pension Scheme;
- To aim to communicate technical pensions legislation in plain English;
- To engage where possible in face-to-face communication;
- To evaluate the effectiveness of our communication objectives:
  - Feedback questionnaires
  - Monitoring complaints and compliments
  - Customer surveys

## Our Key Audience Groups



## Methods of Communication

We communicate with our current and former scheme members, and their representatives, through various means and aim to provide a high quality service.

### Active Scheme Members

#### Annual Benefit Statements

These are issued to our members during the period August to March. Feedback from our members about our statements has helped us improve our procedures for this process.

#### Employee Newsletters

A newsletter is issued annually to keep members up to date with proposed changes to the scheme and any other relevant details. Further newsletters are sent to members highlighting issues of importance, such as forthcoming changes in scheme regulation or operation as any issues arise.

#### Pension Fund Publications

Information guides, leaflets and forms are available on request covering different aspects of the LGPS; these can also be found on our website.

#### Annual Report

An Annual report containing information on the management, administration and performance of the pension fund and pension benefits is published annually. This report can be found online at our pensions website.

#### Pension Fund Website

Our pension fund website can be found at [www.yourfund.org.uk/Dorset](http://www.yourfund.org.uk/Dorset) and is available to view at all times. It is regularly updated and revised.

### Pensions Helpline

The pensions helpline is a dedicated telephone number and email address for queries. Telephone lines are open 8:40am to 5:20pm Monday to Thursday and 8:40am to 4:00pm Friday (except bank holidays). We also receive and send communications by post and by fax.

Tel: 01305 224845

Email: [pensionshelpline@dorsetcc.gov.uk](mailto:pensionshelpline@dorsetcc.gov.uk)

### Presentations and roadshows

We are available for presentations throughout the county by arrangement with employers. Our aim is to explain existing, proposed and new legislation; the information may be presented in one of the following formats;

- LGPS presentations, including new scheme information
- face to face education sessions
- pre-retirement seminars

### Pensioner Members

#### Pensioner Newsletters

An annual newsletter is sent to our pensioners. This newsletter is used to inform pensioners of the annual pensions increase and also any other relevant information.

#### Pensioner's Payslips

A payslip is sent annually to all pensioners. If the monthly amount alters by more than £5.00 a payslip will also be sent.

### Deferred Scheme Members

#### Deferred Annual Benefit Illustration

These are issued to our deferred members annually.

## Prospective Scheme Members

### **New Starter Pack**

On commencement of employment a pensions pack is issued. This pack is sent to all new starters and includes a Scheme short guide, membership form, death grant expression of wish forms, transfer forms, nomination of cohabiting partner form and contact details for further information.

### **Elected Members**

All the provisions we have made for Scheme Members are also available for Elected Members, including information and forms specifically aimed at Councillor Members.

## Scheme Employers

### **Employers Website**

The Dorset Pension Fund maintains a section of their website dedicated to the scheme employers. This forms our online Employer Guide and holds all relevant up to date forms and publications along with useful information on a variety of subjects.

## Employers Section

[www.yourpension.org.uk/Dorset/Employers](http://www.yourpension.org.uk/Dorset/Employers)

### **Email Contact List**

The Dorset Pension Fund has set up an e-mail contact list for the scheme employers. This enables us to circulate technical advice and guidance to our pensions liaison officers around the county.

### **Your Fund**

This is Dorset County Pension Fund's secure internet portal which allows employers to upload files and submit pension forms on-line.

Your Fund Home Page: <https://dorset.yourfund.org.uk>

## Employer's Newsletters

A newsletter is sent to all employers, at least once a year, containing a variety of information of interest to LGPS employers.

## Pension Liaison Officer Group Meetings

These meetings are held a minimum of three times a year. All scheme employers are invited to attend. During the meeting any changes to scheme regulations or our administrative procedures are discussed. There is also a presentation on a relevant topic.

## Individual Employer Meetings

Meetings can be arranged on an individual basis for an employer to discuss individual requirements. These meetings are available at the employer's request by contacting the Pensions Section.

## Presentations

Throughout the year the Dorset Pension Fund offer a variety of presentations to employers in different locations.

### **Employer Meeting**

An employers meeting is held annually in autumn and there are a variety of presentations provided in the meeting.

## Annual Report

The Dorset County Pension Fund Annual Report is published and distributed to all employers. It is also made available to members of the public and all stakeholders and can be found on our website.

## Fund Staff

### **Pensions Staff**

Individual training is provided, as required, to all members of staff. Staff are able to attend training events and conferences both internally and externally. Members of staff are encouraged to take, and helped with, qualifications in pension administration.



### **Communications and Performance Officer**

Since 2007 there has been a member of staff dedicated to communications and performance. It is their responsibility to ensure relevant communications are sent to the correct audience.

### **Team Meetings**

Meetings are held once a month to update all staff on any changes to regulations or practice.

### **Senior Management Meetings**

The Chief Treasury and Pensions Manager is a member of the Financial Services Management Team and attends regular meetings convened by the Chief Financial Officer. The Chief Treasury and Pensions Manager is able to bring any matters of concern / importance to the attention of the Chief Financial Officer through this mechanism.

### **Other Parties**

#### **South West Area Pensions Officer Group (SWAPOG)**

The SWAPOG which meets regularly to discuss and share information on pensions administration. Sub groups of the SWAPOG meet to discuss specific topics such as communications or pensions software.

#### **South West Investment Managers (SWIM) Group**

The SWIM group meets twice a year, and communicate regularly in connection with all investment related matters. The group regularly has guest speakers keeping the members up to date with market developments.

### **National Association of Pension Funds (NAPF)**

The Fund is a member of the NAPF, and officers regularly attend national and regional events to keep up to date with all pension related matters. The Chief Treasury and Pensions Manager is a member of the NAPF Local Authority steering group and as such is involved in helping the NAPF focus their LGPS work. This enables the Fund to be in regular contact with a number of other Local Authority funds, and in doing so be aware of the latest developments.

### **Trade Unions**

We will work with the relevant Trade Unions to ensure the Scheme is understood by all interested parties.

### **Others**

We regularly exchange information with Government bodies such as HMRC, Secretary of State and DCLG and will respond to Freedom of Information requests from external parties and members of the public.

### **Pension Fund Committee**

The Pension Fund Committee meets formally at least quarterly, and has the following terms of reference:

To exercise all functions of the Council as Scheme Manager under Local Government Superannuation Act and Regulations and deal with all matters relating thereto.

Members of the Committee receive regular training on a bespoke basis, as well as attending a number of national conferences and seminars to ensure that they are fully informed to fully undertake their responsibilities.

The Chief Treasury and Pensions Manager is in regular contact with the Committee outside of the formal meetings, and ensures that the Committee are kept informed of issues that affect the Fund.

The Committee set and regularly review a number of Pension Fund Policies and Strategies. These are published on the Fund's website, and can be found at:

**[www.yourpension.org.uk/Dorset/Investments/Strategy-Valuation.aspx](http://www.yourpension.org.uk/Dorset/Investments/Strategy-Valuation.aspx)**

The current membership of the Pension Fund Committee is as set out below:

- Five County Council members - appointed by the County Council (not more than one being a member of the Council's Cabinet).
- Two Unitary Authority members - one appointed by Bournemouth Borough Council and one nominated by the Borough of Poole.
- One District Council representative.
- One Scheme Member representative.



## Publications Matrix

Communication Material	Paper Based	Electronic Form	Website	When Published	When Reviewed
Scheme Guide	✓	✓	✓	Constantly available	Annually
New Starter Pack	✓	✗	✗	Constantly available	Annually
Councillors' Guide	✓	✓	✓	Constantly available	Annually
Scheme Information Leaflets	✓	✓	✓	Constantly available	Annually
Scheme Member Newsletter	✓	✓	✓	Annually	n/a
Pensioner Newsletter	✓	✓	✓	Annually	n/a
Scheme Member's Annual Benefit Statement	✓	✗	✗	Annually	Annually
Deferred Member's Annual Benefit Statement	✓	✗	✗	Annually	Annually
Member Forms and Factsheets	✓	✓	✓	Constantly available	Annually
Pensioner Forms and Factsheets	✓	✓	✓	Constantly available	Annually
Opt Out Form	✓	✓	✓	Constantly available	Annually
Deferred Benefits Guide	✓	✓	✓	Constantly available	Annually
Funding Strategy Statement	✓	✓	✓	Constantly available	Annually
Communication Strategy Statement	✓	✓	✓	Constantly available	Annually
Administration Strategy	✓	✓	✓	Constantly available	Annually
Investment Strategy	✓	✓	✓	Constantly available	Annually
Annual Report and Accounts	✓	✓	✓	Annually	Annually
Employer's Guide	✓	✓	✓	Constantly available	Annually
Employer Forms and Factsheets	✓	✓	✓	Constantly available	Annually
Employer Newsletters	✓	✓	✓	3 per year	n/a
Employer LGPS Updates	✓	✓	✓	As required	n/a

## Improving Our Standards

We aim to achieve continuous improvement in our communications with all stakeholders and aim to deliver the following in the future to further improve our communications;

- Internet 'self service' facilities - allowing scheme members to view their pension record on the internet at any time.
- Improved general information on the pension scheme on our website.

We are continuously seeking ways for stakeholders to provide feedback on the service they have received from the Dorset County Pension Fund. We are now providing the following methods of feedback;

- online feedback form, with Quick Response (QR) code for easy access on Smart phones
- paper based feedback form provided at presentations
- tear out form in all Annual Benefit Illustrations.

## Data Protection

To protect any personal information held on computer, Dorset County Council is registered under the Data Protection Act 1998. This allows members to check that their details held are accurate. The fund may, if it chooses, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund, for example, the Fund's AVC provider. Members who wish to apply to access their data on Data Protection grounds should contact the Dorset County Pension Fund on 01305 224845 or via email at [pensionshelpline@dorsetcc.gov.uk](mailto:pensionshelpline@dorsetcc.gov.uk)

This authority is under a duty to protect the public fund it administers, and to this end may use information for the prevention and detection of fraud. It may also share this information with other bodies administering public funds solely for these purposes.

## Contact Details

### Write to us at:

Dorset County Pension Fund  
County Hall, Dorchester  
Dorset DT1 1XJ

**Tel:** 01305 224845

**Fax:** 01305 224049

### Email:

[pensionshelpline@dorsetcc.gov.uk](mailto:pensionshelpline@dorsetcc.gov.uk)

### Web:

[www.yourpension.org.uk/Dorset](http://www.yourpension.org.uk/Dorset)

# Governance Policy and Compliance Statement

## 1. Background

1.1 All Local Government Pension Scheme (LGPS) Funds in England and Wales are required to publish a Statement by 1 April 2006, under the LGPS (Amendment) (No. 2) Regulations 2005 which came into force on 14 December 2005.

1.2 The statement reflects the current governance position for the Fund and as such has been prepared by the administering authority in consultation with appropriate interested persons.

- whether the committee/ sub committee includes representatives of
  - employing authorities (including non-scheme employers)
  - scheme members
- and, if there are such representatives, whether they have voting rights.

2.2 Thus, the policy statement should include information about all of the administering authority's pension fund governance arrangements. Information about the representation of employers should cover any arrangements for representing admitted body employers (non-scheme employers).

## 2. Requirement for the Governance Policy Statement

2.1 The regulations on governance policy statements require an administering authority, after consultation with such persons as they consider appropriate, to prepare, maintain and publish a written statement setting out;

(a) whether it delegates its functions in relation to maintaining a pension fund to a committee, sub-committee or officer of the authority;

(b) and, if so, it must state:

- the frequency of any committee/ sub-committee meetings;
- the terms of reference, structure and operational procedures of the delegation;

2.3 The requirement was updated in 2008 by Regulation 31 of the Local Government Pension Scheme (Administration) Regulations with the additional requirement for administering authorities to state "the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying".

2.4 The guidance was issued by the Department for Communities and Local Government (CLG) in final form in November 2008. The Schedule to this statement describes the extent of compliance as required by, and in the format recommended in, the guidance.

- 2.5 The statement must be revised and published by the administering authority following a material change in policy on any of the matters set out above.
- 2.6 In 2013 the Public Service Pensions Act required that each public sector scheme establish a Pension Board. The subsequent Local Government Pension Scheme Governance regulations 2015 specify the role of the Board for LGPS funds. The regulations require the creation of a Local Board to assist the scheme manager (in Dorset's case, The Pension Fund Committee) in securing compliance with regulations, legislation relating to governance and administration of the Scheme, and any requirements imposed by the Pensions Regulator.

### 3. Governance of the Dorset County Pension Fund

- 3.1 Under the cabinet structure in local government, management of the pension fund is a non-executive function and this is reflected in the governance structure that is set out below. Under this system the County Council has delegated all aspects of the management of the Pension scheme to the Pension Fund Committee. The day to day administration of the Fund is delegated to the Fund Administrator working within the policy decisions made by the Committees and any relevant regulations set by the CLG.

#### Pension Fund Committee

- 3.2 The formal terms of reference of the Pension Fund Committee as set by the Council are:
- To exercise all functions of the Council as administering authority under Local Government Superannuation Act and Regulations and deal with all matters relating thereto.
- 3.3 In broader terms this means that the Committee has responsibility for:
- Determining the overall investment strategy and strategic asset allocation of the Fund, and in doing so taking proper professional advice;
  - Overseeing the preparation of and regularly reviewing the Fund's key policy documents including the Statement of Investment Principles (SIP), Funding Strategy Statement, Governance Policy and Compliance Statement, Business Plan and Communications Strategy;
  - Appointing and reviewing the performance of all Fund Managers and other professional service providers;
  - Reviewing all aspects of performance across the Pension Fund service;
  - Deciding upon requests for admission of qualifying organisations wishing to join the Fund;
  - Deciding upon key pension policy and discretions that are the responsibility of the Administering Authority;

- Ensuring that at all times that these responsibilities are discharged in the best interests of the Fund;
- Making appointments to the Pension Board of the Dorset County Pension Fund.

3.4 The Committee meets at least quarterly and at alternate meetings generally requires all main managers to be present. Other meetings are occasionally held to deal with other business which for example might require urgent discussion, more time for consideration than that normally available, or be inappropriate for the larger audience. Business of the Committee will not be transacted unless a quorum of three members is present.

#### Fiduciary duty

3.5 In considering matters before each committee and in reaching their decisions, members are aware that the fiduciary duty to employers, taxpayers, and scheme beneficiaries must always be put before the interests of individuals, individual groups or sectors represented on the committees.

## 4. Representation

4.1 The current membership of the Pension Fund Committee is as set out below:  
 Five County Council members – appointed by the County Council (not more than one being a member of the Council’s Cabinet)  
 Two Unitary Authority members – one appointed by Bournemouth

Borough Council and one nominated by the Borough of Poole.  
 One District Council representative.  
 One Scheme Member representative.

- 4.2 The nomination process for each Committee member is :
- The 5 County Council members are nominated by their political parties, maintaining the political balance of the Council. No more than one will be a member of the Council’s Cabinet.
  - The members from Bournemouth and Poole are nominated by their Council.
  - The member representing the District Councils is nominated by the Dorset Leaders and Chief Executives group.
  - The Scheme Member representative is nominated by the Unions, with Unison as lead union.

4.3 Formal statutory responsibility for the LGPS in Dorset remains with the administering authority (Dorset County Council) which is answerable for the effective and prudent management of the scheme. It was decided to invite other interested bodies to be represented on the Committee.

4.4 The representation set out above gives direct representation to about 78% of the membership (contributors plus pensioners) and is considered to be the optimal mix of committee size with representation achieved. These arrangements were reviewed in September 2005 when the union representative was added to the

Committee. Also at this time the practicalities of increasing representation by having more representatives was considered. The arrangements were also reviewed in September 2009, and on balance it was decided that a meaningful increase in proportional representation could not be achieved without at least doubling the size of the Committee and this was considered unworkable given the specialist role of the Committee. Officers review this on a regular basis and currently, the above still applies.

4.5 Committee papers are publicly available on the Council’s website and all employers have been informed of this. A hard copy is provided if requested. The Fund’s Communication Strategy explains in more detail engagement with all stakeholders. However in the case of employers, annual meetings are held to facilitate an exchange of information and ideas which has helped to keep fund management issues transparent and has brought accountability to the fore. This helps support the formal governance set out above.

4.6 Under the Public Service Pensions Act 2013 and the LGPS Governance regulations the Pension Fund Committee is now referred to as the Scheme Manager. The Department for Communities and Local Government being the body that makes the regulations for the LGPS is referred to as the Responsible Authority. The

Regulations also refer to the Scheme Advisory Board which assists the Responsible Authority. The Shadow Board has been operating at a national level since 2013. The regulations also refer to Local Pension Boards, and this is described below.

## 5. Local Pension Board

5.1 As referred to in paragraph 2.6 the Fund was required to establish a Local Pension Board. The regulations require that the Local board will be responsible for assisting it:

- a) to secure compliance with-
  - 1) the LGPS regulations
  - 2) any other legislation relating to the governance and administration of the Scheme and any connected scheme,
  - 3) any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme; and
- b) to ensure the effective and efficient governance and administration of the Scheme and any connected scheme.

5.2 The regulations require that the Board is established by no later than 1 April 2015, and that the board holds its first meeting within four months of this date. The regulations also specify that the Board’s membership should have equal numbers of employer and member representatives, and that in total should be no less than four.

- 5.3 The Dorset County Pension Fund established a Local Pension Board, with the County Council's formal agreement of its terms of reference at their meeting on 12 February 2015.
- 5.4 The Board consists of three members representing Employers and three representing scheme members. The three Employers representatives are to be nominated by the Fund's three largest employers; Dorset County Council, Bournemouth Borough Council, and the Borough of Poole Council. The Fund invited all scheme members to nominate themselves as representatives, and also asked Unison, as the largest union to nominate members. The unions are guaranteed at least one of the three scheme member positions.
- 5.5 The first meeting of the Board will be on 24 June 2015.

## Schedule of compliance with guidance issued by CLG

### Principle A – Structure

- (a) The management of the administration of benefits and strategic management of fund assets clearly rest with the main committee established by the appointing Council.
- (b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.
- (c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.
- (d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.

	Not Compliant		Fully Compliant		Not applicable
(a)				✓	
(b)			✓		
(c)					✓
(d)					✓

#### Reason for non-compliance (Regulation 73A(1) (c) 1997 Regulations):

(c) and (d) We have only one Committee and therefore these are not applicable

#### Comments on ratings given above:

(b) The appointed trade union representative has been given the formal role of representing scheme members.



**Principle B – Representation**

(a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:

- i) employing authorities (including non-scheme employers, eg admitted bodies);
- ii) scheme members (including deferred and pensioner scheme members),

iii) independent professional observers, and

iv) expert advisers (on and ad-hoc basis).

(b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.

	Not Compliant				Fully Compliant		Not applicable
(a)						✓	
(b)						✓	

**Reason for non-compliance (Regulation 73A (1) (c) 1997 Regulations):**

**Comments on ratings given above:**

The appointed trade union representative has been given the formal role of representing scheme members.

The Fund has appointed an independent investment adviser and an independent professional observer from Allenbridge EPIC Investment Advisers.



**Principle C - Selection and role of lay members**

(a) That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.

(b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.

	Not Compliant				Fully Compliant	Not applicable
(a)					✓	
(b)					✓	

**Reason for non-compliance (Regulation 73A (1) (c) 1997 Regulations):**

**Comments on ratings given above:**

- (a) The Committee’s responsibilities are formally documented as set out in Section 3 of this Statement.
- (b) The agenda for each meeting has a standing item on “Code of Conduct” to receive declarations by members of (a) personal interests (including their nature) and (b) prejudicial interests under the Code of Conduct. Members who have an interest to declare are asked to complete a Declaration of Interests form (a copy is attached to the agenda) and hand it to the Democratic Services Officer prior to the meeting. Any member who has a query on a particular matter is asked to contact the officer named at the top of the agenda in advance of the meeting.

**Principle D – Voting**

(a) The policy of individual administering authorities on voting rights is clear and transparent, including justification for not extending voting rights to each body or group represented on main LGPS committees.

	Not Compliant				Fully Compliant	Not applicable
(a)					✓	

**Reason for non-compliance (Regulation 73A (1) (c) 1997 Regulations):**

**Comments on ratings given above:**

The County Council’s constitution contains details of voting rights of committee members. This was formally reviewed in a report to the Committee in February 2006. All members of the Committee have voting rights.

**Principle E - Training/Facility time/Expenses**

- (a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.
- (b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.
- (c) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.

	Not Compliant			Fully Compliant		Not applicable
(a)					✓	
(b)					✓	
(c)					✓	

**Reason for non-compliance (Regulation 73A (1) (c) 1997 Regulations):**

**Comments on ratings given above:**

Training, both internally and externally, is made available to members of the committees on a regular basis.

**Principle F - Meetings (frequency/quorum)**

- (a) That an administering authority's main committee or committees meet at least quarterly.
- (b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.
- (c) That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.

	Not Compliant			Fully Compliant		Not applicable
(a)					✓	
(b)						✓
(c)					✓	

**Reason for non-compliance (Regulation 73A (1) (c) 1997 Regulations):**

**Comments on ratings given above:**

(c) The Fund holds annual employers meetings, enabling employer bodies to hear from and question those running the scheme.

(c) From 1 April 2015, Dorset County Council in its role of Administering Authority has established a Local Pension Board. This will consist of 6 voting members (3 employer and 3 member representatives). The purpose of this Board is to review and ensure the Dorset Pension Fund secures compliance with the Scheme regulations and all other relevant legislations.

**Principle G – Access**

- (a) That subject to any rules in the Council’s constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.

	Not Compliant			Fully Compliant		Not applicable
(a)					✓	

**Reason for non-compliance (Regulation 73A (1) (c) 1997 Regulations):**

**Comments on ratings given above:**  
Committee papers are publicly available on the web site.

**Principle H – Scope**

- (a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.

	Not Compliant			Fully Compliant		Not applicable
(a)					✓	

**Reason for non-compliance (Regulation 73A (1) (c) 1997 Regulations):**

**Comments on ratings given above:**  
The change to the Committee structure in 2012 gives the Pension Fund Committee the wider role of exercising all functions of the Council as administering authority under Local Government Superannuation Act and Regulations and deal with all matters relating thereto

**Principle I – Publicity**

- (a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in

the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.

	Not Compliant			Fully Compliant		Not applicable
(a)					✓	

**Reason for non-compliance (Regulation 73A (1) (c) 1997 Regulations):**

**Comments on ratings given above:**  
This document is published in the Annual Report and made available to all stakeholders of the scheme.

# Funding Strategy Statement - June 2014

## 1. Introduction

- 1.1 This is the Funding Strategy Statement for the Dorset County Pension Fund. It has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 ("the Regulations") and describes Dorset County Council's strategy, in its capacity as Administering Authority, for the funding of the Dorset County Pension Fund ("the Fund").
- 1.2 In accordance with Regulation 58(3), all employers participating within the Dorset County Pension Fund have been consulted on the contents of this Statement and their views have been taken into account in formulating the Statement. However, the Statement describes a single strategy for the Fund as a whole.
- 1.3. The Fund Actuary, Barnett Waddingham LLP, has also been consulted on the contents of this Statement.

## 2. Purpose of the Funding Strategy Statement

- 2.1. The purpose of this Funding Strategy Statement is to explain the funding objectives of the Fund and in particular:
- How the costs of the benefits provided under the Local Government Pension Scheme (the "Scheme") are met through the Fund;

- The objectives in setting employer contribution rates; and
- The funding strategy that is adopted to meet these objectives.

## 3. Purpose of the Fund

- 3.1. The purpose of the Fund is to:
- Pay pensions, lump sums and other benefits provided under the Regulations;
  - Meet the costs associated in administering the Fund; and
  - Receive contributions, transfer values and investment income.

## 4. Funding Objectives

- 4.1. Contributions are paid to the Fund by Scheme members and the employing bodies to provide for the benefits which will become payable to Scheme members when they fall due.
- 4.2. The funding objectives are to:
- Set levels of employer contribution that will build up a fund of assets that will be sufficient to meet all future benefit payments from the Fund;
  - Build up the required assets in such a way that employer contribution rates are kept as low and stable as possible.

## 5. Key Parties

5.1. The key parties involved in the funding process and their responsibilities are as follows:

### The Administering Authority

5.2. The Administering Authority for the Pension Fund is Dorset County Council. The main responsibilities of the Administering Authority are to:

- Collect employee and employer contributions;
- Invest the Fund's assets;
- Pay the benefits due to Scheme members;
- Manage the actuarial valuation process in conjunction with the Fund Actuary;
- Prepare and maintain this FSS and also the SIP after consultation with other interested parties; and
- Monitor all aspects of the Fund's performance.

### Scheme Employers

5.3. In addition to the Administering Authority, a number of other Scheme Employers, including Admission Bodies, participate in the Fund.

5.4. The responsibilities of each Scheme Employer that participates in the Fund, including the Administering Authority, are to:

- Collect employee contributions and pay these together with their own employer contributions as certified by the Fund Actuary to the Administering Authority within the statutory timescales;

- Notify the Administering Authority of any new Scheme members and any other membership changes promptly;
- Exercise any discretions permitted under the Regulations; and
- Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures.

### Fund Actuary

5.5. The Fund Actuary for the Pension Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:

- Advise interested parties on funding strategy and completion of actuarial valuations in accordance with the FSS and the Regulations; and
- Advise on other actuarial matters affecting the financial position of the Fund.

## 6. Funding Strategy

6.1. The factors affecting the Fund's finances are constantly changing, so it is necessary for its financial position and the contributions payable to be reviewed from time to time by means of an actuarial valuation to check that the funding objectives are being met.

6.2. The actuarial valuation involves a projection of future cash flows to and from the Fund. The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund.

## 7. Funding Method

- 7.1. The key objective in determining employers' contribution rates is to establish a funding target and then set levels of employer contribution to meet that target over an agreed period.
- 7.2. The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund. The funding target may, however, depend on certain employer circumstances and in particular, whether an employer is an "open" employer – one which allows new recruits access to the Fund, or a "closed" employer which no longer permits new staff access to the Fund. The expected period of participation by an employer in the Fund may also affect the chosen funding target.
- 7.3. For open employers, the actuarial funding method that is adopted is known as the Projected Unit Funding Method which considers separately the benefits in respect of service completed before the valuation date ("past service") and benefits in respect of service expected to be completed after the valuation date ("future service"). This approach focuses on:
- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service. It makes allowance for future increases to members' pay for pensions in payment. A funding level in excess of 100 per cent indicates a surplus of assets over liabilities; whilst a funding level of less than 100 per cent indicates a deficit; and;
  - The future service funding rate. This is the level of contributions required from the individual employers which, in combination with employee contributions is expected to support the cost of benefits accruing in future.
- 7.4. The key feature of this method is that, in assessing the future service cost, the contribution rate represents the cost of one year's benefit accrual.
- 7.5. For closed employers, the funding method adopted is known as the Attained Age Method. The key difference between this method and the Projected Unit Method is that the Attained Age Method assesses the average cost of the benefits that will accrue over the remaining expected working lifetime of active members.

## 8. Valuation Assumptions and Funding Model

- 8.1. In completing the actuarial valuation it is necessary to formulate assumptions about the factors affecting the Fund's future finances such as inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc.
- 8.2. The assumptions adopted at the valuation can therefore be considered as:
- The statistical assumptions which are essentially estimates of the likelihood of benefits and contributions being paid, and

- The financial assumptions which will determine the estimates of the amount of benefits and contributions payable and their current or present value.

### Future Price Inflation

- 8.3. The base assumption in any valuation is the future level of price inflation over a period commensurate with the duration of the liabilities. This is derived by considering the average difference in yields over the appropriate period from conventional and index linked gilts during the six months straddling the valuation date to provide an estimate of future price inflation as measured by the Retail Price Index (or "RPI").

### Future Pay Inflation

- 8.4. As some of the benefits are linked to pay levels at retirement, it is necessary to make an assumption as to future levels of pay inflation. Historically, there has been a close link between price and pay inflation with pay increases exceeding price inflation in the longer term.

### Future Pension Increases

- 8.5. Pension increases are linked to changes in the level of the Consumer Price Index (CPI). Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods. An adjustment is therefore made to the RPI assumption to derive the CPI assumption.

### Future Investment Returns/Discount Rate

- 8.6. To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values.
- 8.7. The discount rate that is adopted will depend on the funding target adopted for each employer.
- 8.8. For open employers, the discount rate that is applied to all projected liabilities reflects a prudent estimate of the rate of investment return that is expected to be earned from the underlying investment strategy by considering average market yields in the six months straddling the valuation date. The discount rate so determined may be referred to as the "ongoing" discount rate.
- 8.9. For closed employers, an adjustment may be made to the discount rate in relation to the remaining liabilities, once all active members are assumed to have retired if at that time (the projected "termination date"), the employer becomes an exiting employer under Regulation 64.
- 8.10. The Fund Actuary will incorporate such an adjustment after consultation with the Administering Authority.
- 8.11. The adjustment to the discount rate for closed employers is to set a higher funding target at the projected termination date, so that there are sufficient assets to fund the remaining liabilities on



a “minimum risk” rather than on an ongoing basis. The aim is to minimise the risk of deficits arising after the termination date.

### Asset Valuation

8.12. For the purposes of the valuation, the asset value used is the market value of the accumulated Fund at the valuation date adjusted to reflect average market conditions during the six months straddling the valuation date.

### Statistical Assumptions

8.13. The statistical assumptions incorporated into the valuation, such as future mortality rates, are based on national statistics. These are adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers.

8.14. Further details of all of the assumptions adopted are included in the latest actuarial valuation report.

## 9. Deficit Recovery/Surplus Amortisation Periods

9.1. Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, it is recognised that at any particular point in time, the value of the accumulated assets will be different to the value of accrued liabilities, depending on how the actual experience of the Fund differs to the actuarial assumptions. Accordingly the Fund will normally either be in surplus or in deficit.

9.2. Where the actuarial valuation discloses a significant surplus or deficit then the levels of required employers’ contributions will include an adjustment to either amortise the surplus or fund the deficit over a period of years.

9.3. The period that is adopted for any particular employer will depend on:

- The significance of the surplus or deficit relative to that employer’s liabilities;
- The covenant of the individual employer and any limited period of participation in the Fund; and
- The implications in terms of stability of future levels of employers’ contributions.

## 10. Pooling of Individual Employers

10.1. The policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances.

10.2. However, certain groups of individual employers are pooled for the purposes of determining contribution rates to recognise common characteristics or where the number of Scheme members is small.

10.3. The main purpose of pooling is to produce more stable employer contribution levels in the longer

term whilst, recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.

## 11. Cessation Valuations

- 11.1. On the cessation of an employer's participation in the Scheme, the Fund Actuary will be asked to make a termination assessment. Any deficit in the Fund in respect of the employer will be due to the Fund as a termination contribution, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Fund to another participating employer.
- 11.2. In assessing the financial position on termination, the Fund Actuary may adopt a discount rate based on gilt yields and adopt different assumptions to those used at the previous valuation in order to protect the other employers in the Fund from having to fund any future deficits which may arise from the liabilities that will remain in the Fund.

## 12. Links with the SIP

- 12.1. The main link between the Funding Strategy Statement (FSS) and the SIP relates to the discount rate that underlies the funding strategy as set out in the FSS, and the expected rate of investment return which is expected to be achieved by the underlying investment strategy as set out in the SIP.

- 12.2. As explained above, the ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the underlying investment strategy. This ensures consistency between the funding strategy and investment strategy.

## 13. Risks and Counter Measures

- 13.1. Whilst the funding strategy attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that there are risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives.
- 13.2. The major risks to the funding strategy are financial, although there are other external factors including demographic risks, regulatory risks and governance risks.

## 14. Financial Risks

- 14.1. The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors, including market returns being less than expected and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

- 14.2. The valuation results are most sensitive to the real discount rate. Broadly speaking an increase/decrease of 0.5 per cent per annum in the real discount rate will decrease/increase the valuation of the liabilities by 10 per cent, and decrease/increase the required employer contribution by around 2.5 per cent of payroll.
- 14.3. However, the Pension Fund Committee regularly monitors the investment returns achieved by the fund managers and receives advice from the independent advisers and officers on investment strategy.
- 14.4. The Committee may also seek advice from the Fund Actuary on valuation related matters.
- 14.5. In addition, the Fund Actuary provides funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.
- 15.2. The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review.
- 15.3. The liabilities of the Fund can also increase by more than has been planned as a result of early retirements.
- 15.4. However, the Administering Authority monitors the incidence of early retirements; and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

## 15. Demographic Risks

- 15.1. Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity. For example, an increase of one year to life expectancy of all members in the Fund will reduce the funding level by approximately 1%.

## 16. Regulatory Risks

- 16.1. The benefits provided by the Scheme and employee contribution levels are set out in Regulations determined by central Government. The tax status of the invested assets is also determined by the Government.
- 16.2. The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme.
- 16.3. However, the Administering Authority participates in any consultation process of any proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

## 17. Governance

- 17.1. Many different employers participate in the Fund. Accordingly, it is recognised that a number of employer-specific events could impact on the funding strategy including:
- Structural changes in an individual employer's membership;
  - An individual employer deciding to close the Scheme to new employees; and
  - An employer ceasing to exist without having fully funded their pension liabilities.
- 17.2. However, the Administering Authority monitors the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined, and takes advice from the Fund Actuary when required.
- 17.3. In addition, the Administering Authority keeps in close touch with all individual employers participating in the Fund to ensure that, as Administering Authority, it has the most up to date information available on individual employer situations. It also keeps individual employers briefed on funding and related issues.

## 18. Monitoring and Review

- 18.1. This FSS is reviewed formally, in consultation with the key parties, at least every three years to tie in with the triennial actuarial valuation process.
- 18.2. The Administering Authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary.

## UK Stewardship Code Principles

### Statement of Compliance July 2011

On 2 July 2010 the Financial Reporting Council (the FRC) published the UK Stewardship Code (the Code). The Code sets out good practice for institutional investors when engaging with the UK listed companies in which they invest.

The purpose of the Code is to improve the quality of corporate governance by promoting a better dialogue between shareholders and company boards, and more transparency in the way in which investors oversee the companies they own.

The FRC and the National Association of Pension Funds (NAPF) encourage all institutional investors to report on the extent to which they follow the Code, as a stronger corporate governance culture is conducive to protecting and enhancing the value of investments.

The Dorset County Pension Fund takes its responsibilities as a shareholder seriously. It seeks to adhere to the Stewardship Code, and also encourages its appointed asset managers to do so.

#### **Principle 1: The fund should publicly disclose policy on how it will discharge stewardship responsibilities**

The Fund's approach to Governance is stated in the published Statement of Investment Principles. The Fund's policy is to apply the Code both through its arrangements with its asset managers and through membership of the Local Authority Pension Fund Forum (LAPFF).

The Fund's UK Equities are managed by a combination of asset managers and the internal manager. The Dorset Fund uses membership of the LAPFF to keep informed of potential issues of concern at individual companies and across the market, but delegates day to day responsibility for monitoring and intervening in companies to asset managers where applicable.

#### **Principle 2: The fund should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed**

The stewardship code assumes that conflicts of interest will arise from time to time. Dorset County Council's Constitution sets out policies for personal and prejudicial Interests. Any conflict of interest would be dealt with in accordance with the Council's Constitution.

#### **Principle 3: The fund should monitor its investee companies**

Day to day responsibility for managing the Fund's equity holdings is delegated to the appointed asset managers, and the Fund expects them to monitor companies, intervene where necessary, and report back on activity undertaken. Asset Managers report to the Pension Fund Committee and meet with officers regularly to discuss activity. The Dorset Fund uses membership of the LAPFF

to keep informed of potential issues of concern at individual companies and across the market, and regular reports are received from the LAPFF. Officers attend meetings of the LAPFF at least annually to keep up to date with the forum's activities.

#### **Principle 4: The fund should establish clear guidelines on when and how it will escalate activities as a method of protecting and enhancing shareholder value.**

If a matter is considered to affect shareholder value, the concern will be referred to the LAPFF. In addition, where a governance matter dictates that a resolution merits a dissent vote in accordance with the Fund's Voting Policy, the resolution will be voted against.

#### **Principle 5: The fund should be willing to act collectively with other investors where appropriate.**

The Fund seeks to work collaboratively with other institutional shareholders in order to maximise the influence that it can have on individual companies. The Fund seeks to achieve this through membership of the LAPFF, which engages with other companies over environmental, social and governance issues on behalf of its members. The Dorset Fund's principal means of collaborate engagement is through membership of the LAPFF. LAPFF coordinates collaborative engagement with companies, regulators and policies. LAPFF periodically issue voting alerts, which are analysed with regard to the Fund's own engagement policy. The

decision to participate in such collective decisions is made on a case by case basis.

#### **Principle 6: The fund should have a clear policy on voting and disclosure of voting activity**

The Dorset Fund exercises all votes attaching to its UK equity holdings, and seeks to vote where practical in overseas markets. Responsibility for the exercise of voting rights has been delegated to RREV (Research, Recommendations, Electronic Voting) in the UK, and to Fund Manager Pictet Asset Management in respect of overseas markets. This includes consideration of company explanations of compliance with the Corporate Governance Code. Votes are exercised in accordance with the Fund's Voting Policy, however it is possible for Officers to override the vote of RREV to support the actions of the LAPFF. Real Time reports are available detailing how votes have been cast.

#### **Principle 7: The fund should report periodically on their stewardship and voting activities.**

The Fund discloses voting data periodically, but intends to formally make statistics available to the Pension Fund Committee annually in future. In addition, the Fund intends to report annually on stewardship activity through a specific section on voting and engagement activity undertaken during the year in the report and accounts. This will include both fund specific information including engagement with companies, and details of activity undertaken through the Local Authority Pension Fund Forum.

## Responsible Investing

The primary aim of the Committee is to maximise the value of investments made for the benefit of the many stakeholders, including the Council tax payers, employer bodies, the current employee contributors and pensioners. Although the individuals involved in the management of the Fund may take a different personal view on ethical,

sustainability or political grounds, these must in law be put to one side in the management of the Fund.

This has recently been confirmed by Counsel's opinion obtained by the LGPS Shadow Board, which was posted on their website in early April.



## Voting Issues Policy

Dorset County Council has outsourced proxy voting to Institutional Shareholder Services (ISS). ISS's core business is the provision of proxy research, vote recommendations and related governance research services, including an end-to-end proxy voting platform an leading compliance and risk management solutions, to institutional investors worldwide. ISS has close to 30 years of experience and is a recognised industry leader in the field of corporate governance and proxy voting.

### Summary of Voting for the year 2015/16

- 1.1 The Dorset County Pension Fund's voting policy is based on the National Association of Pension Fund's (NAPF) policy and the Combined Code on Corporate Governance, which was reviewed and adopted on 24 November 2011, and is included in Appendix 1 of this report. To manage the voting process Proxy Voting services are provided by ISS for the UK equity portfolio and by Pictet et Cie for the Overseas Equities, which includes those under management of Pictet Asset Management and Janus Intech (up to December 2015), Allianz, Investec and Wellington (from December 2015).
- 1.2 The Fund is also a member of the Local Authority Pension Fund Forum (LAPFF) which researches into areas of corporate governance, and social responsibility. It is possible to override any decision made by ISS in light of information which may be received from the LAPFF.
- 1.3 The Voting Policy of the Dorset Fund applies to those assets managed in segregated accounts by the Internal Manager, Pictet and Janus Intech (up to December 2015), Allianz, Investec and Wellington (from December 2015). However, the equities managed by AXA Framlington, Standard Life (up to April 2016) and Schroders in the UK, and JP Morgan in Emerging Markets, are held in Pooled Funds and are subject to the voting policies of each individual manager. Corporate Governance and Voting Policies for each pooled manager have been obtained. These seek to protect shareholder interest, setting out voting policy in a number of areas which include strategy, integrity, management, use of capital, remuneration, mergers and acquisitions, and reporting. Each policy complies with the Combined Code on Corporate Governance.
- 1.4 During the year to 31 March 2016, there were 6,376 individual votes on the UK portfolio, and ISS voted against 116 and abstained on 28 of the resolutions during this period. In addition there were 9,765 individual votes on the Overseas portfolio, and Pictet voted against 476 and abstained on 200 of the resolutions during this period. A summary of the Fund's voting activity for the year ended 31 March 2016 is included in Appendix 2 to this report.
- 1.5 Typical reasons for voting against a resolution include non independence of directors who are required to be independent for their duties, inappropriate remuneration

packages, undemanding targets, and share issues to majority shareholders or groups of shareholders without making a general offer to other shareholders.

- 1.6 During the twelve months ended 31 March 2016 for the UK portfolio there were 70 votes against, or abstention from, the appointment or re-election of directors where the resolution proposed was contrary to UK best practice on corporate governance, for example, dual role of chairman and CEO (e.g. JD Sports) or the appointment of a non-independent members of the remuneration committee (e.g. Associated British Foods).
- 1.7 In addition there were 54 votes against, or abstention from, resolutions relating to salary and compensation schemes. The main reasons for voting against the remuneration

reports were due to pay increases and bonus structures considered to be insufficiently justified or transparent, for example, the non-disclosure of targets for bonuses (e.g. Tate & Lyle), uncapped bonuses (e.g. Nostrum Oil & Gas), and significant salary increases for executive directors not explained in detail (e.g. Dixons Carphone).

- 1.8 Each pooled manager was asked for details of voting activity in the year 2015/16, examples of instances in which they had concerns about companies in which the fund held shares, and how these concerns were addressed. They were also asked whether they were collaborating with other investors in respect of these issues, and details of responses are included within Appendix 3 to this report.

## Appendix 1 - Voting Issues Policy

Issue		Action for non compliance
<b>Leadership</b>		
1.	The roles of Chairman of the Board and Chief Executive should be separate to avoid undue concentration of power.	Vote against the re-appointments as appropriate.
<b>Effectiveness</b>		
2.	All directors should be subject to re-election every three years.	Vote against the acceptance of accounts.
3.	Audit Committee should consist of at least three non-executive directors.	Vote against the acceptance of accounts.
<b>Accountability</b>		
4.	If a proposed dividend is not covered by earnings and there is no clear justification for the long term benefit of the company.	Vote against the acceptance of accounts.
5.	The company should comply with the UK Corporate Governance Code and stock exchange listing requirements.	Vote against the acceptance of accounts.
<b>Remuneration</b>		
6.	Remuneration committees should comprise only of non-executive directors.	Vote against director's appointment.
7.	Bonus and incentive schemes must have realistic performance targets.	Vote against director's appointment.
8.	Service contracts should be one year rolling unless the Remuneration Committee is able to justify longer periods.	Vote against director's appointment.
<b>Relations with Shareholders</b>		
9.	Changes to the articles of association should not adversely affect existing shareholders rights.	Vote against the resolutions.
<b>Other</b>		
10.	Uncontroversial issues.	Vote for the resolutions.

## Appendix 2

### Summary of Voting for year ended 31 March 2016 – UK Equities

This summary concerns 402 Individual Company Meetings at which there were 6,376 Proposed Resolutions.

Meeting Type	Total Meetings
Annual General Meeting	330
AGM/Special Meetings	1
Special Meetings	57
Court	14
<b>Total</b>	<b>402</b>

Proponent	Total Resolutions
Management	6,367
Shareholders	9
<b>Total</b>	<b>6,376</b>

Proposal	Voted for	Voted against	Abstained	Total Votes
Takeover / Reorganisation / Merger / Disposal	50	11	0	61
Capitalisation / Share Capital	1,054	3	0	1,057
Directors	2,853	50	20	2,923
Salary and Compensation	490	47	7	544
Environmental, Social, and Governance	3	0	0	3
Routine / Business	1,782	5	1	1,788
<b>Total</b>	<b>6,232</b>	<b>116</b>	<b>28</b>	<b>6,376</b>

### Summary of Voting for year ended 31 March 2016 – Overseas Equities

This summary concerns 779 Individual Company Meetings at which there were 9,765 Proposed Resolutions.

Country	Total
Austria	11
Bermuda	140
Canada	1,145
Cayman Islands	7
Curacao	14
Denmark	12
Finland	19
France	176
Germany	13
Ireland	178
Italy	41
Japan	638
Jersey	15
Liberia	12
Luxembourg	42
Netherlands	102
Panama	17
Portugal	21
Singapore	22
Spain	136
Sweden	35
Switzerland	172
United Kingdom	80
USA	6,711
Virgin Islands (UK)	6
<b>Grand Total</b>	<b>9,765</b>

Proponent	Total
Management	9,212
Share Holder	553
<b>Grand Total</b>	<b>9,765</b>

Meeting Type	Total
Annual	699
Annual/Special	37
Court	1
Proxy Contest	3
Special	39
<b>Grand Total</b>	<b>779</b>

Proposed Code Category	For	Against	One Year	Withhold/ Abstain	Total
Takeover/Reorganisation Merger/Disposal	131	9	-	-	140
Capitalisation/Share Capital	128	17	-	2	147
Directors	6,695	165	-	184	7,044
Salary and Compensation	945	156	19	2	1,122
Environmental, Social and Governance	75	48	-	2	125
Routine/Business	1,096	81	-	10	1,187
<b>Grand Total</b>	<b>9,070</b>	<b>476</b>	<b>19</b>	<b>200</b>	<b>9,765</b>

## Appendix 3

### Summary of Engagement by Pooled Fund Managers

#### Standard Life

##### Summary of Engagement

Standard Life Investments conduct an Annual Governance and Stewardship Review and report to investors their key engagements and activity for the calendar year. The review document considers all companies and summarises contact with companies and voting activity. Standard Life seeks to improve shareholder value through consulting and engaging with companies, and seek to meet with representatives of investee companies at least once a year. Some key engagements during 2015 are shown below.

**Ryanair Holdings:** Ryanair is Europe's biggest low-cost airline, operating a low-fare business model which has delivered significant growth over the past 30 years.

**Action:** Ryanair has been a very successful company but there are a number of unusual aspects to governance arrangements which have the potential to add to investment risk. These include a high profile CEO, a number of long-serving non-executive board members and poor disclosure, particularly on remuneration. We met the Senior Independent Director (SID) to discuss these and other issues and subsequently wrote to reinforce our views. The company responded in a positive way, welcoming our feedback which was circulated to the board as a whole. Subsequently, we had a call with the SID (who is also the Chairman of the Remuneration

Committee) to clarify a number of issues as part of our voting analysis ahead of the AGM.

**Outcome:** We were reassured of the board's ability to hold management to account and that board succession planning is on its agenda. We conveyed views regarding the transparency of reporting, especially on remuneration policy, and received assurances that our views will be considered. We will monitor disclosures in the annual report next year and hope to see some improvement.

**Volkswagen:** Volkswagen AG, and its subsidiaries, manufactures and sells cars and commercial vehicles in Europe, North America, South America and Asia Pacific. It operates through four segments: passenger cars, commercial vehicles, power engineering and financial services.

**Action:** We were investors in both Volkswagen equity and bonds. The revelation of the manipulation of emissions test data on diesel cars in the US, and the fact that the relevant software is also installed in many other Volkswagen diesel vehicles, raised a number of questions about internal controls and risk oversight as well as culture and values. One urgent issue is the lack of independence on the Supervisory Board and its board committees. We also question whether the appointment, following the revelations, of the former CFO as Chairman of the Supervisory Board, is appropriate.

<sup>1</sup> The full review can be found at [http://www.standardlifeinvestments.com/Governance\\_Stewardship\\_Review/getLatest.pdf](http://www.standardlifeinvestments.com/Governance_Stewardship_Review/getLatest.pdf)

**Outcome:** We wrote to the Interim Chairman of the Supervisory Board outlining our concerns and stating that we would contact them with a view to progressing our engagement. We asked that our letter be circulated to the Supervisory Board and were subsequently advised that this had been done. We intend to progress this engagement in 2016.

**WPP:** WPP is one of the world's largest communication services groups, employing 179,000 people globally. Its operations include advertising, PR, branding, marketing and communications.

**Action:** We have had longstanding concerns about remuneration policy at WPP, in particular the size of the potential award for threshold performance under its Long-Term Incentive Plan. We have engaged with the company on these issues but there has been no positive change. In addition, over time, the issue of succession planning for the CEO has become progressively more pressing. The CEO has been central to the growth and success of the company and hence his succession is a key governance risk. We were not convinced that this risk was being managed in a robust and transparent fashion. We met with the incoming Chairman to discuss this and we also attended the AGM where we made a public statement on this matter.

**Outcome:** The board has acknowledged our concerns and we continue to engage to seek appropriate assurances.

**Royal Dutch Shell:** Royal Dutch Shell is a global group of energy and petrochemical companies. During 2015, it made a recommended offer for the BG Group. The offer was approved at shareholder meetings in January 2016.

**Action:** We made a statement at the Shell AGM regarding the appointment of a new audit partner by PwC who had previously been the audit partner for Bumi and the auditor of Rio Tinto when Shell's Audit Committee Chairman was its Chief Financial Officer. We stated that we would have expected Shell's Audit Committee to provide a meaningful explanation about its evaluation of the new partner's perceived independence and track record. In addition to our comments about the new audit partner, our statement addressed the scope of the audit undertaken by PwC which we felt was lower than other FTSE 100 companies. At the AGM, Shell announced the conditional appointment of Ernst & Young (EY) as auditors, replacing PwC for the 2016 financial year. Mindful that EY are the auditors to BG, we asked what had been done to ensure safeguards were in place to address any conflicts of interest. Following the AGM, we engaged further with the Chairman and Audit Committee Chair Designate on the issues relating to audit scope and the appointment of EY. We also engaged with BG and EY to obtain their input into the management of conflicts, and we discussed our concerns with the Financial Reporting Council.



**Outcome:** As a result of our concerns regarding the new PwC audit partner, at the 2015 AGM we instructed our proxy to vote against the reappointment of PwC and the re-election of the Audit Committee Chair and to abstain on the re-election of the remaining Audit Committee members. While obtaining, through our engagement, additional comfort around the future approach and focus of Shell's Audit Committee, we continue to have concerns about the appointment of EY as auditors of Shell. We shall continue to focus our engagement on audit quality at Shell.

## Schroders

### Summary of Engagement

Schroders issue a quarterly Corporate Governance, Voting, and Stewardship Report summarising contact with companies. Schroders engage with companies concerning matters such as changes in management, performance, health & safety, and remuneration.

Schroders say that their policy is to engage with companies ahead of our votes; in many cases, such dialogue results in changes before their vote, often paving a smoother path towards a company's AGM. Where companies are not open to changes, Schroders may decide to vote against certain resolutions on the agenda. Debate in these areas looks set to continue, and they continuously consider new approaches to create long-term incentives for management that are fully aligned with long-term shareholder value. Below they highlight some of the more contentious votes:

## GlaxoSmithKline (GSK)

Having been concerned with the lack of succession planning for some time and having engaged extensively on the issue, we believe GSK is on a road of refreshment. Sir Philip Hampton became chairman and there was a high turnover of non-executive board members. Long-term CEO Andrew Witty also announced he would be stepping down in 2017. Despite some progress, we believed it was important to exercise our vote against five directors of long tenures due to a lack of results in this area. One of the directors we voted against has now announced his intention to retire from the company in 2017.

For the second year running we voted against the remuneration report. We were concerned the committee has not communicated detailed target information for incentivised pay, which is well behind market practice. The CEO received maximum bonus payments but, as the company failed to disclose details of an individual performance multiplier element used in respect of the 2015 bonuses, we found it impossible to determine the stretch of these payments.

## Standard Chartered

In late 2015, Schroders met with Standard Chartered to discuss past senior management. In light of recent capital raising and writedowns we were keen to discuss the issue of malus and clawback provisions. We felt that past management had been rewarded substantially while leaving a legacy of heavy losses for shareholders.

<sup>2</sup> <http://www.bcsss-pension.org.uk/schroders-voting-engagement-records.htm>

Our dialogue with Standard Chartered's remuneration committee reassured us that the company does spend significant time analysing what executives receive based on past long term incentive plans. We were disappointed that the company was not more publicly transparent about its consideration of malus and clawback for the departed senior management team. As such, we voted against the remuneration report.

This year, a new remuneration policy has been implemented which simplifies incentive arrangements with a clearer separation of Long-Term Incentive Plan (LTIP) awards and annual bonuses. More than 60% of variable remuneration is now based on forward-looking performance targets – which led to us voting in favour of the remuneration policy.

## AXA Framlington

### Summary of Engagement

AXA Framlington hold regular discussions with the board and management of investee companies as part of their regular investor relations programme, and also hold additional meetings with companies in which they have significant holdings. These meetings are an opportunity to discuss and clarify any emerging concerns. During 2015 AXA Framlington voted at 4,911 General Meetings and either abstained or voted against at least one item in 2,083 General Meetings.

Their engagement priorities during the relevant period include:

- **Carbon Risk Mitigation:** A collaborative engagement with leading responsible investors urging companies in the extractives sectors to improve their strategy, reporting and disclosure around the challenges posed to their business by the global push to mitigate climate change risks
- **Proxy Access:** They promoted the 'concept' of Proxy Access whereby boards will provide long-term shareholders the opportunity to nominate directors to the board. They believe that this is an important mechanism to improve corporate governance and board responsiveness to shareholders
- **Regulatory risk in the Automobile Sector:** They held discussions with companies in this sector encouraging them to review and align their strategy with emerging emissions standards aiming to limit the ability of companies to externalise their environmental impacts.
- **Equality Principle (one share, one vote):** Engagement reinforcing the position that shareholders should have ownership and voting rights in direct proportion to their shareholding in a company.

In addition to these priorities, they held the following discussions with companies in the relevant fund:

Company	Concern	Action
<b>BP plc</b>	Company strategy on emerging regulations on climate change.	Engagement with Board seeking improved disclosure on company approach and strategy to tackling climate change risks.
<b>Experian</b>	Award of additional matching shares to executives.	Meeting with Remuneration Committee asking for the withdrawal of the company's share matching scheme as it rewards executives twice for the same performance adds needless complexity to the company's remuneration arrangements.
<b>HSBC</b>	Meeting with Remuneration Committee asking for the withdrawal of the company's share matching scheme as it rewards executives twice for the same performance adds needless complexity to the company's remuneration arrangements.	Meetings with the Chairman and Senior Independent Director seeking the appointment of a new independent chairman.
<b>ITV</b>	New share incentive scheme.	Discussions with Remuneration Committee on setting more challenging performance conditions to align executive performance and rewards with long-term shareholder interests.
<b>RoyalDutchShell</b>	Company strategy on emerging regulations on climate change.	Engagement with Board seeking improved disclosure on company approach and strategy to tackling climate change risks.
<b>Wolseley</b>	Payment of significant non-audit fees to company auditors.	Relayed concerns on the impact on auditor objectivity posed by a high-level of non-audit fees.

## Pensions Administration Strategy Report

The delivery of a high quality, cost effective administration service is not the responsibility of just the administering authority, but depends on the joint working of the administering authority with a number of individuals in different organisations to ensure scheme members, and other interested parties, receive the appropriate level of service and ensure that statutory requirements are met.

End of year submissions: All employers submitted their 2015/16 End of Year data on time. This is not the end of the process as Dorset County Pension Fund then liaises with the employers to resolve the numerous individual queries generated by the data submission. This was carried out successfully, allowing the LGPS Annual

Benefit Illustrations to be sent to members by the 31 August deadline.

Employer contacts: 95% of employers have designated a named individual to act as the main point of contact (Pension Liaison Officer (PLO) with regard to any aspect of administering the LGPS.

### Fund and Employer Responsibilities

The LGPS Regulations identify a number of responsibilities for the Fund and employers along with expected performance standards. Key Performance Indicators (KPIs) are also provided for these tasks.

**Performance Standards are held within the following tables:**

New Appointments	
Employers' Responsibility	Fund's Responsibility
To ensure that pensions information is included as part of any induction process.	To provide to employers on request appropriate information/forms for inductions.
To provide each new employee with an LGPS booklet and application form, either with their contract or within two weeks of starting work.	To update pension information in accordance with regulatory changes and provide sufficient stock within five weeks of request by the employer.

New Starters	
Employers' Responsibility	Fund's Responsibility
To ensure that all employees subject to automatic admission are brought into the LGPS from the date of appointment, and provide the Pensions Team each month with details of their start date by electronic interface or approved paper form.	To accurately record and update associated member records on the pension administration system.
To assist the Fund in ensuring that all new starters complete the Pension Membership Form containing information including National Insurance Number, Date of Birth and Home Address to the Fund within 1 calendar month of the employee's first pay date.	To apply for any Transfer Value details within 10 working days of receipt of all the relevant information from the member and to produce a Membership Certificate and forward to member's home address, within thirteen weeks of joining the LGPS, as stated within the Regulations.

Where there is more than one contract of employment with the same employer, each membership shall be maintained separately and the Fund notified.	To accurately record these member records on the pension administration system.
To send the Fund notification in agreed electronic or paper format of any eligible employees subject to automatic entry, who do not wish to join, or elect to leave the scheme within three months of appointment.	To accurately record and update member records on the pension administration system within 30 working days of receipt of the notification.

### Valuation and Annual Benefit Illustrations

Employers' Responsibility	Fund's Responsibility
<p>To ensure that the Fund is informed of any changes in the circumstances of employees on approved forms or by agreed electronic templates within 1 calendar month of the change. Forms can be found at <a href="http://www.yourpension.org.uk/Dorset/Employers/Employer-Forms">www.yourpension.org.uk/Dorset/Employers/Employer-Forms</a></p> <p><b>The changes include:</b></p> <p><b>Status:</b></p> <ul style="list-style-type: none"> <li>• Change of Name</li> <li>• Marital Status</li> <li>• National Insurance Number</li> <li>• Address</li> </ul> <p><b>Conditions of Service:</b></p> <ul style="list-style-type: none"> <li>• Contractual Hours</li> <li>• Remuneration changes due to down grading</li> <li>• Contribution Rate</li> <li>• Employee Number and/or Post Number</li> <li>• Date Joined Scheme (if adjusted)</li> </ul> <p><b>Absence:</b></p> <ul style="list-style-type: none"> <li>• Maternity, Paternity and Adoption</li> <li>• Unpaid leave of absence</li> <li>• Industrial Action</li> <li>• Any other material period of absence</li> </ul> <p>Each employer must ensure that the relevant contributions are deducted, if required.</p> <p><b>End of Year</b> End of Year contribution return to be sent to the Fund by the 15th May of each year and by 8th May in a Valuation year. Employer to respond to End of Year queries within 15 working days of request.</p>	<p>To provide forms for recording any key change in circumstances and/or to provide a template for the secure submission of data electronically.</p> <p>To accurately record and update member records on the pension administration system within 30 working days of notification or any shorter period as requested by the employer with regard to specific requirements.</p> <p>To issue Annual Benefit Illustrations by the 5th October of the year concerned for all members where the employer has sent end of year contribution return by 15th May of that same year.</p> <p>To calculate the LGPS member's Annual Allowance under HMRC Legislation and notify members, where appropriate by the 5th October of the year concerned or within 3 months of member's request.</p>

Retirement Estimates	
Employers' Responsibility	Fund's Responsibility
<p>To submit a request using the Estimate Request Form, found on <a href="http://www.yourpension.org.uk/Dorset/Employers/Employer-Forms">www.yourpension.org.uk/Dorset/Employers/Employer-Forms</a> by post or attaching it to an e-mail.</p> <p>(Only 1 estimate request per member per rolling year allowed, additional requests chargeable as per Charging Schedule - Appendix A)</p> <p>For larger bulk estimates, requests can be made in alternative formats.</p>	<p>To issue the quotations within 15 working days of receiving the request or by separate agreed timescales for bulk requests.</p> <p>To provide large employers with the appropriate software to produce retirement estimates without the resource of Fund staff.</p> <p>To provide large employers with the appropriate software to produce retirement estimates without the resource of Fund staff.</p>
Actual Retirement	
Employers' Responsibility	Fund's Responsibility
<p>To submit the appropriate form to the Fund at least one month before retirement where possible but in all cases no later than 15 working days after retirement date.</p> <p>Further information can be found in the Employers Guide: <a href="http://www.yourpension.org.uk/Dorset/Employers">www.yourpension.org.uk/Dorset/Employers</a></p>	<p>To issue the member with a letter and retirement information within 10 days of notification.</p> <p>To make payment of any lump sum within 5 working days of the date of retirement provided all relevant forms and certificates have been received from the member.</p> <p>To pay any pension payment on the last working day of each month, following retirement.</p>

Ill Health Retirements	
Employers' Responsibility	Fund's Responsibility
<p>To determine based on medical opinion and advice of one of the Administering Authorities approved Independent Medical Registered Practitioners (Independent Medical Registered Practitioners (IMRP)) whether an ill health award is to be made and determine which tier 1, 2 or 3.</p> <p>To submit the appropriate form to the Fund at least one month before retirement where possible but in all cases no later than 15 working days after retirement date</p>	<p>To calculate and pay required benefits in line with actual retirement timescales.</p>
<p>To keep a record of all Tier 3 ill health retirements, particularly in regard to the 18 month review of their gainful employment and any subsequent appointment with an (IMRP) approved by the Administration Authority for a further medical certificate.</p> <p>To inform the Administering Authority if and when the pension should cease.</p>	<p>To calculate and recover any overpayment of pension benefits</p>
<p>To review all Tier 3 ill health retirement cases prior to discontinuance at three years and notify member of cessation if applicable.</p> <p>Further information on ill health retirements can be found in the Employers Guide; <a href="http://www.yourpension.org.uk/Dorset/Employers">www.yourpension.org.uk/Dorset/Employers</a></p>	<p>Update the member records as becoming a "pensioner member with deferred benefits from the date of the suspension".</p>

Members Leaving Employment Before Retirement	
Employers' Responsibility	Fund's Responsibility
<p>To notify the Fund of the employee's date and reason for cessation of membership and all other relevant information on approved forms within one month of the event.</p>	<p>To accurately record and update member records on the pension administration system.</p> <p>To inform members who leave the Scheme, who are not entitled to immediate payment of benefits, the options available and deferred benefit entitlement.</p>



Former Members with Deferred Benefits	
Employers' Responsibility	Fund's Responsibility
<p>To keep adequate records of the following for members who leave the Scheme with deferred benefits as early payment of benefits may be required:</p> <ul style="list-style-type: none"> <li>• Name and Last known address</li> <li>• National Insurance Number</li> <li>• Payroll Number</li> <li>• Date of Birth</li> <li>• Last job including job description</li> <li>• Salary details</li> <li>• Date and reason for leaving</li> </ul> <p>On application from the former employee to have their deferred benefits paid early, a determination as to whether or not they are eligible for early payment on ill health grounds after seeking a suitable medical opinion from an (IRMP) approved by the Administering Authority, to determine whether benefits should be released early on compassionate grounds and whether any early retirement reduction should be waived.</p>	<p>To record and update member records on pension administration system.</p> <p>Issue deferred benefit notification within 2 months of notification by employer.</p> <p>To provide former members, where possible, an annual benefit illustration of their deferred benefits updated by accrued annual pensions increase award.</p> <p>To provide estimates of benefits that may be payable and any resulting employer costs within 10 working days of request.</p>

Death in Service and Terminal Illness	
Employers' Responsibility	Fund's Responsibility
<p>To inform the Fund immediately of the death of an employee or when a member is suffering from a potentially terminal illness and provide details of the next of kin.</p> <p>Further information can be found in the Employers Guide; <a href="http://www.yourpension.org.uk/Dorset/Employers">www.yourpension.org.uk/Dorset/Employers</a></p>	<p>To assist employers, employees and their next of kin in ensuring the pension options are made available and that the payment of benefits are expedited in an appropriate caring manner.</p>

Financial Obligations	
Employers' Responsibility	Fund's Responsibility
<p>To pay the Fund all contributions deducted from payroll (not including AVCs) of its employees and employer contributions, no later than the 19th day of the month following the period of deductions.</p> <p>To re-imburse the Fund for all pension payments made which are not to be borne by the Fund e.g. early retirement strain cost, compensatory added years, injury allowances under an agreed schedule.</p> <p>To ensure that all payments made to the Fund are supported by a completed Monthly Financial Return form which is available at <a href="http://www.yourpension.org.uk/Dorset/employers">www.yourpension.org.uk/Dorset/employers</a></p> <p>Further information can be found in the Employer Guide: <a href="http://www.yourpension.org.uk/Dorset/employers">www.yourpension.org.uk/Dorset/employers</a></p>	<p>To allocate the received contributions to each employers record.</p> <p>Interest will be charged for late payment as detailed in Regulation 71(4) of the LGPS Regulations 2013.</p>
<p>To apply the correct employer and employee contribution rate.</p> <p>To alter employee contribution rates at all other times in line with the employers' discretionary policy on adjusting employee contribution rates.</p>	<p>Inform each employer of any new contribution banding.</p>
<p>To pay all rechargeable items to the Fund within four weeks of the invoice.</p>	<p>The Fund will inform employers of any recharge items as they become due.</p>
<p>To pay the appropriate AVC provider AVC contributions deducted from payroll of its employees no later than the 19th day of the month following the period of deductions.</p>	<p>To record and update member records on pension administration system to show membership of AVC scheme.</p>

Additional Benefits (Arcs And Asbcs)	
Employers' Responsibility	Fund's Responsibility
<p>To collect from the employee payroll, contributions and to arrange the prompt payment to the Fund no later than the 19th of the month following deduction.</p> <p>More information can be found in the Employers Guide, <a href="http://www.yourpension.org.uk/Dorset/employers">www.yourpension.org.uk/Dorset/employers</a></p>	<p>To provide information on Additional Regular Contributions (ARCs) and Additional Survivor Benefit Contributions (ASBC's) on request to the LGPS member and employers and issue quotations within 10 working days.</p>

Discretions Policy	
Employers' Responsibility	Fund's Responsibility
<p>Formulate, publish and update (as necessary) an Employer Discretions Policy as required under the LGPS Regulations and provide a copy using the Discretions template to the Fund. More information can be found in the Employers Guide, <a href="http://www.yourpension.org.uk/Dorset/employers">www.yourpension.org.uk/Dorset/employers</a>. See Appendix B for details of Discretions.</p> <p>This must be done within 30 days of policy being agreed by the appropriate officers or committee of the Employer OR any changes being made.</p> <p>And</p> <p>No later than 6 months after being informed by the Fund of any relevant change in the Regulations.</p>	<p>Formulate, publish and update (as necessary) an Administering Authority Discretions Policy as required under the LGPS Regulations. The Fund will keep the policies under review and will update within 6 months of any relevant change in the Regulations.</p> <p>Where the Fund does not have an up to date discretions policy from an Employer, the Fund will not process anything which involves Employers discretions. This currently includes early retirement (pre age 60), additional pension awards, flexible retirement and waiving of actuarial reductions on any of these.</p>

## Key Performance Indicators

Pensions Administration Key Performance Indicators (KPIs) are shown below:

Top Ten Case Types: April 2015 to March 2016	Cases completed in period	Performance (%)	KPI (days)	Cases completed on time or early
Admissions	5,452	77.13	30	4,205
Transfers In Quote	687	80.06	15	549
Transfers In	124	0.00	20	0
Transfers Out Quote	290	55.86	10	162
Transfers Out	113	41.59	10	47
Estimates Requested by Employee	710	61.83	15	439
Estimates Requested by Employer	981	63.10	15	619
Retirements	2,193	69.17	5	1,517
Deferred Benefits	1,574	66.65	40	1,049
Refunds	1,249	74.94	15	936
Deaths	61	98.36	5	60
Correspondence	3,816	96.65	30	3,688
<b>Total</b>	<b>17,250</b>	<b>76.93</b>		<b>13,271</b>

## Pensions Administration Strategy

### Fund Administration Performance - Task Standards

In all cases the standard quoted applies only once all necessary information and documents have been received.

Task	Standard (Working Days)
Letters/emails acknowledged	10 Days
New Starters processed - electronic/paper	30 Days
Payment of transfer values	10 Days
Provision of inward transfer quotes	15 Days
Notification of deferred benefits	40 Days
Respond to members general postal/telephone enquiries	10 Days
Changes in details processed	30 Days
Estimates for divorce purposes processed	30 Days or 21 Days for Court Ordered requests
Refund Payments	15 Days
Deferred benefits calculated	40 Days
ARC Illustrations calculated	10 Days
Annuity quotations calculated	5 Days
New retirement letters sent detailing options	10 Days
New retirement benefits processed for payment following receipt of election	5 Days
Deferred benefits processed for payment following receipt of election	5 Days
Notification of death processed	5 Days
Processing of survivor pensions	5 Days
Processing of death grants	5 Days
Estimate requests processed	15 Days

## Custodian

HSBC Bank plc and Pictet & Cie Banquiers in its role as Global Custodians are responsible for safe keeping, settlement of transactions, income collection, overseas tax reclaim, general custodial services and other administrative actions in relation to all the Fund's shareholdings.

## Committee Training Policy

As an administering authority of the Local Government Pension Scheme, Dorset County Council has always recognised the importance of ensuring that all officers and members of the Pension Fund Committee charged with the financial management and decision making with regard to the pension

scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them. The Fund provides and arranges training for officers and members of the Pension Fund Committee to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.



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## Audit Opinion

### Independent auditor's report to the members of Dorset County Council on the pension fund financial statements published with the Pension Fund Annual Report

We have examined the pension fund financial statements for the year ended 31 March 2016 on pages 123 to 141.

### Respective responsibilities of the Chief Financial Officer and the auditor

The Chief Financial Officer is responsible for the preparation of the pension fund financial statements in accordance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements included in the Pension Fund Report and Accounts with the pension fund financial statements included in the annual published statement of accounts of Dorset County Council, and their compliance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

In addition, we read the information given in the Pension Fund Annual Report to identify material inconsistencies with the pension fund financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our report on the administering authority's annual published statement of accounts describes the basis of our opinion on those financial statements.

### Opinion

In our opinion, the pension fund financial statements are consistent with the pension

fund financial statements included in the annual published statement of accounts of Dorset County Council for the year ended 31 March 2016 and comply with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

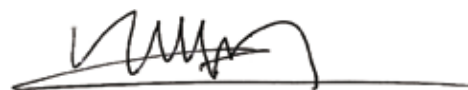
We have not considered the effects of any events between the date we signed our report on the full annual published statement of accounts and the date of this report.

### Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if:

- the information given in the Pension Fund Annual Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters relating to the pension fund have been reported in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit.

We have nothing to report in respect of these matters.



**Harry Mears**  
For and on behalf of KPMG LLP,  
Statutory Auditor

Chartered Accountants  
Gateway House, Tollgate  
Chandlers Ford SO53 3TG

15 November 2016

## Fund Account

31 March 2015			31 March 2016	
£'000	£'000		£'000	£'000
<b>Contributions</b>				
76,140		Employers, normal	77,413	
2,858		Employers, other	2,582	
26,333	105,331	Employees, normal	26,677	106,672
	5,874	Transfers from other schemes		4,728
	<b>111,205</b>	<b>Total Income</b>		<b>111,400</b>
<b>Benefits</b>				
79,096		Pensions	83,924	
18,202		Commutations and Retirement Grants	17,831	
2,724	100,022	Death Benefits	2,402	104,157
<b>Payments to and on account of leavers</b>				
143		Refunds of Contributions	234	
17	160	State Scheme Premiums	48	282
	37,125	<b>Transfers to other schemes</b>		3,158
	<b>(26,102)</b>	<b>Net additions / (withdrawals) - dealings with members</b>		<b>3,803</b>
	10,294	Management Expenses		11,108
<b>Returns on Investments *</b>				
21,723		Dividends from equities	23,364	
12,460		Rents from properties	13,560	
457		Interest	356	
221		Other investment income	191	
<b>Change in market value of investments</b>				
35,798		Profits realised and reinvested	208,238	
175,042		Variation in valuation account	(273,090)	
	<b>245,701</b>	<b>Net Return on Investments</b>		<b>(27,381)</b>
	<b>209,305</b>	<b>Net increase in fund during the year</b>		<b>(34,686)</b>
	<b>2,091,827</b>	<b>Opening net assets 1 April</b>		<b>2,301,132</b>
	<b>2,301,132</b>	<b>Closing Net Assets 31 March</b>		<b>2,266,446</b>

\* The absence of fixed interest income is a result of all of the Fund's fixed interest holdings in this category of investment being held in Pooled Investment Vehicles. These vehicles retain income within their structure and consequently are not separately identified in the financial statements but are reflected in the valuation of the units in that pooled investment.

## Net Assets Statement

31 March 2015			31 March 2016	
£'000	£'000		£'000	£'000
<b>Investment at market value</b>				
401,418		UK equities - Quoted	365,654	
464,090		Overseas equities - Quoted	560,389	
1,115,335		Pooled Investment Vehicles	971,428	
4,817		Absolute Return (Hedge) Funds	10	
59,156		Private Equity	65,432	
204,700		Property	221,125	
5,000		Temporary Investments	31,600	
3,590		Other Investment Asset Balances	1,680	
<b>Investments liabilities</b>				
		Forward Foreign Exchange		
(3,835)		Other Investment Liability Balances	(2,625)	
	2,254,271			<b>2,214,693</b>
5,790		Long Term Debtor	4,825	
(17,828)		Long Term Deferred Income	-	
<b>Current Assets</b>				
10,250		Trade and Other Receivables	9,447	
70,524		Cash Deposits	60,226	
<b>Current Liabilities</b>				
(5,288)		Trade and Other Payables	(4,891)	
(16,587)		Deferred Income	(17,854)	
	46,861			51,753
	<b>2,301,132</b>	<b>Net Assets as at 31 March</b>		<b>2,266,446</b>

The above Fund Account and Net Assets Statement, and the following Notes, form part of the financial statements. These financial statements summarise the Fund's transactions during the year and the position as at 31 March 2016.

The Net Asset Statement does not reflect any obligations to meet pension and benefit costs beyond the end of the 2015/16 financial year. However, under the requirements of the IFRS accounting standard and in compliance with IAS26 this liability for future benefits is shown in an appendix to the accounts and notes in the form of the disclosure report produced by the Fund's Actuary, Barnett Waddingham. This report forms part of the accounts.

# Notes to the accounts

## 1. General

The Dorset County Pension Fund is a Local Government Pension Scheme (LGPS) governed by statute. The County Council administers the Fund on behalf of its own full time and part-time staff and employees of other local authorities and similar bodies within the County (known as scheduled bodies), including the Unitary, District and Borough Councils, School Academies and Police and Fire non-uniformed staff. The uniformed police and fire services and teachers are not included as they are members of their own unfunded schemes.

In addition to the scheduled bodies, there are a number of 'admitted' bodies. These are mainly charities and external employers who have taken over certain functions of the administering or scheduled bodies and the relevant staff employed on those functions.

As the administering body the County Council has responsibilities which include the collection of contributions, investment of surplus funds, payment of pension benefits, managing the fund valuation, monitoring all aspects of performance and managing communications with employers, members and pensioners. These activities are governed by the Public Services Pensions Act 2013, the LGPS Regulations 2013 (as amended), the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and the LGPS (Management and Investment of Funds) Regulations 2009 (as amended).

The above responsibilities are carried out by a committee comprising elected

members of the County Council and other local authorities together with a scheme member representative (nominated by the unions). Day to day administration of the fund's activities is carried out by several teams of officers headed by the Fund Administrator.

## 2. Basis of Preparation and Accounting Policies

The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the UK 2015/16 ("the Code"), section 6.5 Accounting and Reporting by Pension Funds.

**Contributions:** Contributions have been accounted for on an accrual basis based on the date of deductions from pay. This includes employers' normal and deficit amounts and employee normal contributions including additional voluntary payments. "Employers' other" contributions for early retirement costs are accrued for based on the date of retirement.

**Transfer values:** Transfer values both in and out are accounted for on a cash basis as the date of payment or receipt is deemed to be the time at which any liability is accepted or discharged.

**Investment income:** UK and Overseas dividends are accrued on an ex dividend basis. Interest on cash balances with custodians are however dealt with on a cash basis due to the lack of availability of timely detailed information.

**Transaction costs:** Transaction costs on the acquisition and disposal of

investments held in segregated portfolios are included under "Management Expenses" in the Fund Account.

**Investments:** Investments with a stock exchange listing are valued at bid prices as at the date of the Net Asset Statement. Pooled Investment Vehicles are stated at bid price for funds with bid / offer spreads, or single price where there are no bid / offer spreads, as provided by the fund manager.

Unquoted securities are included at an estimated fair value based on advice from the investment manager.

Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date. There were no open Forward foreign exchange contracts as at 31 March 2016.

All foreign currencies are translated at the rate ruling at the net assets statement date. Where investments with a bid price is available this has been used as a basis for valuation.

Direct Holdings of Property were valued by professionally qualified staff of BNP Paribas as at 31 March 2016. This was carried out on the basis of Open Market Value in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. CBRE Global Investors is the appointed Fund Manager and BNP Paribas are the independently appointed valuers. A copy of the valuation is available for inspection on request.

### 3. Actuarial Position

An Actuarial Valuation was carried out as at 31 March 2013 by the Fund's Actuary, Barnett Waddingham, and changes in contribution rates as a result of that valuation took effect from 1 April 2014 with contribution rates being set then for the three years to 31 March 2017.

A summary of the 2010 and 2013 Valuation is shown below.

#### 2010 Valuation

The 2010 valuation resulted in an average contribution rate of 18.5% of payroll to be paid by each employing body participating in the Dorset County Pension Fund comprising of a "Future Service Contribution Rate" of 13.8% and a "Deficit Recovery ( 25 years ) Rate" of 4.7%. Each employing body pays an individual rate of contributions to reflect its own particular circumstances and funding position within the Fund.

#### 2013 Valuation

The 2013 Actuarial Valuation due as at 31 March 2013 has been completed and came into effect as of 1 April 2014. The 2013 valuation resulted in an average contribution rate of 18.6% of payroll to be paid by each employing body participating in the Dorset County Pension Fund. The future service cost element amounts to 13.3% and the past service deficit 5.3%. The past service deficit payment is fixed for each employer as a cash amount for the three years of the valuation period to reflect the general reduction in workforce that is taking place at a majority of employers.

#### Contribution Rates

The contribution rates paid by each employer, in addition to those paid by members of the scheme, are set to be

sufficient to meet the liabilities that build up each year within the Fund. This is in respect of the benefits earned by each employer's active members of the Fund during the year plus an amount to reflect each participating employer's share of the value of the Fund's assets compared with the liabilities that have already accrued at the valuation date.

The contribution rates were calculated using the Projected Unit Method taking account of market conditions at the valuation date.

#### Asset Value and Funding Level

The smoothed market value of the Fund's assets as at 31 March 2013 was £1,936m which represented 82% (2010 valuation 79%) of the Fund's accrued liabilities at that date allowing for future increases in pay and pensions in payment.

#### Financial Assumptions

For the purposes of the 2015/16 Financial Year the financial assumptions applied by the actuary were set at the 2013 valuation. The assumptions for both the 2010 and 2013 valuations are summarised below. To be consistent with the market value of assets, the liabilities were valued allowing for expected future investment returns and increases to benefits as determined by market levels at the valuation date. The key assumptions were as follows:

	2010 Valuation per annum	2013 Valuation per annum
Rate of return on investments	6.90%	6.00%
Rate of increases in pay (short term)	4.70%	2.70%
Rate of increases in pay (long term)	4.70%	4.20%
Rate of increases to pensions in payment	3.00%	2.70%

## 4. Membership

Under the new LGPS scheme effective 1 April 2014 membership of the Fund is automatic for staff with a contract of employment of more than three months. Those with a contract of less than three months can opt to join by request.

Employees of Scheduled bodies have the right to join the scheme and membership is automatic. Membership for employees of Designating bodies is also automatic but subject to the employer having opted for employees in general to be eligible to join the scheme. Admitted bodies' employees will have separate individual arrangements on admission depending on their employer's agreement in place. All employees can opt out of the scheme at any time.

Membership of the new LGPS scheme is offered to teachers where membership of their normal scheme is not available to them.

2014/15		2015/16
	<b>Contributors</b>	
9,492	Dorset County Council	8,483
15,168	Scheduled Bodies	18,568
1,037	Admitted Bodies	1,156
<b>25,697</b>	<b>Total</b>	<b>28,207</b>
	<b>Pensioners</b>	
7,049	Dorset County Council	6,793
9,508	Scheduled Bodies	9,844
1,026	Admitted Bodies	967
<b>17,583</b>	<b>Total</b>	<b>17,604</b>

In addition there are 21,802 deferred members (21,084 in 2014/15) who have entitlement to a benefit at some time in the future.



## 5. Employer Contributions

The normal contributions made by employers consist of two elements. One to fund pensions on future service and the other to meet deficits existing on past service costs. The triennial valuation of the fund sets a combined total contribution rate for individual employers and for various pooled groups of employers.

The average contribution rates for the years 2014/15, 2015/16 and 2016/17 set by the 2013 valuation were 13.3% for future service and 5.3% for deficit funding. These rates reflect funding levels at the valuation date of 82% and assumes full deficit recovery over a period not exceeding 25 years depending on each employer's circumstances.

Set out below is an analysis of the employers normal contributions:

2014/15		2015/16
£'000		£'000
53,495	Contributions re Future Service Costs	55,234
21,317	Contributions re Past Service Costs	22,011
1,328	Employer's Voluntary Additional Contributions	168
<b>76,140</b>	<b>Total Contributions</b>	<b>77,413</b>

"Employers other" contributions shown in the Fund Account (£2,858k) are amounts paid by employers to the Fund to meet the capital costs of early retirements.

The 2013 Actuarial Valuation set a fixed annual deficit contribution for employers for each of the three years of the valuation period. Employers were given the option to pay all these amounts

in advance in 2014 at a discount. The "Deferred Income" amounts in the Net Asset Statement are these payments in advance made by employers taking up the option ( £16.587M re 2015/16 and £17.828M re 2016/17).

## 6. Management Expenses

Set out below is an analysis of the Management Expenses:

2014/15		2015/16
£'000		£'000
1,509	Administration Expenses	<b>1,337</b>
502	Oversight and Governance	<b>497</b>
8,283	Investment Management Expenses	<b>9,274</b>
<b>10,294</b>	<b>Total Expenses</b>	<b>11,108</b>

Investment Management Expenses are shown on the face of the accounts and in the above analysis in accordance with the CIPFA guidance "Accounting for LGPS Management Costs". Investment Management Expenses for 2015/16 consist of management fees of £6.8M, performance related fees of £0.5M, transaction costs of £0.4M, custody fees of £0.1M, direct operating expenses relating to investment properties of £1.3M and other fees and costs of £0.2M.

## 7. Reconciliation of Investments held at beginning and end of year

The following table gives details of purchases, sales and changes in the market valuation of investments in the fund during the year.

	Value 1 April 2015	Purchases & Derivative payments	Sales & Derivative receipts	Change in market value	Value 31 March 2016
	£'000	£'000	£'000	£'000	£'000
UK equities - Quoted	401,418	12,160	15,519	(32,405)	<b>365,654</b>
Overseas equities - Quoted	464,090	551,942	444,088	(11,555)	<b>560,389</b>
Pooled Investment Vehicles	1,115,335	13,653	107,421	(50,139)	<b>971,428</b>
Absolute Return (Hedge) Funds	4,817	-	4,679	(128)	<b>10</b>
Private Equity	59,156	13,921	19,766	12,121	<b>65,432</b>
Property	204,700	4,233	3,166	15,358	<b>221,125</b>
Forward Foreign Exchange	-	20,583	16,322	(4,261)	-
	<b>2,249,516</b>	<b>616,492</b>	<b>610,961</b>	<b>(71,009)</b>	<b>2,184,038</b>
Temporary investments	5,000	31,600	5,000	-	<b>31,600</b>
Cash Deposits	70,524	267,758	278,056	-	<b>60,226</b>
	<b>2,325,040</b>				<b>2,275,864</b>

The transaction costs associated with Pooled Investment Vehicles are taken into account in calculating the bid/offer spread of these investments and are therefore embedded within the purchase and sales costs and not separately identifiable. All other transaction costs have been charged to the Pension Fund Account.

## 8. Contingent Assets and Liabilities

The Pension Fund is continuing the process required to recover withholding tax from various EU investments following rulings requiring equal treatment for all EU investors. These claims will be retrospective and will cover a varying number of years depending on the domicile. Neither the amount nor the expected time of settlement are known so consequently the financial statements as at 31 March do not reflect any potential recovery of tax.

## 9. Financial Risk Management

The activities of Dorset County Pension Fund are exposed to a variety of financial risks; market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk.

The Fund's investments are managed on behalf of scheme members by the Investment Managers. During the year ended 31 March 2016, investments were held by Pictet et Cie Banquiers and HSBC Global Investor Services, who acted as custodians on behalf of the Dorset Fund. Each investment manager is required to invest the assets managed by them in accordance with the terms of a written investment mandate or duly authorised prospectus.

The Dorset County Pension Fund's Pension Fund Committee has determined that appointment of these managers is appropriate for the Fund and is in accordance with its investment strategy.

The Dorset County Pension Fund Committee obtains regular reports from each investment manager and from its Independent Adviser on the nature of the investments made and associated risks. The Fund is exposed to interest rate

risk, currency risk and other price risk due to its underlying assets and liabilities. The analysis below is provided to meet the disclosure requirements of IFRS 7 Financial Instruments:

Disclosures, and should not be used for any other purpose. The analysis is not intended to constitute advice and is not guaranteed.

### (a) Market Risk

Market risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Fund is exposed, particularly through its equity portfolio, to market risk influencing investment valuations. In addition to the effects of movements in interest rates, the Fund is exposed to currency risk and other price risk. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of exposure to different markets through different Investment Managers. Risk of exposure to specific markets is limited by applying strategic targets to asset allocation, which are monitored by the Pension Fund Committee.

### (a) (i) Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments in the market.

The Fund is exposed to price risk which arises from investments for which the prices in the future are uncertain. All securities investments present a risk of loss of capital, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Investment Managers mitigate this risk through diversification in line with their own investment strategies.

**(a) (ii) Other Price Risk - Sensitivity Analysis**

Following analysis of data from HSBC Performance Measurement and Risk Services, it has been determined that the following movements in market price risk were reasonably possible for the 2015/16 reporting period:

Internally Managed UK Equities	15%
AXA Framlington UK Equities	15%
Schroders UK Equities	15%
Standard Life UK Equities	20%
Allianz Global Equity	15%
Investec Global Equity	15%
Wellington Global Equity	15%
HarbourVest Private Equity	15%
Standard Life Private Equity	20%
Royal London Bonds	10%
Insight Investments	n/a
Gottex Hedge Funds	5%

IAM Hedge Funds	10%
Pioneer Hedge Funds	10%
CBRE Property	10%
JP Morgan Emerging Markets Equity	25%
Baring Asset Management	5%
Hermes Infrastructure Fund	10%
Temporary Investments	0%

A price change disclosed above is broadly consistent with a one-standard deviation movement in the value of the assets. This analysis assumes that all other variables, in particular foreign currency exchange rates, and interest rates remain constant.

The increase or decrease in the market price against the investments of the Fund at 31 March would have increased or decreased the change for the year in net assets available to pay benefits by the amount shown below.

As at 31 March 2016	Value £'000	Percentage Change %	Increase £'000	Decrease £'000
Internally Managed UK Equities	365,654	15	54,848	(54,848)
AXA Framlington UK Equities	107,992	15	16,199	(16,199)
Schroders UK Equities	38,612	15	5,792	(5,792)
Standard Life UK Equities	71,935	20	14,387	(14,387)
Allianz Global Equity	227,083	15	34,062	(34,062)
Investec Global Equity	166,965	15	25,045	(25,045)
Wellington Global Equity	166,341	15	24,951	(24,951)
HarbourVest Private Equity	38,337	15	5,751	(5,751)
Standard Life Private Equity	27,095	20	5,419	(5,419)
Royal London Bonds	286,117	10	28,612	(28,612)
Insight Investments	237,991	n/a	-	-
Gottex Hedge Funds	956	5	48	(48)
IAM Hedge Funds	10	10	1	(1)
Pioneer Hedge Funds	815	10	82	(82)
CBREi Property	246,330	10	24,633	(24,633)
JP Morgan Emerging Markets Equity	65,186	25	16,297	(16,297)
Baring Asset Management	107,588	5	5,379	(5,379)
Hermes Infrastructure Fund	29,030	10	2,903	(2,903)
Temporary Investments (inc. Cash)	91,826	0	-	-
<b>Total</b>	<b>2,275,863</b>		<b>264,409</b>	<b>(264,409)</b>

As at 31 March 2015	Value £'000	Percentage Change %	Increase £'000	Decrease £'000
Internally Managed UK Equities	401,418	15	60,213	(60,213)
AXA Framlington UK Equities	108,713	15	16,307	(16,307)
Schroders UK Equities	34,872	15	5,231	(5,231)
Standard Life UK Equities	78,504	20	15,701	(15,701)
Pictet Global ex UK Equity	412,313	15	61,847	(61,847)
Janus Intech US Equity	145,244	15	21,787	(21,787)
HarbourVest Private Equity	34,571	15	5,186	(5,186)
Standard Life Private Equity	24,585	20	4,917	(4,917)
Royal London Bonds	286,133	10	28,613	(28,613)
Insight Investments	276,460	n/a	-	-
Gottex Hedge Funds	1,961	5	98	(98)
IAM Hedge Funds	4,817	10	482	(482)
Pioneer Hedge Funds	1,549	10	155	(155)
CBREi Property	228,774	10	22,877	(22,877)
JP Morgan Emerging Markets Equity	71,205	25	17,801	(17,801)
Baring Asset Management	111,640	5	5,582	(5,582)
Hermes Infrastructure Fund	26,757	10	2,676	(2,676)
Temporary Investments (inc. Cash)	75,524	0	-	-
<b>Total</b>	<b>2,325,040</b>		<b>269,473</b>	<b>(269,473)</b>

**(a) (iii) Interest Rate Risk**

The Fund invests in financial assets for the primary purpose of obtaining a return on investments on behalf of scheme members. These investments are subject to interest rate risks, which represent the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's exposure to interest rate movements on those investments at 31 March 2016 and 2015 are provided below. These disclosures present interest rate risk based on underlying financial assets (at fair value).

	31/03/2016 £'000	31/03/2015 £'000
Cash and Cash Equivalents	60,226	70,524
Fixed Interest	524,108	562,593
Loans	31,600	5,000
<b>Total</b>	<b>615,934</b>	<b>638,117</b>

**(a) (iv) Interest Rate Risk - Sensitivity Analysis**

Interest rates vary and can impact the value of the net assets available to pay benefits to scheme members. This analysis assumes that all other variables, in particular foreign currency

rates, remain constant. The analysis is performed on the same basis for the year ended 31 March 2015.

An increase or decrease of 1% (100 basis points) in interest rates at the reporting date would have increased or decreased the change for the year in net assets available to pay benefits by the amount shown below.

**(a) (v) Currency Risk**

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in a currency other than the functional currency (Great British Pound) of the Fund. The Fund holds both monetary and non-monetary assets denominated in currencies other than Pounds Sterling.

Included within the Fund's Investment Strategy is a strategic decision to hedge 50% of the currency risk in relation to Overseas Equities. The below exposures are net of this 50% hedge. The Fund also hedges 100% of its exposure to the US Dollar generated by the holding in the IAM Hedge Fund, which is denominated in US Dollars.

	As at 31 March 2016			As at 31 March 2015		
	Value £'000	Change for the year in net assets available to pay benefits £'000		Value £'000	Change for the year in net assets available to pay benefits £'000	
		+1%	-1%		+1%	-1%
Cash and Cash Equivalents	60,226	602	(602)	70,524	705	(705)
Fixed Interest	524,108	5,241	(5,241)	562,593	5,626	(5,626)
Loans	31,600	316	(316)	5,000	50	(50)
<b>Total</b>	<b>615,934</b>	<b>6,159</b>	<b>(6,159)</b>	<b>638,117</b>	<b>6,381</b>	<b>(6,381)</b>

The following tables summarise the Fund's exposure at 31 March 2016 to currency exchange rate movements on its investments.

	Net Currency Exposure as at 31/03/2016	Net Currency Exposure as at 31/03/2015
	£'000	£'000
US Dollar	220,525	253,392
Euro	60,247	39,591
Japanese Yen	22,461	42,450
Canadian Dollar	21,016	6,792
Swiss Franc	6,379	11,588
Australian Dollar	6,190	0
Swedish Krona	3,156	1,099
Israeli Shekel	2,920	0
Danish Krone	2,066	1,531
Norwegian Krone	1,846	0
Hong Kong Dollar	1,770	0
Singapore Dollar	1,127	184
<b>Total</b>	<b>349,703</b>	<b>356,627</b>

**(a) (vi) Currency Risk - Sensitivity Analysis**

Following analysis of historical data, it is considered that likely volatility associated with foreign currency rate movements (as measured by one standard deviation) are set out overleaf.

These changes in the currencies are considered to be reasonable based on historical movements in exchange rates over the past three years. This analysis assumes that all other variables, in particular interest rates, remain

constant. The analysis is performed on the same basis for the year ended 31 March 2015.

To mitigate the affect of movements in foreign exchange rates against its overseas equities investments, the Fund has in place a 50% passive currency hedge against the three major currencies - the US Dollar, the Euro and the Japanese Yen.



A strengthening or weakening of the GBP against the various currencies by one standard deviation (measured in percentages below) at 31 March 2016 would have increased or decreased the change for the year in net assets available to pay benefits by the amount shown below:

As at 31 March 2016	Percentage Change	Change for the year in net assets available to pay benefits	
		+ 1 Standard Deviation	- 1 Standard Deviation
US Dollar	2.4	5,293	(5,293)
Euro	2.2	1,331	(1,331)
Japanese Yen	2.8	624	(624)
Canadian Dollar	2.2	464	(464)
Swiss Franc	1.7	111	(111)
Australian Dollar	2.7	167	(167)
Swedish Krona	0.3	10	(10)
Israeli Shekel	0.4	11	(11)
Danish Krone	0.3	6	(6)
Norwegian Krone	0.5	8	(8)
Hong Kong Dollar	0.3	5	(5)
Singapore Dollar	1.4	16	(16)
<b>Total</b>		<b>8,046</b>	<b>(8,046)</b>

As at 31 March 2015	Percentage Change	Change for the year in net assets available to pay benefits	
		+ 1 Standard Deviation	- 1 Standard Deviation
US Dollar	2.1	5,321	(5,321)
Euro	3.1	863	(863)
Japanese Yen	2.2	1,316	(1,316)
Canadian Dollar	1.6	124	(124)
Swiss Franc	1.8	181	(181)
Australian Dollar	0.3	-	-
Swedish Krona	0.4	4	(4)
Israeli Shekel	0.4	-	-
Danish Krone	0.3	4	(4)
Norwegian Krone	2.5	-	-
Hong Kong Dollar	1.3	-	-
Singapore Dollar	0.5	2	(2)
<b>Total</b>		<b>7,815</b>	<b>(7,815)</b>

**(b) Credit Risk**

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Pension Fund to incur a financial loss. Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of the financial assets and liabilities as they are marked to market.

The net market value of financial assets represents the Fund's exposure to credit risk in relation to those assets.

The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle transactions in a timely manner. The Fund's exposure to concentrations of

credit risk to individual counterparties comprises of Temporary Investments and Bonds held in Pooled Investment Vehicles. The contractual credit risk is represented by the net payment or receipt that remains outstanding. Deposits are not made with banks and financial institutions unless they conform with the Pension Fund's investment criteria. The Fund also sets limits as to the maximum percentage of deposits placed with any one individual institution. In addition, to enable diversification, the Fund is able to invest in Money Market Funds, all of which have a AAA rating from the leading credit rating agencies.

The Fund's exposure to credit risk at 31 March 2016 is the carrying amount of the financial assets.

	31/03/2016	31/03/2015
	£'000	£'000
Temporary Investments	31,600	5,000
Bank Account Deposits	2,426	13,133
Cash held as part of Overseas Equities portfolio	0	42,391
Money Market Funds	57,800	15,000
Bonds held in Pooled Investment Vehicles	524,109	562,593
<b>Total</b>	<b>615,935</b>	<b>638,117</b>

An analysis of the Fair Value of bonds held as at 31 March 2016 and 2015 by credit grading within the credit risk is shown below.

	31/03/2016		31/03/2015	
Bond Rating:	%	£'M	%	£'M
Government bonds	45.4	238	49.0	276
Corporate bonds:				
AAA	5.0	26	4.3	24
AA	5.9	31	4.8	27
A	15.5	81	16.5	93
BBB	20.5	108	17.6	99
BB or less	2.7	14	2.8	16
Unrated	5.0	26	5.0	28
<b>Total</b>	<b>100.0</b>	<b>524</b>	<b>100</b>	<b>563</b>

**(c) Liquidity Risk**

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. In assessing each individual investment, a key consideration is to ensure that the liability of the Fund is limited to the amount of the investment in the asset.

The liquidity risks associated with the need to pay members' benefits are mitigated by maintaining a detailed cashflow model that ensures there is a constant pool of liquid cash available to meet on going liabilities as they arise.

The following table analyses the Fund's financial liabilities, grouped into relevant maturity dates.

	Carrying Amount £'000	Less than 12 Months £'000	Greater than 12 Months £'000
Creditors and Receipts in Advance	7,516	7,516	-

**(d) Fair Value Hierarchy**

The Code requires the Fund to classify fair value measurements using a hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability;
- Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable).

The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement. Observable data is considered to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The above sets out the Fund's financial assets and liabilities (by class) measured

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total
UK Equities - Quoted	365,654			365,654
Overseas Equities - Quoted	560,389			560,389
Pooled Investment Vehicles	868,692	102,736		971,428
Absolute Return (Hedge) Funds		10		10
Private Equity			65,432	65,432
Property		221,125		221,125
Temporary Investments	31,600			31,600
Sub Total	1,826,335	323,871	65,432	2,215,638
Cash in hand	60,226			60,226
	<b>1,886,561</b>	<b>323,871</b>	<b>65,432</b>	<b>2,275,864</b>

at fair value according to the fair value hierarchy at 31 March 2016.

Investments whose values are based on quoted market prices in active markets, are therefore classified within Level 1.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. As level 2 investments include positions that are not traded in active markets and / or are subject to transfer restrictions, valuation may be adjusted to reflect illiquidity and / or non - transferability, which are generally based on available market information. Investments classified within Level 3 have significant unobservable inputs, as they

are infrequently traded. As observable prices are not available for these securities, the responsible entity has used valuation techniques to derive fair value.

During the year ended 31 March 2016 there were no transfers between Levels 1, 2 or 3 of the fair value hierarchy .

#### Derivative Activity

The Fund does not engage in any direct derivative activity other than Forward Foreign Exchange contracts disclosed above.

Pooled Investment Vehicles in which the Fund has investments do have a mandate to undertake other derivative activity but these are not reported in detail.

## 10. Analysis of Contributions and Benefits

The following table shows the total contributions receivable and benefits payable, analysed between the administering authority (Dorset County Council), scheduled bodies and admitted bodies.

2014/15			2015/16	
Contributions (£'000)	Benefits (£'000)		Contributions (£'000)	Benefits (£'000)
36,267	36,431	Dorset County Council	33,447	36,246
63,265	57,658	Scheduled Bodies	67,490	61,452
5,799	5,933	Admitted Bodies	5,735	6,459
<b>105,331</b>	<b>100,022</b>	<b>Total</b>	<b>106,672</b>	<b>104,157</b>

## 11. Additional Voluntary Contributions

The County Council administers an In-House AVC Scheme with two designated providers. The amounts contributed to AVC plans by employees who are members of the pension scheme do not form any part of, and are not included in, the Pension Fund Accounts.

Each employer in the Pension Fund is responsible for collecting from their own employees and paying to the AVC provider those contributions due on AVC plans. Dorset County Council as employer deducted and paid to the AVC providers a total of £352,080 in 2015/16 (£414,863 in 2014/15).

## 12. Review of Investment Performance

The investment performance of the Fund for the year to 31 March 2016 showed a total return of + 0.08% against a benchmark of - 0.92%. Over the last three years performance had an annualised return of 6.48% per annum against a benchmark of 5.53%, and over the last five years performance was 8.24% per annum compared to a benchmark of 7.83%. Over the three and five year periods the Fund's return is ahead of the Actuary's long term target return at the last valuation of 6.10%.

The Pension Fund Committee receives quarterly reports on the overall performance of the Fund and the underlying investment managers. These reports consider the quarterly, annual, three year and five year performance, with comparisons against the Fund's bespoke benchmark and the LGPS average. Whilst the quarterly data is of interest the Committee focus is on the longer term performance analysis and assessment of trends.

## 13. Investments

The principal powers to invest are contained within the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. Details of these Regulations and all aspects relating to the investment of the Fund can be found in this report, copies of which are available from the Chief Financial Officer, Dorset County Council, County Hall, Colliton Park, Dorchester, Dorset, DT1 1XJ

## 14. Stock Lending

The fund continues to lend UK and overseas equity stock held in the portfolio. All benefits as a stockholder are retained except for the voting rights. The income from stock lending was £191,041 comprising £145,351 from UK equities and £45,690 from overseas, net of charges. The value of stock on loan as at 31 March 2016 was £277.5M, comprised of £270.7M in the UK and £6.8M overseas. This is secured by collateral worth £291.4M.

## 15. Related Parties

Related party issues arise primarily around the fact that the County Council is the Administering Authority for the Pension Fund. The County Council has various operational, contractual and financial dealings with a number of Scheduled and Admitted Bodies of the Pension Fund. These activities, however, do not relate to the County Council's role as Administering Authority.

The County Council remits contributions to the Fund monthly (£1.8M re the March contributions were outstanding as at the 31 March 2016) and management and administration costs are incurred by the County Council and recharged to the Fund on an actual basis. This was £1.5m for 2015/16 and was due to Dorset County Council on 31 March 2016.

In addition to normal debtor / creditor amounts as above at any given time there may be amounts which have been paid or received by both the County Council And the Pension Fund where indebtedness arises between the two. These can arise due to operational necessity or where single transactions have elements relating to both the County Council and the Pension Fund. These are settled on a regular basis.

Senior officers of the Pension Fund are members of the Fund as employee contributors. As at 31 March 2016, three members of the Pension Fund Committee were contributing members of the Fund and one member of the Pension Fund Committee was a deferred member of the Fund.

## **16. Management Arrangements and Pooled Investments Analysis**

Responsibility for the investment policy of the Fund rests with the Pension Committee, made up of County, Unitary and District councillors and a scheme member representative.

Management Arrangements and Pooled Investments Analysis Responsibility for the investment policy of the Fund rests with the Pension Committee, made up of County, Unitary and District councillors and a scheme member representative.

Day to day investment decisions are taken by the Chief Financial Officer (acting in this regard as 'Fund Administrator') in consultation with the external managers who advise on and are responsible for the portfolios detailed below.

2014/15		Portfolio/Manager	Type of Pooled Vehicle	2015/16	
Market Value	Market Value				
%	£'000			£'000	%
		<b>Segregated Investments</b>			
17.8	401,418	UK equities - Quoted		365,654	16.5
		Chief Executive's Treasury and Investments Team			
20.5	464,090	Overseas equities - Quoted		560,389	25.3
		Allianz, Investec, Wellington			
0.2	4,817	Absolute Return (Hedge) Funds		10	0.0
		International Asset Management			
2.6	59,156	Private Equity		65,432	3.0
		HarbourVest, Standard Life			
9.1	204,700	Property Portfolio		221,125	10.0
		CBRE Real Estate Investment Management			
0.2	5,000	Temporary investments		31,600	1.4
		Chief Executive's Treasury and Investments Team			
		<b>Pooled Investments</b>			
24.9	562,593	Fixed Interest		524,109	23.7
		rlam	Unit Linked Inv Fund - Life Policy		
		Insight	LDI Active 16 Fund		
6.4	143,585	UK Equities - Listed		146,604	6.6
		AXA Framlington	Unit Trust		
		Schroders	Unit Trust		
3.5	78,504	UK Equities - Unlisted		71,935	3.2
		Standard Life	Trustee Inv Plan		
4.1	93,467	Overseas Equity Portfolio - Unlisted		-	0.0
		Pictet Asset Management	Luxemburg SICAV		
3.2	71,205	Overseas Equity Portfolio - Listed		65,186	2.9
		JP Morgan	Unit Trust		
0.2	3,510	Absolute Return Funds		1,771	0.1
		Gottex Fund Management	Open Ended Fund		
		Pioneer Alternative Inv.	Mutual Fund		
1.1	24,074	Property		25,205	1.1
		Lend Lease Retail Partnership	CBRE (UK) Property Value Added Fund		
		Standard Life	UK Shopping Centre Trust		
5.0	111,640	Diversified Growth Funds		107,588	4.9
		Baring Asset Management	Non UCITS (PIF)		
1.2	26,757	Infrastructure		29,030	1.3
		Hermes GPE Infrastructure Fund	Non UCITS (PIF)		
<b>100.0</b>	<b>2,254,516</b>			<b>2,215,638</b>	<b>100.0</b>



# IAS26 Disclosures as at 31 March 2016

## 1. Introduction

We have been instructed by Dorset County Council, the administering authority to the Dorset County Pension Fund (the Fund), to undertake pension expense calculations in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to members of the Fund as at 31 March 2016.

This report is addressed to the administering authority and its advisers; in particular, this report is likely to be of relevance to the Fund's auditor.

These figures are prepared in accordance with our understanding of IAS26. In calculating the disclosed numbers we have adopted methods and assumptions that are consistent with IAS19.

This advice complies with all Generic Technical Actuarial Standards (TASs) and the Pensions TAS.

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013, is contracted out of the State Second Pension until 6 April 2016 and currently provides benefits based on career average revalued salary and length of service on retirement.

## 2. Valuation data

### Data sources

In completing our calculations for pension accounting purposes we have used the following items of data, which we received from Dorset County Council:

- The results of the valuation as at 31 March 2013 which was carried out for funding purposes;
- Estimated whole Fund income and expenditure items for the period to 31 March 2016;
- Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2016 and
- Details of any new early retirements for the period to 31 March 2016 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost.

Although some of these data items have been estimated, we do not believe that they are likely to have a material effect on the results of this report. Further, we are not aware of any material changes or events since we received the data.

## Employer membership statistics

The table below summarises the membership data, as at 31 March 2013, the date of the last full valuation

Member Data Summary	Number	Salaries/Pensions £000's	Average Age
Actives	23,369	382,852	46
Deferred pensioners	24,453	25,809	45
Pensioners	16,745	75,667	71

### Early Retirements

We requested data on any early retirements in respect of the Employer from the administering authority for the year ending 31 March 2016.

We have been notified of 125 new early retirements during the year which were not allowed for at the previous accounting date. The total annual pension that came into payment was £968,900.

### Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2016 is estimated to be 0%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Dorset County Pension Fund as at 31 March 2016 is as follows:

Employer Asset Share - Bid Value	31 March 2016		31 March 2015	
	£000's	%	£000's	%
Equities	1,275,200	56	1,311,425	57
Gilts	237,991	10	276,460	12
Cash	82,409	4	51,569	2
Other Bonds	286,117	13	286,133	12
Diversified Growth Fund	107,588	5	111,640	5
Absolute Return Portfolio	-	-	3,510	1
Property	246,330	11	228,774	10
Infrastructure	29,030	1	26,757	1
Hedge Fund	1,781	0	4,817	0
<b>Total</b>	<b>2,266,446</b>	<b>100</b>	<b>2,301,085</b>	<b>100</b>

We have estimated the bid values where necessary. The final asset allocation of the Fund assets as at 31 March 2016 is likely to be different from that shown due to estimation techniques.

### Unfunded benefits

We have excluded any unfunded benefits as these are liabilities of employers rather than the Fund.

## 3. Actuarial methods and assumptions

### Valuation approach

To assess the value of the Fund's liabilities at 31 March 2016, we have rolled forward the value of Fund's liabilities calculated for the funding valuation as at 31 March 2013, using financial assumptions that comply with IAS19.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2016 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2016 should not introduce any material distortions in the results provided that the actual experience of the Fund has been broadly

in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

### Demographic/Statistical assumptions

We have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2013. The post retirement mortality tables adopted are the S1PA tables. These base tables are then projected using the CMI 2012 Model, allowing for a long-term rate of improvement of 1.5% p.a.

The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)		31 March 2016	31 March 2015
Retiring today	Males	22.9	22.8
	Females	25.3	25.2
Retiring in 20 years	Males	25.2	25.1
	Females	27.7	27.6

We have also assumed that:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and

- 10% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

### Financial assumptions

The financial assumptions used to calculate the results in Section 4 and the Appendices are as follows:

Assumptions as at	31 March 2016		31 March 2015		31 March 2014	
	% p.a.	Real %	% p.a.	Real %	% p.a.	Real %
RPI increases	3.3	-	3.2	-	3.6	-
CPI increases	2.4	-0.9	2.4	-0.8	2.8	-0.8
Salary increases	3.9	0.6	3.9	0.7	4.3	0.7
Pension increases	2.4	-0.9	2.4	-0.8	2.8	-0.8
Discount rate	3.7	0.4	3.3	0.1	4.5	0.9

These assumptions are set with reference to market conditions at 31 March 2016. Our estimate of the duration of the Fund's liabilities is 19 years.

The discount rate is the annualised yield at the 19 year point on the Merrill Lynch AA-rated corporate bond yield curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Fund's liabilities. This is consistent with the approach used at the last accounting date.

The Retail Prices Index (RPI) increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England (BoE), specifically the 19 year point on the BoE market implied inflation curve. The RPI assumption is therefore 3.3% p.a. This is consistent with the approach used at the last accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 0.9% p.a. below RPI i.e. 2.4% p.a. This is a slightly higher differential than last year. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts.

Salaries are assumed to increase at 1.5% p.a. above CPI in addition to a promotional scale.

### Curtailments

We have calculated the cost of curtailments arising as a result of the payment of unreduced pensions on

early retirement. The Employer may also have to account for non-pension related costs (e.g. lump sum payments on redundancy) but for the avoidance of doubt, we have only calculated the cost of curtailments which affect the Employer's LGPS pension liabilities.

We calculate the cost of curtailments at the point of exit, with interest applied to the accounting date accounted for separately.

Over the year, we understand that 125 former employees became entitled to unreduced early retirement benefits.

## 4. Results and disclosures

We estimate that the net liability as at 31 March 2016 is a liability of £1,535,637,000.

The results of our calculations for the year ended 31 March 2016 are set out in the appendices below:

- Appendix 1 sets out the Statement of financial position as at 31 March 2016; and
- Appendix 2 details a reconciliation of assets and liabilities during the year.

The figures presented in this report are prepared only for the purposes of IAS19. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

We would be pleased to answer any questions arising from this report.



Mark Norquay FFA - Associate

## Appendix 1 Statement of financial position as at 31 March 2016

Net Pension Asset	As at 31 March 2016	As at 31 March 2015	As at 31 March 2014
	£000's	£000's	£000's
Present Value of Funded Obligation	<b>3,802,083</b>	3,246,251	3,134,942
Fair Value of Scheme Assets (bid value)	<b>2,266,446</b>	2,092,439	1,937,318
<b>Net Liability in balance sheet</b>	<b>1,535,637</b>	<b>1,153,812</b>	<b>1,197,624</b>

\*Present value of funded obligation consists of £3,673,903,000 in respect of vested obligation and £128,180,000 in respect of non-vested obligation.

## Appendix 2 Asset and benefit obligation reconciliation for the year to 31 March 2016

Reconciliation of opening and closing balances of the present value of the defined benefit obligation	Year to 31 March 2016	Year to 31 March 2015
	£000's	£000's
<b>Opening defined benefit obligation</b>	<b>3,904,470</b>	<b>3,246,251</b>
Current service cost	134,427	105,849
Interest cost	127,655	143,352
Change in financial assumptions	(292,671)	530,470
Change in demographic assumptions	-	-
Experience loss/(gain) on defined benefit obligation	-	-
Liabilities assumed / (extinguished) on settlements	-	(54,884)
Estimated benefits paid net of transfers in	(103,315)	(97,408)
Past service costs, including curtailments	4,693	4,507
Contributions by Scheme participants	26,824	26,333
Unfunded pension payments	-	-
<b>Closing defined benefit obligation</b>	<b>3,802,083</b>	<b>3,904,470</b>
Reconciliation of opening and closing balances of the fair value of Scheme assets	Year to 31 March 2016	Year to 31 March 2015
	£000's	£000's
<b>Opening fair value of Fund assets</b>	<b>2,301,085</b>	<b>2,092,439</b>
Interest on assets	76,002	93,551
Return on assets less interest	(113,056)	142,798
Other actuarial gains/(losses)	-	-
Administration expenses	(1,600)	(1,600)
Contributions by employer including unfunded	80,506	78,998
Contributions by Scheme participants	26,824	26,333
Estimated benefits paid plus unfunded net of transfers in	(103,315)	(97,408)
Settlement prices received / (paid)	-	(34,026)
<b>Closing Fair value of Fund assets</b>	<b>2,266,446</b>	<b>2,301,085</b>

## Appendix 3 Sensitivity Analysis

	£000s	£000s	£000s
<b>Adjustment to discount rate</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	3,732,854	3,802,083	3,872,664
Projected service cost	<b>117,654</b>	<b>120,400</b>	<b>123,213</b>
<b>Adjustment to long term salary increase</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	3,811,073	3,802,083	3,793,150
Projected service cost	120,458	120,400	120,342
<b>Adjustment to pension increases and deferred revaluation</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	3,864,508	3,802,083	3,740,849
Projected service cost	123,189	120,400	117,674
<b>Adjustment to life expectancy assumptions</b>	<b>+1 Year</b>	<b>None</b>	<b>-1 Year</b>
Present value of total obligation	3,916,240	3,802,083	3,691,358
Projected service cost	123,473	120,400	117,404



## Portfolio Valuation

	Market Value 31/03/2015		Market Value 31/03/2016	
	£'000s	%	£'000s	%
<b>Fixed interest</b>				
Fixed Interest	286,133	12.31	286,117	12.57
Inflation Hedging Bonds	276,460	11.89	237,991	10.46
<b>Total</b>	<b>562,593</b>	<b>24.20</b>	<b>524,108</b>	<b>23.03</b>
<b>UK Equities</b>				
In-house Tracker Fund	401,418	17.26	365,654	16.06
Standard Life	78,504	3.38	71,935	3.16
AXA Framlington	108,713	4.68	107,992	4.74
Schroders	34,872	1.50	38,612	1.70
<b>Total</b>	<b>623,507</b>	<b>26.82</b>	<b>584,193</b>	<b>25.66</b>
<b>Overseas equities</b>				
Pictet	412,314	17.73	-	-
Intech	145,244	6.25	-	-
Allianz Global Equity	-	-	227,083	9.98
Investec Global Equity	-	-	166,965	7.34
Wellington Global Equity	-	-	166,341	7.31
JP Morgan (Emerging Markets)	71,205	3.06	65,186	2.86
<b>Total</b>	<b>628,763</b>	<b>27.04</b>	<b>625,575</b>	<b>27.49</b>
Property	228,774	9.84	246,330	10.82
Private Equity	59,156	2.54	65,432	2.88
Cash	75,524	3.25	91,826	4.03
Absolute Return Funds	8,327	0.36	1,781	0.08
Diversified Growth Fund	111,640	4.80	107,588	4.73
Infrastructure	26,757	1.15	29,030	1.28
<b>Total</b>	<b>2,325,041</b>	<b>100.00</b>	<b>2,275,863</b>	<b>100.00</b>

## Glossary of terms

### Actuary

An Actuary is an expert on pension scheme assets and liabilities, life expectancy and probabilities (the likelihood of things happening) for insurance purposes. An actuary works out whether enough money is being paid into a pension scheme to pay the pension when they are due.

### Active Investing

This is a system of investment that could be used for a pension fund. It involves buying and selling investments to try and get better growth.

### Asset Allocation

Term used to describe the breakdown of different investments within a fund.

### Assets

These are everything that the pension fund holds. They include investments, bank balances and debtors.

### Assumed Pensionable Pay

An average pay figure used to calculate pensions in cases of reduced contractual pay as a result of sickness or injury.

### Bonds

Loans made to an issuer (often the Government or a company) which undertakes to repay the loan at an agreed later date. The term refers generically to corporate bonds or government bonds (gilts). However, in common parlance, the term bond is more likely to be used with reference to a corporate bond, while the term gilt refers exclusively to government investments, including index-linked gilts.

### Career Average Scheme

This is the name for a scheme where the pension benefits earned for a year depend on how much the members pensionable earnings were for that year.

### Consumer Price Index (CPI)

A consumer price index (CPI) measures changes in the price level of a market basket of consumer goods and services purchased by households. The CPI is a statistical estimate constructed using the prices of a sample of representative items whose prices are collected periodically.

### Corporate Bonds

A debt security issued by a corporation and sold to investors. The backing for the bond is usually the payment ability of the company, which is typically money to be earned from future operations. In some cases, the company's physical assets may be used as collateral for bonds. Corporate bonds are considered higher risk than government bonds. As a result, interest rates are almost always higher, even for top-flight credit quality companies.

### Deferred Pension

A benefit relating to the past service of members of an occupational pension scheme who are no longer active members but have not yet retired. The benefits are payable at retirement or earlier death.

### Equities

Another name for shares, stocks or units of ownership in a company.

### Final Salary Pension Scheme

A pension scheme providing benefits based on a members service and salary close to retirement

**Fixed Interest Government Securities**

Fixed interest securities, also known as bonds, are loans, usually taken out by a government or company which normally pay a fixed rate of interest over a given time period, at the end of which the loan is repaid. They can offer a more predictable income for investors when compared to riskier asset classes, such as equities, and help to bring an important element of diversification to your investment portfolio.

**Fund Benchmark**

The Fund benchmark reflects the asset mix determined by the Fund. It is expressed by asset proportions and market indices.

**Indexation**

This is a way of measuring changes in prices or earnings and adjusting pensions in line with these changes.

**Liabilities**

These are amounts which the pension fund will have to pay now or at some time in the future. The most common liability is paying members pensions.

**Market Value**

This is the price an asset is bought or sold for on the open market.

**Normal Pension Age**

This is the earliest age that a member can usually take their full pension benefits. Somebody retiring before this age will usually get a lower pension.

**Passive Investing**

The management of assets, eg equities, gilts, by holding an exact replica of a given index, eg FTSE100, FTSE350, with the result that the assets in question move exactly in line with the chosen index.

**Pooled Funds**

A pooled fund is a unit trust which investors contribute funds that are then invested, or managed, by a third party.

**Retail Price Index**

This is a measure of inflation measuring the change in the cost of a representative sample of retail goods and services.

**Stock Lending**

A temporary transfer of securities (for example equities) by an owner (typically a pension fund) to a borrower (usually a fund manager). The borrower undertakes to return those securities to the lender at a pre-agreed time.



All leaflets can be made available in audio tape, large print and Braille, or alternative languages on request.



**Dorset County Council**

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## QUARTERLY REPORT Q3 2016 CBRE GLOBAL INVESTORS DORSET COUNTY COUNCIL PENSION FUND

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## Important information

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# EXECUTIVE SUMMARY

## Q3 2016



### MARKET

UK commercial property capital values fell in Q3 2016 as investors digested the UK's decision to leave the EU, albeit not as severely as feared initially. The fall in values has been entirely driven by adverse movements in capitalisation rates, with the net initial yield on the IPD Monthly Index rising by 27 basis points over the quarter. Rental values have remained stable in most sectors of the market.

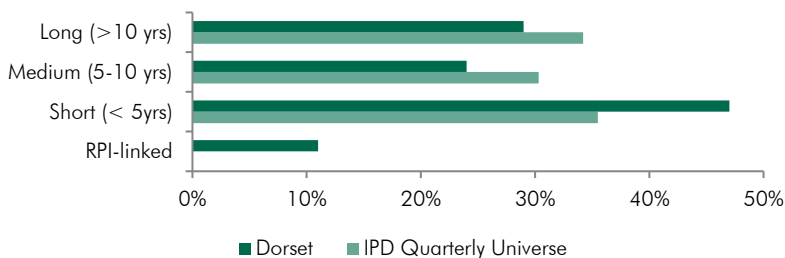
We continue to be cautious about property's immediate prospects. Prices are high relative to past history and the lack of clarity over Britain's future trading relationship with the EU may prompt companies to put occupational decisions on hold, putting pressure on rental values.

We believe the Dorset portfolio is well positioned to weather a downturn due to its structure, particularly with the low exposure to Central London offices in comparison to the benchmark, and the high proportion of income with inflation linked rent review provisions.

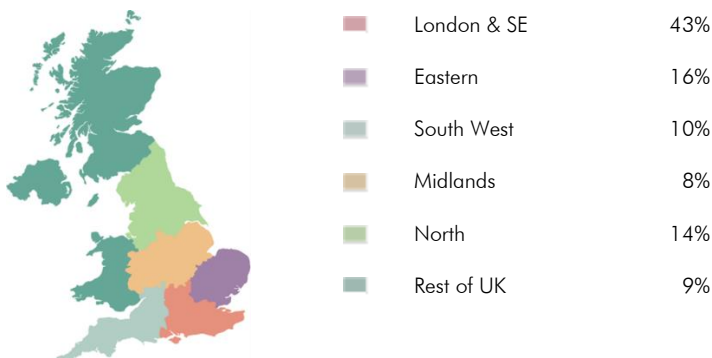
### PORTFOLIO

During Q3 2016 there were no purchases or sales. Two properties staircased from the Derwent Shared Ownership portfolio during the quarter.

### LEASE LENGTH



### GEOGRAPHICAL STRUCTURE



### Overview

The target is to achieve a return on Assets at least equal to the average IPD Quarterly Universe Portfolio Return including Transactions and Developments for a rolling five year period commencing 1 January 2006.

### Portfolio

	Value	Assets
UK Direct	£214.3m	25
UK Indirect	£24.5m	2
<b>Total value of portfolio</b>	<b>£238.7m</b>	

NIY / EY	5.1% / 6.1%
Vacancy rate	2.8%
AWULT to expiry (lease break)	10.3 yrs (9.9 yrs)
Largest asset	83 Clerkenwell Road, London & Woolborough Lane IE, Crawley (both £17.65m / 8.2% direct portfolio)
Largest tenant	ACI Worldwide EMEA (£902,750 and 7.9% of portfolio rent)

### Performance

	Portfolio	Benchmark	Relative
Q3 2016 %	-0.2%	-1.2%	1.1%
1 Year % (2015-2016)	6.2%	4.4%	1.8%
3 Year % pa (2013-16)	13.4%	12.2%	1.0%
5 Year % pa (2011-2016)	10.6%	9.4%	1.1%

### Transactions

	Q3 2016
Money available	£0.0m
Purchases	£0.0m
Sales	£0.1m
Committed Equity	£0.0m

## 2.0 MARKET COMMENTARY

### UK ECONOMIC OUTLOOK

As the third quarter of 2016 progressed, financial markets rebounded from the lows of late June, the domestic political landscape transformed and property investor confidence returned. Some of the much-talked about fears ahead of the EU referendum have yet to materialise and in many ways it is business as usual. However, we counsel against complacency. The medium term outlook is far from certain. Britain's journey to leave the European Union will be arduous, meaning that volatility will likely return to markets and investor confidence will be tested. The watchword is caution.

For the time being, the UK continues to do much better than is popularly thought (Figure 1). Data released over the past quarter shows an economy that is on firm footing: employment participation is historically high, real wage growth is supporting consumer spending and business confidence has returned to levels indicative of modest economic expansion in the final quarter of the year. This is consistent with our view that a technical recession should be avoided, at least over the coming quarters. A key reason for this is the powerful stabilising effect of a depreciating currency.

While Sterling has lost more than 16% of its value on a trade weighted basis since June 23<sup>rd</sup>, inflationary pressures have so far been relatively benign. This has enabled the Bank of England to advance a dovish monetary policy stance. As a result, nominal and index-linked gilt yields have sustained tremendous downward pressure. This has taken the spread with commercial property's ingoing yield to an unprecedented high. While a low interest rate environment is expected to endure, certainly one of the greatest threats to the UK property market is a sudden price adjustment to fixed income markets. Catalysts could take the form of rising inflation expectations or fears about the government's ability to satisfy its debt obligations, both of which are plausible in a post-Brexit operating environment.

### UK PROPERTY PERFORMANCE

Given the sentiment shift witnessed over the quarter, property performance decelerated quite notably, though capital value declines were not as severe as initially feared right after the Brexit decision. According to the CBRE monthly index, the all property total return in Q3 2016 was -2.7%, the softest quarterly outturn since Q1 2009. A closer look at monthly data shows that all of the pain occurred in July, with August and September performance being flat. Industrials proved to be the most resilient sector, delivering a quarterly return of -0.4%. While retail and offices both underperformed the broader market delivering returns of -3.3% and -4.0%, respectively.

Despite a clearer picture that is emerging about the state of the economy and the behaviour of capital markets, valuers have yet to universally remove "uncertainty clauses" from their Q3 certificates. This is especially true for very large lot size assets and property segments, such as regional shopping centres and retail warehouse parks, where transactional levels have been much lower than normal. In conjunction with certain open-ended retail funds imposing capital value declines that ultimately exceeded market moves, we are cautious reading too much into recent index data.

Figure 1 Citi Economic Surprise Index - UK.  
Source: Datastream

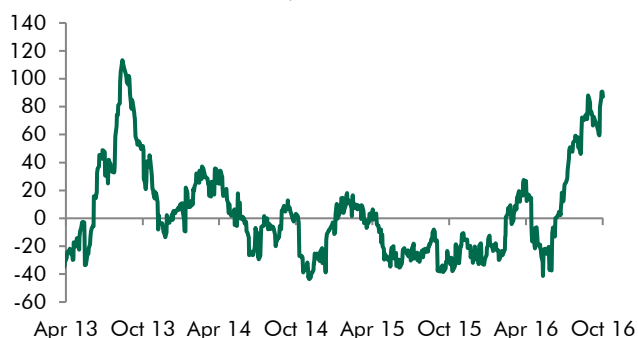
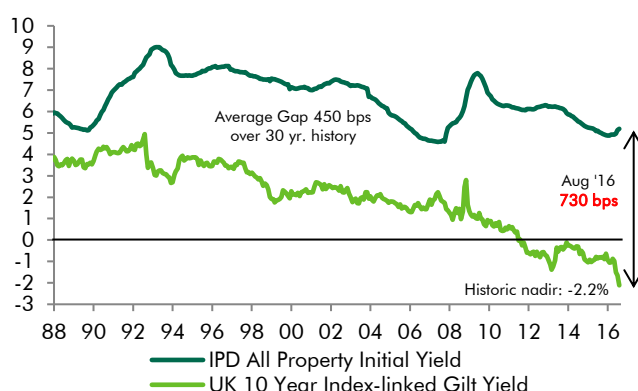


Figure 2 IPD All Property Initial Yield and Index Linked Gilt yield, %.  
Source: MSCI, Datastream



## Occupier Markets

Over the course of Q3, occupier markets throughout much of the country have held up well. Supported by a lack of new supply, the vacancy rate at an all property level has subsided to a 12 year low according to the MSCI monthly index. Within our direct portfolios, we have been signing new leases at a pace similar to the first half of the year and very few tenants are referencing the result of the EU referendum in lease negotiations.

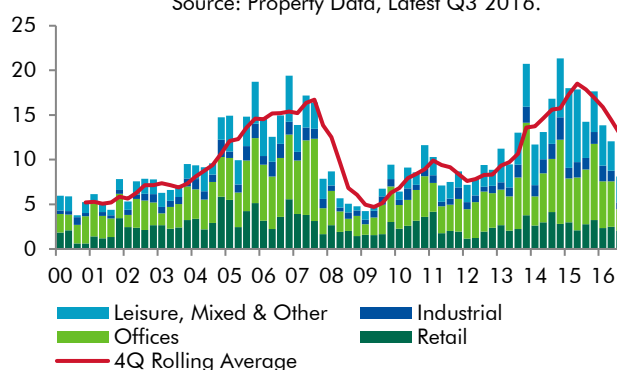
There is, however, anecdotal evidence that we may be reaching the peak of the occupational cycle. We have started to see a dampening of interest at the very prime end of the West End office market and agents are talking about dropping quoting rents. For more prosaic property, tenants are comfortable taking a harder line in rental negotiations. Landlords, mindful of an impending lower growth environment, are becoming more accommodating.

Then of course there is the business rates revaluation, which we now have greater clarity on. Taking effect from April of next year, the fiscal impact will be not be symmetrical across UK property markets: London, top-tier retailing locations and supermarkets will see the largest increases and benefit less from transitional relief. As occupiers become cost sensitive in more uncertain economic times, the tolerance toward rental increases will surely diminish. In a similar vein, we are sceptical that a reduction in rates will prove a catalyst for rental growth in struggling towns and centres.

## Capital Markets

Transactional activity, unsurprisingly, took a major pause for breath in the third quarter of the year (Figure 3). Domestic institutions, led by the open-ended retail funds, were net sellers; overseas capital remained highly selective and focused on large lot sizes while private property companies opportunistically chipped at previously agreed prices. This took investment volumes to their lowest quarterly level since Q2 2012, down 33% QoQ and 43% YoY. Despite the pronounced moderation, there is liquidity and lending markets are fully functioning.

Figure 3 Overall Market Transactions by Sector, £bn.  
Source: Property Data, Latest Q3 2016.



The evidence emerging from recent transactions illustrates that good quality property with longer income in London and the South East is trading at or near pre-referendum pricing, while secondary product with questionable income streams is struggling to find a depth of interest. Given the heightened uncertainty about the growth outlook, we expect both of these themes to continue for the foreseeable future.

The discounts that were placed on some open-ended retail property funds in the weeks after the EU referendum vote receded during the quarter. This was due to both orderly sales programmes and a rebound in UK REIT prices, which the retail funds own to provide liquidity. Highlighting a reversal of fortunes, retail funds saw marginal net capital inflows in August, after four months of sizeable outflows. Encouragingly, the institutional funds space was relatively unaffected. This is because of functioning secondary markets and fund restructurings that occurred after the GFC which created vehicles that are more robust in times of uncertainty.

## Outlook

The past quarter evolved more favourably than we had anticipated, however, our concerns about the medium term outlook have not subsided. It may seem trite repeating, but it remains early days in terms of the potential negative repercussions stemming from Brexit. Rules of engagement between Britain and the EU have not been agreed, meaning there could be adverse changes to regulation over the holding period of an asset. Central Bank policy is supporting exceptionally low gilt yields and holding up property's relative attraction, but that position could unwind unexpectedly. While we are encouraged by the current state of occupier markets, a lower growth environment suggests that challenges are likely afoot.

For more than a year we have been highlighting our concerns about UK commercial property pricing in light of being late in the economic cycle. On the back of this we have positioned our portfolios to have better income characteristics than the benchmark, adopted a cautionary approach toward London offices and disposed of assets with poor occupational prospects in a lower growth environment. We believe this strategy will be validated as our portfolios are less exposed to the sectors most vulnerable to Brexit-related distress.

## 3.0 STRATEGY

Information in respect of the strategy for the Fund.

<b>Size</b>	<ul style="list-style-type: none"> <li>Target portfolio size £230 million. (Currently £238.7m).</li> </ul>
<b>Performance</b>	<ul style="list-style-type: none"> <li>To achieve a return on Assets at least equal to the average IPD Quarterly Universe Portfolio Return including Transactions and Developments for a rolling five year period commencing 1 January 2006.</li> </ul>
<b>Income yield</b>	<ul style="list-style-type: none"> <li>Maintain the portfolio income yield at a higher level than the IPD index net initial yield.</li> <li>Continue to focus on maintaining a low void rate and a resilient income yield.</li> <li>Ensure held properties / new acquisitions have strong rental growth prospects or a high income yield.</li> </ul>

### ALLOCATION

<b>Property type</b>	<ul style="list-style-type: none"> <li>Target core property holdings in good locations with a proportion of exposure to properties that will allow active management to generate outperformance.</li> <li>We anticipate maintaining a total of between 25 and 30 properties with an average lot size of c. £8m.</li> <li>Invest indirectly to gain exposure to sectors or lot sizes that the fund would be unable to achieve through direct investment e.g Shopping Centres.</li> </ul>
<b>Geographic allocation</b>	<ul style="list-style-type: none"> <li>Diversified by location but with a bias towards London and the South East.</li> </ul>
<b>Sector allocation</b>	<ul style="list-style-type: none"> <li>Diversified by sector with a maximum of 50% in any single sector.</li> <li>Target a lower than average weighting to Offices and Retail and a higher than average weighting to Industrial and Other commercial.</li> <li>Source suitable HLV* investments that could be available in any sector.</li> </ul>

\*HLV Property stands for High Lease to Value Property. HLV Property generates long-term predictable cash-flows. It is characterised by long lease lengths (20+ years) often with a link to a reference rate (RPI).

### OTHER RESTRICTIONS AND GUIDELINES

<b>Investment size</b>	<ul style="list-style-type: none"> <li>Target a maximum of 10% in any single asset</li> </ul>
<b>Tenants</b>	<ul style="list-style-type: none"> <li>Maximum rent from any single tenant 10% of rental exposure.</li> <li>Target financial strength better than the benchmark.</li> </ul>
<b>Lease length portfolio</b>	<ul style="list-style-type: none"> <li>Target new assets where the lease expiry profile fits with the existing profile of the fund.</li> <li>Seek to maintain expiries in any one year below 10% of the fund's lease income.</li> <li>Target an average unexpired lease term in excess of the benchmark.</li> </ul>
<b>Development</b>	<ul style="list-style-type: none"> <li>Development may be undertaken where the major risks can be mitigated and the risk/reward profile is sufficient to justify it.</li> </ul>
<b>Debt</b>	<ul style="list-style-type: none"> <li>Avoid debt exposure.</li> </ul>
<b>Environmental and Social Governance ("ESG")</b>	<ul style="list-style-type: none"> <li>Energy performance: to improve EPC ratings where it is financially viable and, where applicable, apply for certification.</li> </ul>

## 4.0 PORTFOLIO OVERVIEW

### PORTFOLIO COMPOSITION

UK direct*	£214.3m	(89.8%)
UK indirect**	£24.5m	(10.2%)
<b>Total value of portfolio</b>	<b>£238.7m</b>	<b>(100.0%)</b>

\*See **Appendix 3** for full property list and performance over the quarter by asset

\*\*See **Appendix 2** for more information on the indirect performance over the quarter.

### RISK CONTROL MEASURES

	Fund (Direct property only)	Aim
Number of assets	25	25-30
Number of tenancies*	77 with a further 2 units void	70-100
Net initial yield	5.1% p.a.	Above benchmark
Vacancy rate (% of rent)	2.8%	Below benchmark
Rent with +10 years remaining	29.1% of total rent	Minimum 20% of total rent
Rent with +15 years remaining	12.0% of total rent	Minimum 10% of total rent
Largest property (% of value)	8.2% (83 Clerkenwell Road, London and Woolborough Lane IE, Crawley )	Below 10%
Largest tenant (% of rent)	7.9 % (ACI Worldwide EMEA Ltd, Watford)	Below 10%
Tenure (Freehold/Leasehold)	79% / 21%	Minimum 70% freeholds

\*The Derwent portfolio is classified as 1 tenancy albeit the underlying income is derived from multiple shared owners.

### PROPERTY / TENANT DIVERSIFICATION

**AIM** – Maintain a diversified tenant base with individual tenancies providing rent rolls in excess of £25,000 pa.

The portfolio is currently well diversified with a range of tenants and a well balanced rental income stream.

**ACTION** – Continue to maintain a diversified tenant mix.

### NET INITIAL YIELD

**AIM** – Maintain a net initial yield above the benchmark.

The IPD Quarterly Universe net initial yield is 5.0% as at Q3 2016. The portfolio net initial yield as measured by IPD is currently 0.1% above the Benchmark figure. The margin over the benchmark has stayed the same during the quarter. The portfolio yield has reduced in general over the last year due to stronger market conditions and the

acquisition of a number of lower yielding properties which deliver secure RPI linked income. This has added to the quality of the income stream from the portfolio.

**ACTION** – the portfolio’s initial yield currently is 10 basis points above the Benchmark IPD Quarterly Universe. In order to improve the yield gap further our ongoing focus is to enhance the portfolio income, principally by:

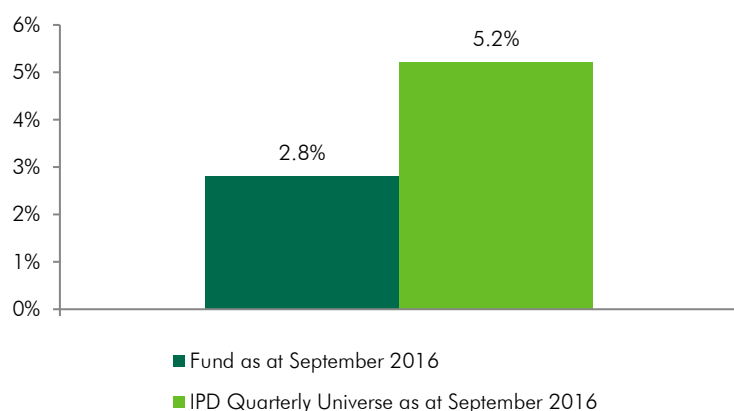
- letting vacant space;
- pursuing lease renewals with existing tenants at the earliest opportunity;
- settling rent reviews where there are outstanding reversions;
- closely monitoring non recoverable expenditure.

	Portfolio	IPD Quarterly Universe
Initial yield p.a.	5.1%	5.0%
Equivalent yield p.a.	6.1%	5.9%
Income return over quarter	1.2%	1.2%

## VACANCY RATE

**AIM** – maintain a low void rate through letting vacant space and mitigating future expiry risks.

The vacancy rate currently amounts to 2.8% of ERV, almost half the amount in the benchmark. There were no additional vacancies during the quarter. The portfolio’s void rate comprises an industrial unit at Phoenix Park (Unit 7) and two office floors at Pilgrim House, Aberdeen.



**ACTION** – seek to let vacant space through using best in class letting agents and proactively managing upcoming lease expiries (see **Appendix 1** for the list of void properties).

## LEASE LENGTH AND EXPIRY PROFILE

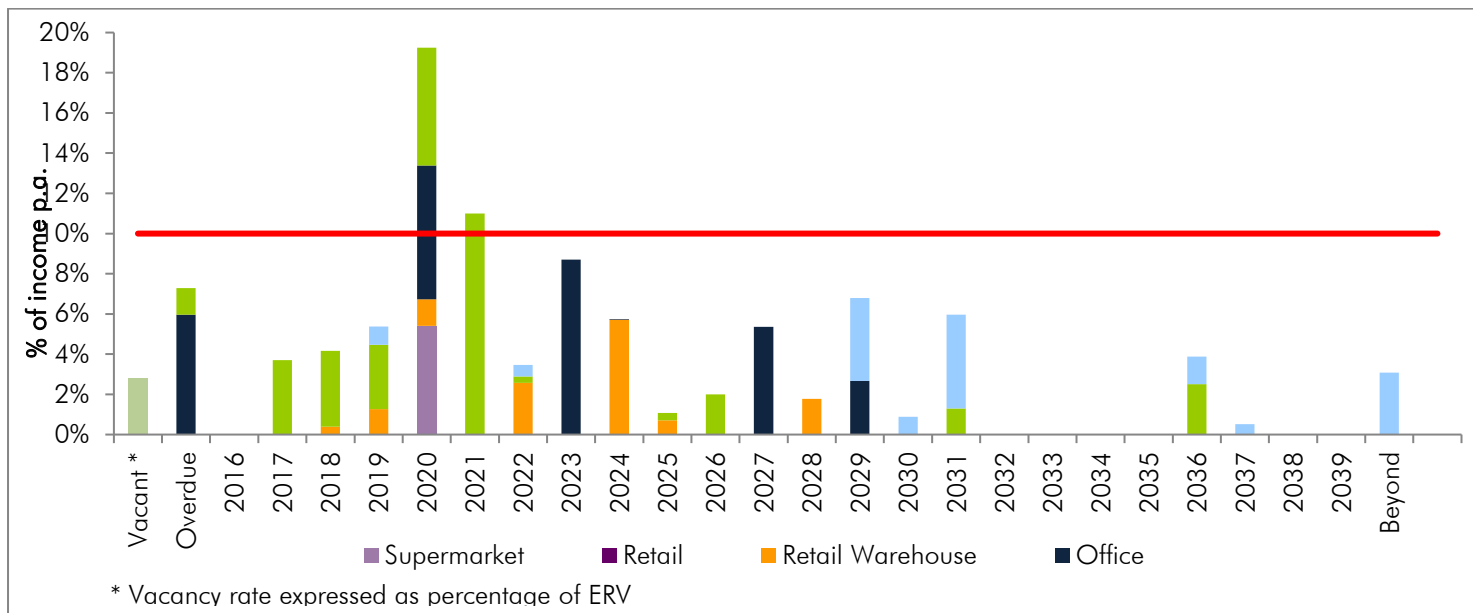
**AIM** – To maintain a well diversified lease expiry profile and keep the portfolio average lease length in excess of the benchmark lease length.

### Unexpired lease term, years

	PAS assumption*	Incl All Breaks	Excl. all breaks
Fund	9.7	9.3	9.7
Benchmark	12.2	11.3	12.6

\*Breaks are assumed to be executed if the lease is overrented and the break is at the option of the tenant or mutual.

The average lease length of the Fund using the PAS assumption is in a reasonable position in comparison to the benchmark. The lease expiry spike that had presented itself in 2015 has moved to 2020 following a number of lease renewals and asset management initiatives. The vast majority of the expiries in 2020 are already being discussed. Worldpay at 270 Cambridge Science park account for 85% of overdue on the lease expiry chart. During the quarter an agreement for lease was signed with this tenant for the new development. This will be for a new term of 15 years with a break in year 10. Thus moving this portion to 2028 following completion of the development.

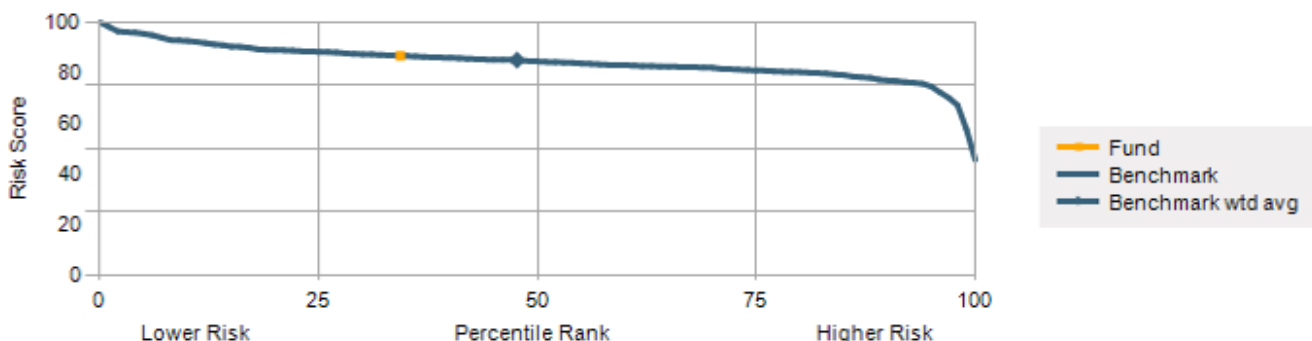


**ACTION** – seek to maintain the average lease length through the active management of lease events in the portfolio. Aim to establish a “dumbbell” shaped expiry profile to allow short term asset management to be balanced by long term secure income.

### TENANT FINANCIAL STRENGTH

**AIM** – maintain covenant strength better than the benchmark

The graph below compares the covenant risk score of the portfolio compared to the Benchmark as at 30 September 2016. The Fund is in the second quartile with a Weighted Risk Score on the 34.3<sup>th</sup> percentile. This has strengthened since the previous quarter (42.8<sup>th</sup> percentile). The portfolio remains in a good position, with the Fund score ahead of the benchmark average. IPD IRIS risk weightings are as at September 2016.



**ACTION** – seek to improve the covenant risk profile of the portfolio through letting activity and ensuring tenants are properly classified by IPD.



## INCOME AND LEASE TYPE

**AIM** – maintain the weighting to HLV\* income in excess of 15% of total portfolio income.

**Open market income** – this is the standard rent review structure for UK direct property leases and makes up the majority of the portfolio income. It generally involves a five yearly open market rent review, which is upwards only.

**\*HLV income** – defined as properties let on leases with inflation-linked rent review structures and those which have defined uplifts (fixed increases) periodically. This type of income is effective in generating a consistent real return.

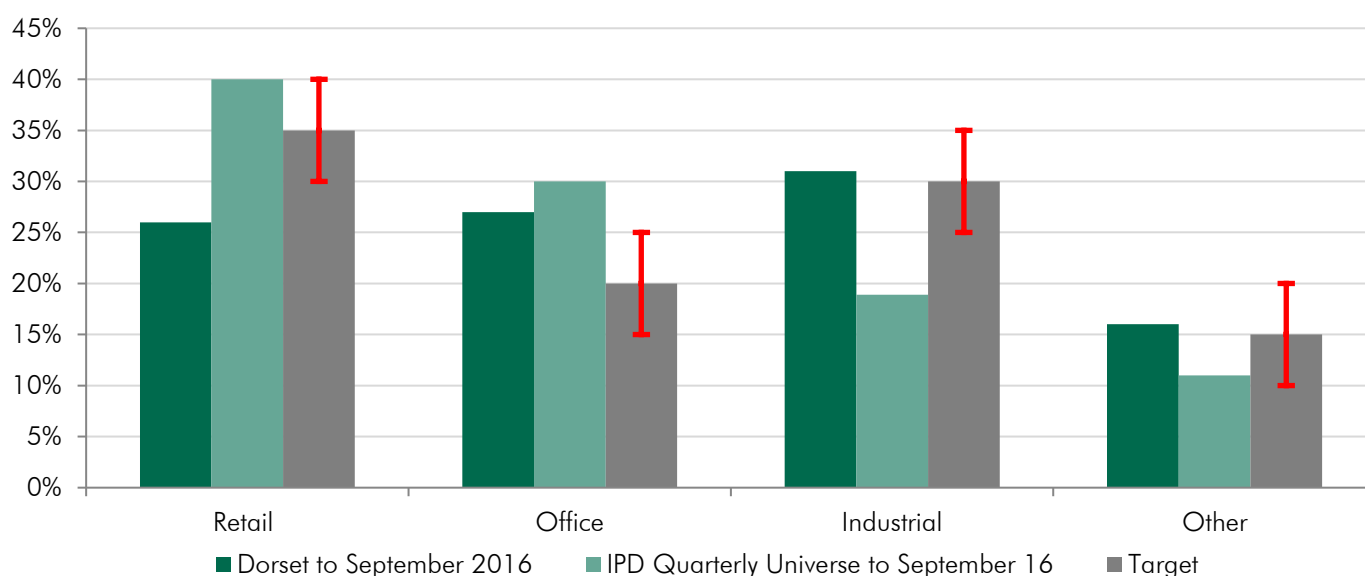
The portfolio was reaching this target, but during Q3 the amount of HLV income decreased. This was due to the forfeiture of the tenant at Charlotte House, Newcastle so the rent is now on a direct let basis and therefore subject to fluctuations. At an appropriate time with any additional capital sums the manager will seek to increase the portfolio weighting to RPI/ Index linked income.

% of portfolio income	Q2 2016
Open market income	89%
RPI/Index linked income	11%

**ACTION** – continue to monitor HLV ratio to Open Market income when considering purchases or sales.

## SECTOR AND GEOGRAPHICAL STRUCTURE

**AIM** – to maintain a well diversified portfolio as part of our overall risk management strategy.



The portfolio sector weightings are displayed above in comparison to the benchmark with a target range depicted in red in line with houseview recommendations. The portfolio sector split has continued to be beneficial with the low retail weighting, given that overall retail has continued to be the poorest performing sector over the past 12 months. Over the longer term proceeds of sales from the office sector may be redistributed into retail, industrial or the other sector. The geographical split as shown on page 1 is well diversified at present. There is a large London and South East weighting which has particularly aided performance over the last year. There is also a large eastern weighting; Cambridge falls into this region albeit it has historically performed more like the South East market and therefore is not considered a significant risk when compared to the Index.

**ACTION** – Ensure that purchases and sales maintain the geographical and sector diversity within the portfolio having due regard to the current point in the economic cycle.

## DEVELOPMENT

**AIM** – to maintain a development exposure below 10% of the value of the portfolio.

There is currently no speculative development ongoing within the portfolio. The preparation for development at Cambridge Science Park is proceeding. During Q3 an Agreement for Lease with the tenant for the completed building was agreed, mitigating one of the major risks associated with the development. A contractor has been appointed for the fixed building contract, and the second stage tender pricing is anticipated to be received during Q4 2016.

**ACTION** – Development may be undertaken where the major risks can be mitigated and the risk/reward profile is sufficient to justify it having due regard to local supply/demand dynamics and the point in the economic cycle.

## 5.0 UK DIRECT PORTFOLIO ACTIVITY

Below are examples of key drivers of performance within the Fund over the last quarter:



<b>Address</b>	Phoenix Park, Apsley Way, Staples Corner
<b>Sector</b>	Industrial
<b>Valuation Q3 2016</b>	£10,200,000
<b>Net Initial Yield</b>	4.2%
<b>Total Return</b>	4.1%

This property is performing well due to strong rental growth improving the valuation of the property, and had a total return of 4.1% this quarter.

A lease renewal was agreed during the quarter at Unit 4 for a new term of 15 years at a rent of £13.00 psf. The previous rent was £10.42 psf, an uplift in passing rent of 20%.

The lease renewal at Unit 8 has also been agreed for a new 10 year lease at a rent of £12.50 psf. The previous rent was passing at £10.33 psf. This reflects a 17% uplift in the rent for the unit.

The marketing of Unit 7 is ongoing with strong interest from a range of tenants.



Before



After

<b>Address</b>	Woolborough Lane Industrial Estate, Crawley
<b>Sector</b>	Industrial
<b>Valuation Q3 2016</b>	£17,650,000 (3.58% NIY)
<b>Net Initial Yield</b>	3.6% (increasing to 4.0% on expiry of rent free)
<b>Total Return</b>	2.4%

This property was the second best performing asset in the portfolio this quarter, providing a 0.26% relative weighted contribution to the Fund's outperformance.

During the quarter the Manager won the 'Asset Management Initiative of the Year Award' at the Industrial Agent's Society for the substantial refurbishment of Unit D. The refurbishment had a positive impact on the valuation for this property - following the £1.8m capital expenditure the valuation improved from £14.4m in December 2015 to £17.7m in September 2016.

The photos to the left show Unit D before and after the refurbishment.

## 6.0 TRANSACTIONS

### TRANSACTIONS OVER QUARTER

There were no purchases during Q3.

### SALES



<b>Address</b>	1 Welland House, Leicester Road, Lutterworth
<b>Sector</b>	Residential – Derwent Portfolio
<b>Transaction</b>	Full Staircasing of a 2 bed flat
<b>Completion Date</b>	27 <sup>th</sup> July 2016
<b>Dorset's Purchase Price*</b>	£39,920 (gross of all fees)
<b>Net Dorset Sale Receipt*</b>	£56,608.00

\*The values reported are the Fund's 50% share.



<b>Address</b>	19 Blackthorn Drive, Cinderhill, Nottingham
<b>Sector</b>	Residential – Derwent Portfolio
<b>Transaction</b>	Full staircasing of a 2 bed house
<b>Completion Date</b>	17 <sup>th</sup> August 2016
<b>Dorset's Purchase Price*</b>	£38,019 (gross of all fees)
<b>Net Dorset Sale Receipt*</b>	£51,802.50

\*The values reported are the Fund's 50% share.

### TRANSACTION PLAN

The key objectives are as follows:-

- Maintain exposure to quality assets with a suitable risk profile across all sectors. The focus for 2016 is to ensure that the portfolio is in a strong position to capture rental growth.
- There are no more proposed sales for 2016, and no ongoing transactions.

## 7.0 PERFORMANCE

### PERFORMANCE OBJECTIVE

The target is to achieve a return on Assets at least equal to the average IPD Quarterly Universe Portfolio Return including Transactions and Developments for a rolling five year period commencing 1 January 2006.

### 2016 PERFORMANCE

Q3 2016	Direct	Indirect	Portfolio	Benchmark	Relative
Capital growth	-1.3%	-2.1%	-1.4%	-2.4%	1.0%
Income return	1.2%	1.1%	1.2%	1.2%	0.1%
<b>Total return</b>	<b>0.0%</b>	<b>-1.1%</b>	<b>-0.2%</b>	<b>-1.2%</b>	<b>1.1%</b>

Source: CBREGI and IPD Quarterly Benchmark Report

The portfolio has outperformed the benchmark over the last three months, with a total return of -0.2% against the benchmark return of -1.2%. This was driven by its capital performance which was 100 basis points better than the benchmark. With capital performance anticipated to slow further over the next 12 months the Fund's income return will remain an increasingly important driver of performance.

12 months to Q3 2016	Portfolio	Benchmark	Relative
Capital growth	1.2%	-0.3%	1.5%
Income return	5.0%	4.7%	0.3%
<b>Total return</b>	<b>6.2%</b>	<b>4.4%</b>	<b>1.8%</b>

Source: CBREGI and IPD Quarterly Benchmark Report

3 yrs to Q3 2016	Portfolio	Benchmark	Relative
Capital growth	7.5%	7.0%	0.5%
Income return	5.5%	5.0%	0.5%
<b>Total return</b>	<b>13.4%</b>	<b>12.2%</b>	<b>1.0%</b>

Source: CBREGI and IPD Quarterly Benchmark Report

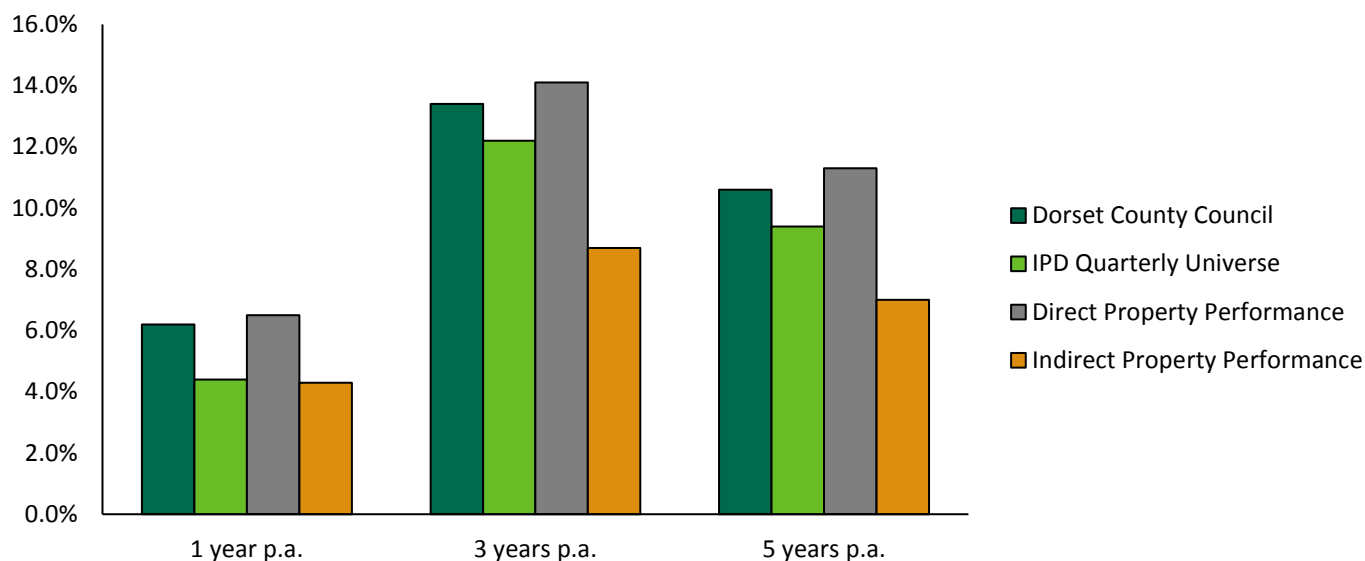
5 yrs to Q3 2016	Portfolio	Benchmark	Relative
Capital growth	4.5%	3.9%	0.5%
Income return	5.9%	5.3%	0.6%
<b>Total return</b>	<b>10.6%</b>	<b>9.4%</b>	<b>1.1%</b>

Source: CBREGI and IPD Quarterly Benchmark Report

The portfolio continues to outperform the benchmark over 1, 3 and 5 year rolling periods. This outperformance has been delivered both by the strong income return and capital growth. The longer term performance is of particular note given the amount of acquisition activity over this time frame. The figures also demonstrate the advantage over the longer term of running a higher income strategy, provided the quality of the properties within the portfolio is maintained.

## ROLLING PERFORMANCE FIGURES

### Annualised Total Return Rolling Performance



The portfolio is comfortably outperforming over 1, 3 and 5 year rolling periods. This chart includes all benchmarked assets, therefore comprising all direct and indirectly held assets during each time horizon. The direct property performance has continued to outperform the benchmark over the rolling timeframes shown above. The indirect property performance over the past year has performed more in line with the benchmark, but been weaker on the longer timeframes shown. The indirect property holdings comprise Shopping Centre exposure; the assets in these vehicles are generally very prime and provide access to a market that we would not purchase directly for a Fund of this size given their scale. The portfolio's indirect holdings are considered to be defensive within the portfolio in the event of a weaker economic climate.

The Fund continues to achieve its key objective on the five year rolling performance measure.

## 8.0 ACCOUNTING AND ADMINISTRATION

The three measures listed below; the arrears level, speed of rent collection and service charge account closure position, are designed to be “litmus” tests showing the health of the accounting and administration of the portfolio.

The targets are designed to be demanding, however, we would expect to hit **GREEN** a large proportion of the time.

### ARREARS LEVEL (RENT, SERVICE CHARGE, INSURANCE OVER 3 MONTHS OLD)

Target:	<b>GREEN</b>	maximum £25,000, no single item over £10,000
	<b>AMBER</b>	maximum £75,000
	<b>RED</b>	above £75,000

Result at:	30 September 2016	<b>RED</b>	£153,788.03
	30 June 2016	<b>RED</b>	£189,663.92
	30 March 2016	<b>RED</b>	£79,235.00
	31 December 2015	<b>AMBER</b>	£34,453.25

The arrears position is skewed due to £151,615 of arrears at Charlotte House, Newcastle. The lease was forfeited during Q3 through legal action and the arrears are in the process of being recovered, and have reduced further during Q4. Excluding Charlotte House, Newcastle from the arrears the results are “green”.

### SPEED OF RENT COLLECTION

Target:	<b>GREEN</b>	90% of collectable rent banked by 6 <sup>th</sup> working day after the quarter day, 95% by 15 <sup>th</sup> working day
	<b>AMBER</b>	80% by 6 <sup>th</sup> working day, 90% by 15 <sup>th</sup>
	<b>RED</b>	worse than Amber

Result at:	30 September 2016	<b>GREEN</b>	(97.7% collected in 6 days, 100% by 15 <sup>th</sup> day)
	30 June 2016	<b>GREEN</b>	(96.5% collected by 6 days, 98.69% by 15 <sup>th</sup> day)
	31 March 2016	<b>AMBER*</b>	(88.7% collected by 6 days, 98.0% by 15 <sup>th</sup> day)
	31 December 2015	<b>AMBER*</b>	(87.4% collected in 6 days, 96.5% by 15 <sup>th</sup> day)

\* Excludes Charlotte House where rent collection was on hold pending forfeiture proceedings.

### SERVICE CHARGES – ACCOUNT CLOSURE POSITION

Target:	<b>GREEN</b>	all service charge accounts closed within 3 months of the year end
	<b>RED</b>	any account not closed

Result at:	30 September 2016	<b>RED*</b>
	30 June 2016	<b>GREEN</b> (None currently outstanding)
	31 March 2016	<b>GREEN</b> (None currently outstanding/overdue)
	31 December 2015	<b>GREEN</b> (None currently outstanding/overdue)

\*Will be closed on receipt of VAT election certificate for Pilgrim House, Aberdeen. No other accounts overdue.



# 9.0 SUSTAINABILITY

The ESG Risk Mitigation Programme has been designed to address the risk presented by the Energy Act 2011 which stipulates that from 2018, it will be prohibited to lease a building with poor energy performance.

## 1. Change in Risk Level



Figure 1: Change in level of risk across all units (left) and value (right) within the fund; Valuation data is updated annually in Q2

## 2. Completed Projects: Q3 2016

SITE/TENANT	ACTION	OUTCOME
Scottish properties	Assessed risk level	Based on the new Minimum Energy Performance standards for Scotland a risk profile was attributed to each of the Scottish properties in the portfolio.
All sites	Annual ESG report	The annual ESG report has been completed which summarises the fund's progress in the year.
All sites	Green Lease guidance document	A document has been produced and shared with the Fund Management team that outlines the green lease clauses that should be considered in leases going forward to mitigate against environmental risks.
Unit D, Woolborough Lane	Refurbishment	The redevelopment and letting of this unit won the Industrial Agents Society Awards for the best Asset Management Initiative of the year. The refurbishment significantly improved the energy performance of the building through installing new lighting, insulation and a highly efficient boiler. This improved the EPC rating from an E to a C.

### 3. Agreed Actions for Mitigating Risk across the Portfolio

Figure 2 outlines the actions that have been identified to improve the EPC ratings of all units with E, F, or G ratings. Managed risk refers to all units that will be upgraded at the end of current tenancies, prior to the legislation taking effect.

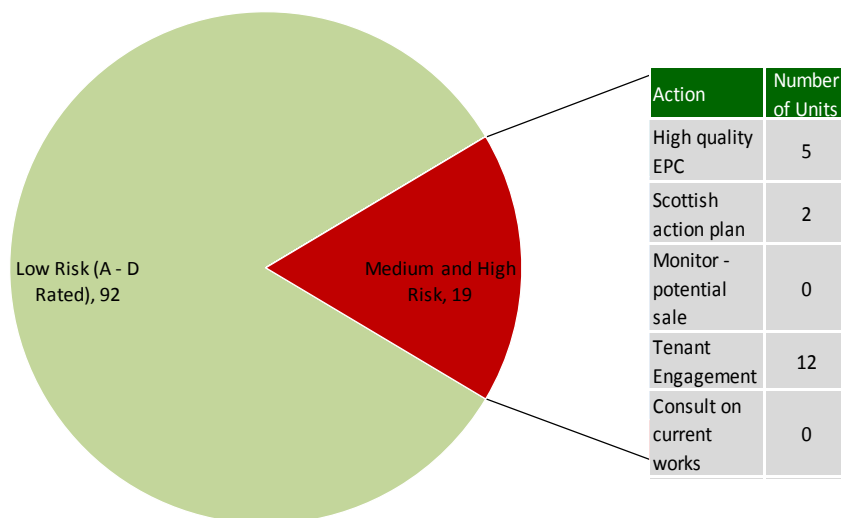


Figure 2: Strategy for risk mitigation for remaining medium and high risk units

### 4. Risk Mitigation Process



Figure 3: Process for carrying out risk mitigation actions

### 5. Planned Projects: Q4 2016

SITE/TENANT	UNIT	ACTION	AIM
75-81 Sumner Road	Unit 4	Modelled EPC	Investigate the most appropriate improvements to improve on the unit's current F rating.
Euroway Industrial Park	Unit 5	EPC	A recent site visit confirmed that it is likely that the unit will improve on its current EPC rating of a G
South Bristol Trade Park	Unit 3B	EPC	The unit does not currently have an EPC but is estimated to achieve a D rating.
Charlotte House	Upper floors	Modelled EPC	Investigate the most appropriate improvements to improve on the unit's current F rating.
The Apsley Centre	Unit B	Modelled EPC	Investigate the most appropriate improvements to improve on the unit's current F rating.

## COMPLIANCE

### CARBON REDUCTION COMMITMENT COMMITMENT (CRC)

The Carbon Reduction Commitment Energy Efficiency ("CRC") Scheme is a mandatory carbon trading scheme, requiring qualifying organisations to accurately report their carbon emissions and then purchase "allowances" for these each year.

CBRE Energy & Sustainability Services collate the relevant information and prepare an annual Evidence Pack to support the overall CRC Group's (Dorset County Council) Annual Report.

### ENERGY SAVINGS OPPORTUNITY SCHEME (ESOS)

The Energy savings Opportunity Scheme (ESOS) is a mandatory initiative, requiring large companies to calculate their total energy consumption and conduct energy audits across 90% of this consumption to identify cost-effective energy saving opportunities.

We have been advised that Dorset County Council meets the definition of a contracting authority as set out in the Public Contracts Regulations 2015 that is that "the State, regional or local authorities, bodies governed by public law or associations formed by one or more such authorities or one or more such bodies governed by public law, and includes central government authorities, but does not include Her Majesty in her private capacity". Therefore Dorset County Council is not required to participate in ESOS.

## IMPORTANT INFORMATION

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# APPENDIX 1 – SCHEDULE OF VOID UNITS

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## VOIDS WITHIN THE PORTFOLIO – 30 SEPTEMBER 2016

Property	Sq.ft. to let	% of Portfolio ERV	Total Void Rent	Status
1 <sup>st</sup> and 2 <sup>nd</sup> floor, Pilgrim House, Aberdeen	13,805	2.3%	£324,400	Marketing
Unit 7, Phoenix Park, Staples Corner, London	5,131	0.5%	£64,100	Marketing
Service Yard, Phoenix Park, Staples Corner, London	n/a	0.0%	£2,500	Marketing – likely to be combined with unit 7 letting
<b>TOTAL PORTFOLIO VOID</b>			<b>£391,000</b>	

## APPENDIX 2 – INDIRECT INFORMATION

### Portfolio Composition

The Dorset portfolio is invested in the following funds and as at 30 September 2016 had a value of £24.5 million.

The performance of the Dorset indirect portfolio was -1.1% over the last quarter and 4.3% over the last 12 months. This return is based on August prices. The table below reflects the valuations based on these reporting cut-off dates.

Fund Name	Manager	Sector	LTV	Value (£m)
CBRE Retail Property Fund Britannica Unit Trust	CBRE Global Investors	Shopping Centres	-	-
Lend Lease Retail Partnership	Lend Lease	Shopping Centres	-	9.938
Standard Life UK Shopping Centre Trust	Standard Life	Shopping Centres	-	14.513
<b>Total</b>			-	<b>24.451</b>

### Investment Activity

There was no transactional activity during the quarter.

### Commentary

The Dorset indirect property portfolio technically has three indirect holdings, although the holding in CBRE Retail Property Fund Britannica Unit Trust has no value and is in wind down. The other two are specialist funds that provide the portfolio with exposure to the shopping centre sector. The combined indirect investments have a value of £24.5 million and nil look through exposure to gearing.

### Lend Lease Retail Partnership

**Lend Lease Retail Partnership** produced a total return of 0.2% over the quarter and 6.3% over the year.

Performance over the quarter was muted. The portfolio NAV declined by 1.2% over the last 3 months as the yields for the sector were moved outwards following the outcome of the EU referendum. The negative capital value movement was offset by a positive income return. The capital value of Touchwood declined by over 4.0%, whereas Bluewater remained stable. The fund continues to provide a stable income return of 3.5%.

Lend Lease Retail Partnership is a core specialist fund, providing exposure to the prime UK shopping centre market. The fund is ungeared. The fund has a portfolio comprising two prime regionally dominant properties: Bluewater, Kent (25% stake) and Touchwood, Solihull (100% owned).

During the quarter, there were five new lettings and two lease renewals at Bluewater. There have been eight lease renewals at Touchwood and two new lettings and a number of renewals are in solicitor's hands. Vacancy levels remain low at 3.6% with asset management initiatives at Bluewater likely to reduce this further.

As part of the proposed Touchwood extension, the manager purchased adjacent high street units, The Square and 146-158 The High Street, under the CPO process. Further work on land assembly for the project is ongoing, in preparation for the construction phase of this project.

The fund manager has been in discussion with investors to seek an extension of the fund's life and to modernize its terms as well as facilitate an 'equity rotation' process for those investors wishing to exit the fund. The related process has been extended from end of 2016 to the first half of 2017, following the uncertainty resulting from the outcome

of the EU referendum. A vote for the equity rotation mechanism was approved at the end of October 2016; the manager is working with Macquarie Capital to raise the money required to meet the liquidity requirements of investors seeking to exit the fund.

## Standard Life UK Shopping Centre Fund

**Standard Life UK Shopping Centre Trust** produced a total return of -1.9% over the quarter and 3.0% over the last 12 months.

The primary impact on returns was a decline in property values as a result of an outward yield movement over the quarter. This was partially offset by income. Whilst there has been a pickup in transactional volumes in some sectors since the EU Referendum, there remains limited comparable evidence in the shopping centre sector. The fund's valuers have noted that their valuation therefore still reflects a greater degree of judgement than in a normal environment.

At quarter end, the trust had a property portfolio valued at £1.5bn providing exposure to eight shopping centres across the UK. The fund remains ungeared and the portfolio has a weighted average unexpired lease term of 7.2 years. As at the quarter end, the void rate was 3.4% (by ERV). The void rate has increased over the quarter, owing to the surrender of a BHS Unit in Brighton. Retailers in administration represented 0.5% of passing rent.

New lettings were completed at assets in Stirling, Enfield, Brent Cross and Wimbledon in addition to further rent reviews and lease renewals.

Given that BHS moved from a CVA to administration last quarter the manager is in discussions with retailers to let the vacated units and we expect the vacancy to reduce in the coming quarters with space taken in line with ERV.

The manager is continuing to evaluate the fund's development opportunities at Brent Cross and Brighton, including looking at funding options for these schemes. Further detail on development options will be provided to investors from late 2016 with formal engagement on the strategy and equity raise due to commence in early 2017.



## APPENDIX 3 – PORTFOLIO VALUATION

Property Address	Sep-16	Qtr Total Return <sup>1</sup>	Annual Income	OMRV	Net Initial Yield <sup>2</sup>
<b>OFFICES</b>					
Aberdeen, Pilgrim House	£ 8,000,000	-14.8%	£ 318,862	£ 610,814	3.8%
Cambridge, The Eastings	£ 3,450,000	-1.5%	£ 190,500	£ 226,000	5.2%
Cambridge, 270 Science Park	£ 11,500,000	0.2%	£ 641,616	£ 952,616	5.2%
London EC1, 83 Clerkenwell Rd	£ 17,650,000	2.7%	£ 836,000	£ 1,034,000	4.2%
London N1, 15 Ebenezer St & 25 Provost St	£ 8,650,000	0.8%	£ 272,588	£ 673,100	3.0%
Watford, Clarendon Road	£ 15,250,000	-0.2%	£ 902,750	£ 1,070,000	5.6%
<b>TOTAL OFFICES</b>	<b>£ 64,500,000</b>	<b>-1.4%</b>	<b>£ 3,162,316</b>	<b>£4,566,530</b>	<b>4.6%</b>
<b>RETAIL WAREHOUSE</b>					
Northampton, Becket Retail Park	£ 6,350,000	-4.4%	£ 431,000	£ 429,000	6.4%
Norwich, Cathedral Retail Park	£ 16,750,000	-2.5%	£ 1,074,000	£ 1,054,000	6.0%
Rayleigh, Rayleigh Road	£ 3,500,000	-2.6%	£ 222,783	£ 222,783	6.0%
<b>TOTAL RETAIL WAREHOUSE</b>	<b>£ 26,600,000</b>	<b>-0.1%</b>	<b>£ 1,727,783</b>	<b>£1,705,783</b>	<b>6.1%</b>
<b>SUPERMARKET</b>					
Tesco, Sheffield	£ 10,600,000	-2.1%	£ 680,000	£ 680,000	6.0%
<b>TOTAL SUPERMARKET</b>	<b>£ 10,600,000</b>	<b>-0.6%</b>	<b>£ 680,000</b>	<b>£ 680,000</b>	<b>6.0%</b>
<b>INDUSTRIAL</b>					
Bristol, South Bristol Trade Park	£ 4,350,000	1.3%	£ 228,757	£ 282,137	4.9%
Crawley, Woolborough IE	£ 17,650,000	2.4%	£ 673,541	£ 1,222,700	3.6%
Croydon, 75/81, Sumner Road	£ 2,550,000	1.3%	£ 137,000	£ 162,200	5.1%
Heathrow, Skylink	£ 4,275,000	-0.1%	£ 125,478	£ 250,957	2.8%
London, Phoenix Park, Apsley Way	£ 10,200,000	4.1%	£ 455,459	£ 581,000	4.2%
London, Apsley Centre	£ 3,400,500	3.5%	£ 165,900	£ 187,500	4.6%
London, 131 Great Suffolk St	£ 4,350,000	0.6%	£ 110,000	£ 297,500	2.4%
Sunbury, Windmill Road	£ 10,700,000	1.5%	£ 599,750	£ 653,250	5.3%
Swindon, Dunbeath Court	£ 4,700,000	1.8%	£ 333,716	£ 331,716	6.7%
Swindon, Euroway IE	£ 12,050,000	1.7%	£ 803,422	£ 817,935	6.3%
<b>TOTAL INDUSTRIAL</b>	<b>£ 74,225,500</b>	<b>2.0%</b>	<b>£ 3,633,023</b>	<b>£4,786,895</b>	<b>4.6%</b>
<b>OTHER</b>					
Derwent Shared Ownership	£ 9,830,000	3.5%	£ 386,426	£ 386,426	3.9%
Glasgow, Mercedes	£ 10,400,000	1.4%	£ 585,500	£ 566,600	5.3%
Leeds, The Calls	£ 7,450,000	1.8%	£ 476,110	£ 484,750	6.0%
Macclesfield, Hope Park	£ 5,550,000	2.0%	£ 236,964	£ 236,964	4.0%
Newcastle, Charlotte House	£ 5,100,000	-6.8%	£ 339,639	£ 339,639	6.3%
<b>TOTAL OTHER</b>	<b>£ 38,330,000</b>	<b>0.0%</b>	<b>£ 2,024,639</b>	<b>£ 2,014,379</b>	<b>5.4%</b>
<b>TOTAL DIRECT PROPERTY</b>	<b>£ 214,255,500</b>	<b>0.0%</b>	<b>£ 11,227,761</b>	<b>£ 13,753,587</b>	<b>5.1%</b>
<b>INDIRECT PROPERTY</b>					
Lend Lease Retail Partnership	£ 9,938,040	-1.0%	£ 473,820		4.5%
Standard Life Investments UK Shopping Centre Trust	£ 14,512,992	-2.9%	£ 581,844		3.8%
<b>TOTAL INDIRECT PROPERTY</b>	<b>£ 24,451,032</b>	<b>-1.1%</b>	<b>£ 1,055,664</b>		<b>4.1%</b>
<b>GRAND TOTAL</b>	<b>£ 238,706,532</b>	<b>-0.2%</b>	<b>£ 12,283,425</b>	<b>£ 13,753,587</b>	<b>4.8%</b>

Notes:

1. Total returns for both the direct and indirect properties for the quarter to September 2016 as reported by IPD (Direct Property Standing Investments). Indirect Funds total returns for the quarter to September 2016 as reported by CBRE Global Investors (UK Funds) Ltd (CBREGIF) / CBRE Global Investors in respect of the indirect portfolio.

2. Net Initial Yields as reported by BNP Paribas and Allsop LLP (Independent Valuers for the Fund) in respect of the direct portfolio. Net Initial Yields as reported by CBRE Global Investors in respect of the indirect portfolio.

3. Valuation figures provided by CBRE Global Investors (UK Funds) Ltd (CBREGIF) are the May 2016 valuations; these are always marginally in arrears due to early reporting deadlines required by IPD.

## APPENDIX 4 – AFFILIATED SERVICES

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### FEES PAID TO CBRE DURING QUARTER

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Q3 2016 TOTAL	£0
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## Dorset County Pension Fund

### Insight mandate investment update at 30 September 2016

Our understanding of the Fund's objectives and strategy

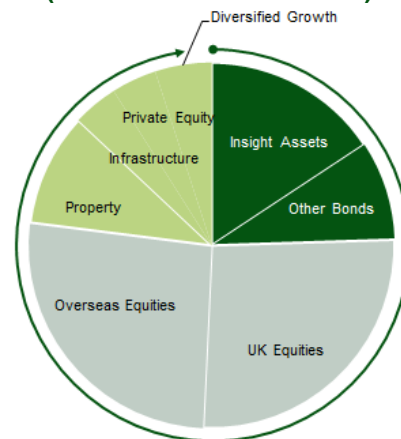
#### Funding objectives and policy

- To set contribution levels required to build up assets sufficient to meet all future benefit commitments at lowest possible cost
- Investment strategy designed to ensure contributions are as stable as possible

#### Investment strategy

- Control but not eliminate risk
- Current priority is to mitigate 'unrewarded risks'
  - increase inflation protection
  - consider impact of other liability risks

#### Strategic asset allocation (c.£2.37bn at 30 June 2016)



Source: Dorset County Pension Fund.

#### Performance to 30 September 2016

	3 months		12 months		Since inception	
	%	£	%	£	% p.a.	£ cum.
Portfolio	36.48	69,417,790	27.93	56,940,727	78.91	116,356,653
Benchmark	31.23	63,162,017	24.92	52,858,226	75.69	113,935,521
<b>Relative</b>	<b>5.26</b>	<b>6,255,773</b>	<b>3.01</b>	<b>4,082,501</b>	<b>3.22</b>	<b>2,421,132</b>

Impact of leverage: The % returns shown here are expressed as a proportion of the benchmark value, which is materially smaller than the value of the inflation exposure being hedged. Consequently, the % returns are all larger (in absolute terms) than they would be if expressed as a proportion of the liabilities hedged. Inception date for performance purposes: 31 October 2012

If we adjust for the leverage in the portfolio: the benchmark return over the quarter was 5.7% as a proportion of the value of the inflation exposure hedged and the portfolio return was 6.2% on that basis.

#### Portfolio valuation and hedge characteristics as at 30 September 2016

	Value	Interest rate sensitivity (PV01 <sup>1</sup> )		Inflation sensitivity (IE01 <sup>2</sup> )	
	£m	£k	% of benchmark	£k	% of benchmark
Conventional gilts	385.7	-702	97.2	0	0.0
Index-linked gilts	335.5	-928	128.5	909	37.0
Futures	0.8	76	-10.5	0	0.0
Interest rate swaps	-139.2	928	-128.6	0	0.0
RPI swaps	13.5	-102	14.1	1,544	62.8
Repurchase agreements	-246.5	2	-0.3	0	0.0
Network Rail bonds	4.1	-11	1.6	11	0.5
Insight Libor Plus Fund	12.0	0	0.0	0	0.0
Liquidity	6.9	0	0.0	0	0.0
<b>Total assets</b>	<b>372.8</b>	<b>-737</b>	<b>102.1</b>	<b>2,465</b>	<b>100.2</b>
<b>Liability benchmark</b>	<b>265.8</b>	<b>-722</b>	<b>100.0</b>	<b>2,459</b>	<b>100.0</b>

<sup>1</sup> PV01: change in present value of a series of future cash flows resulting from a 0.01% shift in the relevant discount curve.

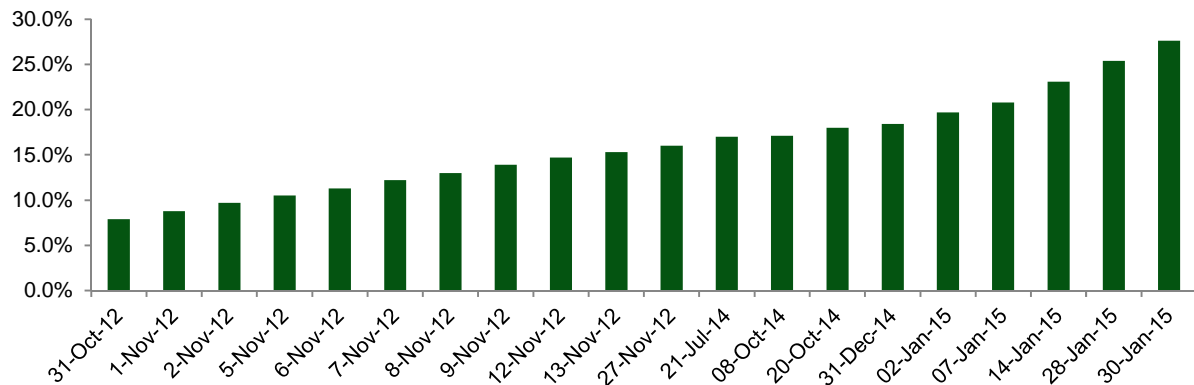
<sup>2</sup> IE01: change in present value of a series of future cash flows resulting from a 0.01% shift in the relevant inflation expectation curve.

### Hedge coverage measures

- Liability benchmark inflation sensitivity as % of mandate cash flows: 22%
- Present value of inflation exposure hedged as % of mandate cash flows: 28%
- Present value of inflation exposure hedged as % of Pension Fund assets\*: 58.0%

\*using June 2016 asset value

Inflation hedge accumulation progress - shown over time as proportion hedged of mandate cash flows.



- The hedge was accumulated initially using market based triggers
- A time-based underpin was put in place on 1 July 2014. On a quarterly basis, depending on how many triggers have been hit previously, the hedge was increased incrementally to target 36% over 5 years. We have accumulated under the time-based underpin twice, on 21 July 2014 and 20 October 2014.
- The triggers are reviewed by Insight and Dorset periodically to ensure they remain appropriate to the Fund's overall objectives. The latest version was put in place in March 2015 with the remaining triggers being lowered. Triggers were suspended in March 2016 pending further discussion of the evolution of the mandate.
- Discussion of the evolution of the mandate took place during the third quarter of 2016 and a new set of investment guidelines was put in place in October. The hedge was therefore restructured post the quarter end to reflect the change to the projected liability cash flows based on the March 2013 actuarial valuation. Triggers are no longer being monitored.

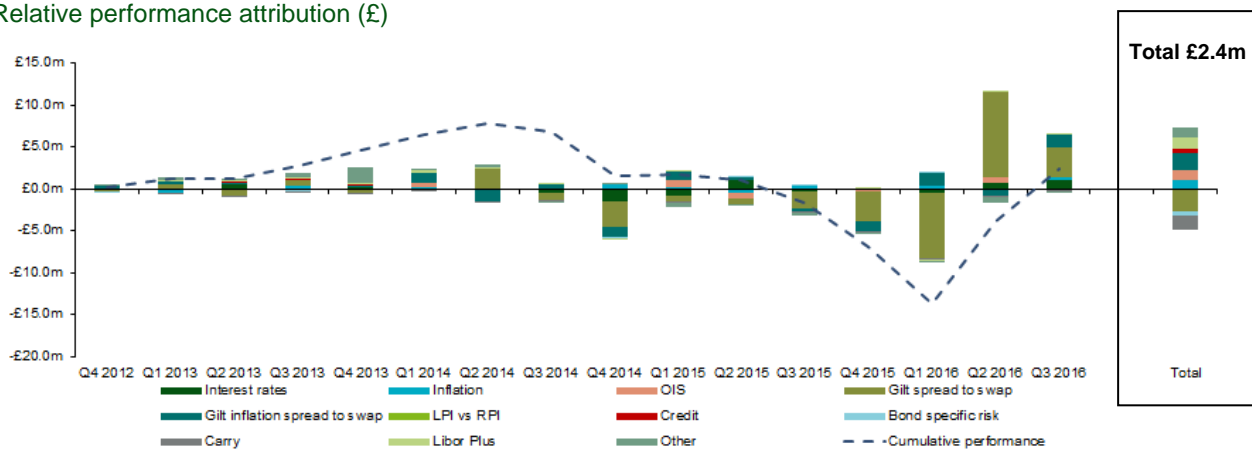
### Collateral position

- A further £30m of collateral was added to the portfolio in August.
- Leverage ratio stood at 3.7x at 30 September 2016. This is based on the present value of liabilities covered by inflation hedge of £1.39bn and a portfolio value of £373m.
- Collateral stress tests: a 0.2% fall in inflation expectations (swap RPI rates) would reduce the value of the portfolio by c.£49m and a 0.6% fall in inflation expectations would reduce the value of the portfolio by c.£148m.

Performance commentary

- Absolute performance in the third quarter of was driven by large falls in index-linked gilt yields (20 year rate fell 0.44% to -1.80%) and rises in the cost of inflation protection in the swaps market (20 year rate rose 0.20% to 3.38%).
- Within the portfolio Insight has the ability to change the composition of hedging assets with a view to cheapening the cost of hedging over the long term. The chart below shows the performance attribution of the portfolio relative to its benchmark since inception.
- The allocation between swaps and gilts in the portfolio has been the largest single factor in the driver of relative performance over the reported period. From July 2015 through to February 2016, gilts generally cheapened relative to swaps. However, since March 2016 this movement has reversed and consequently the portfolio has outperformed its liability benchmark in the third quarter of 2016. We remain overweight to gilts (vs swaps) as we believe that the extra yield available from gilts creates a significant economic opportunity for the Fund to benefit from over the long term.

Relative performance attribution (£)



	3 month	12 month	Since Inception
Interest Rates	1,060,173	1,201,731	-76,942
OIS	-53,445	371,257	1,173,230
Gilt Spread to Swap	3,581,465	2,506,309	-2,547,353
Credit	0	0	420,331
Bond Specific Risk	-109,783	-207,995	-525,526
Inflation	370,757	651,601	1,004,992
Gilt Inflation Spread To Swap	1,383,739	1,088,837	2,090,042
Carry	-217,517	-756,849	-1,814,865
Libor Plus Fund	271,146	283,058	1,416,688
Other	-30,763	-1,055,450	1,280,534
<b>Relative Performance</b>	<b>6,255,773</b>	<b>4,082,501</b>	<b>2,421,132</b>

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**DORSET COUNTY PENSION FUND**

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**Quarterly Report 30 September 2016**





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## YOUR PORTFOLIO

### Fund performance objective

The fund objective is to outperform the benchmark by 0.5% per annum gross of the standard management fees.

### Fund asset allocation and benchmark ranges

Fund and benchmark index	Fund allocation (%)
<b>RLPPC Over Five Year Corporate Bond Fund</b> Benchmark: iBoxx Sterling Non-Gilt Over 5 Year Index.	100.0

### Portfolio value

	Portfolio total (£m)
<b>30 September 2016</b>	<b>312.73</b>
30 June 2016	301.01
Change over quarter	11.72
Net cash inflow (outflow)	(10.00)

## EXECUTIVE SUMMARY

### Performance

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- The fund gave a gross return of 7.18% over the quarter, compared with a benchmark return of 7.32%. This brings the 12 month return to 16.69% against a benchmark return of 18.12%.
- The dominant themes of the quarter were debate over the likely impact of Brexit on the UK, European, and global economies, and concern over the economic impact of November's tightly contested US presidential election. The Bank of England announced a cut in interest rates and new quantitative easing programmes, incorporating purchases of both government and corporate bonds. The oil price fell back below \$50 per barrel, reflecting a lacklustre global economy, before rising sharply towards quarter end on news that Organisation of Petroleum Exporting Countries (OPEC) members had agreed to cut oil production.
- Asset allocation and a short duration stance were the primary areas of underperformance over the quarter, while credit sector selection had a positive effect upon performance.

### The economy and bond markets

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- The dominant themes of the quarter were debate over the likely impact of Brexit on the UK, European, and global economies, and concern over the economic impact of November's tightly contested US presidential election. Markets focused on the future path of US interest rates: consensus expectations are that no action will be taken until December at the earliest. The European Central Bank (ECB) kept its stimulus programme unchanged, but reiterated in September that quantitative easing will run until March 2017 "or beyond if necessary" to enhance growth in the eurozone. In Japan, the strength of the yen has been the main story in the first half of 2016 and the Bank of Japan (BoJ) has attempted to reverse this: towards the end of the quarter, the BoJ announced changes to its quantitative easing programme which will allow bond purchases at the shorter end of the yield curve.
- In the UK, the concern of a leadership vacuum vanished with the installation of Theresa May as the new prime minister. At the same time, further monetary easing measures announced by the Bank of England (BoE) in August and sterling weakness served to lift investor sentiment over the quarter.
- Conventional UK government bonds returned 2.34%. The market was supported by a flight to perceived safe haven assets after the Brexit vote, further quantitative easing in developed markets and a cut in UK interest rates, which resulted in UK outperformance of global bonds.
- Sterling investment grade credit returned 5.57%, rebounding strongly after the Brexit result to outperform UK government bonds over the quarter. In a reversal of the knee-jerk risk aversion at the end of June, markets rallied en masse during July; despite losing momentum somewhat during September, this was the highest quarterly return since 2009.

### Investment outlook

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- Mounting evidence suggests that the post-referendum shock to the UK economy was not as severe as initially feared. While we no longer forecast a short recession in the UK in the second half of the year, we expect GDP growth to remain low as the economy adjusts to the Brexit vote. We expect UK CPI inflation to rise a little above target during 2017.
- We anticipate further policy easing in the UK in the final quarter, and we expect the US Federal Reserve to raise rates after the November election. We expect European policy easing to be extended in 2017.
- Our central case is for UK government bond yields across maturities to rise over 2017, and for the yield curve to steepen marginally, although we expect some volatility around this trend. For index linked bonds, we think a long-term real interest rate of -0.17% (the level seen at the end of September) is too low, and does not reflect long-term fundamentals. We believe global inflation linked bonds offer better value
- We expect that investment grade credit bonds will outperform UK government securities by 1.5% p.a. over the next three years. We believe that the current credit spread premium over UK government bonds yields adequately compensates for default and other risks (e.g., liquidity and rating migration).

## FUND PERFORMANCE

The table below shows the gross performance of your portfolio and the benchmark for the periods ending 30 September 2016:

### Performance

	Fund (%)	Benchmark (%)	Relative (%)
<b>Q3 2016</b>	<b>7.18</b>	<b>7.32</b>	<b>-0.14</b>
YTD	16.47	17.82	-1.35
Rolling 12 months	16.69	18.12	-1.43
Three years p.a.	11.16	10.80	0.36
Five years p.a.	12.06	10.75	1.31
Since inception 02.07.07 p.a.	9.95	10.32	-0.37

### Quarterly performance



The total fund returns in the above chart include the impact of the cash holding during the quarter.

## RLPPC UK OVER 5 YEAR CORPORATE BOND FUND

Quarter 3 2016

### Asset split

	Fund (%)	Benchmark <sup>1</sup> (%)
Conventional credit bonds <sup>2</sup>	99.8	98.9
Index linked credit bonds	0.0	0.0
Sterling conventional gilts	0.0	0.0
Sterling index linked gilts	0.0	0.0
Foreign conventional sovereign	0.2	1.1
Foreign index linked sovereign	0.0	0.0
Derivatives	0.0	0.0

### Fund data

	Fund	Benchmark <sup>1</sup>
Duration	10.3 years	10.7 years
Gross redemption yield <sup>3</sup>	2.95%	2.28%
No. of stocks	289	677
Fund size	£393.4m	-

Launch date: 02.07.2007

<sup>1</sup> Benchmark: iBoxx Sterling Non-Gilt Over 5 Year Index.

<sup>2</sup> Conventional credit bond allocation includes exposure to non-sterling credit bonds and CDs, where applicable.

<sup>3</sup> The gross redemption yield is calculated on a weighted average basis.

Figures in relation to the asset split table exclude the impact of cash where held.

### Performance

	Fund (%)	Benchmark <sup>1</sup> (%)	Relative (%)
<b>Q3 2016</b>	<b>7.14</b>	<b>7.32</b>	<b>-0.18</b>
Year-to-date	16.53	17.82	-1.29
Rolling 12 months	16.72	18.12	-1.4
3 years p.a.	11.25	10.80	0.45
Since inception p.a. (30.06.2012) <sup>2</sup>	10.96	9.85	1.11

<sup>1</sup> Benchmark: iBoxx Sterling Non-Gilt Over 5 Year Index.

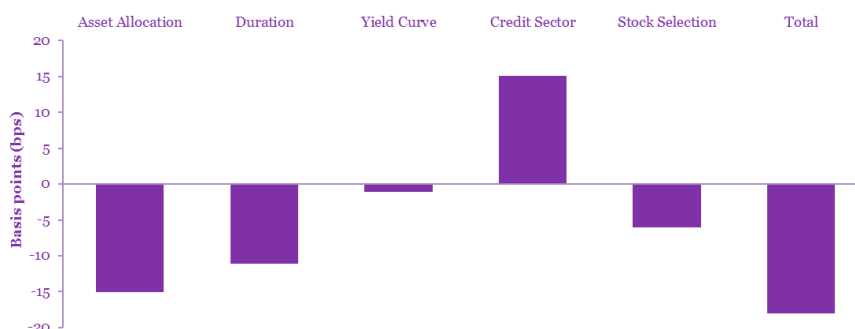
<sup>2</sup> The Fund launched 02.07.2007 but its benchmark and objective changed on 30.06.2012. Performance prior to 30.06.2012 has therefore been omitted. If you require performance prior to this change, please contact your client account manager.

Past performance is not a guide to future performance. The value of investments and the income from them is not guaranteed and may go down as well as up and investors may not get back the amount originally invested.

The Fund objective is to outperform the benchmark by 0.5% per annum gross of the standard management fees.

The Fund returns in the above table are gross of standard management fees and include the impact of cash holdings over the period.

### Performance attribution for quarter 3 2016

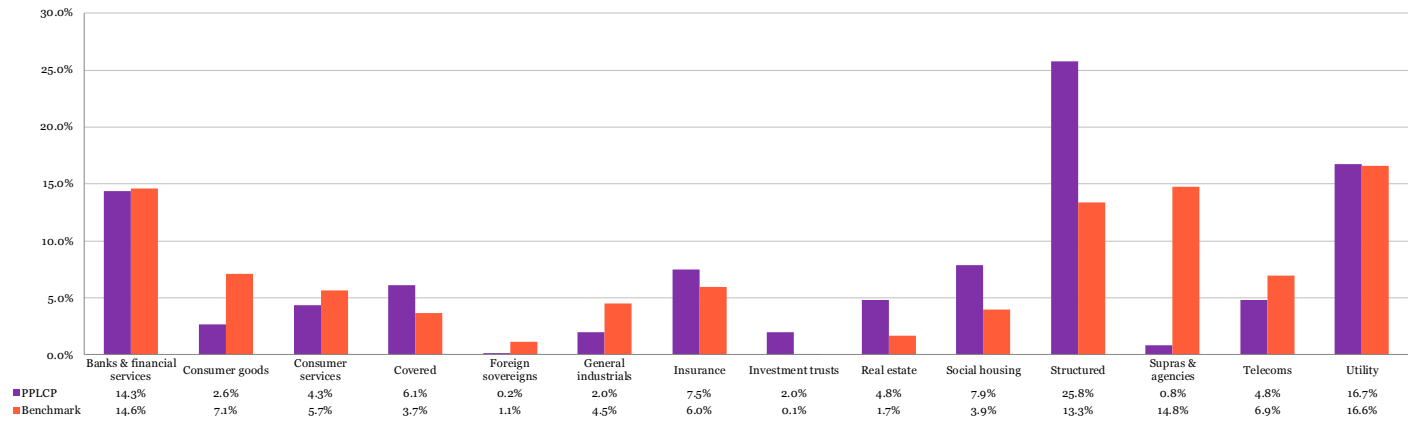


Source: RLAM and UBS Delta. The above performance attribution is an estimate. Past performance is not a guide to future performance. The value of investments and the income from them is not guaranteed and may go down as well as up and investors may not get back the amount originally invested.

## RLPPC UK OVER 5 YEAR CORPORATE BOND FUND

Quarter 3 2016

### Sector breakdown



Source: RLAM. Figures in relation to your portfolio exclude the impact of cash held, although they do include the impact of CDs if held within your portfolio.

What we thought	What we did	What happened	Effect on portfolio
We expected that corporate bonds would outperform supranational debt.	We maintained the overweight position in corporate bonds versus supranational debt.	Supranational debt was one of the weakest sectors over the quarter, benefiting comparatively little from the improvement in risk appetite among investors.	The Fund's underweight positioning in supranationals was positive for relative performance, but this was partially offset by the Fund's holdings in gilts.
We continued to see value in financials (banks and insurers), and prefer a combination of covered bonds and subordinated bank debt to senior bonds.	Positioning within financials was broadly unchanged, with underweight exposure to senior unsecured debt offset by exposures to subordinated debt and covered bonds.	Despite suffering in the immediate aftermath of the post-referendum market dip, financials recovered in the second half of the quarter. Subordinated debt recovered strongly, and outperformed senior counterparts; covered bonds underperformed. Meanwhile, peripheral European and Scandinavian banks lagged, impacted by capital concerns and proposed regulatory changes.	The overweight allocation to financials and the preference for subordinated debt was positive for performance, but this was muted by the negative impact of the holding in covered bonds.
We thought that high-profile, consumer-orientated bonds and industrials were unattractively priced, relative to other sectors.	We maintained the underweight allocation to industrial and consumer sectors.	Industrial and consumer sector bonds performed well. Although commodity prices remained subdued, industrials benefited from reduced concern about the outlook for the global economy, while a number of consumer-orientated bonds were supported by inclusion in the BoE's Corporate Bond Purchase Scheme. Conversely, the automobiles sector continued to underperform as concerns around emissions persisted.	The low weighting in industrial and consumer sectors was a small negative factor in relative performance, partially offset by the lack of exposure to autos.

## RLPPC UK OVER 5 YEAR CORPORATE BOND FUND

### Quarter 3 2016

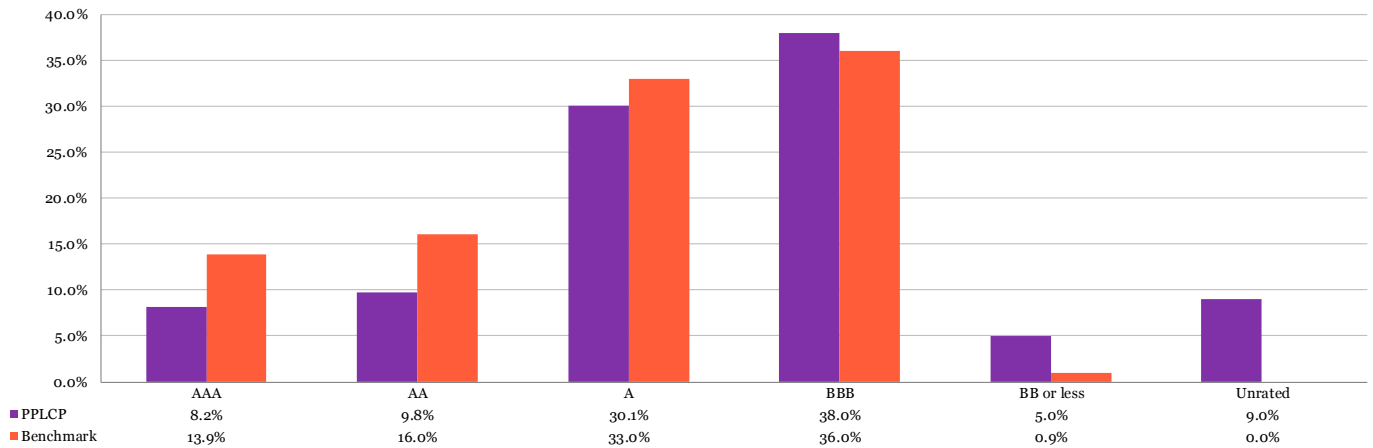
#### Sector breakdown continued

What we thought	What we did	What happened	Effect on portfolio
We continued to believe that secured bonds were undervalued relative to unsecured debt.	We kept the Fund's significant overweight positions in sectors that benefit from enhanced security, e.g. asset-backed securities (ABS), social housing and investment trusts.	Structured and secured sectors performed broadly in line with the market over the quarter. However, social housing was a notable exception; with housing associations excluded from the BoE's corporate bond buying programme, the sector underperformed.	The overweight positions in structured and secured debt had a broadly neutral impact upon performance, although stock selection within these areas of the market had a negative effect.

## RLPPC OVER 5 YEAR CORPORATE BOND FUND

Quarter 3 2016

### Rating breakdown



Source: RLAM. Figures in relation to your portfolio exclude the impact of cash held, although they do include the impact of CDs if held within your portfolio.

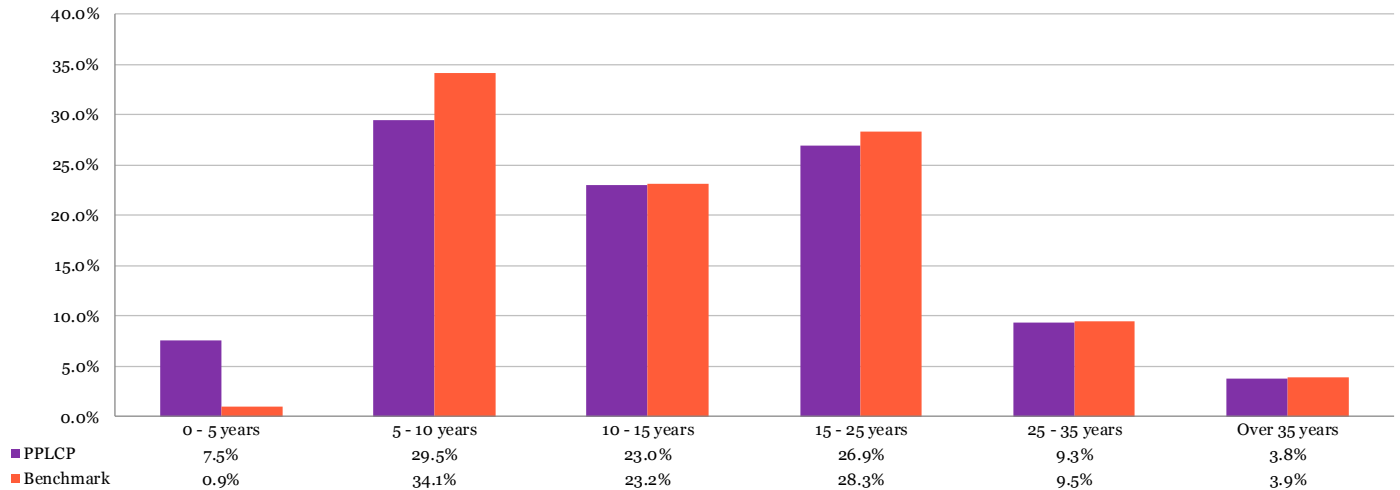
What we thought	What we did	What happened	Effect on portfolio
We believed that lower rated credit bonds offered better value than AAA/AA rated securities.	The bias towards lower rated bonds was increased, in part a result of new issue purchases.	Lower rated bonds benefited significantly from the recovery in market sentiment during July, outperforming higher rated counterparts over the period as a whole.	The bias towards lower rated debt was beneficial for performance.
Credit ratings, while useful, are not a complete assessment of creditworthiness and value.	We maintained exposure to bonds rated below investment grade where we believed they were consistent with the overall objective of the Fund.  Exposure to unrated bonds, which predominantly have investment grade risk characteristics and are in many instances secured, was broadly unchanged at 9.0%.  The Fund also maintained an allocation to the Royal London Sterling Extra Yield Fund.	Market strength from the post-referendum rebound in July continued through the quarter, supporting higher risk assets.	Exposure to unrated and sub-investment grade bonds had a positive impact upon performance.  The allocation to the Royal London Sterling Extra Yield Fund had a broadly positive impact upon performance.



## RLPPC UK OVER 5 YEAR CORPORATE BOND FUND

Quarter 3 2016

### Maturity profile



Source: RLAM. Figures in relation to your portfolio exclude the impact of cash held, although they do include the impact of CDs if held within your portfolio.

What we thought	What we did	What happened	Effect on portfolio
We expected a gradual increase in UK government bond yields.	The Fund's short duration stance was maintained over the quarter.	UK government bond yields fell dramatically following the BoE's rate cut and policy easing announcement in August, with 10-year yields reaching a new low of 0.52%, and then retracing much of this move before the end of the quarter.	The short duration position was a significant negative factor in relative performance.
We believed there were some attractive investment opportunities in short-dated credit, although these lie outside the Fund's benchmark.	The Fund maintained a position in short-dated credit bonds, partially reflecting the allocation to the Royal London Sterling Extra Yield Bond Fund.	Long-dated bonds outperformed significantly over the quarter.	The short-dated bond exposure had a negative impact upon performance.

## RLPPC UK OVER 5 YEAR CORPORATE BOND FUND

Quarter 3 2016

### Ten largest holdings

	Weighting (%)
Lloyds Bank Plc 6% 2029	1.3
Innogy Finance 6.125% 2039	1.2
Commonweath Bank of Australia 3% 2026	1.1
Citigroup Inc 7.375% 2039	1.0
Electricite De France 6% 2114	0.9
Annington Finance 0% 2022	0.9
Abbey National Treasury 5.75% 2026	0.9
Co-operative Bank 4.75% 2021	0.9
Finance for Residential Social Housing 8.369%	0.9
Bank Of America 7% 2028	0.8
<b>Total</b>	<b>9.9</b>

Source: RLAM. Figures in the table above exclude derivatives where held.

## RLPPC UK OVER 5 YEAR CORPORATE BOND FUND

### Quarter 3 2016

#### Fund activity

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- Concerns over the global economy and the outcome of the Brexit referendum weighed on companies over the first half of 2016. With significant decisions being postponed until the uncertainty abated, new issuance in sterling credit markets had remained subdued, finally picking up in quarter three as borrowing costs slumped. This followed the Bank of England (BoE)'s decision to cut the base rate in response to the Brexit result, with the UK's future relationship with the European Union remaining unclear. Across sectors, the Fund participated in a number of attractively priced new issues.
- A notable new transaction over the quarter was that of a record-sized £3bn corporate bond sale from **National Grid**. This four-part issue was split by maturity, with the Fund participating in the £700m 22-year bond issue. This was partially funded by the sale of **United Utilities**. The positions in **Affinity Water**, **SGSP Australia** and the structured bonds of **South East Water** were also sold over the quarter, with the third being now too short for the Fund.
- Within financials (banks and insurance), new senior unsecured bonds of **HSBC**, **Bank of America**, **Barclays**, and **Credit Suisse** were purchased, as well as subordinated debt of **TSB** and **Aviva**. The holding in **F&C Finance** was sold as it is now too short for the Fund. Other sales in the sector included **Société Générale**, **DNB Norbank** and insurer **Allianz**. Holdings of **Standard Life** and **Prudential** were switched in to longer dated bonds from the issuers.
- Additions to secured and structured bonds encompassed 10-year social housing debt of **Places for People**, one of the largest national housing associations in the UK, and a new senior secured bond from **Heathrow**. The Fund also participated in a new issue of unrated secured debt of West End retail property firm **Shaftesbury Carnaby**.
- The Fund also participated in a new BBB rated issue from global luxury hotel chain **Intercontinental**, whose coupon would increase if the bonds were to be downgraded below investment grade. Other new issue purchases included bonds of **Kennedy Wilson**, the international real estate company, primarily investing across office and retail, and long-dated debt of **Vodafone**.
- Profits were taken on recent new issues from the **RAC** and from alcoholic drinks company **Brown Forman**, both of which had performed well. Elsewhere, the holding in **Walgreens Boots** was sold.
- Gilts were held and traded for duration and liquidity management over the quarter.

#### Key views in your portfolio

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- A significant underweight in supranational bonds, as we expect corporate bonds to outperform over the medium term.
- Duration shorter than that of the benchmark, as we expect underlying gilt yields to rise.
- A bias towards asset backed securities, an area that we believe still offers the best risk/return characteristics.
- An overweight position in subordinated financial debt, where we believe yields are attractive.
- Targeted exposure to higher yielding bonds through investment in the Royal London Sterling Extra Yield Bond Fund.

*Information as at 30 September 2016 and correct at that date, unless otherwise stated. For professional investors and advisors only. This document may not be distributed to any unauthorised persons and is not suitable for retail clients. The views expressed are the authors own and do not constitute investment advice. Past performance is not a guide to future performance. The value of investments and the income from them is not guaranteed and may go down as well as up and investors may not get back the amount originally invested. Sub-investment grade bonds have characteristics which may result in a higher probability of default than investment grade bonds and therefore a higher risk. For funds that use derivatives, their use may be beneficial, however, they also involve specific risks. Derivatives may alter the economic exposure of a fund over time, causing it to deviate from the performance of the broader market.*

## ECONOMIC & BOND MARKET REVIEW

### Economic review

- The dominant themes of the quarter were debate over the likely impact of Brexit on the UK, European, and global economies, and concern over the economic impact of November's tightly contested US presidential election. Markets focused on the future path of US interest rates: consensus expectations are that no action will be taken until December at the earliest. The oil price fell back below \$50 per barrel, reflecting a lacklustre global economy, before rising sharply towards quarter end on news that Organisation of Petroleum Exporting Countries (OPEC) members had agreed to cut oil production in a co-ordinated move to shore up pricing.
- The US Federal Reserve (Fed), having signalled a less aggressive path to policy tightening at the end of the previous quarter due to the unexpected result of the Brexit referendum, kept rates on hold for the sixth policy meeting in a row. Following its September meeting the Fed released a follow-up statement highlighting that the labour market had continued to strengthen and that growth of economic activity had picked up from the modest pace seen in the first half of this year. The statement reflected the Fed's view that its inflation target would be hit as the labour market continued to strengthen.
- Towards the end of the quarter, fears grew over the financial strength of Deutsche Bank, and this was negative for sentiment towards financials, especially European banks. The European Central Bank (ECB) kept its stimulus programme unchanged, but reiterated in September that quantitative easing will run until March 2017 "or beyond if necessary" to enhance growth in the eurozone. Recent economic data remained positive – September's Purchasing Managers Indices survey remained well above the 50 mark (indicating expansion), while bank lending to companies in the eurozone rose 1.9% in July, the fastest pace since October 2011. Meanwhile, headline inflation in the single currency area remained above zero, but with little obvious upward pressure in the short term.
- In Japan, the strength of the yen has been the main story in the first half of 2016 and the Bank of Japan (BoJ) has attempted to reverse this: towards the end of the quarter, the BoJ announced changes to its quantitative easing programme which will allow it to have short-term flexibility to focus bond purchases at the shorter end of the yield curve. This monetary easing has arguably reduced the risk of further yen appreciation. Meanwhile, economic data released during the quarter remained mixed – retail sales and consumer spending were weak, while the Japanese economy watchers survey hinted at a mild recovery in the economic outlook.
- In the UK, equity markets recovered sharply from the initial fall-out, with the FTSE 250 index reaching an all-time high around the quarter end. In effect, uncertainty following Brexit has been dismissed and the concern of a leadership vacuum vanished with the installation of Theresa May as the new prime minister. At the same time, further monetary easing measures announced by the Bank of England (BoE) in August and sterling weakness have served to lift investor sentiment over the quarter.

### Bond Market Review

- **Conventional UK government bonds returned 2.34%.** The market was supported by a flight to perceived safe haven assets after the Brexit vote, further quantitative easing in developed markets and a cut in UK interest rates, which resulted in UK outperformance of global bonds. On a duration-adjusted basis, medium-dated gilts outperformed short and long-dated gilts. The BoE cut the bank rate from 0.5%, to 0.25% and restarted its quantitative easing programme, including the purchase of corporate bonds. The UK government bond yield curve steepened as longer-dated bond yields fell less than medium-dated issues. However, the fall in longer dated yields resulted in the FT-Actuaries Greater than 15 Year Index rising 4.3%, and it is up by 26.0% (in total return terms) since the start of the year. The UK Consumer Price Index continued to remain well below the BoE's 2% inflation target. However, the depreciation in sterling should result in a sharp pick-up in inflation. The Debt Management Office announced the issuance schedule for the current quarter, which comprised three short, four medium and four long-dated issues.
- **Index linked UK government bonds returned 10.1%.** Brexit concerns, quantitative easing and a weaker pound fuelled demand for both shorter dated maturities (from overseas investors) and longer dated maturities (from pension funds), with yields falling by 30-50 basis points (bps) across the curve. Good demand for 10-year index linked gilts resulted in their yields falling by around 50bps. Demand for longer dated bonds was more sporadic, with real yields in the 30-year sector falling by around 30bps. The July syndication of the 2065 maturity weighed on the market for some time. The weakness in sterling, allied with surprisingly positive inflation data, led to breakeven rates rising by over 30bps for 10-year maturities and by 20bps at the longer end.
- Index linked UK government bonds outperformed global counterparts, with real yield differentials rising to record highs; in the UK, strong pension fund demand caused long-dated real yields to fall to record lows. By contrast, speculation of further US rate hikes, coupled with disappointment that the ECB did not extend its monetary easing, meant real yields in these regions were broadly unchanged. Sterling non-government index linked bonds underperformed index linked gilts by around 0.10%.
- After the particularly strong showing for **overseas sovereign bonds** in the second quarter, returns in the third quarter, while positive, were less impressive. The J.P. Morgan Global Government Bond Index (TR) rose by 3.1%, compared with 15.6% over the last two quarters combined. Government bond markets rallied, supported by quantitative easing and measures perceived as a necessary evil in the absence of signs of sustained economic growth, and limited upward pressure on global interest rates and inflation. Low deposit rates and an uncertain dividend growth outlook for equity investors nudged government bond yields lower. European government bonds outperformed both US and Japanese counterparts. The J.P. Morgan European, US and Japanese Government Bond indices rose by 4.3%, 2.6% and 2.0% respectively (in sterling total return terms).

- **Sterling investment grade credit** returned 5.57%, rebounding strongly after the Brexit result to outperform UK government bonds over the quarter. In a reversal of the knee-jerk risk aversion at the end of June, markets rallied en masse during July; despite losing momentum somewhat during September, this was the highest quarterly return since 2009. Average sterling investment grade credit spreads narrowed by 40bps to 118bps. All sectors narrowed over the quarter, led by the basic industry, utilities and subordinated financials. While the first two were supported by the BoE's corporate bond purchasing programme, the strength of subordinated financials reflects an improvement in risk sentiment over the quarter from the trough of aversion in the aftermath of the Brexit result.
- Secured and structured bonds in real estate and asset-backed areas performed broadly in line with the market, as did the financials sector. Supranational debt benefited least from the spread narrowing trend, having been less affected by the buoyant market rebound of July. Similarly, more defensive sectors such as consumer goods and telecoms, while generating positive returns, were less remarkable. Sterling bond issuance increased markedly, boosted by a surge in financials issuance, having been very slow in the first half of the year. Lower-rated bonds generally outperformed their higher-rated counterparts. By maturity, longer-dated issues outperformed significantly.
- **Global high yield bonds** (BofA Merrill Lynch BB-B Global Non-Financial High Yield Constrained, 100% hedged to sterling) returned 4.78%. Despite being negatively affected at the end of June by risk aversion in the immediate aftermath of the Brexit referendum, high yield, along with other risk assets, recovered during the third quarter. Global new issuance was over \$106bn, up 96% versus the same period last year. The index yield ended the quarter 0.91% lower at 5.01%, with the average high yield credit spread narrowing by 103bps to 415bps above government bond yields. The UK was the strongest performing region, returning 6.20%, followed by the US and emerging markets, which returned 5.49% and 5.04%, respectively. Europe lagged, with a return of 3.45%. B rated bonds outperformed BB rated bonds, with returns of 5.89% and 3.98% respectively. Outside the benchmark index, the High Yield CCC & Lower index returned 8.65%. Returns for medium-maturity issues outperformed short and long-dated maturities.

## INVESTMENT OUTLOOK

### Key points

- Mounting evidence suggests that the post-referendum shock to the UK economy was not as severe as initially feared.
- While we no longer forecast a short recession in the UK in the second half of the year, we expect GDP growth to remain low as the economy adjusts to the Brexit vote. We expect UK CPI inflation to rise a little above target during 2017.
- We anticipate further policy easing in the UK in the final quarter, and we expect the US Federal Reserve to raise rates after the November election. We expect European policy easing to be extended in 2017.

### Global economic growth prospects

- In the US, labour markets are improving and inflation remains low. Consumer confidence measures are still strong, with few signs of imminent recession, although corporate profits have been hit by a sharp squeeze on the energy sector over the past two years. Consumer spending growth continues to be robust, supported by rising employment and real income growth. We expect that the Fed will raise rates in December.
- In the UK, while we expect growth to slow markedly in the second half of the year from the +0.6% in the third quarter, we no longer expect GDP growth to turn negative. The Bank of England exceeded our expectations for policy easing in August. We expect another rate cut in November to 0.1%, with the MPC minutes indicating that a majority of members supported lowering the bank rate further – ‘close to but a little above zero’.
- The success of the UK government in creating new trading relationships with the rest of the world will be of great importance in the medium to long term. While the negotiations unfold, uncertainty will continue to characterise the economic backdrop and to weigh on the value of sterling. We expect UK CPI inflation to rise a little above target during 2017.
- In the eurozone, there appears so far to be limited impact from the Brexit vote. Growth, however, remains tepid, and inflation far below target. Political risks will build from the Autumn, beginning with the Italian referendum on constitutional change, and 2017 will see elections in the Netherlands, France and Germany, against the backdrop of a growing anti-establishment vote. While the ECB took no action at its September meeting, we expect that the current monetary easing policies will be extended beyond their March 2017 deadline.
- The market is not particularly animated about China at present, although we know there tends to be at least one major China agitation per year. Recent data have been firm, and already voices in the market are calling for another downturn. Macroprudential measures are being applied to cool the housing market in some regions. There is also a view that recent policy stimulus was of ‘the wrong sort’ and will exacerbate imbalances. Most data remain in line with, or a little ahead of our base case. A pick-up in nominal GDP growth as industrial deflation eases, should ease pressure on debt levels.

### Outlook

- We expect global government bond yields to rise from current levels, as inflation outlook and global growth picks up. We expect the Fed to raise rates in December and then a further two times in 2017. Our base case assumes a gradual rise yields over the next 12 months.
- Our central case is for **UK government bond yields** across maturities to rise over 2017, and for the yield curve to steepen marginally, although we expect some volatility around this trend.
- In **overseas bond markets**, we believe the global economy will continue to grow over the near term. Events in the eurozone, where the situation remains unpredictable, will continue to impact market sentiment. We find the current yields on eurozone government bonds unattractive.
- We believe that real yields for both 10- and 30-year gilts will rise over the next 12 months. Sustained inflation looks unlikely, unless economic growth picks up much faster than expected. Nor does a prolonged period of deflation seem probable. Breakeven (implied) inflation rates at current levels offer longer-term value across the majority of global markets, the notable exception being the UK. We consider developed market government bonds to be expensive. Yields should rise over the next 18 months.
- For **index-linked bonds**, we think a long-term real interest rate of -0.17% (the level seen at the end of September) is too low, and does not reflect long-term fundamentals. Pension fund demand for longer dated, real yield securities remains strong, and has picked up after the Brexit vote as deficits have reached new highs. We believe global inflation linked bonds offer better value, with the real yields of European and US bonds approximately 1.2% and 2.4% higher, respectively, than their UK counterparts. We think that 5- and 10-year breakeven (implied) inflation rates of around 2.8% now look fair value on a longer-term view. However, long-dated breakeven rates of 3.3% appear to be above fair value.
- We expect that **investment-grade credit bonds** will outperform UK government securities by 1.5% p.a. over the next three years. We believe that the current credit spread premium, over UK government bonds yields, is adequate compensation for default and other risks (e.g. liquidity and rating migration). Portfolio diversification continues to be important during bouts of volatility, and a focus on bonds supported by stable income streams and structural enhancements should provide protection in times of market turbulence.
- We continue to believe that **global high yield bonds** are attractive on a spread basis and overcompensate for default risk, while their level of income generation is also appealing on a relative basis. The current growth and rate environment provides a moderate albeit rising default climate, with ongoing refinancing opportunities.





## CORPORATE GOVERNANCE & COMPLIANCE

### MiFID (Markets in Financial Instruments Directive)

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- Pursuant to the FCA rules and based on information that we hold about you, we have classified you a 'Professional Client'.

### Whistleblowing requirements of the Pensions Act

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- We confirm that we have not made any reports to the Pensions Regulator during the quarter, as we do not believe there has been a breach of law relevant to the administration of the scheme.

### The UK Stewardship Code and Royal London Asset Management

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- Our voting records and the details of how RLAM approaches the stewardship of the securities we hold on behalf of our clients are disclosed on our website: [www.rlam.co.uk](http://www.rlam.co.uk).
- RLAM has a dedicated Governance Team which implements RLAM's Voting Policy across all UK holdings. Our public voting records are fully transparent, searchable and updated on a monthly basis. We also disclose information publicly about our engagement with companies on a quarterly basis.
- RLAM supports the principles of the UK Stewardship Code. Our underlying belief is that management are appointed by the shareholders to manage the business in the best interests of shareholders over time. While engagement is largely from an equity investors perspective, given that in most instances there is a limited amount of leverage that a bond holder can exercise over the issuing company, our own experience is that we are becoming more involved in corporate bond restructuring and in many cases these involve a bond holder vote. We ensure that we approach such decisions in the same way we would on an equity issue in aiming to support management where appropriate but always seeking to enhance value on behalf of our underlying clients.
- All enquiries with respect to our voting and engagement activities should be directed in the first instance to the RLAM Chief Investment Officer.

### Responsible Investing

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- RLAM is committed to being a responsible investor. This means being a good steward of our client's assets and promoting responsible investment with other stakeholders.
- In 2008, Royal London Asset Management became a signatory to the United Nations Principles for Responsible Investment (PRI), and was an early signatory to the UK Stewardship Code. This set the company on a long-term commitment to making responsible ownership 'business as usual'.
- The aim is to generate sustainable, risk adjusted returns that reflect a wider understanding of what will drive economic performance in the future.
- We seek to understand environmental, social and governance risks and opportunities within the investment process.
- We engage with companies and industry regulators to understand the issues that are most material to their business, and to promote best practice.

### Engagement

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- Engagement refers to our dialogue with companies, regulators, non-governmental organisations and other agents in the investment chain to support better standards of behaviour, risk management and reform for a more sustainable economy.
- Engagement will normally meet more than one of the following criteria:
  - Materiality to investment performance
  - Importance to our clients
  - Reputational impact
- We track our engagements and report on the outcomes in quarterly public reports and to the PRI.
- We initiate or join collective engagements with other investors where we believe it will be more effective than engaging alone, or to draw attention to a worthy topic.

### Our relationships with our broker counterparties

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- We currently deal through approximately 50 brokers globally; a mixture of global firms and regional specialists which enables us to access different information flows and therefore, enhances the overall investment process.
- We undertake a comprehensive broker rating/review process where all brokers used are scored for the quality and utility of their research, dealing abilities, administrative efficiency, accuracy and sales advice. To get a full picture, we involve fund managers, dealers and any comment from the back-office. We do not have soft commission arrangements with any counterparties.

## RLAM TEAM

### Your fund managers

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**Jonathan Platt**  
Head of Fixed Interest



**Paola Binns**  
Senior Credit Fund Manager

### Your dedicated contact

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**James Stoddart**  
Head of Client Account Management

**T:** 020 7506 6619  
**F:** 020 7506 6784  
**E:** james.stoddart@rlam.co.uk

In James' absence, please feel free to contact any of the Client Relationship team members listed below or email: ClientRelationships@rlam.co.uk.

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Fraser Chisholm	<b>T:</b> 020 7506 6591	<b>E:</b> fraser.chisholm@rlam.co.uk
Victoria McArdle	<b>T:</b> 020 7506 6563	<b>E:</b> victoria.mcardle@rlam.co.uk
Rob Nicholson	<b>T:</b> 020 7506 6736	<b>E:</b> robert.nicholson@rlam.co.uk
Daniel Norsas Scott	<b>T:</b> 020 7506 6602	<b>E:</b> daniel.norsascott@rlam.co.uk

### Corporate team changes

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In July, Nick Woodward joined RLAM as Head of Liability Driven Investments (LDI). Nick joined us from BMO Asset Management and reports directly to Jonathan Platt, Head of Fixed Income, and is working with consultants to produce high quality, bespoke solutions for current and prospective RLAM clients. These solutions are a natural evolution of our offering to pension funds, and will complement our existing active credit and Buy & Maintain strategies.

In August, we expanded our global high yield team with the appointments of a new fund manager, a senior credit analyst and two assistant credit analysts, ahead of the launch of a multi asset credit fund in 2017. Khuram Sharih joined as a fund manager, focusing on leveraged loans and alternative credit, having previously worked at Newton Investment Management, where he worked with their fixed income and global multi asset teams. Sebastien Poulin joined as a senior credit analyst with a remit split between high yield and leveraged loans. Prior to RLAM, Sebastien was at Principal Global Investors where he covered both high yield and leveraged loans. Gary Ewen and Tom Elliott have also joined to bolster our multi asset credit capabilities. Gary was an investment analyst at Mercer and Tom was a high yield credit analyst at Debtwire.

In September, Henry Lowson joined us as a senior fund manager, taking over the RL UK Smaller Companies Fund after the departure of Victoria Stewart. Henry joined us from AXA Framlington. He is working closely with Derek Mitchell, manager of RLAM's UK Mid Cap and UK Opportunity Funds, as well as the wider equities team to expand RLAM's Alpha strategies within the UK equity market.



## GLOSSARY

**ABS** – Asset backed securities – Debt secured against assets of the issuer.

**Amortisation** – Incremental repayment of a bond over its lifetime.

**Attribution** – The measurement of a fund's return versus the underlying benchmark return that breaks up the active performance into component parts:

**Stock selection** – Performance attributed to stock selection.

**Yield curve** – Performance attributed to positioning on the yield curve.

**Duration** – Performance attributed to relative duration of the portfolio versus that of the benchmark.

**Asset allocation** – Performance attributed to asset allocation between fixed interest gilts and credit bonds.

**Basel** – The Basel Committee on Banking Supervision provides a forum for regular global co-operation on banking supervisory matters.

**Benchmark** – An index or other market measurement that is used by an investment manager as a standard against which to assess the risk and performance of a portfolio.

**Book cost** – A measure of the historical cost of a bond or a portfolio of bonds represented as a clean value. It is calculated as the product of the number of bonds held and the average price paid. It remains unchanged regardless of movements in market price. If the price paid is the same as the face value of the bond, book cost will be the same as the nominal value.

**Breakevens** – The level of inflation required to make the return on index linked bonds equal to return on conventional bonds of similar maturity.

**Capital cover** – The degree to which debt is covered by the assets of the issuer.

**Certificate of deposit (CD)** – A certificate of deposit is a negotiable receipt issued by a deposit taking institution in respect of a specified sum of money deposited with that institution at a fixed rate of interest, with an undertaking to repay to the bearer of the certificate at a specified date the sum deposited with interest outstanding. The term of a CD generally ranges from one month to five years – with annual interest payments for those that are issued for longer than a year.

**CDO** – Collateralized debt obligations – A relatively small subset of the wider ABS market, CDOs are securitisations of a pool of debt receivables (that are not secured on tangible property). Typically, these securities are divided into different tranches: senior tranches, mezzanine tranches and equity tranches. Losses are applied based on the seniority of the tranche, with the most junior tranche absorbing losses first. The bonds are tranching to provide investors with different levels of seniority and credit rating. Variations include collateralised loan obligations (CLOs) and collateralised synthetic obligations (CSOs), where the underlying pools of assets are corporate loans and credit default swaps (that are not secured on tangible property).

**Consumer price index** – An index number calculated as the weighted average price of consumer goods and services.

**Coupon** – Interest paid by the bond issuer expressed as a percentage of the face value of a bond; typically paid annually or semi-annually.

**Covenant** – Legal rules found in bond documentation that place restrictions on the issuer.

**Covered bond** – Senior bonds issued by banks and collateralised by a high quality pool of residential mortgage assets.

**CDS** – Credit default swaps – Insurance purchased to protect against the default of a bond. In the event of default, the CDS buyer receives the face value of the bond in return for delivering the bond to the provider of protection.

**Credit rating** – A rating agency (Moody's, S&P, Fitch) measure of the credit worthiness of a bond issuer – investment grade credit ratings range from AAA to BBB with BB and below referred to as sub-investment grade (sometimes known as 'junk bonds' or 'high yield'). In general, for investment grade credits the rating agency rates only on the probability of default and does not take into account the potential recovery prospects of the bond.

**Credit spread** – Extra yield offered to compensate the holder of a credit bond versus an underlying risk free bond of similar maturity. Specifically, the holder requires compensation for the expected loss on default, reflecting a combination of probability of default and recovery rate on default. Compensation may also be required for extra market risk and liquidity risk.

**Cyclicals** – Bonds/stocks that are sensitive to the economic cycle.

**Default** – Failure of a bond issuer to pay the coupon, or principal when required, on a debt instrument.

**DTS** – Duration times spread – An expression of the portfolio's sensitivity to changes in yield spreads (the difference between the yields of credit bonds and government bonds) based on proportional spread movements. DTS is an appropriate measure for credit portfolios in particular, and for managers with particular skill in sector and stock selection and a focus on these.

**Duration** – A measure of the sensitivity of the portfolio to small and uniform changes in bond yields across the maturity spectrum. Duration, also referred to as interest rate risk, is expressed in years as a result of the measure's calculation from the weighted average maturity of all of the portfolio's discounted future cash flows.

**ECN** – Enhanced capital notes. ECN is a subordinated debt instrument issued by Lloyds Banking Group as part of the 2009 capital restructuring. The bonds were issued in exchange for Lloyd's existing upper tier 2 and tier 1 bonds and are lower tier 2 in the capital structure. Although the regulator also classifies these instruments as LT2, for the purposes of stress testing they are included in the equity capital base of the bank. Coupon payments of ECNs are not deferrable and the bonds are dated. However, should the core tier 1 capital ratio fall below 5%, the ECNs will mandatorily convert into equity.

**European Financial Stability Facility (EFSF)** – Agreed in May 2010 by EU member states, the temporary program can issue bonds or other debt instruments to raise funds needed to provide financial assistance to eurozone states in economic difficulty. The EFSF is financed by members of the eurozone.

**European Stability Mechanism (ESM)** – A permanent rescue fund program designed to replace the temporary EFSF which commenced operations in October 2012.

**FRN** – Floating Rate Notes – a bond with a variable coupon. Typically, coupons of sterling FRNs are referenced against 3 month LIBOR and are reset quarterly.

**Funding for Lending Scheme (FLS)** – Launched in July 2012, the scheme is designed to lower bank funding rates by allowing banks and building societies to borrow directly from the Bank of England for up to 4 years. Those that increase lending to UK households and businesses will be able to borrow more in the FLS, and do so at lower cost than those that scale back lending.

**Futures** – A contract between two parties where one agrees to buy and the other to sell an underlying instrument at a future date at a price agreed at the start of the contract.

**FX** – Foreign exchange.

**Gearing** – The level of debt to equity.

**Interest cover** – The degree to which interest expense is covered by the profit of the issuer.

**Interbank rate** – Lending rate between banks in the wholesale money market; LIBOR stands for London InterBank Offered Rate.

**Internal rating** – RLAM's assessment of the creditworthiness of a bond; crucially this takes account not only of the probability of default of a company but also the likely recovery rate on default.

**Investment restrictions** – Restrictions imposed on the portfolio managers by clients as outlined in the investment management agreement (IMA).

**Liability management exercise (LME)** – Under certain circumstances, companies can offer to buy back or swap their bonds at a discount to par value in order to boost capital reserves. This process has been used most extensively in the financial services sector and, typically, these exercises have been undertaken at premiums to prevailing market prices.

**Loan to value (LTV)** – Expressed as a %, the value of the loan to the value of the assets backing the loan.

**LDI** – Liability driven investment – Investing in order to match liability cash flows with asset cash flows. This is often achieved using derivatives products to overlay a bond portfolio in order to control duration.

**LTRO** – Long Term Repo Operation – European Central Bank debt facility to provide 3 year term funding to European financial institutions.

**Market value** – Market value reflects the value of a security after issuance as influenced by movements in underlying gilt prices and the market's assessment of credit risk. The value of bonds held in the portfolio reflects this market value. Although borrowers typically pay coupons on an annual or semi-annual basis, different treatment of the accrual of coupon payments results in two market value definitions.

**Market value clean** – Accrued interest is calculated separately and not reflected in the clean market value.

**Market value dirty** – The market value includes accrued interest.

**Maturity** – Final payment date of a bond, requiring the borrower to repay the bond.

**MBS** – Mortgage backed securities – An asset backed security (ABS) where cash flows are backed by the principal and interest payments of mortgage loans. RMBS relates to residential MBS. CMBS refers to commercial MBS.

**Monoline insurance company** – The original business model of the monoline insurers was to provide credit-wrapping (credit insurance) of lower rated bonds by guaranteeing the payment of coupon and principal of the underlying bonds in return for premium payments. This sector had been characterised by decades of unbroken profitability and the consistent maintenance of AAA credit ratings, however, over the past ten years, the focus of the sector shifted from the US municipal market to the credit-wrapping of structured products, such as sub-prime RMBS and CDOs. As losses in these instruments have increased in recent years, concerns have arisen regarding the adequacy of the insurers' claims paying reserves. This has resulted in material rating downgrades within the sector. Following these downgrades, a large majority of credit wrapped bonds are now rated according to the underlying credit quality of the issue rather than the monoline's rating. The main monoline insurance companies are AMBAC, MBIA, FSA and FGIC.



**Nominal value** – Also known as the face value. It refers to the price of a security when issued. For fixed income assets, nominal value is the product of the number of bonds issued and face value per bond (usually denoted by 1,000). Within the portfolio valuation, nominal value represents a client's holding in a bond expressed at face value.

**Operation Twist** – The name given to the Federal Reserve's monetary policy designed to lower long term interest rates by selling short-term Treasury bonds in its portfolio and buying longer-term Treasury bonds.

**Outright Monetary Transactions (OMT)** – An unlimited bond-buying scheme aimed at cutting the borrowing cost of debt-burdened eurozone members by buying their short-dated bonds, but only after countries have requested a bailout from the European Central Bank. The scheme was announced in September 2012.

**PFI** – Private finance initiative – Projects that involve the provision of assets for the public sector by private companies. For instance, the Octagon PFI involves the design, financing, construction and operation of Norfolk & Norwich Hospital by a private company for the Norfolk & Norwich NHS Trust.

**Quantitative easing** – In March 2009, the Bank of England (BoE) announced its intention to purchase UK government bonds (primarily medium dated UK government bonds) by creating new money (effectively printing money, but electronically). The process was subsequently paused by the Bank of England during the first quarter of 2010 and later restarted in the fourth quarter of 2011. This process of purchasing assets through 'printing' money is called quantitative easing (QE).

**Redemption yield** – The annual interest rate on a bond including any capital gain or loss if it were held to redemption and assuming that all coupon and principal payments are made. If the coupon rate exceeds the redemption yield, then the bond will experience capital loss as it approaches maturity and vice versa.

**Sale & leaseback** – A process by which a company sells an asset then leases it back.

**Securities Market Program (SMP)** – A monetary policy tool aimed at providing market liquidity by allowing the European Central Bank to purchase distressed government bonds of peripheral European countries.

**Seniority/subordination** – Represents a bond holder's relative claim on the assets of an issuer before or after default.

**Structured bonds** – Bonds issued by a legally separate structure and secured on assets. The structure is often tranching, with different credit ratings for different levels of seniority. The process of issuing structured bonds is often referred to as securitisation.

**Sub-investment grade** – A credit rating that is below BBB-, also referred to as high yield or junk.

**Sub-prime** – Riskier mortgage lending to non-prime borrowers.

**Supranationals** – International non-government agencies/institutions such as the European Investment Bank and the World Bank.

**Swaps** – A derivative product representing an agreement to exchange one series of cash flows for another.

**Interest rate swaps** – Exchange fixed cash flows for floating cash flows or vice versa.

**Inflation swaps** – Exchange inflation index linked cash flows for conventional cash flows or vice versa.

**Swaption** – This derivative gives the holder the option (a right but not an obligation) to enter into an underlying swap.

**Tracking error** – Defined as the standard deviation of the fund's excess return over the benchmark index return, and generally quoted as an annualised figure based on monthly observations. This measure quantifies how closely the portfolio's return pattern follows that of a benchmark index. It is an important concept in risk measurement, and is used as both an ex post (historic) and ex ante (expected) measure. RLAM employs systems that allow us to estimate the ex ante tracking error of a portfolio.

**Underwriting** – The process by which an underwriter guarantees the new issue of securities (equity or bond).

**Unrated bonds** – Bonds that are not rated by any of the rating agencies; traditionally, unrated bonds benefit from security over the assets of the issuer. Unrated bonds are assigned an internal rating by RLAM.

**Yield** – Interest rate earned on a bond, expressed as an annual percentage.

**Yield curve** – The relation between the interest rate and the time to maturity of a bond.

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# Portfolio Valuation

As at 30 September 2016

## Dorset County Pension Fund

Holding	Identifier	Asset Description	Market Price (Bid £)	Book Cost Capital (£)	Market Cap. Value (£)	Accrued Inc. Value (£)	Market Value (£)	Days Accrued	Market Value %
Funds Held									
134,150,594	GB00B1ZB3X88	RLPPC Over 5 Year Corp Bond Pen Fd	2.33122	168,500,432.15	312,734,546.60	0.00	312,734,546.60	0	100.0
<b>Funds Held total</b>				<b>168,500,432.15</b>	<b>312,734,546.60</b>	<b>0.00</b>	<b>312,734,546.60</b>		<b>100.0</b>
<b>Grand total</b>				<b>168,500,432.15</b>	<b>312,734,546.60</b>	<b>0.00</b>	<b>312,734,546.60</b>		<b>100.0</b>



# Trading Statement

For period 01 July 2016 to 30 September 2016

## Dorset County Pension Fund

### Acquisitions

### Funds Held

Trade Date	Transaction Type	Nominal	Security	Price (£)	Book Cost (£)
06 Jul 2016	Acquisition Rebate	97,196.15	RLPPC Over 5 Year Corp Bond Pen Fd	2.25	218,513.47
<b>Funds Held total</b>					<b>218,513.47</b>
<b>Acquisitions total</b>					<b>218,513.47</b>



# Trading Statement

For period 01 July 2016 to 30 September 2016

## Dorset County Pension Fund

### Disposals

### Funds Held

Trade Date	Transaction Type	Nominal	Security	Price (£)	Book Cost (£)	Proceeds (£)
16 Aug 2016	Disposal	4,238,257.91	RLPPC Over 5 Year Corp Bond Pen Fd	2.36	5,323,482.15	10,000,000.00
<b>Funds Held total</b>					<b>5,323,482.15</b>	<b>10,000,000.00</b>
<b>Disposals total</b>					<b>5,323,482.15</b>	<b>10,000,000.00</b>

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Quarterly investment review

# Dorset County Pension Fund

3<sup>rd</sup> Quarter 2016



**Allianz**   
Global Investors

Understand. Act.



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Authorised by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and subject to limited regulation by the Financial Conduct Authority. Details about the extent of our regulation by the Financial Conduct Authority are available from us on request.

# Section one

# Key points

## Mandate

- Best Styles Global Strategy managed on a segregated basis.
- The Best Styles team implement a well-diversified blend of the five long-term successful investment styles Value, Momentum, Earnings Revisions, Growth and Quality.

## Investment objective

- The investment objective of the Portfolio is to maximize excess returns relative to the Benchmark, targeting an annualized excess return of 1-2% per annum net of fees over a rolling 3 year period with a tracking error in the range of 1-3% p.a.

## Inception date

- The inception date for the portfolio is 17 December 2015.

## Change in value

- Closing value of GBP 240,602,011 as at 1 July 2016.
- Closing value of GBP 240,284,850 as at 30 September 2016.
- There was a net redemption of £20,000,000 during the period.

## Recent performance

- The portfolio returned 8.22% versus the benchmark return of 7.92% for the quarter ending 30<sup>th</sup> September 16.

# Performance

## Recent performance

Returns to 30 September 2016	Portfolio (Gross)	MSCI World TR	Relative
Quarter	8.22%	7.92%	0.30%

## Long term performance

Returns to 30 September 2016	Portfolio (Gross)	MSCI World TR	Relative
Year to date	17.10%	19.76%	-2.66%
Since inception 17 Dec 2015	18.56%	21.55%	-2.99%

Portfolio Return - Gross of fees/total return/GBP

<sup>1</sup> Annualised

# Section two

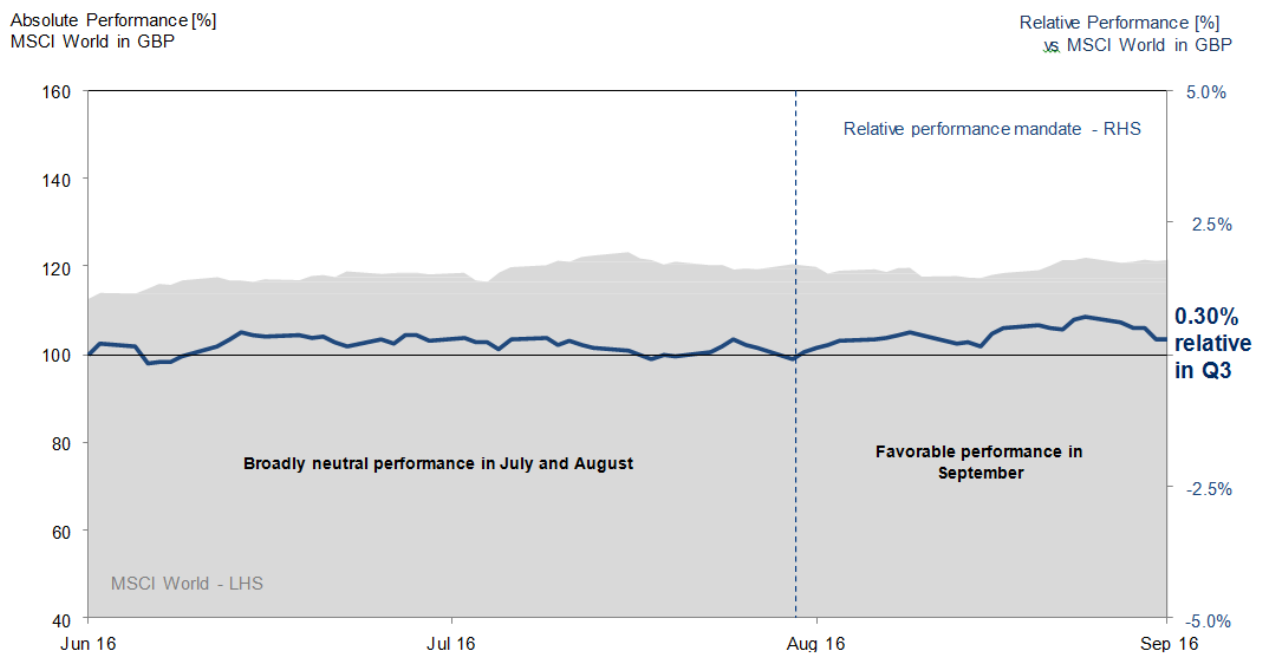
# Market review

- Global equities rallied over the quarter, recovering from a sharp sell-off at the end of June following the UK's unexpected referendum result. Signs of improvement in China's economy also supported share prices. The information technology sector led the advance, and the financials, materials, consumer discretionary and industrials sectors also posted meaningful gains. However, after robust returns in the first half of the year, more defensive sectors, such as consumer staples, telecommunication services and utilities, retreated as investors rotated into more cyclical stocks.
- US equities rallied modestly over the quarter, with the S&P 500 Index touching new record highs, helped by better-than-forecast company earnings and generally supportive economic news. However, some weak economic data reports weighed on the market in September, as did an increasing focus on November's presidential election.
- European equities advanced over the quarter, as they continued to recover from their sharp sell-off in the wake of Brexit. Returns at a country level were mixed, with Germany posting robust gains while Denmark retreated. Japanese equities overcame disappointing economic news to deliver robust returns over the quarter, boosted by stimulus measures from both the government and the Bank of Japan. However, the strength of the yen continued to present headwinds, with surveys of manufacturing activity continuing to fall, while the purchasing managers' index of service sector activity fell below 50 in August, also indicating a contraction.
- Emerging market equities delivered robust returns over the quarter, with the MSCI Emerging Markets Index touching its highest level in over a year in September. All three regions gained, with Asia leading the advance, followed by Latin America and then Eastern Europe.

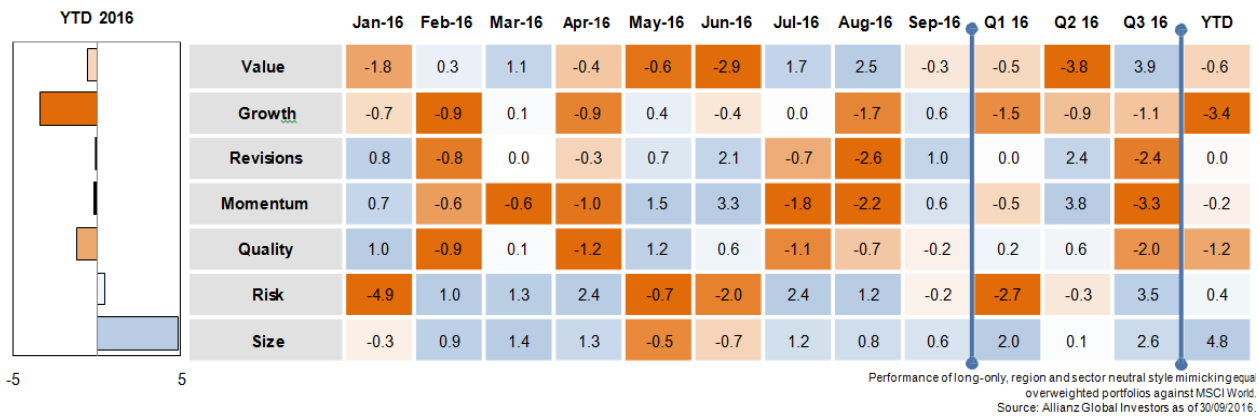
# Portfolio review

- The mandate outperformed its benchmark by 30bps over the third quarter with broadly equal contributions from all investment styles. Portfolio construction and successful stock selection in Consumer Discretionary, Financials and IT contributed to outperformance.

## Dorset County Pension Fund: Absolute and Relative Performance to 30 September 2016

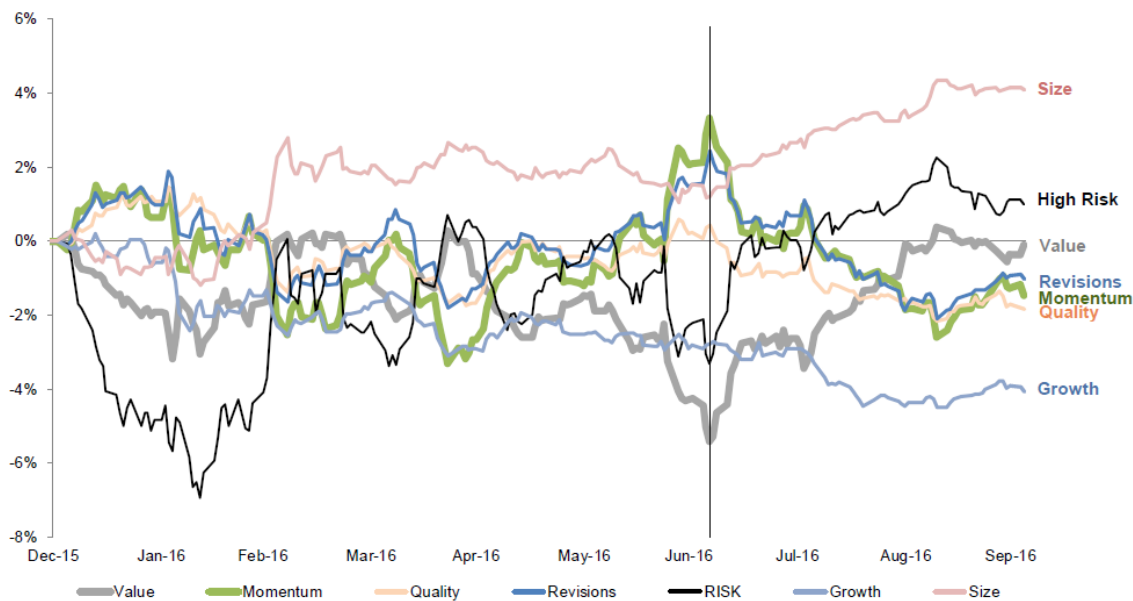


## Relative performance of investment style vs MSCI World over the last 9 months



- The third quarter turned out to be decisively risk-on, which helped higher beta investment styles like value and small caps. The investment style value, our most prominent investment style, outperformed the index strongly by 3.9%, making a significant contribution to the portfolio's relative performance. This risk-on environment was detrimental for lower beta investment styles like high quality and stable growth, and also for trend following investment styles like price momentum or earnings revisions that currently exhibit a lower beta profile. Performance of value and trend-following strategies in Q3 was essentially the opposite of the performance seen in Q2.
- Trend following investment styles like price momentum strategies, earnings revisions strategies and stable growth strategies have struggled in Q3, which whilst they detracted from performance did not offset the gains from investment style value, making Q3 a positive quarter for the mandate.
- 2016 has been a challenging year for global style investors. This can be seen in the relative performance of global investment styles vs the MSCI Index, as well as in the returns of the MSCI factors themselves.

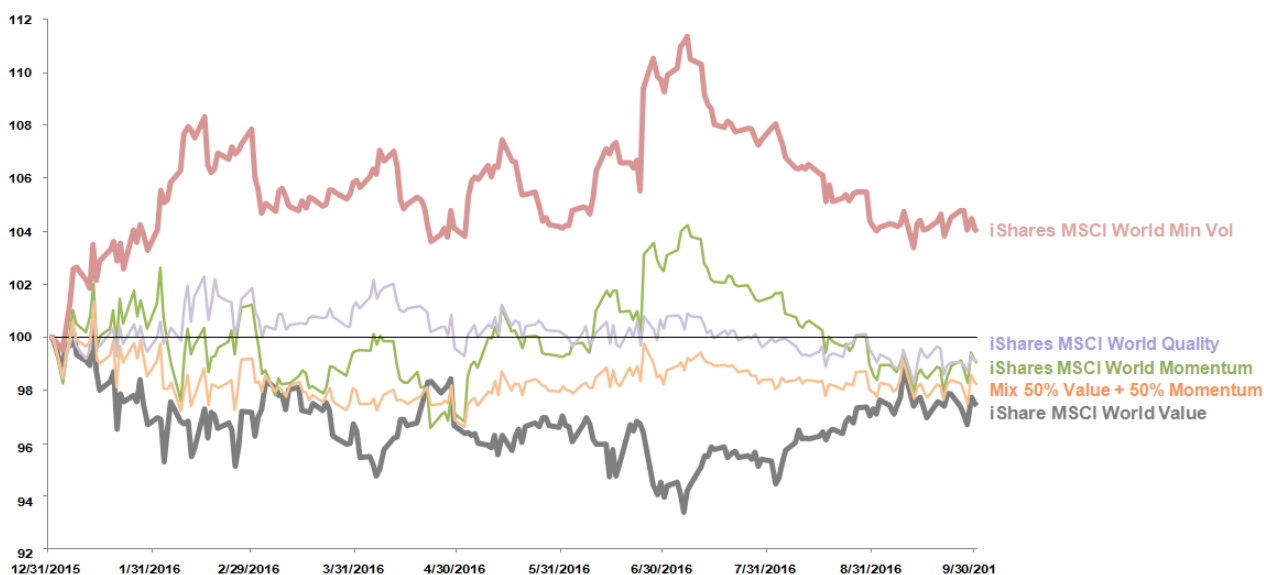
## Relative performance of global investment styles vs MSCI World Index



Source: Allianz Global Investors as of 5 October 2016. Calculations are performed by the portfolio management team. Not independently verified.



## Relative performance of iShares MSCI World Factor ETFs year to date 2016



Source: Allianz Global Investors, MSCI, Bloomberg. Figures as of Sept 30th, 2016. Past performance is not indicative of future results.

## Why has performance been weak and what action have we taken?

### Relative performance of global investment styles vs MSCI World over the year to date

2016 relative performance of investment styles						Long term relative performance of investment styles					
Relative performance vs. MSCI Indexes	YTD 2016					Relative performance vs. MSCI Indexes	Since 31/12/1986				
	Europe	Japan	US	World	Emerging Markets		Europe	Japan	US	World	Emerging Markets
<b>Value</b>	-2.0%	3.8%	-0.9%	-0.1%	5.3%	<b>Value</b>	2.9%	3.7%	1.6%	3.7%	5.1%
<b>Growth</b>	-2.7%	-7.2%	-6.9%	-4.5%	-4.5%	<b>Growth</b>	2.1%	0.0%	0.2%	1.2%	0.2%
<b>Revisions</b>	-1.3%	-5.3%	-2.0%	-1.9%	-1.8%	<b>Revisions</b>	3.0%	0.0%	1.2%	2.6%	0.0%
<b>Momentum</b>	1.0%	-5.0%	-2.2%	-2.0%	-4.0%	<b>Momentum</b>	2.5%	-0.8%	1.1%	1.2%	0.9%
<b>Quality</b>	-0.6%	0.4%	-3.6%	-1.7%	-2.4%	<b>Quality</b>	2.3%	0.8%	0.6%	1.2%	-0.5%

- Most traditional investment styles have been struggling in 2016 as a result of strong outperformance by lowest risk stocks, driven by the ultra-low interest rate policy of global central banks. Central bank policy has been triggering flows from fixed income into bond-like equities, i.e. lowest risk stocks with some dividends
- Lowest risk stocks offer neither value, growth nor earnings upgrades hence flows are driving outperformance of non-value, non-growth or non-revision stocks to the detriment of our key investment styles value, growth and revisions
- In our view, ultra-low interest rate policy has established 'lowest risk stocks' as a new risk factor within equities, on equal terms with established risk factors like sector or regions or market beta.
- Within our risk management overlay we have implemented additional constraints to ensure the relative performance of the portfolio is not impacted further by the relative performance of lowest risk stocks vs highest risk stocks.

# Portfolio outlook

We see equity markets driven by the following factors:

## Structural trends

- Deleveraging in industrialized countries is likely to last and has led to lower trend growth compared to before the great financial crisis. Support from monetary policy and negative real interest rates are likely to stay for longer even with the Federal Reserve having entered the rate hiking cycle. Monetary policy will remain supportive for valuation levels of risky assets as the Bank of Japan (BoJ) as well as the European Central Bank (ECB) might further ease monetary policy in order to stimulate growth and inflation. Hence, we don't see a change to the global macro picture – the long low-growth cycle continues to drag on. A severe slowdown of growth seems equally unlikely as a notable acceleration of growth.

## Cyclical swings

- Global leading indicators have peaked in autumn 2014 and have retreated for about 18 months to reach levels in 2016 that are now signalling an uncomfortable high probability of a recession. However, more recently, indicators have improved slightly and growth concerns have abated.
- GDP growth most likely rebounded in the second quarter of this year, to around 2.7% on a q/q annualised basis on preliminary data. This was largely due to pick-up in growth in China while aggregate growth in developed economies has slowed steadily since mid-2015, reflecting a series of disappointing GDP numbers from the US. More forward looking, global composite PMI did move higher to 51.7, the highest level since January - but it is effectively range-bound between 50 and 55 since 2011. Over the last years, growth has been a scarcity with companies not being able to increase earnings on average. However, analysts are now looking much more positive at company earnings with the number of earnings upgrades being on a five year high. Encouragingly, revenue forecasts have also started to rise for the first time in recent years meaning that companies increasingly don't need to rely solely on cost cutting to drive bottom-line earnings growth.

## Regional perspective

- In the US, business surveys rebounded from the late summer dent, both for the industrial sector and for the (more important) service sector, with ISM service indicators even soaring to its highest level since October last year. Hence, the US services sector continues to remain strong, while the US industrial sector has recovered with the drag on investment and exports from the past slump in oil prices and rise of the dollar easing. Despite declining in October, the University of Michigan measure of consumer confidence remains at a fairly high level and consistent with a decent rate of consumption growth of more than 3% annualized. Overall, US growth is likely to have picked up again in Q3 after some weaker data during late summer.
- In the Eurozone, the backdrop of a growing, but not very dynamic, Eurozone economy amid low inflation pressure is unlikely to change. The economy has shown no obvious ill effects from the UK's vote to leave the European Union. Eurozone business surveys have rebounded from their declines of previous months, but the underlying trends have been sideways since early 2015. The economy-wide Economic Sentiment Indicator (ESI) edged up from 103.5 to 104.9, better than the consensus expectation of an unchanged reading driven by a sharp increase in industrial sentiment to a five-year high, while sentiment in the service sector remained unchanged.

- In Japan, the improved PMI reading went hand-in-hand with y/y industrial production growth jumping to 4.6%, the highest level since March 2014, and the upward revisions to Q2 GDP growth. The government has passed a large fiscal stimulus package a few weeks ago which will support growth momentum going into 2017.
- In China, growth has been stable since early 2015, as the ramping up of policy support has helped contain downward pressures on the economy over the past year. And we expect growth to accelerate over the second half of this year as the lagged effects of previous policy stimulus feed through. However, we expect China to slow again in 2017/18 as policy stimulus is withdrawn and an overhang of debt starts to drag on growth. Authorities have already imposed curbs on property prices that are running hot. More fundamentally, we believe that China's potential growth rate has dropped to around 4.5% and that it will continue to decline without significant structural reform.

## Risks

- Potential risks are coming from a potential Trump win at the US presidential election. There is not much consensus regarding how markets will ultimately react should Donald Trump win the presidential elections as the outlook for the US would be much more uncertain due to the reason that it is unclear how many of his sometimes radical plans he would be able to implement.
- At a European level, the Brexit vote might further fuel a further rise in anti-EU sentiment across the region and reignites doubts over the future of the currency union. A defeat of PM Renzi at the constitutional referendum in Italia in autumn might result in a general election and a potential EU referendum, which might trigger a new Euro crisis.
- Further risks are coming from a slowdown in China as the effect of the policy stimulus fades out, or a stronger than anticipated rise in interest rates in the US.
- In our base scenario, we expect equities to grind higher on the back of a ongoing economic recovery, still accommodative monetary policy and reasonable valuations. Global equities currently trade on a trailing Price/Earnings-Ratio of 17x, in line with the long-run median. Historically, there is little evidence that current valuation levels may hinder risky assets from appreciating any further. On the contrary, history clearly shows that as long as monetary policy is highly accommodative and rates remain below "neutral" levels, i.e. a level at which the economy is running at around trend growth, risky assets tend to do well and outperform bonds.

## Four different scenarios for the US election

<b>Trump wins the General Elections</b>	<b>Republicans keep the majority in the Senate</b>	<b>Scenario 1</b> the worst scenario with highest uncertainty for the US economy and highest volatility for the financial markets
	<b>Democrats win the majority in the Senate</b>	<b>Scenario 2</b> least worst scenario as the majority of Democrats in the Senate would make the enforcement of the more controversial points on Trump's agenda less likely (e.g. on health care, energy, finance services, etc.)
<b>Clinton wins the General Elections</b>	<b>Republicans keep the majority in the Senate</b>	<b>Scenario 3</b> the best scenario - Clinton is viewed as a candidate representing continuity - a majority for the Republicans in the Congress would not allow disruptive reforms
	<b>Democrats win the majority in the Senate</b>	<b>Scenario 4</b> a less agreeable scenario than # 3 as there will be a room for major Democratic (leftish) reforms

## Clinton vs Trump

### Implications for stock market segment

Stock Market Segment	Clinton	Trump
<b>Energy</b>	Favours alternative energy over traditional energy.	Favours traditional energy over alternative energy.
<b>Banks</b>	Higher taxes and more regulation in banks/hedge funds	Higher taxes and more regulation on banks/hedge funds
<b>Defense</b>	At least maintaining current spending on defense	More spending on defense
<b>Health Care</b>	Affordable Care Act will be maintained, more regulation on health care costs will put margin pressure on pharma/biotech stocks and health care service providers	Affordable Care Act will be abolished which will result in far less generous subsidies and fewer people insured which would hurt hospitals and managed care companies.
<b>Construction</b>	More spending on public infrastructure	?
<b>Companies with many low paid workers</b>	Increase in nation-wide min wage will hurt companies with many low paid workers like restaurants or retailers	Does not support a federal minimum wage
<b>Large Multi-Nationals vs smaller domestic stocks</b>	- TTIP might not be ratified, which will hurt international trade but might benefit smaller domestic names - Tax incentives to bring back jobs to the U.S will hurt international trade	- TTIP will not be ratified, which will hurt international trade but might benefit smaller domestic names - Introduction of tariffs will risk a trade war - Tax incentives to bring back jobs to the U.S will hurt international trade but might benefit smaller domestic names

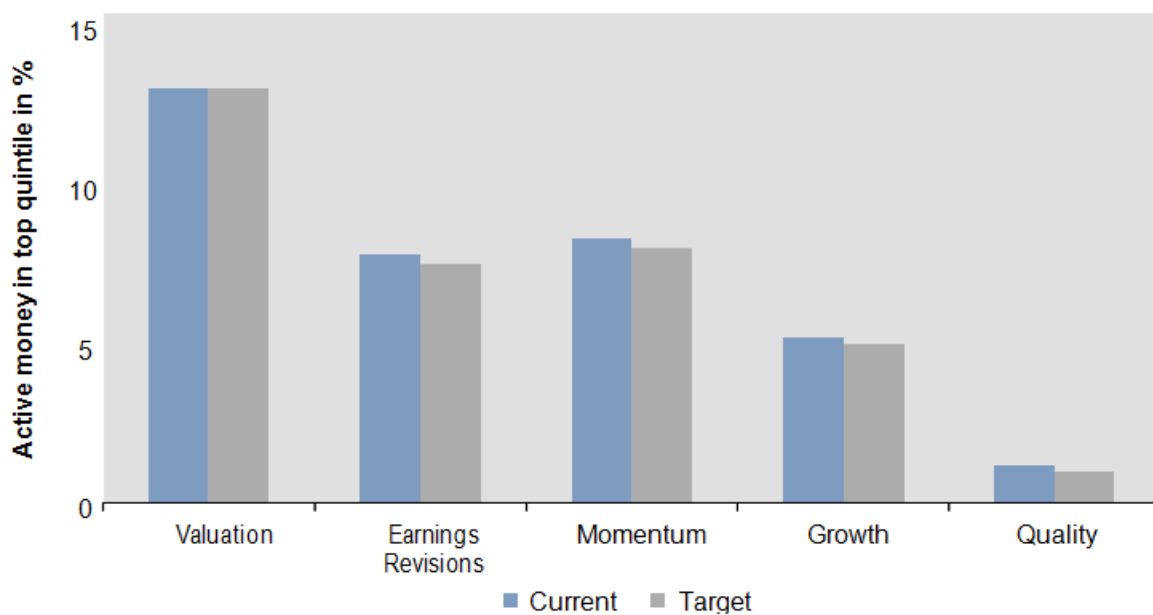
## AllianzGI strategist Kristina Hooper on the US Elections

- Stock market likes predictability, it does not like change. Hillary Clinton's presidency would be perceived as something of a continuation of President Obama's administration. While that administration is not viewed as having business-friendly policies, there is perhaps some slight upside with a Clinton victory if she is able to move closer to the centre politically than Obama.
- Clinton's pledge to minimum wages from \$8.50 to \$15 is a concern for companies like restaurants or retailers with a high proportion of lowly skilled, lowly paid workers.
- Clinton is generally thought to have tougher stances on regulation in big finance and health care.
- The market has not priced in fully the potential for a Trump victory. From the Brexit vote and the Colombian elections, it is possible that polls are wrong – specifically, voters will not be honest with pollsters if they perceive their position to be unpopular. Therefore, the possibility of a Trump victory needs to be hedged.
- A Trump presidency would likely see less financial services regulation and there is also the possibility that Trump's Fed will raise rates more quickly.
- Trump has promised more defense spending, so Defense stocks are likely to perform well in case of an unexpected Trump victory.
- Infrastructure is a beneficiary – both debt and equity, as both candidates have infrastructure as a key priority.
- Trump wants to roll back the Affordable Care Act, which would hurt hospitals, and he would be unlikely to regulate pharmaceuticals / biotechnology.
- A Trump victory would result in concerns of a trade war – hurting multinationals, but benefiting companies deriving a significant portion of revenues from the US.
- Trump pledge to deport illegal immigrants as well as his focus on seeing interest rates rise Therefore, Housing is a risky sector for an unexpected Trump victory.

## Strategy outlook - Allocation to investment styles Q4 2016

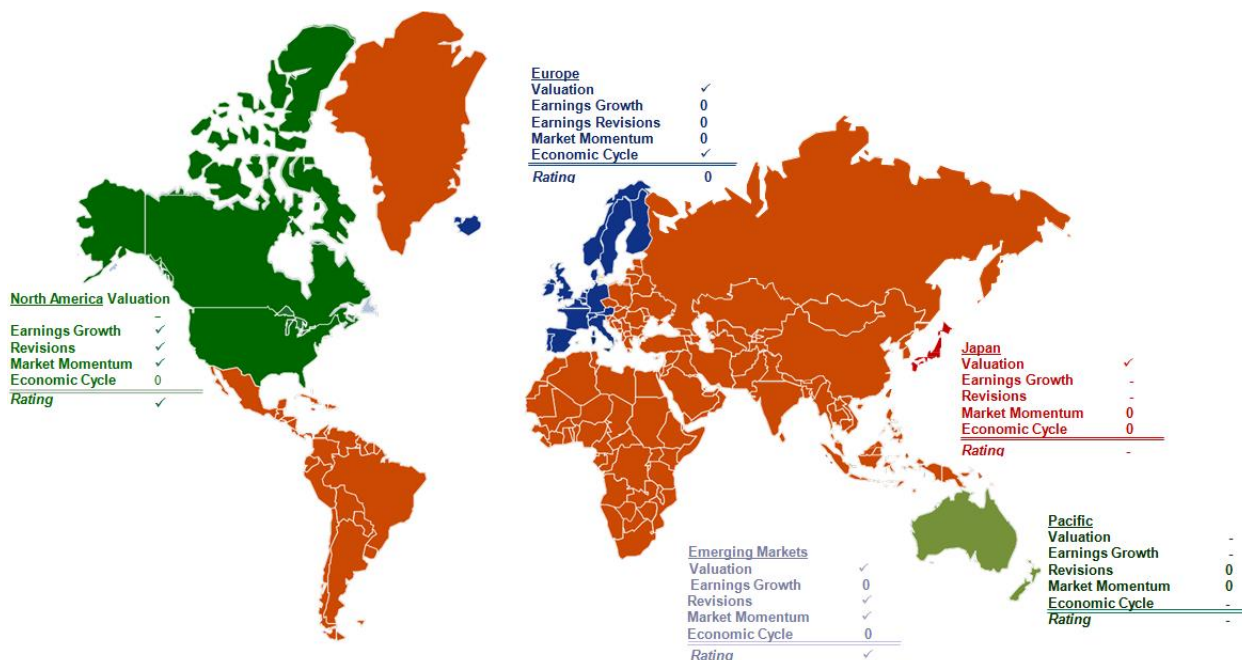
- Overweight in stocks with attractive valuation and positive momentum/positive revisions, in line with the long-term investment style allocation of Best Styles.
- Analysis of performance of this investment style mix has delivered very stable outperformance over the last 25 years. Outperformance proved to be largely independent from the general economic environment and market conditions
- Historically this investment style mix has done well in the anticipated macro economic environment - some stabilization of leading indicators.

## Allocation to Investment Styles Q3 2016/Q4 2016



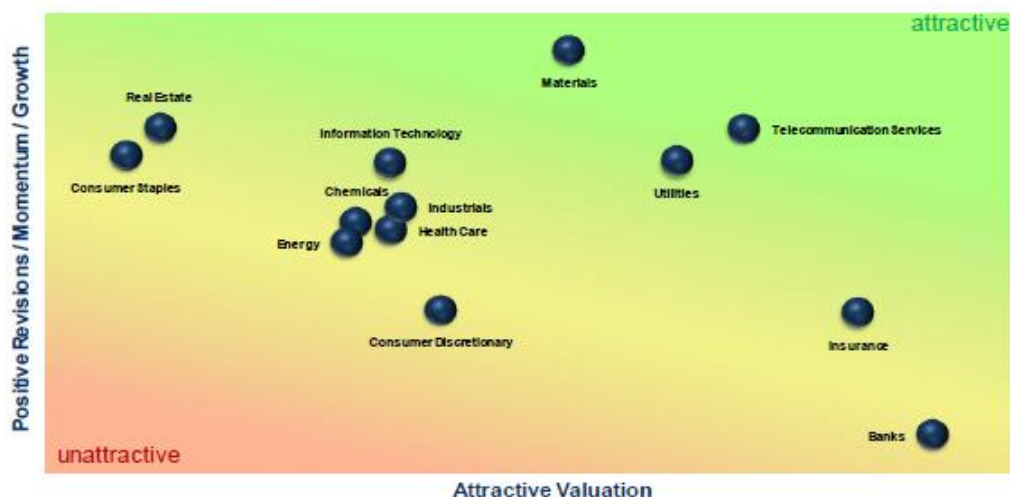
Source: AllianzGI, 2016.

## Investment style attractiveness of regions Q4 2016



- Utilities and Telecommunication Services are the most favoured defensive sectors combining attractive valuation with strong price momentum, however, both sectors have fallen recently.
- Materials have become significantly more attractive during recent months, and are currently the most preferred cyclical sector offering a combination of strong momentum at a slightly better than average valuation. Most other cyclical sectors are similar and trade at comparable Valuation levels, but Consumer Discretionary significantly lost momentum.
- Financials have seen their readings weaken over the last months due to falling earnings revisions and price momentum.
- In our portfolio, we seek a balanced exposure to cyclical and defensive sectors targeting a performance profile that is largely independent of the economic cycle.

## Investment style attractiveness of global sectors in Q4 2016



# Market outlook

- The world economy should remain on a moderate growth path during the fourth quarter. Growth in the US is still robust and benefiting from the expansionary monetary policy and a better economic environment, which boosts corporate profits. In the euro area, the improving labour market situation should prop up household consumption.
- Moreover, the international central banks' expansionary monetary policy is an argument in favour of equity investments, as bond investments are increasingly becoming less attractive. However, the elbowroom of the central banks is narrowing. Despite the risks, which doubtless exist (political uncertainties, weak corporate earnings growth, uncertainty about the monetary policy stance of the Federal Reserve, liquidity risks, valuations in some regions), equities appear to offer good opportunities in the long run.
- Most traditional investment styles have been struggling in 2016. This is broadly in line with our past experience of weakish performance of most traditional investment styles in the context of leading indicators that are uncomfortably close to recessionary levels.
- The weak backdrop for most traditional investment styles is further exacerbated by the ultra-low interest rate policy, which is triggering the shift of flows from fixed income investors to equities, and more specifically to bond-like equities, i.e. low risk stocks with some dividends. Such stocks offer neither value, growth nor earnings upgrades, hence these flows are driving the outperformance of non-value stocks, non-growth stocks and non-revision stocks, to the detriment of our key investment styles of value, growth and revisions.
- In our view, the ultra-low interest rate policy has established lowest risk vs highest risk stocks as a new risk factor within equities, on equal terms with established risk factors like sector or regions or market beta. Therefore, in our risk management overlay we have implemented additional constraints to make sure that the relative performance of the portfolio is indeed not further impacted by the relative performance of lowest risk stocks vs highest risk stocks.
- Best Styles will continue to be overweight in stocks with attractive valuation and stocks with positive momentum and positive revisions, in line with the longer term strategic investment style mix of Best Styles Global.



# Appendix

# Investment guidelines

## Investment Restrictions and Limitations

- The Manager shall comply with and adhere to the investment restrictions and limitations provided below.

## Permitted Investments and Prohibited Investments

- Investments shall be restricted to constituents of the “MSCI World Investable Market Index (IMI)” and Bloomberg ticker MXWOIM Index (“Investment Universe”).
- Investments in securities outside the Investment Universe which, e.g., may arise from stocks leaving Investment Universe or from corporate actions, shall be sold as soon as reasonably possible.

## General Restrictions

- The Portfolio shall not borrow cash, securities and/or other assets for leveraging the Portfolio. For the avoidance of doubt, short-term overdrafts which may result from operation difficulties such as “trade fails,” “limit orders” or discrepancies in security settlement dates, shall not be deemed a borrowing or acts which leverage the Portfolio.
- The Securities held in the Portfolio may not be lent or be subject to a repurchase transaction.
- The Portfolio may not sell short.
- The investments of the Portfolio shall maintain reasonable liquidity at all times.

## Investment Limitation

- The maximum amount to be invested in the Securities of any one issuer is the higher of (a) 10% of the Value of the Portfolio or (b) 150% of the Benchmark weight.
- Number of different stock issuers should be 20 or more.
- No investment shall be more than 10% of the outstanding Securities of any one (1) issuer in the Portfolio.
- Investment in non-Benchmark countries shall not exceed 20% of the Value of the Portfolio.

## Cash/bank Deposits

- A deposit shall be placed with:
  - i) A bank with deposit taking license which has short term credit rating of at least ‘A-1’ as measured by Standard & Poor’s or ‘P-1’ by Moody’s.
  - ii) The custodian or its sub-custodian(s) for transaction purposes.

- Deposits with any institution authorised by the Client should not exceed 5% of that institution's issued capital and published reserves and deposits with any single institution should not exceed 5% of the assets of the Portfolio. This limit does not apply to the custodian or its sub-custodian(s).
- Deposits will be in freely convertible currencies.
- Currency transactions, both spot and forward currency contracts, shall be entered into with the Custodian or counterparties which have a credit rating of A3/A- or higher recognized by rating agencies which mean Standard & Poor's, Moody's and Fitch . In the case of a split rating, the middle of the three ratings will be applied. In case that two of the 3 ratings are same, the same rating will be applied and in the event of the issuer being rated by only two agencies, the lower rating is applicable. If there exists only one rating, that rating will be applied.

# Investment management teams

## Portfolio management – Systematic Equity team

	Dr. Rainer Tafelmayer PhD in Physics Portfolio manager Best Styles since 2006 Industry experience since 1995		Dr. Klaus Telosken PhD in Mathematics Co-CIO Systematic Equity since 2001 Industry experience since 1996		Dr. Benedikt Herrie, CFA PhD in Mathematics Co-CIO Systematic Equity since 2001 Industry experience since 1998		Karsten Niemann, CFA Master in Economics Portfolio manager Best Styles/ High Dividend since 2003 Industry experience since 1998
	Rohit Ramesh Master in Economics & Management Portfolio manager Best Styles since 2009 Industry experience since 2007		Dr. Magnus Weis PhD in Physics Portfolio manager Best Styles since 2008 Industry experience since 2001		Dr. Michael Heldmann, CFA PhD in Physics Portfolio manager Best Styles since 2007 Industry experience since 2007		Erik Mulder, CFA Master in Business Administration Portfolio manager Best Styles since 2008 Industry experience since 1999
	Yogesh Padmanabhan Master in Finance & Strategy Portfolio manager Best Styles since 2014 Industry experience since 2011		Dr. Kai Hirschen, CFA PhD in Mathematics Portfolio manager High Dividend since 2010 Industry experience since 2005		Dr. Andreas Domke, CFA PhD in Physics Portfolio manager Best Styles since 2007 Industry experience since 2000		Dr. Kuang-Ting Chen PhD in Theoretical Physics Portfolio manager Best Styles since 2016 Industry experience since 2015
			Dr. Paul Reska Portfolio manager Best Styles since 2015 Industry experience since 2011		Dr. Joerg Hofmann PhD in Mathematics Portfolio manager Best Styles since 2016 Industry experience since 2014		
			Tanya Vasileva, CFA, CAIA Bachelor in Business Management Product specialist associate Systematic Equity since 2015 Industry experience since 2011		Stefanie Baller Diploma in Economics Product specialist associate Systematic Equity since 2016 Industry experience since 2015		

Source: Allianz Global Investors; data as at August 2016

## Global research headcount

	Consumer	Financial	Health Care	Industrial & Resources	Technology & Telecom & Media	ESG & Engagement	Grassroots®	Credit	Total
Asia	3	4	1	4	3	0	1	4	20
Europe	4	4	3	9	5	7	2	10	44
Americas	3	1	3	4	6	0	3	0	20
<b>Total</b>	<b>10</b>	<b>9</b>	<b>7</b>	<b>17</b>	<b>14</b>	<b>7</b>	<b>6</b>	<b>14</b>	<b>84</b>

- An average of 15 years of industry experience
- Innovative and proprietary investment tools
- Analysts manage sector and thematic mandates
- Each analyst conducts circa 100 meetings per year with corporate management
- Research identifies the key drivers of each stock, which frames and focuses the analytical process
- Dedicated sustainability research analysts
- Complemented by Grassroots® Research



The cornerstone of our investment process – generating information advantage

Source: Allianz Global Investors, as at 30 June 2016.

# Disclaimer

## Valuation of investments

- Investments within the portfolio are valued as at the close of business on the valuation date using mid-market, bid or last traded prices, depending on the convention of the exchange on which the investment is listed.
- Investments in UK authorised open ended investment companies for which Allianz Global Investors GmbH is the authorised corporate Director are valued at the noon daily dealing price.
- Unlisted or suspended investments are valued on the basis of the best information available to the manager.
- Running yields attributable to equity pooled vehicles and gross redemption yields attributable to fixed interest pooled vehicles are each stated before deduction of management fees.

## Risk warning

- Please remember that past performance is not a guide to future performance. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount originally invested. You should not make any assumptions about the future on the basis of this information.
- Except for products investing exclusively in the UK, currency exposure exists in all funds. These funds will suffer a negative impact if sterling rises in value relative to the currencies in which the investments are made.

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# Pension Fund Committee

**Dorset County Council**



Date of Meeting	24 November 2016
Officer	Pension Fund Administrator
<b>Subject of Report</b>	<b>Fund Administrator’s Report</b>
Executive Summary	<p>The purpose of this report is to update the Committee on the allocation of the assets and overall performance of the Fund as at the end of the first two quarters of the 2016/17 Financial Year to 30 September 2016. The report also provides a commentary on the performance of the fund managers who are not considered elsewhere on the agenda and to address other topical issues for the Fund that do not require a separate report.</p> <p>The Independent Adviser’s report is contained at Appendix 2, and will be presented separately at the meeting.</p> <p>The report shows that overall the Fund returned 14.65% over the six months to 30 September 2016, underperforming its benchmark which returned 14.70%. Return seeking assets returned 12.14%, whilst the liability matching assets returned 32.69%.</p>
Impact Assessment:	<p>Equalities Impact Assessment:</p> <p>N/A</p> <p>Use of Evidence:</p> <p>N/A</p> <p>Budget:</p> <p>N/A</p>

	<p><b>Risk Assessment:</b> The Fund assesses the risks of its investments in detail, and considers them as part of the strategic allocation. In addition, risk analysis is provided alongside the quarterly performance monitoring when assessing and reviewing fund manager performance.</p>
	<p><b>Other Implications:</b>  None</p>
<p><b>Recommendation</b></p>	<p>That the Committee :</p> <ul style="list-style-type: none"> <li>i) Review and comment upon the activity and overall performance of the Fund.</li> <li>ii) Make no additional changes to asset allocation at this time.</li> <li>iii) Agree the requirement for an extraordinary meeting of the Committee in January 2017 to approve the Final Business Case for Project Brunel.</li> </ul>
<p><b>Reason for Recommendation</b></p>	<p>To ensure that the Fund has the appropriate management arrangements in place and are being monitored, and to keep the asset allocation in line with the strategic benchmark.</p>
<p><b>Appendices</b></p>	<p>Appendix 1: New Money Forecast Appendix 2: Report of the Independent Adviser Appendix 3: HSBC Manager Performance for the six months to 30 September 2016</p>
<p><b>Background Papers</b></p>	<p>HSBC Performance Statistics</p>
<p><b>Report Originator and Contact</b></p>	<p>Name: David Wilkes Tel: 01305 224119 Email: d.wilkes@dorsetcc.gov.uk</p>

## 1. Background

- 1.1 The Dorset County Pension Fund currently receives more money in contributions and investment income than it pays out as pensions and retirement grants. There has been a surplus of income over expenditure from these cash flows of approximately £5M in 2016-17 to date, compared to the forecast of approximately £15M for the full year. The outturn cash-flows for 2015/16 and the anticipated cash flows for 2016/17 along with the historic trends are illustrated in Appendix 1.
- 1.2 These “new money” levels are reviewed throughout the year, and Members are alerted if there is any significant variance from what is expected.

## 2. Cash flow

- 2.1 The table below summarises the main cash flows for the Fund for the six months under review.

### **Statement of cash-flow for the six months ended 30 September 2016**

	<u>£M</u>	<u>£M</u>
<b>Cash at 1 April 2016</b>		<b>91.8</b>
<b>Less:</b>		
Infrastructure Drawdowns (net)	29.8	
UK Equity transactions (net)	23.1	
Liability Matching Bond (net)	45.0	
Currency Hedge (net loss)	24.4	
Private Equity (net)	1.7	
		<u>124.0</u>
<b>Plus:</b>		
Upfront Payments of Employer Contributions*	13.0	
Property Transactions (net)	4.8	
Hedge Fund redemptions (net)	0.9	
Fixed Interest (net)	10.0	
Overseas Equities (net)	55.0	
Increase in Cash	5.2	
		<u>88.9</u>
<b>Cash at 30 September 2016</b>		<u><b>56.7</b></u>

\*£26M received as upfront contributions, of which 6/12ths represents cash in advance as at 30 September 2016.

- 2.2 The cash flow above summarises the most significant transactions that have taken place for the six months to the end of September 2016. Since the end of September, the most significant transaction has been the receipt of £9M for the takeover in October of one of the Fund’s passively managed UK equities, SABMiller, by US listed Anheuser-Busch InBev, leaving cash balances of approximately £65M at the end of October 2016.

## 3. Fund Portfolio Distribution

- 3.1 The table below shows the position as at 30 September 2016. The target allocation shown is the strategy as agreed at the September 2014 meeting of the Committee,



due to the then concerns over the Barings mandate, and subsequent postponement of the search for an additional Diversified Growth Fund manager, amended by the decision made at the meeting 1 March 2016 to equalise the target allocations for UK Equities and Global Equities at 26.25% each.

<b>Asset Class</b>	<b>Manager</b>	<b>31-Mar-16</b>		<b>30-Sep-16</b>		<b>Target Allocation</b>	
		<b>£M</b>	<b>%</b>	<b>£M</b>	<b>%</b>	<b>£M</b>	<b>%</b>
Bonds	(Several)	524.1	23.0%	682.2	26.6%	629.4	24.50%
UK Equities	(Several)	584.2	25.7%	660.2	25.7%	674.4	26.25%
Overseas Equities	(Several)	625.6	27.5%	675.1	26.3%	674.4	26.25%
Property	(CBREi)	246.3	10.8%	238.7	9.3%	256.9	10.00%
Absolute Return Funds	(Several)	1.8	0.1%	0.9	0.0%	-	0.00%
Infrastructure	(Several)	29.0	1.3%	64.1	2.5%	102.8	4.00%
Private Equity	(Several)	65.4	2.9%	75.3	2.9%	102.8	4.00%
Diversified Growth	(Barings)	107.6	4.7%	115.8	4.5%	128.5	5.00%
Cash	(Internal)	91.8	4.0%	56.7	2.2%	-	0.00%
<b>Total</b>		<b>2,275.8</b>	<b>100.0%</b>	<b>2,569.0</b>	<b>100.0%</b>	<b>2,569.0</b>	<b>100.0%</b>

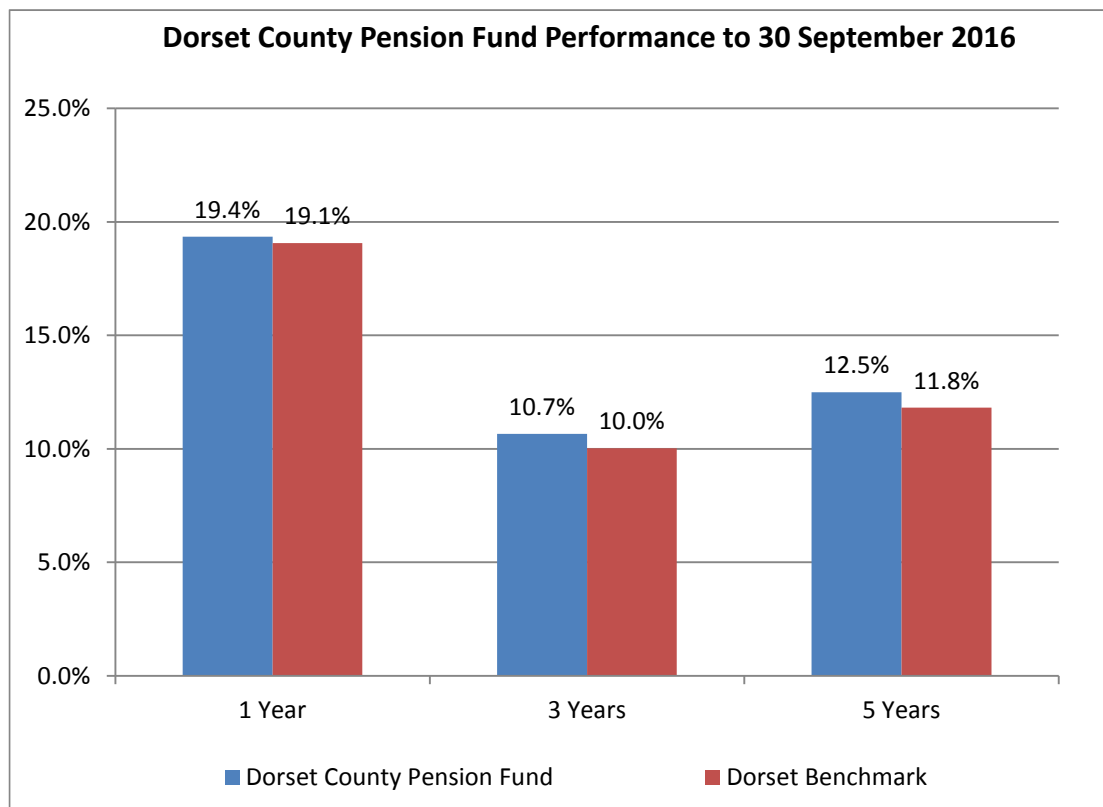
3.2 The table above shows that in most asset classes the Fund’s allocation is now close to or slightly above target, with the exception of Private Equity and Infrastructure which will take a number of years to fully drawdown.

#### 4. Overall Fund Performance

4.1 The performance of the Fund for the six months to 30 September 2016 shows an overall return of 14.65%, a marginal underperformance of the benchmark of 14.70% by 0.05%. This high level of short term returns by the Fund and its benchmark have been driven largely by the impact of sterling’s depreciation, following the result of the EU referendum, on the asset classes the Fund is invested in, rather than relative outperformance of the markets by the Fund’s managers.

4.2 Over the longer term, the Fund has exceeded its benchmark over 3 years, returning an annualised 10.66% against the benchmark of 10.03%, and over 5 years, returning an annualised 12.50% against the benchmark of 11.82%.

4.3 The chart below shows the overall performance for 1, 3 and 5 years against the Fund’s bespoke benchmark. Following State Street’s decision to discontinue providing performance measurement services to third party UK clients after Q1 2016, we are not currently able to provide a comparison with the LGPS average performance. However, the Cross Pool group have asked LGPS National Frameworks to run a tender for a replacement provider.



- 4.4 When considering the overall performance it is important to note the split between the “Return Seeking assets” and the “Liability Matching assets”. Since the implementation of the strategic review in 2012, the Fund has held a proportion of the assets in an Inflation Hedging Strategy, managed by Insight. These assets are not held to add growth, but to match the movements in the Fund’s liabilities. It is therefore important to consider that in normal circumstances, the benchmark movement of these assets is a proxy for the Fund’s liabilities.
- 4.5 For the six months to 30 September 2016, Return Seeking assets have returned 12.14% against the benchmark of 11.90%. The Liability Matching assets have returned 32.69% against the benchmark of 33.29%. This strategy is intended to hedge against the impact of increasing pensions liabilities which are linked to, amongst other things; the Consumer Prices Index (CPI). CPI cannot currently be hedged as there is not a sufficiently developed futures market, so the Dorset strategy targets the Retail Prices Index (RPI) swaps market to act as a proxy for CPI which tends to be lower than RPI. The table below shows the overall performance of the Fund, but makes the distinction between the return seeking assets and the liability matching assets.

<u>Asset Category</u>	<u>Manager</u>	<u>6 Months to 30 September 2016</u>		
		<u>Dorset</u> %	<u>Benchmark</u> %	<u>Over/(Under)</u> %
<b>Overall Fund Performance</b>	<b>All</b>	<b>14.65</b>	<b>14.70</b>	<b>-0.05</b>
<b>Total Return Seeking Assets</b>	<b>Various</b>	<b>12.14</b>	<b>11.90</b>	<b>0.24</b>
UK Equities	(Various)	10.22	12.65	-2.43
Overseas Equities	(Various)	16.88	18.17	-1.29
Bonds	(RLAM)	12.65	13.34	-0.69
Property	(CBREi)	1.13	0.20	0.93
Private Equity	(Various)	9.73	12.85	-3.12
Diversified Growth	(Barings)	7.60	2.24	5.36
Infrastructure	(Various)	9.74	4.88	4.86
<b>Total Liability Matching Assets</b>		<b>32.69</b>	<b>33.29</b>	<b>-0.60</b>
Bonds	(Insight)	32.69	33.29	-0.60

- 4.6 In considering the performance of the Fund as a whole, there are two main areas that explain where the performance is being generated. These are the asset allocation (market contribution) of the Fund and within those allocations the stock selection (selection contribution) choices that have been made. The stock selection element is a measure of the fund managers’ ability to outperform their benchmark. The asset allocation is the effect of decisions to change the weighting of the different asset classes within the Fund.
- 4.7 The HSBC performance report, contained at Appendix 3, gives an attribution analysis of the performance for the year to date on pages 8 to 10. This analysis shows that the market contribution had a positive effect of 26bps against the benchmark and stock selection was negative by 14bps.

## 5. Manager Progress

### Diversified Growth

- 5.1 The Diversified Growth allocation was mandated to Barings on 30 March 2012. Diversified Growth Funds are designed to give fund managers total discretion over how and where they invest which means that the portfolio holds a wide range of investments against a diverse range of asset classes. The Barings fund seeks to achieve out performance against a cash benchmark by focussing on asset allocation decisions. This fund targets equity like returns with about 70% of the equity risk.
- 5.2 The performance for Barings for the six months to 30 September 2016 is summarised below.

	Market Value at 1 April 2015	Market Value at 30 September 2016	6 months to 30 September 2016	
	£000s	£000s	Performance %	Benchmark %
Barings	107,588	115,760	7.60	2.24

- 5.3 The return of 7.60% for the six months to 30 September 2016 was above the benchmark of 2.24% by 5.36%. The fund manager comments that their position in Japanese equities was a positive contributor to performance, whilst their holding in the FTSE100 was a mild positive due to its large proportion of multinational

companies that benefitted from their overseas earnings. The return was ahead of both the performance compactor and global equities.

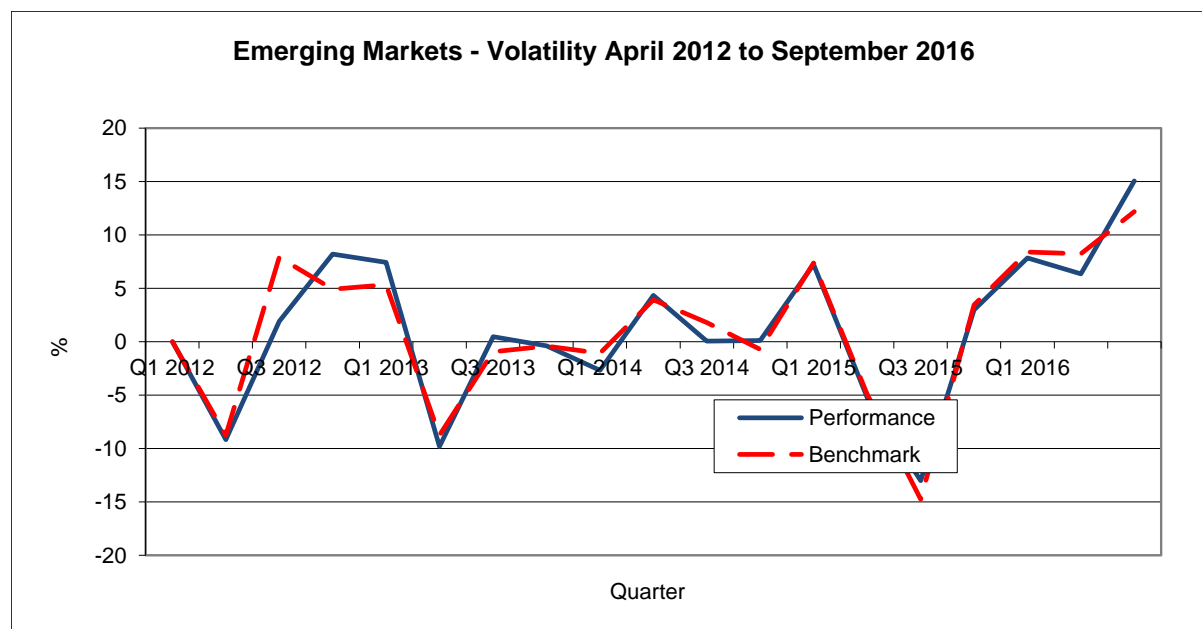
Emerging Market Equity

5.4 The performance of JP Morgan is summarised below.

	Market Value at 1 April 2016	Market Value at 30 September 2016	6 months to 30 September 2016	
	(£000's)	(£000's)	Performance %	Benchmark %
JPM	65,186	79,765	22.37	21.74

5.5 The return of 22.37% for the six months to 30 September 2016 was above the benchmark of 21.74% by 0.63%. The fund manager comments that the outperformance was driven by longstanding country and sector positions, and stock selection in India and Taiwan, most notably in the information technology and energy sectors. Stock selection in China has helped performance but this was offset by the overweight holdings in Turkey which was a major detractor from performance.

5.6 Emerging market equities are seen as the asset class which will offer the most growth over the medium term, albeit with high levels of volatility. The chart below shows the differences in quarterly performance since inception and highlights the volatility of the performance to date alongside the benchmark.



Private Equity

5.7 The Fund has committed to investing with HarbourVest and Standard Life in their Private Equity Fund of Funds. Private Equity is an area that takes several years for commitments to be fully invested, and the table below shows the position as at 30 September 2016.

5.8 The table shows the commitment Dorset has made to each fund in Euros and US Dollars, the draw-downs that have taken place to date and the percentage of the total

drawdown against Dorset’s commitment. It also shows the funds that have been returned to the Dorset Fund, the valuation as at 30 September 2016 and the total gains or losses, which includes the distribution plus the latest valuation.

#### Private Equity Commitments, Drawdowns and Valuations

<u>Manager / Fund</u>	<u>Commitment</u>	<u>Drawn down</u>	<u>% of Commitment</u>	<u>Distribution</u>	<u>Valuation</u>	<u>Gain / (Loss)</u>
	<u>€m</u>	<u>€m</u>		<u>€m</u>	<u>€m</u>	<u>€m</u>
HV Partnership V	12.000	11.400	95%	11.911	5.420	5.930
HV Direct V	3.000	2.880	96%	3.249	0.726	1.095
SL 2006	22.000	19.904	90%	18.796	7.849	6.741
SL 2008	17.000	14.454	85%	6.616	11.470	3.632
	<u>\$m</u>	<u>\$m</u>		<u>\$m</u>	<u>\$m</u>	<u>\$m</u>
HV Venture VIII	15.200	14.820	98%	12.811	11.327	9.318
HV Buyout VIII	22.800	21.204	93%	20.272	12.383	11.451
HV Buyout IX	15.000	9.038	60%	2.186	8.905	2.054
HV Partnership VII (AIF)	20.000	5.750	29%	0.295	5.718	0.264
HV Venture IX	10.000	7.950	80%	1.865	8.804	2.718
SL SOF I	16.000	11.114	69%	3.549	11.492	3.927
SL SOF II	20.000	5.025	25%	1.984	6.257	3.216
Harbourvest Partners X AIF	10.000	0.500	5%	0.000	0.513	0.013
Harbourvest Partners X AIF	5.000	0.325	7%	0.000	0.301	-0.024
SL Capital SOF II FeederLP	20.000	8.394	42%	1.680	9.826	3.112

5.9 For the six months to 30 September 2016 total drawdowns have been £9.4M and total distributions £7.7M. In order to meet the target allocation, there is a requirement to keep committing to Private Equity funds, and officers are in regular discussions with HarbourVest and SL Capital to identify further opportunities.

5.10 Private Equity is a long term investment and as such the performance should be reviewed over the longer term. The benchmark used for this fund is the FTSE All Share index. The table below shows the performance over 3 and 5 years against the benchmark. Both managers are showing strong performance over both periods, which is pleasing. The difference between the two sets of performance is largely due to HarbourVest investing mainly in US dollars and Standard Life mainly in Euros.

#### Private Equity Overall Performance

<u>Manager</u>	<u>3 Years to 30 Sept 2016</u>		<u>5 Years to 30 Sept 2016</u>	
	<u>Dorset</u>	<u>Benchmark</u>	<u>Dorset</u>	<u>Benchmark</u>
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
HarbourVest	20.86	6.58	17.20	11.04
Standard Life	11.29	6.58	11.49	11.04

## 6. Treasury Management

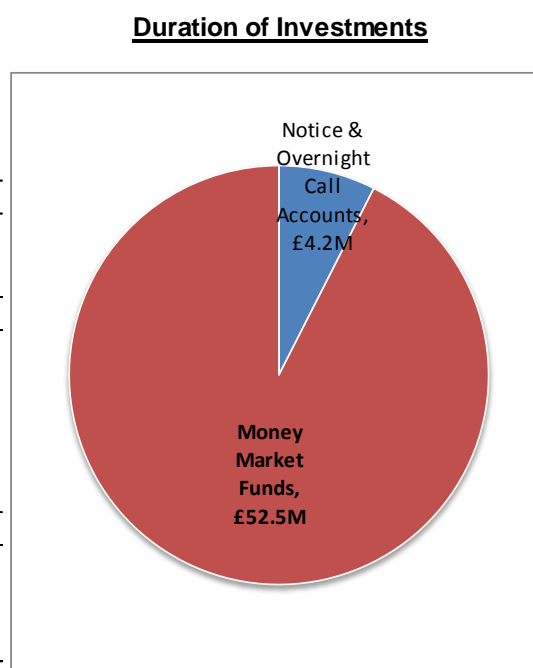
6.1 The Fund generates cash flows throughout the year which need to be managed. The Fund therefore holds a proportion of cash that is invested in call accounts, money market funds and fixed term deposits. A breakdown of the balances held internally as at 30 September 2016 is shown in the table below. Relatively small cash balances are also held in the custodian bank account at HSBC and in a property rent collection account where a float is required for working capital purposes.

6.2 Since the financial crisis of 2008-09, there has been a significant reduction in the number of countries and financial institutions that are deemed safe for investments. The Council’s treasury management advisers, Capita, have advised that cash

balances can be invested for more than 3 months in the big four UK banking groups – Barclays, HSBC, Lloyds and RBS. The majority of cash continues to be lent for less than 3 months in UK institutions to ensure that the money is both secure and liquid, and so it is available for distribution. For further details, please see the annual Treasury Management report on this agenda.

- 6.3 In terms of performance, the weighted average yield continues to reduce as higher return investments mature and have to be replaced with lower rate ones. Internally managed cash returned over the six months, which is ahead of the benchmark, as measured by the 7 day LIBID, at 0.25% for the same period. These low market rates have broadly been caused by the funding for lending scheme and Bank of England restrictions on how banks have to treat liquid deposits.

<u>Lender/Borrower</u>	<u>Amount £000s</u>	<u>Rate %</u>
<b><u>Fixed Term Deposits</u></b>		
Total Loans	-	-
<b><u>Call Accounts</u></b>		
National Westminster Bank	2,530	0.25%
Total Call Accounts	2,530	0.25%
<b><u>Money Market Funds</u></b>		
Standard Life	15,000	0.50%
BNP Paribas	15,000	0.52%
Federated Prime Rate	15,000	0.53%
Deutsche	7,500	0.36%
Total Money Market Funds	52,500	0.49%
<b><u>Holding Accounts</u></b>		
HSBC Custodian Account	876	0.00%
Property Client Account	840	0.00%
Total Holding Accounts	1,716	0.00%
<b>Total Cash / Average Return</b>	<b>56,746</b>	<b>0.47%</b>



## 7. Asset Allocation

- 7.1 At the meeting of the Committee in July, the Chief Treasury and Pensions Manager highlighted the possible demands on the Fund’s cash over the remainder of the financial year, including further potential currency hedging payments, calls for additional collateral for the inflation hedging mandate and drawdowns of commitments to infrastructure investments. Options for meeting cash demands were agreed and implemented prior to the last meeting of the Committee in September. The Fund Administrator and the internal team will continue to monitor the cash-flow on an on-going basis, and will make further recommendations for change as and when the need arises.

## 8. LGPS Investment Reform and Pooling – Project Brunel

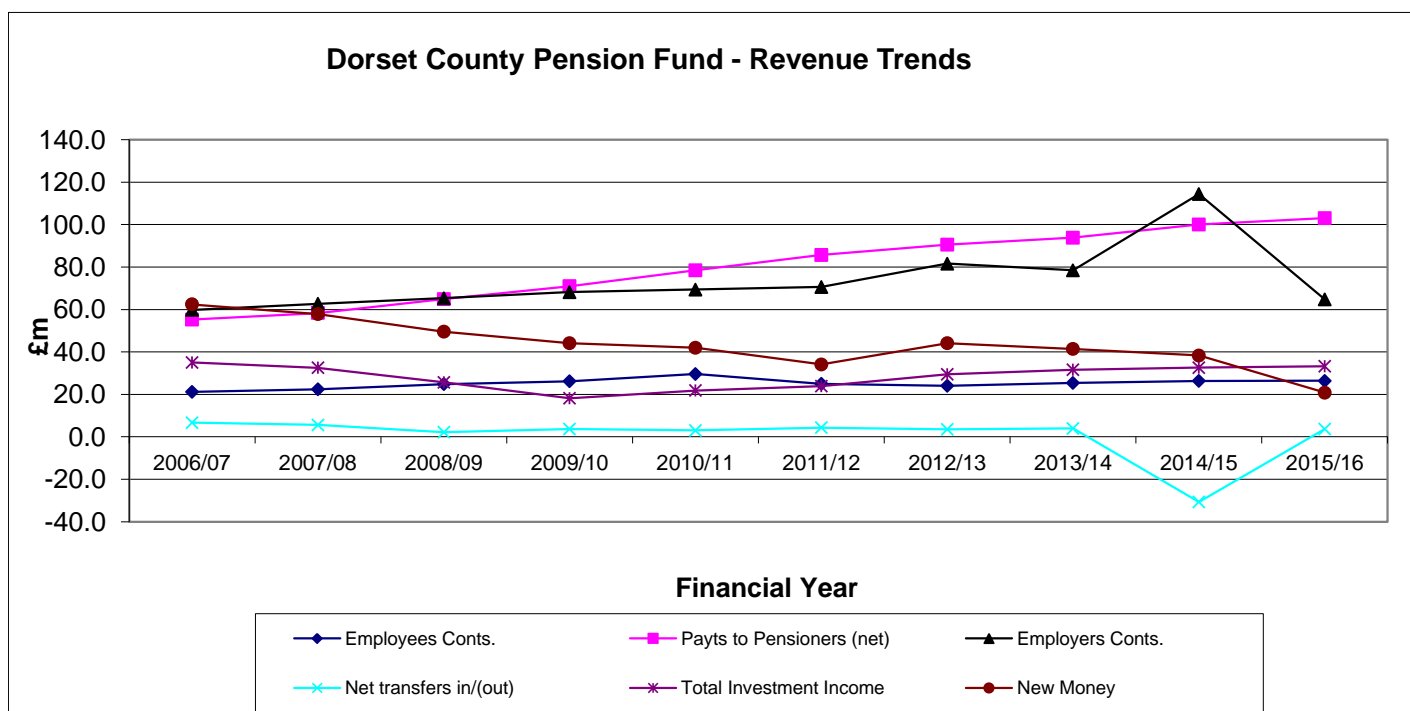
- 8.1 The Full Business Case for Project Brunel is close to completion and will need to be considered by the Pension Fund Committee before approval by Cabinet and Council. It is proposed that an Extraordinary Meeting of the Committee will be needed in January 2017.
- 8.2 The Chairman is attending a meeting of the Shadow Operations Board (SOB) 23 November 2016, and will be able to provide a verbal update to the Committee.

**Richard Bates**  
**Pension Fund Administrator**  
November 2016

NEW MONEY FORECAST

	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Estimate
	£'000	£'000	£'000	£'000
<b>RECEIPTS:</b>				
Employers' Contributions	78,500	113,400	64,800	66,000
Employees' Contributions	25,400	26,300	26,400	26,500
Transfer Values (net)	4,000	3,200	3,700	3,000
Investment Income	31,600	34,900	33,300	28,000
<b>TOTAL RECEIPTS:</b>	<b>139,500</b>	<b>177,800</b>	<b>128,200</b>	<b>123,500</b>
<b>PAYMENTS:</b>				
Management Expenses	4,300	4,800	4,300	4,500
Payments to Pensioners (net)	93,800	100,000	103,100	104,000
Transfer of Probation Service to Gtr Manchester		34,400	0	0
<b>TOTAL PAYMENTS:</b>	<b>98,100</b>	<b>139,200</b>	<b>107,400</b>	<b>108,500</b>
<b>NET SURPLUS FOR THE YEAR</b>	<b>41,400</b>	<b>38,600</b>	<b>20,800</b>	<b>15,000</b>

REVENUE TRENDS & FORECASTS





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REPORT PREPARED FOR

**Dorset County Pension Fund**

**Pension Fund Committee**

**Investment Outlook**

24<sup>th</sup> November 2016

**Alan Saunders**

**AllenbridgeEpic Investment Advisers Limited (Allenbridge)**

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## Report of the Investment Adviser

### Investment Outlook

Brexit continues to dominate the news agenda though as the September report indicated, the response of markets has been fairly relaxed as the economic fallout in the short term has proved modest. The US presidential election is the next major risk for markets though again the increasing likelihood of a Clinton victory has reduced market nerves. The other major concern to markets has been the prospect of a hard landing in China. There the authorities have succeeded in keeping growth going and are now trying to cut back lending to the property sector where the risks are concentrated.

Somewhat surprisingly, therefore, Q3 saw positive returns from equities but also from bonds as government bond yields fell and credit spreads narrowed. The response was global and not just in the UK. The collapse of sterling, which was the biggest market response to Brexit, meant that returns from overseas equities exceeded UK equity returns for a sterling investor. For the year to end September, though, the best returns came from UK gilts and index linked.

As we enter Q4, gilt yields have started to rise as UK inflation begins to respond to sterling weakness. It is too early to conclude that this is the start of a global pattern but we must be coming to the limits of Quantitative Easing and, in the UK at least, there is a suggestion that fiscal policy might have to take over from monetary policy in supporting the economy. Meanwhile, equities are holding on to their gains while the property market is stabilising.

### Economy

In the UK, sterling has now fallen to the worst levels predicted in the event of Brexit. By end June, it had fallen from \$1.50 to \$1.31, now in late October it is at \$1.21. This is a major correction and will raise domestic inflation. September CPI rose from 0.6% to 1.0% and some forecasts see this reaching 3% by end 2017. Given that wages growth is some 2%, a squeeze on real incomes lies ahead which will hit consumer spending and GNP growth. Together with the likelihood of lower private investment levels, offset in part by higher net exports, it is easy to see why consensus forecasts for GNP growth are lower by some 1-1.5% for 2017. Mr Carney has said though that he will look through the inflation numbers and not seek to tighten monetary policy at this stage.

The new chancellor has sensibly relaxed the fiscal policy target of balance by 2019/20 which is just as well. The new focus on infrastructure will not help in the short term so his Autumn Statement will be scrutinised for signs of fiscal stimulus. It is premature to recall the phrase stagflation but at present we seem to be taking a few steps in that direction. The lack of clarity on the Government's strategy on Brexit negotiations is not helping business sentiment and the further the strategy moves away from access to the Single Market, the more business will worry. The global mood on trade agreements is darkening at present as populist politicians and the electorate turn against globalisation. World trade growth has slowed markedly compared with output growth in recent years while the current TPP and the EU- Canada deals are finding ratification difficult. Signing new trade deals may not be so easy.

Elsewhere, the US Fed backed away from a rate increase at its September meeting and consensus now expects it for December, after the election. The economy is holding up well in terms of employment growth and a modest tightening should not be a problem. Europe and Japan continue to muddle along and are still dependent on QE support from the central banks. Mr Draghi has to

defend the policy in Europe, not least against his German critics. He claims, critically, that it has avoided the trap of deflation, the curse of the 1930's, and indeed inflation is picking up a little.

As we indicated in September, emerging markets are recovering with inflation beginning to fall and currencies improving. A surge in the dollar if the Fed tightens too quickly is a concern still but domestic recovery seems to be underway, commodity prices are strengthening and, critically, China is growing steadily.

## Markets

In terms of market responses, the most surprising was that of the gilt market though it is now beginning to sell off but from very low yields. Before the referendum, 10 year yields were 1.5% and they fell down to 0.7% by end September. Obviously, the BoE cut base rate to 0,25% and provided support by buying bonds to provide liquidity but the extent of the fall is still surprising. Now yields have backed up to just over the 1% level. Real yields, as reflected in the index linked market, remain very negative so this reflects rising implied inflation, caused by sterling's fall. Index linked have been the star performer, both in Q3 and year to date, outperforming both gilts and corporate bonds. A further surprise was perhaps in the corporate bond market as credit spreads narrowed in, from 1.2% to 0.8% for longer dated AA credits. Looking forward, we should expect credit spreads to widen a little but how far gilt yields will rise is unclear.

Equities rose some 5% in Q3, with similar returns from UK and overseas equities. All market rose in local currency terms, led by emerging markets but Japan and Europe are still down for the year as a whole. Currency hedging clearly had an effect on scheme returns. The scheme is unhedged on emerging market exposure but 50% hedged on developed markets so that will have reduced the gains.

Fund managers have struggled to keep up with markets this year. Styles that have seen positive returns are low volatility and dividend paying stocks while energy and raw material stocks that were out of favour have rallied on rising commodity prices. Our new focus on a factor approach to global equities has not come off yet but it is early days. Similarly, in the UK market, the lagged performance of mid-cap stocks has caused performance issues for active managers.

Looking forward, as we have argued before, valuations seems fairly rich though with the exception of emerging markets perhaps. The corporate earnings story is not supportive at present, especially in the US where we have seen six consecutive quarters of falling profits, influenced by the oil and gas sector. The profit cycle there is past its peak as margins come under pressure while elsewhere it has hardly taken off. The financial sector has of course been a big drag on overall earnings. If yield curves start to steepen, then that will be good for bank profitability. Despite this unhelpful background, most managers seem fairly constructive on equities. Doubtless, there will be a relief rally if Clinton wins but the Fed may dampen things with a December rate hike. It would be surprising if equities made further gains by year end.

We stated in the September review that the UK commercial property market had come to the end of its long bull run. Projections see some fall in capital values over the post Brexit period extending perhaps into 2018. Rental value growth still seems supportive and yields remain an attraction so there is no sense of the market cracking. Quality assets and those with a high lease value with inflation linkage will remain well supported. The attitude of foreign buyers is not yet fully understood and their response will shape the prospect of the overheated central London market.

## Asset Allocation

Last time, we argued for a cautious approach and supported some trimming of risk assets given the rally seen since Brexit. There was also a focus on cash and collateral management. Further sterling weakness will require more cash calls but hopefully our inflation hedge will move the other way as inflation swaps start to rise. It is hard to see much value in asset classes at present though longer duration plays like infrastructure and private equity should prove resilient. Any strategic repositioning will have to wait upon our post-valuation strategy review.

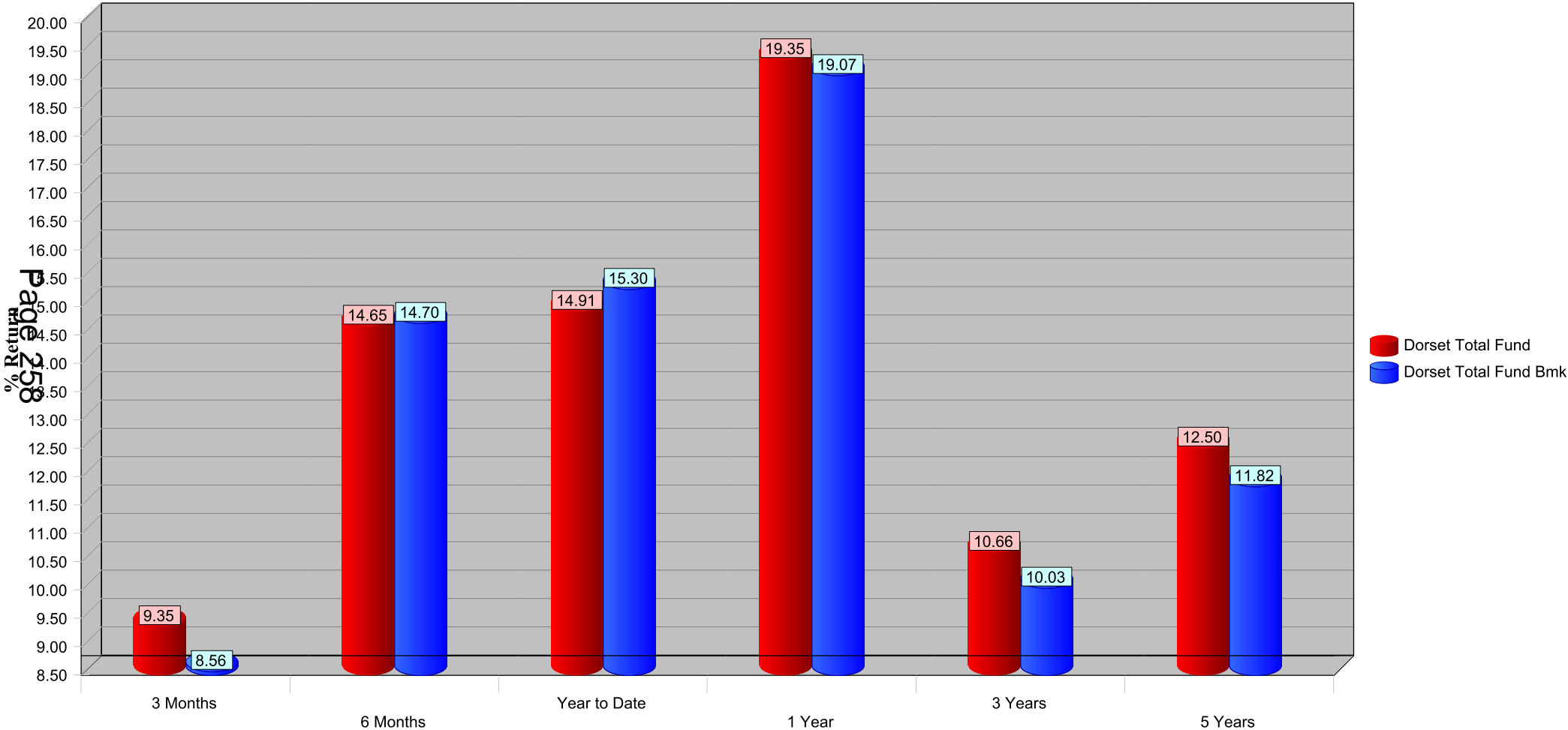
## For Further Information

For further information, please contact Alan Saunders on 0207 079 1000 or at [alan.saunders@allenbridge.com](mailto:alan.saunders@allenbridge.com).



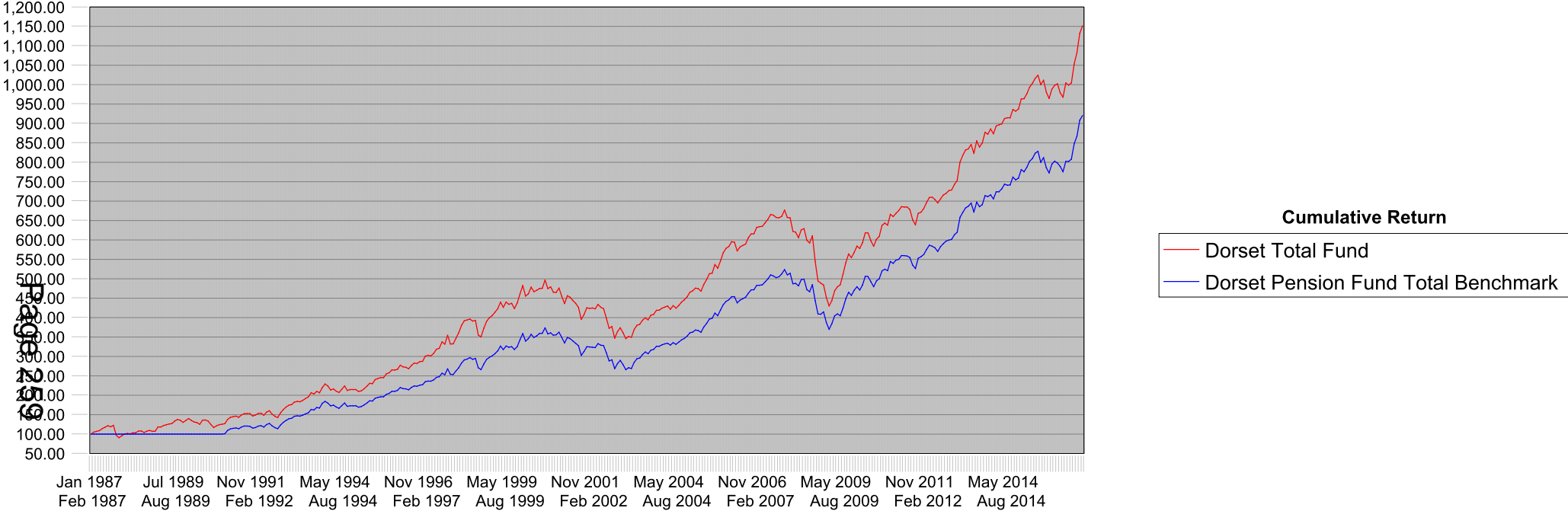
**Dorset County Pension Fund Total**  
**01 Apr 2016 - 30 Sep 2016**

Long Term Performance, Dorset Total Fund



All periods > 1 year have been annualised.

Long Term Cumulative Performance, Dorset Total Fund





## Gain/Loss Analysis

Category	Initial Market Value	Net Investment	Final Market Value	Capital Gain/Loss	Income	% Return
<b>TOTAL ASSETS</b>	<b>2,276,176,611</b>	<b>-18,951,442</b>	<b>2,569,106,361</b>	<b>311,881,193</b>	<b>20,377,860</b>	<b>14.65</b>
<b>Total Return Seeking Assets</b>	<b>2,038,189,612</b>	<b>-63,951,442</b>	<b>2,199,626,038</b>	<b>225,387,869</b>	<b>20,377,860</b>	<b>12.14</b>
Total Assets ex Hedging	2,038,189,612	-39,561,522	2,199,626,038	200,997,949	20,377,860	10.88
Total Equities	1,204,486,152	-26,354,552	1,327,225,977	149,094,378	14,048,183	13.29
UK	623,753,699	25,747,357	704,976,166	55,475,110	11,351,595	10.22
Dorset UK Internally Managed	365,653,815	33,642,779	443,052,785	43,756,191	11,100,896	13.59
AXA Framlington UK Equity	107,991,777	60,800,000	176,115,476	7,323,699		4.28
Standard Life UK Equity Select Fund	71,934,884	-69,975,105		-1,959,780		-14.35
Schroders UK Small Cap Equity	38,612,216	-95,461	41,029,925	2,513,170		6.52
Allianz UK	14,278,804	264,493	14,037,918	-505,378		-3.17
Investec UK	12,862,096	868,883	16,818,672	3,087,693	244,310	24.61
Wellington UK	12,420,107	241,769	13,921,390	1,259,514	6,389	9.56
Overseas Equities	580,732,453	-52,101,910	622,249,811	93,619,268	2,696,588	16.88
North America	358,738,949	-45,800,747	371,975,275	59,037,073	1,858,031	17.40
Allianz North America	143,553,644	-13,737,494	150,640,273	20,824,123		14.35
Investec North America	99,497,174	-13,420,757	101,747,803	15,671,386	927,208	17.16
Wellington North America	115,688,131	-18,642,496	119,587,200	22,541,564	930,822	21.60
Europe ex UK	88,289,672	1,419,087	97,436,333	7,727,574	468,308	8.92
Allianz Europe Ex UK	40,437,255	-1,685,348	42,533,032	3,781,125		9.83
Investec Europe Ex UK	27,742,121	-1,800,626	27,807,589	1,866,093	468,308	8.44
Wellington Europe Ex UK	20,110,296	4,905,061	27,095,712	2,080,356		7.60
Japan	44,447,325	-7,320,374	44,582,378	7,455,426	166,337	20.27
Allianz Japan	19,747,236	-2,755,741	19,324,119	2,332,624		15.57
Investec Japan	12,536,971	-2,887,653	11,595,672	1,946,355	166,337	19.08
Wellington Japan	12,163,119	-1,676,979	13,662,587	3,176,448		27.87
Pacific ex Japan	16,641,368	1,747,309	23,238,134	4,849,457	185,520	23.26
Allianz Pacific ex Japan	5,543,736	1,782,979	10,572,352	3,245,637		34.78
Investec Pacific ex Japan	7,474,355	-1,719,161	7,116,486	1,361,291	185,520	25.29
Wellington Pacific ex Japan	3,623,277	1,683,490	5,549,296	242,529		3.71
Emerging Markets	72,615,139	-2,147,185	85,017,691	14,549,737	18,394	20.14

## Gain/Loss Analysis

Category	Initial Market Value	Net Investment	Final Market Value	Capital Gain/Loss	Income	% Return
JP Morgan Global Emerging Markets	65,185,698		79,764,726	14,579,028		22.37
Allianz Emerging Markets	1,594,498	-190,679	1,564,382	160,564		7.83
Investec Emerging Markets	4,507,045	-1,642,975	2,779,532	-84,538	18,394	-3.15
Wellington Emerging Markets	1,327,898	-313,531	909,050	-105,317		-8.09
Total Bonds	286,117,469	-9,150,557	312,734,547	35,767,635	455,185	12.65
Royal London Bonds	286,117,469	-9,150,557	312,734,547	35,767,635	455,185	12.65
Total Property	246,330,128	-5,000,733	238,706,532	-2,622,863	5,368,846	1.13
ING Property	246,330,128	-5,000,733	238,706,532	-2,622,863	5,368,846	1.13
Total Cash	97,115,759	-31,614,907	64,865,081	-635,771	151,228	-0.48
Total Hedge Funds	2,089,763	-712,577	910,798	-466,388		-26.83
Gottex Hedge Fund	955,884	-73,245	898,144	15,505		1.76
Pioneer Hedge Fund	1,122,443	-639,332		-483,110		-86.07
IAM (Hedged)	11,437		12,654	1,218		10.65
IAM Hedge Fund	11,437		12,654	1,218		10.65
Private Equity	65,432,306	3,597,938	75,355,104	6,324,860		9.73
HarbourVest	38,337,441	-711,015	42,230,405	4,603,979		11.99
Standard Life Private Equity	27,094,865	4,308,953	33,124,699	1,720,882		6.51
Diversified Growth Fund	107,587,835		115,760,035	8,172,200		7.60
Baring Dynamic Asset Allocation Fund	107,587,835		115,760,035	8,172,200		7.60
Infrastructure	29,030,200	29,673,866	64,067,965	5,363,898	354,417	9.74
Hermes	29,030,200		31,059,569	2,029,369		6.99
IFM		29,673,866	33,008,396	3,334,530	354,417	12.43
Total Currency Hedging	0	-24,389,920	0	24,389,920		0.00
<b>Total Matching Assets</b>	<b>237,986,999</b>	<b>45,000,000</b>	<b>369,480,323</b>	<b>86,493,324</b>		<b>32.69</b>
Insight Liability Fund	237,986,999	45,000,000	369,480,323	86,493,324		32.69

All periods > 1 year have been annualised.

## Asset Allocation

Category	Initial Market %		Final Market %		Local Currency % Return		Base Currency % Return	
	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark
<b>TOTAL ASSETS</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>11.81</b>	<b>11.67</b>	<b>14.65</b>	<b>14.70</b>
<b>Total Return Seeking Assets</b>	<b>89.54</b>	<b>88.00</b>	<b>85.62</b>	<b>88.00</b>	<b>9.00</b>	<b>8.49</b>	<b>12.14</b>	<b>11.90</b>
Total Assets ex Hedging	89.54	88.00	85.62	88.00	7.75	8.49	10.88	11.90
Total Equities	52.92	52.50	51.66	52.50	8.34	9.51	13.29	15.30
UK	27.40	27.50	27.44	27.50	10.18	12.65	10.22	12.65
Dorset UK Internally Managed	16.06	18.50	17.25	18.50	13.59	12.90	13.59	12.90
AXA Framlington UK Equity	4.74	3.75	6.86	3.75	4.28	12.85	4.28	12.85
Standard Life UK Equity Select Fund	3.16	3.75		3.75	-14.35	12.85	-14.35	12.85
Schroders UK Small Cap Equity	1.70	1.50	1.60	1.50	6.52	8.22	6.52	8.22
Allianz UK	0.63		0.55		-3.17		-3.17	
Investec UK	0.57		0.65		22.72		24.61	
Wellington UK	0.55		0.54		9.56		9.56	
Overseas Equities	25.51	25.00	24.22	25.00	6.31	6.10	16.88	18.17
North America	15.76	14.00	14.48	14.00	6.07	6.77	17.40	18.07
Pictet North America		9.00		9.00		6.98		18.26
Janus Intech US Equity		5.00		5.00		6.40		17.73
Allianz North America	6.31		5.86		3.40		14.35	
Investec North America	4.37		3.96		6.01		17.16	
Wellington North America	5.08		4.65		9.61		21.60	
Europe ex UK	3.88	5.00	3.79	5.00	-0.26	4.55	8.92	13.90
Pictet Europe ex UK		5.00		5.00		4.55		13.90
Allianz Europe Ex UK	1.78		1.66		0.67		9.83	
Investec Europe Ex UK	1.22		1.08		-0.62		8.44	
Wellington Europe Ex UK	0.88		1.05		-1.68		7.60	
Japan	1.95	2.00	1.74	2.00	-2.44	-1.00	20.27	21.58
Pictet Japan Equity		2.00		2.00		-1.00		21.58
Allianz Japan	0.87		0.75		-6.57		15.57	
Investec Japan	0.55		0.45		-3.11		19.08	
Wellington Japan	0.53		0.53		3.88		27.87	
Pacific ex Japan	0.73	1.00	0.90	1.00	10.72	9.98	23.26	22.22

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## Asset Allocation

Category	Initial Market %		Final Market %		Local Currency % Return		Base Currency % Return	
	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark
Pictet Pacific ex Japan		1.00		1.00		9.98		22.22
Allianz Pacific ex Japan	0.24		0.41		22.23		34.78	
Investec Pacific ex Japan	0.33		0.28		13.01		25.29	
Wellington Pacific ex Japan	0.16		0.22		-6.67		3.71	
Emerging Markets	3.19	3.00	3.31	3.00	19.02	8.61	20.14	21.74
JP Morgan Global Emerging Markets	2.86	3.00	3.10	3.00	22.37	8.61	22.37	21.74
Allianz Emerging Markets	0.07		0.06		-2.88		7.83	
Investec Emerging Markets	0.20		0.11		-13.08		-3.15	
Wellington Emerging Markets	0.06		0.04		-17.29		-8.09	
Total Bonds	12.57	12.50	12.17	12.50	12.65	13.34	12.65	13.34
Royal London Bonds	12.57	12.50	12.17	12.50	12.65	13.34	12.65	13.34
Total Property	10.82	10.00	9.29	10.00	1.13	0.20	1.13	0.20
ING Property	10.82	10.00	9.29	10.00	1.13	0.20	1.13	0.20
Total Cash	4.27		2.52		-0.53		-0.48	
Total Hedge Funds	0.09	0.00	0.04	0.00	-26.13	3.19	-26.83	3.19
Gottex Hedge Fund	0.04	0.00	0.03	0.00	1.76	2.75	1.76	2.75
Pioneer Hedge Fund	0.05				-85.71	3.26	-86.07	3.26
IAM (Hedged)	0.00	0.00	0.00	0.00	10.65	3.63	10.65	3.63
IAM Hedge Fund	0.00	0.00	0.00	0.00	10.65	3.63	10.65	3.63
Private Equity	2.87	4.00	2.93	4.00	4.17	12.85	9.73	12.85
HarbourVest	1.68	2.00	1.64	2.00	2.54	12.85	11.99	12.85
Standard Life Private Equity	1.19	2.00	1.29	2.00	6.51	12.85	6.51	12.85
Diversified Growth Fund	4.73	5.00	4.51	5.00	7.60	2.24	7.60	2.24
Baring Dynamic Asset Allocation Fund	4.73	5.00	4.51	5.00	7.60	2.24	7.60	2.24
Infrastructure	1.28	4.00	2.49	4.00	9.74	4.88	9.74	4.88
Hermes	1.28	2.00	1.21	2.00	6.99	4.88	6.99	4.88
IFM		2.00	1.28	2.00	12.43	4.88	12.43	4.88
Total Currency Hedging	0.00		0.00					
<b>Total Matching Assets</b>	<b>10.46</b>	<b>12.00</b>	<b>14.38</b>	<b>12.00</b>	<b>32.69</b>	<b>33.29</b>	<b>32.69</b>	<b>33.29</b>
Insight Liability Fund	10.46	12.00	14.38	12.00	32.69	33.29	32.69	33.29

Asset Allocation

Category	Initial Market %		Final Market %		Local Currency % Return		Base Currency % Return	
	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark

All periods > 1 year have been annualised.

## Relative Attribution

Category	Currency Contribution	Market Contribution	Selection Contribution	Total Contribution
<b>TOTAL ASSETS</b>	<b>-0.17</b>	<b>0.26</b>	<b>-0.14</b>	<b>-0.04</b>
<b>Total Return Seeking Assets</b>	<b>-0.21</b>	<b>0.44</b>	<b>-0.07</b>	<b>0.16</b>
Total Assets ex Hedging	-0.19	-0.57	-0.07	-0.83
Total Equities	-0.34	-0.42	-0.20	-0.96
UK	-0.02	-0.11	-0.55	-0.68
Dorset UK Internally Managed	0.01	-0.03	0.11	0.09
AXA Framlington UK Equity	-0.09	0.01	-0.54	-0.61
Standard Life UK Equity Select Fund	0.10	-0.04	-0.09	-0.03
Schroders UK Small Cap Equity	-0.00	-0.01	-0.02	-0.04
Allianz UK	-0.02	-0.09		-0.11
Investec UK	-0.01	0.06		0.05
Wellington UK	-0.02	-0.01		-0.03
Overseas Equities	-0.32	-0.31	0.35	-0.28
North America	0.12	-0.16		-0.04
Pictet North America	-0.68	0.37		-0.31
Janus Intech US Equity	-0.38	0.23		-0.15
Allianz North America	0.48	-0.48		-0.00
Investec North America	0.32	-0.21		0.11
Wellington North America	0.39	-0.08		0.30
Europe ex UK	-0.06	-0.11		-0.17
Pictet Europe ex UK	-0.29	0.31		0.02
Allianz Europe Ex UK	0.09	-0.17		-0.07
Investec Europe Ex UK	0.07	-0.13		-0.06
Wellington Europe Ex UK	0.07	-0.12		-0.06
Japan	-0.05	0.02		-0.03
Pictet Japan Equity	-0.35	0.22		-0.13
Allianz Japan	0.12	-0.11		0.01
Investec Japan	0.09	-0.06		0.02
Wellington Japan	0.09	-0.03		0.06

## Relative Attribution

Category	Currency Contribution	Market Contribution	Selection Contribution	Total Contribution
Pacific ex Japan	0.00	0.01		0.01
Pictet Pacific ex Japan	-0.08	0.01		-0.07
Allianz Pacific ex Japan	0.05	0.02		0.07
Investec Pacific ex Japan	0.02	0.00		0.03
Wellington Pacific ex Japan	0.02	-0.03		-0.02
Emerging Markets	-0.34	-0.06	0.35	-0.05
JP Morgan Global Emerging Markets	-0.36	0.00	0.35	-0.01
Allianz Emerging Markets	0.01	-0.01		-0.00
Investec Emerging Markets	0.01	-0.04		-0.03
Wellington Emerging Markets	0.00	-0.01		-0.01
Total Bonds	-0.00	0.00	-0.08	-0.08
Royal London Bonds	-0.00	0.00	-0.08	-0.08
Total Property	-0.01	-0.01	0.08	0.06
ING Property	-0.01	-0.01	0.08	0.06
Total Cash	-0.06	-0.22		-0.28
Total Hedge Funds	-0.00	-0.02	-0.00	-0.03
Gottex Hedge Fund	-0.00	-0.00	-0.00	-0.00
Pioneer Hedge Fund	-0.00	-0.02		-0.02
IAM (Hedged)	-0.00	-0.00	0.00	-0.00
IAM Hedge Fund	-0.00	-0.00	0.00	-0.00
Private Equity	0.18	-0.01	-0.23	-0.06
HarbourVest	0.16	-0.00	-0.16	-0.01
Standard Life Private Equity	0.02	-0.01	-0.07	-0.05
Diversified Growth Fund	0.01	0.03	0.24	0.27
Baring Dynamic Asset Allocation Fund	0.01	0.03	0.24	0.27
Infrastructure	0.04	0.09	0.11	0.24
Hermes	0.02	0.05	0.02	0.09
IFM	0.02	0.04	0.09	0.15
Total Currency Hedging	-0.02	1.02		1.00

Relative Attribution

Category	Currency Contribution	Market Contribution	Selection Contribution	Total Contribution
<b>Total Matching Assets</b>	<b>0.04</b>	<b>-0.18</b>	<b>-0.06</b>	<b>-0.20</b>
Insight Liability Fund	0.04	-0.18	-0.06	-0.20

All periods > 1 year have been annualised.



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# Pension Fund Committee

**Dorset County Council**



Date of Meeting	24 November 2016
Officer	Pension Fund Administrator
<b>Subject of Report</b>	<b>Pensions Administration</b>
Executive Summary	<p>This report is the quarterly update for the Pension Fund Committee on all operational and administration matters relating to the Fund. It contains updates on the following:</p> <ul style="list-style-type: none"> <li>• Reporting of Pension Fund Transactions for LGPS in England and Wales</li> <li>• Address Tracing and Mortality Screening Service</li> <li>• Workflow and Key Performance Indicators</li> <li>• Procurement of Administration software</li> <li>• The Pensions Regulator</li> <li>• Publication of September 2016 CPI rate</li> <li>• Update on the Local Government Pension Scheme Advisory Board (SAB)</li> <li>• Annual Benefit Illustrations</li> </ul>
<p>Impact Assessment:</p> <p><i>Please refer to the <a href="#">protocol</a> for writing reports.</i></p>	Equalities Impact Assessment: N/A
	Use of Evidence: N/A
	Budget: N/A

	Risk Assessment: <a href="#">N/A</a>
	Other Implications: N/A
Recommendation	It is recommended that the Committee note and comment on the contents of the report.
Reason for Recommendation	To update the Committee on aspects of Pensions Administration
Appendices	<ul style="list-style-type: none"> <li>• Appendix 1 – Briefing note – Reporting of pension fund transactions for LGPS in England and Wales</li> <li>• Appendix 2 - Screening results summary</li> <li>• Appendix 3 - Key Performance Indicators</li> <li>• Appendix 4 – Template ABI – Active Members</li> <li>• Appendix 5 - Template ABI – Deferred Members</li> <li>• Appendix 6 – Annual Newsletter</li> </ul>
Background Papers	<ul style="list-style-type: none"> <li>• Public Service Pensions Act 2013</li> <li>• LGPS Regulations 2013</li> <li>• Pensions (Increase) Act 1971</li> </ul>
Report Originator and Contact	<p>Name: Anne Weldon</p> <p>Tel: 01305 224025</p> <p>Email: <a href="mailto:a.m.weldon@dorsetcc.gov.uk">a.m.weldon@dorsetcc.gov.uk</a></p>

## **1. Background**

- 1.1 This report is the quarterly update for the Pension Fund Committee on all operational and administration matters relating to the Fund.

## **2. Reporting of Pension Fund Transactions for LGPS in England and Wales**

- 2.1 New requirements for the reporting of LGPS pension fund transactions for cashflows comes into force from 1 April 2017.
- 2.2 A briefing note has been produced following discussions held between Department for Communities and Local Government (DCLG), Government Actuary's Department (GAD) and the Local Government Pension Committee Secretariat (Appendix 1).
- 2.3 The new split of transactions is required in order that GAD may undertake their cost control calculations under sections 11 and 12 of the Public Service Pensions Act 2013.
- 2.4 Under Regulation 114(4) of the LGPS Regulations 2013, administering authorities must provide the Scheme actuary (GAD) with the information it requires to undertake a valuation of the Scheme. This means that administering authorities must therefore hold, and be able to supply, the information detailed in section 5 of Appendix 1 from 2017/2018 onwards in order to comply with the 2013 Regulations.
- 2.5 Officers of the Pension Fund are looking at the current systems in place for payroll, accountancy and payments to ensure that they are compliant for 1 April 2017.

## **3. Address Tracing and Mortality Screening Service**

- 3.1 During the period 1 August 2016 to 30 September 2016, 51 pensioner deaths were identified with a 99.99% high confidence this is our member (validated against the name, date of birth and address). Plus another 14 which matched our member data to a lower degree, so required further verification by Payroll. The detailed data is shown in Appendix 2.

## **4. Workflow and Key Performance Indicator's**

- 4.1 In July 2014, in collaboration with the London Pension's Fund Authority, a new electronic workflow system was introduced in the benefits area called CMS. We continue to work with the LPFA to improve the reporting capability to more accurately reflect the Fund's timescales and processes.
- 4.2 Appendix 3 shows the top ten KPI's for August to October 2016.
- 4.3 There has been continued good performance with 95.02% of cases completed within the required timescales compared to 94.5% in the last quarter. This is particularly positive as the Annual Benefit Illustrations were issued during this time with an increase in enquiries via letter, phone and email.
- 4.4 The number of cases completed during this quarter rose by 29.56% (4109 in the last quarter to 5324 in this quarter)
- 4.5 Annual Benefit Illustration queries are not included in these KPI's as they are separated out from the normal workflow to enable analysis of the queries with a view to improving processes and communications in this area of work. An additional 545 cases were completed during this quarter.

## **5. Backlog**

- 5.1 I am pleased to report that since the last committee meeting the backlog of Aggregation cases has fallen from 1832 to 1723, a total of 109 being completed between 1 September and 31 October. This is positive news but there are still some cases that we are unable to complete due to awaiting further clarification from the DCLG.

## **6. Procurement of Administration Software**

- 6.1 After completing the pre-procurement research, the details of a contract call off under the Northumberland framework for pensions administration software has been finalised. The contract will be for 5 years with 2x1 year extensions.
- 6.2 This was achieved by working closely with Norfolk and Suffolk Pension Funds and supported by Norfolk procurement and NPLaw.

## **7. The Pensions Regulator**

- 7.1 The Pensions Regulator has invited the Dorset County Pension Fund to take part in the Public Service Governance Survey which is being conducted by OBM Research.
- 7.2 The purpose of the survey is to help the regulator to build a picture of the current standards of governance and administration in public service pension schemes and to understand how schemes are progressing.
- 7.3 The survey can be completed by the scheme manager or by any other party on behalf of the scheme manager and they should work with the Local Pension Board to complete it.
- 7.4 In accordance with Market Research Society guidelines, all information provided will be treated in the strictest confidence. Unless permission is given, OMB Research will not disclose to The Pensions Regulator who has taken part in the research and they will not divulge specific details about the pension scheme or organisation.
- 7.5 The Pensions Benefit Manager has been tasked with reviewing the survey in the first instance with a view to identifying who would be best placed to complete it with the Local Pension Board.

## **8. Publication of September 2016 CPI rate**

- 8.1 On 18 October the Office for National Statistics (ONS) announced that the Consumer Prices Index (CPI) rate of inflation for September 2016 was 1.0%.
- 8.2 Government policy in recent years has been to base both pensions increase under the Pensions (Increase) Act 1971 and revaluation of pension accounts under section 9 of the Public Service Pensions Act 2013 on the rate of CPI for September of the previous year.
- 8.3 Confirmation from the Government that revaluation and pensions increase for April 2017 will apply in the LGPS at a rate of 1.0% is awaited.

## **9. Update on the Local Government Pension Scheme Advisory Board (SAB)**

- 9.1 The Local Government Pension Scheme Advisory Board (SAB) met on 1 August 2016
- 9.2 The Board is a statutory body established to advise the Minister who is responsible for the LGPS and to oversee and support the development of the administration and performance of the eighty-nine funds.
- 9.3 The Board considered and agreed its proposed terms of reference. These will now be sent to the Minister for approval. The Minister will also receive the Board's suggested budget (£384,375) and work plan for 2016/17. The budget will be submitted along with a suggestion that the Board's secretariat, through an additional post, provide support to the DCLG. The purpose of the post would be to ensure the Board's recommendations are given the degree of consideration and research necessary for the effective development of the Scheme.
- 9.4 The Board constituted the Cost Management, Benefit Design and Administration Committee and the Investment, Governance and Engagement Committee - agreeing their membership and terms of reference.
- 9.5 A report was considered by the Board on the issues of asset pooling in the Local Government Pension Scheme (LGPS). The Board agreed that the Chair write to the Minister expressing concern over the delay in approving submitted asset pool investment proposals and reinforcing the case for consistency and equality in assessment against the 4 criteria with a degree of pragmatism. It further agreed that the Chair write to the Secretary of State (copy to the Minister) requesting a meeting to discuss the Government's latest approach to infrastructure investment, particularly the issue of cost and/or risk sharing.
- 9.6 A Task Group (Chair, Vice-Chair and Board Secretary) was established by the Board to identify ways of better liaising with and being advised by the investment pools.
- 9.7 In that respect, the Board was pleased that the Chair would be meeting with the officer led Cross Pool Collaboration Group (CPCG) and encouraged closer ties with that group.
- 9.8 The Board also agreed that, following discussions with the CPCG, the Chair write to Chairs of Administering Authority Pension Committees proposing the formation of a Cross Pool Advisory Group at the political level consisting of representatives from each pool. This group would both advise the Board on pooling issues and potentially provide a forum to liaise with members of the Government at the political level.
- 9.9 The Board noted and approved the continuing actions being taken to support LGPS funds to produce transparent and consistent investment fee information that accords with a revised CIPFA accounting standard. A draft template had been produced and was available on the Board's web site.
- 9.10 The Board considered details of the bids received to undertake work on the impact of academy status for all schools. It agreed that the Chair and Vice-Chair be delegated authority to determine the award of a contract.

## **10. Annual Benefit Illustrations**

- 10.1 Annual Benefit Illustrations were issued by 31 August 2016, which is within the prescribed timescale.



- 10.2 The total number of ABI's issued was 42057, of which 17573 were deferred members and 24484 were active members.
- 10.3 There were a number of statements re-issued in October (1324) due to mainly incorrect pensionable pay figures from the Employers. This is an area that the Employer Relationship and Communications Team will be working on with those Employers that have been identified as needing extra support.
- 10.4 Appendix 4 is a template copy of the ABI issued to the active members, Appendix 5 is a template copy of the ABI issued to the deferred members and Appendix 6 Is the Annual Newsletter that was sent with the ABI's.
- 10.5 The total cost per ABI was £0.66 which includes the cost of postage.

**Richard Bates**  
**Pension Fund Administrator**  
November 2016

## **Briefing note – Reporting of pension fund transactions for LGPS in England and Wales**

### **1. Introduction**

This document has been produced further to discussions that the LGPC Secretariat have held with GAD and DCLG on new requirements for the reporting of LGPS pension fund transactions for cashflows from 1<sup>st</sup> April 2017 onwards.

The new split of transactions is required in order that GAD may undertake their cost control calculations under sections 11 and 12 of the Public Service Pensions Act 2013. Whilst the cost control process in the LGPS in England and Wales is first being undertaken during 2016 when the data split outlined in this document will not be held by administering authorities, GAD are seeking a more comprehensive data set for the 2019 process to ensure the calculations are based on the most detailed data available.

Under [regulation 114\(4\)](#) of the LGPS Regulations 2013, administering authorities must provide the Scheme actuary (i.e. GAD) with the information it requires to undertake a valuation of the Scheme. For the avoidance of doubt, administering authorities must therefore hold, and be able to supply, the information detailed in section 5 of this paper from 2017/18 onwards in order to comply with the 2013 Regulations.

Previous communications on this topic have suggested that this information would also be required to be included in LGPS fund accounts via amendments to the Accounts and Audit Regulations 2015 (SI2015/234). However, it has since been agreed that this data need not be included in fund accounts and the accounting regulations will therefore not be amended for the purposes set out in this document. Nevertheless, the totals of the cashflows must reconcile with the totals included in funds' audited accounts.

Section 5 of this paper contains a data specification setting out the new reporting requirements so that pension funds may ensure that their pensions payroll, payments and accounting software systems are updated to be able to report in line with these requirements by 1<sup>st</sup> April 2017. The data specification has been significantly revised following feedback received after a draft version was first circulated in June 2016 and following subsequent discussions held with GAD and the LGPS's administration software providers.

The specification in section 5 is now final and should be acted upon by funds.

### **2. Summary of the new requirements**

For the purposes of cost control, GAD will largely be treating the pre-April 2014 Scheme, the post-March 2014 main section and the post-March 2014 50/50 section as if these are individual periods of pension scheme membership. To do this, these periods need to be valued as if each period is separate from any other period of LGPS benefit accrual and GAD will, therefore, where appropriate, need these elements split out in to their respective parts:

- Transactions relating to final salary (pre-April 2014) benefit accrual,
- Transactions relating to career average (post-March 2014) main section benefit accrual, and
- Transactions relating to career average (post-March 2014) 50/50 section benefit accrual.

### **3. Software systems affected**

The data referred to in this document is transactions data – i.e. cashflows in and out of pension funds. It therefore primarily relates to items stored in pensions payroll, payments and accounting software systems. These systems, and the interfaces between them, will need to be updated in order for funds to provide data to GAD in accordance with the new requirements in 2019 and beyond. Pensions administration systems will also need to be able to store the data as split in section 5 in order that this data can flow through to pensions payroll, payments and accounting software systems accordingly.

Following simplifications made to this document after it was first circulated in June 2016, we understand that LGPS administration software providers anticipate being able to update their systems to hold the new split of data in time for April 2017. Funds should be working to ensure that their other software systems (e.g. pensions payroll) are also capable of delivering the new data requirements for April 2017 onwards.

### **4. Providing the data to GAD**

GAD's 2019 cost control calculations will be done using membership and transactions data provided by each fund to GAD. To supply the transactions data, each fund will, on request from GAD in the months after the 31<sup>st</sup> March 2019 valuation date, have to complete a standard data capture spreadsheet containing all the transactions data outlined in section 5 of this document. The data will only need to be provided at fund level, and not at individual employer level.

A sample data capture spreadsheet for submitting this data to GAD is attached to this document. This is just an example of what this document may look like and the final version may differ in look and format when circulated to funds in 2019.

In 2019, the data will have to be provided as specified for the 2017/18 and 2018/19 scheme years. For 2016/17, funds will not need to provide data to GAD in accordance with the new requirements, but will just need to supply totals of each category.

A similar process will be followed for all fund valuation years after 2019. For all subsequent valuations, data for all years in the valuation period will have to be provided in accordance with the new requirements.

In due course, it is possible that the data funds provide to GAD for cost control purposes may be able to be used as a replacement for some of the other data requests that funds receive from their actuaries. In the meantime, funds should ensure that they can continue to provide their fund actuary with transactions data in accordance with their own requirements.

## 5. Data specification

### Reporting of income items

Item	Description	Additional notes	<i>To be split where relevant into the following categories</i>			Total (sum of columns A to C)
			Column A - Pre-April 2014 benefit accrual	Column B - Post-March 2014 main section benefit accrual	Column C - Post-March 2014 50/50 section benefit accrual	
1	Employee basic contributions	<ul style="list-style-type: none"> <li>To be allocated to columns B or C according to the section of the Scheme the member is in.</li> </ul>	X	✓	✓	✓
2	Employer contributions (future service and deficit)	<ul style="list-style-type: none"> <li>This item does not need to be split between columns A to C as GAD have confirmed this is not necessary for their calculations.</li> <li>This item to include any employer contributions towards additional pension, for example where an employer contributes towards shared cost APCs, or where an employer is contributing towards part-time buy back.</li> <li>Note that this does not preclude any requirement from a fund's actuary to require that contributions data is split between deficit and future service elements.</li> </ul>	X	X	X	✓
3	Employer strain payments	<ul style="list-style-type: none"> <li>To include all employer strain payments relating to redundancy, ill health, DBs into payment, flexible retirement, etc.</li> </ul>	X	X	X	✓

		<ul style="list-style-type: none"> <li>This item does not need to be split between columns A to C as GAD have confirmed this is not necessary for their calculations.</li> <li>However, if a fund can split the data between the three benefit types it may choose to do so.</li> </ul>				
4	Employee additional contributions (added years, ARCs, APCs, SCAPCs, PTBB, Pre72, etc)	<ul style="list-style-type: none"> <li>To be allocated to column A or B according to the time the transaction first arose.</li> <li>For example: <ul style="list-style-type: none"> <li>all APCs would be allocated to the post-March 2014 main section, column B.</li> <li>all added years and ARCs would be allocated to the pre-April 2014 section, column A.</li> </ul> </li> </ul>	✓	✓	X	✓
5	Transfers in	<ul style="list-style-type: none"> <li>The treatment will depend on the type of transfer received.</li> <li>Interfund transfers should be split between columns A to C where the transfer received contains any or all of these elements.</li> <li>For inward Club and non-Club transfers, any final salary element received should be allocated to column A, and any career average element received should be allocated to column B.</li> <li><b>See section 6 for further comments.</b></li> </ul>	✓	✓	✓	✓

**Reporting of expenditure items**

Item	Description	Additional notes	<i>To be split where relevant into the following categories</i>			Total (sum of columns A to C)
			Column A - Pre-April 2014 benefit accrual	Column B - Post-March 2014 main section benefit accrual	Column C - Post-March 2014 50/50 section benefit accrual	
1	Member pensions	<ul style="list-style-type: none"> <li>• This item to include pensions increase (PI).</li> <li>• Ill health enhancements to be allocated to the period when the enhancement was awarded. (NB, this allocation applies only to the enhancement.) For example, if an ill health enhancement became payable prior to April 2014, this would go into column A.</li> <li>• All ill-health enhancements awarded post-April 2014 should be allocated to column B as all such enhancements are awarded at the main section accrual rate, even if the member was in the 50/50 section at the time of their ill-health retirement.</li> <li>• For pensions in payment by virtue of a pension credit, if this pension relates purely to final salary benefit accrual, this should be allocated to column A. In all other cases, this should be allocated to column B.</li> <li>• Any GMP element to be</li> </ul>	✓	✓	✓	✓

		allocated to column A unless there is no final salary element to the individual's pension, in which case the GMP should be allocated to column B.				
2	Retirement lump sums	<ul style="list-style-type: none"> <li>• This item to include PI.</li> <li>• Accrued lump sums (and PI on accrued lump sums) relating to pre-April 2008 membership to be allocated to column A.</li> <li>• Commuted lump sums to be apportioned between columns A to C based on benefit accrual.</li> <li>• Where an individual's commuted lump sum has been calculated based on an annual pension figure that includes some PI, this PI does not need to be separately identified. The apportioning of the commuted lump sum as set out in section 6 will be deemed to provide for an appropriate split of PI between the different elements.</li> <li>• <b>See section 6 for further comments.</b></li> </ul>	✓	✓	✓	✓
3	Death grants	<ul style="list-style-type: none"> <li>• This item to include interest paid.</li> <li>• All active member death grants for deaths after 31 March 2014 should be allocated to column B.</li> <li>• Deferred and pensioner member death grants should be apportioned between columns A to C based on benefit accrual.</li> </ul>	✓	✓	✓	✓

		<ul style="list-style-type: none"> <li>• <b>See section 6 for further comments.</b></li> </ul>				
4	Dependant pensions	<ul style="list-style-type: none"> <li>• This item to include PI.</li> <li>• No portion to be included in column C as all post-March 2014 dependant benefits accrue in the main section.</li> <li>• Death in service enhancements to be allocated to the period when the enhancement was awarded. For example, if a death in service enhancement became payable prior to April 2014, this would go into column A. (NB, this applies only to the enhancement.)</li> <li>• Any GMP element to be allocated to column A unless there is no final salary element to the individual's pension, in which case the GMP should be allocated to column B.</li> </ul>	✓	✓	X	✓
5	Transfers out	<ul style="list-style-type: none"> <li>• This item to include any interest that may be payable on transfers.</li> <li>• The value of the transfer to be apportioned between columns A to C based on calculations set out in actuarial guidance.</li> <li>• Transfers of pension credits to be allocated according to the Scheme in which the pension credit was granted. For example: <ul style="list-style-type: none"> <li>- if the transfer relates to a post-March 2014 pension</li> </ul> </li> </ul>	✓	✓	✓	✓



		<p>credit, this should be allocated to column B,</p> <ul style="list-style-type: none"> <li>- if the transfer relates to a pre-April 2014 pension credit, this should be allocated to column A.</li> </ul> <ul style="list-style-type: none"> <li>• <b>See section 6 for further comments.</b></li> </ul>				
6	Refunds	<ul style="list-style-type: none"> <li>• This item does not need to be split between columns A to C as GAD have confirmed that this split will not be material, now or in the future.</li> <li>• This item to include interest paid.</li> <li>• To be disclosed net of Contribution Equivalent Premiums (CEPs) and tax.</li> </ul>	X	X	X	✓
7	Trivial commutation/ De Minimis payments	<ul style="list-style-type: none"> <li>• This item does not need to be split as GAD do not expect this item to be material.</li> <li>• This item to include interest paid.</li> </ul>	X	X	X	✓
8	Tax charges	<ul style="list-style-type: none"> <li>• To be split according to when and in what section of the scheme the transaction arose.</li> <li>• For example: <ul style="list-style-type: none"> <li>- If the annual allowance was breached post-March 2014 and the member was in the 50/50 section of the scheme, the whole of the scheme pays tax charge (if used) would be allocated to column C.</li> <li>- If the tax-charge relates to a pre-April 2014 unauthorised</li> </ul> </li> </ul>	✓	✓	✓	✓

		<p>payment, the whole of the tax charge would be allocated to column A.</p> <ul style="list-style-type: none"> <li>In practice, this will mean the majority of tax charges will be allocated to column B.</li> </ul>				
--	--	--	--	--	--	--

## 6. Notes on calculations

In some cases, it may not immediately be clear how a benefit can be split into any or all of the pre-April 2014, post-March 2014 main and post-March 2014 50/50 categories. Where this may be the case, please see the below:

### a. Commuted lump sums

Under regulation 13 of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (the Transitional Regulations), where a member has both pre-April 2014 and post-March 2014 membership and commutes some of their pension to lump sum, each part of the member's pension is reduced in proportion to the total pension.

#### Example

##### **Pre-commutation**

Total pension - £10,000pa

Proportion based on pre-April 2014 benefit accrual - £9,000pa

Proportion based on post-March 2014 benefit accrual - £1,000pa

The member chooses to commute £1,000 pension to lump sum, giving the member a commuted lump sum of £12,000. 90% of the member's pension relates to pre-April 2014 benefit accrual and 10% relates to post-March 2014 benefit accrual, so £900 of the commuted pension relates to pre-April 2014 benefit accrual and £100 relates to post-March 2014 benefit accrual.

##### **Post-commutation**

Total pension - £9,000

Proportion to be allocated to pre-April 2014 benefit accrual - £8,100pa

Proportion to be allocated to post-March 2014 benefit accrual - £900pa

Commuted lump sum - £12,000

Proportion to be allocated to pre-April 2014 benefit accrual - £10,800pa (12,000 \* 0.90)  
Proportion to be allocated to post-March 2014 benefit accrual - £1,200pa (12,000 \* 0.10)

#### Taking into account the 50/50 section

In addition to the above, for the purposes of providing transactions data to GAD for cost control, if the member was in the 50/50 section for a time, their post-March 2014 lump sum will need to be proportioned in accordance with the proportion of their post-March 2014 pension that relates to the time when they were in the 50/50 section of the scheme.

This should be done in accordance with the above principles. For example, if £90 of the above member's post-commutation, post-March 2014 pension of £900 related to a time when they were in the 50/50 section, that would represent 10% of the member's total post-March 2014 pension. 10% of the post-March 2014 lump sum would therefore need to be apportioned to the 50/50 section (column C in the specification). This would work out as £120 (£1,200 \* 0.10).

#### **b. Transfers out**

Under GAD's individual incoming and outgoing transfers guidance dated 8<sup>th</sup> April 2016, to calculate the value of a transfer out, it is necessary to split an individual's benefits into the following categories (where applicable):

- pre-April 2008,
- post-March 2008 and pre- April 2014, and
- post-March 2014.

For GAD's purposes, the sum of the value of the CETV of the first two bullets should be the total inserted in the pre-April 2014 benefit category (column A in the specification) and the value of the CETV of the last bullet should be the total inserted in the post-March 2014 main section benefit category (column B in the specification).

#### Taking into account the 50/50 section

In addition to the above, for the purposes of providing transactions data to GAD for cost control, if the member was in the 50/50 section for a time, the part of the transfer value that relates to post-March 2014 benefit accrual will need to be split to take account of this period. This should be done by proportioning that part of the transfer value by reference to the amount of the member's post-March 2014 pension which relates to the 50/50 section. For example, if 10% of the total value of the member's post-March 2014 pension relates to 50/50 section membership, it should be 10% of that part of the transfer value which goes into the 50/50 section (column C).

### **c. Transfers in**

For an inward interfund transfer, the split in the transfer value calculated by the outgoing fund should be used to derive the split needed for the purposes of apportioning the payments between columns A to C in the specification.

For an inward Club or non-Club transfer, if the transfer is all career average, the total should all be allocated to the post-March 2014 main section (column B in the specification). If the transfer is all final salary, the total should all be allocated to the pre-April 2014 main section (column A in the specification). If the transfer includes both final salary and career average elements, the transfer should be split between the two columns in accordance with the outgoing scheme's calculation of the two elements (for a Club transfer, under the terms of the Club memorandum of March 2015). If the transfer in contains a GMP, the GMP should be treated as a pre-April 2014 benefit unless the member has no final salary membership, in which case it should be treated as a post-March 2014 main section benefit (column C).

### **d. Deferred and pensioner death grants**

Under regulation 17(8) of the Transitional Regulations, where a member becomes a deferred or pensioner member with pre-April 2014 and post-March 2014 scheme membership, the total death grant that is payable is based on adding the death grant payable for the pre-April 2014 membership, as calculated under the 2007 Benefits Regulations) with the death grant payable for the post-March 2014 membership, as calculated under the 2013 Regulations. The two elements calculated should provide the split in membership needed for the purposes of this document.

#### Taking into account the 50/50 section

In addition to the above, for the purposes of providing transactions data to GAD for cost control, if the member was in the 50/50 section for a time, the total of the post-March 2014 death grant will need to be split to take account of this period. This should be done by proportioning that part of the death grant by reference to the amount of the member's post-March 2014 pension which relates to the 50/50 section. For example, if 10% of the total value of the member's post-March 2014 pension relates to 50/50 section membership, it should be 10% of that part of the death grant which goes into the 50/50 section (column C).

## **7. Other issues to note**

- Where, for example, a pension is already in payment prior to 1<sup>st</sup> April 2017 (expenditure items 1 and 4) and has elements that fit into one or more of the columns A to C, backdated reworking will not, at this stage, be necessary so that these elements are correctly apportioned from April 2017 onwards.
- At this stage, GAD do not anticipate requiring retrospective allocation to be undertaken so that transactions that took place prior to April 2017 would need to be reported along the lines outlined in section 5. For example, if a transfer was paid in July 2015 that included both a pre-April 2014 and a post-March 2014 element, this would not need to be retrospectively allocated into the different sections.
- Where in section 5, the specification says that apportioning a split in a category of benefit isn't necessary as this is unlikely to be material to GAD's calculations (for example, trivial commutation), we understand that this position could change in the future, and such items may indeed need to be split out. Funds and software suppliers may wish to consider whether it is preferable to update their systems so that these elements can be split out as described now, or whether they would prefer to wait until this is possibly required at some point in the future.

Initial Screening Results

Initial Grade	No. of Records	Comments
High	25	Name, Date of Birth and Address Supplied match a death record. There is a 99.99% confidence that this is your member.
Medium	8	Two pieces of supplied information match a death record. For example, Name & Date of Birth. These are manually investigated.
Low	2	Only one piece of supplied information matches a death record. These are manually investigated.

To reduce false matches, Target manually investigate all initial **Low** or **Medium** grade matches. This involves searches for member existence, links between member and location or death addresses, and dismissal of unconnected persons sharing member name and date of birth. Verified matches are graded as **High**. Matches not confirmed as your member are graded **Negative** and removed from final spread sheet report. Investigated data that suggests a high match possibility but cannot confirm, will result in a **Needs Verification** grade. Investigated data that suggests a low match possibility, but cannot exclude the match as your member will result in a **Low Match** grade.

Final Results

Initial Grade	No. of Records	Comments
High	27	The record has been matched on Name, Date of Birth and Address. Where information on the death record differs from that supplied it has been investigated and confirmed as accurate.
NV	7	Match results suggest a high likelihood that this is your member; due to date of birth anomalies, the lack of a presented address, no linking data between presented and returned addresses, we cannot guarantee 100% member confirmation.
Low Match	0	Limited information was provided to match against death records e.g. records with only an initial and common surname. These records have not been returned, are unlikely to be your member and should not be flagged deceased without further evidence.
Total	34	

Year Results

Final Grade	May	June	July	August	Sept						
High	39	22	36	23	27						
NV	9	11	9	7	7						
Low	0	1	0	0	0						
Total	48	34	45	30	34						

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**Dorset Council KPI Report - CMS stats**

All teams

Appendix 3

**Performance 2016/17 - report for period : August to October 2016**

**Number of complaints received** **0**

Top 10 detail - cases completed on time	Completed in period	Performance	Last quarter Performance	KPI (days)	Cases completed on time or early
Admissions (DR01 & DR01W)	943	99.89%	95.51%	30	942
Transfers In Quote (DR02E, DR02R, DR03E & DR03R )	176	67.61%	83.48%	15	119
Transfers In Actual (DR02A & DR03A)	41	90.24%	0.00%	20	37
Transfers Out (DR09E & DR10E)	65	87.69%	74.55%	10	57
Transfers Out actual (DR09A & DR10A)	48	93.75%	85.71%	10	45
Estimates Employee (DR08)	256	94.92%	97.22%	15	243
Estimates Employer (DR22R & DR22W)	141	99.29%	99.57%	15	140
Retirements (DR14, DR14W & DR12 & DR12I & DR14I)	795	91.32%	85.59%	5	726
Deferred Benefits (DR11 & DR11W)	820	97.93%	97.08%	40	803
Refunds (DR16 & DR16W)	686	92.42%	95.16%	15	634
Deaths (DR23)	72	100.00%	100.00%	5	72
Correspondence (DR24&DR24A)	1281	96.88%	98.98%	30	1241
<b>Total</b>	<b>5324</b>	<b>95.02%</b>	<b>94.50%</b>		<b>5059</b>

Although this appears to be a drop in performance the actual cases completed increased by 61 and the number completed on time or early increased by 23 from the last quarter

An error in the formula in the spreadsheet was discovered which was why 0.00% was reported in the previous statistics.

Although this appears to be a drop in performance the actual cases completed increased by 40 and the number completed on time or early increased by 33 from the last quarter

Although this appears to be a drop in performance the actual cases completed increased by 314 and the number completed on time or early increased by 280 from the last quarter

Although this appears to be a drop in performance the actual cases completed increased by 205 and the number completed on time or early increased by 176 from the last quarter

Overall increase in performance of 0.52%

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Top 10 detail - Average elapsed time for cases completed within 6 months of receipt	2016/2017			Target
	Total cases	May - October Average elapsed time	February - July Average elapsed time	
Admissions (DR01 & DR01W)	776	26	17	10
Transfers In Quote (DR02E, DR02R, DR03E & DR03R )	176	60	59	64
Transfers In Actual (DR02A & DR03A)	41	80	78	64
Transfers Out (DR09E & DR10E)	65	55	50	23
Transfers Out actual (DR09A & DR10A)	48	80	68	23
Estimates Employee (DR08)	256	29	26	10
Estimates Employer (DR22R & DR22W)	141	24	27	9
Retirements (DR14, DR14W & DR12 & DR14I & DR12I)	793	50	62	53
Retirements only (DR14 & DR14W)	420	41	46	53
Deferred into payment only (DR12 & DR12I)	375	63	86	53
Deferred Benefits (DR11 & DR11W)	820	78	86	23
Refunds (DR16 & DR16W)	686	73	81	28
Deaths (DR23)	72	3	2	44
Correspondence (DR24 & DR24A)	1281	5	4	2

April to the end of August was an extremely busy time for the Section due to the End of Year processes, the Triennial Valuation and the ABI project. A down turn in performance over the 6 months was to be expected



**Dorset Council KPI Report - CMS stats**

All teams

Appendix 3

<b>Performance 2016/17 - report for period : August to October 2016</b>	
<b>Top 10 detail - Cases currently over 6 months old</b>	<b>Total cases</b>
Admissions (LP01 & LP01W)	0
Transfers In Quote (DR02E, DR02R, DR03E & DR03R )	0
Transfers In Actual (DR02A & DR03A)	0
Transfers Out (DR09E & DR10E)	0
Transfers Out actual (DR09A & DR10A)	0
Estimates Employee (DR08)	0
Estimates Employer (DR22 & DR22W)	0
Retirements (DR14, DR14W & DR12 & DR14I & DR12I & DR22I)	0
Deferred Benefits (DR11 & DR11W)	0
Refunds (DR16 & DR16W)	0
Deaths (DR20)	0
Correspondence (DR24 & DR24A)	0
<b>Total</b>	<b>0</b>

# Annual Benefit Illustration 2016



Dorset County Pension Fund  
Administered by Dorset County Council





Dear

I am pleased to send you your latest annual benefit illustration, providing details of the benefits that have accrued from your membership within the Local Government Pension Scheme (LGPS) up to 31 March 2016.

Contained within this illustration are the benefits that you have accrued to date accompanied by information and explanations to help you understand what the benefits mean to you. It is important that you read everything contained within this booklet; if you still have a query after reading the explanations and the 'Frequently Asked Questions', then please do not hesitate to contact us using the form provided within this booklet.

Included in your booklet is a projection of your benefits assuming that you continue contributing to the LGPS until your State Pension Age. An explanation of how your benefits are worked out since 1 April 2014 is also included. It is very important that you check the pay used in your illustration and query any errors with your employer, who provided your pay.

The information in this booklet is for illustration purposes only and should not under any circumstances be used to help you make a decision about retirement. If you are considering retirement, you must contact my team to obtain a formal estimate of your pension benefits.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Anne Cheffey', written in a cursive style.

Anne Cheffey  
Pensions Benefits Manager

## Personal details

Please check this section carefully and notify us of any incorrect personal information. If we do not hold your partnership details on our system, please notify us in writing, enclosing photocopies of your;

- marriage / civil partnership certificate
- spouse / partner's birth certificate

If you have become divorced or your civil partnership has been dissolved, we will require photocopies of the relevant documents to amend our records. If you are in a declared partnership your partnership status will show as "declared".

Full name:

Date of birth:

Partnership status:

NI number:

Post ref number:

Employer:

Section of the scheme at 31/03/2016:

If you hold more than one active post you will have a pension record and illustration for each post unless you started contributing after 31/03/2016.

## How benefits accrued **before 1 April 2014** are calculated

Pension benefits accrued before 1 April 2014 are based on the length of time you were a member of the pension scheme (total membership) and your final pay at leaving. Between 1 April 2008 and 31 March 2014, for each year of membership or part thereof, you will receive 1/60th of your final pensionable pay. Membership prior to 1 April 2008 is based on 1/80th of your final pay, plus 3/80th as a tax free lump sum.

### Membership

Your membership, for final salary pension calculation, is the number of years and days before 1 April 2014, that you were a member of the LGPS and will include the following:

- Pension rights transferred in from a previous scheme or employer
- Any additional membership purchased
- Any additional membership awarded by your employer

If you have worked part time during any period of your membership prior to 1 April 2014, the part time period has been adjusted to reflect the part time hours that were worked.

If you worked term time, your hours have been adjusted and reduced pro-rata based on the full 52.14 weeks per year.

### Final pay

This is usually the pensionable pay earned during your **final** year of scheme membership, or one of the previous 2 years if this is higher. The final pay used in this illustration has been provided by your employer and is based on your pensionable earnings in the year up to 31 March 2016.

For part time employees the final pay used in the calculation of your benefits will be the full time equivalent pay for your job.

Some protection may be available to you at retirement if your pensionable pay has been reduced or restricted. More detailed information on this can be obtained from your employer.

## How benefits accrued from 1 April 2014 are calculated

From 1 April 2014 your LGPS pension changed from a final salary scheme to a Career Average Revalued Earnings (CARE) scheme. In a CARE pension scheme your benefits build up each year in your pension account. Each year your pensionable pay is divided by the accrual rate of 1/49 to give the amount of annual pension gained in that year. This amount is added to your pension account.

Example:

CARE pensionable pay of £22,000 X 1/49 = £448.98 added to pension account

Each year the amount in your pension account is revalued in line with the cost of living increases. This year the cost of living increase was the negative figure of 0.1%, further information on how this affects you is contained in your enclosed 2016 newsletter.

Example:

£448.98 added to pension account  
MINUS negative cost of living increases  $£448.98 \times -0.1\% = £448.53$   
(-0.45p CPI)

In this example a member whose pensionable pay in the year 1 April to 31 March was £22,000 accrued an annual pension of £448.53, this annual income will be paid monthly throughout retirement.

Every subsequent year you will earn a further amount of annual pension which will be added to your pension account.

### 50 / 50 section

The 50 / 50 section of the scheme is designed to help members who are unable to afford the full contribution rate. If you have elected to be a member of the 50 / 50 section of the scheme you pay in half the amount of your normal contributions and receive half the amount of pension benefit during that time. However, you would still have full ill health and death benefits while a member of the 50 / 50 section.

Example:

CARE pensionable pay of £22,000 X 1/98 = £224.49 added to pension account  
MINUS negative cost of living increases  $£224.49 \times -0.1\% = £224.27$   
(-0.22p CPI) in pension account after one year in the 50 / 50 section of the scheme.

## Present value of scheme benefits

This section shows the current value of your benefits accrued up to 31 March 2016, assuming a normal retirement date.

If you are currently aged 60 to 64, the pension shown here may include a reduction. This reduction is included as you are eligible to take your pension benefits immediately, but with a reduction. Please note, you cannot draw your pension benefits until you leave your employment, except under flexible retirement.

**Final pay for Pre April 2014 pension:**

**Total membership up to 31 March 2014:**

Pre April 2014 pension: (per annum)

**CARE Pensionable Pay in year 2015-2016:**

Post April 2014 CARE pension in main section: (per annum)

Post April 2014 CARE pension in 50/50 section: (per annum)

**Total pension:** (per annum)

**Automatic lump sum:**

from pre 2008 membership

**Contingent partner's pension:** (per annum)

Please ensure that you check the CARE pensionable pay above, which has been provided by your employer. If this figure is incorrect it may adversely affect your pension when you retire.

If you have purchased Additional Pension Contributions (APCs), Additional Regular Contributions (ARCs) or Added Years, the amount purchased will be included in your 'Total Pension'.

Additional Voluntary Contributions (AVCs) are not included in these benefits, but you should receive an annual illustration directly from your AVC Provider.



## Projection to Normal Retirement Date

The following benefits have been calculated, based on a projection of your accrued pre April 2014 Final Salary benefits, if these apply, plus your CARE benefits up to your Normal Retirement Date (NRD). Your Normal Retirement Date is your State Pension Age (SPA) (with a minimum of age 65) and therefore this may change if your SPA changes. **This projection assumes that each year you will have the same amount of pension added to your pension account.** Members can choose to retire voluntarily from age 55, however these benefits would be reduced for early payment if taken before your NRD.

### Normal Retirement Date (NRD):

Projected CARE pension at NRD:	(per annum)
Projected Final salary pension at NRD:	(per annum)
<b>Projected Total Pension at NRD</b>	<b>(per annum)</b>

### Automatic lump sum:

from pre 2008 membership

**Projected Contingent partner's pension at NRD:** (per annum)

## CARE pay

- ✓ Your CARE pay figure is the actual pensionable pay received this financial year.
- ✓ The CARE pay figure is provided by your employer.
- ✓ Your CARE pay figure is used to calculate the amount of pension earned in a year.

### Reductions to pay:

- in cases of sickness, injury or contractual parental leave your CARE pay includes extra added in by your employer to ensure you don't lose out on pension total for this year.
- in cases of authorised unpaid leave (including unpaid parental leave) your CARE pay will be lower. Your employer would have written to you to explain how you can make up this shortfall.

**Pension projections using CARE assume that the same amount of CARE pension will be added each year.**

## Retirement tax free lump sum

On retirement you will have the option to take part of your benefits as a tax-free cash lump sum by giving up part of your pension. You will receive £12 lump sum for every £1 of yearly pension given up. Under current tax legislation, the maximum lump sum that you can take is 25% of the capital value of your pension benefits. Details of this are provided upon retirement.

If you have membership prior to 1 April 2008, this will have an automatic provision for a retirement grant based on your pre 1 April 2008 membership and 3/80th of your final pay. This is quoted overleaf with your annual pension.

## Contingent partner's pension

If you predecease your husband, wife, civil partner or cohabiting partner we will also pay them a pension. This is shown on the illustration. If your partnership status is currently single, you will still have an entitlement to a contingent partner's pension in case your partnership status should change.

If you have a cohabiting partner they will be entitled to receive a survivor's pension on your death (based only on post 6 April 1988 membership), but only if they meet the criteria to be considered an eligible cohabiting partner. Further details on eligible cohabiting partners can be found at: [www.yourpension.org.uk/Dorset/In-the-Scheme/Benefits-of-LGPS/Protection-for-your-family](http://www.yourpension.org.uk/Dorset/In-the-Scheme/Benefits-of-LGPS/Protection-for-your-family)

## Life cover and family protection

If you die whilst in active service, the LGPS would ensure that your family is supported. It provides:

- A lump sum death grant of three times your actual pay, regardless of your length of membership.
- An ongoing pension for your spouse, civil or eligible cohabiting partner.
- A child's pension for any eligible children.

An illustration of the death grant and partner's pension is shown below and is based on your pensionable pay for the year ending 31 March 2016.

**Death grant:**

**Contingent pension:**

## Nomination details:

This section shows who you have nominated to receive a death grant upon your death. If you would like to nominate or change your existing nomination details, please complete an 'Expression of wish' form. Details of where to find this form are included on the back of this booklet.

In order for payments to be made as efficiently as possible, please ensure your expression of wish is updated if your personal circumstances change.

Beneficiary	Percentage of benefits payable

The Dorset County Pension Fund Administrator has absolute discretion over who receives any lump sum death grant.

## Pensions tax relief

### The Annual Allowance

Your annual allowance is the amount by which the value of your pension benefits may increase in any one year without having to pay a tax charge. Any pension growth in excess of the 2015/2016 annual allowance of £40,000 is subject to tax at your highest tax rate. We will write to you individually by October of this year if you have breached this limit. If you would like to know how much annual allowance you have used please contact the pension section. Please be aware that you are responsible for your own tax liabilities, DCPF can only inform you of the amount of annual allowance you have used within the fund.

### The Lifetime Allowance

From April 2016 the lifetime allowance reduced to £1 million, this is calculated when you take your pension benefits. Individual Protection 2016 or Fixed Protection 2016 may be possible, please see HMRC website.

## Frequently asked questions

### **Why is my service not shown on this illustration?**

The amount of years and days in the pension scheme will no longer be shown on your illustration. This amount only affects your service accrued before 1 April 2014. Therefore the service used in this illustration will not have changed since your 2014 booklet. Any changes to your pre 2014 pension will only occur as the result of a Final Pay (full time equivalent pre 2014 definition) change.

### **Why has my retirement grant not increased significantly since 31 March 2008?**

LGPS rules, which came into effect from April 2008 mean that you no longer build up an automatic retirement grant. Your membership to 31 March 2008 gives you a pension based on 1/80th of your final pay and a tax-free retirement grant of three times your pre 2008 pension. Therefore, your retirement grant will only increase in line with your pay and not with your service.

From 1 April 2008 your pension accrues at a higher rate, based on 1/60th of your final pay for each year of membership, however this does not provide for an automatic retirement grant. Upon retirement you will have the option to convert some of your pension into a tax-free retirement grant.

### **Can I retire earlier than my Normal Retirement Date?**

The earliest retirement age in the scheme is 55. Taking your benefits before your normal retirement age may mean that you suffer a reduction to your pension and lump sum retirement grant.

### **Can I retire later than my Normal Retirement Date?**

If you wish to continue working, you can stay in the Scheme as late as 2 days prior to your 75th birthday and your benefits will be actuarially increased for each day past your normal retirement age.

### **I have more than one employment, can these be combined?**

If you have more than one active employment, you will have received an illustration for each separate employment. Unfortunately we cannot combine active employments. Upon the end of the contract we will look at combining the benefits if it is in your best interest. You will be contacted about this when the time comes.

## Increasing your benefits

Extra contributions made whilst you are still working will boost your benefits package and increase the amount of money you have for your retirement.

You can pay extra contributions as a tax efficient way of topping up your benefits, although there are limits on the amount you can pay. There are also HM Revenue and Customs rules on the amount of pension savings you can have before the benefits become subject to tax.

### **You can increase your benefits by paying:**

- Additional Pension Contributions (APCs) to buy extra LGPS pension
- Additional Voluntary Contributions arranged through the LGPS (in house AVCs)
- Free standing Additional Voluntary Contributions (FSAVCs) to a provider of your choice
- Contributions into a personal pension plan or stakeholder pension

For further details on the purchase of APCs please contact the Dorset County Pension Fund at: [pensionshelpline@dorsetcc.gov.uk](mailto:pensionshelpline@dorsetcc.gov.uk)

For further information on the in-house AVC facility please contact the Prudential.

**Telephone:**     **0800 012 1378**

**Website:**       **[www.pru.co.uk/localgov](http://www.pru.co.uk/localgov)**

Tear here

To: Dorset County Pension Fund  
County Hall  
Dorchester  
Dorset  
DT1 1XJ

**Private and confidential**

**Annual Benefit Illustration 2016  
Personal Details**

Full name: \_\_\_\_\_

Preferred method of contact,  
please tick box

Daytime telephone number: \_\_\_\_\_

Email address: \_\_\_\_\_

Postal address:

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Please note that, as illustrations are issued to all active members, it may take some time before you receive a reply.

**I have the following query(ies) regarding my illustration:**

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## Contact us

If you have any queries concerning your annual benefit illustration, which are not pay related, please contact us using the form provided on page 11 of this booklet. For any pay queries please contact your employer directly, who will be able to check your details and notify us of any amendments that need to be made to your pension record.

Along with some useful information there are a variety of forms available on our website to help reduce time and cost spent in correspondence:

[www.yourpension.org.uk/dorset](http://www.yourpension.org.uk/dorset)

Some of these forms include:

- Pension membership form
- Expression of wish form
- Leavers election form
- Notification of cohabiting partner form
- Divorce (cash equivalent transfer value) form

Alternatively you can contact the pension section and we will be happy to post you a hard copy. More information can be found on the LGPS members website at: [www.lgpsmember.org](http://www.lgpsmember.org)

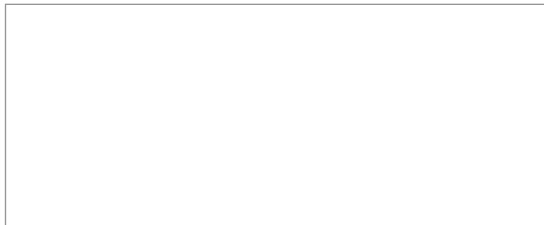
## Feedback

We would really appreciate your feedback on this annual benefit illustration. Please email us at [pensionshelpline@dorsetcc.gov.uk](mailto:pensionshelpline@dorsetcc.gov.uk) or use the form provided on page 11.

## Further information and disclaimer

This illustration cannot cover every personal circumstance and does not cover rights that apply to a limited number of employees e.g. where protected rights apply, or some of those whose rights are subject to a Pension Sharing Order following divorce. Please do not use this illustration for retirement purposes. If you are thinking of retiring, please obtain a pre-retirement estimate from Dorset County Pension Fund. In the event of any dispute over your pension benefits the appropriate legislation will prevail.

# Deferred Benefit Illustration 2016



Dorset County Pension Fund  
Administered by Dorset County Council



Dear

I am pleased to send you your latest annual benefit illustration, providing details of the deferred benefits that have accrued from your membership within the Local Government Pension Scheme (LGPS). Your benefits increase each year in line with the cost of living. However the 2016 Pensions Increase Review Order is zero, therefore you will not see any increase to your deferred pension this year.

Contained within this illustration are the benefits you have accrued up to your date of leaving, including any cost of living increases to date, accompanied by information and explanations to help you understand what the benefits mean to you. It is important that you read everything contained within this booklet, if you still have a query after reading the explanations, then please do not hesitate to contact us.

We welcome any feedback you may have on your illustration. Please let us know if you find it easy to understand or if there is anything we could improve.

For more information regarding the scheme please visit our website at: [www.yourpension.org.uk/Dorset](http://www.yourpension.org.uk/Dorset) or the LGPS members' website at: [www.lgps.org.uk](http://www.lgps.org.uk)

Or alternatively you can email us at: [pensionshelpline@dorsetcc.gov.uk](mailto:pensionshelpline@dorsetcc.gov.uk)

The information in this booklet is for illustration purposes only and should not under any circumstances be used to help you make a decision about retirement. If you are considering accessing your benefits, you must contact the Pension Section to check the information and obtain a formal estimate of your pension benefits.

Yours sincerely,



Anne Cheffey - Pensions Benefits Manager

## Personal details

Please check this section carefully and notify us of any incorrect personal information. If we do not hold your partnership details or your details are incorrect, please notify us in writing, enclosing photocopies of your:

- Marriage / civil partnership certificate
- Spouse / partner's birth certificate

If you have become divorced or your civil partnership has been dissolved, we will require photocopies of the relevant legal documents to amend our records.

Full name:

Date of birth:

Partnership status:

NI number:


## Cohabiting Partners (Post 01/04/2008 members only)

If you left the scheme after 1 April 2008 it is possible for a cohabiting partner to receive a pension on your death. To be considered a cohabiting partner your relationship has to meet certain conditions laid down by the LGPS, for example you must have been free to marry and be living with your partner for a period of at least two years. If you wish to notify the fund of a cohabiting partner you can obtain a form from the Dorset County Pension Fund website at the following address:  
[www.yourpension.org.uk/Dorset](http://www.yourpension.org.uk/Dorset)

## How your benefits are calculated

Pension benefits accrued before 1 April 2014 are based on the length of time you have been a member of the pension scheme (total membership) and your full time equivalent final pay. On 1 April 2014 the way pension is calculated changed to a yearly amount being added to your "pension account".

### **Membership prior to 1 April 2008**

Pension benefits prior to 1 April 2008 are based on 1/80th of your final pay, plus 3/80th as a tax free lump sum (retirement grant).

### **Membership between 1 April 2008 and 31 March 2014**

From 1 April 2008, for each year of membership or part thereof, your pension is calculated as 1/60th of your final pensionable pay.

### **Membership from 1 April 2014**

Every year from 1 April 2014 an amount of pension is earned, which is added to your pension account. This is calculated as 1/49th of your actual pensionable pay.

If you have service transferred in from previous employments, or pension providers, this will be included in your benefit calculations.

## **Retirement grant**

When receiving your deferred benefits on retirement you will have the option to take part of your benefits as a tax-free cash lump sum by giving up part of your pension. The maximum lump sum that you can take is 25% of the capital value of your pension benefits. Details of this will be provided upon drawing your deferred pension. If you have membership prior to 1 April 2008, you will have some automatic provision for a retirement grant based on 3/80th of your final pay. However, any service after 1 April 2008 will not generate an automatic lump sum.

## **AVCs**

If you paid Additional Voluntary Contributions (AVCs) to either the Equitable Life or Prudential Assurance Company whilst in active membership these are not included in this illustration. Full details of this will be provided on retirement.

## **Normal Pension Age**

If you left before 1 April 2014 your Normal Pension Age would be 65. However if you were a member of the pension scheme before 1 April 2008 and were born before 1 April 1960 you may have a protected earlier pension age, between age 60 and 65.

If you left after 1 April 2014 your Normal Retirement Age would be the same as your State Pension Age. You can find out what this is at [www.gov.uk/calculate-state-pension](http://www.gov.uk/calculate-state-pension)

If you draw your pension before your Normal Pension Age your pension benefits will be subject to a reduction.

## Present value of scheme benefits

This shows the current value of your benefits, assuming your benefits will be paid either at your Normal Retirement Age or the date, if earlier, when your benefits would be paid without any reduction. If you elect to take your benefits before that date a reduction will apply.

In some cases there is a minor reduction in the annual pension (called 'modified annual pension') because reduced, or 'modified', contributions were made to the Scheme before 1 July 1980.

Date valued to:

31 March 2016

Current pension:

Retirement grant:

Contingent partner's pension:

## Increases to benefits

Your deferred benefits increase in line with inflation. The 2016 Pensions Increase Review Order is zero, therefore you will not see any increase to your deferred pension this year.

**If you left the pension scheme after 31 March 2014**, you will have entitlement to a CARE pension; a CARE pension is revalued each year in line with the Consumer Prices Index. In September the Consumer Prices Index was -0.1%, producing negative inflation. This small decrease has only been applied to any pension benefit accrued after 1 April 2016.

## Early access to your pension

If you left before 1 April 2014 the earliest you could access your pension, unless on grounds of ill health or with written agreement from your former employer, would be age 60. This is currently under review and may change to age 55.

If you left after 1 April 2014 the earliest you could access your pension, unless on grounds of ill health, would be age 55.

Please be aware that if you access your pension before your normal retirement age, the reduction applied for taking benefits early may be high.

You will be written to when you attain the earliest age at which you can access your pension, with a reduction. You will then need to decide whether to take your pension early, with a reduction, or to defer until a later stage when the reduction is less or when you reach your Normal Pension Age.

## Ill health

If you are suffering from permanent ill health you can apply for early payment of your benefits. You can do this at any age. You will need to apply in writing to your former employer who will refer you to a nominated Occupational Health professional to determine whether your condition qualifies you to receive early payment under the scheme rules.

## Transferring benefits

If you have joined or are thinking of joining another pension arrangement you may wish to consider transferring your LGPS benefits to it. You should contact your current pension provider for further information and on your instruction they may write to us for a transfer quotation.

## Death before benefits become payable

If you die before the benefits become payable, in addition to any survivor's pension shown, there would be a lump sum death grant payable. The grant would be paid to your next of kin, legal personal representatives or, your nominated beneficiary. Payment can be made immediately, without waiting for Grant of Probate or Letters of Administration to be taken out, if the fund has a completed, current Expression of Wish Form. Details on how to access all forms can be found on the back page of this illustration.

Death grant:

## Expression of Wish

The section below shows who you have nominated to receive a death grant upon your death. If you would like to nominate or change your existing nomination details, please complete an 'Expression of Wish' form. Details of where to find this form are included on the back of this booklet.

Beneficiary	Percentage of benefits payable

The Dorset County Pension Fund Scheme Administrator has absolute discretion over who receives any lump sum death grant.



## Contact us

If you have any queries concerning your annual deferred benefit illustration please contact us either by email, or at the address below, quoting a subject heading of "Deferred Annual Benefit Illustration 2016".



Dorset County Pension Fund  
County Hall  
Dorchester  
Dorset  
DT1 1XJ



[pensionshelpline@dorsetcc.gov.uk](mailto:pensionshelpline@dorsetcc.gov.uk)

Along with some useful information we have made a variety of forms available on our website to help reduce time and cost spent in correspondence.

[www.yourpension.org.uk/Dorset](http://www.yourpension.org.uk/Dorset)

Alternatively you can contact the pension section and we will be happy to post you a hard copy. Some of these forms include:

- Expression of Wish form
- Notification of Cohabiting Partner form
- Divorce (cash equivalent transfer value request) form

More information can be found on the LGPS members website at:

[www.lgpsmember.org](http://www.lgpsmember.org)

## Further information and disclaimer

These calculations are based on the information available at the time and every care has been taken to ensure their accuracy. If you have any reason to believe that the calculations made are wrong or the information we have used is wrong (either to your benefit or detriment) you must notify us immediately. The Dorset County Pension Fund reserves the right to adjust the calculations if they are found to be incorrect or if circumstances change, and to change payments accordingly. This notice of your benefits does not confer any legal or contractual obligation on either you or the Dorset County Pension Fund, and is provided on that basis. The Dorset County Pension Fund will only be liable to pay those benefits to which you are lawfully entitled.

## Pension scheme update August 2016

**New State Pension and National Insurance changes**

**CARE Pensions and CPI**

**Project Brunel**

**Pension Savings Taxation**



This leaflet provides you with important information regarding the Local Government Pension Scheme (LGPS). If you have any queries regarding any of the topics discussed in this leaflet, please do not hesitate to contact a member of the pensions team at: [pensionshelpline@dorsetcc.gov.uk](mailto:pensionshelpline@dorsetcc.gov.uk)

Annual Benefit Illustration 2016

 Dorset County Pension Fund  
Administered by Dorset County Council

 lgps



## Welcome to your 2016 newsletter

Your 2016 annual benefit illustration shows the benefits you have accrued in the Dorset County Pension Fund (DCPF) up to 31 March 2016.

Your illustration includes any final salary benefits you may have built up if you were a member of the scheme before 1 April 2014 and your Career Average Revalued Earnings (CARE) benefits accrued from 1 April 2014.

It is very important that you check your illustration carefully and agree the pay used. The pay was provided by your employer and should be queried with your employer / payroll provider if you think it may be incorrect.

Please note that your service history is not shown in your illustration as this is no longer relevant to your pension accrual. Only service history prior to 1 April 2014, as provided in last year's illustration, will affect your pension build up.

## New State Pension and changes to National Insurance

The DCPF wrote to all active members of the fund in March this year to explain why National Insurance Contributions would increase in April 2016.

As a member of the LGPS you were previously not paying National Insurance Contributions into the Additional State Pension, this is called 'contracting out'. However, from 6 April 2016 the new 'single tier' State Pension replaced the basic and additional State Pension for people who reach State Pension age after 5 April 2016 and the contracted out status for all LGPS members ended. This means you are now paying a higher amount of National Insurance than in previous years (unless you are already over State Pension age).

As a result of any historic contracting out you may find that your single tier State Pension could have a reduction, this reduction is called Contracted Out Pension Equivalent (COPE). Every year that you continue working after April 2016 any COPE amount applied will lessen, providing a smaller deduction to your State Pension. Further information can be found at [www.gov.uk/browse/working/state-pension](http://www.gov.uk/browse/working/state-pension)

Please contact us:

Dorset County Pension Fund, County Hall, Dorchester, Dorset. DT1 1XJ

Email: [pensionshelpline@dorsetcc.gov.uk](mailto:pensionshelpline@dorsetcc.gov.uk)

# Pensions Saving Taxation

## Annual Allowance

From 6 April 2014 the Annual Allowance (AA) for tax relief on pension savings was reduced to £40,000. An AA tax charge will be due where a member exceeds the AA across all their pension savings and where insufficient unused allowance is available from the previous 3 tax years.

## Tapered Annual Allowance

This new measure will take effect from 6 April 2016. It will further restrict pension tax relief by introducing a tapered reduction in the amount of the annual allowance for individuals with an 'Adjusted Income' of over £150,000. The adjusted income includes an amount equivalent to your annual pension growth (for Defined Benefit Schemes such as the LGPS), or the value of pension contributions made (for Defined Contribution Schemes).

The Tapered Annual Allowance will only affect individuals whose 'threshold income' exceeds £110,000 per annum. The threshold income is your taxable pay less tax deductible items such as your pension contributions.

More information can be found at;

[www.gov.uk/government/publications/pensions-tapered-annual-allowance](http://www.gov.uk/government/publications/pensions-tapered-annual-allowance)

## Lifetime Allowance – reduction with effect from 6 April 2016.

The Lifetime Allowance (LTA) is the amount of savings you can take from your pension schemes before a tax charge applies. The LTA is currently £1 million.

If the overall value of your pension savings at retirement exceeds the LTA, the excess is subject to a tax charge.

The LTA is calculated by multiplying your annual pension by 20 then adding on any lump sum entitlement, including any accrued AVC fund.

Protection arrangements are available for individuals who could be impacted by the reduction.

From 6 April 2016 two protection regimes are available, Individual Protection 2016 (IP2016), and Fixed Protection 2016 (FP2016). There is no application deadline for these protections, but you must apply for protection before you take your benefits. HMRC has introduced a new online facility for pension scheme members to apply for protections. More information can be found at; [www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance](http://www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance)

### Important

You are responsible for your personal tax liability; the administrators of the LGPS do not know what other pension savings you may have so it is important that you take appropriate tax advice if you consider you may be affected by any of the tax charges. The Dorset County Pension Fund is not able to provide tax advice to individuals.

## Tax Considerations Presentations—November 2016

The Dorset County Pension Fund will be providing a presentation on tax considerations for high earners. During the presentation information will be provided on general annual allowance and life time allowance calculations and charges.

Afterwards there will be an opportunity to speak individually to a member of the pensions team, however please be aware that the DCPF are unable to provide advice, only information.

Please email [pensionshelpline@dorsetcc.gov.uk](mailto:pensionshelpline@dorsetcc.gov.uk) if you would like to attend this presentation with **Tax Considerations Presentation** in the title. Please would you indicate whether you would also like a 10 minute, individual, one to one, session in this email.

- Wednesday 9 November 2016 at 4:00pm in Committee room 2 at County Hall, Dorchester, DT1 1XJ
- Thursday 24 November 2016 at 10:00am in the Council Chambers at Bournemouth Borough Council, Town Hall, BH2 6DY

## Your CARE pension account and negative CPI

From April 2014 any pension you build up is referred to as a Career Average Revalued Earnings (CARE) pension. CARE works by calculating your pension every year, based on your pay in that year; this amount is added into your pension account each year. The value of your pension account is adjusted each April in line with inflation. This is to ensure the CARE pay of your LGPS pension maintains its value.

In the LGPS the inflation index used is the Consumer Prices Index (CPI) for September. In September 2015, this index was the negative figure of - 0.1%.

This means that the CARE pension you have built up in your pension account between April 2014 and March 2016 will actually go down in value by a tenth of one percent. Please note that any benefits you have built up in the Scheme or transferred into it before April 2014 will not be affected as they will be calculated using your final pay when you eventually leave the scheme or retire.

### Example

Active member with 5 years service pre 1 April 2014 with an annual pay of £20,000

Pre 2014 pension = **£1,666.67** (5 / 60 X £20,000)

Post 2014 pension = **£820.40**

- Pension input 2014/2015: £20,000 / 49 = £408.16 + £4.90 (2015 CPI 1.2%)

◇ **2014-2015 account = £413.06**

- Pension input 2015/ 2016: £20,000 / 49 = £408.16 PLUS £413.06 (2014/15 input) = £821.11 MINUS - 0.82p (2016 Negative CPI 0.1%)

◇ 2015-2016 account = £820.40

**Total pension = £2,487.07** pension paid per annum at Normal Retirement Age

**Negative CPI is taken from your 2014 pension account. Only the two years of pension accrued after 1 April 2014, plus last year's CPI increase, in your pension account has the 0.1% decrease applied. Any pension built up before 1 April 2014 will be unaffected by the negative CPI figure.**

## Win a £50 Marks & Spencer Voucher



The DCPF are running a competition to find a photograph of Dorset for the front of the Pensions Newsletter 2017. For a chance to win a £50 Marks & Spencer gift voucher, kindly donated by our in-house AVC providers, Prudential, please send in an electronic version of a photograph you have snapped of Dorset. The winning entry will be displayed and credited in the newsletter sent in September 2017.

All entries should be emailed in to [pensionshelpline@dorsetcc.gov.uk](mailto:pensionshelpline@dorsetcc.gov.uk) with **Competition Entry** in the title, by 31 October 2016.

**Please note this competition is not open to employees of the Dorset County Pension Fund.**

## Additional Voluntary Contributions

Additional Voluntary Contributions (AVCs) offer you a tax-efficient way to save for your retirement in addition to your Local Government Pension Scheme. AVCs attract tax relief, up to

annual limits, which means the money you would normally pay in tax, is paid into your AVC as tax relief instead. For every £100 you contribute to your AVC, the cost to you will only be £80 (if you're a basic rate taxpayer). If you are a higher or additional rate taxpayer, the saving will be even more. The more you contribute, the more tax you save, and the more your AVC pot receives a boost.

As with any investment, it is important to remember the value of your AVC can go down as well as up and you may not get back the amount you put in. Every month you add to your AVC pot, it could help you make the most of the time you still have until retirement.

To find out more about AVCs, visit [www.pru.co.uk/lgnewsletter](http://www.pru.co.uk/lgnewsletter). You can find worked examples and handy tools and videos to help illustrate how an AVC could help you and how much you could achieve. Alternatively call the Prudential Retirement Specialist Team on 0800 032 7535.

Taxation information is based on their understanding, as at June 2016, of current tax legislation, HM Revenue & Customs practice and LGPS scheme rules, all of which may change without notice. The impact of taxation (and any tax relief) depends on individual circumstances.



## Brunel Pension Partnership (Investment Pooling)

In 2015 the government announced that they wanted the 89 Local Government Pension Scheme funds to pool their investments into larger pools in order to achieve savings in investment management costs.

In response to the government agenda, Project Brunel was set up to explore the options for pooling investment assets across ten Funds. The founding Funds include The Environment Agency Pension Fund, and the Local Government Funds of Avon, Buckinghamshire, Cornwall, Devon, Dorset, Gloucestershire, Oxfordshire, Somerset and Wiltshire. The collective assets of the pool are approximately £23 billion.

The objective of pooling the assets is to achieve savings over the longer term from both lower investment management costs and more effective management of the investment assets. The pool will look to deliver the savings based upon the collective buying power the collaboration initiative will produce. Local accountability will be maintained as each individual fund will remain responsible for strategic decisions including asset allocation. The pooling of assets will only affect the implementation of the investment strategy in terms of manager appointments.



More information and updates about the project can be found on the Project Brunel website at:

[www.brunelpensionpartnership.org](http://www.brunelpensionpartnership.org)

## Disclaimer

Information in this leaflet is correct at the time of printing and is provided for information purposes only. We cannot cover personal circumstances and any advice given does not affect your statutory rights or over-ride existing legislation.



# **DORSET COUNTY PENSION FUND**

## **UK Equity Report for 6 months ending 30 September 2016**

- Internal Managers Report
- Valuation Report
- Transaction Report



## Dorset County Pension Fund Committee – 24 November 2016

### UK Equity Report

#### Report of the Internal Manager

#### 1. Purpose of the Report

1.1 To review the management of the UK equity portfolio.

#### 2. Recommendations

2.1 That the report and performance be noted.

#### 3. Background

3.1 The UK Equity portfolio has two active managers, AXA Framlington and Schroders as well as the internally managed passive fund. This combination of managers and styles is designed to give the opportunity of outperformance against the FTSE All Share index and has a two thirds passive and one third active mix. Details of the combined portfolio (£660.2M at 30 September 2016) are shown in the table at paragraph 5.2.

3.2 The internally managed passive fund aims to track as closely as possible the FTSE 350 index which measures the progress of the majority of the UK equity market. At 30 September 2016, the FTSE All Share index was made up of 630 individual stocks ranging from Royal Dutch Shell Plc, the largest UK company (market value £157.6 Billion) down to the smallest in the index, Hansa Trust Plc (market value £35.0 Million). Direct investment is made in the largest 350 companies, which comprises 96.8% by value of the index. Investment in the smallest companies which make up 3.2% of the index is achieved by a holding in the Schroders Institutional UK Smaller Companies Fund which is managed on an active basis.

#### 4. Market Background

4.1 There was good performance from the UK markets in the six months to September 2016. The FTSE100 was the best performing index rising 11.7% (724 points), whilst the FTSE250 was the worst performing major UK index rising 5.6% (945 points). In comparison, there was mixed performance from major world indices. The Hang Seng was the best performer rising 12.1% (2,521 points), whilst the Nikkei225 was the worst performer falling 1.8% (309 points).

4.2 Over the twelve month period, all major UK equity markets rose. The FTSE100 was the best performing index rising 13.8% (838 points), whilst the FTSE250 was the worst performing UK index rising 7.1% (1,188 points) over the same period. In comparison, there was mixed performance from major world indices. The Dow Jones rose 12.4% (2,024 points), whilst the Nikkei225 fell 5.4% (938 points) over the same period.

4.3 The FTSE100 ended September 2016 with a fourth monthly gain, and a seventh rise in the last eight months and is now 8.9% higher than its pre EU referendum level, aided by falls in the value of Sterling. In August 2016, the FTSE100 reached its highest closing position of 6,941.2 since March 2015. The biggest gains since the referendum have been made by gold miners, exporters with big dollar earnings and companies with stable incomes such as pharmaceutical groups, utilities and food and drink companies. The top risers in the FTSE100 since the referendum have been

Fresnillo (46.4%), Anglo American (39.3%) and Glencore (38.7%), all from the mining sector. The FTSE100 biggest fallers have been Capita (38.5%), easyjet (34.3%) and the Royal Bank of Scotland (28.6%).

- 4.4 The FTSE250 has risen 3.1% (538 points) since the EU Referendum. These companies are far more exposed to the domestic UK economy than those in the FTSE100. The largest rising stocks in the FTSE250 since the EU Referendum are Kaz Minerals plc (58%), Sophos Group Plc (48.9%) and Acacia Mining Plc (45.4%). Kaz Minerals plc and Acacia Mining are from the Mining Sector, whilst Sophos Group is from the Software and Computer Services Sector. In general, housebuilders, banks and airlines have been the biggest fallers since the referendum. The FTSE250 biggest fallers were Countrywide Plc (38.5%), Grafton Group Plc (30.1%) and McCarthy & Stone (29.8%). These were from the Real Estate, Support Services and Household Goods respectively. In the US, the Dow Jones has recouped all its losses after the EU Referendum and has risen by 1.6% (297 points) to the 30 September 2016.

Six Months to 30 September 2016

Country	Index	31/03/2016	30/09/2016	% Change
UK	FTSE100	6,174.9	6,899.3	11.7
UK	FTSE250	16,926.1	17,871.4	5.6
UK	FTSE350	3,445.4	3,812.4	10.7
UK	Small Cap	4,542.8	4,974.9	9.5
UK	Small Cap ex Investment Trusts	6,009.7	6,503.9	8.2
UK	All Share	3,395.2	3,755.3	10.6
Japan	Nikkei225	16,758.7	16,449.8	-1.8
US	Dow Jones	17,685.1	18,308.2	3.5
Hong Kong	Hang Seng	20,776.7	23,297.2	12.1
France	Cac 40	4,385.1	4,448.3	1.4
Germany	Dax	9,965.5	10,511.0	5.5
China	Shanghai Composite	3,003.9	3,004.7	0.0

Twelve Months to 30 September 2016

Country	Index	30/09/2015	30/09/2016	% Change
UK	FTSE100	6,061.6	6,899.3	13.8
UK	FTSE250	16,683.0	17,871.4	7.1
UK	FTSE350	3,384.7	3,812.4	12.6
UK	Small Cap	4,482.8	4,974.9	11.0
UK	Small Cap ex Investment Trusts	5,885.5	6,503.9	10.5
UK	All Share	3,335.9	3,755.3	12.6
Japan	Nikkei225	17,388.2	16,449.8	-5.4
US	Dow Jones	16,284.7	18,308.2	12.4
Hong Kong	Hang Seng	20,846.3	23,297.2	11.8
France	Cac 40	4,455.3	4,448.3	-0.2
Germany	Dax	9,660.4	10,511.0	8.8
China	Shanghai Composite	3,052.8	3,004.7	-1.6

5. **Performance**

- 5.1 The internally managed passive portfolio is modelled to track the index with a tolerance of +/-0.5% pa allowing for the costs of rebalancing. The figures shown below summarise the performance of this portfolio:



<b>Period</b>	<b>Dorset</b>	<b>Index</b>	<b>Relative</b>
	<b>%</b>	<b>%</b>	<b>%</b>
3 months to 30/09/2016	8.15	7.63	0.52
6 months to 30/09/2016	13.59	12.90	0.69
12 months to 30/09/2016	17.14	16.88	0.26
3 years to 30/09/2016	6.67	6.51	0.16
5 years to 30/09/2016	11.10	10.93	0.17

The performance of the internally managed portfolio was outside the agreed tolerance for the quarter just ended and the financial year to date, but still within its tolerance for the 12 months, three years and five to date.

## 5.2 SIX MONTHS TO 30 SEPTEMBER 2016

	<b>Market Values</b>		<b>Performance</b>	<b>Benchmark</b>	<b>Benchmark</b>
	<b>31/03/2016</b>	<b>30/06/2016</b>	<b>%</b>	<b>%</b>	<b>Description</b>
	<b>£M</b>	<b>£M</b>			
Internal	365.7	443.1	13.6	12.9	FTSE 350
AXA Framlington	108.0	176.1	4.3	12.9	All-Share
Standard Life	71.9	0.0	-	-	All-Share
Schroders	38.6	41.0	6.5	8.2	Small Cap*
<b>Total</b>	<b>584.2</b>	<b>660.2</b>	<b>10.7</b>	<b>12.1</b>	

\*FTSE Small Cap ex Investment Trusts

The figures for the whole UK equity portfolio show:

- The combined portfolio has underperformed its benchmark over the six month period by 1.4%.
- Both of the active UK managers underperformed their benchmarks with AXA Framlington underperforming by 8.6% and Schroders underperforming by 1.7%.

## THREE AND FIVE YEAR ANNUALISED PERFORMANCE

	<b>Three Years</b>		<b>Five Years</b>	
	<b>Performance</b>	<b>Benchmark</b>	<b>Performance</b>	<b>Benchmark</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Internal	6.7	6.5	11.1	10.9
AXA Framlington	6.0	6.6	11.9	11.0
Schroders	11.0	8.3	17.0	17.5

The figures for the whole UK equity portfolio show:

- Over both the three and five year period the Internally Managed Fund has outperformed its benchmarks by 0.2%, within its agreed tolerance.
- AXA Framlington underperformed their benchmark over the three year period by 0.6% but outperformed its benchmark by 0.9% over five years.
- Schroders outperformed its benchmark over three years by 2.7% but underperformed its benchmark by 0.5% over five years.

## 5.3

The table below shows how the three UK Equity manager's valuations have changed over the financial year to 30 September 2016.

## MARKET VALUE OVER SIX MONTHS TO 30 SEPTEMBER 2016

	Market Value		% of Total UK Equity as at	
	31/03/16	30/06/16	31/03/16	30/06/16
<u>Manager</u>	<u>£M</u>	<u>£M</u>	<u>%</u>	<u>%</u>
Internal	365.7	443.1	62.6	67.1
AXA Framlington	108.0	176.1	18.5	26.7
Standard Life	71.9	0.0	12.3	0.0
Schroders	38.6	41.0	6.6	6.2
<b>Total</b>	<b>584.2</b>	<b>660.2</b>	<b>100.0</b>	<b>100.0</b>

5.4 Each external manager's commentary is summarised below:

### **AXA Framlington**

2nd Quarter 2016/17

#### **Performance**

During the second quarter, the fund returned 10.4/% against the FTSE All Share return of 7.8%. For the twelve months to date the Fund returned 8.4% against its benchmark of 16.8%. RPC, the largest holding in the portfolio, was the biggest contributor to relative performance, whilst Rightmove and Dixons Carphone rallied after the EU Referendum falls in the previous quarter. The best relative performing sector was Industrials, which includes Support Services. The biggest negative contributor to relative performance was Biotech BTG. They are struggling to get reimbursement in the USA for their varicose vein treatment. The worst relative performance sector was Financials, whilst Mining shares rallied, which was a negative as the Fund does not hold any.

#### **Activity**

There were no new holdings established in the quarter, but stocks added to were Breedon, Eco Animal Health and Ascential. The holding in Poundland was sold after the increased takeover bid from Steinhoff. The discount retailer B&M European Value Retail S.A. was sold down and profits taken in St. James Place, Paddy Power Betfair, Booker and BT.

#### **Outlook and Strategy**

The weakness of sterling continued to favour overseas earners. Fragile global economic growth is causing many companies to downgrade expectations, compounded by the EU referendum. Monetary tightening in the USA is now envisaged, although the outcome of the US Presidential election and some European elections may influence this. UK domestic stocks are still under pressure regarding the outlook for consumption during EU Referendum negotiations. However, after these sharp falls, many rallied in this quarter. US monetary tightening is now expected with the implications for bond yields. Continued anaemic global growth will lead to further lowering of earnings expectations next year.

### **Schroders**

2nd Quarter 2016/17

#### **Performance and Market Summary**

During the second quarter, the Fund returned 15.7% against the Small Cap benchmark of 12.8%. Over the twelve month period the Fund returned 8.5% against its benchmark of 10.5%. Over three years the Fund outperformed the benchmark by 2.6% but underperformed by 0.5% over the five year period. Strong positive contributions came from companies such as Blue prism, MJ Gleeson and Craneware who all delivered solid results. Taptica International continued on its recovery in what has proven to be a challenging 18 months for the ad tech space. Continuing scepticism about the ability of companies to deal with the impact of the EU Referendum saw domestic stocks such as Dart (travel agent and airline) and

Safestore (self storage centres) underperform. Majestic Wine had a profit warning following difficulties in its Naked Wines arm in the United States. Impatience with the operational progress of cosmetic operator Sinclair Pharma began to show itself in the share price. Carclo's pension deficit deteriorated significantly thanks to moving bond rates and was obliged to pass on its dividend for the foreseeable future.

#### Activity

New holdings were purchased in Tax Systems, Autins Group and Hollywood Bowl, whilst Blue Prism, Finsbury Food, Morses Club and Avon Rubber were added to. Complete sales of Wireless Group, Photo-Me, 4d Pharma and Redcentric happened in the quarter. Partial sales of Cape, Charles Stanley, Devro, Trifast and Ted Baker amongst others occurred in the quarter.

#### Outlook and Strategy

Emerging evidence of continued positive economic growth since the referendum has provided some support to the performance of domestic facing companies, particularly relative to the experience immediately after the result when the shares fell sharply. As noted already, investor optimism about the outlook for the domestic economy has softened, as investors anticipate a negative impact on consumer spending from what is expected to be a period of rising inflation. Reflecting this, the earlier strengthening in the performance of domestic facing companies has generally levelled off in recent weeks, particularly relative to the performance of the FTSE100. Companies are using the environment of low interest rates to make acquisitions to supplement organic growth. This is being well received by the market and it is a trend that is expected to continue. Seeking organic growth will continue, along with pricing power where possible and avoiding companies with too much debt because, in a deflationary environment, the latter can destroy the value of equity very quickly.

## 6 **Review of Activity**

6.1 The Internal managed portfolio had seven corporate actions in the six month period to 30 September 2016, of which the following were in the second quarter of the year:

- In July, Darty Plc was taken over by Groupe Fnac SA for £0.1M.
- In September, Arm Holdings Plc was taken over by Softbank Group Corp. for £5.0M.
- In September, Home Retail Group Plc was taken over by Sainbury (J) Plc for £0.1M.

6.2

- In July, the UK Equity Internally Managed Passive Fund was rebalanced. The total value of purchases and sales were £11.1M with a net purchase of £1.9M. There were 27 purchases (£6.5M) and 106 sales (£4.6M).
- In August, due to cashflow reasons, the decision was made to redeem £10M from the UK Equity Internally Managed Passive Fund. The total value of purchases and sales were £10.3M with a net sale of £10.0M. There were 2 purchases (£0.2M) and 181 sales (£10.2M).

## 7 **Stock Lending**

7.1 Stock lending is managed in the UK on an agency basis by HSBC, and overseas on the same basis by Pictet.

7.2 Total overseas stock lending income for the year to 30 September 2016 is £20,185. Net income for UK stock lending was £83,290 over the same period, giving a total of £103,475.

**David Wilkes**  
**Finance Manager (Treasury and Investments)**  
**November 2016**

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**DORSET COUNTY PENSION FUND**

**VALUATION OF PORTFOLIO AT CLOSE OF BUSINESS 30 SEPTEMBER 2016**

Description	Holding	Book Cost £ 000's	Market Price	Market Value £000's
<b>UK EQUITIES</b>				
<b>MINING</b>				
ACACIA MINING	33,000	147.9	4.98	164.2
ANGLO AMERICAN ORD USD0.54	272,090	2,821.8	9.68	2,632.7
ANTOFAGASTA ORD GBP0.05	74,500	151.5	5.24	390.0
BHP BILLITON ORD USD0.50	441,026	2,424.1	11.62	5,124.7
CENTAMIN EGYPT LTD	226,000	349.1	1.48	335.2
FRESNILLO	35,500	88.2	18.13	643.6
GLENCORE XSTRATA	2,432,243	5,709.2	2.12	5,160.0
HOCHSCHILD MINING ORD GBP0.25	49,000	108.9	2.89	141.8
KAZ MINERALS	56,000	93.8	2.20	123.3
POLYMETAL INT'L	55,000	525.8	9.68	532.4
RANDGOLD RESOURCES ORD USD0.05	19,450	490.4	77.80	1,513.2
RIO TINTO ORD GBP0.10 (REG)	252,050	2,898.3	25.75	6,489.0
VEDANTA RESOURCES ORD USD0.10	18,500	75.1	5.83	107.9
<b>Total MINING</b>		<b>15,884.0</b>		<b>23,358.0</b>
<b>OIL &amp; GAS PRODUCERS</b>				
AFREN PLC	218,000	215.9	0.00	0.0
BP ORD USD0.25	3,855,500	12,716.2	4.50	17,347.8
CAIRN ENERGY ORD GBP0.06153846153	124,207	246.2	1.88	233.5
ROYAL DUTCH 'B' ORD EUR0.07	1,633,461	19,982.6	19.97	32,620.2
TULLOW OIL ORD GBP 0.10	188,500	789.9	2.53	476.9
<b>Total OIL &amp; GAS PRODUCERS</b>		<b>33,950.9</b>		<b>50,678.5</b>
<b>CHEMICALS</b>				
CRODA INTL ORD GBP0.10	26,995	211.1	34.84	940.5
ELEMENTIS	99,000	130.2	2.18	215.5
JOHNSON MATTHEY ORD GBP1.00	40,357	446.3	32.94	1,329.4
SYNTHOMER	57,665	118.9	3.69	212.9
VICTREX ORD GBP0.01	17,000	111.6	15.68	266.6
<b>Total CHEMICALS</b>		<b>1,018.2</b>		<b>2,964.8</b>
<b>CONSTRUCTION &amp; MATERIALS</b>				
BALFOUR BEATTY ORD GBP0.50	148,020	358.3	2.79	413.6
CRH PLC	173,000	2,449.8	25.62	4,432.3
IBSTOCK PLC	36,000	74.1	1.62	58.1
KELLER GROUP ORD GBP0.10	15,000	143.6	8.78	131.6
KIER GROUP ORD GBP0.01	19,139	256.6	13.13	251.3
MARSHALLS GROUP ORD GBP0.25	43,000	153.0	2.85	122.4
POLYPIPE GROUP	41,000	127.4	2.81	115.1

<b>Total CONSTRUCTION &amp; MATERIALS</b>		<b>3,562.9</b>		<b>5,524.4</b>
<b>FORESTRY &amp; PAPER</b>				
MONDI PLC EUR0.20	76,250	272.5	16.23	1,237.5
<b>Total FORESTRY &amp; PAPER</b>		<b>272.5</b>		<b>1,237.5</b>
<b>AEROSPACE &amp; DEFENCE</b>				
BAE SYSTEMS ORD GBP0.025	660,616	1,467.8	5.24	3,461.6
COBHAM ORD GBP0.25	356,499	343.6	1.68	597.8
MEGGITT ORD GBP0.05	162,187	421.1	4.51	731.5
QINETIQ ORD GBP0.01	126,000	225.9	2.37	298.2
ROLLS ROYCE ORD GBP0.20	344,978	1,169.8	7.20	2,483.8
SENIOR	90,000	127.8	2.29	206.1
ULTRA ELECTRONICS ORD GBP0.05	14,500	125.1	17.73	257.1
<b>Total AEROSPACE &amp; DEFENCE</b>		<b>3,881.0</b>		<b>8,036.2</b>
<b>ELECTRONIC &amp; ELECTRICAL EQUIPMENT</b>				
HALMA ORD GBP0.10	78,517	154.7	10.49	823.6
MORGAN ADVANCE MATERIALS	61,000	125.5	2.89	176.4
RENISHAW ORD GBP0.20	7,500	61.3	26.37	197.8
SPECTRIS ORD GBP0.05	25,000	166.4	19.68	492.0
<b>Total ELECTRONIC &amp; ELECTRICAL EQUIPMENT</b>		<b>507.9</b>		<b>1,689.8</b>
<b>INDUSTRIAL ENGINEERING</b>				
BODYCOTE INT ORD GBP 0.10	41,252	181.7	5.89	242.8
HILL & SMITH	17,000	168.2	11.34	192.8
IMI ORD GBP0.25	56,968	208.8	10.73	611.3
ROTORK ORD GBP0.05	180,000	128.8	2.11	380.0
SPIRAX-SARCO ORD GBP0.25	15,021	175.5	44.95	675.2
WEIR GROUP ORD GBP0.125	44,250	231.8	17.00	752.3
<b>Total INDUSTRIAL ENGINEERING</b>		<b>1,094.9</b>		<b>2,854.2</b>
<b>AUTOMOBILES &amp; PARTS</b>				
GKN ORD GBP0.50	358,044	440.0	3.20	1,146.5
<b>Total AUTOMOBILES &amp; PARTS</b>		<b>440.0</b>		<b>1,146.5</b>
<b>HOUSEHOLD GOODS &amp; HOME CONSTRUCTION</b>				
BARRATT DEVEL ORD GBP0.10	207,634	515.3	4.94	1,024.9
BELLWAY ORD GBP0.125	25,500	213.2	23.68	603.8
BERKELEY GP UNITS	27,180	217.8	25.78	700.7
BOVIS HOMES GROUP ORD GBP0.50	29,000	145.3	8.74	253.5
COUNTRYSIDE	33,000	78.5	2.42	80.0
CREST NICHOLSON ORD GBP0.10	52,000	189.9	4.51	234.5
GALLIFORD TRY ORD GBP0.05	18,000	126.1	13.25	238.5
MCCARTHY & STONE ORD GBP0.20	61,000	148.6	1.67	101.8
PERSIMMON ORD GBP0.10	63,645	444.9	18.14	1,154.5
RECKITT BENCKISER ORD GBP0.10	131,100	2,265.8	72.65	9,524.4
REDROW ORD GBP0.10	46,928	86.0	4.00	187.7
TAYLOR WIMPEY ORD GBP0.25	681,000	420.3	1.54	1,048.7
<b>Total HOUSEHOLD GOODS &amp; HOME CONSTRUCTION</b>		<b>4,851.7</b>		<b>15,153.0</b>

**BEVERAGES**

BARR (A G )	18,000	46.4	5.13	92.3
BRITVIC ORD GBP0.20	52,000	185.3	6.03	313.3
COCA-COLA HBC AG-CDI	41,000	695.2	17.91	734.3
DIAGEO PLC ORD GBP0.28935	525,677	4,152.4	22.10	11,617.5
SABMILLER ORD USD 0.10	199,500	2,539.9	44.94	8,965.5
<b>Total BEVERAGES</b>		<b>7,619.3</b>		<b>21,722.9</b>

**FOOD PRODUCERS**

ASSD BRITISH FOODS ORD GBP0.0568	72,960	551.6	25.99	1,896.2
CRANWICK	10,500	105.7	23.38	245.5
DAIRY CREST ORD GBP0.25	30,000	148.7	6.48	194.4
GREENCORE GROUP	88,000	162.0	3.35	295.0
TATE & LYLE ORD GBP0.25	97,400	319.8	7.48	728.6
<b>Total FOOD PRODUCERS</b>		<b>1,287.8</b>		<b>3,359.6</b>

**HEALTH CARE EQUIPMENT & SERVICES**

MEDICLINIC	81,000	771.8	9.27	750.5
NMC HEALTH PLC	14,000	62.6	13.70	191.8
SMITH & NEPHEW ORD USD0.2	187,272	625.5	12.43	2,327.8
SPIRE HEALTHCARE GRP	60,000	184.4	3.94	236.3
UDG HEALTHCARE	51,000	165.7	6.41	326.9
<b>Total HEALTH CARE EQUIPMENT &amp; SERVICES</b>		<b>1,810.0</b>		<b>3,833.3</b>

**PERSONAL GOODS**

BURBERRY GROUP ORD GBP0.0005	92,372	340.1	13.78	1,272.9
PZ CUSSONS ORD GBP0.01	63,970	109.0	3.64	232.6
SUPERGROUP PLC	11,000	115.8	15.03	165.3
TED BAKER PLC	6,000	71.0	24.64	147.8
UNILEVER ORD GBP0.031111	251,728	2,201.8	36.54	9,198.1
<b>Total PERSONAL GOODS</b>		<b>2,837.6</b>		<b>11,016.8</b>

**PHARMACEUTICALS & BIOTECHNOLOGY**

ASTRAZENECA ORD USD0.25	263,000	5,465.8	50.03	13,157.9
BTG	80,000	264.8	6.34	506.8
CIRCASSIA PHARMACEUTICALS	39,000	107.5	0.94	36.8
DECHRA PHARMACEUTICALS	19,000	110.3	13.93	264.7
GENUS	13,000	113.0	19.48	253.2
GLAXOSMITHKLINE ORD GBP0.25	1,014,088	6,374.0	16.43	16,656.4
HIKMA PHARMA ORD GBP0.10	29,000	210.2	20.18	585.2
INDIVIOR	135,050	60.4	3.07	413.9
SHIRE ORD GBP0.05	183,000	4,907.5	49.98	9,145.4
VECTURA GROUP	150,000	254.0	1.39	207.8
<b>Total PHARMACEUTICALS &amp; BIOTECHNOLOGY</b>		<b>17,867.4</b>		<b>41,228.1</b>

**TOBACCO**

BRITISH AMERICAN TOBACCO ORD GBP0.25	389,000	5,441.7	49.30	19,177.7
IMPERIAL BRANDS ORD GBP0.10	200,762	2,679.3	39.73	7,976.3
<b>Total TOBACCO</b>		<b>8,120.9</b>		<b>27,154.0</b>



**GENERAL RETAILERS**

AA PLC	130,000	497.4	2.96	384.4
AO WORLD	35,000	57.8	1.69	59.2
B&M EUROPEAN VALUE RETAIL SA	142,000	487.4	2.55	362.0
BROWN (N) GROUP ORD GBP0.1105263157	32,761	38.7	1.90	62.2
CARD FACTORY	50,000	137.4	3.07	153.6
DEBENHAMS ORD GBP0.01	264,000	322.7	0.56	147.2
DFS FURNITURE ORD GBP0.05	33,000	95.5	2.53	83.5
DIGNITY	10,411	127.7	28.01	291.6
DIXONS CARPHONE	207,453	715.9	3.68	764.3
DUNELM GROUP	20,000	62.0	8.51	170.1
HALFORDS GRP ORD GBP0.01	43,000	136.2	3.50	150.7
INCHCAPE ORD GBP0.25	90,300	234.0	6.59	594.6
JD SPORTS FASHION PLC	16,000	95.1	14.77	236.3
JUST EAT	95,997	344.3	5.36	514.1
KINGFISHER ORD GBP0.157142857	476,078	1,006.1	3.77	1,793.9
MARKS AND SPENCER GROUP ORD GBP0.25	338,600	700.9	3.31	1,119.8
NEXT ORD GBP0.10	30,200	370.5	47.76	1,442.4
PENDRAGON ORD GBP0.05	300,000	110.1	0.30	89.3
PETS AT HOME GRP	79,000	174.5	2.35	185.6
SAGA	236,000	437.9	2.13	502.9
SMITH WH ORD GBP0.20	23,447	97.2	15.38	360.6
SPORTS DIRECT INT'L ORD GBP0.10	54,000	177.5	2.87	155.1
<b>Total GENERAL RETAILERS</b>		<b>6,426.8</b>		<b>9,623.1</b>

**INDUSTRIAL METALS**

EVRAZ PLC	101,000	329.4	1.61	162.6
<b>Total INDUSTRIAL METALS</b>		<b>329.4</b>		<b>162.6</b>

**TRAVEL & LEISURE**

CARNIVAL ORD USD1.66	38,115	589.2	37.66	1,435.4
CINEWORLD GRP	42,000	150.0	5.80	243.6
COMPASS GROUP ORD GBP0.10	343,893	1,384.2	14.94	5,137.8
DOMINO'S PIZZA UK& IRL	87,000	114.6	3.73	324.8
EASYJET ORD GBP0.25	52,257	310.6	10.07	526.2
FIRSTGROUP ORD GBP0.05	258,749	415.2	1.06	273.5
GO AHEAD GROUP ORD GBP0.10	9,000	106.8	20.31	182.8
GREENE KING ORD GBP0.125	63,985	346.1	7.74	494.9
INT'L CONSOLIDATED AIR	361,250	1,059.0	3.99	1,440.3
INTER	41,116	325.0	31.80	1,307.5
LADBROKES ORD GBP0.28333	217,805	695.5	1.40	304.7
MARSTONS ORD GBP0.07375	123,154	132.9	1.47	180.5
MERLIN ENTERTAINMENT	148,000	585.9	4.40	650.5
MILLENNIUM & COPTHORNE HOTELS ORD GBP0.	25,910	101.4	4.35	112.7
MITCHELLS & BUTLER ORD GBP0.085416	50,430	153.5	2.75	138.6
NATIONAL EXPRESS ORD GBP0.05	90,666	239.9	3.44	312.2
PADDYPOWER BETFAIR	17,099	1,149.9	87.00	1,487.6
PLAYTECH ORD	44,000	258.8	9.10	400.4
RANK GROUP ORD GBP0.13888	33,215	72.6	2.05	68.2

RESTAURANT ORD GBP0.28125	43,000	76.5	3.84	165.2
SSP GRP	101,000	276.4	3.20	323.0
STAGECOACH GROUP ORD GBP0.009824	91,395	106.4	2.11	193.1
THOMAS COOK ORD EURO.10	307,000	380.9	0.69	212.4
TUI TRAVEL ORD GBP0.10	98,697	857.3	10.96	1,081.7
WETHERSPOON (JD) ORD GBP0.02	17,500	53.8	9.40	164.5
WHITBREAD ORD GBP0.76797385	38,085	415.1	39.14	1,490.6
WILLIAM HILL ORD GBP0.10	181,552	375.2	3.04	552.3
WIZZ AIR HOLDINGS PLC	9,000	157.8	16.40	147.6
<b>Total TRAVEL &amp; LEISURE</b>		<b>10,890.5</b>		<b>19,352.7</b>

#### **MEDIA**

AUTO TRADER GROUP	202,000	729.1	4.05	818.7
ENTERTAINMENT ONE LTD	87,998	171.0	2.26	199.1
EUROMONEY INST INVESTOR ORD GBP0.0025	8,000	55.9	11.09	88.7
INFORMA ORD GBP0.001	134,948	434.4	7.12	960.8
ITV ORD GBP0.10	781,146	1,008.5	1.87	1,461.5
MONEYSUPERMARKET.COM	110,000	205.0	3.00	330.1
PEARSON ORD GBP0.25	172,027	1,083.1	7.53	1,295.4
RELX	228,670	1,010.4	14.63	3,345.4
RIGHTMOVE ORD GBP0.001	18,865	144.8	42.22	796.5
SKY PLC	218,500	1,239.5	8.94	1,952.3
UBM ORD GBP0.338068	81,716	560.8	7.14	583.5
WPP GROUP ORD GBP0.10	269,966	1,687.5	18.12	4,891.8
ZOOPLA PROPERTY GRP	51,000	109.6	3.25	165.9
<b>Total MEDIA</b>		<b>8,439.7</b>		<b>16,889.8</b>

#### **SUPPORT SERVICES**

AGGREKO ORD GBP0.20	49,765	178.9	9.54	474.5
ASCENTIAL	33,000	84.0	2.81	92.7
ASHTREAD GROUP ORD GBP0.10	105,000	274.7	12.69	1,332.5
ATKINS WS ORD GBP0.005	21,000	116.3	15.88	333.5
BABCOCK INTL GRP ORD GBP0.60	104,979	491.6	10.35	1,086.5
BERENDSEN PLC	35,957	149.2	12.44	447.3
BUNZL ORD GBP0.32142857	69,470	385.8	22.80	1,583.9
CAPITA GROUP ORD NVP	137,902	571.0	6.70	923.3
CARILLION ORD GBP0.50	92,699	186.2	2.48	229.8
CONNAUGHT	22,000	89.9	0.00	0.0
DCC ORD	18,500	603.8	70.20	1,298.7
DIPLOMA PLC	24,000	118.8	8.79	210.8
ELECTROCOMPONENTS ORD GBP0.10	94,000	130.6	3.40	319.1
ESSENTA	55,749	181.2	4.86	270.9
EXPERIAN ORD USD0.10	200,870	725.2	15.43	3,099.4
G4S ORD GBP0.25	324,213	629.6	2.28	738.2
GRAFTON GROUP	46,000	296.4	4.97	228.8
HAYS ORD GBP0.01	298,500	184.3	1.30	387.2
HOMESERVE ORD GBP0.125	53,140	106.7	5.76	305.8
HOWDEN JOINERY GROUP	127,000	166.5	4.32	549.0
INTERTEK GROUP ORD GBP0.01	33,550	346.0	34.89	1,170.6
MICHAEL PAGE INTL ORD GBP0.01	66,000	141.0	3.36	221.6

MITIE GROUP ORD GBP0.025	77,500	158.6	1.92	148.6
PAYPOINT	14,000	104.3	10.32	144.5
PAYSAFE GROUP	100,000	401.3	4.46	446.1
REGUS ORD GBP0.05	130,000	144.2	2.61	339.0
RENTOKIL INITIAL ORD GBP0.01	381,624	351.0	2.22	847.6
SERCO ORD GBP0.02	236,000	364.1	1.31	308.2
SIG ORD GBP0.10	120,285	188.4	1.16	139.9
TRAVIS PERKINS ORD GBP0.10	51,672	322.0	15.43	797.3
WOLSELEY ORD GBP0.25	52,813	940.0	43.55	2,300.0
WORLDPAY GROUP PLC	275,000	806.4	2.96	813.5
<b>Total SUPPORT SERVICES</b>		<b>9,937.8</b>		<b>21,588.8</b>
<b>INDUSTRIAL TRANSPORT</b>				
BBA AVIATION ORD GBP0.2976	217,039	350.1	2.50	541.9
CLARKSON PLC	5,000	139.2	20.96	104.8
FISHER (JAMES) & SONS	9,000	139.3	16.29	146.6
ROYAL MAIL	190,000	1,062.9	4.90	930.1
<b>Total INDUSTRIAL TRANSPORT</b>		<b>1,691.6</b>		<b>1,723.4</b>
<b>FOOD &amp; DRUG RETAILERS</b>				
BOOKER GROUP	343,000	217.5	1.78	610.5
GREGGS ORD GBP0.20	22,000	195.2	10.14	223.1
MORRISON (WM) ORD GBP0.10	451,283	572.0	2.18	982.4
OCADO GROUP PLC	87,000	154.9	2.64	229.7
SAINSBURY (J) ORD GBP0.28571428	351,773	871.6	2.46	864.3
TESCO ORD GBP0.05	1,694,212	2,619.0	1.83	3,097.0
<b>Total FOOD &amp; DRUG RETAILERS</b>		<b>4,630.2</b>		<b>6,007.1</b>
<b>FIXED LINE TELECOMMUNICATION</b>				
BT GROUP ORD GBP0.05	1,745,398	4,157.8	3.89	6,790.5
TALKTALK TELECOM	113,000	174.7	2.02	228.3
TELECOM PLUS	13,284	117.3	11.06	146.9
<b>Total FIXED LINE TELECOMMUNICATION</b>		<b>4,449.8</b>		<b>7,165.7</b>
<b>ELECTRICITY</b>				
DRAX GROUP ORD GBP0.1155172	86,744	604.0	3.05	264.7
SSE PLC ORD GBP0.50	209,940	1,554.7	15.68	3,291.9
<b>Total ELECTRICITY</b>		<b>2,158.7</b>		<b>3,556.6</b>
<b>GAS WATER &amp; MULTIUTILITIES</b>				
CENTRICA ORD GBP0.061728395	1,132,474	2,013.1	2.28	2,584.3
NATIONAL GRID ORD GBP0.11395	787,086	3,994.6	10.92	8,595.0
PENNON ORD GBP0.407	85,279	293.7	8.92	760.7
SEVERN TRENT ORD GBP0.9789	49,009	368.9	25.04	1,227.2
UNITED UTILITIES ORD GBP1.00	142,439	634.2	10.03	1,428.7
<b>Total GAS WATER &amp; MULTIUTILITIES</b>		<b>7,304.5</b>		<b>14,595.8</b>
<b>BANKS</b>				
ALDERMORE GROUP	35,000	96.7	1.67	58.4
BANK OF GEORGIA HLDGS	7,000	109.2	29.04	203.3

BARCLAYS ORD GBP0.25	3,493,270	7,121.6	1.68	5,860.0
CYBG	187,000	446.9	2.66	496.7
HSBC HLDGS ORD USD 0.50	4,132,447	18,137.7	5.79	23,914.5
LLOYDS TSB GROUP ORD GBP0.25	13,349,923	11,597.3	0.55	7,282.4
METRO BANK	16,000	311.9	27.61	441.8
ROYAL BANK OF SCOTLAND	683,772	6,730.5	1.79	1,222.6
SHAWBROOK GROUP	22,000	69.2	2.38	52.4
STANDARD CHARTERED ORD USD0.50	559,969	3,910.6	6.28	3,518.3
VIRGIN MONEY HOLDINGS UK	49,000	189.9	3.11	152.2
<b>Total BANKS</b>		<b>48,721.4</b>		<b>43,202.4</b>
<b>NON LIFE INSURANCE</b>				
ADMIRAL GRP ORD GBP0.001	42,000	309.4	20.49	860.6
BEAZLEY GROUP ORD GBP0.05	111,421	158.9	3.87	431.1
DIRECT	287,416	750.8	3.65	1,047.6
ESURE GROUP	52,000	158.8	3.04	157.8
HASTINGS GROUP HOLDINGS LTD	53,000	93.5	2.31	122.5
HISCOX ORD GBP0.05	59,069	224.6	10.42	615.5
JARDINE LLOYD THOMPSON ORD GBP0.05	26,000	81.8	10.12	263.1
LANCASHIRE HOLDINGS LTD	43,000	242.0	6.70	288.1
RSA INSURANCE	212,216	1,288.7	5.46	1,157.6
<b>Total NON LIFE INSURANCE</b>		<b>3,308.4</b>		<b>4,944.0</b>
<b>LIFE INSURANCE</b>				
AVIVA ORD GBP0.25	843,907	4,699.7	4.40	3,716.6
JRP GROUP	100,834	132.3	1.34	135.1
LEGAL & GENERAL GP ORD GBP0.025	1,238,334	964.7	2.19	2,708.2
OLD	1,019,435	1,534.9	2.02	2,062.3
PHOENIX GROUP HOLDINGS	52,479	369.1	8.79	461.3
PRUDENTIAL CORP ORD GBP0.05	532,136	2,275.7	13.66	7,269.0
ST JAMES PLACE ORD GBP0.15	108,000	602.5	9.48	1,023.8
STANDARD LIFE ORD GBP0.10	408,174	1,349.1	3.44	1,403.3
<b>Total LIFE INSURANCE</b>		<b>11,929.8</b>		<b>18,779.6</b>
<b>EQUITY INVESTMENT INSTRUMENTS</b>				
3I INFRASTRUCTURE LTD	144,565	201.7	1.93	279.2
ABERFORTH SMALLER COS TRUST ORD GBP	20,000	77.3	10.50	210.0
ALLIANCE TRUST ORD GBP0.25	107,735	201.2	5.76	620.6
BANKERS I.T. ORD GBP0.25	26,500	68.2	6.62	175.4
BH MACRO LTD	4,500	73.3	18.93	85.2
BRITISH EMPIRE SEC & GEN TRUST ORD GBP0.10	27,000	53.3	5.97	161.2
CALEDONIA INVESTMENT ORD GBP0.05	6,500	61.2	24.45	158.9
CITY OF LONDON TRUST ORD GBP0.25	69,600	161.8	4.06	282.4
EDINBURGH I.T. ORD GBP0.25	42,100	108.2	7.24	304.8
ELECTRA PRIVATE EQUITY GBP0.25	6,000	74.7	43.10	258.6
F & C INVEST TRUST ORD GBP0.25	116,000	138.2	5.01	581.2
FIDELITY CHINA SPECIAL	119,868	141.8	1.76	210.5
FIDELITY EUROPEAN VALUES ORD GBP0.25	90,000	58.0	1.79	161.1
FINSBURY GR&INC TRUST-ORD	28,000	165.1	6.58	184.2
GCP INFRASTRUCTURE INVESTMENTS	138,000	167.4	1.32	181.6

GENESIS EMERGING MARKETS	27,000	123.6	5.97	161.2
HARBOURVEST GLOBAL PRIVA	17,000	148.0	10.22	173.7
HICL INFRASTRUCTURE CO	292,725	367.9	1.70	496.5
INTERNATIONAL PUB PTR	212,762	244.2	1.54	328.1
JOHN LAING INFRASTRUCTURE	165,125	186.1	1.29	212.7
JPMORGAN AMERICAN IT	56,000	109.7	3.32	186.1
JPMORGAN EMERGING MKTS	26,000	125.7	7.03	182.8
MERCANTILE TRUST	19,700	71.3	16.72	329.4
MONKS INVESTMENT ORD GBP0.05	46,500	56.5	5.21	242.0
MURRAY INTERNATIONAL ORD GBP0.25	26,800	155.2	11.31	303.1
NB GLOBAL FLOATING RATE	227,000	227.1	0.95	216.1
P2P GLOBAL INVESTMENTS	19,000	189.2	8.38	159.1
PERPETUAL INCOME & GRTH ORD GBP0.10	51,000	121.7	3.84	195.8
PERSONAL ASSETS TRUST	350	131.8	398.10	139.3
POLAR CAPITAL TECHNOLOGY TR	28,000	80.4	8.08	226.2
RENEWABLES INFRASTRUCTURE GROUP	158,000	156.0	1.06	167.2
RIT CAPITAL PARTNERS ORD GBP1.00	26,479	121.1	17.45	462.1
RIVERSTONE ENERGY LTD	12,000	110.6	11.47	137.6
SCOTTISH I.T ORD GBP0.25	22,100	35.6	7.00	154.7
SCOTTISH MORTGAGE ORD GBP0.25	274,000	197.0	3.27	895.2
TEMPLE BAR IT ORD GBP0.25	14,000	106.8	11.10	155.4
TEMPLETON EMERGING MARKETS I.T. ORD GBPC	63,000	122.5	5.76	362.6
TR PROPERTY INVESTMENT TRUST ORD GBP0.25	68,500	69.3	3.13	214.1
WITAN IT ORD GBP0.25	42,100	102.0	8.36	351.7
WOODFORD PATIENT CAPITAL TRU	178,000	205.2	0.93	166.1
WORLDWIDE HEALTH	10,000	104.7	21.20	212.0
<b>Total EQUITY INVESTMENT INSTRUMENTS</b>		<b>5,420.8</b>		<b>10,685.6</b>
<b>REAL ESTATE INVESTMENT &amp; SERVICES</b>				
CAPITAL & COUNTIES PROPERTIES	151,333	299.7	2.88	435.8
CLS HOLDINGS ORD GBP0.25	3,000	49.0	15.71	47.1
COUNTRYWIDE PLC ORD GBP0.05	33,000	188.2	2.16	71.2
DAEJAN HOLDINGS ORD GBP0.25	1,000	42.4	55.80	55.8
F & C COMMERCIAL PROPERTY TRUST	113,000	123.7	1.23	139.0
GRAINGER TRUST ORD0.05	89,000	139.5	2.30	204.6
KENNEDY WILSON EUR REAL EST.	25,000	266.9	10.03	250.8
SAVILLS ORD 2.5GBP	28,000	113.6	7.16	200.5
ST. MODWEN PROPERTIES ORD GBP0.10	35,000	92.7	2.94	102.9
UK COMMERCIAL PROPERTY ORD GBP0.25	142,000	120.2	0.79	112.0
UNITE GROUP ORD GBP0.25	46,142	175.6	6.34	292.5
<b>Total REAL ESTATE INVESTMENT &amp; SERVICES</b>		<b>1,611.4</b>		<b>1,912.3</b>
<b>REAL ESTATE INVESTMENT TRUSTS</b>				
ASSURA GROUP ORD GBP0.10	351,000	185.5	0.58	204.3
BIG YELLOW GROUP ORD GBP0.10	31,000	163.2	7.80	241.6
BRITISH LAND ORD GBP0.25	214,000	968.0	6.33	1,353.6
DERWENT LONDON ORD GBP0.05	21,096	311.7	26.00	548.5
GREAT PORTLAND ESTATE ORD GBP0.125	72,172	243.0	6.33	456.5
HAMMERSON ORD GBP0.25	163,847	620.8	5.86	960.1
HANSTEEN HOLDINGS	155,000	142.6	1.16	180.3

INTU PROPERTIES REIT	195,333	725.8	2.96	578.8
LAND SECURITIES GROUP ORD GBP0.10	164,276	904.2	10.57	1,736.4
LONDON METRIC	126,000	164.4	1.60	201.6
REDEFINE INT'L REIT	255,000	129.2	0.43	109.6
SAFESTONE HLDGS	44,000	150.7	3.85	169.3
SEGRO REIT	159,052	491.4	4.52	718.9
SHAFTESBURY ORD GBP0.25	57,666	245.5	9.70	559.4
TRITAX BIG BOX REIT PLC	179,909	221.5	1.39	249.9
WORKSPACE GROUP - ORD GBP0.10	25,000	108.8	6.96	174.0
<b>Total REAL ESTATE INVESTMENT TRUSTS</b>		<b>5,776.3</b>		<b>8,442.6</b>
<b>TECHNOLOGY HARDWARE &amp; EQUIPMENT</b>				
LAIRD GROUP ORD GBP0.28125	58,000	91.9	3.17	184.0
<b>Total TECHNOLOGY HARDWARE &amp; EQUIPMENT</b>		<b>91.9</b>		<b>184.0</b>
<b>SOFTWARE &amp; COMPUTER SERVICES</b>				
AVEVA GROUP ORD GBP0.0333	13,686	153.0	19.93	272.8
COMPUTACENTER PLC ORD GBP0.05	14,705	60.8	7.10	104.3
FIDESSA GROUP	8,000	80.3	23.97	191.8
MICRO FOCUS INT'L ORD GBP0.10	46,683	464.8	21.98	1,026.1
NCC GROUP LTD	56,000	165.0	3.51	196.3
SAGE GROUP ORD GBP0.01	224,263	400.2	7.38	1,653.9
SOFTCAT PLC	17,000	56.3	3.20	54.4
SOPHOS GROUP	50,000	122.1	2.67	133.4
<b>Total SOFTWARE &amp; COMPUTER SERVICES</b>		<b>1,502.6</b>		<b>3,633.0</b>
<b>FINANCIAL SERVICES</b>				
3I GROUP ORD GBP0.738636	200,781	555.6	6.51	1,306.1
ABERDEEN ASSET MGT ORDGBP0.10	206,000	353.8	3.26	672.2
ALLIED MINDS	28,000	123.7	3.27	91.5
ASHMORE GROUP ORD GBP0.0001	84,000	230.0	3.53	296.9
BREWING DOLPHIN HLDGS	58,000	104.1	2.64	153.0
CLOSE BROTHERS GROUP ORD GBP0.25	31,500	183.0	13.69	431.2
CMC MKTS	20,000	57.4	1.97	39.4
HARGRAVES LANSDOWN	45,500	204.2	12.72	578.8
HENDERSON GRP ORD GBP0.125	220,518	198.7	2.32	511.6
ICAP ORD GBP0.10	112,000	319.3	4.66	521.9
IG GROUP ORD GBP0.05	76,000	215.9	8.71	662.0
INTERMEDIATE CAPITAL GRP ORD GBP0.20	60,482	271.6	5.90	356.8
INTL PERSONAL FINANCE ORD GBP0.10	45,236	55.1	2.60	117.6
INVESTEC ORD GBP0.0002	106,500	330.0	4.71	501.4
IP GROUP PLC	115,620	190.8	1.68	193.8
JOHN LAING GROUP	79,000	160.5	2.72	215.2
JUPITER FUND MANAGEMENT	87,000	269.5	4.25	370.1
LONDON STOCK EXCHANGE ORD GBP0.069186	64,925	914.1	27.97	1,816.0
MAN GROUP ORD USD0.0342857	319,375	467.8	1.13	359.6
ONESAVINGS BANK PLC	18,000	70.0	2.54	45.7
PARAGON GRP OF COMPANIES ORD GBP1	63,000	126.6	3.14	197.5
PROVIDENT FINANCIAL ORD GBP0.20727272	30,368	266.9	30.33	921.1
RATHBONE BROTHERS ORD GBP0.05	10,000	115.3	18.28	182.8

SCHRODERS ORD GBP1.00	23,499	145.5	26.95	633.3
SVG CAPITAL ORD GBP1.00	33,000	89.5	6.77	223.4
TULLETT PREBON ORD GBP0.25	50,500	148.1	3.34	168.5
<b>Total FINANCIAL SERVICES</b>		<b>6,167.1</b>		<b>11,567.2</b>
<b>GENERAL INDUSTRIAL</b>				
RPC GROUP	63,197	270.5	9.60	606.7
SMITH (DS) ORD GBP0.10	195,475	304.3	3.84	751.2
SMITHS GROUP ORD GBP0.375	81,527	491.8	14.63	1,192.7
SMURFIT KAP	49,000	870.4	17.17	841.3
VESUVIUS	58,281	197.2	3.51	204.4
<b>Total GENERAL INDUSTRIAL</b>		<b>2,134.3</b>		<b>3,596.4</b>
<b>MOBILE TELECOMMUNICATIONS</b>				
INMARSAT ORD EURO0.0005	93,000	433.4	7.05	655.7
VODAFONE GROUP ORD USD0.11428571	5,541,281	10,590.1	2.22	12,285.0
<b>Total MOBILE TELECOMMUNICATIONS</b>		<b>11,023.5</b>		<b>12,940.7</b>
<b>OIL EQUIPMENT SERVICES &amp; DISTRIBUTION</b>				
AMEC ORD GBP0.50	83,500	389.6	5.72	477.2
PETROFAC ORD USD0.025	54,000	214.6	8.92	481.4
WOOD GROUP (JOHN) ORD GBP0.03333	76,833	300.2	7.59	583.2
<b>Total OIL EQUIPMENT SERVICES &amp; DISTRIBUTION</b>		<b>904.4</b>		<b>1,541.8</b>
<b>Total UK EQUITIES</b>		<b><u>259,858.0</u></b>		<b><u>443,052.8</u></b>

**Summary of Transactions for the Period****1 April 2016 - 30 September 2016**

## Cash Transaction Summary

Schedule	Purchases	Sales	Net Cash Invested
	£	£	£
UK Equities	55,118,900.86	21,504,165.14	33,614,735.72
	<u>55,118,900.86</u>	<u>21,504,165.14</u>	<u>33,614,735.72</u>



**UK Equities****Purchases**

No. of Shares	Description	Date	Price £	Cost £
21,000	3i Group	15-Apr	4.83	101,420.16
12,760	3i Infrastructure Plc	15-Apr	1.74	22,206.44
1,240	3i Infrastructure Plc	15-Apr	1.74	2,154.77
11,000	AA Plc	15-Apr	2.78	30,622.63
22,000	Aberdeen Asset Mgmt	15-Apr	2.99	65,696.94
1,735	Aberforth Smaller Cos Tst Plc	15-Apr	10.36	17,970.09
265	Aberforth Smaller Cos Tst Plc	15-Apr	10.37	2,746.90
5,000	Acacia Mining Plc	15-Apr	2.91	14,538.23
5,000	Admiral Group Plc	15-Apr	19.56	97,790.80
5,000	Aggreko Plc	15-Apr	10.87	54,362.43
6,000	Alliance Trust Ord	15-Apr	5.20	31,179.20
3,000	Allied Minds Plc	15-Apr	3.79	11,357.85
8,000	Amec Ord	15-Apr	4.88	39,037.11
29,000	Anglo American Plc	15-Apr	5.14	148,992.18
7,000	Antofagasta Hldgs	15-Apr	4.60	32,197.78
33,000	Arm Hldgs	15-Apr	10.33	341,028.88
7,000	Ashmore Group Ltd	15-Apr	3.06	21,435.49
11,000	Ashtead Group	15-Apr	8.59	94,469.87
8,000	Associated British Foods Plc	15-Apr	33.84	270,737.92
37,000	Assura Plc	15-Apr	0.55	20,468.93
29,000	Astrazeneca Plc	15-Apr	41.56	1,205,366.98
3,000	Atkins (WS) Plc	15-Apr	13.38	40,138.91
70,000	Auto Trader Group Plc	15-Apr	3.82	267,599.83
1,000	Aveva Group Plc	15-Apr	15.47	15,471.88
95,000	Aviva Plc	15-Apr	4.37	415,533.38
15,000	B&M European Value Retail	15-Apr	2.71	40,617.93
11,000	Babcock Intl Group Plc	15-Apr	9.47	104,190.32
74,000	BAE Systems	15-Apr	5.08	376,218.14
16,000	Balfour Beatty Plc	15-Apr	2.43	38,877.66
1,000	Bank Of Georgia Holdings Plc	15-Apr	20.16	20,161.04
1,185	Bankers Inv Trust	15-Apr	5.91	7,000.70
1,815	Bankers Inv Trust	15-Apr	5.89	10,685.81
391,000	Barclays Plc	15-Apr	1.45	568,524.51
2,000	Barr (A.G.) Plc	15-Apr	5.41	10,816.10
23,000	Barratt Developments	15-Apr	5.37	123,561.53
24,000	BBA Aviation Plc	15-Apr	2.00	47,959.66
12,000	Beazley Plc	15-Apr	3.39	40,691.84
3,000	Bellway Plc	15-Apr	26.30	78,888.06
4,000	Berendsen Plc	15-Apr	12.00	47,983.16
3,000	Berkeley Gp Hldgs	15-Apr	30.40	91,209.37
49,000	BHP Billiton Plc	15-Apr	8.80	431,339.92
3,000	Big Yellow Group	15-Apr	7.88	23,637.48

**UK Equities****Purchases**

No. of Shares	Description	Date	Price £	Cost £
4,000	Bodycote Plc	15-Apr	5.92	23,660.94
34,000	Booker Group	15-Apr	1.67	56,717.01
3,000	Bovis Homes Group Plc	15-Apr	9.29	27,855.15
479,000	BP Plc	15-Apr	3.34	1,602,092.29
6,000	Brewin Dolphin	15-Apr	2.75	16,513.58
43,000	British American Tobacco Plc	15-Apr	42.04	1,807,748.53
23,000	British Land Co.	15-Apr	7.32	168,422.80
25,000	Sky Plc	15-Apr	10.30	257,432.46
6,000	Britvic Plc	15-Apr	7.27	43,640.05
4,000	Brown (N) Group	15-Apr	3.16	12,620.36
196,000	BT Group Plc	15-Apr	4.35	851,745.93
9,000	BTG Plc	15-Apr	6.22	56,016.65
8,000	Bunzl	15-Apr	20.91	167,275.51
10,000	Burberry Group	15-Apr	12.69	126,898.65
52,000	Cable & Wireless Communication	15-Apr	0.80	41,684.04
11,000	Cairn Energy Plc	15-Apr	1.94	21,336.69
777	Caledonia Investment	15-Apr	23.93	18,596.83
223	Caledonia Investment	15-Apr	23.98	5,347.97
15,000	Capita Plc	15-Apr	10.37	155,489.72
16,000	Capital & Counties Properties	15-Apr	3.41	54,536.34
5,000	Card Factory Plc	15-Apr	3.57	17,851.47
8,000	Carillion Plc	15-Apr	2.86	22,865.93
4,000	Carnival Plc	15-Apr	37.74	150,959.07
19,000	Centamin Plc	15-Apr	1.01	19,096.26
114,000	Centrica Plc	15-Apr	2.23	254,004.90
4,000	Cineworld Group Plc	15-Apr	5.45	21,781.90
4,000	Circassia Pharmaceutica	15-Apr	2.65	10,591.60
7,957	City of London Inv	15-Apr	3.85	30,607.28
2,043	City of London Inv	15-Apr	3.84	7,852.74
4,000	Close Brothers Group Plc	15-Apr	12.26	49,035.43
25,000	Cobham	15-Apr	2.06	51,574.39
4,000	Coca Cola HBC	15-Apr	14.62	58,482.20
39,000	Compass Group Plc	15-Apr	12.73	496,443.87
2,000	Computacenter Plc	15-Apr	8.51	17,012.93
3,000	Countrywide Plc	15-Apr	3.64	10,915.06
2,000	Cranswick	15-Apr	24.05	48,106.94
4,000	Crest Nicholson Holdings Ltd	15-Apr	5.12	20,472.65
19,000	CRH Plc	15-Apr	20.81	395,460.90
3,000	Croda International	15-Apr	30.24	90,718.90
3,000	Dairy Crest Group	15-Apr	5.92	17,770.62
2,000	DCC Plc	15-Apr	64.65	129,291.03
33,000	Debenhams Plc	15-Apr	0.73	24,016.10
2,000	Dechra Pharm	15-Apr	11.84	23,670.02

**UK Equities****Purchases**

No. of Shares	Description	Date	Price £	Cost £
2,000	Derwent London	15-Apr	33.13	66,255.93
59,000	Diageo	15-Apr	19.35	1,141,666.47
1,000	Dignity Plc	15-Apr	25.13	25,131.53
2,000	Diploma	15-Apr	7.59	15,188.72
30,000	Direct Line Insurance Group	15-Apr	3.71	111,347.67
22,000	Dixons Carphone Plc	15-Apr	4.22	92,909.98
3,000	Dominos Pizza	15-Apr	10.09	30,279.81
8,000	Drax Group	15-Apr	3.03	24,218.99
20,000	DS Smith Plc	15-Apr	3.94	78,853.19
3,000	Dunelm Group Ltd	15-Apr	9.17	27,513.13
6,000	Easyjet Plc	15-Apr	14.90	89,399.20
4,572	Edinburgh Inv Tr	15-Apr	6.89	31,484.27
428	Edinburgh Inv Tr	15-Apr	6.89	2,946.90
920	Electra Private Equity	15-Apr	35.89	33,014.47
80	Electra Private Equity	15-Apr	35.86	2,868.78
8,000	Electrocomponents	15-Apr	2.73	21,838.67
9,000	Elementis	15-Apr	2.30	20,658.35
9,000	Entertainment One Ltd	15-Apr	1.44	12,978.65
5,000	Essentra Plc	15-Apr	8.36	41,818.03
6,000	Esure Group Plc	15-Apr	2.77	16,606.64
1,000	Euromoney Inst Inv	15-Apr	9.07	9,067.30
19,000	Experian Plc	15-Apr	12.42	236,050.85
9,941	F&C Comm Prop Tst	15-Apr	1.34	13,345.21
4,059	F&C Comm Prop Tst	15-Apr	1.34	5,436.22
8,000	Fidelity China Special	15-Apr	1.42	11,361.30
9,577	Fidelity European Values Plc	15-Apr	1.66	15,907.58
423	Fidelity European Values Plc	15-Apr	1.66	703.04
1,000	Fidessa Group	15-Apr	24.62	24,621.90
3,640	Finsbury G&I Tst	15-Apr	6.10	22,219.33
360	Finsbury G&I Tst	15-Apr	6.11	2,201.32
22,000	Firstgroup	15-Apr	1.01	22,279.76
6,504	Foreign & Col. Inv. Trust	15-Apr	4.42	28,774.09
4,496	Foreign & Col. Inv. Trust	15-Apr	4.43	19,927.41
3,000	Fresnillo Plc	15-Apr	10.03	30,087.26
34,000	G4S PLC	15-Apr	1.96	66,720.91
2,000	Galliford Try Plc	15-Apr	13.36	26,716.61
15,987	GCP Infrastructure Investment	15-Apr	1.19	19,076.56
1,013	GCP Infrastructure Investment	15-Apr	1.19	1,205.96
1,000	GCP Infrastructure Investment	15-Apr	15.33	15,328.73
38,000	GKN Plc	15-Apr	2.79	106,019.93
115,000	Glaxosmithkline Plc	15-Apr	14.14	1,626,589.83
263,000	Glencore Plc	15-Apr	1.40	367,736.30
1,000	Go-Ahead Group	15-Apr	26.56	26,556.12

**UK Equities****Purchases**

No. of Shares	Description	Date	Price £	Cost £
4,000	Grafton Group Plc	15-Apr	7.02	28,064.36
12,000	Grainger Plc	15-Apr	2.29	27,531.41
8,000	Great Portland Estate	15-Apr	7.55	60,383.63
8,000	Greencore Group Plc	15-Apr	3.78	30,252.56
6,000	Greene King Plc	15-Apr	8.53	51,197.29
2,000	Greggs Plc	15-Apr	11.00	21,998.52
4,000	Halfords Grp	15-Apr	4.24	16,947.72
8,000	Halma	15-Apr	9.15	73,176.20
18,000	Hammerson Plc	15-Apr	6.04	108,808.87
20,000	Hansteen Hldgs Plc	15-Apr	1.09	21,723.47
1,385	Harbourvest Global Private Equity	15-Apr	9.06	12,547.78
615	Harbourvest Global Private Equity	15-Apr	9.02	5,546.34
5,000	Hargreaves Lansdown Plc	15-Apr	13.83	69,146.48
38,000	Hays	15-Apr	1.34	51,021.03
24,000	Henderson Group Plc	15-Apr	2.60	62,325.20
26,857	HICL Infrastructure Co Ltd	15-Apr	1.62	43,485.64
10,143	HICL Infrastructure Co Ltd	15-Apr	1.62	16,417.65
11,896	Highbridge Multi	15-Apr	1.83	21,768.64
1,104	Highbridge Multi	15-Apr	1.83	2,020.05
4,000	Hikma Pharmaceuticals	15-Apr	22.06	88,246.51
6,000	Hiscox Ltd	15-Apr	9.63	57,763.91
15,000	Home Retail Group	15-Apr	1.70	25,541.29
5,000	Homeserve Plc	15-Apr	4.25	21,225.51
13,000	Howden Joinery Group	15-Apr	4.66	60,539.84
456,000	HSBC Holdings Plc	15-Apr	4.17	1,901,998.66
12,000	ICAP	15-Apr	4.67	56,033.93
8,000	IG Group Holdings	15-Apr	7.84	62,718.09
6,000	IMI Plc	15-Apr	9.23	55,396.48
22,000	Imperial Brands Plc	15-Apr	37.69	829,074.96
8,000	Inchcape Plc	15-Apr	6.82	54,574.58
11,000	Indivior Plc	15-Apr	1.66	18,293.09
15,000	Informa Plc	15-Apr	6.95	104,270.02
10,000	Inmarsat	15-Apr	10.11	101,070.56
5,000	Intercontinental Hotels Group	15-Apr	29.23	146,144.70
7,000	Intermediate Capital Group	15-Apr	6.35	44,484.70
43,000	Intl Consolidated Airline	15-Apr	5.50	236,362.80
5,465	Int Public Partner	15-Apr	1.40	7,639.50
23,535	Int Public Partner	15-Apr	1.40	32,882.50
3,000	Interserve Plc	15-Apr	4.20	12,599.08
4,000	Intertek Group	15-Apr	32.06	128,220.60
24,000	Intu Properties Plc	15-Apr	3.12	74,977.06
11,000	Investec	15-Apr	5.23	57,507.27
12,000	IP Group Plc	15-Apr	1.62	19,440.28

**UK Equities****Purchases**

No. of Shares	Description	Date	Price £	Cost £
88,000	ITV Plc	15-Apr	2.38	209,750.48
2,000	Jardine Lloyd Thompson	15-Apr	8.56	17,129.30
9,000	John Laing Group Plc	15-Apr	2.28	20,503.95
23,042	John Laing Infrastructure Fund	15-Apr	1.22	28,001.96
5,958	John Laing Infrastructure Fund	15-Apr	1.22	7,245.15
5,000	Johnson Matthey Plc	15-Apr	26.55	132,750.31
4,000	JPMorgan American Invest Tst	15-Apr	2.96	11,853.87
2,574	JPMorgan American Invest Tst	15-Apr	5.91	15,201.11
426	JPMorgan American Invest Tst	15-Apr	5.91	2,517.65
10,000	Jupiter Fund Management Plc	15-Apr	4.20	42,006.72
11,000	Just Eat Plc	15-Apr	3.82	41,994.70
56,000	Kaz Minerals Plc	15-Apr	1.68	93,823.57
2,000	Keller Group Plc	15-Apr	8.35	16,707.11
2,000	Kennedy Wilson Europe Real Estate	15-Apr	11.12	22,243.06
2,000	Kier Group Plc	15-Apr	12.59	25,185.20
44,000	Kingfisher	15-Apr	3.74	164,590.28
21,000	Ladbrokes	15-Apr	1.20	25,217.86
6,000	Laird Plc	15-Apr	3.80	22,777.78
6,000	Lancashire Holdings Ltd	15-Apr	5.48	32,857.60
18,000	Land Secs Grp	15-Apr	11.50	206,914.98
139,000	Legal & General Group Plc	15-Apr	2.45	340,821.74
1,499,000	Lloyds Banking Group Plc	15-Apr	0.67	1,003,849.20
7,000	London Stock Exchange	15-Apr	28.08	196,547.62
16,000	Londonmetric Property Plc	15-Apr	1.64	26,233.24
34,000	Man Group Plc	15-Apr	1.52	51,704.25
34,000	Marks & Spencer Grp	15-Apr	4.48	152,226.39
4,000	Marshalls Group	15-Apr	3.40	13,606.32
16,000	Marston's	15-Apr	1.54	24,675.25
24,525	McCarthy & Stone Ltd	15-Apr	2.71	66,509.36
21,475	McCarthy & Stone Ltd	15-Apr	2.70	58,043.43
52,829	Mediclinic	15-Apr	9.67	511,011.13
41,171	Mediclinic	15-Apr	9.70	399,487.29
17,000	Meggitt	15-Apr	3.98	67,651.62
3,000	Melrose Industries Plc	15-Apr	3.60	10,814.67
1,674	Mercantile Investment Trust	15-Apr	16.84	28,192.03
326	Mercantile Investment Trust	15-Apr	16.84	5,490.43
16,000	Merlin Entertainments Plc	15-Apr	4.64	74,265.08
7,000	Michael Page International	15-Apr	4.15	29,028.23
10,000	Micro Focus International	15-Apr	16.02	160,242.96
3,000	Millennium & Copthorne	15-Apr	4.32	12,958.30
4,000	Mitchells & Butlers Plc	15-Apr	2.67	10,687.77
8,000	Mitie Grp	15-Apr	2.80	22,418.92
9,000	Mondi Plc	15-Apr	13.58	122,192.72

**UK Equities****Purchases**

No. of Shares	Description	Date	Price £	Cost £
20,000	Moneysupermarket.Co	15-Apr	3.25	65,070.66
4,358	Monks Invest Trust	15-Apr	4.28	18,649.07
642	Monks Invest Trust	15-Apr	4.27	2,743.27
5,000	Morgan Crucible	15-Apr	2.21	11,065.93
47,000	Morrison (Wm) Supermkt	15-Apr	1.97	92,520.04
2,336	Murray Intl Trust	15-Apr	9.43	22,038.39
664	Murray Intl Trust	15-Apr	9.45	6,277.06
11,000	National Express Group	15-Apr	3.44	37,806.18
88,000	National Grid	15-Apr	10.02	881,827.40
16,000	NB Global Floating Rate	15-Apr	0.91	14,512.59
10,000	NCC Group Plc	15-Apr	2.66	26,644.40
3,000	Next Group	15-Apr	54.12	162,350.91
2,000	NMC Health Plc	15-Apr	11.62	23,249.88
8,000	Ocado Group Plc	15-Apr	3.48	27,863.10
115,000	Old Mutual Plc	15-Apr	1.97	226,947.70
18,000	Ophir Energy Plc	15-Apr	0.75	13,583.87
2,636	P2P Global Investments Plc	15-Apr	9.04	23,840.95
364	P2P Global Investments Plc	15-Apr	9.08	3,303.44
11,000	Paddy Power Betfair	15-Apr	96.95	1,066,410.75
6,000	Paragon Grp of Co.	15-Apr	3.15	18,892.61
2,000	Paypoint	15-Apr	8.62	17,232.78
12,746	Paysafe Group Plc	15-Apr	4.02	51,226.70
88,554	Paysafe Group Plc	15-Apr	4.01	355,280.09
1,700	Paysafe Group Plc	15-Apr	4.01	6,815.98
19,000	Pearson	15-Apr	8.39	159,365.46
300,000	Pendragon	15-Apr	0.37	110,087.24
9,000	Pennon Group	15-Apr	8.15	73,386.13
3,512	Perpetual Inc & Growth Inv Tst	15-Apr	3.83	13,462.07
1,488	Perpetual Inc & Growth Inv Tst	15-Apr	3.84	5,717.63
7,000	Persimmon	15-Apr	19.64	137,514.73
306	Personal Assets Tst	15-Apr	376.45	115,193.81
44	Personal Assets Tst	15-Apr	376.40	16,561.39
6,000	Petrofac Ltd	15-Apr	8.44	50,659.31
8,000	Pets At Home Group Plc	15-Apr	2.53	20,212.62
5,000	Phoenix Group Holdings	15-Apr	8.84	44,201.65
4,000	Playtech Plc	15-Apr	8.23	32,939.93
1,171	Polar Cap Tech Trust	15-Apr	5.99	7,015.18
829	Polar Cap Tech Trust	15-Apr	5.99	4,961.90
6,000	Polymetal International Plc	15-Apr	6.98	41,885.78
41,000	Polypipe Group Plc	15-Apr	3.11	127,389.18
3,000	Provident Financial	15-Apr	31.00	93,002.42
60,000	Prudential Plc	15-Apr	12.58	754,958.25
7,000	PZ Cussons	15-Apr	3.13	21,943.07

**UK Equities****Purchases**

No. of Shares	Description	Date	Price £	Cost £
11,000	Qinetiq Plc	15-Apr	2.26	24,856.09
2,000	Randgold Resources	15-Apr	65.64	131,275.72
1,000	Rathbone Bros Plc	15-Apr	20.67	20,673.78
13,000	Reckitt Benckiser	15-Apr	67.96	883,471.31
64,000	Redefine International Plc	15-Apr	0.47	30,087.79
6,000	Redrow Plc	15-Apr	3.81	22,845.83
14,000	Regus Plc	15-Apr	3.10	43,341.29
27,000	RELX Plc	15-Apr	13.21	356,545.89
18,000	Renewables Infrastructure Grp	15-Apr	1.02	18,428.43
1,000	Renishaw	15-Apr	18.95	18,951.95
40,000	Rentokil Initial	15-Apr	1.78	71,202.80
4,000	Restaurant Group	15-Apr	3.63	14,514.00
15,000	Rexam Plc	15-Apr	6.25	93,698.96
2,000	Rightmove Plc	15-Apr	39.96	79,910.35
25,000	Rio Tinto Plc	15-Apr	18.96	474,090.47
2,432	RIT Cap Partners	15-Apr	16.97	41,275.21
568	RIT Cap Partners	15-Apr	16.93	9,618.27
2,000	Riverstone Energy Ltd	15-Apr	8.00	15,996.71
43,000	Rolls Royce	15-Apr	6.74	289,862.71
15,000	Rotork Plc	15-Apr	1.71	25,609.26
76,000	Royal Bank of Scotland Group	15-Apr	2.10	159,417.93
30,006	Royal Dutch Shell Plc-B Shs	15-Apr	16.38	491,523.50
177,994	Royal Dutch Shell Plc-B Shs	15-Apr	18.07	3,216,753.02
20,000	Royal Mail Plc	15-Apr	4.93	98,574.63
7,000	RPC Group	15-Apr	7.62	53,336.55
22,000	RSA Insurance Group Plc	15-Apr	4.67	102,650.61
24,000	Sabmiller	15-Apr	42.51	1,020,150.09
4,000	Safestore Hldgs Ltd	15-Apr	3.43	13,738.72
18,000	Saga Group Plc	15-Apr	1.99	35,836.10
25,000	Sage Group Plc	15-Apr	6.22	155,477.27
30,000	Sainsbury (J) Plc	15-Apr	2.76	82,773.43
4,000	Savills Plc	15-Apr	7.48	29,907.43
3,000	Schroders Vtg Shs	15-Apr	26.18	78,540.20
30,484	Scottish Mortgage Inv Tr Plc	15-Apr	2.74	83,568.73
3,516	Scottish Mortgage Inv Tr Plc	15-Apr	2.74	9,635.86
16,000	Segro Plc	15-Apr	4.34	69,397.86
8,000	Senior Plc	15-Apr	2.22	17,746.94
20,000	Serco Group Plc	15-Apr	0.98	19,502.74
5,000	Severn Trent Plc	15-Apr	22.53	112,634.07
6,000	Shaftesbury	15-Apr	9.15	54,879.33
14,000	Shire	15-Apr	42.89	600,511.66
14,000	Sig Plc	15-Apr	1.41	19,808.34
21,000	Smith & Nephew	15-Apr	11.96	251,194.09

**UK Equities****Purchases**

No. of Shares	Description	Date	Price £	Cost £
9,000	Smiths Group	15-Apr	11.16	100,427.54
17,000	Softcat Plc	15-Apr	3.31	56,308.61
5,000	Sophos Group Plc	15-Apr	2.14	10,717.06
2,000	Spectris	15-Apr	18.53	37,063.39
2,000	Spirax Sarco Engineering Plc	15-Apr	36.24	72,476.95
6,000	Spire Healthcare	15-Apr	3.55	21,300.87
5,000	Sports Direct International	15-Apr	3.77	18,839.09
27,000	SSE Plc	15-Apr	15.24	411,531.94
10,000	SSP Group Plc	15-Apr	2.98	29,839.24
12,000	St James's Place	15-Apr	9.47	113,698.90
7,000	Stagecoach Group Plc	15-Apr	2.70	18,870.40
63,000	Standard Chartered Plc	15-Apr	4.33	272,818.33
46,000	Standard Life Plc	15-Apr	3.50	160,881.49
1,000	Supergroup Plc	15-Apr	13.38	13,382.84
7,000	Synthomer Plc	15-Apr	3.58	25,094.60
9,000	Talktalk Telecom Group	15-Apr	2.44	21,952.20
11,000	Tate & Lyle	15-Apr	5.91	65,060.46
76,000	Taylor Wimpey	15-Apr	1.80	137,025.60
1,000	Ted Baker	15-Apr	25.88	25,877.22
2,000	Telecom Plus Plc	15-Apr	8.94	17,872.73
725	Temple Bar Inv.Trt.	15-Apr	10.45	7,574.34
275	Temple Bar Inv.Trt.	15-Apr	10.46	2,875.90
1,131	Templeton Emerg Mkts	15-Apr	4.71	5,322.02
2,869	Templeton Emerg Mkts	15-Apr	4.70	13,490.29
191,000	Tesco	15-Apr	1.83	349,953.84
33,000	Thomas Cook Group Plc	15-Apr	0.91	30,188.62
5,308	TR Property Inv. Tr.	15-Apr	3.09	16,378.40
692	TR Property Inv. Tr.	15-Apr	3.09	2,135.27
6,000	Travis Perkins	15-Apr	18.66	111,933.06
37,000	Tritax Big Box Reit Plc	15-Apr	1.36	50,155.30
11,000	Tui Travel	15-Apr	10.42	114,628.53
5,000	Tullett Prebon	15-Apr	3.34	16,703.91
17,000	Tullow Oil Plc	15-Apr	2.22	37,696.43
9,000	UBM Plc	15-Apr	6.00	54,044.07
19,857	UK Commercial Property Trust	15-Apr	0.86	17,005.65
4,143	UK Commercial Property Trust	15-Apr	0.85	3,532.84
2,000	Ultra Electronics	15-Apr	17.80	35,609.58
28,000	Unilever Plc	15-Apr	32.67	914,868.44
5,000	Unite Group	15-Apr	6.31	31,570.73
6,000	United Drug Plc	15-Apr	6.21	37,280.37
15,000	United Utilities	15-Apr	9.60	144,004.69
9,000	Vectura Group Plc	15-Apr	1.73	15,541.28
3,000	Vedanta Resources Plc	15-Apr	3.26	9,773.21



**UK Equities****Purchases**

No. of Shares	Description	Date	Price £	Cost £
5,000	Vesuvius Plc	15-Apr	2.96	14,807.67
2,000	Victrex Plc	15-Apr	16.02	32,043.81
5,000	Virgin Money Hldgs	15-Apr	3.50	17,479.15
622,000	Vodafone Group Plc	15-Apr	2.17	1,350,100.66
4,000	Weir Group	15-Apr	11.20	44,808.60
2,000	Wetherspoon (JD)	15-Apr	6.97	13,946.16
2,000	WH Smith Plc	15-Apr	17.82	35,636.65
4,000	Whitbread	15-Apr	37.88	151,501.34
21,000	William Hill	15-Apr	3.35	70,451.39
5,427	Witan Inv Trust	15-Apr	7.67	41,603.07
573	Witan Inv Trust	15-Apr	7.65	4,384.77
1,000	Wizz Air Holdings Plc	15-Apr	18.74	18,735.57
5,000	Wolseley Plc	15-Apr	39.25	196,236.34
8,000	Wood Group (John) Plc	15-Apr	6.29	50,337.45
19,830	Woodford Patient	15-Apr	1.00	19,925.15
3,170	Woodford Patient	15-Apr	1.00	3,176.77
2,000	Workspace Group	15-Apr	8.23	16,468.21
24,000	Worldpay Group Plc	15-Apr	2.76	66,285.74
694	Worldwide Health Care Trust Plc	15-Apr	18.47	12,819.35
306	Worldwide Health Care Trust Plc	15-Apr	18.49	5,658.12
31,000	WPP Plc	15-Apr	16.35	506,956.76
6,000	Zoopla Property Group Plc	15-Apr	2.70	16,179.59
12,110	Liberty Global 'C'	27-May	31.35	379,648.50
4,946	Liberty Global	27-May	32.55	160,992.30
30,665	3i Infrastructure	7-Jun	1.65	50,597.25
122,499	Cobham	16-Jul	0.89	109,024.11
6,880	Ball Group	30-Jun	0.01	68.80
3,000	Allied Minds	19-Jul	3.76	11,293.50
33,000	Ascential	19-Jul	2.55	83,994.90
2,000	Bankers IT.	19-Jul	6.35	12,697.40
70,000	Centrica	19-Jul	2.36	165,214.00
20,000	CMC Markets	19-Jul	2.87	57,422.00
33,000	Countryside	19-Jul	2.38	78,487.20
2,000	CRH	19-Jul	21.98	43,956.00
187,000	CYBG	19-Jul	2.39	446,873.90
85,000	Darty	19-Jul	1.70	144,738.00
9,000	DFS Furniture	19-Jul	2.12	19,102.50
28,000	Hastings Group	19-Jul	1.90	53,337.20
17,000	Hill & Smith	19-Jul	9.90	168,225.20
49,000	Hochschild	19-Jul	2.22	108,902.50
25,000	HSBC Hldgs	19-Jul	4.84	121,055.00
3,000	Intercontinental Hotel	19-Jul	29.13	87,396.00
4,000	JD Sports	19-Jul	11.82	47,280.40

**UK Equities****Purchases**

No. of Shares	Description	Date	Price £	Cost £
49,000	Just retirement	19-Jul	1.04	51,175.60
15,000	McCarthy & Stone Ltd	19-Jul	1.61	24,093.00
16,000	Metro Bank	19-Jul	19.50	311,932.80
7,000	Micro Focus	19-Jul	18.70	130,915.40
4,000	Phoenix Grp	19-Jul	7.80	31,199.20
73,000	Saga	19-Jul	1.98	144,496.20
61,000	Shire	19-Jul	48.67	2,968,711.40
50,000	Smurfit Kappa Grp.	19-Jul	17.41	888,166.00
4,000	Supergroup	19-Jul	16.01	64,047.20
62,000	Vectura	19-Jul	1.55	96,273.60
58,000	Worldpay Grp	19-Jul	2.88	166,784.80
1,509	Liberty Lilac 'C'	25-Jul	0.01	15.09
615	Liberty Lilac 'A'	25-Jul	0.01	6.15
9,000	J Fisher and Sons	26-Aug	15.48	139,337.10
10,000	GPC Infrastructure	26-Aug	1.29	12,850.00

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**55,118,900.86**

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## Dorset County Pension Fund Transactions ( 1 April 2016 - 30 September 2016 )

**UK Equities****Sales**

No. of Shares	Description	Date	Price £	Proceeds £	Profit / (Loss) £
20,751	Enterprise Inns	15-Apr	1.02	21,165.75	-644.24
25,169	Enterprise Inns	15-Apr	1.01	25,512.52	-940.93
49,080	Enterprise Inns	15-Apr	1.01	49,521.18	-2,063.52
5,097	Nostrum Oil & Gas Plc	15-Apr	2.37	12,091.63	-22,038.82
6,903	Nostrum Oil & Gas Plc	15-Apr	2.43	16,751.45	-29,472.32
35,000	Poundland Group Plc	15-Apr	1.47	51,624.00	-59,222.71
102,348	Premier Oil Plc	15-Apr	0.51	52,370.76	-92,156.74
596,000	Cable & Wire	27-May	0.91	540,640.80	-102,071.18
150,632	Rexam	30-Jun	4.07	613,072.24	42,734.29
1,000	A.B.Foods	25-Jul	27.8673	27,867.30	20,307.34
26,000	Mediclinic	25-Jul	10.5781	275,030.60	27,276.86
3,000	Alliance Trust	25-Jul	5.4196	16,258.80	10,655.02
3,000	Anglo American plc	25-Jul	8.0100	24,030.00	-7,082.65
3,000	Arm Hldgs.	25-Jul	16.6901	50,070.30	41,053.75
2,000	Astrazeneca	25-Jul	45.1507	90,301.40	48,736.71
8,000	Aviva ord 25p	25-Jul	3.8024	30,419.20	-14,132.44
7,000	BAE Systems	25-Jul	5.3248	37,273.60	21,720.07
33,000	Barclays	25-Jul	1.4913	49,212.90	-18,063.27
5,000	BHP Billiton	25-Jul	9.4676	47,338.00	19,855.73
85,000	Highbridge Multi Strategy	25-Jul	1.8327	155,779.50	24,949.47
35,000	BP Plc	25-Jul	4.4632	156,212.00	40,774.65
3,000	British American Tobacco	25-Jul	47.9000	143,700.00	101,733.46
2,000	British Land ord 25p	25-Jul	6.2955	12,591.00	3,544.72
2,000	Sky Plc	25-Jul	8.9585	17,917.00	6,571.03
17,000	BT Group	25-Jul	3.9254	66,731.80	26,234.77
1,000	Bunzl	25-Jul	23.4566	23,456.60	17,903.67
1,000	Burberry Grp	25-Jul	12.6212	12,621.20	8,939.88
1,000	Caledonia Investment	25-Jul	22.6512	22,651.20	13,240.27
3,000	Compass Group	25-Jul	14.5364	43,609.20	31,533.59
5,000	Diageo	25-Jul	20.9269	104,634.50	65,138.56
1,000	Experian	25-Jul	14.6061	14,606.10	10,995.78
10,000	Glaxosmithkline	25-Jul	16.4457	164,457.00	101,602.67
24,000	Glencore	25-Jul	1.7853	42,847.20	-13,487.47
2,000	Hammerson	25-Jul	5.3421	10,684.20	3,106.07
500	Hikma Pharma	25-Jul	25.5414	12,770.70	9,146.74
3,000	Howden Joinery	25-Jul	4.1589	12,476.70	8,544.39
2,000	Imperial Brands	25-Jul	39.9868	79,973.60	53,282.42
31,000	Interserve	25-Jul	2.7560	85,436.00	-29,763.13
1,000	Intertek Group	25-Jul	35.9939	35,993.90	25,680.20
26,000	Intl Consolidated Air	25-Jul	4.2392	110,219.20	34,002.97
8,000	ITV	25-Jul	1.8520	14,816.00	4,487.74
21,000	Jimmy Choo	25-Jul	1.0593	22,245.30	-14,540.40
500	Johnson Matthey	25-Jul	31.2867	15,643.35	10,113.88
5,000	Kingfisher	25-Jul	3.3083	16,541.50	5,975.18
2,000	Land Securities	25-Jul	10.5203	21,040.60	10,031.96
11,000	Legal & General	25-Jul	1.9025	20,927.50	12,358.22

## Dorset County Pension Fund Transactions ( 1 April 2016 - 30 September 2016 )

**UK Equities****Sales**

No. of Shares	Description	Date	Price	Proceeds	Profit / (Loss)
			£	£	£
120,000	Lloyds Banking Grp	25-Jul	0.5495	65,940.00	-38,305.73
1,000	London Stock Exchange	25-Jul	26.7123	26,712.30	12,632.47
62,000	Lookers ord 25p	25-Jul	1.0678	66,203.60	-38,086.60
4,000	Marks & Spencer	25-Jul	3.3304	13,321.60	5,041.42
31,063	Melrose Industries	25-Jul	6.1999	192,587.49	170,104.02
1,000	Mondi	25-Jul	14.1997	14,199.70	10,625.41
7,000	National Grid	25-Jul	10.9212	76,448.40	40,922.56
23,000	NB Global	25-Jul	0.9159	21,065.70	-1,941.82
500	Next	25-Jul	50.8704	25,435.20	19,301.16
26,000	Northgate	25-Jul	3.5239	91,621.40	-44,346.44
10,000	Old Mutual	25-Jul	2.0227	20,227.00	5,170.34
146,400	Ophir Energy	25-Jul	0.7006	102,567.84	-398,698.89
250	Paddy Power Betfair	25-Jul	86.1290	21,532.25	4,720.48
1,000	Pearson	25-Jul	9.5921	9,592.10	3,295.81
5,000	Prudential	25-Jul	13.1576	65,788.00	44,405.46
22,000	Royal Dutch 'B'	25-Jul	21.1237	464,721.40	195,589.66
1,000	Reckitt Benckiser	25-Jul	74.0243	74,024.30	56,741.54
7,000	Reed Elsevier	25-Jul	14.0106	98,074.20	67,144.51
500	Rightmove	25-Jul	36.5763	18,288.15	14,451.03
3,000	Rio Tinto	25-Jul	23.6953	71,085.90	36,588.76
43,000	Rolls-Royce	25-Jul	7.3297	315,177.10	169,372.54
2,000	SABMiller	25-Jul	44.2424	88,484.80	63,021.80
2,000	Sage Group	25-Jul	6.7418	13,483.60	9,914.36
500	Schroders	25-Jul	25.4394	12,719.70	9,624.41
500	Severn Trent	25-Jul	24.5544	12,277.20	8,513.59
1,000	Smith & Nephew	25-Jul	12.9228	12,922.80	9,582.73
1,000	Smiths Group	25-Jul	12.0990	12,099.00	6,066.44
1,000	Spirax-Sarco	25-Jul	38.3951	38,395.10	26,708.15
2,000	SSE	25-Jul	16.0272	32,054.40	17,243.80
5,000	Standard Chartered	25-Jul	5.9650	29,825.00	-5,092.79
2,000	Informa	25-Jul	7.4778	14,955.60	8,518.17
2,000	Templeton Emerging Markets	25-Jul	5.3561	10,712.20	6,823.35
16,000	Tesco	25-Jul	1.6285	26,056.00	1,322.16
23,000	Thomas Cook Group plc	25-Jul	0.6387	14,690.10	-13,849.99
1,000	Tui AG	25-Jul	9.4067	9,406.70	720.99
2,000	Unilever	25-Jul	35.6330	71,266.00	53,772.43
1,000	Utd Utilities	25-Jul	10.2597	10,259.70	5,807.26
4,000	Vedanta	25-Jul	5.0966	20,386.40	4,154.20
49,000	Vodafone Group	25-Jul	2.2397	109,745.30	16,099.87
4,000	William Hill	25-Jul	2.6792	10,716.80	2,450.79
1,000	Wolseley	25-Jul	40.6773	40,677.30	22,879.15
3,000	WPP Grp.	25-Jul	16.5711	49,713.30	30,960.45
85,000	Darty	25-Jul	1.70	144,500.00	-238.00
280,430,000	Rolls Royce 'C'	25-Jul	0.00	28,043.43	28,043.43
0	Booker (Return of Capital)	25-Jul	0.00	11,295.99	0.00
6,000	3i Grp.	26-Aug	6.1249	36,749.40	20,145.09
1,000	A.B.Foods	26-Aug	29.5015	29,501.50	21,941.54
6,000	Aberdeen Asset Management	26-Aug	3.3163	19,897.80	9,591.69

## Dorset County Pension Fund Transactions ( 1 April 2016 - 30 September 2016 )

**UK Equities****Sales**

No. of Shares	Description	Date	Price	Proceeds	Profit / (Loss)
			£	£	£
1,000	Admiral Grp	26-Aug	20.4759	20,475.90	13,109.55
2,000	Aggreko	26-Aug	10.6391	21,278.20	14,089.54
2,000	Mediclinic	26-Aug	10.3594	20,718.80	1,660.82
2,000	Alliance Trust	26-Aug	5.6794	11,358.80	7,622.95
6,000	Anglo American	26-Aug	8.5393	51,235.80	-10,989.49
2,000	Antofagasta	26-Aug	5.3574	10,714.80	6,647.73
6,000	Arm Hldgs.	26-Aug	16.8744	101,246.40	83,213.29
3,000	Ashtead Grp.	26-Aug	12.5866	37,759.80	29,911.30
6,000	Astrazeneca	26-Aug	49.5621	297,372.60	172,678.52
1,000	Atkins(WS)	26-Aug	15.0050	15,005.00	9,464.79
6,000	Auto Trader	26-Aug	3.9063	23,437.80	1,782.70
17,000	Aviva	26-Aug	4.1856	71,155.20	-23,517.03
4,000	B&M European	26-Aug	2.8265	11,306.00	-2,422.60
3,000	Babcock Intl	26-Aug	10.3162	30,948.60	16,898.72
12,000	BAE Systems	26-Aug	5.4073	64,887.60	38,224.40
70,000	Barclays	26-Aug	1.6535	115,745.00	-26,962.02
6,000	Barratt Development	26-Aug	4.9827	29,896.20	15,004.80
6,000	BBA Grp.	26-Aug	2.4573	14,743.80	5,065.79
1,000	Bellway	26-Aug	23.6647	23,664.70	15,303.59
1,000	Berendsen Plc	26-Aug	12.1976	12,197.60	8,047.41
2,000	BH Macro Gbp	26-Aug	18.9789	37,957.80	5,395.99
8,000	BHP Billiton	26-Aug	10.6855	85,484.00	41,512.37
10,000	Booker Ord 1p	26-Aug	1.7841	17,841.00	11,179.09
79,000	BP Plc	26-Aug	4.3356	342,512.40	81,953.82
8,000	British American Tobacco	26-Aug	48.0550	384,440.00	272,529.22
4,000	British Land	26-Aug	6.6075	26,430.00	8,337.44
2,000	Britvic	26-Aug	6.4611	12,922.20	5,795.40
5,000	Sky	26-Aug	8.6847	43,423.50	15,058.58
35,000	BT Group	26-Aug	3.9437	138,029.50	54,653.26
2,000	BTG	26-Aug	6.1254	12,250.80	5,631.29
1,250	Bunzl	26-Aug	24.1161	30,145.13	23,203.96
2,000	Burberry Grp	26-Aug	13.1810	26,362.00	18,999.35
5,000	Capital & Counties Properties	26-Aug	2.9076	14,538.00	4,636.65
4,000	Capita Group	26-Aug	10.4702	41,880.80	25,318.39
750	Carnival	26-Aug	36.3650	27,273.75	15,679.16
6,000	Dixons Carphone	26-Aug	3.7300	22,380.00	1,675.01
6,000	Centamin	26-Aug	1.6773	10,063.80	796.37
23,000	Centrica	26-Aug	2.3546	54,155.80	13,269.92
1,000	Close Brothers	26-Aug	13.7267	13,726.70	7,917.18
11,000	Cobham	26-Aug	1.6028	17,630.80	7,030.16
1,000	Coca - Cola HBC AG	26-Aug	16.9314	16,931.40	-25.82
7,000	Compass Group	26-Aug	14.5935	102,154.50	73,978.08
500	Cranswick	26-Aug	23.9144	11,957.20	6,922.85
4,000	CRH Grp	26-Aug	25.4274	101,709.60	45,066.20
1,000	Croda Intl.	26-Aug	33.7510	33,751.00	25,929.23
500	DCC	26-Aug	70.0734	35,036.70	18,717.71
10,000	Diageo	26-Aug	21.4983	214,983.00	135,991.11
8,000	Direct Line Insurance	26-Aug	3.6646	29,316.80	8,418.96

## Dorset County Pension Fund Transactions ( 1 April 2016 - 30 September 2016 )

**UK Equities****Sales**

No. of Shares	Description	Date	Price	Proceeds	Profit / (Loss)
			£	£	£
1,000	Easyjet	26-Aug	11.0121	11,012.10	5,069.19
4,000	Experian	26-Aug	15.1762	60,704.80	46,263.52
500	Fidessa Group	26-Aug	24.9255	12,462.75	7,442.14
4,000	Foreign & Colonial Inv.Tst	26-Aug	4.9884	19,953.60	15,186.75
500	Fresnillo	26-Aug	17.7542	8,877.10	7,634.79
10,000	GKN	26-Aug	3.0890	30,890.00	18,599.87
21,000	Glaxosmithkline	26-Aug	16.4686	345,840.60	213,846.50
49,000	Glencore	26-Aug	1.8436	90,336.40	-24,680.22
500	Go-Ahead Group	26-Aug	19.7377	9,868.85	3,935.33
2,000	Great Portland	26-Aug	6.6922	13,384.40	6,649.87
2,000	Greene King	26-Aug	8.2084	16,416.80	5,598.03
9,000	G4S	26-Aug	2.3088	20,779.20	3,302.85
2,500	Halma	26-Aug	10.6635	26,658.75	21,734.56
3,000	Hammerson	26-Aug	5.7220	17,166.00	5,798.80
1,500	Hargreaves	26-Aug	13.3284	19,992.60	13,261.08
9,000	Hays	26-Aug	1.3052	11,746.80	6,189.31
6,000	Henderson Grp	26-Aug	2.4111	14,466.60	9,060.61
500	Hikma Pharma	26-Aug	21.7917	10,895.85	7,271.89
2,000	Hiscox	26-Aug	10.5183	21,036.60	13,433.51
2,000	Homeserve	26-Aug	5.5709	11,141.80	7,126.45
3,000	Howden Joinery	26-Aug	4.5904	13,771.20	9,838.89
84,000	HSBC Hldgs	26-Aug	5.4588	458,539.20	89,856.28
3,000	ICAP	26-Aug	4.7944	14,383.20	5,829.89
2,000	IG Group	26-Aug	9.5657	19,131.40	13,450.70
2,000	IMI	26-Aug	10.6864	21,372.80	14,041.87
4,000	Imperial Brands Grp	26-Aug	40.0137	160,054.80	106,672.44
3,000	Inchcape	26-Aug	7.0685	21,205.50	13,431.92
3,000	Indivior	26-Aug	3.1384	9,415.20	8,073.11
3,000	Inmarsat	26-Aug	8.0505	24,151.50	10,170.60
2,000	Intermediate Capital Grp	26-Aug	6.0742	12,148.40	3,167.47
750	Intercontinental Hotel	26-Aug	33.0685	24,801.38	18,872.17
300	Intertek Group	26-Aug	35.5228	10,656.84	7,562.73
7,000	Intl Consolidated Air	26-Aug	3.9335	27,534.50	7,014.75
6,000	Intu Properties Plc	26-Aug	3.1444	18,866.40	-3,428.09
3,000	Investec	26-Aug	4.6524	13,957.20	4,662.19
15,000	ITV	26-Aug	2.0186	30,279.00	10,913.50
750	Johnson Matthey	26-Aug	33.0295	24,772.13	16,477.92
3,000	JP Morgan American IT	26-Aug	3.2777	9,833.10	3,956.02
2,000	JP Morgan Emerging Markets	26-Aug	6.9019	13,803.80	4,133.14
1,000	Mercantile Inv. Trust	26-Aug	16.8034	16,803.40	13,186.47
3,000	Jupiter Fund Management	26-Aug	4.1875	12,562.50	3,268.17
3,000	Just Eat	26-Aug	5.5228	16,568.40	5,807.99
9,000	Kingfisher	26-Aug	3.7074	33,366.60	14,347.22
3,000	Land Securities	26-Aug	10.9148	32,744.40	16,231.44
26,000	Legal & General	26-Aug	2.0711	53,848.60	33,593.94
278,000	Lloyds Banking Grp	26-Aug	0.5822	161,851.60	-79,651.00
1,000	London Stock Exchange	26-Aug	27.7904	27,790.40	13,710.57
10,000	Man Group	26-Aug	1.0983	10,983.00	-3,664.61

## Dorset County Pension Fund Transactions ( 1 April 2016 - 30 September 2016 )

**UK Equities****Sales**

No. of Shares	Description	Date	Price	Proceeds	Profit / (Loss)
			£	£	£
6,000	Marks & Spencer	26-Aug	3.4512	20,707.20	8,286.93
5,000	Meggitt	26-Aug	4.6823	23,411.50	10,430.42
4,000	Merlin Entertainment	26-Aug	4.8106	19,242.40	3,407.95
1,000	Micro Focus	26-Aug	19.9616	19,961.60	10,005.21
2,000	Mondi	26-Aug	15.9310	31,862.00	24,713.43
4,000	Moneysupermarket.com	26-Aug	2.9724	11,889.60	4,433.46
14,000	Morrison (Wm)	26-Aug	1.9857	27,799.80	10,055.34
1,000	Murray Intl.Tst	26-Aug	10.9229	10,922.90	5,131.16
16,000	National Grid	26-Aug	10.7349	171,758.40	90,556.47
3,000	Paysafe Group	26-Aug	4.3281	12,984.30	945.77
500	Next	26-Aug	55.2731	27,636.55	21,502.51
21,000	Old Mutual	26-Aug	1.9732	41,437.20	9,818.22
350	Paddy Power Betfair	26-Aug	96.2166	33,675.81	10,139.34
3,000	Pearson	26-Aug	8.6398	25,919.40	7,030.52
3,000	Pennon Group	26-Aug	8.8788	26,636.40	16,305.91
2,000	Persimmon	26-Aug	18.8550	37,710.00	23,729.32
2,000	Petrofac	26-Aug	8.6693	17,338.60	9,391.29
1,000	Playtech	26-Aug	9.1990	9,199.00	3,318.13
750	Provident Financial	26-Aug	30.0981	22,573.58	15,980.86
11,000	Prudential	26-Aug	13.5436	148,979.60	101,938.01
500	Randgold Resources.	26-Aug	76.5348	38,267.40	25,661.71
53,000	Royal Dutch 'B'	26-Aug	19.7090	1,044,577.00	396,214.18
2,750	Reckitt Benckiser	26-Aug	74.2729	204,250.48	156,722.88
5,000	Relx	26-Aug	14.4292	72,146.00	50,053.36
4,000	Regus Grp	26-Aug	3.0506	12,202.40	7,764.69
500	Renishaw	26-Aug	26.3510	13,175.50	9,087.62
8,000	Rentokil Initial	26-Aug	2.1584	17,267.20	9,909.74
250	Rightmove	26-Aug	41.9707	10,492.68	8,574.12
5,000	Rio Tinto	26-Aug	24.4723	122,361.50	64,866.27
1,000	RIT Capital	26-Aug	17.0435	17,043.50	12,468.41
7,000	Rolls-Royce	26-Aug	7.8293	54,805.10	31,069.47
5,000	Rotork	26-Aug	2.0451	10,225.50	6,647.27
12,000	Royal Bank Scotland	26-Aug	1.9622	23,546.40	-94,572.54
5,000	Royal Mail	26-Aug	5.1994	25,997.00	-1,974.98
6,000	RSA Insurance	26-Aug	4.9972	29,983.20	-6,451.38
2,000	RPC Grp.	26-Aug	8.7263	17,452.60	8,891.50
3,500	SABmiller	26-Aug	43.7905	153,266.75	108,706.49
5,000	Sage Grp.	26-Aug	7.2640	36,320.00	27,396.89
8,000	Sainsbury(J)	26-Aug	2.4134	19,307.20	-4,328.32
500	Schroders	26-Aug	27.4669	13,733.45	10,638.16
8,000	Scottish Mortgage	26-Aug	3.0661	24,528.80	18,776.25
1,000	Severn Trent	26-Aug	24.2034	24,203.40	16,676.19
2,000	Shaftesbury	26-Aug	9.5264	19,052.80	10,537.75
4,000	Shire	26-Aug	48.5469	194,187.60	86,920.35
4,000	Smith & Nephew	26-Aug	12.2205	48,882.00	35,521.71
6,000	Smith(DS)	26-Aug	4.1761	25,056.60	15,715.13
2,000	Smiths Group	26-Aug	13.4145	26,829.00	14,763.87
1,000	Smurfit Kappa Grp	26-Aug	19.3820	19,382.00	1,618.68

## Dorset County Pension Fund Transactions ( 1 April 2016 - 30 September 2016 )

**UK Equities****Sales**

No. of Shares	Description	Date	Price	Proceeds	Profit / (Loss)
			£	£	£
4,000	SSE Plc	26-Aug	15.1930	60,772.00	31,150.80
3,000	St.James's Place	26-Aug	9.6008	28,802.40	12,067.64
12,000	Standard Chartered	26-Aug	6.2195	74,634.00	-9,168.69
12,000	Standard Life	26-Aug	3.5433	42,519.60	2,858.42
3,000	Informa	26-Aug	7.1173	21,351.90	11,695.75
3,000	Tate & Lyle	26-Aug	7.3596	22,078.80	12,228.34
13,000	Taylor Wimpey	26-Aug	1.6464	21,403.20	13,380.15
35,000	Tesco	26-Aug	1.6366	57,281.00	3,175.73
2,000	Travis Perkins	26-Aug	17.0223	34,044.60	21,581.24
2,000	Tui Travel	26-Aug	10.4018	20,803.60	3,432.18
6,000	Tullow Oil	26-Aug	2.3010	13,806.00	-11,337.44
1,000	Ultra Electronic	26-Aug	16.9966	16,996.60	8,365.59
5,500	Unilever	26-Aug	35.5174	195,345.70	147,238.40
2,000	Unite Group	26-Aug	6.1665	12,333.00	4,723.24
3,000	Utd Utilities	26-Aug	9.8138	29,441.40	16,084.08
2,000	UBM	26-Aug	6.8674	13,734.80	8.83
2,000	UDG Healthcare	26-Aug	6.2054	12,410.80	5,913.61
116,000	Vodafone Group	26-Aug	2.3272	269,955.20	48,263.98
1,000	Weir Grp.	26-Aug	15.6742	15,674.20	10,435.91
1,000	Wetherspoon (JD)	26-Aug	8.9222	8,922.20	5,846.94
1,000	Whitbread	26-Aug	41.8621	41,862.10	30,961.88
4,000	William Hill	26-Aug	3.2430	12,972.00	4,705.99
1,000	Witan Investment Trust	26-Aug	8.3004	8,300.40	5,876.86
1,000	Wolseley	26-Aug	43.2552	43,255.20	25,457.05
2,000	Wood Grp (J)	26-Aug	7.1504	14,300.80	6,486.15
6,000	Worldpay Group	26-Aug	2.9936	17,961.60	367.27
6,000	WPP Group	26-Aug	17.9953	107,971.80	70,466.10
12,110	Liberty Global 'C'	1-Sep	23.56	285,345.86	-94302.64
4,946	Liberty Global 'A'	1-Sep	24.23	119,855.60	-41,136.70
6,880	Ball Group	1-Sep	61.86	425,577.73	425,508.93
615	Lilac 'A'	1-Sep	20.98	12,905.32	12,899.17
1,509	Lilac 'C'	1-Sep	21.58	32,559.62	32,544.53
294,500	Arm Holding	15-Sep	17.00	5,006,500.00	4,121,375.04
176,870	Home Retail	16-Sep	0.83	146,448.35	-15,416.03

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<b>21,504,165.14</b>	<b>9,559,397.23</b>
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**Other Transactions**

The following Capitalisation / Consolidation issues took place during the 6 month period 1 April 2016 - 30 September 2016 )

<u>Company</u>	<u>Old Holding</u>	<u>New Holding</u>
<b>Capitalisation Issues</b>		
Domino Pizza	29,000	87,000
<b>Consolidation Issues</b>		
Croda International	29,000	27,995
Intercontinental Hotels	46,640	38,866
UBM	94,184	83,716
Intermediate Cap	70,294	62,482

# Pension Fund Committee

**Dorset County Council**



Date of Meeting	24 November 2016
Officer	Pension Fund Administrator
<b>Subject of Report</b>	<b>Global Equities Managers Report</b>
Executive Summary	The purpose of this report is to update the Committee on the performance of the Fund’s Global Equities Managers as at the end of the second quarter of the 2016/17 Financial Year to 30 September 2016.
Impact Assessment:	Equalities Impact Assessment: N/A
	Use of Evidence: N/A
	Budget: N/A
	Risk Assessment: The Fund assesses the risks of its investments in detail, and considers them as part of the strategic allocation. In addition, risk analysis is provided alongside the quarterly performance monitoring when assessing and reviewing fund manager performance.
	Other Implications: None

Recommendation	<p>That the Committee :</p> <p>i) Review and comment upon the performance of the Fund’s Global Equities managers.</p>
Reason for Recommendation	<p>To ensure that the Fund has the appropriate management arrangements in place and are being monitored.</p>
Appendices	<p>None</p>
Background Papers	<p>Quarterly manager reports.</p>
Report Originator and Contact	<p>Name: David Wilkes          Tel: 01305 224119          Email: d.wilkes@dorsetcc.gov.uk</p>

## 1. Background

- 1.1 With effect from mid December 2015, the Fund replaced its then two global equities managers, Pictet Asset Management and Janus Intech, with three new managers, Allianz Global Investors, Investec Asset Management and Wellington Investment Management.

## 2. Valuation

- 2.1 The table below summarises the valuations for the three managers as at 1 April 2016 and 30 September 2016.

	<b>Allianz</b>	<b>Investec</b>	<b>Wellington</b>	<b>Total</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Valuation 01-Apr-16	227,083	166,965	166,341	560,389
Investment	-	-	-	-
Distribution	(20,000)	(15,000)	(20,000)	(55,000)
Increase in Valuation	33,202	21,007	35,777	89,986
Valuation 30-Sep-16	240,285	172,972	182,118	595,375

- 2.2 No additional investment has been made with the three managers this financial year. At the last meeting of the Pension Fund Committee it was agreed to redeem £20M from Allianz, £20M from Investec, and £15M from Wellington. These redemptions have now been received in full.

## 3. Performance

- 3.1 The table below summarises the performance for each manager in absolute terms and compared to their respective benchmarks for the quarter, the financial year and since inception to 30 September 2016.

	<b>Allianz</b>	<b>Investec</b>	<b>Wellington</b>
<b>Quarter</b>			
Performance	8.2%	8.8%	8.8%
Benchmark	7.9%	7.9%	8.0%
Relative	0.3%	0.9%	0.8%
<b>Financial Year to Date</b>			
Performance	14.7%	16.2%	18.6%
Benchmark	17.2%	17.2%	17.6%
Relative	-2.5%	-1.0%	1.0%
<b>Since Inception (Dec-2015)</b>			
Performance	18.6%	18.2%	21.9%
Benchmark	19.8%	21.5%	23.8%
Relative	-1.2%	-3.3%	-1.9%

- 3.2 All three managers have returned high absolute returns over the three periods measured. All three managers have exceeded their benchmarks over the quarter, but Wellington is the only manager to have exceeded its benchmark over the financial year to date. All three managers are below their benchmarks since inception (December 2015).

## 4. Market Review (from the Allianz report)

- 4.1 Global equities rallied over the quarter, recovering from a sharp sell-off at the end of June following the UK's unexpected referendum result. Signs of improvement in China's economy also supported share prices. The information technology sector led the advance, and the financials, materials, consumer discretionary and industrials sectors also posted meaningful gains. However, after robust returns in the first half of the year, more defensive sectors, such as consumer staples, telecommunication services and utilities, retreated as investors rotated into more cyclical stocks.
- 4.2 US equities rallied modestly over the quarter, with the S&P 500 Index touching new record highs, helped by better-than-forecast company earnings and generally supportive economic news. However, some weak economic data reports weighed on the market in September, as did an increasing focus on November's presidential election.
- 4.3 European equities advanced over the quarter, as they continued to recover from their sharp sell-off in the wake of Brexit. Returns at a country level were mixed, with Germany posting robust gains while Denmark retreated. Japanese equities overcame disappointing economic news to deliver robust returns over the quarter, boosted by stimulus measures from both the government and the Bank of Japan. However, the strength of the yen continued to present headwinds, with surveys of manufacturing activity continuing to fall, while the purchasing managers' index of service sector activity fell below 50 in August, also indicating a contraction.
- 4.4 Emerging market equities delivered robust returns over the quarter, with the MSCI Emerging Markets Index touching its highest level in over a year in September. All three regions gained, with Asia leading the advance, followed by Latin America and then Eastern Europe.

### **Manager Commentaries**

#### **5. Allianz**

- 5.1 The mandate outperformed its benchmark by 30bps over the third quarter with broadly equal contributions from all investment styles. Portfolio construction and successful stock selection in Consumer Discretionary, Financials and IT contributed to outperformance.
- 5.2 The quarter turned out to be decisively 'risk-on' (that is, conditions where assets considered to be high risk tend to perform well), which helped higher 'beta' investment styles like value and small caps (that is, investments inherently more volatile than the market). The investment style 'value', Allianz's most prominent investment style, outperformed the index strongly by 3.9%, making a significant contribution to the portfolio's relative performance. This risk-on environment was detrimental for lower beta investment styles like high 'quality' and stable 'growth', and also for trend following investment styles like price 'momentum' or 'earnings revisions' that currently exhibit a lower beta profile. Performance of value and trend-following strategies in the quarter was essentially the opposite of the performance seen in the previous quarter ending 30 June 2016.
- 5.3 Trend following investment styles like price momentum strategies, earnings revisions strategies and stable growth strategies have struggled in the quarter, which whilst they detracted from performance did not offset the gains from investment style value, making this a positive quarter for the mandate.
- 5.4 2016 has been a challenging year for global style investors. This can be seen in the relative performance of global investment styles vs the MSCI Index, as well as in the returns of the MSCI factors themselves.

## **6. Investec**

- 6.1 The portfolio generated positive absolute returns over the quarter, as well as beating its comparison index on the back of positive stock selection. Key positive sectors included the industrial, consumer staples and real estate sectors, while the healthcare, energy and telecommunication services sectors generally lagged behind. For the first time since the second quarter of 2015, the performance of Investec's 4Factors in the market proved to be a tailwind to portfolio performance, rather than a headwind. This was largely due to the abovementioned rebound in the Value factor over the quarter, to which the portfolio has a positive skew.
- 6.2 eBay was a top performer in the third quarter, as the company released a positive set of results that proved it could continue to grow its revenue and profitability. The semiconductor segment advanced on the back of positive demand from smartphones following the iPhone 7 launch, supporting the holding in NXP Semiconductor, a company further boosted by merger and acquisition rumours. Hewlett Packard benefited from on-going corporate restructuring, while German multi-national enterprise software giant SAP also advanced on the back of a solid earnings report. In contrast, not holding Amazon and an underweight position in Apple held back relative returns – Amazon reported positive earnings, while Apple's launch of the iPhone 7 was taken positively.
- 6.3 Industrial stocks rallied on the back of positive sentiment and a sharp recovery following the Brexit turmoil earlier in the quarter. Within the sector, Komatsu and Siemens added to returns. Siemens' share price rallied after it announced better-than-expected quarterly results following strong performance at its energy businesses. The company also raised its profit guidance.
- 6.4 The overweight position in HeidelbergCement rallied strongly throughout the quarter as it continued to divest underperforming divisions and was buoyed by positive market sentiment towards its takeover of Italian competitor Italcementi. Thor Industries, the world's largest manufacturer of recreational vehicles, advanced on the back of strong demand from younger buyers.
- 6.5 The overweight position in oil exploration and production company Hess Corporation was one of the largest single stock detractors on oil price volatility and squeezed margins, which resulted in lowered analyst ratings. However, not holding Exxon Mobil helped as the stock fell along with the wider sector. BT Group also weighed on returns, suffering from poor sentiment following Brexit and criticism over its Openreach division, which runs the UK's broadband infrastructure.
- 6.6 Pfizer and Teva Pharmaceutical both suffered on the back of pricing concerns in the US. Pfizer also stepped away from a potential breakup, which was taken negatively by the market. However, not holding Bristol-Myers Squibb in the sector helped support relative returns. US regional gas and electric utility Public Service Enterprise Group saw its stock suffer as the market rotated out of defensive utility stocks – the stock remains attractively priced as a result.

## **6. Wellington**

- 7.1 During the quarter, the Global Research Equity portfolio outperformed the MSCI World Index. Stock selection within energy and industrials were the primary contributors to relative outperformance, while the portfolio's holdings in health care and utilities weighed on results.
- 7.2 In industrials, transportation companies helped drive portfolio returns for the quarter. XPO Logistics, a multiservice transportation and logistics company, reported record

second quarter profit as its e-commerce business surged. As a result, the company saw a meaningful increase in its share price.

- 7.3 In industrials, transportation companies helped drive portfolio returns for the quarter. XPO Logistics, a multiservice transportation and logistics company, reported record second quarter profit as its e-commerce business surged. As a result, the company saw a meaningful increase in its share price.
- 7.4 The technology and hardware industry was another bright spot for the portfolio this quarter. Seagate Technology, a provider of electronic data storage, posted strong double digit returns as capacity growth showed signs of strengthening and a restructuring plan aimed at improving gross margins took hold. Arista Networks, a leader in software-driven cloud networking solutions for large data centres, was also a strong portfolio contributor. The company continues to gain market share and reported earnings ahead of Wall Street estimates.
- 7.5 In terms of detractors, security selection in health care, primarily within the pharmaceutical and biotech industry, continued to weigh on relative returns. Bristol-Myers Squibb, a US-based biopharmaceutical company, declined after releasing disappointing results from its clinical trial for Opdivo as a monotherapy for the treatment of first-line lung cancer. Despite short-term weakness, Wellington continue to believe the company's combination strategies and its pipeline of products will result in strong future growth.
- 7.6 Bristol-Myers Squibb's (BMY) disappointing clinical results negatively impacted another health care holding, Japan-based Ono Pharmaceutical, as Ono has regional rights to BMY's Opdivo drug. The company's share price was already under pressure after Japan's Health Ministry announced plans to update guidelines on the use of some expensive drugs in Japan, beginning with Ono's Opdivo.

**Richard Bates**  
**Pension Fund Administrator**  
November 2016